



**Internal Audit Report**  
**Follow-up Review of Audit Recommendations**  
**Issued: June 2015**

<b>Level of Assurance</b>	N/A – Follow-up reviews are not rated.
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# Midlothian Council - Internal Audit – Follow-up Review of Audit Recommendations

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## Executive Summary

### 1.0 Introduction

Internal Audit Reports include a section with management actions where recommendations are made to improve upon the existing internal controls and assist the Council achieve best value. These recommendations, following agreement with management, are endorsed by the Audit Committee and are then updated by Internal Audit to the Council's performance management system (Covalent) with a target completion date set.

Management are responsible for acting on the recommendations by the agreed due date and when complete, closing the issue on the Covalent software. The Internal Audit plan includes a budget for two follow up reviews in relation to recommendations made. The first reviews management's reported performance in closing issues raised by Internal Audit by the agreed due date (reported in December of each year) while the second looks at a sample of recommendations flagged as closed by management and reviews for the adequacy of the actions taken against each issue. This report addresses the second area.

A sample of **40** audit recommendations were judgmentally selected from the Covalent system which were shown at the 'completed' status and evidence obtained to support the satisfactory completion of each recommendation sampled. This included **10** high priority recommendations, **27** medium priority recommendations, and **3** low priority recommendations. This sample represents approximately 21% of recommendations made in this time period.

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A sample of recommendations from the following Internal Audits were selected for this review:

Audit Report	Number of Recommendations Included in Review	High Priority	Medium Priority	Low Priority
Council Tax Liability and Billing	6	-	5	1
High Value Electronic Payments	5	4	1	-
Accounts Receivable	2	1	1	-
Review of Vogrie Country Park	5	-	5	-
Review of Risk Management	4	-	4	-
Welfare Reform - Scottish Welfare Fund	5	1	2	2
Purchase to Pay	3	1	2	-
Following the Public Pound	10	3	7	-
<b>Total</b>	<b>40</b>	<b>10</b>	<b>27</b>	<b>3</b>

### 2.0 Objectives of the Audit

The objective of this follow-up audit was to review a sample of recommendations that have been signed off as complete in 2014/15 to determine whether they had been implemented satisfactorily and thus give greater assurance over the ongoing improvement of internal control.

### 3.0 Conclusion

In our opinion, best intentions have been made to implement the recommendations from the Internal Audits included as part of this review. Evidence is provided through the high number of recommendations which have been completed satisfactorily. From the **40** recommendations tested, **36** (90%) were found to have been completed satisfactorily, **0** were found to be unsatisfactory and **4** were partially completed (full details of these can be found in **Appendix 1**).

As is standard Internal Audit practice, we have not rated this review since it is a follow-up of previously raised audit recommendations. We have however noted **4** recommendations where we have agreed with management that further improvements can be made.

**Appendix 1** - This explains the **4** recommendations identified as not being fully completed.

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

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

No	Audit	Original Recommendation	Priority	Testing Results and Auditor's Comments
1	Council Tax Liability and Billing	All Council Tax forms should be reviewed to ensure they are up to date, accurate and contain a Data Protection Act statement (consult with IMG group leader).	Medium	The Data Protection Act statement has been added to the online forms. However, it was identified that the paper forms held at Buccleuch House were the older forms and did not have the DPA statement.
2	High Value Electronic Payments	A member of staff in Midlothian Training Services should review the input report (and sample) provided by BACS. Where there are resource constraints Management have agreed to review input reports on a sample basis.	High	It was identified that although the sample checks are being carried out, they are being checked after the payment has already been made. The purpose of the checks is to make sure that payments are going to the correct payees and to allow time to stop a payment before it is made if an error is detected.
3	Accounts Receivable	It is recommended that regular reconciliations between amounts written off on the system to control totals on authorised forms be undertaken by an individual who does not have system access to write off balances on the Accounts Receivable System.	Medium	A new procedure has been introduced over sundry debt write offs and this process was seen to be operating in practice. It was noted however that an independent check was not being undertaken between the control print and individual authorised sheets and it would be possible therefore for an individual with write off authority on the system to process a write-off improperly. Management have indicated that they do not have resource to independently check each write off processed between authorised sheets to control prints but have agreed to undertake a spot check. This checking is now being undertaken.

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No	Audit	Original Recommendation	Priority	Testing Results and Auditor's Comments
4	Review of Risk Management	<p>The Risk Management Group should meet on a quarterly basis in 2014/15.</p> <p>The Risk Manager should report quarterly on both Corporate Risks and High and Medium Operational and Project risks.</p>	Medium	Meeting schedule has been agreed for the Risk Management Group from December 2014 onwards which shows quarterly meetings. It is noted that only two meetings were held in 2014/15 and reporting on risks was not therefore quarterly to the Corporate Management Team or Audit Committee up to February 2015.

### **Appendix 2 – Further recommendations arising from this review**

No	Recommendation	Priority	Manager	Target Date
1	Revenues should ensure that the paper forms being used by staff are the latest version and include all necessary statements, for example, in relation to Data Protection Act.	Medium	Revenues Manager Operations	30/06/2015
2	The sample checks on the BACS input report should be carried out before the payment has been made.	Medium	Education Manager Lifelong Learning	30/06/2015
3	Independent spot checks should be introduced between the control prints and the individual authorised sheets for sundry debt write-offs.	Medium	Revenues Manager Operations	Complete
4	The Risk, Safety, Health and Civil Contingencies Manager should report to the Audit Committee on whether the target number of Risk Management Group meetings and the quarterly reporting of Risk Registers to the Corporate Management Team and Audit Committee have been achieved.	Medium	Risk, Safety, Health and Civil Contingencies Manager	31/05/2016

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## **Appendix 3 - Distribution List**

- Members of the Audit Committee
- Kenneth Lawrie, Chief Executive
- John Blair, Director, Resources
- Eibhlin McHugh, Joint Director Health and Social Care
- Mary Smith, Director, Education, Communities and Economy
- Kevin Anderson, Head of Customer and Housing Services
- Gary Fairley, Head of Finance and Integrated Service Support
- Richard Moffat, Head of Commercial Operations
- Grace Vickers, Head of Education
- Annette Lang, Education Manager Lifelong Learning
- Chris Lawson, Risk, Safety, Health and Civil Contingencies Manager
- Ken Pike, Revenues Manager Operations
- Other members of the Corporate Management Team
- Grant Thornton, External Audit

## **Audit Team**

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