

ABERDEEN CITY COUNCIL

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|---------------------------|--|
| COMMITTEE | Audit, Risk and Scrutiny Committee |
| DATE | 4 December 2019 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Internal Audit Reports – Follow-up of Agreed Recommendations |
| REPORT NUMBER | IA/19/014 |
| 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

- 2.1 The Committee is requested to 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 – Position with Agreed Recommendations – Governance.

10. REPORT AUTHOR DETAILS

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APPENDIX A – SUMMARY

POSITION WITH AGREED RECOMMENDATIONS AS AT 21 NOVEMBER 2019

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

On 25 September 2019, the Committee was advised that, as at 12 September 2019, there were 23 recommendations which were due to have been completed by 31 July 2019 which were not fully complete. This has now reduced to 11.

The total not fully complete, which had an original due date of before 30 September 2019, is 12. 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 31.07.19 | Confirmed complete by Service | New in August to September 2019 | Confirmed complete by Service | Not fully complete by original due date | Major | Significant | Important |
|---------------------------------|--|--------------------------------|-------------------------------|---------------------------------|-------------------------------|---|-------|-------------|-----------|
| Cross Service | 27 | 16 | 15 | 6 | 6 | 1 | 0 | 1 | 0 |
| Customer | 39 | 24 | 23 | 4 | 3 | 2 | 0 | 2 | 0 |
| Operations | 52 | 24 | 19 | 10 | 10 | 5 | 1 | 4 | 0 |
| Resources | 16 | 16 | 12 | 0 | 0 | 4 | 0 | 4 | 0 |
| Health & Social Care | 22 | 11 | 11 | 3 | 2 | 1 | 0 | 1 | 0 |
| Governance | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 162 | 91 | 80 | 23 | 21 | 13 | 1 | 12 | 0 |

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 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date | |
| AC1914 | Procurement Compliance | April 2019 | 15 | 15 | 14 | 1 | 1 Significant |
| 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 July 2019 | <ul style="list-style-type: none"> Committee advised on 25 September 2019 that this would be complete by January 2020. | | | | |
| AC1918 | Health and Safety | February 2019 | 12 | 7 | 7 | 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 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date | |
| AC1909 | Timesheets and Allowances | August 2018 | 7 | 5 | 5 | 0 | 0 |
| AC1912 | Data Security in a Cloud- Based Environment | May 2019 | 14 | 12 | 11 | 1 | 1 Significant |
| 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 | <ul style="list-style-type: none"> Committee advised on 25 September 2019 that this would be complete by August 2019. <p>The latest updated from the Service is that the scope for the Office 365 DPIA increased due to the implementation of additional Office 365 services that had to be included in the DPIA. The DPIA is almost complete and the Service will be in a position to sign-off the DPIA by the end of November 2019.</p> | | | | |
| AC1917 | NPS Housing System | February 2019 | 14 | 10 | 10 | 0 | 0 |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date | |

| | | | | | | | |
|---------------|---|----------------|---|---|---|---|---|
| AC2006 | Housing Rent Collection & Arrears Management | September 2019 | 4 | 1 | 0 | 1 | 1 |
|---------------|---|----------------|---|---|---|---|---|

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|--|--|-------------------------------|---|
| Early Intervention and Community Empowerment | Former tenant write offs should be reported to City Growth and Resources Committee (2.6.3) | Significant September 2019 | The Service has advised that a report is scheduled to go to the City Growth and Resources Committee in February 2020. |

APPENDIX D

OPERATIONS

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.09.19 | 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 | 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.
- Continued over page*

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|---|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date | |

(AC1602AW – Craft Workers Terms and Conditions – Continued)

The latest update from the Service is that a report has been submitted to the meeting to be held on the 1 October 2019 of the Staff Governance Committee. This report details the progress to resolve the audit recommendation. During the summer of 2019 there have been several informal meetings between management and unions to resolve the outstanding audit recommendation. This is to ensure that the Service can deliver 24/7 whilst being fully compliant with the “Working Time Directive”. The Service has been working to the following timeline:

- i. Week Commencing 30 September 2019 - Meetings (6) with affected staff groups.
- ii. Monday 7 October 2019 - Paper sent to unions for formal consultation.
- iii. Friday 18 October 2019 - End of formal consultation period.
- iv. Week commencing 21 October 2019 - Outcome of consultation and implementation details shared with affected staff.

The meetings with staff have taken place and the management proposal has been put forward to staff. Staff have been invited to come forward with their proposals in conjunction with their Trade Unions. At the Staff Governance Committee on the 1 October the Committee resolved that “there would be a degree of flexibility in terms of the timescales for the formal consultation period”. Meetings with the TU’s are ongoing, and it is anticipated that the formal consultation period can be commenced following Trade Union meeting on 30 October 2019.

Update 25 November 2019 – Meetings between management and TU’s are ongoing. Staff were invited to come forward with an alternative proposal to that put forward by management. Although staff and TU had been working together on an alternative proposal, the TU requested additional time so that they could consult with their own legal team on the working time directive. A meeting is now scheduled for 27 November 2019 for the TU to present their legal advice. There are currently now two options on the table, one from management and one from staff, both working time directive compliant. It is hoped that, following on from meetings scheduled in the week commencing 25 November 2019, the Service shall meet with the affected staff group, agree on a preferred option, then enter into formal consultation in the week commencing 9 December 2019.

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date | |

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|---------------|----------------------|--------------|---|---|---|---|---------------|
| AC1817 | Vehicle Usage | January 2018 | 8 | 8 | 6 | 2 | 2 Significant |
|---------------|----------------------|--------------|---|---|---|---|---------------|

The position with the overdue recommendations is as follows:

| Chief Officer | Recommendation | Grading / Due Date | Position |
|------------------------------------|--|--------------------|--|
| 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. <p>The latest update from the Service is that a “Telematics” recording system is currently being procured and the tender process is currently on-going through the YPO framework. A tender went live on 24 October with a closing date of 13 November. The reason the tendering process was delayed was due to legal anomalies which have now been resolved. It is intended to implement the system by Early December 2019. Once installed the Service will be issuing “vehicle use” reports to Services.</p> |
| | | 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. <p>The latest update from the Service is that a “Telematics” recording system is currently being procured and the tender process is currently on-going through the YPO framework. A tender went live on 24 October with a closing date of 13 November. The reason the tendering process was delayed was due to legal anomalies which have now been resolved. It is intended to implement the system by Early December 2019. Once installed the Service will be issuing “vehicle use” reports to Services.</p> |
| | | April 2019 | |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date | |

| | | | | | | | |
|---------------|-----------------------------------|---------------|---|---|---|----------|----------------------|
| AC1903 | Devolved School Management | November 2018 | 7 | 7 | 5 | 2 | 2 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 | <ul style="list-style-type: none"> Committee advised on 25 September 2019 that this would be complete by October 2019. <p>The latest update from the Service is that a finance working group comprising head teacher colleagues (as budget holders), central education and finance officers has been established. The group meet weekly and hope to have a first draft of the new framework complete by the end of January 2020. Given how DSM ties with the budget setting process, the Chief Officer - Finance and Chief Education Officer have agreed that the updated framework should be presented to the Education Operational Delivery Committee in May 2020, following the Council budget meeting.</p> |
| 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. <p>The latest update from the Service is that, as above, formula are currently being developed based on principles agreed by the finance working group. This work should have concluded by the end of May 2020.</p> |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------------------|-------------|---------------------------|------------------------------------|----------------------------------|---|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date | |
| AC1922 | Pupil Equity Fund | April 2019 | 6 | 6 | 6 | 0 | 0 |
| AC1925 | Music Service | May 2019 | 22 | 4 | 4 | 0 | 0 |

APPENDIX E

RESOURCES

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.09.19 | 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 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. <p>The completed procedure has not yet been forwarded to Internal Audit.</p> |
| 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. <p>No further update has been provided.</p> |

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
|---------------|--------------|-------------|---------------------------|------------------------------------|----------------------------------|--------------------------------------|------------------------------------|
| | | | Agreed in Report | Due for implementation by 30.09.19 | 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) | 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. <p>No further update has been provided.</p> |

| | | | | | | | |
|---------------|-----------------------------|-------------|---|---|---|---|---------------|
| AC1823 | Fixed Asset Register | August 2018 | 7 | 7 | 6 | 1 | 1 Significant |
|---------------|-----------------------------|-------------|---|---|---|---|---------------|

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 April 2019 | <ul style="list-style-type: none"> Committee advised on 26 June 2019 that this would be complete by September 2019. <p>No further update has been provided.</p> |

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 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date | |
| AC1908 | Non-Residential Care Charging Policy | June 2019 | 6 | 2 | 1 | 1 | 1 Significant |
| The position with the overdue recommendations is as follows: | | | | | | | |
| Chief Officer | Recommendation | Grading / Due Date | Position | | | | |
| Chief Officer | The Service should update procedures for the approval, recording and monitoring of financial assessment reviews, appeals and waive of charges (2.3.5) | Significant September 2019 | The Service has advised that the updated procedures have not been finalised yet. The original September deadline was given in anticipation that CareFirst development would be completed by July. However, this was delayed until September which has delayed finalisation of the procedures. Full implementation of the Contributing to Your Care and Support Policy is scheduled to commence from 30 November 2019. Briefing sessions for staff have been arranged between 25 October and 7 November. Further in-depth training for staff will take place throughout November. The procedures will be further developed following the briefing sessions and training with input from staff. The final version will be available immediately prior to implementation on 30 November. | | | | |
| AC1919 | Criminal Justice | April 2019 | 8 | 8 | 8 | 0 | 0 |
| AC1920 | National Care Home Contract | January 2019 | 8 | 3 | 3 | 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 30.09.19 | Confirmed Implemented by Service | Not implemented by original due date | |
| AC2004 | Risk Management | August 2019 | 6 | 0 | 0 | 0 | 0 |