

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	8 May 2018
REPORT TITLE	Internal Audit Progress
REPORT NUMBER	IA/18/006
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2 and 2.4

1. PURPOSE OF REPORT

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

2. RECOMMENDATIONS

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

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. Progress against the plan has been reported to each subsequent meeting of the Committee, although the Committee was advised that some dates of reporting 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 On 23 November 2017, the Committee approved 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.
- 3.3 Appendix A 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 paragraphs 3.1 and 3.2 above).

Planned Audit Status	As at 25 April 2018 by Original Target Committee Date						%age
	Jun 17	Sep 17	Nov 17	Feb 18	May 18	Total	
Complete	3	5	5	9	3	25	86.0
Draft Report Issued	0	0	0	0	1	1	3.5
Work in Progress	0	0	0	1	0	1	3.5
To Start	0	0	0	0	1	1	3.5
Rescheduled to 2018/19	0	0	0	0	1	1	3.5
Total	3	5	5	10	6	29	100.0

3.4 In September and November 2017, the Committee was advised of staffing issues in Internal Audit and the impact that this had had on the availability of completed audits for those meetings of Committee. Internal Audit is now operating at full establishment and progress is being made with recovering 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. The on-going work on these claims has now been incorporated into the agreed Internal Audit 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. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Module.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

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

10. REPORT AUTHOR DETAILS

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APPENDIX A

PROGRESS WITH 2017/18 INTERNAL AUDIT PLAN – BASED ON 2017/18 COUNCIL STRUCTURE (Note – text in italics represents updates provided to Committee previously)

SUBJECT / SCOPE	OBJECTIVE	Progress as at 25 April 2018	Red Amber Green	Comment where applicable
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CROSS SERVICE

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.	Draft report due to be issued	14.03.18		
		Draft report issued	08.03.18		Green
		Management response due	23.03.18		Green
		Management response received	13.03.18		
		Updated draft issued to Service	14.03.18		Amber
		Final draft agreed	11.04.18		
Final Report Issued	11.04.18	Green			
		Original target Committee date	08.05.18		
		Actual submission to Committee	08.05.18	Green	

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.	Draft report due to be issued	21.02.18	<i>Delayed due to previously reported staffing issues although this is now well progressed</i>	
		Draft report issued	09.02.18		Green
		Management response due	02.03.18		Green
		Management response received	02.03.18		
		Updated draft issued to Service	06.03.18		Green
		Final draft agreed	15.03.18		
		Final Report Issued	15.03.18		Green
		Original target Committee date	22.02.18		Amber
Amended target date	08.05.18	Green			
Actual submission to Committee	08.05.18				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 25 April 2018	Red Amber Green	Comment where applicable
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CORPORATE GOVERNANCE (continued)

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.	Draft report due to be issued	TBC	Amber	See below:
		Draft report issued			
		Original target Committee date	22.02.18	Amber	
		Amended target date	08.05.18		
		Revised amended target	26.06.18	Red	

Following commencement of the audit, Internal Audit was advised that one area due to be tested is undertaken as an annual exercise by the end January each year. As at 8 February 2018, this work had not been completed. As this is one of the audits that External Audit planned to take assurance from Internal Audit's work, the testing requires to be undertaken on 2017/18 work. Therefore, completion of the audit has been delayed and the outcome will be reported to Committee in May 2018.

Finance has not yet completed the work that Internal Audit planned to include in testing. Although External Audit has confirmed to Finance that they will not now be placing reliance on Internal Audit's work in this area, Internal Audit still intends to review the most recently completed work once it is done.

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.	Draft report due to be issued	26.01.18	Green	<i>Delayed due to previously reported staffing issues in Internal Audit and availability of Finance staff to deal with provision of information, although this is now well progressed</i>
		Draft report issued	26.01.18		
		Management response due	09.02.18		
		Management response received	09.02.18		
		Updated draft issued to Service	20.02.18		
		Final draft agreed	15.03.18		
		Final Report Issued	15.03.18		
		Original target Committee date	22.02.18		
Amended target date	08.05.18				
Actual submission to Committee	08.05.18	Green			

SUBJECT / SCOPE	OBJECTIVE	Progress as at 25 April 2018	Red Amber Green	Comment where applicable
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EDUCATION AND CHILDREN'S SERVICES

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.	Draft report due to be issued	23.02.18	Green	Meeting held to discuss response on 27.03.18
		Draft report issued	22.02.18		
		Management response due	22.03.18		
		Management response received	19.03.18		
		Updated draft issued to Service	03.04.18		
		Final draft agreed	10.04.18	Green	
		Final Report Issued	11.04.18	Green	
		Original target Committee date	08.05.18	Green	
		Actual submission to Committee	08.05.18		

COMMUNITIES, HOUSING AND INFRASTRUCTURE

Stores Purchasing	Ensure that appropriate arrangements are in place regarding procurement of stock.	Draft report due to be issued	27.04.18	Green	Delays in Internal Audit caused by staff sickness
		Draft report issued	25.04.18		
		Management response due	23.05.18		
		Management response received	N/A	N/A	
		Original target Committee date	08.05.18	Amber	
		Revised target Committee date	26.06.18		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 25 April 2018	Red Amber Green	Comment where applicable
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COMMUNITIES, HOUSING AND INFRASTRUCTURE

Homeless Persons – Housing Support budget	Consider whether adequate control is being exercised over income and expenditure, and that best value is being obtained.	Draft report due to be issued	28.02.18	Green	
		Draft report issued	28.02.18		
		Management response due	28.03.18		
		Management response received	23.03.18		
		Updated draft issued to Service	03.04.18		
		Final draft agreed	17.04.18		
Final Report Issued	18.04.18	Green			
		Original target Committee date	08.05.18		
		Actual submission to Committee	08.05.18	Green	

Internal Transport Tendering Procedures	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Original target Committee date	08.05.18	Red	See below:
		Revised target Committee date	25.09.18		

When Internal Audit contacted the Service to commence this audit, the Service, whilst accepting that the audit should proceed, requested that it be delayed for a short period of time to allow current work demands to be prioritised. As a result, Internal Audit plans to commence the audit on 14 May 2018, which would mean reporting the outcome from the review to the September 2018 meeting of the Audit, Risk and Scrutiny Committee.

SUBJECT / SCOPE	OBJECTIVE	Progress as at 25 April 2018	Red Amber Green	Comment where applicable
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ADULT SOCIAL CARE

Care Management	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	28.02.18	Green	<i>Commencement delayed due to staffing issues in Internal Audit as advised to Committee on 26.09.17</i>
		Draft report issued	27.02.18		
		Management response due	27.03.18		
		Management response received	23.03.18		
		Updated draft issued to Service	26.03.18		
		Final draft agreed	20.04.18		
Final Report Issued	23.04.18	Green			
		Original target Committee date	22.02.18		
		Amended target date	08.05.18	Amber	
		Actual submission to Committee	08.05.18	Green	

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.		
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First Level Control work in relation to Interreg Projects	<p>Certify six-monthly grant claims made in relation to the following Interreg Projects as required by Interreg Programme Secretariat:</p> <ul style="list-style-type: none"> • HyTrEc2 (Partner) • HyTrEc2 (Lead Partner) • ACE Retrofitting (Partner) • Heat Net (Partner) • BEGIN (Partner) 	<p><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></p> <p><i>First six-monthly grant claim for HyTrEc2 (Lead Partner) January and February 2018</i></p> <p>Second six-monthly grant claim for ACE Retrofitting certified – March 2018 Second six-monthly grant claim for Heat Net certified – March 2018</p>		
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 25 April 2018
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INTEGRATION JOINT BOARD

The following audit was 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.	The report arising from this work was presented to the ACC IJB Audit and Performance Systems Committee on 13 February 2018 before presentation to the Audit, Risk and Scrutiny Committee on 8 May 2018.
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