

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2017
REPORT TITLE	Internal Audit Progress
REPORT NUMBER	IA/17/016
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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### **1. PURPOSE OF REPORT**

- 1.1 This report advises the Committee of Internal Audit's progress against the approved 2017/18 Internal Audit plans.

### **2. RECOMMENDATIONS**

- 2.1 The Committee is requested to:

- 2.1.1 Approve the rescheduling of the planned audit of the Craft Workers Payroll, to 2018/19 in view of delays in the renegotiation of the Craft Workers Terms and Conditions.
- 2.1.2 Approve the merging of additional work requested by Committee relating to controls in the programme management office with the planned audit of the Capital Plan.
- 2.1.3 Review, discuss and comment on the issues raised within this report and the attached appendices.

### **3. BACKGROUND / MAIN ISSUES**

- 3.1 The Internal Audit plan for 2017/18 was approved by this Committee on 23 February 2017. The plan included an indicative Committee date by when it was planned to report each audit and progress against the plan has been reported to each subsequent meeting of the Committee, although the Committee was advised that some of these may change in order to ensure that External Audit could place reliance on specific work. On 26 September 2017, the Committee approved the rescheduling of two audits (PECOS and Fixed Asset Register) from September and November respectively to February 2018 to facilitate this.
- 3.2 Appendix B to this report shows progress with the audits contained in the plan and a summary is shown in the following table (which incorporates the

changes detailed in paragraph 3.1 above).

Planned Audit Status	As at 13 November 2017 by Original Target Committee Date						%age
	Jun 17	Sep 17	Nov 17	Feb 18	Jun 18	Total	
Complete	3	4	1	0	0	8	27.6
Draft Report Issued	0	0	2	1	0	3	10.3
Work in Progress	0	1	2	3	0	6	20.7
To Start	0	0	0	6	6	12	41.4
<b>Total</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>6</b>	<b>29</b>	<b>100.0</b>

- 3.3 On 26 September 2017, the Committee was advised of staffing issues in Internal Audit and that these would impact on the availability of completed audits for the November 2017 meeting of Committee. Internal Audit is now operating at full establishment and progress is being made but it will be challenging to recover the lost time. Progress had been further impacted by delays in Services responding to requests for data and providing responses to draft reports, and the requirement to undertake additional work in relation to European Interreg project grant claims.
- 3.4 The 2017/18 Internal Audit plan contained an audit of Craft Workers Payroll. This had an objective of ensuring that new Terms and Conditions have been implemented and are being complied with. Recommendations made in Internal Audit report AC1602AW – Craft Workers Payroll, which related to renegotiating the Craft Workers Terms and Conditions based on current working practice, have been delayed from an initial implementation date of June 2016 to June 2018, as advised to Committee in September 2017 and detailed in the follow up of recommendations report on today's agenda (report number IA/17/017). In view of this, it is proposed to defer the planned audit to 2018/19.
- 3.5 At its meeting on 23 February 2017, the Audit, Risk and Scrutiny Committee requested that Internal Audit undertake an audit to ascertain if adequate controls were in place within the Project Management Office. When work commenced on this review, Internal Audit was advised that a consultant had been engaged to undertake a review of the Capital Programme and the issue of project management was being covered in that review. As the resultant report was presented to the Audit, Risk and Scrutiny Committee in June 2017, it was considered that to undertake a similar review might not add value at that time. The report identified a number of areas for improvement and recommended that Internal Audit undertake an audit in quarter four of 2017/18 to give assurance that the report's recommendations had been implemented. The Committee agreed to this approach. It is now apparent that this work could be accommodated within the planned audit of the Capital Plan which is scheduled to be reported to Committee in April 2018. In view of this it is proposed to merge the additional work request with the planned audit of the Capital Plan.

**4. FINANCIAL IMPLICATIONS**

4.1 There are no direct financial implications arising from the recommendations of this report.

**5. LEGAL IMPLICATIONS**

5.1 There are no direct legal implications arising from the recommendations of this report.

**6. MANAGEMENT OF RISK**

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Where planned progress is not maintained, there is a risk that sufficient work will not have been completed by the end of the financial year for Internal Audit to complete its annual opinion on the Council's control environment.

**7. IMPACT SECTION**

7.1 **Economy** – The proposals in this report have no direct impact on the local economy.

7.2 **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to note Internal Audit's progress against the Internal Audit plan. The proposals in this report will have no impact on improving the staff experience.

7.3 **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4 **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

**8. APPENDICES**

8.1 Appendix A – Progress with 2017/18 Internal Audit Plan.

**9. REPORT AUTHOR DETAILS**

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## APPENDIX A

### PROGRESS WITH 2017/18 INTERNAL AUDIT PLAN

SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017	Red Amber Green	Comment where applicable
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#### CROSS SERVICE

Travel Costs	Ensure that travel arrangements and claims are made in accordance with the Council's Travel Policy, Procedure and Guidance.	Draft report due to be issued	29.09.17	Green	
		Draft report issued	25.09.17		
		Management response due	09.10.17	Amber	
		Reminder issued	11.10.17		
		Finance response received	18.10.17	Red	
Reminder issued	20.10.17				
HR response received	23.10.17	Green			
Final report issued	23.10.17				
		Original target Committee date	23.11.17	Green	
		Actual submission to Committee	23.11.17		
Bond Governance	Consider whether arrangements have been put in place to ensure compliance with the London Stock Exchange requirements and safeguarding the Council's credit rating.	Original target Committee date	22.02.18	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017	Red Amber Green	Comment where applicable
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### CROSS SERVICE (continued)

Capital Plan	Consider whether robust mechanisms are in place for setting, progressing and monitoring the capital plan. It is understood that Council officers are undertaking a review of this area and the outcome of this will help inform Internal Audit's opinion.	Original target Committee date	Apr 18	Green	Not yet commenced
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### CORPORATE GOVERNANCE

PECOS System	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	Amended target Committee date agreed at Committee on 26.09.17	22.02.18	Green	Not yet commenced
Fixed Asset Register	Consider whether procedures for ensuring timely recording of the acquisition / disposal of assets are adequate and that revaluations are undertaken in accordance with recognised best practice. Ensure that a sample of recorded assets exist and those that should be recorded are.	Amended target Committee date agreed at Committee on 26.09.17	22.02.18	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017	Red Amber Green	Comment where applicable
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### CORPORATE GOVERNANCE (continued)

Financial Ledger System	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	Original target Committee date	22.02.18	Green	Not yet commenced
YourHR	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	Original target Committee date	22.02.18	Green	Not yet commenced
Major IT Business Systems	Ensure that the risk of major IT Business Systems failure is adequately managed.	Draft report due to be issued	16.10.17	Green	
		Draft report issued	13.10.17		
		Management response due	30.10.17		
		Management response received	N/A		
		Final draft issued to Service	N/A		
		Final draft agreed	N/A		
		Original target Committee date	22.02.18	Green	
Post-Election Training for new Council	Ensure that appropriate arrangements were made for training Councillors following the May 2017 Local Government Elections, that training was delivered and was effective.	Draft report due to be issued	06.12.17		
		Draft report issued	N/A		
		Original target Committee date	22.02.18	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017	Red Amber Green	Comment where applicable
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## EDUCATION AND CHILDREN'S SERVICES

Care of Children and Young People – Community Care	To obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled.	Draft report due to be issued Changed to Draft report issued	02.08.17 29.09.17 N/A	Amber	<i>Availability of service management due to external inspection and then departure of lead auditor.</i>
		Original target Committee date Anticipated submission to Committee	22.09.17 22.02.18	Amber	
Placing Requests	To review decision making processes and consider whether these are adhered to.	Draft report due to be issued Draft report issued	04.10.17 03.10.17	Green	
		Management response due Partial management response received Reminders issued:	13.10.17 13.10.17 17.10.17 23.10.17	Green Amber	
		Final draft issued to Service Final draft agreed	03.11.17 N/A	Amber	
		Original target Committee date Anticipated submission to Committee	22.09.17 22.02.18	Amber	
Nursery Education – Pre-School Commissioned Places	Consider whether statutory obligations are being delivered and that adequate control is exercised over expenditure. To include consideration of plans in place to deliver the Scottish Government's expansion in early education and childcare which comes into force in August 2020.	Draft report due to be issued Draft report issued	23.11.17 N/A	Green	
		Original target Committee date	22.02.18	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017	Red Amber Green	Comment where applicable
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### EDUCATION AND CHILDREN'S SERVICES (continued)

Out of Authority Placements	Review progress with implementing the Inclusion Review and consider whether system used to make and review on-going out of authority placements is robust and that alternatives are considered before decisions are made which commit expenditure.	Original target Committee date	Apr 18	Green	Not yet commenced
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### COMMUNITIES, HOUSING AND INFRASTRUCTURE

Vehicle Maintenance Workshops	Ensure that adequate procedures are in place to control the function and obtain best value in maintaining vehicles.	Draft report due to be issued	15.09.17	Amber	<i>Delayed due to Auditor leaving Internal Audit</i>
		Draft report issued	15.09.17	Green	
		Management response due	06.10.17	Green	
		Management response received	04.10.17		
		Updated draft issued	12.10.17	Green	
		Updated draft agreed	20.10.17		
		Final report issued	20.10.17	Green	
		Original target Committee date	26.09.17	Amber	
		Anticipated submission to Committee	23.11.17		
		Actual submission to Committee	23.11.17		



SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017	Red Amber Green	Comment where applicable
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### COMMUNITIES, HOUSING AND INFRASTRUCTURE (continued)

Vehicle Usage	Ensure that adequate procedures are in place to ensure that vehicles are being used effectively for business purposes and any non-business use is appropriately reported.	Draft report due to be issued Draft report issued	10.11.17 13.11.17	Green	Commencement delayed due to staffing issues in Internal Audit as advised to Committee on 26.09.17
		Original target Committee date Anticipated Committee date	23.11.17 22.02.18	Amber	
Capital Contracts	Ensure appropriate arrangements are in place regarding the tendering for and monitoring of a sample of capital contracts and value for money is being obtained.	Draft report due to be issued Draft report issued	22.12.17 N/A		
		Original target Committee date	22.02.18	Green	
Stores Purchasing	Ensure that appropriate arrangements are in place regarding procurement of stock.	Original target Committee date	Apr 18	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017	Red Amber Green	Comment where applicable
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## COMMUNITIES, HOUSING AND INFRASTRUCTURE

Craft Workers Payroll	Ensure that new Terms and Conditions have been implemented and are being complied with.	Original target Committee date	Apr 18	Green	Proposal in this report to defer this audit to 2018/19
Homeless Persons – Housing Support budget	Consider whether adequate control is being exercised over income and expenditure, and that best value is being obtained.	Original target Committee date	Apr 18	Green	Not yet commenced
Internal Transport Tendering Procedures	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Original target Committee date	Apr 18	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017	Red Amber Green	Comment where applicable
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## ADULT SOCIAL CARE

Social Work Transport	Consider whether appropriate arrangements are in place to secure transportation in a cost effective and well managed way.	Draft report due to be issued	27.04.17	Amber	<i>The Public Transport Unit was unable to meet with Internal Audit until 10 May 2017, delaying commencement of audit as planned.</i>
		Changed to	16.06.17		
		Draft report issued	16.06.17	Green	
		Management response due	14.07.17	Green	
		Management response received: Public Transport Unit	29.06.17		
		Social Work	N/A	Amber	
		Updated draft issued	19.07.17	Green	
Management response received: Public Transport Unit	20.07.17				
Social Work	01.09.17	Amber			
Final draft issued to Service	06.09.17	Green			
Final draft agreed: Public Transport Unit	06.09.17	Green			
Social Work	28.09.17	Amber			
Final report issued	28.09.17	Green			
Original target Committee date	22.06.17	Amber			
Anticipated submission to Committee	26.09.17				
Amended submission to Committee	23.11.17				
Actual submission to Committee	23.11.17				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017	Red Amber Green	Comment where applicable
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## ADULT SOCIAL CARE

Social Work Payroll	Consider whether all aspects of payroll administration (new starts, leavers, timesheet completion and authorisation, overtime approval, etc) are adequately controlled.	Draft report due to be issued	22.12.17	Green	Commencement delayed due to staffing issues in Internal Audit as advised to Committee on 26.09.17
		Original target Committee date Anticipated submission to Committee	23.11.17 22.02.18	Amber	
Social Work Financial Assessments	Consider whether adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner.	Draft report due to be issued Changed to Draft report issued	03.11.17 17.11.17 N/A	Amber	Commencement delayed as above and then there were ICT issues regarding access to required information resulting in further delay.
		Original target Committee date Anticipated submission to Committee	23.11.17 22.02.18	Amber	
Care Management	To obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled.	Original target Committee date	22.02.18	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017	Red Amber Green	Comment where applicable
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## GENERAL

Contingency - Investigations and additional works.	To undertake investigations and additional works as they arise and to provide a contingency should systems subject to audit not be adequately documented by Services prior to audit.	Additional works being undertaken are detailed in the following tables.		
First Level Control work in relation to Interreg Projects	Certify six-monthly grant claims made in relation to the following Interreg Projects as required by Interreg Programme Secretariat: <ul style="list-style-type: none"> <li>• HyTrEc2 (Partner)</li> <li>• HyTrEc2 (Lead Partner)</li> <li>• ACE Retrofitting (Partner)</li> <li>• Heat Net (Partner)</li> <li>• BEGIN (Partner)</li> </ul>	<i>First six-monthly grant claim for ACE Retrofitting certified – August 2017</i> <i>First six-monthly grant claim for Heat Net certified – August 2017</i>		
Controls in Programme Management Office	Review controls within the Project Management Office to manage projects.	<i>Review requested by Audit Risk and Scrutiny Committee to be undertaken in quarter four of 2017/18 as agreed by Committee on 27 June 2017.</i>  It is recommended in this report that, having reviewed the scope of the planned audit on the Capital Plan under Cross Service audits detailed above, this review could be merged with that audit. If agreed by Committee, this review will be removed from this page.		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 13 September 2017
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## INTEGRATION JOINT BOARD

*The following audit is included in the Internal Audit plan for the Aberdeen City IJB and will be reported to the IJB Audit and Performance Systems Committee before being reported to the Audit, Risk and Scrutiny Committee for information.*

Integration and Change Funding	Ensure appropriate governance is in place to manage delivery of funded projects and use of the funds.	Work is in progress. The resultant report will be presented to the ACC IJB Audit and Performance Systems Committee (anticipated 13.02.18) before presentation to the Audit, Risk and Scrutiny Committee (anticipated 22.02.18).
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