

South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 22 February 2023**

Subject: Internal Audit – Progress Report

- (i) Progress of Annual Internal Audit Plan 2022/23**
 - (ii) Implementation of Internal Audit Action Plans**
 - (iii) Quality Assurance and Improvement Programme Update**
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1. Purpose

- 1.1 The purpose of this report is to advise Members of progress of the 2022/23 internal audit plan, directorate's progress against implementation of internal audit action plans and the status of the current Quality Assurance and Improvement Programme. The report also seeks approval for a revision to the 2022/23 Internal Audit Plan.

2. Recommendation

2.1 **It is recommended that the Panel:**

2.1.1 considers the content of this report; and

2.1.2 approves the proposed revisions to the 2022/23 Internal Audit Plan as outlined in paragraphs 4.3.2 and 4.3.3 of this report.

3. Background

- 3.1 Progress against the Internal Audit annual plan and implementation of actions is reported to the Audit and Governance Panel on a quarterly basis. The last quarterly progress report was reported to Panel on 9 November 2022 and included progress for the second quarter of 2022/23 to 30 September 2022.

- 3.2 This report provides an update on the progress of the 2022/23 Plan to 31 December 2022 and the progress of implementation of Internal Audit actions to 18 January 2023.

- 3.3 The audit plan is flexible, and the Chief Internal Auditor is required to continually reassess and amend the audit plan where changes are taking place around emerging risks and the changing environment in which audit work is carried out. The Public Sector Internal Audit Standards (PSIAS) require that changes to the plan are communicated to the Panel for review and approval. The proposed changes

are out lined in section 4.3 of this report.

3.4 PSIAS also requires the Chief Internal Auditor to maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and report the results of this to the Panel. The status of the 2022/23 QAIP is included at section 4.5 of this report.

4. Proposals

4.1 Progress of Internal Audit Plan 2022/23

4.1.1 A summary of all 2022/23 assignments can be found in [Appendix 1](#). Five final reports have been issued since the previous update report in November 2022. Two reports, 2022-20 and 2022-31 from the 2021/22 Internal Audit Plan and three from the 2022/23 Internal Audit Plan. All 2021/22 Internal Audit Assignments have now been completed. A further draft report (Social Work Locations – Internal Controls Self Assessment Toolkit) has also been issued and is currently being cleared with service management:

Ref	Assignment	Assurance	No of Actions
2022-20	Carefirst	Reasonable	2
2022-31	Museums - Stores	Limited	7
2023-18	Scottish Welfare Fund – Follow Up	Substantial	0
2023-19	Ayrshire Growth Deal – Follow Up	Substantial	0
2023-28-04	Golf Clubhouse Cash Handling Controls	Limited	23 (14 High risk, 9 medium risk)

4.2 Performance Indicators 2022/23

4.2.1 Three performance indicators are included in the plan for 2022/23:

- 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 4.2.5).

4.2.2 As at 31 December 2022, direct audit time for 2022/23 was as follows:

	Target %	2022/23	2021/22	2020/21
Direct	82%	77.7%	80.0%	76.9%
Indirect	12%	12.7%	13.5%	18.0%
Management	6%	9.6%	6.5%	5.1%
	100%	100%	100%	100%

- 4.2.3 The proportion of time allocated to management during the period is higher due than in previous years to the time spent recruiting and supporting new members of staff and updating Internal Audit procedures.
- 4.2.4 The internal audit plan for 2022/23, approved by the Panel on 22 June 2022, includes 27 deliverable assignments for South Ayrshire Council. The full plan including the status of each assignment is at [Appendix 1](#). A summary of the 2022/23 plan completion for SAC deliverable assignments as at 30 September 2022 is included in the table below:

Status	No. of Deliverables	Percentage
Complete	2	7%
Work in progress	13	48%
Not started	12	44%
Total	27	100%

- 4.2.5 Time allocations which fall within the 'Other' category in the plan include allocations for contingency, ad-hoc requests for advice and guidance and investigations.

- Investigations – there have been six complaints received in the period to 31 December 2022. One investigation was concluded by Internal Audit and the complaint was not substantiated, one was concluded by the Corporate Fraud Team and was passed to the relevant Service for information and consideration of further action. Four investigations are being completed by the relevant service with input from Internal Audit where required. A controls report (2023-28-04, Golf Clubhouse Cash Handling Controls) including recommended improvement actions was issued for one area.
- Advice and guidance is provided throughout the year on an ad-hoc basis as required. Advice provided in the period to 31 December 2022 included advice in relation; service users' cash, the Council's Travel Policy, Social Work facility Supper Club, the Household Boost Fund, and Early Years Funded Provider Payments.
- Contingency – time has been allocated from contingency to review the arrangements for awarding grants through the Ayrshire Rural and Island Ambition Fund (ARIA). Additional time will be allocated to ARIA in March 2023 to sample check grants awarded through this fund. Time has also been allocated to review the proposed changes to the Council's Ambition Programme administered by Economic Development and to the audit of the Network Support Grant.

4.3 **Review of Annual Internal Audit Plan**

- 4.3.1 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 and track overall completion of the plan.

- 4.3.2 There have been no new areas of risk identified since approval of the plan and it is anticipated that, subject to no large scale investigations being required, any unforeseen areas that require input from Internal Audit can be met from time already allocated within the annual plan. However, as a result of the delay in implementation of the Oracle Fusion project, it has been necessary to extend the implementation date of Internal Audit actions in relation to the Main Accounting System beyond 31 March 2023. It will therefore not be possible to complete the Follow Up assignment in this area within the current plan. It is therefore proposed that this assignment be deferred for inclusion in the 2023/24 Internal Audit Plan.
- 4.3.3 In addition, the 2022/23 Internal Audit Plan included an assignment to follow up the 2021/22 Museum Stores Audit which had not be concluded at the time of preparing the 2022/23 Internal Audit Plan. However given the nature of the actions included in the audit report, which included the recruitment of the graduate intern to support updating the Accession Register, the implementation date for some actions is out with 2022/23. We are there therefore proposing that this assignment is also deferred for inclusion in the 2023/24 Internal Audit Plan.
- 4.3.4 It is proposed that the five days originally allocated to these two assignments are added to the Contingency balance to be used for unplanned work where required.

4.4 ***Implementation of Internal Audit Action Plans***

- 4.4.1 Nine follow up assignments are included in the 2022/23 internal audit plan. Reports have been issued for two follow up assignments and it is proposed that two are deferred until 2022/23. The remaining assignments will be programmed into the Internal Audit work plan in line with agreed action implementation dates.
- 4.4.2 The follow up of all other internal audit actions is undertaken through review of Pentana, where all recommendations are uploaded for management action. Quarterly alerts are issued from Pentana to action owners requesting action status to be updated.
- 4.4.3 There are currently no overdue actions and 19 actions due for completion in the next six months. Full details of these action points are included in [Appendix 2](#).
- 4.4.4 An extension to the due date has been requested for one action. This is to allow a new till system to be fully implemented.
- 4.4.5 At the AGP of 7 September 2022 Members requested that, where more than two extension to due dates have been requested, a representative from the service should attend the AGP and provide an explanation for the request. There has been no such request made during this reporting period.

4.5 **Quality Assurance and Improvement Programme (Compliance with PSIAS)**

- 4.5.1 A quality assurance and improvement programme (QAIP) designed to enable an evaluation of the internal audit activity's conformance with PSIAS is in place with Internal Audit. The QAIP also assesses the efficiency and effectiveness of the service and encourages and identifies opportunities for improvement.
- 4.5.2 The QAIP includes both internal and external assessments. External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The previous external assessment was undertaken in 2017/18 by the Chief Internal Auditor of East Renfrewshire Council. The next external review is scheduled for this year and is being undertaken by the Chief Internal Auditor of Inverclyde Council and is currently ongoing.
- 4.5.3 While monitoring of the service is undertaken on an ongoing basis, in line with the performance indicators at 4.2 above and improvements made where required, a formal periodic self-assessment is also required. This is carried out annually by a member of internal audit. The internal assessment has been completed and the resulting action plan is being progressed, the results of both the internal and external assessments will be included within the quarterly update report to Panel once both have completed.

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 Audit reports include, in the action plans, a separate risk assessment detailing the risk of not implementing each of the Internal Audit recommendation. A recommendation to consider whether the Directorate risk register requires to be updated to reflect issues raised within the report is also included in the report. In addition, quarterly meetings have been set up between Risk and Safety and Internal Audit to ensure new emerging risks are included in Council Risk Registers and the Annual Internal Audit Plan where required.

8.2 **Risk Implications of Adopting the Recommendations**

- 8.2.1 There are no risks associated with adopting the recommendations.

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8.3 **Risk Implications of Rejecting the Recommendations**

- 8.3.1 Rejecting the recommendation could result in failure to perform a scrutiny role in relation to the application of the Public Sector Internal Audit Standards (PSIAS).

9. **Equalities**

- 9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

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 paper.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

Background Papers [Proposed Internal Audit Plan 2022-23](#)

[Public Sector Internal Audit Standard](#)

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Date: 8 February 2023

PROGRESS AGAINST INTERNAL AUDIT PLAN 2022/23

No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Progress
Key Corporate Systems						
1	Main Accounting	Anti-Fraud Review - NDR Relief Review (Joint review between Internal Audit and Corporate Fraud)	4.4	4	15	Not started
2	HR and Payroll	Conflict of Interests - Review of arrangements in place to ensure conflict of interests are declared. (consider using NFI report for sample checking).	1.2	3/10	15	Work In Progress
Governance/Best Value						
3	Following the Public Pound	Ayrshire Growth Deal Testing of internal governance arrangements	4.1	1	20	Work In Progress
4	Contract Audit	Review of arrangements in place around the use of HubSW	5.2	9	20	Not started
5	Transformational Change	Follow up of the 2021/22 Change Management assignment - review of progress of the South Ayrshire Way Change Programme specifically in relation to transformational change projects and COVID recovery.	1/2.5/4.2	1	20	Not started
6	National Fraud Initiative	Commencement of 2022/23 Data Matching exercise	-	4	10	Work In Progress
ICT Auditing						
7	System Access Control	Review process and controls over granting and removing access to Council System and Data.	6.2	11	30	Testing Completed/ Report Drafted
Directorates						
8	Place	Void Repairs - Procedural Review	1.3/5.2	12	25	Work in Progress
9	H&SCP	Fostering & Adoption Payments	3.2	5	15	Work In Progress




No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Progress
10	People	Education Maintenance Allowance (Data Match)	2.3	5	5	Work in Progress
11	H&SCP	Review of progress against implementation of Care Inspectorate/Scottish Government Improvement Plans	3	5	15	Not started
12	Place	Review of Climate Change Public Sector Report (CCPSR) (Sample Check return to confirm supporting documentation available to support the contents)	6.1	1/3	20	Work In Progress
13	Finance, Economic Dev, Regulatory	Review of COVID-19 business grants	4.4	4/9	10	Work In Progress
Regularity						
14	Schools	Internal Control Self-Assessment Toolkit - Initial Rollout and Management of the Annual Process	2	4	6	Work In Progress
15	Social Work Locations	Internal Control Self-Assessment Toolkit - Management of the Annual Process	3	4	5	Draft Report Issued
16	Continuous auditing	Development of Continuous Auditing to other key risk areas including procurement and payroll	1.3	4	20	Work In Progress
Follow Up Reviews						
17	Main accounting	Follow up of 2020/21 Findings	1	9	3	Defer
18	Benefits	Benefits - Scottish Welfare Fund	1.4	9	2	Draft Report Issued
19	Following the Public Pound	Ayrshire Growth Deal	4.1	9	4	Draft Report Issued
20	ICT Auditing	PCI DSS	6.2	11	3	Not started
21	Contract Audit	Capital contract	5.2	9	4	Not started
22	Directorate and other Systems	Controls around Hall letting Procedure	2.4/6.2	4	2	Not started
23	Directorate and other Systems	Controls around fuel systems	6.1	4	4	Not started



No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Progress
24	Directorate and other Systems	Carefirst	3	4	2	Not started
25	Regularity	Museums Stores	5.4	4	2	Defer
Other Entities						
26	AVJB	AVJB - Core System Review (Migration of CT Data) (Estimated days includes Internal Audit support to the AVJB)	-	-	25	Work In progress
27	IJB	Performance Monitoring Arrangements Follow Up of Risk Management Arrangements (Estimated days includes Internal Audit support to the IJB)	-	-	25	Not started
Other						
28	Investigations	Allowance for investigations of irregularities.	-	4	20	Ongoing
29	Advice and Guidance	Client requests, advice and consultancy - including participation on working groups	-	-	15	Ongoing
30	Contingency	Contingency budget for unplanned commitments arising during the year	-	-	30	Ongoing
31	Closure of prior year assignments	Allowance of time for the closure of prior year audit work into 2021/22	-	-	50	Completed
32	Management and Audit development	Internal Audit planning, annual reporting, and quarterly reporting	-	-	35	Ongoing
33	EQA2	South Ayrshire Council independent review of Renfrewshire Council's compliance with PSIAS	-	-	10	Work In Progress
34	QAIP	Annual self-assessment of compliance with PSIAS	-	-	10	Self-Assessment Completed
TOTAL					497	

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

Appendix 2


Actions Due within 6 months (As at 17 January 2023)

IA2023/29/04 Golf Clubhouse Cash Handling Controls							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2023/28/04.13 Till Operation	31-Dec-2022 28 February 2023	Laura Kerr	Bruce Harris	12-Jan-2023 will be in place by mid-February with new epos system		80%	1 Extension Granted to 28 February
IA2023/28/04.07 VOID reporting	31-Jan-2023	Laura Kerr	Bruce Harris			80%	
IA2023/28/04.19 Sales records	30-Apr-2023	Laura Kerr	Bruce Harris			50%	



IA2017/09 Museums and Galleries - Art Collection							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2017/09.02.EDL Responsibility for artefacts out with Museum collection should be established and recorded.	30-Jun-2023	Laura Kerr	Laura Kerr	27-Sep-2022 Extension to 30/6/23 granted at AGP 7/9/22 to allow recruitment of Intern and implementation of the Service Review		80%	1st Extension granted to 31/3/2021 2nd Extension granted to 30/6/2022 3rd Extension granted to 30/6/2023
IA2017/09.03.EDL The Museums Inventory should be updated on a continuous basis and shared with Asset Management.	30-Jun-2023	Laura Kerr	Laura Kerr	27-Sep-2022 Extension to 30/6/23 granted at AGP 7/9/22 to allow recruitment of Intern and implementation of the Service Review		90%	1st extension - 31/3/2021 2nd extension granted to 30/06/2022

								3rd extension granted 30/6/2023
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IA2019/27 Property Leases							
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Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2019/27/01 Review of leased property portfolio to ensure that agreements and supporting documents are available.	31-Mar-2023	Mike Newall	Tom Burns	27-Sep-2022 Extension to 31/3//23 granted at AGP 7/9/22 to allow lease information to be gathered - exercise delayed due to staff being unable to access offices during Covid working restrictions		75%	1st extension - 31/3/2021 2nd extension - 31/3/2022 3rd extension 31/3/2023



IA2020/45 Payroll Starters & Leavers							
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Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2020/45/01 Procedures for transfers	31-Mar-2023	Eileen Howat	Wendy Wesson	27-Sep-2022 1st Extension granted - 30/6/22 2nd extension granted to Oracle Fusion Go live date expected to be 31/03/2023		90%	1st extension granted 30/06/2022 2nd extension grant to end of oracle fusion project - 31/03/2023
IA2020/45/03 Recovery of assets	31-Mar-2023	Eileen Howat	Wendy Wesson	27-Sep-2022 1st Extension granted - 30/6/22 2nd extension granted to Oracle Fusion Go live date expected to be 31/03/2023		90%	1st Extension granted - 30/6/22 2nd extension granted to Oracle Fusion Go live date expected to be 31/03/2023


IA2021/40 Main Accounting System Review							
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Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2021/40.02 Review to be conducted of old, unused account codes and cost centres surplus to requirements to streamline budget monitoring.	31-Mar-2023	Tim Baulk	Tom Simpson	05-Oct-2022 Review complete and several hundred codes identified for removal. This exercise will take place alongside the timeframe for Oracle Fusion Go-Live.		95%	1st extension granted to 31/12/2022 2nd extension granted to 31/03/2023 (AGP 9/11/22)
IA2021/40.06 Format of service level budget monitoring reports for all SAC services to be reviewed to include commitments and obligations to present complete spend against budget.	31-Mar-2023	Tim Baulk	Tom Simpson	05-Oct-2022 New reports have been developed in Oracle Fusion to provide a comprehensive range of information to budget holders. These reports are currently being tested and will be signed off and introduced in line with Go-Live timescales.		85%	1st extension granted to Oracle Fusion Go Live date 31/3/23
IA2021/40.10 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-2023	Tim Baulk	Tom Simpson	05-Oct-2022 Although reasonable progress has already been made across the organisation, the requirement for officer training on budget monitoring should be realigned with the training programme for Oracle Fusion. The provision of new reports and additional, improved information will require Corporate Accounting to train budget holders accordingly in order that they understand the information provided and what it means for budgetary control. This action will likely require an extension in line with Oracle Fusion Go-Live.		50%	1st extension granted to Oracle Fusion Go live date 31/3/23 (AGP 9/11/22)
IA2021/40.11 Format of budget monitoring reports to be reviewed to enable budget holders to drill down on the information presented. Consideration should be given to providing budget holders with real time budget and expenditure information.	31-Mar-2023	Tim Baulk	Tom Simpson	05-Oct-2022 Similar to action ref IA2021/40./06. Although it was initially considered that budget holders may have access to the live system, prohibitive licensing costs rendered that unaffordable. However, 'dashboard' and 'infolet' style information have been developed that will enhance the provision of information that		80%	1st extension granted to Oracle Fusion go live dated 31/3/2023 (AGP 9/11/22)

				can be rolled out to "non-professional" (non-Finance) users. Capability to drill-down through budget monitoring reports has also been developed, which we expect to be able to share with budget holders in some form. These reports are about to enter the testing stage.			
IA2021/40.15 Basis of internal recharges to be reviewed where based on historic pre-approved rates	30-Jun-2023	Tim Baulk	Tom Simpson	05-Oct-2022 Progress in this area has been hampered by both vacancies and competing priorities across the service, including Annual Accounts, budget development and Oracle Fusion. Some progress has been made and work will continue towards the development of the 2023/24 budget but this work will require to continue into the following financial year before it can be concluded. An extension will be required.		25%	1st extension granted to 31/12/2022 2nd extension granted to 30/3/2023

IA2021/47 ICT Application Controls - Cash Receiving System							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2021/47.08 Application Access control standard to be created and communicated to all SAC application administrators	30-Apr-2023	Stewart McCall	Anne Yeo	09-Jan-2023 Activities will be refocused in January 2023 to ensure completion by approved completion date.		70%	1st extension granted to 30 April 2023
IA2021/47.12 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-Mar-2023	Stewart McCall	David Alexander; Anne Yeo	09-Jan-2023 A project plan has created a series of action items that will ensure completion of this task by the authorised extension.		65%	1st extension granted to 31/03/2023

IA2022/08 Payment Card Industry Data Security Standard Compliance Management							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2022/08.02 Corporate Guide and Local Procedures Review and Update	28-Feb-2023	Stewart McCall	Anne Yeo	09-Jan-2023 The Corporate Framework is due to be discussed at the next meeting and will be prepared for final review based on the outcome of discussions.		95%	First extension granted to 28 February 2023
IA2022/08.05 Review Arrangements and Compliance of Third Parties	31-Mar-2023	Tim Bauk	Stewart McCall	23-Nov-2022 Request for extension from Anne Yeo granted (Update from AY "In January, our focus will intensify on achieving compliance of third parties and contracts management, by including Procurement more actively in the PCI DSS Champions network activities. It would be beneficial to have an extension on this activity until the end of April if possible".)		30%	1st extension granted to 31 March 2023

IA2022/18 Fuel Management							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2022/18.02 Review of allocation of fuel keys and cards	28-Feb-2023	Mike Newall	Kenny Dalrymple	17-Jan-2023 The initial investigation identified that a significant cleansing exercise was required in relation to the fob. Where the initial issue was in relation to the red fobs, which identify the employee, officers also identified that there was a significant number of black fobs in circulation which is well in excess of the total number of vehicles we have on the fleet and on a hired basis. The black fobs are linked to the registration of the vehicle and cannot be used on another vehicle. Officers need to remove the excess fobs from circulation which will require an audit of all vehicles and usage. Once complete officers will concentrate on the red fobs to identify all users. This will ultimately result in a new		70%	1st extension granted to 28 February 2023 (AGP 9/11/22)

				process to ensure that this situation is managed going forward. Although officers are working towards the 28 February deadline this will be dependent on services providing information. The service has had a poor response to date, therefore it is anticipated that this action will slip into March 2023.			
IA2022/18.07 Review of Procedures	31-Jan-2023	Mike Newall	Kenny Dalrymple	04-Oct-2022 This action relates to all the outcomes of the recent audit and on each component being completed. Extension to 31 January granted		20%	1st extension granted to 31/1/23 to allow other actions to be implemented (AGP 9/11/22)