

REPORT TO: AUDIT AND PERFORMANCE REVIEW COMMITTEE ON 3 MARCH 2010

SUBJECT: REPORT ON THE WORK OF THE INTERNAL AUDIT SECTION IN THE PERIOD FROM 1st OCTOBER 2009 TO 31st DECEMBER 2009

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 This report advises committee on the work of the Internal Audit section for the period 1st October 2009 to 31st December 2009.
- 1.2 This report is submitted to Committee in terms of Section I (1 and 6) of the Council's Administrative Scheme relating to monitoring delivery of the audit service by Internal Audit.

2. RECOMMENDATION

- 2.1 **That Committee consider the contents of the report, seek clarification on any points arising, and otherwise note the report.**

3. BACKGROUND

- 3.1 Internal Audit sets out its planned programme of work on an annual basis, the programme being designed to provide assurance to Committee and Chief Officers of the Council that effective internal controls are introduced and maintained within the Council's systems and procedures.
- 3.2 In line with the audit plan approved at the meeting of this Committee on 8 April 2009, Internal Audit has continued its review of a range of topics at both strategic and operational levels, which will inform the annual controls assurance opinion to be provided by the Team Leader (Audit) at the end of the financial year.
- 3.3 Audit work in this quarter saw the completion of a comprehensive audit of hardware and software controls in ICT and an Executive Summary of the report together with an agreed action plan are attached as **APPENDIX 1**. Significant staff resource was allocated to a review of staff travel and subsistence and home care payroll but these projects have still to be concluded. Routine regularity testing of payroll and creditor payments also continued during the period.
- 3.4 A review of a social work financial assessment culminated with the attendance by Internal Audit at a Social Work Complaints Review Committee.

The complainant had challenged information used in a financial assessment prepared to determine care charges and the Director of Community Services had asked Internal Audit to independently review the information. The work involved liaison with the service and the complainant, and the development of a report on the circumstances of the case. The outcomes from the review were submitted to the meeting of the Health and Social Care Committee on 3 February 2010.

- 3.5 The Housing Benefit fraud team investigates circumstances where it is established that benefits have been claimed falsely. Guidance issued by the Department for Work and Pensions recommends that serious cases are recommended for prosecution whilst those of a lower order may incur an administrative caution (a warning) or an administrative penalty (in effect a payment based on the amount involved). Where a fraud officer recommendation is not in accordance with the Fraud Sanctions Policy the case is referred to Internal Audit for independent review. Two such cases were reviewed during the quarter.
- 3.6 The audit team has responsibility for the audit of the Grampian Valuation Joint Board and, following the recent appointment of a new Assessor, work has been done to assess how the Board complies with best practice governance arrangements promoted by CIPFA/SOLACE. The aim of this was two-fold; firstly, to form a view on how comprehensive the Board's management arrangements are, and secondly, to alert the new Assessor as to areas where a review and update of procedures may be appropriate. The guidance is aimed at Local Authorities which have a broader remit than the Board therefore care has been taken to ensure a proportionate approach has been taken. Work on this together with financial testing of Board transactions on behalf of the external auditor will be concluded in Quarter 4 and should provide the necessary assurance on the Board's financial controls for the 2009/10 year.
- 3.7 Work on risk management during the period has involved supporting the Corporate Management Team in the updating of the corporate risk register (reported to Policy and Resources Committee on 2 February 2010) and assisting in the development of a risk register for use by the community planning partnership. The interest in this latter project was to ensure the linkage was made between community planning risks and Council risks, given the overlapping priorities of the council and its partners through the Single Outcome Agreement. The retirement of the auditor supporting risk management has limited the resources available to cover this area of work; however with support of staff in business continuity it is intended to import the risk registers into software which also supports the monitoring of service plans which can be readily accessed and updated by service managers. Although at an early stage, this fits with the plan over time for Internal Audit to revert to monitoring of risk management arrangements with the responsibility for maintaining risk registers on a day to day basis reverting to service managers.
- 3.8 A complaint regarding the award of a contract was referred to internal audit for review. This disclosed a number of control issues relative to contract

procedures followed; nevertheless, internal audit was satisfied that the contract had been delivered as required by the contractor who had submitted the lowest tender. To address the disclosed procedural issues future similar contracts will be overseen by the procurement team. The complainant was not satisfied with the outcome of the audit and continues to pursue a complaint through the Council's complaints procedure.

- 3.9 The LEADER funding programme is subject to annual scrutiny by officers from the Scottish Government who require internal audit to review the council arrangements for monitoring allocation and use of these funds. Spend from LEADER in Moray is at an early stage with the first tranche of projects having been approved by the Local Action Group on which Councillors are represented, but no funds had been expended at the date of the review apart from administrative costs. Internal Audit affirmed the adequacy of procedures in place to ensure fairness and equity in awarding funding and prepared a report to this effect which has been accepted by the Scottish Government officers. This topic will require to feature as an annual review in future internal audit plans
- 3.10 Good governance activity in respect of partnership working continued with work being undertaken with Community Services to identify strategic partners. The review sought to distinguish between those organisations the council works with as partners at a strategic level and those engaged under contract. The significance of the distinction is that organisations delivering services under contract have their requirements, both inputs and outputs, defined in contract specifications but for the remainder there needs to be clarity as to how relationships and service delivery are managed. This work will link to a separate review being undertaken in quarter four of the performance management framework and how outputs from all service delivery models contribute to achievement of targets in the single outcome agreement, council priorities and service plans.

4. SUMMARY OF IMPLICATIONS

- (a) Single Outcome Agreement / Service Improvement Plan**
- (b) Policy and Legal**
- (c) Resources (Financial, Risks, Staffing and Property)**

In relation to (a) to (c) above the work of Internal Audit contributes towards ensuring plans are achieved, policies are consistently applied, and resources are used to best effect in the areas under review.

(d) Consultations

Service managers responsible for areas being audited are involved throughout the audit process in relation to their services. There have been no direct consultations in respect of this report.

5. CONCLUSION

5.1 A broad range of audit topics has been covered during the quarter ranging from scheduled audit work on corporate and service issues through to ad-hoc projects which provide an independent review of specific issues arising within Departments.

Author of Report: Atholl Scott, Team Leader (Audit)
Background Papers: Internal Audit files
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