



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 29 JANUARY 2020

**SUBJECT: WORK OF THE INTERNAL AUDIT SECTION IN THE PERIOD
FROM 1 OCTOBER 2019 TO 31 DECEMBER 2019**

**BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND
ORGANISATIONAL DEVELOPMENT)**

1. REASON FOR REPORT

- 1.1 The report advises Committee on the work of the Internal Audit Section for the period from 1 October 2019 to 31 December 2019.
- 1.2 This report is submitted to Committee in terms of Section III (I) (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 **Committee is asked to consider the contents of this report; seek clarification on any points noted and otherwise note the report.**

3. BACKGROUND

- 3.1 Public Sector Internal Audit Standards require the internal audit manager to prepare and present reports to committee on internal audit's activity, performance relative to its audit plan and on any other relevant matters.
- 3.2 In this third quarter of the year progress has been made with a number of planned projects as undernoted:

Departmental Systems – Garden Waste Charges

- 3.3 While the audit plan calls for a cyclical review of debtors control and invoicing for service charges, income collection is increasingly by on-line means which requires payment in advance of service provision. New for 2019/20 was the charge for collection of garden waste and the audit sought to review the controls around income generation in this area.
- 3.4 The audit concluded that services had worked well together to have the permit charging scheme in place for the start of the financial year. This enabled the expected income collection target to be achieved, and given the

circumstances the audit trail to account for permit sales was considered to be reasonable. A number of recommendations have been made and accepted by management to further strengthen processes for year 2 – 2020/21. An Executive Summary and Action Plan for this project are provided as **Appendix 1**.

Departmental Systems - Licensing

- 3.5 This audit also focused on income collection, looking at the licensing activities overseen by both the licensing board and the licensing committee. The processes for granting different types of licences are wide and varied and the audit looked at validation processes, documentation trails, timeliness of processing applications and payment of fees. Procedures were found to be operating well with no backlogs existing at the time of the audit. An Executive Summary and Action Plan for this project are provided as **Appendix 2**.

Departmental Systems - Secondary Schools

- 3.6 School budgets are centrally determined in terms of the Devolved School Management scheme with budget monitoring supported through financial services, and expenditure on non-payroll costs generally incurred using established procurement procedures. Thus the biggest risk areas tend to be around locally managed school funds, and these are subject to separate annual oversight by internal audit.
- 3.7 Individual secondary school audits are completed on a cyclical basis and in this period an audit of Milne's High School was carried out. Sound financial procedures were evident within the school. This was the first school audit where extensive use was noted as being made of a recently introduced online income collection system. This had noticeably reduced cash handling and related administrative processes and was found to be working well. An Executive Summary and Action Plan for this project are provided as **Appendix 3**.

Departmental Systems – School Catering Expenditure

- 3.8 The catering service is looking to expanding its operations through the provision of catering at a number of nursery locations as part of early years' expansion; meantime its principal function is to deliver school meals through kitchens and serveries at all schools across the area. This audit focused on expenditure incurred on staff costs, including procedures for securing absence cover, and also on procurement and cost control over provisions purchased and used. No recommendations were identified in the course of this audit – the Executive Summary detailing the findings is provided as **Appendix 4**.

National Fraud Initiative - Electoral Roll /Council Tax Single Person Discount Comparison

- 3.9 On an annual basis the council participates in the National Fraud Initiative. After submitting the latest electoral roll and data on households in receipt of the 25% single person discount to the Cabinet Office, data 'matches' are returned that require validation to confirm continuing entitlement to the discount. 906 matches were received in early 2019 and were 100% checked.

Most were satisfactorily explained. 71 discounts were cancelled with some £35,000 being recovered. The process begins again in February 2020 when the updated electoral register is published, and has the effect of optimising council tax income by maintaining the accuracy of the database.

Bus Service Operators' Grant

- 3.10 The council continues to be eligible to recover a bus service operators' grant through Transport Scotland for eligible journeys undertaken by the Council's internal fleet of buses. The grant is paid per kilometre travelled on eligible journeys e.g. where elderly or disabled passengers are transported or in geographically remote areas covered by the dial a bus scheme. Different rates are applied for low carbon vehicles. The claim was audited for the six month period to 30 September and submitted and paid in the sum of £41,000.

Projects Pending

- 3.11 Other audit work taken forward in the period included a review of the capital project for the street lighting replacement programme which is progressing well and for the Integration Joint Board, the team looked at the administration of Occupational Therapy stores which provides equipment for social care service users and at the use of the budget for providing adaptations that enable individuals to sustain independent living in their own homes. The operating contracts for Elgin Academy, Elgin High School and Keith Primary were also examined. These projects are well advanced but have still to be concluded at the time of drafting this report.

Internal Audit Performance

- 3.12 Committee will recall that following the External Quality Assurance (EQA) inspection carried out on internal audit by Fife council in February 2019, a report was published which made a number of recommendations to support service improvement. During the period work was undertaken to address a number of the recommendations made including a review of the audit manual and the fraud etc. policy, updating the job description for the Internal Audit Manager post to reflect current responsibilities, requiring audit staff to formally sign off on their understanding of audit ethics and the Internal Audit Manager now having sight of agendas for Corporate/Senior Management Team meetings and being able to attend as required.
- 3.13 There is further work to be done in support of the audit planning process for 2020/21 which will soon commence. This will run alongside progression of the remaining items in the current year plan. A full update on progress against the implementation of agreed recommendations from the EQA will be provided to the next meeting of this committee on 25 March 2020.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

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

(b) Policy and Legal

No implications directly arising from this report.

(c) Financial Implications

No implications directly arising from this report.

(d) Risk Implications

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

(e) Staffing Implications

No direct implications; there may be implications should an extensive programme of additional scrutiny be developed.

(f) Property

No implications directly arising from this report.

(g) Equalities/Socio Economic Impact

No implications directly arising from this report

(h) Consultations

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

5. CONCLUSION

5.1 This report provides committee with an overview of audit work completed during the three months to December 2019.

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