

**PERTH AND KINROSS COUNCIL****Audit Committee****22 November 2017****INTERNAL AUDIT UPDATE****Report by the Chief Internal Auditor****PURPOSE OF REPORT**

This report presents a summary of Internal Audit's work against the 2017/18 annual plan.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor reports periodically to the Audit Committee on internal audit activity and on performance relative to the approved plan.
- 1.2 Work has continued on assignments included within the Internal Audit Plans for 2017/18, as approved by Audit Committee in April 2017 (report 17/150) and September (report 17/312).
- 1.3 Since April 2017, Internal Audit has been contacted on 11 occasions to provide advice, assurance and / or assistance to services regarding specific issues. Internal Audit will follow up on these areas during the year, where necessary. This unplanned workload is contained within the resources allocated as part of the Internal Audit Planning process. The Audit Committee will be informed if there is any change to this situation.
- 1.4 There are changes in staffing within the Internal Audit team which will impact on Internal Audit's ability to deliver the Internal Audit plans approved by Audit Committee in April and September 2017. As such, these plans have been reviewed. Whilst it is anticipated that the majority of these plan can be delivered, two assignments have been identified where Internal Audit involvement will no longer add value and it is proposed that these assignments are removed from the Internal Audit Plans.
- 1.5 The first assignment which is proposed to be removed is 17-16 New Process Development within Education & Children's Services. This assignment was included in the Internal Audit Plan approved in April 2017. The subsequent Internal Audit Plan approved in September identified two specific areas within the Service with a focus on the provision of assurance, advice and guidance relating to new process development, these being 17-24 Early Learning and Childcare and 17-30 Commissioning Strategy.
- 1.6 The second assignment which is proposed to be removed from the Internal Audit Plan is 17-31 General Outcome Focussed Assessment (GOFA). An

assurance review of GOFA has been undertaken and the assignment which is proposed to be removed relates to the provision of advice and support to the Business Improvement Team in developing improvements to the automation of the GOFA process. Consideration will be given to including some work in this area for future Internal Audit Plans in line with the risk-based methodology in place for devising future plans.

- 1.7 Internal Audit works in collaboration with Highland Council to deliver audits where a higher level of IT audit skills are required than are held within the team. A specialist IT auditor is currently on site delivering the audit on the Northgate Housing system. Reports arising from this work will be considered by Audit Committee in line with all Internal Audit Reports on Council activity.
- 1.8 Internal Audit has continued to work with colleagues in NHS Tayside to support the Audit and Performance Committee of the Integrated Joint Board. In addition, Internal Audit has continued to facilitate the National Fraud Initiative to ensure that Services are investigating relevant data matches appropriately. A separate report will be provided to the next Audit Committee on the outcomes for this exercise.
- 1.9 Appendix A details those assignments where work has been completed since the last report to the Audit Committee. Where appropriate, Internal Audit Reports for these assignments will be presented to the Audit Committee.
- 1.10 Appendix B shows a summary of each audit previously approved as part of the 2017/18 plan, along with the date that the outcome has been considered by Audit Committee.

## **2. OUTCOMES FROM CONSULTANCY WORK**

- 2.1 Within Appendix A, there are a number of assignments which were identified as 'consultancy' within the Internal Audit Plan (reports 17/150 and 17/312 refer). Following approval from the Audit Committee of a revised reporting process for consultancy assignments (report 16/306 refers), this report provides a summary of the completed work with regard to such assignments, where appropriate.
- 2.2 The scope of 17-15 Community Empowerment was to provide a consultancy resource to support the process. Internal Audit has worked with the Service and reviewed documentation and highlighted that there is scope for the Service to review published information regarding Outcome Delivery Groups and consider progressing a Community Planning Constitution which may assist in clarifying the role and remit of relevant parties. The Service has indicated that any further consultancy in this area would be more beneficial in 2018/19, by which point working arrangements in relation to the new Community Plan, Outcome Delivery Group work and Local Action Plans will be more embedded. This assignment is therefore complete and the area will be considered for inclusion in future Internal Audit plans.

- 2.3 The scope of assignment 17-18, Contract Rules, was to review the Contract Rules prior to their publication with a view to ensuring their adequacy. This review will also form part of the evidence for the review of Corporate Governance which is undertaken to support the year end reporting. This assignment is complete.
- 2.4 The outcomes from consultancy assignments are taken into consideration when considering the Internal Audit universe, from which future Internal Audit plans are derived.

### **3 FINANCIAL ASSESSMENT AND CHARGING FOLLOW UP**

- 3.1 Work is continuing on assignment 17-07 Financial Assessment and Charging Follow Up. In September 2016, the Audit Committee requested that an extended follow up of assignment 16-07 Financial Assessment and Charging be undertaken and a report on the implementation of actions be provided to a future meeting of the Committee. Internal Audit has reviewed the actions agreed as part of the 16-07 report and has concluded that many of the control issues highlighted have not been addressed. In addition, where evidence of implementation of agreed actions has been provided to Internal Audit, these controls were not fully implemented or continued.
- 3.2 The Service has commissioned a wholesale review of the financial assessment and charging arrangements and has requested the assistance of Internal Audit. Therefore it is proposed to provide Audit Committee with a full report of this extended follow-up at the conclusion of this review, which is anticipated to be in mid 2018.

### **4. CONCLUSION AND RECOMMENDATIONS**

- 4.1 This report presents a summary of Internal Audit's work against the 2017/18 annual plan.
- 4.2 It is recommended that the Committee:
- 4.2.1 notes the progress of work against the plan for 2017/18;
- 4.2.2 approves the removal of assignments 17-16 New Process Development, and 17-31 GOFA, from the Internal Audit Plans for 2017/18, as detailed in section 1.5 to 1.7 of this report;
- 4.2.3 notes the outcome from consultancy work; and
- 4.2.4 notes that Internal Audit will continue to engage with Housing & Community Safety to deliver improvements in the management of the financial assessment and charging function and will provide Audit Committee with a full report on the extended follow up of 16-07 in mid 2018.

#### **Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
Jackie Clark	Chief Internal Auditor	<a href="mailto:LegalServices@pkc.gov.uk">LegalServices@pkc.gov.uk</a>

If you or someone you know would like a copy of this document in another language or format, (on occasion, only a summary of the document will be provided in translation), this can be arranged by contacting the Customer Service Centre on 01738 475000.

You can also send us a text message on 07824 498145.

All Council Services can offer a telephone translation facility.

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
<b>Resource Implications</b>	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
<b>Assessments</b>	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
<b>Consultation</b>	
Internal	Yes
External	None
<b>Communication</b>	
Communications Plan	None

### 1. Strategic Implications

#### 1.1 Corporate Plan

- 1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

- 1.1.2 This report relates to all of these objectives.

### 2. Assessments

#### 2.1 Equality Impact Assessment

- 2.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

- 2.1.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

## 2.2 Risk

- 2.2.1 The risks are associated with the level of assurance provided on the control environment in the event that Internal Audit's planned work is not completed on time.

## 3. **Consultation**

### 3.1 Internal

- 3.1.1 The Chief Executive and Head of Finance have been consulted in the preparation of this report.

## 2. **BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

## 3. **APPENDICES**

Appendix A – Audit Activity Completed Since The Last Report To Audit Committee

Appendix B – Progress With Assignments Approved In The Internal Audit Plan for 2016/17