

**THE HIGHLAND COUNCIL**

**Audit and Scrutiny Committee**

**Date: 20<sup>th</sup> August 2009**

**Internal Audit Progress Report**

**Period: 30<sup>th</sup> May 2009 to 6<sup>th</sup> August 2009**

**Report by Head of Internal Audit and Risk Management**

Agenda Item	3
Report No	AS/13/09

**Summary**

This report provides details of work in progress and other information relevant to the operation of the Internal Audit Section.

**1. Final Reports**

1.1 There have been no final reports issued in this period. This is due to a high level of work in progress; unplanned work and work on behalf of Joint Boards which is referred to at Section 2 below and to the vacancies which are referred to at Section 3 below.

**2. Work in Progress**

2.1 Planned work that is currently in progress and which will be the subject of a future report to this Committee is shown in the attached table. The level of detail has been expanded from that provided in previous Committee reports in order to show the stage that the audit work is at. This is categorised in terms of the chronological order that each audit assignment follows:

- Scope agreed and Terms of Reference issued to client Service
- Fieldwork in progress
- Fieldwork completed
- Draft report in progress
- Draft report issued

As shown in the attached table, there are 11 draft reports which are currently in progress and one draft report has been issued.

2.2 During the period covered by this report the Section has also been involved in a variety of other work which is summarised below:

(i) Caithness Heat and Power (CHaP)

The Head of Internal Audit and Risk Management has predominantly been working on a review of the CHaP governance arrangements, as requested by the Highland Council at its meeting on 12<sup>th</sup> February. This has proved to be a substantial piece of work as the project was initiated over 5 years ago and has cut across several Council Services, with many of the officers involved now

having left the Council. In addition, external consultants and advisers were also employed. As a consequence the information has had to be obtained from a variety of sources. The volume of written evidence is extensive but this has now been gathered and a draft report is still work in progress but is nearing completion. A meeting has been arranged with the Director of Audit Services (Local Government), Audit Scotland in order to discuss how this work should be taken forward.

(ii) Irregularity/ Fraud Investigations

Four irregularity/ fraud investigations were carried over from last year and are now being concluded. Once the relevant Police investigations and/ or internal disciplinary hearings have been completed, (*Nb: two are scheduled to take place this month*) the appropriate system weaknesses reports will be provided to Committee.

With regard to current year irregularity/ fraud investigations, these are summarised as follows:

- Following a request to investigate possible financial mismanagement and/ or misappropriation of funds and equipment, an investigation is being undertaken. From the work undertaken to date it would appear that there is evidence of fraud.
- Following concerns expressed which suggested fraudulent activity an investigation was undertaken. Although this concluded that fraud had not been committed, it did reveal irregular/ improper working practices and remedial action has now been taken.

(iii) Complaints/ Queries

A formal complaint was received by a contractor which alleged that there was unfair allocation of contract work. This matter has now been investigated in accordance with the Council's Complaints Procedure.

A query was received from an individual regarding the calculation of a Housing Repair Grant which has been investigated and responded to.

(iv) Computer Audit

In addition to planned Internal Audit work for the Highland Council, the Computer Audit Team has been significantly involved in providing advice to the ICT Re-procurement Project Board and acting as a member of the Quality Team.

(v) Other

The Internal Audit Section also provides a service to the three Joint Boards and time has been spent completing audits for the Assessors, Highlands and Islands Fire Service and Northern Constabulary. In addition, the following work has been undertaken:

- Eden Court Theatre – a review of the systems of internal control.
- Schools Financial Management Project – the Principal Auditor is part of the project team which now meets on a monthly basis. The purpose of the project was reported to the Education, Culture & Sport Committee on 6<sup>th</sup> August 2009. A School Manual, which will replace the existing DSM manual,

will be prepared which will outline all relevant governance issues relating to school-based activities. The results from the project will be reported back to Committee in due course.

### **3. Staffing Issues**

3.1 It was reported at the last meeting that applications had been received for the three vacant Auditor posts and interviews were to take place in the week commencing 15<sup>th</sup> June. Arising from this, one appointment was made and the individual will commence in the Section in September 2009.

It was also reported verbally at the last meeting that, in the event that any posts remained unfilled, the possible options would be as follows:

- To contact Recruitment Agencies with a view to them putting forward suitable candidates. There are financial implications associated with this as Agencies demand an appointment fee which can be in the region of 12½% to 30% of salary.
- To consider whether a Trainee should be recruited.

In view of the fact that two vacancies remained, it was decided to seek the services of Recruitment Agencies, whilst still utilising the Council's advertising process through its internet site and establishing a closing date for applications. This resulted in the receipt of 11 applications from which a shortlist of 6 has been established who all meet the minimum criteria required for the posts in terms of qualification and experience. Interviews are scheduled to take place on 1<sup>st</sup> and 2<sup>nd</sup> September 2009. The interview process will then determine whether two candidates are to be appointed or whether the Trainee option is to be considered further.

#### **Recommendation**

Members are invited to consider the Internal Audit progress report and note the action being taken to recruit suitable Auditors.

Signature:

Designation: Head of Internal Audit and Risk Management

Date: 6<sup>th</sup> August 2009

Ref:

Background Papers

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## Internal Audit – Planned Work in Progress

SERVICE	SUBJECT	PROGRESS
Chief Executive's	IT Networks *	Fieldwork in progress
Chief Executive's	Service Points – Income Systems *	Draft report in progress
Chief Executive's	Compliance with RIPSA *	Draft report issued
Chief Executive's	Corporate Governance *	Draft report in progress
Chief Executive's	Energy Management (Follow Up)	Fieldwork in progress
Corporate	Inventory *	Draft report in progress
Corporate	Use of Consultants *	Draft report in progress
Corporate	Grant Income – (Follow Up) *	Draft report in progress
Corporate	Verification of Statutory Performance Indicators	Fieldwork in progress
Education, Culture & Sport	Sports Facilities – Income Systems *	Draft report in progress
Finance	Debtors *	Draft report in progress
Finance	General Ledger *	Draft report in progress
Finance	ECDM *	Draft report in progress
Finance	Revenue Budgetary Control *	Draft report in progress
Finance	Payroll – New Starts *	Draft report in progress
Finance	Procurement – Use of Pecos and Purchase Cards *	Draft report in progress
Social Work	CareFirst system *	Fieldwork in progress
Social Work	Catering (value for money) *	Fieldwork in progress
Social Work	Resource Transfer *	Fieldwork completed
Social Work	Visual Impairment Services Highland *	Fieldwork in progress
TEC Services	VFM Review of Grounds Maintenance Arrangements	Fieldwork in progress

Note: \*: brought forward from 2008/09 tactical plan