

## PERTH AND KINROSS COUNCIL

## Audit Committee

22 March 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 2016/17 annual plan. It also summarises the outcome of consultancy assignments and additional work undertaken by Internal Audit, where appropriate.

**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 Plan for 2016/17. In addition, preparations are underway for the 2017/18 Internal Audit Plan.
- 1.3 Since April 2016, Internal Audit has also been involved with nine areas of unplanned activity. Of these assignments, one remains outstanding and eight have been concluded without any further action required. Internal Audit's unplanned workload is within the resources allocated as part of the Internal Audit Planning process and there are currently no implications from this additional work on the completion of the Internal Audit Plan for 2016/17. However, this work has an impact on the ability to complete work in accordance with the original schedule. The Audit Committee will be informed if there is any change to this situation.
- 1.4 Internal Audit has completed work connected with the certification of the Bus Service Operators Grant, assignment 16-29. As there are no control issues arising from this, no report will be provided.
- 1.5 Internal Audit has continued to work with colleagues from NHS Tayside to support the Audit and Performance Committee of the Integrated Joint Board.
- 1.6 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.
- 1.7 Appendix B shows a summary of each audit previously approved as part of the 2016/17 plan, along with the stage of progress for each assignment. The indicative date for the Audit Committee to consider the report is recorded. The achievement of these scheduled dates is dependent upon the level of unplanned investigation work and engagement with Services.

- 1.8 Appendix C details areas of work which are in addition to the approved Internal Audit Plan for 2016/17 arising from either Service requests for assistance or from investigatory work.

## **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 (report 16/156 refers). Following approval from the Audit Committee in June 2016 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 indicative scope of the 16-12 Procurement assignment was to ensure that arrangements are in place to secure value for money through procurement activity. The Council has undertaken extensive work through the Procurement & Commercial Improvement Programme (PCIP) assessment process. Internal Audit has verified that there is an improvement plan to address the outcomes of this process, which includes value for money elements, and this addresses the areas highlighted by the PCIP for improvement. The actions have completion dates over a number of years and future Internal Audits will review progress with the implementation of the action plan.
- 2.3 The indicative scope of the 16-32 Child's Plan assignment was to provide assurance over the arrangements in place for the implementation of the Childs Plan in line with requirements arising from the Children and Young People (Scotland) Act 2014. This work is to be undertaken in two strands in the current year and in 2017/18. The work completed in 2016/17 has laid the foundations for future work and Internal Audit will be working with the Service to develop robust arrangements with newly appointed officers.
- 2.4 The indicative scope of the 16-34 assignment was to provide a resource to support the review of the governance arrangements for Tayside Contracts. This review is continuing into 2017/18 and an allocation of resources is considered as part of the 207/18 Internal Audit Plan.
- 2.5 The indicative scope of the 16-35 Transformation assignment was to provide consultancy resources to support the transformation agenda. Internal Audit has maintained an overview of the overall progress within the year and a separate report on Transformation is due to be considered at the next meeting of the Audit Committee.
- 2.6 The indicative scope of the 16-36 Corporate Governance review was to provide a resource to support continued review of governance arrangements. Internal Audit has worked closely with the Head of Legal and Governance Services in providing support and challenge through the Annual Governance Statement process and also supported the review of corporate risk management. There will be a continued role for Internal Audit in these and other governance areas and the Internal Audit Plan 2017/18 reflects this.

- 2.7 The indicative scope of the 16-38 Housing Technology Improvement Plan (HTIP) assignment was to provide advice, support and guidance through the HTIP project. The outcomes from this review will assist the Service in aligning more closely with the aims and objectives of the corporate IT framework.

### **3. OUTCOMES FROM ADDITIONAL WORK**

- 3.1 As a result of three separate whistleblowing incidents (assignments 16-45, 16-47 and 16-48), investigations have taken place within Services. From these investigations, there have been no specific areas of concern which have highlighted deficiencies in the control environment. Therefore no further Internal Audit action will be undertaken in these areas.
- 3.2 The outcomes from all unplanned work are taken into account when considering the Internal Audit universe, from which future Internal Audit plans are derived.

### **4. INTERNAL AUDIT PLAN 2017/18**

- 4.1 Internal Audit undertakes an annual review of the risks to the Council achieving its objectives prior to agreeing an Internal Audit Plan for the year. The Internal Audit Plan for 2017/18 is currently being considered.
- 4.2 The Strategic Policy and Resources Committee recently considered a report on Risk Management (report 17/63 refers). The Council's framework for managing risk is being developed and embedded throughout all Services. As such, there is an opportunity to prioritise Internal Audit's work in line with these developments.
- 4.3 In addition, the arrangements for establishing the Council's Annual Governance Statement have changed over the year and continue to develop. The outcomes from this process for 2017/18 may identify areas where Internal Audit should focus resources in order to ensure that an appropriate level of assurance can be sought.
- 4.4 In order to allow time for further consideration of an initial 6 month plan for 2017/18, which will allow for further consultation arising from the above risk and governance processes, it is proposed to bring a fuller plan to a future meeting of the Audit Committee. A plan covering the remainder of the financial year 2017/18 will be submitted to a future meeting of the Audit Committee.
- 4.5 From the analysis already undertaken, assignments have been identified which Internal Audit will undertake initially during 2017/18. Those assignments which will be the priority for commencement during April 2017 are included in Appendix D.

## 5. CONCLUSION AND RECOMMENDATIONS

- 5.1 This report presents a summary of Internal Audit's work against the 2016/17 annual plan, along with the outcomes from consultancy and additional work undertaken by Internal Audit. It is currently anticipated that the 2016/17 Internal Audit Plan will be completed within the year.
- 5.2 It is recommended that the Committee:
- 5.2.1 notes the progress of work against the plan for 2016/17;
  - 5.2.2 notes the outcomes from consultancy work completed since the last Audit Committee;
  - 5.2.3 notes the outcomes from additional work; and
  - 5.2.4 approves the proposed work plan for Internal Audit until a fuller plan is available for consideration at a future meeting.

### Author(s)

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

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## 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

Appendix C – Progress With Assignments Not Included In The Internal Audit Plan for 2016/17

Appendix D – Initial Work Programme for Internal Audit in 2017/18

## INTERNAL AUDIT UPDATE

## Audit Activity Completed Since The Last Report To Audit Committee

<b>Audit No.</b>	<b>Audit Title</b>	<b>Service</b>
16-12	Procurement*	Corporate
16-13	Performance & Capacity Management	Corporate & Democratic Services
16-18	Housing Rents	Housing & Community Care
16-19	Rent Arrears	Housing & Community Care
16-29	Bus Service Operators Grant April-September 2016*	The Environment Service
16-32	Childs Plan*	Education & Children's Services
16-34	Tayside Contracts*	The Environment Service
16-35	Transformation*	The Environment Service
16-36	Corporate Governance*	Corporate & Democratic Services
16-38	Housing Technology Improvement Plan*	Housing & Community Safety
16-45	Whistleblowing*	The Environment Service
16-47	Whistleblowing*	The Environment Service
16-48	Whistleblowing*	The Environment Service

\* No report required for this assignment (see sections 2 and 3 of this report)





**Progress With Assignments Approved In The Internal Audit Plan for 2016/17 as at February 2016**

<b>Audit No.</b>	<b>Audit Title</b>	<b>Original Anticipated Audit Committee</b>	<b>Assignment brief approved</b>	<b>Factual accuracy confirmed</b>	<b>Draft Report issued</b>	<b>Final Report issued</b>	<b>Audit Committee Date ^</b>
16-01	Debt Recovery & Write Off	Sep 2016	23 August 2016	7 December 2016	15 December 2016	10 January 2017	<b>February 2017</b>
16-02	Credit Cards	Sep 2016	6 Apr 2016	19 May 2016	21 July 2016	16 September 2016	<b>September 2016</b>
16-03	Sales Ledger	Sep 2016	17 August 2016	20 October 2016	21 October 2016	31 October 2016	<b>November 2016</b>
16-04	SWIFT	Feb 2017	8 February 2017	24 February 2017			April / June 2017
16-05	Information Sharing	Sep 2016	20 Apr 2016	25 May 2016	7 June 2016	24 August 2016	<b>September 2016</b>
16-06	Financial Management of All-Through Schools: (a) Fairview School (b) St. John's Academy	Sep 2016	26 May 2016	17 August 2016	17 August 2016	(a) 24 August 2016 (b) 24 August 2016	(a) <b>September 2016</b> (b) <b>November 2016</b>
16-07	Financial Assessment and Charging	Sep 2016	23 June 2016	14 July 2016	27 July 2016	26 August 2017	<b>September 2016</b>
16-08	Adult Protection	Sep 2016	12 Apr 2016	7 June 2016	9 June 2016	19 August 2016	<b>September 2016</b>
16-09	Housing Options	Nov 2016	10 May 2016	9 August 2016	9 August 2016	24 August 2016	<b>September 2016</b>

<b>Audit No.</b>	<b>Audit Title</b>	<b>Original Anticipated Audit Committee</b>	<b>Assignment brief approved</b>	<b>Factual accuracy confirmed</b>	<b>Draft Report issued</b>	<b>Final Report issued</b>	<b>Audit Committee Date <sup>^</sup></b>
16-10	Charging for Services	Feb 2017	28 October 2016	22 December 2016	22 December 2016	22 December 2016	February 2017
16-11	Management of Relationship with Horsecross	Nov 2016	8 November 2016	16 December 2016	22 December 2016	6 January 2017	February 2017
16-12	Procurement	Nov 2016	February 2017	1 February 2017	1 February 2017	1 February 2017	March 2017
16-13	Performance & Capacity Management	Sep 2016	14 February 2017	24 February 2016	24 February 2017	2 March 2017	March 2017
16-14	Named Person Follow Up	Feb 2017	Not applicable	Not applicable	Not applicable	Not applicable	Removed (Report 16/518 refers)
16-15	Fuel Management	Jun 2016	22 Apr 2016	19 May 2016	19 May 2016	31 May 2017	June 2016
16-16	Transformation	Feb 2017	February 2017				April / June 2017
16-17	Pupil Support	Nov 2016	22 November 2016	8 December 2016	15 December 2016	6 January 2017	February 2017
16-18	Housing Rents	Feb 2017	19 September 2016	21 February 2017	21 February 2017	6 March 2017	March 2017
16-19	Rent Arrears	Feb 2017	10 January 2017	21 February 2017	21 February 2017	6 March 2017	March 2017
16-20	LEADER	Feb 2017	7 December 2016	22 December 2016	22 December 2016	11 January 2017	February 2017

<b>Audit No.</b>	<b>Audit Title</b>	<b>Original Anticipated Audit Committee</b>	<b>Assignment brief approved</b>	<b>Factual accuracy confirmed</b>	<b>Draft Report issued</b>	<b>Final Report issued</b>	<b>Audit Committee Date ^</b>
16-21	Property Maintenance	Nov 2016	10 August 2016	9 September 2016	13 September 2016	31 October 2016	<b>November 2016</b>
16-22	Roads Maintenance Partnership	Feb 2017	4 January 2017	23 February 2017	1 March 2017		April/June 2017
16-23	Personalisation	Feb 2017	6 February 2017	16 February 2017	16 February 2017		<b>March 2017</b>
16-24	Commissioned Services: Care At Home	Mar 2017	6 February 2017				April / June 2017
16-25	Parking Services	Mar 2017	7 December 2016	21 February 2017	21 February 2017	27 February 2017	<b>March 2017</b>
16-26	Health & Social Care Partnership – Integrated Joint Board	Mar 2017	Commissioned and reported directly to the Integrated Joint Board				
16-27	Events and Festivals	Mar 2017	14 February 2017				April / June 2017
16-28	BSOG October - March 2016 Grant Claim	Not Applicable	25 May 2016	Not applicable	Not applicable	Not applicable	Not applicable
16-29	BSOG April - September 2016 Grant Claim	Not applicable	25 May 2016	25 January 2017	25 January 2017	25 January 2017	No report anticipated
16-30	Cycling Walking Safer Streets Grant Claim	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16-31	Superconnected Cities Grant Claim	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16-32	Childs Plan	Feb 2017	February 2017	1 March 2017	1 March 2017	1 March 2017	<b>March 2017</b>

<b>Audit No.</b>	<b>Audit Title</b>	<b>Original Anticipated Audit Committee</b>	<b>Assignment brief approved</b>	<b>Factual accuracy confirmed</b>	<b>Draft Report issued</b>	<b>Final Report issued</b>	<b>Audit Committee Date <sup>^</sup></b>
16-33	European Social Fund	Nov 2016	7 December 2016	21 December 2016	22 December 2016	22 December 2016	<b>February 2017</b>
16-34	Tayside Contracts	Mar 2017	Ongoing	23 February 2017	23 February 2017	23 February 2017	<b>March 2017</b>
16-35	Transformation	Mar 2017	Ongoing	23 February 2017	23 February 2017	23 February 2017	<b>March 2017</b>
16-36	Corporate Governance	Mar 2017	Ongoing	23 February 2017	23 February 2017	23 February 2017	<b>March 2017</b>
16-37	Universal Credit	Sep 2016	19 October 2016	8 December 2016	5 January 2017	5 January 2017	<b>February 2017</b>
16-38	Housing Technology Implementation Plan	Mar 2017	14 February 2017	8 March 2017	8 March 2017	8 March 2017	<b>March 2017</b>

<sup>^</sup> Dates in bold are when reports have been considered by Audit Committee. Other dates are the current anticipated dates for consideration by Audit Committee where this differs from the originally anticipated date.

It is not anticipated that reports will be required to be issued for the certification of grant claims. Reports will only be issued where weaknesses in controls are identified which require action.

### Progress With Assignments Not Included In The Internal Audit Plan for 2016/17

Ass No.	Assignment Description	State of progress	Draft Report issued	Final Report issued	Audit Committee Date
16-40	Bereavement Services	Completed	Not applicable	Not applicable	Not applicable
16-41	Housing & Community Care Internal Controls	Ongoing			
16-42	Housing & Community Care Repairs and Improvements Service	Completed	Not applicable	Not applicable	Not applicable
16-43	Whistleblowing – Corporate & Democratic Services	Completed	Not applicable	Not applicable	Not applicable
16-44	TES correspondence	Completed	Not applicable	Not applicable	Not applicable
16-45	Whistleblowing – The Environment Service	Completed	Not Applicable	Not applicable	Not applicable
16-46	ECS advice	Completed	Not applicable	Not applicable	Not applicable
16-47	Whistleblowing – the Environment Service	Completed	Not applicable	Not applicable	Not applicable
16-48	Whistleblowing – The Environment Service	Completed	Not Applicable	Not applicable	Not applicable

When additional work is undertaken during the year, a report will only be issued where the review highlights areas for improvement in the control environment or significant risks.



### The Internal Audit Plan Commencing April 2017

Service	Division	Title	Indicative Scope	Internal Audit Priority rating	Total days	Quarter
Internal Audit Assignments						
Housing & Community Care	Adult Social Work and Social Care	General Outcome Focussed Assessment	To provide assurance over the process improvements being identified for the assessment of outcomes for social care.	High	25	1 & 2
Education & Children's Services	Education Services	Financial Management of Secondary Schools	To review arrangements in place for the financial administration of 2 secondary schools	Medium	20	1
The Environment Service	Performance & Resources	Capital Programme	To provide assurance over the adequacy of arrangements in place to support the delivery of the capital programme	High	30	1
Consultancy Assignments						
Education & Children's Services	Children & Family Services	Child's Plan	To provide assurance over the arrangements in place for the implementation of the Childs Plan in line with requirements arising from the Children and Young People (Scotland) Act 2014	Medium	15	1
Corporate	All Services	Corporate Risk Management	To support Services with embedding adequate arrangements in line with the approved risk management policy and strategy.	High	25	Ongoing
Corporate	Legal & Governance Services	Corporate Governance	To provide resources to support and challenge the annual governance process	Medium	20	Ongoing

