

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	25 September 2018
REPORT TITLE	Internal Audit Progress
REPORT NUMBER	IA/18/016
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 and 2018/19 Internal Audit plans.

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 plans for 2017/18 and 2018/19 were approved by the Audit, Risk and Scrutiny Committee on 23 February 2017 and 22 February 2018, respectively. The plans included an indicative Committee date by when it was planned to report each audit. Progress against the 2017/18 plan has been reported to each subsequent meeting of the Committee.
- 3.2 Appendix A to this report shows progress with the audits contained in the 2017/18 plan whilst Appendix B shows progress with the audits contained in the 2018/19 plan. Summaries are shown in the following tables.

2017/18 Planned Audit Status	As at 12 September 2018 by Original Target Committee Date						%age
	Jun 17	Sep 17	Nov 17	Feb 18	May 18	Total	
Complete	3	5	5	10	5	28	96.6
Draft Report Issued	0	0	0	0	0	0	0.0
Work in Progress	0	0	0	0	0	0	0.0
Rescheduled to 2018/19	0	0	0	0	1	1	3.4
Total	3	5	5	10	6	29	100.0

2018/19 Planned Audit Status	As at 12 September 2018 by Original Target Committee Date						%age
	Jun 18	Sep 18	Dec 18	Feb 19	Apr 19	Total	
Complete	1	5	0	0	0	6	24.0
Draft Report Issued	0	1	0	0	0	1	4.0
Work in Progress	0	3	3	0	0	6	24.0
To Start	0	0	2	6	4	12	48.0
Total	1	9	5	6	4	25	100.0

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 Model.

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 to report Internal Audit's progress to Committee. 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
- 9.2 Appendix B – Progress with 2018/19 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 12 September 2018	Red Amber Green	Comment where applicable
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CORPORATE GOVERNANCE

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	12.07.18	Amber	<i>See below:</i>
		Draft report issued	12.07.18		
		Management response due	26.07.18	Green	
		Management response received	23.07.18		
		Final draft issued to management	24.07.18	Amber	
		Management confirmation received	30.08.18		
Final Report Issued	31.08.18	Green			
		Original target Committee date	22.02.18	Amber	
		Amended target date	08.05.18		
		Revised amended target	26.06.18	Red	
		Actual Submission to Committee	25.09.18		
<p><i>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.</i></p> <p><i>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.</i></p> <p><i>The latest update is that Finance passed information to Internal Audit for review. There was a delay finalising the report while awaiting a reconciliation of the fixed asset registers maintained by Finance and Corporate Landlord.</i></p>					

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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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	<i>Delays in Internal Audit caused by staff sickness. There have been various meetings and exchanges of views in reaching the position of issuing the final draft report.</i>
		Draft report issued	25.04.18		
		Management response due	23.05.18	Green	
		Management response received	23.05.18		
		Final draft issued to management	08.06.18	Green	
Management confirmation received	N/A				
Final Report Issued	09.07.18	Green			
		Original target Committee date	08.05.18	Red	
		Revised target Committee date	25.09.18		
		Actual Submission to Committee	25.09.18		

Internal Transport Tendering Procedures	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Draft report due to be issued	10.08.18	Amber	See below:
		Draft report issued	21.08.18		
		Management response due	04.09.18		
		Management response received	TBC		
		Final Report Issued	TBC	Red	
Original target Committee date	08.05.18				
		Revised target Committee date	04.12.18		

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 December 2018 meeting of the Audit, Risk and Scrutiny Committee.

APPENDIX B

PROGRESS WITH 2018/19 INTERNAL AUDIT PLAN

(Note – text in italics represents updates provided to Committee previously)

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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Originally Planned for June 2018 Committee

Payments made following interface to the Creditors System from Care First, Caps Uniform, TALIS, Total Consilium, Confirm and Tranman	To provide assurance that there are adequate controls around the interface of payment data from named systems to the Creditors System (supporting documentation for and authorisation controls over input data, segregation of duties, accuracy and reconciliation of interfaced data sent and received) and that any associated balance sheet / suspense codes are reconciled on a regular basis.	Draft report due to be issued	21.06.18	Green	Delay caused by additional systems having to be tested compared to those identified in the plan and the availability of Service staff to discuss these. In addition, testing is being undertaken in relation to the eFinancials to BACS interface.
		Draft report issued	21.06.18		
		Management response due	21.07.18	Green	
		Management response received	21.07.18		
		Final draft issued to management	23.07.18	Amber	
		Management confirmation received	21.08.18		
		Final Report Issued	21.08.18	Green	
		Original target Committee date	26.06.18	Amber	
		Revised Committee Date	25.09.18		
		Actual Submission to Committee	25.09.18		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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Originally Planned for September 2018 Committee

Transformation	To provide assurance that the Council has appropriate arrangements in place to ensure the success of its transformational aspirations.	Draft report due to be issued	04.09.18	Green	Delay due to combination of Internal Auditor resigning and availability of key officers.
		Draft report issued	29.08.18		
		Management response due	07.09.18		
		Management response received	TBC	Amber	
		Original target Committee date	25.09.18	Green	
		Revised target Committee date	04.12.18		

Timesheets and Allowances	To provide assurance that payments are accurate and justified, and that improvements recommended in previous reviews have been fully implemented.	Draft report due to be issued	26.07.18	Green	
		Draft report issued	26.07.18		
		Management response due	10.08.18		
		Management response received	10.08.18		
		Final draft issued to management	13.08.18		
		Management confirmation received	17.08.18	Green	
		Final Report Issued	17.08.18	Green	
		Original target Committee date	25.09.18	Green	
		Actual submission to Committee	25.09.18		

General Data Protection Regulations	To provide assurance that the Council has adequate arrangements in place, that are understood throughout the organisation, to protect the Council's information.	Draft report due to be issued	30.07.18	Amber	Delay receiving information required for audit testing followed by annual leave of key contact and auditor.
		Draft report issued	29.08.18		
		Management response due	07.09.18		
		Management response received	12.09.18		
		Final draft issued to management	12.09.18		
		Management confirmation received	13.09.18		
		Final Report Issued	13.09.18	Green	
		Original target Committee date	25.09.18	Green	
		Actual submission to Committee	25.09.18		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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Originally Planned for September 2018 Committee (continued)

Impact of Universal Credit on rent collection.	To provide assurance that appropriate arrangements have been put in place to manage the impact of Universal Credit on rent collection including intervention relating to identified vulnerable cases.	Draft report due to be issued	17.07.18	Green	
		Draft report issued	09.08.18		
		Management response due	17.08.18	Green	
		Initial management response received	16.08.18		
		Updated draft issued	17.08.18	Green	
		Management response received	29.08.18		
		Final draft issued to management	29.08.18	Green	
Management confirmation received	30.08.18				
Final Report Issued	30.08.18	Green			
Original target Committee date	25.09.18	Green			
Actual submission to Committee	25.09.18				

Debtors System	To provide assurance over system controls, documentation supporting invoices raised and debt recovery process.	Draft report due to be issued	25.06.18	Green	Late consultation required with Customer due to changing responsibilities as a result of reorganisation. Additional evidence was also required to support changes to wording of report before being finalised.
		Draft report issued	06.07.18	Green	
		Management response due	23.07.18		
		Management response received	23.07.18		
		Final draft issued to management	24.07.18	Amber	
		Management confirmation received	28.08.18	Green	
Final Report Issued	30.08.18				
Original target Committee date	25.09.18	Green			
Actual submission to Committee	25.09.18				

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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Originally Planned for September 2018 Committee (continued)

Digital Strategy	To provide assurance that there are appropriate plans in place to manage the Council's digital strategy including reporting of progress against established milestones.	Draft report due to be issued	25.08.18	Green	<i>Commencement delayed at request of Service pending Chief Officer – Digital and Technology taking up post.</i>
		Draft report issued	TBC		
		Management response due	TBC		
		Management response received	TBC		
		Final draft issued to management	TBC		
		Management confirmation received	TBC		
		Final Report Issued	TBC		
		Original target Committee date	25.09.18		
		Revised Committee Date	04.12.18		
Devolved Education Management Scheme	To provide assurance that the scheme in place is adequate and that the decision making process is appropriate based on delegations in place.	Draft report due to be issued	28.09.18	Amber	Commencement delayed pending planning meeting with Service
		Draft report issued	N/A		
		Original target Committee date	25.09.18		
		Revised Committee Date	04.12.18		
VAT	To provide assurance over arrangements in place to maximise the recovery of VAT and ensure that VAT recovered is adequately supported.	Draft report due to be issued	20.07.18	Green	
		Draft report issued	26.07.18		
		Management response due	13.08.18	Green	
		Management response received	07.08.18		
		Final draft issued to management	14.08.18	Green	
		Management confirmation received	17.08.18		
		Final Report Issued	20.08.18	Green	
		Original target Committee date	25.09.18	Green	
		Actual submission to Committee	25.09.18		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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Originally Planned for September 2018 Committee (continued)

Health and Social Care Partnership Charging Policy	To provide assurance that there is a clear charging policy in place and that it is being complied with.	Draft report due to be issued	21.12.18	Amber	Delayed at request of Service which is developing a new strategy
		Draft report issued	N/A		
		Original target Committee date	25.09.18		
		Revised Committee Date	14.02.19		

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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Originally Planned for December 2018 Committee

Voluntary Severance / Early Retirement (VSER)	To provide assurance that the terms of the VSER Scheme are complied with and that payments made / enhancements to pensions are accurate.	Draft report due to be issued	16.10.18	Green	
		Original target Committee date	04.12.18	Green	
Compliance with Procurement Legislation and Council Regulations	To provide assurance that the Council has appropriate arrangements in place that are being complied with, to ensure compliance with procurement legislation and internal regulations.	Original target Committee date	04.12.18	Green	Not yet commenced
Business Rates	To provide assurance over the accuracy of Business Rates billing and robustness of collection arrangements.	Draft report due to be issued	04.10.18	Green	
		Original target Committee date	04.12.18	Green	
Data security in a cloud based environment	To provide assurance over the Council's arrangements to ensure data security where business is transacted through the Cloud.	Draft report due to be issued	26.10.18	Green	
		Original target Committee date	04.12.18	Green	

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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Originally Planned for December 2018 Committee (continued)

National Care Home Contract	To provide assurance that risk to supply is controlled through adequate monitoring of supply and suppliers and related business continuity plans. (Ref Kingsmead Nursing Home.)	Original target Committee date	04.12.18	Green	Not yet commenced
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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Originally Planned for February 2019 Committee

Health and Safety Arrangements across the Council	To provide assurance that appropriate arrangements to manage Health and Safety have been implemented across the Council.	Original target Committee date	14.02.19	Green	Not yet commenced
Prevention of Fraud, Bribery and Corruption	To provide assurance that the Council's arrangements for the prevention of fraud, bribery and corruption are adequate and proportionate.	Original target Committee date	14.02.19	Green	Not yet commenced
i-World Housing Management System	To provide assurance that appropriate control is being exercised over the i-World system and that interfaces to and from other systems are accurate and properly controlled.	Original target Committee date	14.02.19	Green	Not yet commenced
Pupil Equity Fund	To provide assurance that schools are spending in accordance with their plans, and that these were developed as required, to close the poverty related attainment gap.	Original target Committee date	14.02.19	Green	Not yet commenced
Craft Workers' Payroll	To provide assurance that new Terms and Conditions have been implemented and are being complied with.	Original target Committee date	14.02.19	Green	Not yet commenced

SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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Originally Planned for February 2019 Committee (continued)

Bond Trust Deed	To provide assurance that the requirements of the Bond Trust Deed are complied with.	Original target Committee date	14.02.19	Green	Not yet commenced
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018	Red Amber Green	Comment where applicable
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Originally Planned for April 2019 Committee

Digital Booking, Fees and Charges	To provide assurance over the controls around on-line booking and collection of fees and charges	Original target Committee date	30.04.19	Green	Not yet commenced
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Music Centre	To provide assurance that procedures have been improved following completion of work undertaken by Corporate Investigation Team - review of income, expenditure (procurement and payroll), and inventory	Original target Committee date	30.04.19	Green	Not yet commenced
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Management of high risk contracts	To focus on recent identified issues:- <ul style="list-style-type: none"> - 3rd Don Crossing - Photovoltaic Panels <p>To include data / intelligence used for monitoring and escalation of risk.</p>	Original target Committee date	30.04.19	Green	Not yet commenced
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Criminal Justice Service	To provide assurance that adequate control is exercised over income and expenditure, that system data is accurate and adequately supported, and that reporting arrangements between the Council and IJB are appropriate.	Original target Committee date	30.04.19	Green	Not yet commenced
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SUBJECT / SCOPE	OBJECTIVE	Progress as at 12 September 2018
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No Planned Reporting to Committee

Interreg Projects where Aberdeen City Council is involved as a Lead Partner and / or Project Partner	<p>To certify required grant claims in accordance with Programme Secretariat requirements.</p> <p><i>There will be no specific reporting to management and / or Audit Risk and Scrutiny Committee in relation to these grant claims unless a significant issue were identified.</i></p>	<p>BEGIN Project ACC Partner Claim for period 2 certified (June 2018).</p> <p>HyTrEc2 Project ACC Partner Claim for period 2 certified (June 2018)</p> <p>HyTrEc2 Overall Project Claim for period 2 certified (June 2018)</p> <p>HeatNet Project ACC Partner Claim for period 3 certified (August 2018)</p>
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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.
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