
Report to: Audit Committee

Date of Meeting: 07 February 2019

Subject: Internal Audit Progress Report 2018/19

Report by: Internal Audit Manager

1.0 Purpose

- 1.1. This report provides an update on progress with completing the 2018/19 Internal Audit Plan.

2.0 Recommendations

- 2.1. The Committee is asked to note the report, commenting and challenging as appropriate, noting progress being made with completing the 2018/19 Internal Audit Plan.

3.0 Progress With Completing 2018/19 Internal Audit Plan

- 3.1. The Plan was agreed by Audit and Finance Committee on 15 March 2018. It set out eighteen assignments to be completed by the team during the year.
- 3.2. There has been one adjustment to the Plan. In agreement with the Strategic Director (Place), the review of Procurement – Waste Services will be deferred into 2019/20. The reason for this is to allow work to be undertaken on the detailed follow up of recommendations made during 2017/18 in relation to Fleet Management (Vehicle Management and Usage) as well as transactional testing of invoice processing and authorisation in that area.
- 3.3. Seventeen of the eighteen Internal Audit assignments have been started, or have been completed to draft or final report stage. A summary of progress is set out at Appendix 1. The scope and Executive Summary of each report finalised since the 11 October meeting of Audit Committee is at Appendix 2.
- 3.4. Definitions of the assurance categories used by Internal Audit are set out at Appendix 3.

4.0 Conclusions

- 4.1. The team continue to make good progress with 2018/19 Internal Audit work. This will contribute to a balanced and evidenced based year end opinion on arrangements for risk management, governance, and control.

5.0 Sustainability Implications

5.1. None noted

6.0 Resource Implications

6.1. *Financial Details*

6.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ✓

6.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes ✓

6.4. *Staffing*

7.0 Exempt Reports

7.1. Is this report exempt? Yes (please detail the reasons for exemption below) No ✓

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all ✓
Our families; children and young people will have the best possible start in life ✓
Women and girls will be confident and aspirational, and achieve their full potential ✓
Our communities will be resilient and empowered so that they can thrive and flourish ✓

(2) **Council Policies** (Please detail)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes No ✓

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ✓

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

- **Appendix 1:** Internal Audit Plan: Progress at 07 January 2019.
- **Appendix 2:** Summary of Findings from Assignments Complete to Final Report (Not Previously Reported to Committee).
- **Appendix 3:** Definition of Internal Audit Assurance Categories.

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Strategic Director Partnerships and Performance	
Nikki Bridle	Chief Executive	

Internal Audit Plan 2018/19 – Progress at 07 January 2019

Planned Assignments (as per 2018/19 Internal Audit Plan)			
	Service	Assignment	Status
1.	All Services	Continuous Auditing	In Progress – Ongoing ¹
2.	All Services	National Fraud Initiative	In Progress – Ongoing ¹
3.	Place	Climate Change Act Public Body Duties Audit	Final Report Issued – Substantial Assurance ¹
4.	People	Cash / Income Collection: <ul style="list-style-type: none"> • Scottish Welfare Fund; • Central Imprest Fund; • Kilncraigs Main Reception. 	Final Reports Issued
5.	All Services	Follow Up of Internal Audit Recommendations	In Progress - Ongoing
6.	All Services	Ad hoc / Consultancy Work	In Progress - Ongoing
7.	Clackmannanshire and Stirling IJB	Experience of Service Users / Patients / Unpaid Carers	Not Started
8.	Central Scotland Valuation Joint Board	<ul style="list-style-type: none"> • Business Continuity Planning • Freedom of Information Request Arrangements 	Draft Reports Issued
9.	People	Public Protection (Children) - Governance	In Progress
10.	All Services	Building Security (Operational Council Buildings)	Final Report Issued – No Assurance ¹
11.	Partnerships and Performance	PREVENT (Counter Terrorism) and Serious Organised Crime Readiness	Final Report Issued – Substantial Assurance
12.	Partnerships and Performance	Supplier Set Up and Supplier Bank Account Changes	Final Report Issued – Limited Assurance
13.	Partnerships and Performance	External Quality Assessment of Internal Audit Function	Reliance on Falkirk Council Internal Audit EQA Outcome – Broadly Compliant with Public Sector Internal Audit Standards
14.	Place	Health and Safety – Statutory Electrical Inspections	Draft Report Issued
15.	Partnerships and Performance	GDPR Readiness	Final Report Issued – Limited / Substantial Assurance

¹ Included at Appendix 2.

Planned Assignments (as per 2018/19 Internal Audit Plan)			
	Service	Assignment	Status
16.	All Services	Sickness Absence	Draft Report Issued
17.	Place	LED Streetlighting Project – Benefits Realisation	In Progress

Additional Assignment			
	Service	Assignment	Status
1.	Place	Fleet Services Follow Up and Transactional Testing	In Progress

Assignment Deferred			
	Service	Assignment	Status
1.	Place / Partnerships and Performance	Procurement – Waste Services	

Summary Of Key Findings Arising From Assignments Complete to Final Report (Not Previously Reported to Committee)

Assignment	Service	Assurance
Continuous Auditing	All Services	N/A – Ongoing Assurance
Scope	Final Report Executive Summary	
<p>This involves analysing Creditors payment file data (payments to suppliers of goods and services) to identify any potential duplicate payments.</p> <p>We use audit interrogation software to identify any matches on invoice date, invoice amount, and invoice number. We then check our initial results on TechOne to identify any cancelled payments; payments made to different suppliers; and duplicate payments that have already been identified and either cancelled or monies recovered.</p>	<p>For the period October 2017 to March 2018 we identified 24 potential duplicate payments, with a value c£21k.</p> <p>A further 20 potential duplicate payments, totalling c£16k, have been identified for the period March 2018 to September 2018.</p> <p>Details of all potential duplicate payments have been passed to the Chief Accountant for appropriate recovery action.</p>	

Assignment	Service	Assurance
National Fraud Initiative	All Services	Not Applicable
Scope	Final Report Executive Summary	
<p>The purpose of the NFI exercise is to review and investigate the outcomes of data matching undertaken by Audit Scotland on behalf of the Cabinet Office. Matches cover areas such as Payroll, Pensions, Housing and Council Tax Benefit, Council Tax Single Person Discount, and Creditors.</p> <p>The Internal Audit Manager acts as Key Contact for NFI, with responsibility for co-ordinating the process of ensuring that relevant matches are followed-up.</p>	<p>The 2016/17 NFI exercise is now closed.</p> <p>472 'Recommended' matches were released to Clackmannanshire Council for review and investigation (1,352 matches in total). Services investigated and closed 962 matches. No instances of fraud, and a total of 31 errors (with a total value of £37,690), were identified, with recovery underway.</p> <p>In addition to the core NFI exercise, Clackmannanshire Council participates in a related exercise designed to detect wrongly claimed Council Tax Single Person Discount. Since 01 April 2017, as a result of participation in this exercise (which matches Council Tax and Electoral Roll data), frauds or errors totalling c£11k were detected, with recovery action taken or underway.</p> <p>The 2018/19 NFI exercise is about to commence. The required data has been gathered from Services and uploaded via the secure on-line NFI application. The resultant data matches will be available for prioritisation and investigation from 31 January 2019.</p>	

Assignment	Service	Assurance
Climate Change Act Public Body Duties	Place	Substantial Assurance
Scope	Final Report Executive Summary	
<p>The Climate Change (Scotland) Act 2009 introduced the requirement for public bodies to report on their climate change duties. An Annual Report must be submitted to the Sustainable Scotland Network by 30 November, covering:</p> <ul style="list-style-type: none"> • Organisational Profile; • Governance, Management, and Strategy; • Corporate Emissions, Targets, and Project Date; • Adaptation; • Procurement; and • Validation and Declaration. <p>We undertook validation work on the Council's 2017/18 Annual Report.</p>	<p>We were able to provide Substantial Assurance on the Council's reporting arrangements and the accuracy of the information in the Annual Report.</p> <p>We did, however, suggest that target dates should be set for updating the Sustainability and Climate Change Strategy, establishing a Carbon Management Group, revising the Carbon Management Plan, and developing a Climate Change Adaptation Strategy.</p>	

Assignment	Service	Assurance
Building Security	All Services	No Assurance
Scope	Final Report Executive Summary	
<p>The purpose of this review was to evaluate and report on the adequacy of the controls in place to ensure that Clackmannanshire Council's operational buildings, and their contents, are secure.</p>	<p>We undertook unannounced visits to a sample of ten operational buildings. We reviewed the physical security measures in place at each building, together with local arrangements for monitoring, recording, reporting, and investigating security incidents. Our sample was selected to include varying types of occupancy (eg, staff, pupils, and elderly residents) and valuables (eg, assets, stock, and data).</p> <p>Whilst our unannounced visits provided us with insight into some of the more obvious physical security measures in place (eg, perimeter fences and secure door entry systems) and their effectiveness, there were elements where we relied on the operation of the controls that we were advised of at the time of our visit (eg, CCTV and Intruder Alarm arrangements).</p> <p>It should be highlighted that, after our visit to the first school, the janitor raised concerns about the visit and the nature of the questions asked. This resulted in the emergency response arrangements being invoked and, as a result, on the same day we were stopped at the third school we visited.</p> <p>We were, however, able to provide No Assurance on the adequacy of building security arrangements. We found there to be a number of significant weaknesses that require to be addressed, including:</p> <ul style="list-style-type: none"> • unauthorised entry was gained to eight operational buildings, several of which contained vulnerable persons. Access was gained through a variety of means, including unlocked doors, bypassing reception controls, and tailgating; • at a corporate level, no officer has overall responsibility for developing, disseminating, and enforcing building security standards; and • clear and comprehensive guidance is not available corporately setting out key security controls and the process for recording, investigating, and reporting security incidents / breaches. 	

Definition of Internal Audit Assurance Categories

Level of Assurance	Definition
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or abuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

