

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 June 2016
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Reports – Follow-up of Agreed Recommendations
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of progress with implementing agreed recommendations contained in Internal Audit reports issued since April 2015.

2. RECOMMENDATION

- 2.1 The Committee is requested to review, discuss and comment on the issues raised within this report and the attached appendices.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising as a result of this report.

4. PROGRESS WITH IMPLEMENTING AGREED RECOMMENDATIONS

- 4.1 Appendices A and B 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 reports issued before 1 April 2016 have been completed, these are no longer shown in the appendices.
- 4.2 Where these have not been completed by their original due date, reasons are provided along with the grading applied to the recommendation in the original Internal Audit report. An explanation of the gradings used is shown at appendix C.

5. REPORT AUTHOR DETAILS

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APPENDIX A

POSITION WITH AGREED RECOMMENDATIONS AS AT 15 JUNE 2016

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. On 28 April 2016, the Committee was advised that, as at 18 April 2016, there were 2 recommendations which were due to have been completed by 29 February 2016 which were not fully complete. This has reduced to 1. The total not fully complete, which had an original due date of before 30 April 2016, is 26. Full details relating to progress, on a report by report basis, are shown in appendix B.

Recommendations							Grading of Overdue Recommendations		
SERVICE	Agreed in reports shown in Appendix B	Due for completion by 29.02.16	Confirmed complete by Service	New in March and April 2016	Confirmed complete by Service	Not fully complete by original due date of 30.04.16	Major	Significant	Important
Cross Service	72	6	6	48	32	16	1	9	6
Communities, Housing and Infrastructure	63	5	5	20 (i)	20 (i)	0	0	0	0
Corporate Governance	37	8	7	11	2	10	0	7	3
Education and Children's Services	28	0	0	4	4	0	0	0	0
Health and Social Care Partnership	5	3	3	1	1	0	0	0	0
Total	205	22	21	84	59	26	1	16	9

(i) Includes 1 recommendation due and implemented in reports issued before April 2016 which are no longer shown in Appendix B.

APPENDIX B

POSITION WITH AGREED RECOMMENDATIONS AS AT 15 JUNE 2016

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.04.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

CROSS SERVICE

AC1601	Recruitment Procedures	February 2016	35	35	22	13	1 Major 6 Significant 6 Important
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The 13 recommendations that are overdue were due to be implemented by the end of March 2016. Progress with these is detailed below.

Recommendation	Position
2.1.3 – HR should review and, where applicable, update information in the Managing Recruitment and Selection document, and should consider how often and by whom this document is reviewed in the future (<i>graded “important within audited area”</i>).	HR has advised that it has taken longer than anticipated to undertake the necessary review of guidance. The agreed recommendations have been reflected in a draft of the guidance, however, other updates were required which are being made at the same time but are delaying the process. This will be complete by the end of July 2016.
2.1.4 – Documents being published for use should be dated with an author’s name or post, and the next proposed review date. HR should ensure consistency when classifying documents as policies, procedures, protocols (<i>graded “important within audited area”</i>).	As 2.1.3, above.

Report Number	Report Title	Date Issued	Number of Recommendations				
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CROSS SERVICE (continued)

Recommendation	Position
<i>(AC1601 – Recruitment Procedures – Continued)</i>	
2.1.6 – A staff procedure manual should be created and issued to staff. An agreed document, filing and naming convention should be agreed and followed (graded “important within audited area”).	HR has just merged the Recruitment and ELC Teams wef 03/05/16 so they will be doing end to end process from appointment through to termination. Members from each former team have been paired together in a new HR Support Team (which there will be 3 of) and each pairing will be training up their ‘partner’ in tasks they do. As part of this they will be expected to draw up guides for use by the new teams. Initial areas to be covered will be those that are not scheduled for YourHR developments in the next few months. The YourHR ones have workflow behind them anyway when developed. Guides will be provided to Internal Audit once created to close this off by the end of August 2016.
2.3.4 (c) – The Service should ensure that appointing Services are aware that all appointments to vacant positions follow the agreed process (graded “significant within audited area”).	An email will be sent to all Services reminding them of this requirement by the end of June 2016.
2.3.12 – HR should provide guidance on completion of candidate assessment forms (graded “important within audited area”).	As 2.1.3, above.
2.5.2 – The Council’s agreed procedures regarding staff taking up a PVG assessed post prior to the certificate having been received should be fully documented and made available to those undertaking recruitment and selection (graded “significant within audited area”).	This is specific to E&CS and they continue to do so meantime until any Committee decision is made regarding PVG arrangements. HR will be using a circular to remind the Head Teachers under what circumstances they can risk assess and also that there are timescales attached to any risk assessment. A copy will be provided to Internal Audit once it’s been circulated by the end of June 2016.

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CROSS SERVICE (continued)

Recommendation	Position
<i>(AC1601 – Recruitment Procedures – Continued)</i>	
2.5.7 – Education and Children’s Services should provide guidance to schools to reflect risk management practices to ensure that teachers are employed under controlled circumstances (graded “major at a corporate level”)	This has been delayed pending submission of a report to the June 2016 meetings of the Finance, Policy and Resources Committee and Education and Children’s Services Committee as instructed by the Audit, Risk and Scrutiny Committee in March 2016.
2.5.10 (a) – Unless Education and Children’s Services can provide a valid reason for retaining any disclosure certificates that has been verified with Disclosure Scotland then all should be destroyed in accordance with the model policy (graded “significant within audited area”) .	There should be no valid reason for this as anything provided at interview will be the persons own copy of the Disclosure Certificate and not the employer version. This has in the past been used as a form of ID for example with home address and establishments may have held on to these. This can be covered in the circular currently being prepared. An extension to the end of June 2016 will allow for the circular to be sent out and for managers to start putting this in place if they have not been doing so previously.
2.5.10 (b) – Services should be reminded that they should not retain any copies of certificates and should destroy them in a secure manner (graded “significant within audited area”) .	As 2.5.10 (a), above.
2.6.2 – HR should review and, where appropriate, update the Managing and Recruitment Selection document (graded “important within audited area”) .	As 2.1.3, above.
2.6.3 – HR should consider whether to enforce the panel composition for primary school teachers or amend it to reflect current practice (graded “important within audited area”) .	As 2.1.3, above.

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CROSS SERVICE (continued)

Recommendation	Position
<i>(AC1601 – Recruitment Procedures – Continued)</i>	
2.8.4 – Higher Duty payment forms will be amended to ensure that managers provide justification for extensions beyond 6 months (graded “significant within audited area”).	The form will be amended and included in the general circular referred to above. This will be done by the end of June 2016.
2.8.6 – The paperwork relating to the offering and filing of the higher duty post should be submitted with the authorisation form and filed in the personal file (graded “significant within audited area”).	This will be included in the general circular referred to above by the end of June 2016.

AC1604	Corporate Policies and Procedures	March 2016	2	0	0	0	0
AC1615	Timesheets	January 2016	25	17	14	3	3 Significant
<p>Two recommendations (graded “significant within audited area”) due in March 2016 related to HR issuing guidance to managers authorising timesheets to ensure time credit is not added to flexi-time in addition to payment for those hours, and introduction of a standard format of authorised signatory approval across the Council. Internal Audit is awaiting updates from HR and Finance.</p> <p>One recommendation that was due to be implemented in April 2016 (graded “significant within audited area”) relates to the relevant HR Business Partner arranging to raise the issue of time credit not being added to flexi-time records where it has been paid over and above contract hours with the relevant Service. HR has advised that discussions are ongoing with the management team responsible for the area in question and Internal Audit will be advised of the outcomes once these are reached.</p>							
AC1621	ALEOs	February 2016	10	2	2	0	0

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COMMUNITIES, HOUSING AND INFRASTRUCTURE

AC1602 AW	Craft Workers Terms and Conditions	October 2015	9	0	0	0	0
AC1607	Rent Collection and Arrears Management	April 2016	8	2	2	0	0
AC1608	Trade Waste	January 2016	14	7	7	0	0
AC1611	Sheltered Housing	February 2016	10	3	3	0	0
AC1618	Vehicle and Driver Records	April 2016	22	12	12	0	0

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CORPORATE GOVERNANCE

AC1602	Payroll System	October 2015	3	1	1	0	0
AC1606	Creditors System	November 2015	6	4	2	2	1 Significant 1 Important

As reported previously, the first overdue recommendation (***graded “significant within audited area”***) was due to be implemented by the end of December 2015 and relates to the Service ensuring that all staff complete required training in data protection and information security. The Service has stated that the courses are taking longer to complete than anticipated and, due to experiencing a busy period of processing, this will take longer for the Team to complete. In view of this it is anticipated that training will be complete by April 2016. The Service has stated that this will now be completed in June 2016.

In the second overdue recommendation (***graded “important within audited area”***), due to be implemented in March 2016, the Service agreed to review the number of variances between the order and the invoice amount relating to goods purchased from one supplier, for which there is a higher error tolerance level than for other suppliers. The Service advised that the Development Team which supports the eFinancials system was contacted to establish if there is a way to calculate the cost of the tolerances. This is however not possible as the tolerance is applied to the first line of the order and is applied to the same financial code as the line in place. Unfortunately there does not appear to be any means of identifying such changes other than looking at daily reports produced at the time of running which is very labour intensive.

The Service further advised that the higher tolerance is applicable to only one supplier and due to the nature of the orders it is normal for costs on delivery to vary from that on the order. The purpose of introducing the tolerance was to allow more invoices to be matched to the order within this value either above or below. The consequences of not having this tolerance in place would be to have a higher number of low value invoices passed around the organisation to resolve, and the cost this would incur in processing.

Internal Audit is satisfied that the Service has investigated the possibility of reviewing the variances but was unable to do so due to system limitations. The Service’s responses above indicate that the risks associated with the tolerance levels have been considered and accepted by the Service.

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CORPORATE GOVERNANCE (continued)

AC1612	Council Tax	November 2015	4	3	3	0	0
AC1614	Risk Management	November 2015	10	8	1	7	5 Significant 2 Important

Six of the overdue recommendations were due to be implemented by the end of March 2016. The position with each of these is as follows:

Recommendation	Position
2.1.6 – The Strategic Risk Register should be updated, approved and reported to the Audit, Risk and Scrutiny Committee (graded “significant within audited area”)	There will now be a strategic risk register (SRR) and a corporate operational risk register. The operational one will be drawn from those risks with corporate impact which are recorded in the service risk registers. The corporate operational risk register will be reported to the Audit, Risk and Scrutiny Committee in June 2016. The SRR will follow (no timescale yet).
2.1.7 – Performance Dashboards held on The Zone should be populated with the required data (graded “important within audited area”).	All risk registers will be uploaded to the relevant dashboards once agreed. The first will be Corporate Governance which will be uploaded to the Corporate Governance Dashboard after the Audit, Risk and Scrutiny Committee on 28 April 2016. The corporate dashboard, where the SRR and Corporate Operational Registers will be housed, has yet to be approved by CMT
2.1.13 – The Risk Management Manual should be reviewed and updated where appropriate (graded “important within audited area”).	The strategy will be revised through work with consultants on the governance review and the manual will then need to be revised after that. The strategy is due to be reported to the Audit, Risk and Scrutiny Committee in September 2016. The manual revision will be complete by September 2016.
2.1.16 – Services should bring their risk registers up-to-date and these should be monitored through CMT and Service Management Teams, and reported to Committee in accordance with an agreed timetable (graded “significant within audited area”).	The Corporate Governance risk register was considered by the Audit, Risk and Scrutiny Committee on 28 April 2016 and the Service’s performance scorecard will be reported to the Finance, Policy and Resources Committee in June 2016. Other Services will report their risk registers to the June 2116 meeting of the Audit, Risk and Scrutiny Committee at a similar point. The risk registers will then be

	considered quarterly at SMT.
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[illegible]**CORPORATE GOVERNANCE (continued)**

Recommendation	Position
(AC1614 – Risk Management – Continued)	
2.1.17 – The Council should ensure that the Risk Management Group meets on a regular basis and that attendance is monitored (graded “significant within audited area”).	This matter is to be discussed with the consultants working on the governance review.
2.1.18 – Terms of Reference should be agreed for the Corporate Risk Management Group to ensure clarity of purpose (graded “significant within audited area”).	This is dependent on the outcome of 2.1.17, above. If the group is reconvened Terms of Reference will be a requirement.
A further recommendation (graded “significant within audited area”) was due to be implemented by the end of April 2016 and relates to a risk management annual report being prepared and presented to the Audit, Risk and Scrutiny Committee. This will now be reported to the September 2016 meeting of the Committee to allow for inclusion of a benchmarking exercise.	

AC1619	Social Work Tendering	April 2016	14	3	2	1	1 Significant
<p>The overdue recommendation (<i>graded “significant within audited area”</i>) was due to be implemented by the end of March 2016 and relates to Commercial & Procurement Services ensuring that summary of tenders received forms are fully and carefully completed. Guidance and training was to be reviewed – Internal Audit is awaiting an update from C&PS.</p>							

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EDUCATION AND CHILDREN'S SERVICES

AC1604 AW	Payment Controls in Children's Social Work	February 2016	19	0	0	0	0
AC1625	Teachers Payroll	April 2016	9	4	4	0	0

HEALTH AND SOCIAL CARE PARTNERSHIP

AC1609	Pre-Integration Financial Assurance	January 2016	5	4	4	0	0
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APPENDIX C

Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	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, to the Council.
Major at a Service Level / within audited area	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	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.