

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	24 November 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 individual reports issued before 1 April 2016 have been completed, these are no longer shown in the appendices.
- 4.2 Where recommendations 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 11 NOVEMBER 2016

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. On 27 September 2016, the Committee was advised that, as at 14 September 2016, there were 38 recommendations which were due to have been completed by 31 July 2016 which were not fully complete. This has reduced to 31. The total not fully complete, which had an original due date of before 30 September 2016, is 50. 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 31.07.16	Confirmed complete by Service	New in August to September 2016	Confirmed complete by Service	Not fully complete by original due date of 30.09.16	Major	Significant	Important
Cross Service	100	83	72	7	1	17	0	10	7
Communities, Housing and Infrastructure	119	59	47	24	19	17	2	11	4
Corporate Governance	45	26	19	6 (i)	5 (i)	8	2	4	2
Education and Children's Services	51	19	18	27	20	8	0	6	2
Health and Social Care Partnership	5	4	4	0	0	0	0	0	0
Total	323	191	160	64	45	50	4	31	15

(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 11 NOVEMBER 2016

Report Number	Report Title	Date Issued	Number of Recommendations				
			Agreed in Report	Due for implementation by 30.09.16	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations

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”).	As 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 30.09.16	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> <p>Some of the guides have been provided to Internal Audit. The absence and leave guides have still to be completed.</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	25	21	4	4 Significant
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Progress with the 6 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”) .	As reported previously, 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”) .	As reported previously, 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
2.4.6 (3) was due to be implemented in August 2016 – Steps should be taken to recover overpayments / pay underpayments made to staff in relation to overtime paid at the wrong rate of pay (2.4) and in relation to additional holiday pay (2.2) (graded “significant within audited area”) .	In view of the fact that Financial Regulations require the Head of HR to take all reasonable steps to recover any identified overpayments, it was agreed that Directorates would analyse the findings from the Internal Audit report, relating to specific pay elements, and notify HR / Payroll of any overpayments to be recovered or underpayments due to be paid. HR has advised that none of the Services will be recovering any overpayments or paying any underpayments. Internal Audit is awaiting details of the analysis undertaken by each Service.

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

Recommendation	Position
<i>(AC1615 – Timesheets – Continued)</i>	
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”) .	As reported previously, the revised Working Time Collective Agreement has been prepared and discussed, and is in the process of being signed off by various parties.

AC1621	ALEOs	February 2016	10	4	4	0	0
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AC1623	Compliance with Procurement Legislation	June 2016	28	27	20	7	6 Significant 1 Important
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Progress with the 6 recommendations that are overdue is detailed below.

Recommendation	Position
2.1.6 was due to be implemented in August 2016 – C&PS should clarify and combine relevant procedures to ensure procurement requirements are correct, and straightforward to understand and use (graded “significant within audited area”) .	The Service is finalising and reviewing procedures prior to publication by the end of October 2016.
2.1.10 was due to be implemented in August 2016 – C&PS should review the approval process for Quotation Exemption Forms (graded “significant within audited area”) .	The Service is reviewing the final format of the forms prior to them being published by the end of October 2016.

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CROSS SERVICE (continued)

Recommendation	Position
<i>(AC1623 – Compliance with Procurement Legislation – Continued)</i>	
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 (graded “significant within audited area”) .	As reported previously, Commercial and Procurement Services has advised that a draft list of exceptions has been prepared and requires to be finalised with Finance colleagues. Reference to the list of exceptions will be included in the next update to the Financial Regulations which is currently being prepared. A revised completion date of 31 March 2017 would fit with this review.
2.2.14 was due to be implemented in September 2016 – The Service should ensure that the Scheme of Delegated Powers references the need to adhere to Financial Regulations, Procurement SO's and other relevant procedures, whilst exercising those delegated powers (graded “important within audited area”) .	The Governance Review is still in progress, and CPS is still working with Finance and Committee Services in relation to changes in Scheme of Delegation and Financial Regulations. Amendments to Financial Regulations is due to be approved in December 2016.
2.4.7 was due to be implemented in September 2016 – The Service should ensure that spend on supplies which are likely to be used by more than one school is forecast so that appropriate Committee approval and tendering can be completed for aggregate spend.	The Service is in the process of identifying expenditure across the schools. It is anticipated that this will be completed by March 2017 and that expenditure across other Directorates will have to be considered.
2.6.4 was due to be implemented in June 2016 – C&PS in conjunction with Finance should review whether revision and re-authorisation of Purchase Orders is necessary for minor changes to content and value (graded “significant within audited area”) .	As 2.1.12 above.
2.6.6 was due to be implemented in June 2016 – C&PS will issue guidance clarifying the raising of purchase orders and any exceptions (graded “significant within audited area”) .	As 2.1.12 above.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
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COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

Recommendation	Position
<i>(AC1608 – Trade Waste – Continued)</i>	
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”) .	As reported previously, 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 anticipated that it will be complete by June 2017.
2.1.10 was due to be implemented in September 2016 – The Service should implement reconciliations between records of work completed, work invoiced, and income received, to ensure that income has been received for the provision of all goods and services (graded “significant within audited area”) .	The Service has advised that the Bartec system being introduced which is designed to resolve the issues. However, delays to the introduction of the system mean this will now not be done until April 2017
2.1.12 was due to be implemented in September 2016 – The Service should introduce checks to ensure the accuracy and completeness of all invoices raised (graded “significant within audited area”) .	As 2.1.10, above
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”) .	As reported previously, 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)

AC1705	Roads Payroll	August 2016	22	13	13	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	4	1	1 Significant

As reported previously, the overdue recommendation **(2.3.1 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. Internal Audit is awaiting an update on progress.

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CORPORATE GOVERNANCE (continued)

AC1614	Risk Management	November 2015	10	9	5	4	2 Significant 2 Important
Three 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 were reported to CMT on 25 August 2016, but 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”).			<p>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.</p>				

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CORPORATE GOVERNANCE (continued)

Recommendation	Position
<i>(AC1614 – Risk Management – Continued)</i>	
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. The revised strategy was to be reported to Committee in November with the manual being revised in 2017.</p> <p>The latest update from the Service is that the risk system review has concluded and the associated implementation plan is being reported to the Audit, Risk and Scrutiny Committee in November 2016. Work on the revised strategy and manual are about to start and it is expected that the strategy will be reported in the first half of 2017.</p>
<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. At that time, the benchmarking exercise has not commenced and it was intended to report to the November 2016 meeting of the Audit, Risk and Scrutiny Committee.</p> <p>The latest update from the Service is that the benchmarking data has been received in draft form only and, as a result of having not received final data, the exercise has been delayed further.</p>	

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CORPORATE GOVERNANCE (continued)

AC1619	Social Work Tendering	April 2016	14	11	8	3	2 Major 1 Significant
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Progress with the three overdue recommendations is as follows:

Recommendation	Position
2.3.6 (i) was due to be implemented in September 2016 – Social Care and Children’s Social Work should ensure that there is an adequate audit trail between the values of contracts in the contracts register and the budget from which they come (graded “significant within audited area”).	Arrangements for the future have been established, however, it will take until the end of December 2016 to address current contracts.
2.5.4 (i) was due to be implemented in June 2016 – 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”).	As reported previously, the Service has advised that 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) was due to be implemented in June 2016 – 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.

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CORPORATE GOVERNANCE (continued)

AC1626	Council Tax Reduction	April 2016	1	1	1	0	0
AC1706	Scottish Welfare Fund	August 2016	3	3	3	0	0
AC1708	Infosmart System	August 2016	7	1	1	0	0
AC1710	Public Records (Scotland) Act	August 2017	2	0	0	0	0

EDUCATION AND CHILDREN'S SERVICES

AC1604 AW	Payment Controls in Children's Social Work	February 2016	19	14	10	4	3 Significant 1 Important
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Progress with the four overdue recommendations is as follows:

Recommendation	Position
2.2.14 (i) was due to be implemented in September 2016 – The Service, in conjunction with Finance, should review the interface from CareFirst to ensure full invoice numbers are transferred to the financial system (graded "significant within audited area").	The Carefirst system supplier has confirmed that they will be increasing the field length for invoice numbers in the first quarter of 2017 as part of the release of the next version of the system. This will, therefore, be implemented by June 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
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EDUCATION AND CHILDREN'S SERVICES (continued)

Recommendation	Position
<i>(AC1604AW – Payment Controls in Children's Social Work – Continued)</i>	
2.2.15 was due to be implemented in June 2016 – relates to Financial Services reviewing and rationalising supplier numbers to ensure that there are no duplicates (graded "important within audited area").	As reported previously, 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.
2.2.27 (i) was due to be implemented in August 2016 – The Service should review whether block-funded arrangements are necessary and appropriate. Where there are alternative spot purchase arrangements, these should be explored (graded "significant within audited area").	The Service is in the process of reviewing arrangements and this will be complete by April 2017.
2.2.27 (ii) was due to be implemented in August 2016 – The Service should review controls over payments for block-funded care (graded "significant within audited area").	As 2.2.27 (i), above.

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EDUCATION AND CHILDREN'S SERVICES (continued)

AC1605	Secondary Schools	April 2016	17	17	13	4	3 Significant 1 Important
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Progress with the other overdue recommendations is detailed below:

Recommendation	Position
2.1.2 (b) was due to be implemented in August 2016 – The Service should consider preparing a financial administrative procedure manual for all schools to have access to (Training) (graded “important within audited area”).	The Service has stated that training will be provided to all schools between September 2016 and January 2017 incorporating Internal Audit's recommendations, financial and procurement procedures.
2.6.7 was due to be implemented in August 2016 – The service should ensure class contributions, and waived charges are consistent across all schools, that calculations supporting the values are retained, and all monies collected are receipted and paid directly into the council bank account timeously (graded “significant within audited area”).	The Service is currently investigating practice in schools and returns received to date suggest that there is diversity in practice. It may require a working group to determine a common approach and this will be resolved by March 2017.
2.10.10 (a) was due to be implemented in August 2016 – The Service should ensure that school funds are supported by a constitution, accurate records, regular school management reviews, and an annual audit review (graded “significant within audited area”).	This was to be addressed through the issue of a circular to schools which was scheduled to be issued in the week commencing 19 September 2016. This was delayed and was then to be issued on 4 November 2016. Internal Audit is awaiting confirmation that the circular has been issued.
2.10.10 (b) was due to be implemented in August 2016 – The Service should ensure that school funds are operated for the benefit of pupils, and where appropriate should undertake a cost benefit analysis of retaining school fund charitable status (graded “significant within audited area”).	As for 2.10.10 (a).

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EDUCATION AND CHILDREN'S SERVICES (continued)

AC1624	Family Centres	July 2016	6	6	6	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.