**MIDLOTHIAN AUDIT SERVICES
INTERNAL AUDIT REPORT**

Subject: Follow-up Review of Audit Recommendations

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Submitted to: Audit Committee – June 2014

Date: 12 June 2014

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1 Objective of the Follow-up Review

The objective of this follow-up audit was to review a sample of recommendations that have been signed off as complete to determine whether they had been implemented satisfactorily and thus give greater assurance over the ongoing improvement of internal control. The sample includes recommendations that have been signed off as complete in 2012/13 and 2013/14.

2 Background

Covalent's performance management software allows the progress of audit recommendations to be tracked and reported. It is management's responsibility to satisfactorily complete audit recommendations that have been agreed with the relevant Director or Head of Service and the Internal Audit Manager. The internal audit plan includes a budget for the follow-up of previously made audit recommendations to provide assurance that the information reported in Covalent can be relied upon.

A sample of **31** audit recommendations taken from the Covalent system at 'completed' status were reviewed for this follow-up review and evidence obtained to support the satisfactory completion of each recommendation. This included **13** high priority recommendations, **17** medium priority recommendations, and **1** low priority recommendation.

A sample of recommendations from the following Internal Audits were included in this review:

Audit Report	Number of Recommendations Included in Review
IMG Action Plan / Follow-up Review – Data Protection	8
Internal Audit of Carbon Management Reduction/Energy Saving	6
Internal Audit of Care at Home Service Providers	2
Internal Audit of Frameworki	5
Internal Audit of Housing Allocations	5
Internal Audit of Schools ICT Assets	4
Esk Bridge Landslide	1
Total Recommendations Reviewed	**31**

3. Summary of Progress Achieved

In our opinion, best intentions were made to implement the recommendations from the Internal Audits included as part of the review. This is evidenced through the high number of recommendations which have been completed satisfactorily. From the **31** recommendations tested, **28** were found to have been completed satisfactorily, **2** were found to be unsatisfactory and **1** was partially completed (full details of these can be found in **Appendix 1**).

Out of the **2** recommendations found to be unsatisfactory, **1** related to the Internal Audit of Carbon Management (medium priority) and the other to the Internal Audit of Housing Allocations (medium priority).

The **1** partially completed recommendation was from the Internal Audit of Housing Allocations (high priority).

As is standard Internal Audit practice, we have not rated this review since it is a follow-up of previous audit recommendations. We have however raised **2** recommendations where we have agreed with management that further improvements can be made.

Appendix 1 - This explains the **3** recommendations identified as not being fully completed.

Appendix 2 - This outlines the further recommendations arising from this review.

Appendix 1 – **Recommendations identified as not being fully completed**

No	Audit	Original Recommendation	Testing Results & Auditor's Comments
1	Internal Audit of Carbon Management Reduction/Energy Saving	The System Link software is a database used to monitor energy usage and provide management information. A procedure note should be written explaining the processes involved in producing management information and performance indicators created with this software.	It was identified that a written local procedure of the processes and stages involved in the production of performance indicators and management information with the Systems Link software used by the Maintenance and Energy Team had not yet been developed. Therefore, this recommendation has been clarified in a new recommendation (see recommendation 1 in Appendix 2). Shortly after this issue was discussed with management and the requirements of the recommendation clarified, the team initiated development of these procedures and at the time of reporting a first draft of these procedures are nearing completion.
2	Internal Audit of Housing Allocations	Contact the software provider, build software or look for alternative software suppliers to allow more efficient and secure ways of selecting applicants for available houses with the ability to update or remove a bypass under dual control to provide Segregation of Duties.	It is noted that as part of a review of housing, alternative software suppliers were considered. The review's findings recommended staying with the existing supplier. However, the existing supplier has not yet been requested to investigate if it is possible to introduce segregation of duties into the system. A new recommendation has been raised for this issue below (recommendation 2 in Appendix 2).
3	Internal Audit of Housing Allocations	Management needs to provide guides for reviewing managers and staff on the expectations of the level of review required (e.g. validation of a sample of applicants bypassed / adequacy of audit trail) before signing off the allocation.	A new procedure had been developed for this area and verbal guidance provided to the appropriate staff but the follow-up review identified that the procedure had not been documented. Shortly after informing management of this during the review, the procedure was documented and sent to the relevant employees.

Appendix 2 – Further recommendations arising from this review

No	Recommendation	Priority	Manager	Target Date
1	A written local procedure note should be drafted describing the processes and stages involved in the production of performance indicators and management information with the Systems Link software as used by the Maintenance and Energy Team. This procedure should include the final checks required when producing performance indicators and a description of what is being measured.	Medium	Senior Engineer	31/08/2014
2	The software supplier, Capita, should be requested to investigate if it is possible to introduce segregation of duties into the system (eg to introduce a more secure way of selecting applicants for available houses with the ability to update or remove a bypass provided under dual control to ensure appropriate segregation of duties).	Medium	Group Manager Homelessness & Allocations	31/08/2014