Internal Audit

Audit, Risk and Scrutiny Committee
Internal Audit Update Report
November 2024

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1 Executive Summary

1.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and these are provided to the Audit, Risk and Scrutiny (ARS) Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

This report advises the ARS Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2023/24 and 2024/25 Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.2 Highlights

Full details are provided in the body of this report however Internal Audit would like to bring to the Committee's attention that since the last update:

- Six reviews have been completed.
- Work is underway with regards to delivery of the 2024/25 Internal Audit Plan, the 2023/24 Plan now completed.
- 16 audit recommendations have been closed.

1.3 Action requested of the ARS Committee

The Committee is requested to note the contents of this report and the work of Internal Audit since the last update.

2 Internal Audit Progress

2.1   2023/24 Audits

Service	Audit Area	Position
Commissioning	Procurement Compliance	**Final Report Issued**
Council Led HSCP Services	Social Care Financial Assessments	**Final Report Issued**
Customer	Recruitment	**Final Report Issued**

2.2   2024/25 Audits

Service	Audit Area	Position
Families and Communities	Resettlement Governance	**Review in Progress**
Families and Communities	Allowances	**Final Report Issued**
Families and Communities	SEEMiS	**Final Report Issued**
Corporate Services	National Fraud Initiative	**Final Report Issued**
Corporate Services	Councillors Induction and Development	**Review in Progress**
Families and Communities	Family Placement Services	**Review in Progress**
Corporate Services	Creditors Sub-System Payments	**Review Scheduled**
Integration Joint Board	Counter Fraud	**Final Report Issued**
Corporate Services	Procurement Fraud Controls	**Review Scheduled**
Families and Communities	Pre-School Commissioned Places	**Review in Progress**
Corporate Services	Trusts / Common Good Funds	**Review in Progress**
Council Led HSCP Services	HSCP Commissioning	**Review in Progress**
NESPF	Pension Fund Payroll	**Review in Progress**
Corporate Services	Group Structure Assurance	**Review Scheduled**
Corporate Services	Risk Management	**Review in Progress**
Families and Communities	Housing Allocations and Choice Based Letting	**Review Scheduled**
Corporate Services	Right to Work in the UK	**Review Scheduled**
Corporate Services	Freedom of Information and Subject Access Requests	**Review Scheduled**
Corporate Services	Prevention of Fraud, Bribery and Corruption	**Review Scheduled**
Families and Communities	Corporate Landlord Responsibilities	**Review Scheduled**
Integration Joint Board	IJB Budget Setting and Monitoring	**Final Report Issued**[1]

2.3   Audit reports presented to this Committee

Report Title	Assurance Year	Net Risk Rating	Conclusion
AC2412 – Procurement Compliance	2023/24	**Major**	The level of net risk is assessed as **MAJOR**, with the control framework deemed to be providing **LIMITED** assurance that adequate control is being exercised over

[1] As this review relates to the Integration Joint Board, it will first be presented to the Risk, Audit and Performance Committee, and then the Council's Audit, Risk and Scrutiny Committee.

Report Title	Assurance Year	Net Risk Rating	Conclusion
			the Council's compliance with procurement legislation and internal regulations.
			Policy, guidance, and training is available to promote compliance, however it is spread across a multitude of documents, not all of which are up to date, complete and consistent in terms of the requirements to be applied. Delegated Procurement Authority is assigned based on training completion, but there is limited assurance that only officers with this authority are involved in specified procurement activities. Chief Officers in particular, whose key role in ensuring procurement compliance is set out in the Scheme of Governance, had limited records of completing the required training. A lack of understanding is evident, due to the complexity and volume of information, and varying levels and frequency of involvement by officers and Procurement staff, leading to inconsistencies in application.
			Full documentation to record the application of governance requirements is rarely being retained on the contracts register system and approvals are not well evidenced within the contract register system. Contracts are being let without formal procurement exercises being undertaken, and there are instances where officer and Committee approvals have been exceeded without formal recorded consent.
			Whilst procurement is generally being planned in advance, this is being presented for approval via the Demand Management Control Board and Finance and Resources Committee on a phased basis throughout the year, and on a Cluster by Cluster basis. This is intended to facilitate a steadier throughput of procurement activity, avoiding potential bottlenecks, however, is in contrast to the Council's Procurement Regulations which require forward plans to be prepared in advance of each new financial year.
			Direct awards and non-competitive action make up a substantial proportion of recorded procurement activity (over 69%), including single sourcing, direct awards within frameworks[2], and exemptions from the requirement to obtain four quotations. Annual contracts are also being let for recurring requirements, reducing the level of procurement governance being applied. Whilst justifications are often recorded, these are not referenced to specific legislative exceptions, and approvals and explicit consideration of risks to compliance and Best Value are not consistently evidenced.
			Contract opportunities and awards for regulated procurements must be published on the Public Contracts Scotland website within 30 days. Delays and omissions

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[2] Direct awards from a framework are still a complaint route to market, which is compliant with legislation.

Report Title	Assurance Year	Net Risk Rating	Conclusion
			were identified, in breach of the Procurement (Scotland) Regulations 2015. Recommendations have been made to address these risks, including reviewing and updating procedures to ensure they are sufficiently clear and concise; establishing a system of control to ensure all procurements are appropriately planned, completed by suitably trained officers and are fully supported with contractual and governance documentation on the contracts database, before they can progress to awarding contracts; and to implement reviews of the continued suitability and propriety of non-competitive action.
AC2411 – Social Care Financial Assessments	2023/24	**Major**	The level of net risk is assessed as **MAJOR**, with the control framework deemed to provide **LIMITED** assurance over the Council's arrangements for completing social care financial assessments. The Non-Residential Charging Policy: "Contributing to your care", was agreed by the Council (City Growth and Resources Committee) on 6 June 2019, updating a previously approved policy from 2015 which had not been implemented pending health and social care integration. The 2019 Policy, which was to be implemented from 1 July 2019, is published on the Health and Social Care Partnership's website, and sets out defined methods of calculating required contributions to the cost of service users' care. However, this Policy has not been implemented in practice. The Service has referenced the impact of COVID-19 (March 2020 onwards) and implementing a new Care Management System (October 2022), and bases current practice on Policy originally determined in 2011, amended for changes in costs and benefits. The Service commenced a review of charging policy implementation in November 2023 with a view to implementing further agreed charges, developing training and practice to support its application, and to update the Policy again to reflect current requirements. It is intended to report to the Finance and Resources Committee in August 2024 with a proposed new Non-Residential Charging Policy. In the interim, and since July 2019, service users continue to be charged based on historic practices rather than published policy. There is a risk this will have an unintended impact on Service and service user finances, presenting a risk to service delivery and the Health and Social Care Partnership's reputation. The implementation of a new Care Management System in October 2022 was a major shift in working practices and development of the system functionality has continued since then, with further development planned. Whilst there are generic practical procedures, and controls built in to the system, there are only limited notes on local application, reducing assurance over the

Report Title	Assurance Year	Net Risk Rating	Conclusion
			application of internal controls throughout the process. The small size of the financial assessment team presents risk to consistent application of working practices in the event of changes. Procedures and training for Social Care practitioners supporting service users in the completion of application forms are still under development, presenting a risk of inconsistent application.
			As part of its budget approved in March 2024, the Integration Joint Board agreed a saving of £1.5 million related to clearing a backlog of financial assessments. Additional staff resource has been identified to address this. At the time of the audit, data indicated there were 996 overdue assessments. Whilst this is being tracked, further data was not available to assist in prioritising this workload. The Service has noted this has increased to 1237, including 248 non-residential and 989 residential assessments.
			Although calculations are largely carried out by the System itself, reducing the risk of manual error, this is wholly reliant on the accuracy of the data input. Variations between application form data and system records indicate there are further calculations and adjustments being completed prior to data entry. These further calculations, and the sources of further information, are not being retained along with other supporting documentation on the system. Adjustments are being made regularly to change the values recorded on the system, to effect a desired outcome (e.g. to apply anticipated changes to allowances or capital values in advance, to avoid having to re-perform another assessment in the short term.) Whilst in individual instances the impact would have been minimal, it means a different threshold is being applied to that required, and accurate data is not being recorded. If this is occurring regularly, the financial impact may be more material, and it impacts on transparency and equitable treatment. Given that the Charging Policy being applied does not match what has been published it is unlikely that service users or their representatives will be able to independently confirm the accuracy of what they are being charged.
			Recommendations have been made to implement and consistently apply the agreed Charging Policy, seeking formal approval for any changes; to develop and implement written procedures clarifying the key controls to be applied; to set priorities for addressing overdue assessments; and to ensure all supporting evidence is reviewed and retained.
AC2422 – Recruitment	2023/24	**Moderate**	The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the adequacy and

Report Title	Assurance Year	Net Risk Rating	Conclusion
			effectiveness of internal controls over the Council's recruitment processes.

In general there is clear guidance on the required process, which has recently been reviewed and rationalised to more clearly and concisely set out key roles and tasks, and following which should provide assurance over officers meeting relevant obligations in respect of employment legislation relating to recruitment and selection.

Whilst it was not possible to gain full assurance, due to a lack of responses from recruiting managers contacted as part of the audit (14 (47%) did not respond), where responses were provided positive assurance over the application of the process was obtained.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Employee Files, Recruitment Checklists, Interviews and PVG Dispensation.

Recommendations have been made to address the above risks including reviewing the layout of employee files, and administration of checklists, to ensure all required documentation is in place and has been satisfactorily checked (particularly in respect of PVG checks) in advance of employment being confirmed; and ensuring recruitment panels record that they comprise suitably trained staff. |
| AC2501 – Allowances | 2024/25 | **Minor** | The level of net risk is assessed as **MINOR**, with the control framework deemed to provide **SUBSTANTIAL** assurance over the Council's approach to allowances.

Substantial assurance was available over the following aspects of governance and control: Eligibility, Scottish Government Returns, Advertisement, Budget Monitoring, Committee Reporting, and Cashless Catering Systems.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Written Procedures and Guidance, Payment Control, EMA Documentation Retention, and School Holiday Meal Voucher Uptake.

Recommendations have been made to address the above risks including formalising written procedures over allowances where absent, enhancing payment controls, revising EMA documentation retention periods in line with national guidance, and addressing low uptake of school holiday meal vouchers. |
| AC2503 – National Fraud Initiative | 2024/25 | **Moderate** | The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide |

Report Title	Assurance Year	Net Risk Rating	Conclusion
			REASONABLE assurance over the Council's approach to the National Fraud Initiative.
			Reasonable assurance was available over the following areas reviewed: Governance and Lessons Learned.
			However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Operational Procedures, Security checks (Users of NFI Web Application), Data Upload Quality, March Review and Closure, Payment Fraud Controls, Data Protection and Information Management, Oversight Enhancements, Fraud Risk Management, and Publishing Fraud Investigation Achievements (Internally and Externally).
			Recommendations have been made to address the above risks, including formalising written operational procedures; establishing control over system access and data quality; enhancing oversight by Risk Board; resolving match report access issues; and ensuring match data exported from the NFI web app is handled in compliance with data protection legislation and classified correctly. In addition, recommendations were made to ensure emerging fraud risks are monitored; additional NFI services are assessed and if appropriate procured; and fraud outcomes are advertised as a deterrent.
			Furthermore, recommendations were made to address fraud risks presented by Council payment systems that are outwith the scope of the NFI process, by ensuring system level controls enforce segregation of duties where necessary, via privileged user access monitoring, and by establishing exception reports covering other relevant risks.
AC2502 - SEEMiS	2024/25	**Moderate**	The level of risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to the SEEMiS system.
			The Management Information System (MIS) Support team is responsible for access control and day-to-day user administration whilst the system supplier is responsible for ensuring system availability, data security and backup, system maintenance, incident resolution and performance reporting.
			Reasonable assurance was available over the following areas reviewed: User Guidance and Training, System Data Accuracy, Cyber Resilience, and Back-ups and Disaster Recovery.
			However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: System Access, Business Continuity Planning, and Contract Register.
			Recommendations have been made to address the above risks, including minimising personal data recorded

Report Title	Assurance Year	Net Risk Rating	Conclusion
			for system access; standardising system access profiles by job type and monitoring access; reviewing and updating business continuity plans where necessary; reviewing and updating the contracts register; and risk assessing interfaces to determine if any additional controls are required over data completeness and accuracy.

2.4 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at 31 July 2024 (the baseline for our exercise), 28 audit recommendations were due and outstanding:

- One rated as Major
- 22 rated as Moderate
- Five rated as Minor

As part of the audit recommendations follow up exercise, 16 recommendations were closed:

- One rated as Major
- 11 rated as Moderate
- Four rated as Minor

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions provides a detailed breakdown of the outstanding audit recommendations that will be taken forward and followed up as part of the next cycle.

2.4.1 AC2314 – Assurance Review of Adults with Incapacity – Follow Up

At the September Audit, Risk and Scrutiny Committee, in response to a question relating to how the Committee would get assurance that the Service was on track with implementation of the recommendations of this Major risk report, it was agreed that progress updates would be presented to each Committee going forward. Internal Audit reached out on the recommendations in advance of Committee and the response from Management is included at Appendix 3 – Audit Recommendations Follow Up – AC2314 – Adults with Incapacity. Internal Audit has worked with Management and can confirm that only one action remains in progress.

2.4.2 2422 – Assurance Review of City Region Deal – Further Action

The June 2024 Audit Risk and Scrutiny Committee received Internal Audit Report 2422 – Assurance Review of City Region Deal and made the decision:

- To agree the contents of the Report including the Major risk rating;
- To note that delivery partners have not shared all data required to allow Internal Audit to evidence progress with the Aberdeen City Region Deal;
- To instruct the Chief Executive to write to all parties to ensure our Internal Auditor receives the information requested, reminding partners that the signed legal agreement ensured that all governance arrangements were to be the sole responsibility of the Aberdeen City Region Deal Joint Committee which allowed the Partners to commit to the Aberdeen City Region Deal.
- To instruct the Chief Internal Auditor to provide a verbal update at the next committee as to the progress or otherwise of Internal Audit obtaining the requested information; and
- To note of the seven recommendations, two were complete, three were ongoing and required sign-off from Internal Audit, and two required input from external partners.

With regards to points three and four above, the Chief Executive wrote to partners in July 2024, with the Chief Internal Auditor carrying out follow up work in the succeeding weeks, specifically around gaining the information and assurances not provided by partners during the original fieldwork.

These have now been received. Where this provides further assurance, there is no change the assessments of Internal Audit contained within the final report.

With regards to the final point above, recommendations will be followed up as part of the standard process and reported to Committee as they fall due.

3 Appendix 1 – Grading of Recommendations

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net risk rating	Description	Assurance assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Council's Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Council. Action should be taken within three months.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Council. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

4 Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2307 – Contract Management	**Moderate**	3.1.1a	The Service should review the refreshed guidance to see where more practical guidance can be provided in application, including use of visual aids for example flow charts to assist in breaking down complex information to aid ease of understanding.	Jun-24	Sep-24	Final review of updates in guidance/documents is in progress - publication anticipated in September.	**In Progress**
AC2307 – Contract Management	**Moderate**	3.1.2	The Service should include a revised risk matrix within the refreshed guidance, including the addition of a definition around high risk/high value, the contract management elements required for different contract types / levels of risk, and examples of these to provide a reference point for delegated procurers.	Jun-24	Sep-24	A risk rating section is now included in the Amelior Contract Register platform with guidance being developed to support.	**In Progress**
AC2307 – Contract Management	**Moderate**	3.1.5b	The Service should give consideration to whether a more automated process could be established for contract management and record keeping.	Jun-24	Dec-24	A review of processes for automation has commenced, review of processes to consider how this can support compliance/contract management activities. Further time required to develop/test/implement.	**In Progress**

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2307 – Contract Management	**Moderate**	3.1.5a	The Service should ensure there is clarity regarding the responsibility for and extent of record keeping required for different types of contracts and different levels of contract risk.	Jun-24	Sep-24	Review of contract register platform underway to ensure clarity.	**In Progress**
AC2307 – Contract Management	**Moderate**	3.1.6b	The Service should ensure that key indicators and community benefits, management information requirements, supplier contacts, and review meeting schedules are clearly set out to ensure clarity over Council expectations.	Jun-24	Dec-24	A review of processes for automation has commenced, review of processes to consider how this can support compliance/contract management activities. Further time required to develop/test/implement.	**In Progress**
AC2307 – Contract Management	**Moderate**	3.1.6a	The Service should ensure that contract performance reporting is adequate and based on records that are consistent across contracts and held in a suitable shared location, to which CPSS has access.	Jun-24	Dec-24	A review of processes for automation has commenced, review of processes to consider how this can support compliance/contract management activities. Further time required to develop/test/implement.	**In Progress**

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2307 – Contract Management	Moderate	3.1.3b	The Service should ensure that Clusters identify officers who monitor and provide assurance to CPSS and Management Teams regarding compliance with contract management guidance, and ensure this assurance is provided.	Jun-24	Dec-24	Work has been undertaken to update the Delegated Procurement Register to include contract management responsibilities. C&PSS will work with colleagues in P&CS to investigate how information on leavers/role moves could be routinely provided to support updates around access and responsibilities.	In Progress
AC2307 – Contract Management	Moderate	3.1.3a	The Service should consider its approach to communicating good practice, sharing information that can increase contract manager experience and awareness, and providing assistance as and when required to develop the Council's procurement and contract management culture.	Jun-24	Dec-24	C&PSS have developed a communication plan for a series of blogs over the next 12 months on key elements of the procurement process/contract management. Further work required around developing a mechanism for sharing best practice.	In Progress
AC2307 – Contract Management	Minor	3.1.6c	The Service should consider applying a system of risk rating to contracts for monitoring and management reporting purposes to ensure that high risk contracts are reviewed more frequently by Cluster Management and at a Strategic Management Level. This should look at areas such	Jun-24	Sep-24	A risk rating section is now included in the Amelior Contract Register platform with guidance being developed to support.	In Progress

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
			as performance indicators and receipt of community benefits.				
AC2405 – Care Management System	**Moderate**	1.2	D&T should automate the interface between the care management system and the North East Child Protection Register.	Jul-24	Jan-25	Not possible as children's services are still finalising the spec of the message transfer.	**In Progress**
AC2111 – Consilium System	**Moderate**	2.6.8	The System Team should ensure the system enforces compliance with the Councils password standard. Current system does not provide this functionality, but it will be raised as part of the system upgrade.	Mar-24	Dec-25	All AC2111 actions to move to Dec 2025 which aligns rationalisation into NEC and retirement of Total/ Codeman.	**In Progress**

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2413 – City Region Deal	Moderate	1.1	The City Region Deal partners should ensure up to date agreements are in place with all delivery partners, and are maintained up to date to provide assurance over continued compliance with changes to UK/SG requirements. (Annual review of agreement T&C's to ensure aligned with terms of grant offer).	Jul-24	Oct-24	The Scottish Government issued the annual grant offer letter in June. It is now signed off and we are reviewing partners agreements with legal prior to issuing updated grant agreements to partners to reflect any necessary updates to terms and conditions. Partners will then have to follow their own internal governance process to accept the revised agreement and return to us.	In Progress

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5 Appendix 3 – Audit Recommendations Follow Up – AC2314 – Adults with Incapacity

Report	Grading	Ref	Recommendation	Due Date	Management Update
AC2314 - Adults with Incapacity - management of funds	**Major**	1.4.b	The identity of funds recipients should be verified and documented. Variations should be subject to approval.	May-24	**Extended to Dec-24.** Internal Audi met with the Service and agreed this wasn't ready yet; claim form needs updating to record who issued to and confirmation of identity and receipt.