

ABERDEEN CITY COUNCIL

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|---------------------------|--|
| COMMITTEE | Audit, Risk and Scrutiny Committee |
| DATE | 26 June 2019 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Internal Audit Reports – Follow-up of Agreed Recommendations |
| REPORT NUMBER | IA/19/010 |
| DIRECTOR | N/A |
| REPORT AUTHOR | David Hughes |
| TERMS OF REFERENCE | 2.3 |

1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of progress made by Services with implementing recommendations that have been agreed in Internal Audit reports.

2. RECOMMENDATIONS

The Committee is requested to:

- 2.1 Review, discuss and comment on the issues raised within this report and the attached appendices.

3. BACKGROUND / MAIN ISSUES

- 3.1 The Public Sector Internal Audit Standards require that Internal Audit monitors the implementation of agreed recommendations until they are implemented by management. The Corporate Management Team and the Audit, Risk and Scrutiny Committee receive a report from Internal Audit at each of its meeting which shows progress made.

- 3.2 However, circumstances may change following completion of an Internal Audit. Having investigated implementation more fully, a recommendation may, for example, take longer to implement, or the cost of implementation may be higher, than originally anticipated. In these circumstances either more time may be required, or management may conclude, based on the risk to the organisation, that the recommendation should no longer be implemented. Where this is the case, management will make recommendations regarding how the agreed recommendation should be treated.

3.3 The attached appendices show progress made by Services with completing agreed Internal Audit recommendations, based on assurances received from officers tasked with their implementation and independent checks where appropriate. Where all recommendations contained in individual reports issued before 1 April 2019 have been completed, these are no longer shown in the appendices.

3.4 Where recommendations have not been completed by their original due date, reasons are provided along with recommendations from management (where appropriate) regarding how and when the agreed Internal Audit recommendation will be concluded or whether it should no longer be implemented.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

7. OUTCOMES

7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.

7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

| Assessment | Outcome |
|--|--|
| Equality & Human Rights Impact Assessment | An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be |

| | |
|--|--|
| | no differential impact, as a result of the proposals in this report, on people with protected characteristics. |
| Data Protection Impact Assessment | Not required |
| Duty of Due Regard / Fairer Scotland Duty | Not applicable |

9. APPENDICES

- 9.1 Appendix A – Position with Agreed Recommendations – Summary.
- 9.2 Appendix B – Position with Agreed Recommendations – Cross Service.
- 9.3 Appendix C – Position with Agreed Recommendations – Customer.
- 9.4 Appendix D – Position with Agreed Recommendations – Operations.
- 9.5 Appendix E – Position with Agreed Recommendations – Resources.
- 9.6 Appendix F – Position with Agreed Recommendations – Health and Social Care Partnership.
- 9.7 Appendix G - Governance.

10. REPORT AUTHOR DETAILS

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APPENDIX A – SUMMARY

POSITION WITH AGREED RECOMMENDATIONS AS AT 13 JUNE 2019

The following table provides a summary of progress being made by Services with completing agreed recommendations.

On 30 April 2019, the Committee was advised that, as at 16 April 2019, there were 14 recommendations which were due to have been completed by 31 December 2018 which were not fully complete. This has now reduced to 8.

The total not fully complete, which had an original due date of before 30 April 2019, is 21. Full details relating to progress, on a report by report basis, are shown in appendices B to G.

| SERVICE | Agreed in reports shown in Appendices B to G | Due for completion by 28.02.19 | Confirmed complete by Service | New in March and April 2019 | Confirmed complete by Service | Not fully complete by original due date | Major | Significant | Important |
|---------------------------------|--|--------------------------------|-------------------------------|-----------------------------|-------------------------------|---|-------|-------------|-----------|
| Cross Service | 27 | 1 | 1 | 2 | 2 | 0 | 0 | 0 | 0 |
| Commissioning | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Customer | 21 | 3 | 3 | 7 | 4 | 3 | 0 | 1 | 2 |
| Operations | 24 | 17 | 16 | 6 | 0 | 7 | 1 | 6 | 0 |
| Resources | 38 | 32 | 27 | 6 | 2 | 9 | 0 | 8 | 1 |
| Health & Social Care | 50 | 34 | 32 | 0 | 0 | 2 | 0 | 2 | 0 |
| Governance | 3 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| Total | 163 | 88 | 80 | 22 | 9 | 21 | 1 | 17 | 3 |

KEY TO COLOURING USED IN FOLLOWING APPENDICES

Recommendation Grading:

| Grading | Definition |
|-------------|---|
| Major | The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation. Financial Regulations have been consistently breached. |
| Significant | Addressing this issue will enhance internal controls. An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on a system's adequacy and effectiveness. Financial Regulations have been breached. |
| Important | Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control. |

Length of time overdue

| |
|--------------------|
| Over 12 months |
| 6 to 12 months |
| Less than 6 months |

APPENDIX B

CROSS SERVICE

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|-------------------------------|---------------|---------------------------|------------------------------------|----------------------------------|---|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |
| AC1914 | Procurement Compliance | April 2019 | 15 | 0 | 0 | 0 | 0 |
| AC1918 | Health and Safety | February 2019 | 12 | 3 | 3 | 0 | 0 |

APPENDIX C

CUSTOMER

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |

| | | | | | | | |
|---------------|----------------------------------|-------------|---|---|---|----------|---|
| AC1909 | Timesheets and Allowances | August 2018 | 7 | 4 | 4 | 0 | 0 |
|---------------|----------------------------------|-------------|---|---|---|----------|---|

| | | | | | | | |
|---------------|---------------------------|---------------|----|---|---|----------|--|
| AC1917 | NPS Housing System | February 2019 | 14 | 6 | 3 | 3 | 1 Significant 2 Important |
|---------------|---------------------------|---------------|----|---|---|----------|--|

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|--|--|--------------------|--|
| Early Intervention and Community Empowerment | Risks of not carrying out tests should be assessed and documented where scheduled tests are not completed (2.3.3) | Important | The Service has advised that it has a comprehensive test plan and is currently identifying critical functionality to determine where tests are required. Where tests are deemed not required, the Service will work to assess and document the risk. This is scheduled to be completed by the end of July 2019. |
| | | March 2019 | |
| Early Intervention and Community Empowerment | The Systems Team work plan should be updated to include 2018/19 team tasks (2.3.6) | Significant | The Service has advised that the Systems Team has specific work tasks and is currently exploring more efficient and automated methods of monitoring progress. This will be complete by the end of August 2019. |
| | | March 2019 | |
| Early Intervention and Community Empowerment | The Service should introduce specific new user forms to demonstrate access requirements and authorisation (2.4.1a) | Important | The Service has advised that the existing new user form in Service Now (IT Service Management tool) has been changed to incorporate NPS Housing. This is being tested and is scheduled to be live by the end of June 2019. |
| | | April 2019 | |

APPENDIX D

OPERATIONS

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |

| | | | | | | | |
|------------------|---|--------------|---|---|---|---|---------|
| AC1602 AW | Craft Workers Terms and Conditions | October 2015 | 9 | 9 | 8 | 1 | 1 Major |
|------------------|---|--------------|---|---|---|---|---------|

The position with the overdue recommendation is as follows:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|------------------------------------|--|--------------------|--|
| Operations and Protective Services | The Service should renegotiate the Agreement based on current working practice (2.2.6) | Major June 2016 | <ul style="list-style-type: none"> • Committee advised on 27 September 2016 that this would be complete by December 2016. • Committee advised on 23 February 2017 that this would be complete as soon as possible in 2017. • Committee advised on 22 June 2017 that this would be complete in the near future. • Committee advised on 26 September 2017 that this would be complete by June 2018. • Committee advised on 25 September 2018 that this is to be subject to review and will be included in the work-plan for delivery of the transformation programme. • Committee advised on 4 December 2018 that this would be resolved by April 2019 • Committee advised on 30 April 2019 that this would be resolved by August 2019. <p>The latest update from the Service is that consultation on the proposed agreement, with Unions and employees, will commence in June 2019. Subject to the success of these negotiations it is intended that a report will be submitted to the 1 October 2019 meeting of the Staff Governance Committee for approval. The Service has stated that progress with this action has been delayed on several occasions due to circumstances out with its control, and it is anticipated that the current actions will resolve the outstanding action.</p> |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |

| | | | | | | | |
|---------------|----------------------|--------------|---|---|---|----------|----------------------|
| AC1817 | Vehicle Usage | January 2018 | 8 | 8 | 4 | 4 | 4 Significant |
|---------------|----------------------|--------------|---|---|---|----------|----------------------|

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|------------------------------------|---|--------------------|--|
| Operations and Protective Services | The Council should develop and roll out a single policy on the use of Council owned vehicles, ensuring this includes whether and in which circumstances non-business use or carriage of passengers is allowed (2.1.4) | Significant | The Service has advised that discussions are on-going with a view to developing a single policy on these issues. Following consultation, the policy will need to be agreed by the appropriate committee. In order to allow for the completion of the discussions, consultations and relevant committee approvals, this will now be complete in October 2019. |
| | | April 2019 | |
| | | | |
| Operations and Protective Services | Fleet should ensure that all Services have access to regular reports on vehicle use, know how to check these and what issues to consider (2.2.7) | Significant | The Service has advised that this will be resolved through the procurement of a telematics system, a tender for which is due out to be issued May 2019. The aim is, subject to the completion of the procurement process and implementation of the system, to produce reports for user services by October 2019. |
| | | April 2019 | |
| | | | |
| Operations and Protective Services | Fleet utilisation should be reviewed corporately to maximise efficiency (2.2.14) | Significant | As for 2.2.7, above. |
| | | April 2019 | |
| | | | |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |

(AC1817 – Vehicle Usage – Continued)

| Chief Officer | Recommendation | Grading / Due Date | Position |
|------------------------------------|---|---------------------------|----------------------|
| Operations and Protective Services | A corporate review is required on Services allowing employees to take vehicles home and use them for day to day commuting, to ensure such instances present a net benefit to the Council (2.2.22) | Significant April 2019 | As for 2.1.4, above. |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |

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|---------------|-----------------------------------|---------------|---|---|---|----------|----------------------|
| AC1903 | Devolved School Management | November 2018 | 7 | 6 | 4 | 2 | 2 Significant |
|---------------|-----------------------------------|---------------|---|---|---|----------|----------------------|

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|--------------------|---|--------------------|---|
| Corporate Landlord | The DSM Budget Allocation Formulae and Operational procedure and Quality Assurance Framework - Financial Management schools procedure should be updated to reflect current devolved budget arrangements (2.1.8) | Significant | Internal Audit is awaiting an update on progress. |
| | | March 2019 | |
| Corporate Landlord | A procedure should be prepared covering the DSM review process (2.9.1) | Significant | Internal Audit is awaiting an update on progress. |
| | | April 2019 | |

APPENDIX E

RESOURCES

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |

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|---------------|--|----------------|---|---|---|----------|----------------------|
| AC1806 | Corporate Landlord Responsibilities | September 2017 | 9 | 9 | 6 | 3 | 3 Significant |
|---------------|--|----------------|---|---|---|----------|----------------------|

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|--------------------|---|--------------------|--|
| Corporate Landlord | The Service should formalise the procedures used to demonstrate compliance with its Corporate Landlord Responsibilities and other cyclical maintenance activities (2.2.3) | Significant | <ul style="list-style-type: none"> Committee advised on 25 September 2018 that this would be complete by October 2018. Committee advised on 14 February 2019 that Internal Audit was awaiting an update on progress from the Service. <p>The latest update from the Service is that the procedure has been agreed between the various parts of the Council undertaking tasks, through a central record of information and responsibilities. Internal Audit has requested that a copy be provided before the recommendation is marked off as complete and receipt of this is awaited.</p> |
| | | June 2018 | |
| Corporate Landlord | The Service should ensure data regarding its Corporate Landlord Responsibilities is maintained centrally, accurately and up to date (2.3.8) | Significant | <ul style="list-style-type: none"> Committee advised on 25 September 2018 that this would be complete by October 2018. Committee advised on 14 February 2019 that Internal Audit was awaiting an update on progress from the Service. <p>The latest update from the Service is that records of what works are undertaken, who has responsibility for works, what data is recorded and where it is held has been collated. From this a reporting dashboard is being developed to highlight weakness and give greater assurance. This will be piloted during June 2019.</p> |
| | | June 2018 | |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|---|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |

(AC1806 – Corporate Landlord – Continued)

| Chief Officer | Recommendation | Grading / Due Date | Position |
|--------------------|---|---|---|
| Corporate Landlord | The Service should ensure it has assurance that all property in which the Council has an interest is statutorily compliant (2.3.13) | <p>Significant</p> <p>June 2018</p> | <ul style="list-style-type: none"> • Committee advised on 25 September 2018 that this would be complete by October 2018. • Committee advised on 14 February 2019 that Internal Audit was awaiting an update on progress from the Service. <p>The latest update from the Service is that records of what works are undertaken, who has responsibility for works, what data is recorded and where it is held has been collated. From this a reporting dashboard is being developed to highlight weakness and give greater assurance. This will be piloted during June 2019.</p> |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |

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|---------------|--------------------------|---------------|---|---|---|---|---------------|
| AC1819 | Capital Contracts | February 2018 | 8 | 8 | 7 | 1 | 1 Significant |
|---------------|--------------------------|---------------|---|---|---|---|---------------|

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|---------------|---|---------------------------|---|
| Capital | The Service should review estimating and scheduling to ensure it can demonstrate that best value is being achieved (2.4.12) | Significant April 2019 | The Service has confirmed that this will be complete by the end of June 2019. |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |

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|---------------|-----------------------------|-------------|---|---|---|----------|----------------------|
| AC1823 | Fixed Asset Register | August 2018 | 7 | 7 | 4 | 3 | 3 Significant |
|---------------|-----------------------------|-------------|---|---|---|----------|----------------------|

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|---------------|--|---------------------------|---|
| Finance | The Service should investigate the revaluation reserve errors and update procedures to avoid in future (2.4.4) | Significant March 2019 | The Service has advised that as this is a year-end procedure this is currently being worked on. The procedure will be updated by the end of June 2019. |
| Finance | Accounting transactions should be reflected in the ledger (2.6.1a) | Significant April 2019 | The Service has advised that, due to resourcing issues, this has not been undertaken, but work is scheduled to begin on this once the Annual Accounts audit has been completed. This will now be complete by the end of September 2019. |
| Finance | The ledger should be reconciled to the fixed asset register and Financial Statements (2.6.1b) | Significant April 2019 | As for 2.6.1a, above. |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|-----------------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |
| AC1902 | Debtors System | August 2018 | 14 | 14 | 12 | 2 | 1 Significant 1 Important |

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|---------------|--|--------------------|--|
| Finance | Procedures should be updated as required and issued to appropriate staff (2.1.4) | Significant | <ul style="list-style-type: none"> Committee advised on 14 February 2019 that this would be complete by May 2019. <p>The latest update from the Service is that there are a large number of separate procedures that are now being updated following completion of the main year end tasks. This will now be completed by the end of June 2019.</p> |
| | | December 2018 | |
| Finance | The Service should revise aged debt reports to highlight where recovery action is required (2.7.6) | Important | <ul style="list-style-type: none"> Committee advised on 14 February 2019 that this would be complete by June 2019. |
| | | December 2018 | |

APPENDIX F

HEALTH AND SOCIAL CARE **PARTNERSHIP**

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |

| | | | | | | | |
|---------------|------------------------------|--------------|----|----|----|---|---------------|
| AC1617 | Self-Directed Support | October 2016 | 21 | 21 | 20 | 1 | 1 Significant |
|---------------|------------------------------|--------------|----|----|----|---|---------------|

Progress with the overdue recommendations is detailed below:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|---|---|---------------------------|---|
| Head of Strategy and Transformation (ACC H&SCP) | The Service should finalise and implement the Contributing to Your Care and Support Policy and guidance (2.4.2) | Significant March 2017 | <ul style="list-style-type: none"> • Committee advised on 22 June 2017 that this would be complete by October 2017. • Committee advised on 23 November 2017 that this would be complete by April 2018. • Committee advised on 8 May 2018 that this would be complete by September 2018. • Committee advised on 25 September 2018 that this would be complete by March 2019. • Committee advised on 30 April 2019 that this would be complete by July 2019. |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|--|--|-------------------------------|---|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |
| AC1828 | Care Management | April 2018 | 13 | 13 | 12 | 1 | 1 Significant |
| The position with the overdue recommendations is as follows: | | | | | | | |
| Chief Officer | Recommendation | Grading / Due Date | Position | | | | |
| Chief Finance Officer (IJB) | The Service should ensure arrangements for budgeting, managing payments via CareFirst, and monitoring third party use of funds, are developed for SDS Option 2 (SDS Board action plan) (2.3.5) | Significant September 2018 | <ul style="list-style-type: none"> Committee advised on 4 December 2018 that this would be complete by April 2019. Committee advised on 30 April 2019 that this would be complete by July 2019. | | | | |
| AC1919 | Criminal Justice | April 2019 | 8 | 0 | 0 | 0 | 0 |
| AC1920 | National Care Home Contract | January 2019 | 8 | 0 | 0 | 0 | 0 |

APPENDIX G
GOVERNANCE

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--|---------------|---------------------------|------------------------------------|----------------------------------|---|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.04.19 | Confirmed Implemented by Service | Not implemented by original due date | |
| AC1916 | Prevention of Fraud, Bribery and Corruption | February 2019 | 3 | 2 | 2 | 0 | 0 |