

PERTH AND KINROSS COUNCIL

Audit Committee

1 February 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.
- 1.3 Since April 2016, Internal Audit has also been involved with nine areas of unplanned activity. Of these assignments, three remain outstanding and six has 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 may 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 continued to work with colleagues from NHS Tayside to support the Audit and Performance Committee of the Integrated Joint Board.
- 1.5 In February 2014, the Audit Committee decided to take part in the Scottish Local Authority Chief Internal Auditors Group's validated self assessment model for the delivery of the External Quality Assessment, which is required by the PSIAS, by 2018. Perth and Kinross was matched with North Lanarkshire to validate their self assessment. Work has been undertaken on the validation and a report is being prepared for North Lanarkshire Council's Audit and Governance Panel. The validated External Quality Assessment is scheduled to take place on Perth & Kinross Council's Internal Audit service in 2017/18 by Edinburgh City Council.

- 1.6 Appendix A details those assignments where work has been completed since the last report to 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 assignment (report 16/306 refers), this report will provide a summary of the completed work with regard to such assignments, where appropriate.
- 2.2 The indicative scope of the European Social Fund (ESF) consultancy assignment was to provide assurance over the management of projects linked to funding from the ESF. This assignment has been completed. Internal Audit is satisfied that adequate and proportionate arrangements are being implemented, with relevant controls, in regards to projects linked to ESF funding. Assurance was gained through a review of documentation, interviews with the ESF Programme Officer and a review of verification work completed by the Scottish Government in November 2016.
- 2.3 The indicative scope of the Universal Credit assignment was to provide assurance over the controls in place for the roll out and mitigation of Universal Credit. Universal Credit became 'live' in Perth and Kinross in April 2016 and the volumes of those affected by this remains low as only those who are single and are making a new claim for benefit on the grounds that they are fit for work and satisfy other eligibility criteria are eligible to claim. Internal Audit is satisfied that there are appropriate controls in place. However, the Service remains vigilant with regard to the effect that Universal Credit will have when it is rolled out to other groups of claimants in the future.
- 2.4 The nature of the assignment undertaken in relation to Charging For Services has changed within the year. The indicative scope was to ensure that arrangements are in place throughout the council for charging for services. In place of this, Internal Audit has undertaken a supportive review of the work being undertaken by officers within The Environment Service in following up the recommendations of the Fifth Scrutiny Review, which was originally presented to the Scrutiny Committee in February 2015 (report 15/65 refers). Internal Audit has confirmed that a rolling programme of strategic level

reviews of charges is ongoing which will ensure implementation of the recommendations from the Scrutiny Review.

3. OUTCOMES FROM ADDITIONAL WORK

- 3.1 Additional work has been undertaken as a result of a whistleblowing incident regarding officers parking spaces. The work highlighted that a policy is in place for the allocation of car parking spaces. However the current allocations are to be reviewed as a result of the closure of office buildings connected with the Perth Office Programme. As a result, no further Internal Audit activity will be undertaken at this time.

4. CONCLUSION AND RECOMMENDATIONS

- 4.1 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.
- 4.2 It is recommended that the Committee:
- 4.2.1 notes the progress of work against the plan for 2016/17;
- 4.2.2 notes the outcomes from consultancy work completed since the last Audit Committee; and
- 4.2.3 notes the outcomes from additional work.

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

INTERNAL AUDIT UPDATE

Audit Activity Completed Since The Last Report To Audit Committee

Audit No.	Audit Title	Service
16-01	Debt Recovery and Write Off	All Services
16-10	Charging for Services*	The Environment Service / All Services
16-11	Management of Relationship with Horsecross	Corporate
16-17	Pupil Support	Education & Children's Services
16-20	LEADER	The Environment Service
16-33	European Social Fund*	The Environment Service
16-37	Universal Credit*	Housing & Community Care

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

Appendix B

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

Audit No.	Audit Title	Original Anticipated Audit Committee	Assignment brief approved	Factual accuracy confirmed	Draft Report issued	Final Report issued	Audit Committee Date [^]
16-01	Debt Recovery & Write Off	Sep 2016	23 August 2016	7 December 2016	15 December 2016	10 January 2017	February 2017
16-02	Credit Cards	Sep 2016	6 Apr 2016	19 May 2016	21 July 2016	16 September 2016	September 2016
16-03	Sales Ledger	Sep 2016	17 August 2016	20 October 2016	21 October 2016	31 October 2016	November 2016
16-04	SWIFT	Feb 2017					March 2017
16-05	Information Sharing	Sep 2016	20 Apr 2016	25 May 2016	7 June 2016	24 August 2016	September 2016
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	(a) September 2016 (b) November 2016
16-07	Financial Assessment and Charging	Sep 2016	23 June 2016	14 July 2016	27 July 2016	26 August 2017	September 2016
16-08	Adult Protection	Sep 2016	12 Apr 2016	7 June 2016	9 June 2016	19 August 2016	September 2016
16-09	Housing Options	Nov 2016	10 May 2016	9 August 2016	9 August 2016	24 August 2016	September 2016

Audit No.	Audit Title	Original Anticipated Audit Committee	Assignment brief approved	Factual accuracy confirmed	Draft Report issued	Final Report issued	Audit Committee Date ^
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					March 2017
16-13	Performance & Capacity Management	Sep 2016					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					March 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				February 2017
16-19	Rent Arrears	Feb 2017	10 January 2017				March 2017
16-20	LEADER	Feb 2017	7 December 2016	22 December 2016	22 December 2016	11 January 2017	February 2017
16-21	Property Maintenance	Nov 2016	10 August 2016	9 September 2016	13 September 2016	31 October 2016	November 2016

Audit No.	Audit Title	Original Anticipated Audit Committee	Assignment brief approved	Factual accuracy confirmed	Draft Report issued	Final Report issued	Audit Committee Date ^
16-22	Roads Maintenance Partnership	Feb 2017	4 January 2017				March 2017
16-23	Personalisation	Feb 2017					March 2017
16-24	Commissioned Services: Care At Home	Mar 2017					March 2017
16-25	Parking Services	Mar 2017	7 December 2016				March 2017
16-26	Health & Social Care Partnership – Integrated Joint Board	Mar 2017					March 2017
16-27	Events and Festivals	Mar 2017					March 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				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					March 2017
16-33	European Social Fund	Nov 2016	7 December 2016	21 December 2016	22 December 2016	22 December 2016	February 2017
16-34	Tayside Contracts	Mar 2017					March 2017
16-35	Transformation	Mar 2017					March 2017

Audit No.	Audit Title	Original Anticipated Audit Committee	Assignment brief approved	Factual accuracy confirmed	Draft Report issued	Final Report issued	Audit Committee Date [^]
16-36	Corporate Governance	Mar 2017					March 2017
16-37	Universal Credit	Sep 2016	19 October 2016	8 December 2016	5 January 2017	5 January 2017	February 2017
16-38	Housing Technology Implementation Plan	Mar 2017					March 2017

[^] 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.

Appendix C

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 – Staff Parking	Completed	Not applicable	Not applicable	Not applicable
16-44	TES correspondence	Completed	Not applicable	Not applicable	Not applicable
16-45	Whistleblowing – The Environment Service	Ongoing			
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	Ongoing			

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.