South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 23 February 2022**

Subject: **Internal Audit Progress Report – Quarter 3**

   (i)   Progress of Annual Internal Plan 2021/22

   (ii)   Implementation of Internal Audit Action Plans

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1.   Purpose

1.1   The purpose of this report is to advise Members of Internal Audit's progress against the 2021/22 Internal Audit Plan and of directorate progress in implementation of Internal Audit action plans.

2.   Recommendation

2.1   It is recommended that the Panel considers the content of this report.

3.   Background

3.1   Progress against the Internal Audit annual plan and implementation of action points is reported to the Audit and Governance Panel on a quarterly basis. The last report was presented to the Panel on 3 November 2021 and covered the quarter to 30 September 2021. This report covers the period to 31 December 2021. Performance information is also included.

4.   Proposals

4.1   *Progress of 2021/22 Internal Audit Plan*

   4.1.1   A summary of all 2021/22 assignments can be found in Appendix 1. Four audit assignment from the 2021/22 Internal Audit Plan have been completed. One report has been issued since the previous progress report. Two follow up assignments have been completed by East Ayrshire Council for the Ayrshire Roads Alliance (ARA).

Ref	Assignment	Assurance	No of Actions
2022-09	Procurement of Personal Protective Equipment	Substantial	Two (low priority)
2022-38*	ARA New Process Roads Bonds – Follow Up	100% Sufficiently Implemented	N/A

Ref	Assignment	Assurance	No of Actions
2022-39*	ARA Roads Maintenance Materials and Stores - Follow Up	100% Sufficiently Implemented	N/A

Audit completed by East Ayrshire Council for ARA

4.2 **Performance Indicators 2021/22**

4.2.1 Three performance indicators are included in the plan for 2021/22:

- Productivity/utilisation (para 4.2.2);
- Percentage of reviews completed in audit plan (para 4.2.4); and
- Number of ad-hoc requests and investigations (para 4.2.6).

4.2.2 At 31 December 2021, direct audit time for 2021/22 was as follows:

	2021/22	2020/21	2019/20
Direct	66.7%	74.6%	86.1%
Indirect	26.3%	19.1%	9.3%
Management	7%	6.3%	4.6%
	100.0%	**100.0%**	**100.0%**

4.2.3 Direct audit time at this stage of the year is lower than in previous years. A greater amount of time has been spent on indirect activities and management such as absence management, recruitment and training.

4.2.4 The internal audit plan for 2021/22, approved by the Panel on 24 March 2021, includes 31 deliverable assignments. A summary of the plan completion is included in the following table:

Status	No. of Deliverables	Percentage Of Plan	Planned Audit Days	Actual Days to 31/1/22
Complete	4	13%	60	60
In progress	15	49%	250	65
Not started	12	38%	161	0
Deliverables	**31**	**100%**	**471**	**125**
Other	-	-	125	76
Total	**31**	**100%**	**596**	**201**

4.2.5 Of the 31 deliverable assignments one follow up assignment was withdrawn from the plan as there were no actions arising from the original audit and one cannot be completed in 2021/22 as the action implementation date is December 2022. Therefore the deliverable assignments is now 29. In addition, as a result of staff resourcing issues within Internal Audit during 2021 it has been necessary to revise the

2021/22 Internal Audit Plan to reflect the available resources. The proposed revised plan is included in a separate paper being presented to the Panel today for consideration and approval.

4.2.6 Several ad-hoc and contingency assignments have also been completed to date. Examples of advisory and contingency work this year include:

- Advice around processes for lost and stolen devices;

- A number of items around COVID-19 including pan-Ayrshire COVID-19 data matching exercise, Low Income Pandemic Payment (LIPP) arrangements, taxi operator licence grants, and the Recovery Ambition Business Support (RABS) grant;

- Health and Social Care CM2000 IT System implementation and compliance with council policies and procedures around expenses and overtime claims;

- Advice and audit input to the revised risk management strategy;

- Audit requirements for the demonstration of benefits realisation resulting from the change programme; and

- Subject matter expert as required for the implementation of the new Oracle Fusion system.

4.2.7 Management information is retained for all assignments which tracks progress of the assignment from the terms of reference at the outset through to the issue of the draft report, and ultimately to the issue of the final report. This management information is used to review progress of the assignment against the budgeted audit days in the plan, assign work within the team, assess team performance and identify training needs and to track overall completion of the plan.

4.3 *Implementation of Internal Audit Action Plans*

4.3.1 Five follow up assignments were included in the 2021/22 internal audit plan. As detailed in paragraph 4.2.5 above, one of these has been withdrawn and one is not due in 2021/22. The remaining three follow ups have been considered during the revision to the 2021/22 Internal Audit Plan.

4.3.2 The follow up of all other audit action points is undertaken through review of Pentana, where all recommendations are uploaded for management action. All services are provided with regular system alerts reminding them to update their actions. Details of all outstanding action points either overdue or due within the next six months are included in Appendix 2.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Not applicable.

7.   Human Resources Implications

7.1   Not applicable.

8.   Risk

8.1   *Risk Implications of Adopting the Recommendations*

        8.1.1   There are no risks associated with adopting the recommendations.

8.2   *Risk Implications of Rejecting the Recommendations*

        8.2.1   Audit reports include, in the action plans, a separate risk assessment detailing the risk of not implementing each of the Internal Audit recommendation.

9.   Equalities

9.1   The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 3.

10.   Sustainable Development Implications

10.1   *Considering Strategic Environmental Assessment (SEA)* - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11.   Options Appraisal

11.1   An options appraisal has not been carried out in relation to the subject matter of this report.

12.   Link to Council Plan

12.1   The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

13.   Results of Consultation

13.1   There has been no public consultation on the contents of this report.

**Background Papers   Report to Audit and Governance Panel of 3 November 2021 –
                        Internal Audit - Progress Report**

                                       **Report to Audit and Governance Panel of 24 March 2021 –
                        Proposed Internal Audit Plan 2021/22 (including Annual
                        Review of Internal Audit Charter)**

                                       Public Sector Internal Audit Standards

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Date: 15 February 2022

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Progress Against 2021/22 Internal Audit Plan

Appendix 1

	Audit Area	Indicative Days	Revised Days	Link to Council Plan	Audit objectives	Progress
1	Payroll	10	9	1	Follow up of 2020/21 Findings	Work In progress
2	Customer Invoicing	3	0	1	Follow up of 2020/21 Findings	Withdrawn
3	Main accounting	5	0	1	Follow up of 2020/21 Findings	Not due
4	Benefits	15	0	1.4	Universal Credit advice and guidance	Not started
5	Benefits	3	1	1.4	Follow Up of 2020/21 SWF Findings	Not started
6	Housing rents	15	15	1.3	Rent Accounting	Complete 2022-06
	Sub-Total	**51**	**25**			
7	Mobile devices	25	4	6.2	Review process and controls over mobile devices	Not started
8	PCI DSS	25	25	6.2	Compliance	Work in progress
	Sub-Total	**50**	**29**			
9	Contract audit	20	20	4.3	Revenue contract to be selected to test controls over the awarding and managing of contracts	Complete 2022-09
10	Contract audit	20	30	5.2	Capital contract to be selected to test controls over the awarding and managing of contracts	Work in progress
11	Review of key corporate governance arrangements	25	8	4.2	Review controls and governance arrangements over transformation projects and change management	Work in Progress
12	Review of key corporate governance arrangements	20	5	1	Strategic recovery from COVID-19	Not started
13	Following the public pound	15	8	4.1	Ayrshire Growth Deal - review of internal governance arrangements	Work in progress
	Sub-Total	**100**	**71**			
14	People	15	9	5.3	Implementation of new communication's strategy	Work in Progress
15	People	10	4	2.3	Education Maintenance Allowance	Work in progress
16	People & Place	15	5	2.4/6.2	Controls around hall letting process	Work in progress
17	Place	20	20	5.2	Scottish Housing Regulator - Annual Assurance Statement - Governance Framework	Complete (2022-17)

	Audit Area	Indicative Days	Revised Days	Link to Council Plan	Audit objectives	Progress
18	Place	15	15	6.1	Controls around fuel systems	Work in progress
19	Place	15	0	1	Controls around management of school crossing patrollers	Not started
20	H&SCP	30	12	3.1	CareFirst	Work in progress
21	H&SCP	20	0	3.2	Fostering & Adoption	Not started
22	H&SCP	8	7	3.2	Follow Up - Kinship Care Payments	Work In Progress
23	Finance, Economic Dev, Regulatory	25	4	4.4	Review of COVID-19 business grants	Work In Progress
	Sub-Total	**173**	**76**			
24	AVJB	25	22	-	New Core System	Not started
25	IJB	25	22	-	Risk Management	Not started
	Sub-Total	**50**	**44**			
26	Schools	5	1	1	Internal Control Self-Assessment Toolkit - Initial Rollout and Management of the Annual Process	Work In Progress
27	Social Work Locations	2	2	3	Internal Control Self-Assessment Toolkit - Management of the Annual Process	Work In Progress
28	Continuous auditing	20	13	1	Download and analyse data looking for unusual transactions or trends in core systems	Work in progress
29	Grants - LEADER	5	5	4.4	Audit of claims and annual review	Complete 2022-29
30	Cash checks at council premises	5	0	1	Unannounced spot checks at Council premises	Not started
31	Stores control	10	7	5.4	Museums	Not started
	Sub-Total	**47**	**28**			
	Total - Deliverables	**471**	**271**			
32	Investigations and client requests	30	13	-	Allowance for investigations of irregularities. client requests, advice and consultancy	Ongoing
33	Contingency	30	8	-	Contingency budget for unplanned commitments arising during the year	Ongoing
34	Closure of prior year assignments	15	33	-	Allowance of time for the closure of prior year audit work into 2021/22	Complete

	Audit Area	Indicative Days	Revised Days	Link to Council Plan	Audit objectives	Progress
35	Management and Audit development	35	22	-	Internal Audit planning, annual reporting, and quarterly reporting	Ongoing
36	EQA2	10	8	-	South Ayrshire Council independent review of Renfrewshire Council's compliance with PSIAS	Not started
37	QAIP	5	2	-	Annual self-assessment of compliance with PSIAS	Ongoing
Sub-Total (Non Deliverables)		**125**	**86**			
GRAND TOTAL		**596**	**359**			
-	Follow Up – Roads Bonds					Completed
-	Follow Up – Roads Maintenance – Materials and Stores					Completed

Progress Against Overdue Audit Actions and Audit Actions due within the next 6 months

Overdue Actions

IA2017/09 Museums and Galleries - Art Collection

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
02 Responsibility for artefacts out with Museum collection should be established and recorded.	30-Nov-2016	Claire Monaghan	Laura Kerr	29-Jan-2022 A graduate intern post will be put in place for a 12 month period within the Museums and Galleries service. This post will support an audit, and the associated recording, of artefacts out with the Museum collection. The job description has been job evaluated and the post will go to ELT for consideration. Once the artefacts are identified and recorded the Museums and Galleries team will manage them alongside the collection.	🛑	70%	1st extension - 31/3/2021
03 The Museums Inventory should be updated on a continuous basis and shared with Asset Management.	30-Nov-2017	Claire Monaghan	Laura Kerr	29-Jan-2022 The collection store move is complete. We are progressing well with updating the Museum inventory with the backlog of uncatalogued items and the new store locations.	🛑	80%	1st extension - 31/3/2021

IA2020/45 Payroll Starters & Leavers

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
01 Procedures for transfers	31-Aug-2020	Catriona Caves	Wendy Wesson	02-Feb 2022 Work ongoing in this area - process is implemented however both ICT and Employee Services have identified issues with the process and the system functionality, therefore work is continuing in this area and the action remains incomplete. Competing work pressures within Employee Services coupled with the Oracle Fusion has led to a delay in addressing issues.	🛑	90%	1st Extension 30/06/22
03 Recovery of assets	31-Aug-2020	Catriona Caves	Wendy Wesson	02-Feb 2022 Work ongoing in this area - process is implemented however both ICT and Employee Services have identified issues with the process and the system functionality, therefore work is continuing in this area and the action remains incomplete. Competing work pressures within	🛑	90%	1st Extension 30/03/22

				Employee Services coupled with the Oracle Fusion has led to a delay in addressing issues.			

IA2021/36 Cyber Security

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
01 Risk register	31-Dec-2021	Stewart McCall	Anne Yeo	17-Jan-2022 Health Check being closed off and will be reported back to ICT in February. This will inform the Risk Register	🔴	65%	
05 Prioritisation of actions	31-Dec-2021	Stewart McCall	Anne Yeo	17-Jan-2022 Continuing to work towards certification mid 2022	🔴	75%	

IA2021/39 Kinship Care Payments

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
03 Training to be held for all staff involved in Kinship Care or dedicated team to be created with centralised responsibility for kinship care placements	31-Aug-2021	Mark Inglis	Gary Hoey	04-Nov-2021 The short life working group has concluded it's review. Guidance is currently with SWGB for approvals Teams have been organised to walk workers through refreshed procedures and guidance.	🔴	95%	

IA2021/47 ICT Application Controls - Cash Receipting System

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
12 Suppliers of ICT related goods to be required to demonstrate information security posture. Contract award letters to confirm expectations re SAC's requirements and policies for remote access as appropriate.	31-Dec-2021	Donald Gillies; Stewart McCall	Kevin Carr; Anne Yeo	17-Jan-2022 AY continues to work with procurement to refine wording in contracts, initiate security assessments for products and for suppliers.	🔴	55%	

IA2021/48 Scottish Welfare Fund

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
09 Departmental PayPoint procedures to be documented to ensure compliance across all system users who use PayPoint to administer payments for SWF grants.	30-Nov-2021	Nicola Gemmell	Audrey Thomson	19-Oct-2021 Task not progressed within timescale due to additional Covid19 related work. Extension now requested to 30/11/21	🔴	20%	1st extension - 30/11/2021 2nd Extension 30/04/2022
13 Checks to be conducted on any commonly used mobile numbers used for PayPoint transactions to ensure that they represent genuine applicants and	30-Nov-2021	Nicola Gemmell	Audrey Thomson	19-Oct-2021 Task not completed within original timescale due to additional Covid-19 related work. Extension now requested to 30/11/21	🔴	25%	1st extension - 30/11/2021 2nd Extension 30/04/2022

are not an indication of misappropriation of cash.							
15 Daily customer payment limit to be renegotiated with supplier.	31-Dec-2021	Nicola Gemmell	Audrey Thomson	27-Jul-2021 Contract currently being checked to establish action required.	🛑	10%	1st Extension – 30/04/2022

Actions Due Within the Next Six Months

IA2019/27 Property Leases

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
01 Review of leased property portfolio to ensure that agreements and supporting documents are available.	31-Mar-2022	Donald Gillies	Tom Burns	02-Aug-2021 Following a review of the leased property portfolio it was noted that a number of lease documents are not held electronically within Technology Forge. A list of these properties has been passed to Legal Services who are currently in the process of checking their files and databases. Legal Services have advised that due to Covid-19 and staffing issues there has been a delay in responding to this information and an extension has been requested.	▶	75%	1st extension - 31/3/2021 2nd extension - 31/3/2022

IA2021/06 Scottish Housing Regulator Annual Return 2019/20

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
02 Asset management system	31-Mar-2022	Michael Alexander	John Hodge	28-Jan-2022 Following successful completion of the Northgate Housing System upgrade in January 2021, work is ongoing with ICT to research potential housing asset management options, costs and requirements with software providers. This project has now been agreed in principle by the Strategic Change Executive as a transformation project, Extraction of existing stock condition data from the OMEGA system during the early parts of 2021 is complete, this has allowed ICT to retire the OMEGA system. A review of the external stock condition records held by the Council has been completed. Properties have been identified for inclusion within a partial external stock condition survey during 2021/22, this supports the ongoing requirement for the Council as a social landlord to ensure stock condition records and SHQS forecasts are robust. The information generated from the forthcoming survey will be added to data held to create the baseline data source for populating the new housing asset management system. Once the new system is procured, it is anticipated that development of the new system will take approximately 18 months to complete.	▶	20%	1st Extension to 31/3/2024

				A demo was provided by Northgate Housing and further information has been requested to allow Officers to conduct an appraisal.			

IA2021/20 Controls around meeting waste management regulations

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
01 Reporting and monitoring arrangements	31-Mar-2022	Kevin Carr	Kenny Dalrymple	26-Jan-2022 The Waste Strategy Coordinator has only recently been appointed (10th January 2022) and made some progress on this action however I am seeking to adjust the due date to 27th May 2022 to complete this action.	▶	50%	

IA2021/36 Cyber Security

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
02 Business continuity exercise	31-Mar-2022	Stewart McCall	Anne Yeo	17-Jan-2022 Working with cyber security partner to define the scope of this exercise with a view to running this with key stakeholders in February or March 2022	▶	15%	
03 Cyber security training	31-Jul-2022	Stewart McCall	Anne Yeo		▶	0%	
04 Exercise in a Box	31-Mar-2022	Stewart McCall	Anne Yeo	17-Jan-2022 Working with our cyber security partner to define the scope and participants for this	▶	15%	

IA2021/40 Main Accounting System Review

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
10 Internal training to be made available to those with budget monitoring responsibilities to enhance their knowledge and skills to effectively manage their budget.	31-Mar-2022	Tim Baulk	Tom Simpson	04-Feb-2022 Progress on rolling this training out across the organisation has stalled recently, due to the impact of the Oracle Fusion implementation programme on the service's available resources. The original deadline (March 2022) will not be met, however the training programme should be realigned alongside similar training for Elected Members following the May 2022 Local Government Election and also forthcoming training on the Oracle Fusion system. Suggest revised completion date of 31 December 2022	▶	35%	1st Extension 31/12/2022
15 Basis of internal recharges to be reviewed where based on historic pre-approved rates	31-Mar-2022	Tim Baulk	Tom Simpson	04-Feb-2022 Work is now underway to review internal recharges, however the work involved is detailed and time-consuming, involving analysis of components of a significant number of charges. Consequently, the task has been impacted by development work on Oracle Fusion	▶	10%	1st Extension – 30/10/2022

				and the original timescale will not be achieved. Work will continue with the intention of completion ahead of 2023/24 budget considerations - suggested timeframe 31 October 2022 implementation			

**South Ayrshire Council
Equality Impact Assessment
Scoping Template**

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: Equality Impact Assessment including Fairer Scotland Duty

Further guidance is available here: Assessing impact and the Public Sector Equality Duty: a guide for public authorities (Scotland)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: Interim Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018.

1. Policy details

Policy Title	Internal Audit Progress report – Quarter 3 (i) Progress of Annual Internal Plan 2021/22 (ii) Implementation of Internal Audit Action Plans
Lead Officer (Name/Position/Email)	Cecilia McGhee, Chief Internal Auditor - Cecilia.McGhee2@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	No
Disability	No	No
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	No
Religion or Belief (including lack of belief)	No	No
Sex – gender identity (issues specific to women & men or girls & boys)	No	No
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No
Thematic Groups: Health, Human Rights & Children's Rights	No	No

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	No	No
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	No	No
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent's education, employment and income	No	No

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as **Medium and/or High**)	~~YES~~ NO	x

Rationale for decision: This report updates Members on progress against the 2021/22 internal audit plan and management progress with implementing audit action points. Their consideration of this report has no specific equality implications.

Signed :   Cecilia McGhee   **Chief Internal Auditor**

Date: 31 January 2022