

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	27 September 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 made by Services with implementing recommendations that were agreed 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 14 SEPTEMBER 2016

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. On 27 June 2016, the Committee was advised that, as at 15 June 2016, there were 26 recommendations which were due to have been completed by 30 April 2016 which were not fully complete. This has reduced to 15. The total not fully complete, which had an original due date of before 31 July 2016, is 38. 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 30.04.16	Confirmed complete by Service	New in May to July 2016	Confirmed complete by Service	Not fully complete by original due date of 31.07.16	Major	Significant	Important
Cross Service	100	54	47	29	23	13	0	7	6
Communities, Housing and Infrastructure	77	24	24	35	23	12	2	8	2
Corporate Governance	37	19	11	10	6	12	2	8	2
Education and Children's Services	51	4	4	26	25	1	0	0	1
Health and Social Care Partnership	5	4	4	0	0	0	0	0	0
Total	270	105	90	100	77	38	4	23	11

APPENDIX B

POSITION WITH AGREED RECOMMENDATIONS AS AT 14 SEPTEMBER 2016

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	

CROSS SERVICE

AC1601	Recruitment Procedures	February 2016	35	35	29	6	6 Important
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The 6 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 (graded “important within audited area”).	A reported previously, 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 was due to be complete by the end of July 2016 but will now be finalised by the end of November 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 (graded “important within audited area”).	As 2.1.3, above.

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 31.07.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

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”).	<p>As reported previously, HR has just merged the Recruitment and ELC Teams with effect from 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 when developed.</p> <p>Guides were to be provided to Internal Audit once created to close this off by the end of August 2016, however, although progress has been made, these will not now be complete until the end of September 2016.</p>
2.3.12 – HR should provide guidance on completion of candidate assessment forms (graded “important within audited area”).	As 2.1.3, 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.

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

AC1604	Corporate Policies and Procedures	March 2016	2	0	0	0	0
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AC1615	Timesheets	January 2016	25	22	18	4	4 Significant
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Progress with the 4 recommendations that are overdue is detailed below.

Recommendation	Position
2.4.6 (1c) was due to be implemented in July 2016 – On-line timesheet to be implemented which will have built in rules that will help ensure that payments are made in accordance with the rules and conditions of service (graded “significant within audited area”) .	This has been delayed due to competing priorities and because testing identified issues with the formulas. It is anticipated that a pilot will begin in October 2016 with full implementation in January or February 2017.
2.4.6 (2) was due to be implemented in July 2016 – Spot checks will be put in place on an ongoing basis to ensure the correct application of guidance in relation to payment for non-standard hours (graded “significant within audited area”) .	This is now going to be addressed through the on-line timesheet in Your HR. In view of this, and the issues detailed at 2.4.6 (1c) above, this will now be implemented in January or February 2017
2.6.4 was due to be implemented in June 2016 – HR should ensure that the draft Working Time Regulation Exclusions and Modifications adequately cover working practice in the Roads Service and ensure that they are finalised through a Collective Agreement process (graded “significant within audited area”) .	The revised Working Time Collective Agreement has been prepared and discussed, and is in the process of being signed off by various parties.

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

Recommendation	Position
<i>(AC1615 – Timesheets – Continued)</i>	
2.10.4 - As reported previously one recommendation <i>(graded “significant within audited area”)</i> was due to be implemented in March 2016. It relates to introduction of a standard format of authorised signatory approval across the Council.	<p>Business Managers across all Services have considered their authorised signatory lists and are comfortable that the lists are suitably standardised and procedures are in place in terms of ongoing maintenance. The lists are to be placed on the Council’s Intranet to ensure that communication of them is more transparent.</p> <p>Internal Audit has requested copies of the lists to confirm the above and has been advised that they are currently being pulled together and should be available by the end of August 2016.</p>

AC1621	ALEOs	February 2016	10	4	4	0	0
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AC1623	Compliance with Procurement Legislation	June 2016	28	22	19	3	3 Significant
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Progress with the 3 recommendations that are overdue is detailed below.

Recommendation	Position
2.1.12 was due to be implemented in June 2016 – C&PS in conjunction with Finance should review Financial Regulations to clarify whether and what exceptions to the requirement to raise a Purchase Order are allowed <i>(graded “significant within audited area”)</i> .	The Service has advised that a draft list of exceptions has been prepared and requires to be finalised with Finance colleagues. The review of Financial Regulations after the approval of the revised Procurement Regulations is now part of the overall Governance Review within the Council for which C&PS have deadlines for completion of regulations, appropriate communications and training by Autumn 2016. A revised completion date of 31 October 2016 would fit with this review.

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COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

AC1607	Rent Collection and Arrears Management	April 2016	8	6	6	0	0
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AC1608	Trade Waste	January 2016	14	12	10	2	2 Important
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Progress with the 2 recommendations that are overdue is detailed below.

Recommendation	Position
2.1.9 was due to be implemented in June 2016 – The Service in conjunction with Finance should review the charging system for extraordinary uplifts (graded “important within audited area”).	The Service has advised that it has developed a revised process management system for extraordinary uplifts and is working with Finance on integrating this with other systems. However, the proposed introduction of a Council-wide Digital Platform is limiting completion of this work although the Waste and Recycling Service will be one of the first areas for integration with the Digital Platform. The completion of this action cannot be determined until the Digital Platform provider is appointed and its project plan delivered although it is anticipate that it will be complete by June 2017.
2.1.13 (a) was due to be implemented in June 2016 – The Service should review the cost of uplifts against charge rates, and determine whether or not it is appropriate for reduced charges to be offered to either attract or retain customers (graded “important within audited area”).	The Service has advised that a review of costs of uplifts cannot be completed until data derived from the Bartec Collective System have been gathered and validated. Use of a non-standard charging rate is rare at this time and therefore the Service considers that the impact of deferring this action until confidence in its outcome can be gained is low. The recommendation will be implemented by the end of March 2017.

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COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

AC1611	Sheltered Housing	February 2016	10	10	9	1	1 Significant
<p>The overdue recommendation (<i>graded “significant within audited area”</i>) was due to be implemented in May 2016 and relates to the Service ensuring that a detailed prediction of staffing levels is undertaken and any forecasts from this are used in future planning for budgeting, staffing levels and negotiations with Bon Accord Care. The Service has advised that the Communities, Housing and Infrastructure Committee has approved that officers develop a method of delivering the Services required and after that an assessment of staffing levels. The Service anticipates that this will be complete by the end of October 2016.</p>							
AC1618	Vehicle and Driver Records	April 2016	22	14	14	0	0
AC1703	Cleaning Payroll	June 2016	14	8	8	0	0

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CORPORATE GOVERNANCE

AC1602	Payroll System	October 2015	3	1	1	0	0
AC1606	Creditors System	November 2015	5	5	3	2	2 Significant

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 had stated that this would be completed in June 2016. The latest update from the Service is that, due to a combination of resource and technical issues (that are under review with HR and ICT), the full team has not completed the training. This will be complete by the end of October 2016.

The final recommendation (***graded “significant within audited area”***) was due to be implemented by the end of June 2016 and relates to IT and Transformation ensuring that remote access agreements are in place for all systems that require one. The Service has advised that this is taking longer than anticipated. A system is now in place for any new suppliers requiring access and it is anticipated that existing suppliers will be completed by the end of September 2016.

AC1612	Council Tax	November 2015	4	3	3	0	0
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CORPORATE GOVERNANCE (continued)

AC1614	Risk Management	November 2015	10	9	2	7	5 Significant 2 Important
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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”)	<p>As reported previously, 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 was to be reported to the Audit, Risk and Scrutiny Committee in June 2016 and the SRR would follow (no timescale yet).</p> <p>The latest update is that the corporate operational and strategic risk registers are nearing completion and will be reported to CMT on 25 August 2016. There is no firm timeline for reporting these to Committee.</p>
2.1.7 – Performance Dashboards held on The Zone should be populated with the required data (graded “important within audited area”).	As reported previously, all risk registers will be uploaded to the relevant dashboards once agreed. The Corporate Governance register was 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”).	<p>As reported previously, 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 was due to be reported to the Audit, Risk and Scrutiny Committee in September 2016 and the manual revision would be complete by September 2016.</p> <p>The revised strategy will now be reported to Committee in November with the manual being revised in 2017.</p>

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CORPORATE GOVERNANCE (continued)

Recommendation	Position
<i>(AC1614 – Risk Management – Continued)</i>	
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”) .	<p>As reported previously, the Corporate Governance risk register was considered by the Audit, Risk and Scrutiny Committee on 28 April 2016 and the Service’s performance scorecard was reported to the Finance, Policy and Resources Committee in June 2016. Other Services were to report their risk registers to the June 2016 meeting of the Audit, Risk and Scrutiny Committee at a similar point. The risk registers will then be considered quarterly at SMT.</p> <p>The latest update is that the other two Service’s risk registers will be reported to the September meeting of the Audit, Risk and Scrutiny Committee.</p>
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”) .	As reported previously, 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”) .	As reported previously, this is dependent on the outcome of 2.1.17, above. If the group is reconvened Terms of Reference will be a requirement.
<p>As reported previously, a further recommendation (2.1.19 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 had been delayed to the September 2016 meeting of the Committee to allow for inclusion of a benchmarking exercise.</p> <p>The latest update is that the benchmarking exercise has not commenced and it is intended to report to the November 2016 meeting of the Audit, Risk and Scrutiny Committee.</p>	

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CORPORATE GOVERNANCE (continued)

AC1619	Social Work Tendering	April 2016	14	10	7	3	2 Major 1 Significant
The three overdue recommendations were due to be implemented by the end of June 2016. The position with each of these is as follows:							
2.3.5 – Commercial and Procurement Services should ensure that its contracts register provides adequate information of its contracts so that it can act as a foundation for planning tendering activity (graded “significant within audited area”)			As reported previously to Committee, the Service had advised that this would be complete by the end of July 2016. The contracts have been uploaded onto the Team’s contracts management system but have still to be uploaded onto the corporate contracts register system. This will be complete by the end of September 2016.				
2.5.4 (i) – The contract management procedure will be reviewed in light of the shared service and a risk based approach adopted. A recharge protocol is also being prepared to manage the use of block funded services by other local authorities. Where double funding has been identified, Services will work together to identify the extent of this , secure repayment where appropriate, and put systems in place to ensure it does not happen again (graded “major at a service level”)			The Service has advised the contract management framework was rolled out in June 2016, staff have completed training and new procedures have been implemented. The recharge protocol issue has been agreed in principle by the two Councils. The value of the necessary adjustment has to be agreed following which work can begin on a recharging protocol to identify and recover double funding, although this is being held up with complications over resource transfer issues at present.				
2.5.4 (iii) – Social Work should consider the risks and value for money associated with block-funded care arrangements and report to Committee the number of providers that have been double funded by other local authorities (graded “major at a service level”)			As 2.5.4 (i), above.				
AC1626	Council Tax Reduction	April 2016	1	1	1	0	0

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EDUCATION AND CHILDREN'S SERVICES

AC1604 AW	Payment Controls in Children's Social Work	February 2016	19	3	2	1	1 Important
<p>The overdue recommendation (<i>graded "important within audited area"</i>) was due to be implemented by the end of June 2016 and relates to Financial Services reviewing and rationalising supplier numbers to ensure that there are no duplicates. Implementation of the enhanced reporting tool that would have enabled this recommendation to be completed has been delayed. The Service is working with the provider, Finance and ICT colleagues to resolve the issues and expect that this will be achieved by the end of November 2016.</p>							
AC1605	Secondary Schools	April 2016	17	16	16	0	0
AC1624	Family Centres	July 2016	6	2	2	0	0
AC1625	Teachers Payroll	April 2016	9	9	9	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.