

**PROGRESS REPORT ON WORK COMPLETE BY INTERNAL AUDIT
 SINCE APRIL 2013**

Report by Internal Audit Manager

1. Purpose of Report

The purpose of the Report is to provide Members of the Audit Committee with an update on the work undertaken by Internal Audit since the beginning of April 2013 and to outline the progress against the Internal Audit Plan for 2013 / 14.

2. Detail

The Internal Audit Section has completed the following tasks since the beginning of April 2013.

Audit / Task	Value Added	Reported to / Date
Annual Governance Statement	The statement is required for inclusion in the annual accounts. A number of high level issues were raised which are now being tracked within an action plan.	Reported to the May 2013 Audit Committee.
Statement on Internal Control	High level summary of the control environment of the Council by the Internal Audit Manager. The statement is used to inform the annual governance statement.	Reported to the May 2013 Audit Committee.
Development of an Audit Charter based on the new Public Sector Internal Audit Standards	The new charter is required to allow the Internal Audit Section to be compliant with s95 of the Local Government Scotland Act.	Reported to the June 2013 Audit Committee.
Follow up review of previously raised recommendations	A follow up review was undertaken of a sample of previously raised recommendations made by Internal Audit. The majority were found to have been implemented	Reported to the June 2013 Audit Committee.

	satisfactorily.	
Follow up of Data Protection Issues previously raised by Internal Audit	A consolidated action plan was developed along with report findings from the Information Commissioner's independent review.	Reported to June 2013 Audit Committee.
Esk Bridge Investigation	Independent assurance on the way the Council managed its involvement with a landslide on private property with recommendations made for improvement should there be further such incidents.	Reported to the September 2013 Audit Committee.
Term Contractors	A number of weaknesses were identified over the management of term contractors and recommendations made to improve controls going forward.	Reported to the October 2013 Audit Committee.
Code of Corporate Governance	To assist management to develop an updated code of corporate governance.	Reported to the October 2013 Audit Committee.
Investigation / Consultancy protocol	Developed a protocol to allow Internal Audit to assess the materiality of requested investigation / consultancy work and allow appropriate prioritisation.	Reported to the October 2013 Audit Committee.
Audit Scotland Reports	To alert the Audit Committee to any National Audit Scotland Reports and identify any actions to the appropriate Council Officers.	Reported to the October 2013 Audit Committee (this will be on-going).
Accounts Receivable	A draft report has been issued to senior Council Officers and issues identified are currently being discussed.	To be reported to the December 2013 Audit Committee.
Framework	A draft report has been issued to senior	To be reported to the December 2013

	Council Officers and issues identified are currently being discussed.	Audit Committee.
Electronic Payments	A draft report has been issued to Council Officers and issues identified are currently being discussed.	To be reported to the December 2013 Audit Committee.
Anti money Laundering Policy	Devised an Anti Money Laundering Policy to improve on corporate governance and allow the Council to demonstrate best practice as recommended by CIPFA.	To be reported to the December 2013 Audit Committee.

In addition to the above Internal Audit has managed a total of 23 Help Desk Enquires. These are wide ranging in nature but have included assistance with potential disciplinary investigations, fraud reporting and document retention period requests.

The following areas are work in progress:

Area	Audit	Audit Scope	Progress
Main Financial & IT Systems	Grants Out	Examination of a sample of significant grants provided to third parties. This will include a review of the Council's compliance with the Audit Scotland national report on 'Following the Public Pound'.	Terms of Reference agreed and audit fieldwork underway and nearing completion.
	Council tax	To review the processes and controls in place over the establishment of council tax liability and subsequent billing.	Terms of Reference agreed and audit fieldwork underway and nearing completion.
	HR Transactional	To review the controls in place to manage	Initial planning work undertaken and terms of

		changes to the staffing establishment and control of payments to employees and to third parties including HMRC and Lothian Pension Fund.	reference completed. The audit will complement ongoing changes in the HR transaction processes and so has been put on hold until completion of the current review project, the initial phase of which runs to December 2013. The Audit is now planned for December 2013.
Corporate Risks	Council Transformation Programme	This review is to include three elements from the 2013/14 plan: People strategy; Balancing budgets; and Business transformation governance.	Terms of Reference agreed and audit fieldwork underway.

The following Audits have not yet commenced:

Area	Audit	Audit Scope	Progress
Main Financial & IT Systems	Commitments of Expenditure	Works ordering and payments control within the Total Repairs computer system operated by Property Maintenance.	Planned for February / March 2014.
	Risk Management	Review of compliance with Policy, success of the Risk Control Programme and achievement of acceptable risk appetite.	To be undertaken in January 2014.
	Purchase to Pay Project	This is to include project management and the procurement	This audit will be commenced early in 2014.

		audit which were detailed in the original plan.	
Corporate Risks	Welfare Reform	A review of the Council's progress with the implementation in the Council with the Welfare Reform Act. This audit will also include the legal and regulatory compliance audit shown in the original plan.	This audit is planned for January 2014.
Investigations	Petty Cash	We intend to undertake a review of petty cash controls across the Council.	This audit is planned for January 2014.
Core Systems	Follow Up	To review a sample of previously raised recommendations to ensure adequately implemented.	This review is planned for February 2013.

Conclusion

The Internal audit plan is estimated at 50% completed and is on target to be completed by the financial year end.

3. Report Implications

3.1 Resource

There are no direct resource implications arising from this report.

3.2 Risk

There is always a residual risk that investigations and consultancy could overtake routine checks on the main financial systems but this risk is being controlled through the introduction of an investigation/ consultancy protocol.

Each internal audit assignment is examining the control of risk and the perception of risk that the auditee has. 'Risk' is central to each internal audit report. This can only strengthen the Council's approach to risk management and the internal control system.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

3.4 Impact on Performance and Outcomes

None

3.5 Adopting a Preventative Approach

This report addresses the Council's policy to have a robust internal control environment, management of risk and effective governance.

3.6 Involving Communities and Other Stakeholders

The Internal Audit Plan has been discussed with the Chief Executive, Director Resources, Head of Finance and Human Resources, External Audit, Audit Committee independent chair and within the Internal Audit team.

3.7 Ensuring Equalities

During the internal audits completed to date, we found no equalities issues to report on. Going forward, the Corporate Improvement Team has asked Internal Audit to directly consider equalities in each audit assignment.

3.8 Supporting Sustainable Development

Internal Audit provides an independent assurance function which assists the sustainability of the Council's internal control system, governance and management of risk.

3.9 IT Issues

None

4. Recommendations

The Audit Committee is requested to review the progress made with the 2013/14 Internal Audit Plan and additional work completed.

Date: 01 October 2013

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I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-

- All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Human Resources.***
- All risk implications have been addressed.***
- All other report implications have been addressed.***
- My Director has endorsed the report for submission to the Council Secretariat.***

For Cabinet reports, please advise the Council Secretariat if the report has an education interest. This will allow the report to be located on the Cabinet agenda among the items in which the Religious Representatives are entitled to participate.

Likewise, please advise the Council Secretariat if any report for Midlothian Council has an education interest. The Religious Representatives are currently entitled to attend meetings of the Council in a non-voting observer capacity, but with the right to speak (but not vote) on any education matter under consideration, subject always to observing the authority of the Chair.