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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 22 AUGUST 2018**

**SUBJECT: REPORT ON THE WORK OF THE INTERNAL AUDIT SECTION IN  
THE PERIOD FROM 1 JANUARY 2018 TO 31 MARCH 2018**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

**1. REASON FOR REPORT**

- 1.1 The report advises Committee on the work of the Internal Audit Section for the period from 1 January 2018 to 31 March 2018.
- 1.2 This report is submitted to Committee in terms of Section III (2) and (7) of the Council's Scheme of Administration relating to consideration of reports from the council's Internal Auditor and monitoring delivery of the audit service carried out by internal audit.

**2. RECOMMENDATION**

- 2.1 **That Committee consider the contents of this report, seeks clarification on any points noted and otherwise notes the report.**

**3. BACKGROUND**

- 3.1 This report provides details of the internal audit work concluded during the final quarter of the 2017/18 year and into the start of the current financial year; addressing slippage in the plan as a consequence of a staff vacancy
- 3.2 **Main Financial Systems – Housing Rents**
  - 3.2.1 This scheduled review was designed to provide assurances on the accuracy and completeness of rent accounting systems established to manage income collected of some £18 million annually across the council housing estate of some 6000 properties. Extensive testing disclosed well managed processes by officers in the rent accounting team. A copy of the Executive Summary and Audit Action Plan for this project is provided as **Appendix 1**.

### **3.3 Main Financial Systems – Procurement and Creditor Payments**

- 3.3.1 Throughout the year we sample payment invoices on an ongoing basis by extracting sample payments from the financial ledger and reviewing the costs incurred to ensure it is proper expenditure in terms of financial regulations, due and payable by the council. This process reviews a random sample of invoices, it also extracts multiple invoices with the same value as a check for duplicate payments, examines credit notes to establish the circumstances under which they have been issued, and also samples high value invoices which by definition are potentially higher risk. Our review of higher value invoices informed external audit testing in this area and there are no issues of concern to report.

### **3.4 Departmental Systems – Elgin High School**

- 3.4.1 In continuing our cyclical coverage of secondary schools, an audit was completed at Elgin High School. Good systems were evident in the school, the principal issue noted being that there is a need centrally to update school fund regulations to incorporate guidance on use of online banking which is increasingly prevalent across the school estate. The audit was welcomed by the school's management and staff and a copy of the Executive Summary and audit action plan showing recommendations made and management responses are provided as **Appendix 2**.

### **3.5 Departmental Systems – Cala Residential Centre**

- 3.5.1 The Internal Audit Manager visited the centre informally prior to its opening and was invited at the time to conduct an audit of the financial arrangements established once a settling-in period had taken place. The audit was undertaken under planned coverage on child care. A number of recommendations were made, the main issue being around use of purchasing cards, where although expenditures incurred were correct the regular use of cards by staff to facilitate the effective operation of the centre required improved management oversight. The Executive Summary and audit action plan for this project are given as **Appendix 3**.

### **3.6 Departmental Systems – Social Care Information Governance**

- 3.6.1 This project started out as a review of system user access rights and over time was extended into social care and how information is recorded both in children's services within the council and Adult Services now part of the Integration Joint Board. Both areas use similar systems for recording information on service users. A high degree of awareness of the requirement to collect and use data judiciously was evident, recognising the challenge of ensuring that all data collected has to be accessible to those who need it yet restricted to others in supporting roles. Not an area without its challenges and topical as a consequence of the coming into force of the General Data Protection Regulation, consensus was achieved by the respective heads of service to review processes and give consideration to the audit recommendations made. A copy of the Executive Summary and audit action plan for this project are provided as **Appendix 4**.

### **3.7 Risk Management**

- 3.7.1 During the period internal audit continued to support the corporate management team in the delivery of an updated corporate risk register and co-ordinated external support from the council's insurers to inform a multi-agency risk register for children's services. This work although not audit work per se, provides internal audit with an insight into what management considers are the significant risks which in turn informs the audit planning process.
- 3.7.2 The updated corporate risk register was presented to a meeting of Moray Council for consideration on 6 June 2018 (para 7 of the draft Minute refers).

### **3.8 Stocks and Stores**

- 3.8.1 An end of year requirement for the annual accounts is to confirm the value of stocks held by the council across various depots taking in fleet services, roads and lighting and housing by testing quantities held and unit pricing as disclosed on the stock valuation sheets. This work was satisfactorily completed.
- 3.8.2 Additionally similar work was carried out covering Occupational Therapy stocks of aids and adaptations for use by individuals with disabilities. The service is meantime installing a new stores system for controlling these stocks and a report on same will be provided to the October meeting of this committee.

## **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcome Improvement Plan (LOIP))**

Internal audit work supports good governance and the delivery of efficient services.

**(b) Policy and Legal**

No implications.

**(c) Financial Implications**

No implications directly arising from this report.

**(d) Risk Implications**

The independent review of selected systems and procedures mitigates the risks associated with inadequate or ineffective control procedures.

**(e) Staffing Implications**

No implications.

**(f) Property**

No implications.

**(g) Equalities/ Socio Economic Impacts**

No implications.

**(h) Consultations**

There have been no direct consultations during the preparation of this report.

**5. CONCLUSION**

**5.1 This report provides Committee with a summary of findings arising from audit project completed during the review period.**

Author of Report:	Atholl Scott
Background Papers:	Internal audit files
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