

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	9 December 2020
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Progress
<b>REPORT NUMBER</b>	IA/20/011
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.2 and 2.4

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### 1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of Internal Audit's progress against the approved 2019/20 and 2020/21 Internal Audit plans.

### 2. RECOMMENDATIONS

It is recommended that the Committee:

- 2.1 Reviews, discusses and comments on the issues raised within this report and Appendices A & B;
- 2.2 Approves the proposals to remove items from the Reserve List of the revised Internal Audit Plan for 2020/21, and subject to the Committee's consideration of a draft Internal Audit Plan for 2021/22 at its meeting scheduled for 24 February 2021, defer items from the Reserve List, all as set out in Appendix C; and
- 2.3 Notes a possible scope and objective of the Covid 19 funding audit set out in Appendix D that will be consulted on as part of preparations for presenting the draft Internal Audit Plan for 2021/22.

### 3. BACKGROUND / MAIN ISSUES

- 3.1 The Internal Audit plan for 2019/20 was approved by the Audit, Risk and Scrutiny Committee on 14 February 2019. The plan included an indicative date by when it was planned to report each audit to Committee and progress against the plan has been reported to each subsequent meeting of the Committee.
- 3.2 Appendix A to this report shows progress with the remaining audits contained in the 2019/20 plan. Due to the advent of Covid-19 and the delays that caused in relation to a number of audits, the appendix has been

simplified to remove some of the data regarding meetings and reminders and state only relevant dates. A summary is shown in the following table.

2019/20 Planned Audit Status	As at 26 November 2020 by Original Target Committee Date						%age
	Jun 19	Sep 19	Dec 19	Feb 20	May 20	Total	
Complete	2	8	5	5	4	24	88.9
Draft Report Issued	0	0	1	0	0	1	3.7
Work in Progress	0	0	1	0	0	1	3.7
To Start	0	0	0	0	0	0	0.0
Removal Agreed	0	0	0	0	1	1	3.7
<b>Total</b>	<b>2</b>	<b>8</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>27</b>	<b>100.0</b>

3.3 The Internal Audit plan for 2020/21 was originally approved by the Audit, Risk and Scrutiny Committee on 12 February 2020. However, due to the advent of the Covid-19 Pandemic, the plan was revisited by Internal Audit and, through consultation with management, a revised plan was approved by the Urgent Business Committee on 6 May 2020. The revised plan included an indicative date by when it was planned to report each audit to Committee. It also contained details of audits that had been placed in a reserve list which would be undertaken should time allow.

3.4 Appendix B to this report shows progress with the audits contained in the 2020/21 plan, where these have not yet been reported to the Committee. A summary is shown in the following table.

2020/21 Planned Audit Status	As at 26 November 2020 by Original Target Committee Date						%age
	Oct 20	Dec 20	Feb 21	May 21	Reserve	Total	
Complete	3	0	0	0	0	3	13
Draft Report Issued	0	0	0	0	0	0	0
Work in Progress	1	1	2	0	0	4	16
To Start	2	1	1	5	8	17	71
<b>Total</b>	<b>6</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>8</b>	<b>24</b>	<b>100.0</b>

3.5 Internal Audit's resources have been constrained due to the direct and indirect impacts of Covid 19 on team absence statistics, a vacant Assistant Auditor post, and a temporary vacancy arising following the retirement of the former Chief Internal Auditor. Efforts are being made to fill the temporary vacant Senior Auditor position through internal recruitment.

3.6 Appendix C to this report details the audits contained in the reserve list for

the 2020/21 plan. Due to resource constraints, revised priorities and the impact of Covid 19 on Services, and other sources of assurance, a review of the reserve list has been undertaken. This review has been informed by the Council's risk registers and Internal Audit's consideration of the risks presented by each area.

- 3.7 It is proposed that, subject to the Committee's approval of an Internal Audit Plan for 2021/22, 6 of the 9 audits included in the list are deferred to 2021/22, and 3 are removed from the plan. The relevant Chief Officers have been consulted and are in agreement with the proposals. The Chief Internal Auditor intends to present the draft Internal Audit Plan for 2021/22 to Committee on 24 February 2021. This will give Committee an opportunity to re-confirm, based on the risk profile to Council at that time, whether the 6 audits proposed for deferral today be included within the 2021/22 plan.
- 3.8 The Internal Audit plan for 2021/22 is in the process of being drafted, following a risk assessment by Internal Audit, and review of the Council's risk registers. The plan will be subject to consultation with the Risk Board and Extended Corporate Management Team in November 2020 to ensure that areas which Officers consider to be of risk to their business operations are considered for inclusion in the plan. The Plan will be submitted to the Audit, Risk and Scrutiny Committee for its consideration and approval on 24 February 2021.
- 3.9 At its meeting of 8 October 2020 the Audit, Risk and Scrutiny Committee requested that the Interim Chief Internal Auditor provide details on what a review in relation to the Council's response to the Covid-19 pandemic including the Spaces for People project would look like and the resources required to undertake the review. Appendix D to this report sets out a possible scope and objective of this audit work. As action is ongoing in this area, and further reports are planned to be taken to the City Growth and Resources Committee on Spaces for People, it is proposed that the proposal be considered when the Committee considers the draft 2021/22 Internal Audit Plan on 24 February 2021.

#### **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. Where planned progress is not maintained, there is a risk that sufficient work will

not have been completed by the end of the financial year for Internal Audit to complete its annual opinion on the Council's control environment.

**7. OUTCOMES**

7.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

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**

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is to report Internal Audit's progress to Committee. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Data Protection Impact Assessment</b>	Not required

**9. APPENDICES**

9.1 Appendix A – Progress with 2019/20 Internal Audit Plan.

9.2 Appendix B – Progress with 2020/21 Internal Audit Plan

9.3 Appendix C – Reserve List proposals

9.4 Appendix D – Covid 19 funding audit proposal.

**10. REPORT AUTHOR DETAILS**

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## APPENDIX A

### PROGRESS WITH 2019/20 INTERNAL AUDIT PLAN

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	
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#### Originally Planned for December 2019 Committee

Industrial and Commercial Property Rental Income and Void Control	To provide assurance over the processes in place for letting, recovering rental income, and managing voids for industrial and commercial premises.	Draft report issued	29.01.20
		Management response received	TBC
		Final report issued	TBC
		Actual submission to Committee	TBC

HR / Payroll System	To provide assurance that there is adequate control over the new CoreHR system and that issues raised in relation to previous system have been addressed.	Draft report issued	TBC
		Management response received	TBC
		Final report issued	TBC
		Actual submission to Committee	TBC

#### Originally Planned for May 2020 Committee

Performance Management	To provide assurance that the Council has effective performance management arrangements in place which produce accurate data	Draft report issued	18.06.20
		Management response received	10.08.20
		Final draft report Issued	15.09.20
		Actual submission to Committee	09.12.20

## APPENDIX B

### PROGRESS WITH 2020/21 INTERNAL AUDIT PLAN

*(Note – text in italics represents updates provided to Committee previously)*

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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#### Originally Planned for October 2020 Committee

<i>Bank Reconciliations</i>	<i>To provide assurance that the Council's main bank accounts are reconciled on a regular and timely basis and that the methodology is robust.</i>	<i>Complete</i>	<i>08.10.20</i>	<i>Green</i>	
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Vehicle Usage	To provide assurance that adequate procedures are in place to effectively manage the Council's vehicle fleet. To include a review of non-business use, including the business case for such use and authorisation thereof. The review will also review procedures, and vehicle and driver records to ensure that appropriate arrangements are in place to safeguard the Council's goods vehicle operator's licence. This will include procedures relating to driver self-declarations and management controls relating to fitness to drive.	Draft report due to be issued	18.10.20	Amber	
		Draft report issued			
		Original Target Committee date	08.10.20	Amber	<i>Audit commenced 5/6/2020; the assigned auditor has had sickness absences which have delayed progress.</i>
Revised Target Committee Date	24.02.21				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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**Originally Planned for October 2020 Committee (continued)**

Academy System (Revenues and Benefits System)	To provide assurance over system controls (to include access controls, system security and backups, interfaces, business continuity and contingency plans).	Draft report due to be issued Draft report issued	14.08.20 12.10.20	Amber	<i>The Cluster lead for the audit was unavailable due to sickness absence.</i>
		Management response due Management response received	06.11.20 06.11.20	Green	
		Original Target Committee date Actual submission to Committee	08.10.20 09.12.20	Amber	
Treasury Management	To provide assurance that the Council's Treasury Management procedures follow best practice and are being complied with.	Draft report due to be issued Draft report issued	31.07.20 15.09.20	Amber	<i>Commencement delayed at request of Finance and assigned auditor had sickness absences delaying progress.</i>
		Management response due Management response received	06.10.20 06.10.20	Green	
		Original Target Committee date Actual submission to Committee	08.10.20 09.12.20	Amber	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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**Originally Planned for October 2020 Committee (continued)**

Consilium System	To provide assurance over system controls (to include access controls, system security and backups, interfaces, business continuity and contingency plans).	Draft report due to be issued Draft report issued		Amber	<i>Not yet commenced; the assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date	08.10.20	Amber	
		Revised Target Committee Date	24.02.21		
Bon Accord Care Budget Monitoring	To provide assurance over Bon Accord Care's budget monitoring procedures including monitoring of savings programme.	Draft report due to be issued Draft report issued		Amber	<i>Not yet commenced; the assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date	08.10.20	Amber	
		Revised Target Committee Date	12.05.21		



SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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**Originally Planned for December 2020 Committee**

Climate Change	To provide assurance that the Council is taking appropriate measures to comply with its statutory obligations in addressing climate change and that progress is being monitored.	Draft report due to be issued		Amber	<i>Commenced November 2020; the assigned auditor had sickness absences which delayed initial progress.</i>
		Draft report issued			
		Original Target Committee date	09.12.20	Amber	
		Revised Target Committee Date	24.02.21		
Mental Health and Substance Abuse	To provide assurance that appropriate processes are in place to manage and record support arrangements and that expenditure is adequately controlled, including approval / management of discretionary support.	Draft report due to be issued		Amber	<i>Not yet commenced; the assigned auditor has had sickness absences which have delayed progress.</i>
		Draft report issued			
		Original Target Committee date	09.12.20	Amber	
		Revised Target Committee Date	12.05.21		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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### Planned for February 2021 Committee

Financial Sustainability	To provide assurance that the Controls and Assurance Actions detailed in the Corporate Risk Register are operating as expected in ensuring that the identified risk is adequately mitigated. Where controls have been examined by Internal Audit recently, assurance will be taken from that previous work.	Draft report due to be issued Draft report issued	15.09.20 tbc	Amber	<i>Commenced in July 2020. The assigned auditor has had sickness absences which have delayed progress.</i>
		Original Target Committee date	24.02.21	Green	
Vehicle Replacement	To provide assurance that the Council has an appropriate vehicle replacement policy, and that procurement complies with policy and procurement regulations / governance.	Original Target Committee date	24.02.21	Green	
School / Pupil Security	To provide assurance that the Council has adequate arrangements regarding school security to include those in place to: •Control access to schools •Ensure that knives / weapons are not brought into schools •Know where pupils are during the school day • Escort vulnerable young people	Draft report due to be issued	31.12.20	Green	Commenced November 2020, access and Service availability is restricted due to Covid 19.
		Original Target Committee date	24.02.21	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 26 November 2020	Red Amber Green	Comment where applicable
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### Planned for May 2021 Committee

Capital Project Management	To provide assurance that the management and reporting of on-going capital projects is adequate and that appropriate post completion reviews are completed so that lessons learned can be recorded and acted upon.	Original Target Committee date	12.05.21	Green	
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Teachers Payroll	To provide assurance that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees. To cover new starts, change of circumstance, and leavers along with the payment of additional hours and allowances.	Original Target Committee date	12.05.21	Green	
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Housing Waiting List and Allocations	To provide assurance that the Housing Waiting List is maintained efficiently, and allocations are made in accordance with policy.	Original Target Committee date	12.05.21	Green	
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<p>Health &amp; Safety Arrangements in Operations and Protective Services</p>	<p>To provide assurance that appropriate processes are being employed in managing health and safety within the Cluster. This follows on from a corporate review and is intended to provide assurance that corporate processes are being employed in managing the risks.</p> <p>This review will also cover two aspects of public safety – water safety and cemetery headstones – to provide assurance that the Council has appropriate arrangements in place to manage these areas.</p>	<p>Original Target Committee date</p>	<p>12.05.21</p>	<p>Green</p>	
<p>Timesheets and Allowances</p>	<p>To provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.</p>	<p>Original Target Committee date</p>	<p>12.05.21</p>	<p>Green</p>	

**APPENDIX C  
Reserve List**

SUBJECT / SCOPE	OBJECTIVE	Commentary	Proposal
Contributing to Your Care	To provide assurance that the Contributing to Your Care Policy has been implemented and that the requirements of the Policy are being complied with. This will include ensuring that adequate training has been provided and that progress is being made with completing new financial assessments for all clients based on the new Policy requirements.	Implementation of the Policy was delayed due to Covid 19. Time will be required following implementation, for the policy and associated procedures to be applied before value can be added through an audit review. An audit is still considered necessary due to previous audit findings in this area.	Defer to 2021/22 Internal Audit Plan
Sale of Land and Property	To provide assurance over the processes in place for the sale of land and property assets. Review to include arrangements made for security of vacant properties.	The Service was impacted operationally due to Covid 19. Use of the Council's estate is likely to require further consideration as a result of Covid 19. An audit is still considered necessary due to the materiality and risks in this area.	Defer to 2021/22 Internal Audit Plan
Garden Waste Income	To provide assurance that payments received through on-line only option are adequately managed and controlled.	This audit was delayed due to operational changes during Covid. Whilst this is potentially a material income stream, it is subject to the Council's normal budget monitoring procedures. Income collection can be considered for inclusion in the 2021/22 Internal Audit Plan as part of a wider scope audit.	Remove from the 2020/21 Internal Audit Plan
Planning and Building Standards Income	To provide assurance that there are adequate systems in place to control fee income and that they are being complied with.	Income streams were affected by Covid, and resources were not available to progress this audit. An audit is still considered necessary due to limited previous testing in this area.	Defer to 2021/22 Internal Audit Plan

Housing and IJB Information Exchange	To provide assurance regarding the flow of data regarding the customer journey through Council systems and consider possible misunderstandings relating to the requirements of GDPR.	The Service was focusing on Covid activities and supporting service users. Assurance over GDPR compliance is obtained regularly by management, and through other Internal Audit work, therefore specific work in this area is not considered necessary at this time.	Remove from the 2020/21 Internal Audit Plan
Agency Staff	To provide assurance that agency staff are being appointed through appropriate channels and that arrangements for their induction are robust. This will involve reviewing written procedures; authorisation of agency staff requests; procurement processes and agency staff induction.	CPS, Finance and the Transaction Team were continuing to review and improve procedures and consolidate agency staff recruitment, and were working on many different priorities to support the Covid response. There has been a small reduction in agency spend during 2020 but this remains an area where it is considered a review could add value. An audit is still considered necessary due to previous audit findings in this area.	Defer to 2021/22 Internal Audit Plan
Licensing Income	To provide assurance over the processes in place for controlling income from licensing applications.	Income streams were affected by Covid, and resources were not available to progress this audit. An audit is still considered necessary due to limited previous testing in this area.	Defer to 2021/22 Internal Audit Plan
Teachers Recruitment	To provide assurance that all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona fide employees. To cover new starts, change of circumstance, and leavers along with the payment of additional hours and allowances.	This was not considered urgent while the Cluster was addressing Covid 19 related risks. Resources were not available to progress this audit. However, additional funding was made available nationally in 2020/21, therefore activity is likely to have increased. An audit is still considered necessary due to previous audit findings in respect of recruitment.	Defer to 2021/22 Internal Audit Plan

<p>Housing Benefit and Council Tax Reduction</p>	<p>To provide assurance that entitlement is being calculated correctly based on appropriate documentary evidence and recorded accurately for subsidy purposes.</p>	<p>An external audit by the DWP is progressing during 2020 to provide assurance over this area. Reliance can be placed on this work to provide assurance over application of DWP requirements therefore specific Internal Audit work in this area is no longer considered necessary at this time. The results of the DWP audit can be used to inform future planning.</p>	<p>Remove from the 2020/21 Internal Audit Plan</p>
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**APPENDIX D  
Covid 19 Audit**

SUBJECT / SCOPE	OBJECTIVE	Commentary	Proposal
Council response to the Covid 19 pandemic, including Spaces for People	To obtain assurance over the Council's controls over the use of key areas of Covid19 related grant funding, including funding allocations, Council delegations, procurement and compliance with grant conditions.	<p>Use of the Spaces for People funding is continuing, and planned to be reported to the City Growth and Resources Committee.</p> <p>Given reporting is already planned, and existing commitment of Internal Audit resources, it would be prudent to wait for this report to be considered prior to undertaking further review.</p>	That the Committee determines whether or not to add a report on this subject when it considers the draft Internal Audit Plan for 2021/22 at its meeting on 24 February 2021