

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	25 September 2019
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Reports – Follow-up of Agreed Recommendations
REPORT NUMBER	IA/19/012
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.
- 2.2 Confirm whether it agrees with the request from management regarding the remaining recommendation in Internal Audit Report AC1617 – Self-Directed Support as detailed in appendix F to this report.

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.

10. REPORT AUTHOR DETAILS

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APPENDIX A – SUMMARY

POSITION WITH AGREED RECOMMENDATIONS AS AT 12 SEPTEMBER 2019

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

On 26 June 2019, the Committee was advised that, as at 13 June 2019, there were 21 recommendations which were due to have been completed by 30 April 2019 which were not fully complete. This has now reduced to 16.

The total not fully complete, which had an original due date of before 31 July 2019, is 23. Full details relating to progress, on a report by report basis, are shown in appendices B to G.

FUNCTION	Agreed in reports shown in Appendices B to G	Due for completion by 30.04.19	Confirmed complete by Service	New in May to July 2019	Confirmed complete by Service	Not fully complete by original due date	Major	Significant	Important
Cross Service	27	3	3	14	11	3	0	3	0
Commissioning	0	0	0	0	0	0	0	0	0
Customer	35	10	10	14	11	3	0	3	0
Operations	24	23	16	1	0	8	1	7	0
Resources	38	38	30	0	0	8	0	7	1
Health & Social Care	37	21	20	10	10	1	0	1	0
Total	161	95	79	39	32	23	1	21	1

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 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1914	Procurement Compliance	April 2019	15	9	7	2	2 Significant
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Head of Commercial and Procurement Services	CPS should implement a system for delegated procurement authority (2.1.3)	Significant	The Service has advised that significant work has been undertaken by a short life working group to review all aspects of the process to award Delegated Procurement Authority to procuring officers and to set up and maintain a register. A Project Plan has been created to monitor the implementation of this work which will be complete by the end of January 2020.
		July 2019	
Head of Commercial and Procurement Services	Framework call offs should be registered as separate contracts (2.2.15)	Significant	The Service has advised that an extensive review of frameworks is being undertaken as a result of the procurement management board requirement to mandate use of frameworks. This will include the process for recording call-offs. A further update on progress will be available by September 2019.
		June 2019	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1918	Health and Safety	February 2019	12	8	7	1	1 Significant
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Governance	Functions should identify Health and Safety skills and training needs once an appropriate system has been put in place (2.2.9a)	Significant July 2019	The Service has advised that the implementation date for this recommendation should have been July 2020 to tie in with another linked recommendation. In view of this, the implementation date will be re-set and followed up in the future.

APPENDIX C

CUSTOMER

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1909	Timesheets and Allowances	August 2018	7	5	4	1	1 Significant
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Customer	The Service should ensure that the new Payroll system can monitor working hours to ensure compliance with the 48-hour rule across the Council (2.4.6)	Significant July 2019	A monthly report will be run from CoreHR identifying any staff who have claimed overtime, the hours they have claimed and their contracted hours. This will be passed to managers to monitor against the Working Time Directive. Reports are in the process of being finalised and guidance is being prepared. This will be in place by the end of August 2019.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1912	Data Security in a Cloud- Based Environment	May 2019	14	11	10	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Digital and Technology	Data Protection Impact Assessments should be completed for Office 365. (2.3.20a)	Significant July 2019	The Service has advised that a draft Data Protection Impact Assessment (DPIA) for Office 365 has been extensively worked on by the Digital & Technology team. The scope has increased due to the breadth and complexity of the system; however, the service envisages the DPIA will be complete by the end of August 2019.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1917	NPS Housing System	February 2019	14	8	7	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Digital and Technology	The required system upgrade to version 6.18 should be applied to the Housing system (2.3.5)	Significant June 2019	<p>The latest update from the Service is that the Service continues to work with Digital & Technology and the supplier to perform incremental upgrades. Various interfaces are being tested along with associated Infrastructure upgrades.</p> <p>The scope of the upgrade process has increased which has added significant complexity. On that basis the required system upgrade is now due to be completed by October 2019.</p>

APPENDIX D

OPERATIONS

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	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
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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	See below:

- 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.
- Committee advised on 26 June 2019 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.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1817	Vehicle Usage	January 2018	8	8	4	4	4 Significant
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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	<ul style="list-style-type: none"> Committee advised on 26 June 2019 that this would be complete by 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	<ul style="list-style-type: none"> Committee advised on 26 June 2019 that this would be complete by October 2019.
		April 2019	
Operations and Protective Services	Fleet utilisation should be reviewed corporately to maximise efficiency (2.2.14)	Significant	<ul style="list-style-type: none"> Committee advised on 26 June 2019 that this would be complete by October 2019.
		April 2019	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	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	<ul style="list-style-type: none"> Committee advised on 26 June 2019 that this would be complete by October 2019.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	
AC1903	Devolved School Management	November 2018	7	7	4	3	3 Significant

The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Corporate Landlord	The DSM framework should be updated to reflect current arrangements, finalised and approved by Committee (2.1.5)	Significant June 2019	The Service has advised that national guidance, required to complete this recommendation, will now be available in August 2019 (rather than April 2019). This will now be complete by the end of October 2019.
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 March 2019	<ul style="list-style-type: none"> The Committee was advised on 26 June 2019 that Internal Audit was awaiting an update from the Service.
Corporate Landlord	A procedure should be prepared covering the DSM review process (2.9.1)	Significant April 2019	<ul style="list-style-type: none"> The Committee was advised on 26 June 2019 that Internal Audit was awaiting an update from the Service.

APPENDIX E

RESOURCES

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1806	Corporate Landlord Responsibilities	September 2017	9	9	6	3	3 Significant
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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 June 2018	<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. • Committee advised on 26 June 2019 that Internal Audit was awaiting a copy of the completed procedure before marking the recommendation off as complete.
Corporate Landlord	The Service should ensure data regarding its Corporate Landlord Responsibilities is maintained centrally, accurately and up to date (2.3.8)	Significant June 2018	<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. • Committee advised on 26 June 2019 that a solution to this recommendation would be piloted in July 2019.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	

<i>(AC1806 – Corporate Landlord – Continued)</i>				
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)	Significant June 2018	<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. Committee advised on 26 June 2019 that a solution to this recommendation would be piloted in July 2019. 	

AC1819	Capital Contracts	February 2018	8	8	7	1	1 Significant
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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	<ul style="list-style-type: none"> Committee advised on 26 June 2019 that this would be complete by June 2019. <p>The latest update from the Service is procedures have been reviewed and will be issued by the end of August 2019.</p>	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	

AC1823	Fixed Asset Register	August 2018	7	7	5	2	2 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	Accounting transactions should be reflected in the ledger (2.6.1a)	Significant	<ul style="list-style-type: none"> Committee advised on 26 June 2019 that this would be complete by September 2019.
		April 2019	
Finance	The ledger should be reconciled to the fixed asset register and Financial Statements (2.6.1b)	Significant	<ul style="list-style-type: none"> Committee advised on 26 June 2019 that this would be complete by September 2019.
		April 2019	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	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. Committee advised on 26 June 2019 that this would be complete by June 2019. <p>The latest update from the Service is that this is now largely complete and will be finalised by the end of September 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. <p>The latest update from the Service is that this is complete. Internal Audit is awaiting receipt of evidence to support this before closing the recommendation off.</p>
		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 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	

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

The latest update from the Service is that Officers have developed an action plan to implement the Contributing to Your Care Policy. This work includes providing guidance and training for staff; issuing letters to all clients; adding new/reviewed clients; and then completing the existing client switchover. There are currently over 1500 clients (this includes Care at Home; Free Personal Care; Housing Support; Respite; Social / educational and recreational; and Direct Payment clients). Based on the number of clients and the time to transfer all the new and existing clients to the system, it is estimated that the whole process will be complete by 31 March 2021.

The Service is requesting that the recommendation be closed off based on the implementation plan submitted to Internal Audit and that Internal Audit include a review of this area in its plan for 2020/21 to provide assurance over progress.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.19	Confirmed Implemented by Service	Not implemented by original due date	
AC1919	Criminal Justice	April 2019	8	7	7	0	0
AC1920	National Care Home Contract	January 2019	8	3	3	0	0