

## ABERDEEN CITY COUNCIL

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| <b>COMMITTEE</b>          | Audit, Risk & Scrutiny                 |
| <b>DATE</b>               | 25 September 2018                      |
| <b>REPORT TITLE</b>       | Overdue Internal Audit Recommendations |
| <b>REPORT NUMBER</b>      | GOV/18/171                             |
| <b>CHIEF OFFICER(S)</b>   | Various as detailed in report          |
| <b>REPORT AUTHOR</b>      | Fraser Bell                            |
| <b>TERMS OF REFERENCE</b> | Remit 2.3                              |

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### 1. PURPOSE OF REPORT

The purpose of this report is to provide further information on internal audit recommendations which have not been progressed in accordance with agreed deadlines.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Notes the responses from Chief Officers and Internal Audit as detailed; and
- 2.2 Agrees to remove the following items from the internal audit report on overdue recommendations:
  - a) AC1714 – Land and Buildings;
  - b) AC1806 – Corporate Landlord Responsibilities (2.2.4, 2.2.6 and 2.2.8);
  - c) AC1709 – Care First System;
  - d) AC1814 – Travel Costs;
  - e) AC1805 – Attendance Management;
  - f) AC1621 – ALEOs;
  - g) AC1722 – ALEOS – Management by Services (Integrated Children’s and Family Services);
  - h) AC1623 – Compliance with Procurement Legislation
  - i) AC1602 – Craft Workers Terms and Conditions;
  - j) AC1705 – Roads Payroll;
  - k) AC1808 – Vehicle Maintenance;
  - l) AC1709 – Care First System;
  - m) AC1803 – Health and Safety – SSERC;
  - n) AC1809 – Care of Children; and
  - o) AC1826 – Out of Authority Placements.

- 2.3 Agree that the following items remain listed in the internal audit report on overdue recommendations at the present time:
- a) AC1806 – Corporate Landlord Responsibilities (2.2.3, 2.3.8 and 2.3.13);
  - b) AC1812 – Financial Ledger System;
  - c) AC1722 – ALEOS – Management by Services (Integrated Children’s and Family Services);
  - d) AC1608 – Trade Waste
  - e) AC1604 – Payment Controls in Children’s Social Work
  - f) AC1811 – Placing Requests
  - g) AC1722 – ALEOs – Management by Services (Health and Social Care Partnership)
  - h) AC1617 – Self-Directed Support (Health and Social Care Partnership)

### **3. BACKGROUND**

- 3.1 The Council’s Internal Auditor provides a report, “Internal Audit Reports – Follow-up of Agreed Recommendations” to this committee each cycle. The report provides details of progress made on the implementation of audit recommendations, highlighting those that are overdue against the due date in the original audit report.
- 3.2 At its meeting on 26 June 2018, this committee resolved “to note that where Chief Officers had not progressed audit recommendations that they would be instructed to provide a report to the Committee to explain the reasons why the deadlines had not been adhered to”.
- 3.3 This report is in response to that instruction and covers all overdue internal audit recommendations. The Chief Officer in each case has reviewed the actions being taken to progress recommendations aligned to their service area, and the report presents their views as well as those of the Chief Internal Auditor. Where there is a discrepancy between these views, the Chief Officers have provided a rationale for either retaining or removing the recommendations for committee to consider.

### **RESOURCES - CORPORATE LANDLORD**

#### **3.4 Report Number AC1714 – Land and Buildings**

- 3.4.1 Of the 9 recommendations contained within the original report, 1 remains outstanding as follows:
- Housing stock numbers held in the above systems should be reconciled prior to providing Estates with a record of properties to be revalued (2.7.6).
- 3.4.2 **Chief Officer response** – the Housing Stock is revalued every 5 years with the last valuation having taken place in 2016/17 and the next one due in 2020/21. A reconciliation of stock numbers is undertaken as part of the revaluation process. The 2016/17 revaluation was subject to the scrutiny of the Council’s

External Auditors who did not raise any issues with the process undertaken. Given this, it is the view of the Chief Officer that this recommendation has been implemented. Notwithstanding that, the Service will always seek to improve on its processes and include the reconciliation in its review prior to the next revaluation.

Committee is asked to determine whether the recommendation can be removed.

### **3.5 Report Number AC1806 – Corporate Landlord Responsibilities**

3.5.1 Of the 9 recommendations contained within the original report, 6 remain outstanding as follows:

- The Service should review whether management of cyclical maintenance could be delegated to one or other Service, or the two Services combined (2.2.4);
- Asset Management should work with the Health & Safety Team to align Service and Corporate Policies (2.2.6);
- The Service should set out a programme and procedures for ensuring EPC compliance, the coordinate and monitor progress with its implementation (2.2.8);
- The Service should formalise the procedures used to demonstrate compliance with its Corporate Landlord Responsibilities and other cyclical maintenance activities (2.2.3);
- The Service should ensure data regarding its Corporate Landlord Responsibilities is maintained centrally, accurately and up to date (2.3.8); and
- The Service should ensure it has assurance that all property in which the Council has an interest is statutorily compliant (2.3.13)

3.5.2 **Chief Officer response** – a full review of statutory and cyclical maintenance is being undertaken which will reach a conclusion in October 2018. This is being undertaken with the Corporate team to allow 2.2.6 to be removed. This will identify strengths, weaknesses and areas of improvement. This will make recommendations on 2.2.3, 2.3.8 and 2.3.13 which remain open until this is complete. It has been decided to keep services separate allowing 2.2.4 to be removed. A programme of Energy Performance Certificates (EPC) compliance is in place allowing 2.2.8 to be removed.

Committee is asked to determine whether or not to remove recommendations 2.2.4, 2.2.6 and 2.2.8, and is advised that 2.2.3, 2.3.8 and 2.3.13 will remain outstanding in the meantime.

## **RESOURCES - FINANCE**

### **3.6 Report Number AC1709 – Care First System**

3.6.1 Of the 13 recommendations contained within the original report, 1 remains outstanding for Finance as follows:

- Finance should review the instances where service users have not been reassessed and charged correctly (2.5.6 (ii))

3.6.2 **Chief Officer response** – a letter to those affected, requesting the required information has been approved and provided to all Councillors for information. Final data checks are being carried out and the letters will be issued in the week commencing 8 October 2018. Thereafter, assessments will be carried out with a view to these being completed by end December 2018. The view of Internal Audit is that they will assess progress in December before agreeing the recommendation is implemented. With this project plan now in place it is the view of the Chief Officer that this recommendation has been implemented and therefore should be removed as an outstanding recommendation. To do otherwise could lead to this recommendation remaining outstanding for a further considerable period when, with the programme in place and underway, intent to implement this action has been clearly demonstrated.

Committee is asked to determine whether the recommendation can be removed.

### 3.7 **Report Number AC1812 – Financial Ledger System**

3.7.1 Of the 14 recommendations contained within the original report, one remains outstanding as follows:

- The Service should consult with Commercial and Procurement Services to ensure that best value can be demonstrated in continuing with the current system and that procurement legislation is complied with (2.2.5)

3.7.2 **Chief Officer response** – Finance have consulted as required in the recommendation, with Commercial and Procurement Services (CPS). Work continues to be undertaken to ensure that a conclusion has been reached on best value and that procurement legislation has been complied with. The Service will report this via a Business Case to the Strategic Commissioning Committee in November 2018.

Committee is advised that these recommendations will remain outstanding in the meantime.

### 3.8 **Report Number AC1814 – Travel Costs**

3.8.1 Of the 13 recommendations contained within the original report, 3 remain outstanding as follows:

- Procedures should be put in place to ensure that the most cost-effective method of travel is approved in advance with consideration given to

restricting claims for journeys outwith the Council's boundaries to the cost equivalent of the cheapest option (2.2.9);

- The approval process for foreign travel should be reviewed and complied with (2.6.5); and
- Services should be reminded to ensure that travel applications are forwarded to the Travel Team as soon as possible to ensure that cost effective travel arrangements can be made (2.6.6)

**3.8.2 Chief Officer response** – these above actions have been incorporated into an update of the Council's Travel Policy, a draft version of which has been made available to Internal Audit as evidence of this. The revised policy is now subject to consultation and will be considered by the Staff Governance Committee on 1 November 2018 before final consideration by City Growth and Resources Committee. The report is on the relevant business planners. Thereafter, the policy will be communicated and promoted to staff. The view of Internal Audit is that this remains outstanding until the policy has been approved by committee. However, it is the view of the Chief Officer that the updated policy clearly shows intent to implement and therefore these could be removed as outstanding recommendations.

Committee is asked to determine whether these recommendations can be removed.

## **RESOURCES – PEOPLE AND ORGANISATION**

### **3.9 Report Number AC1805 – Attendance Management**

**3.9.1** Of the 9 recommendations contained within the original report, 4 remain outstanding as follows:

- The Service should review, and update where necessary, the Maximising Attendance policy, guidance and training (2.1.3);
- All Services should be reminded of the Policy requirements in relation to recording absences and the management actions that need to be taken when an employee returns to work (2.2.9);
- Once the training on the Maximising Attendance policy has been reviewed and updated as necessary, HR should promote its completion amongst managers (2.3.4a); and
- HR should continue to work with Services to ensure that all staff are aware of how to access guidance and support when administering the Maximising Attendance Policy (2.3.4b)

**3.9.2 Chief Officer response** - these above actions have been incorporated into an update of the Council's Maximising Attendance policy, a draft version of which has been made available to Internal Audit as evidence of this. The revised policy has been consulted on and is on the business planner to be considered by the Staff Governance committee on 1 November 2018. Thereafter, it will be communicated to staff and training will be undertaken. The view of Internal Audit is that this remains outstanding until the policy has been approved by committee. However, it is the view of the Chief Officer that that the updated

policy clearly shows intent to implement and therefore these could be removed as outstanding recommendations.

Committee is asked to determine whether these recommendations can be removed.

## **COMMISSIONING – COMMERCIAL AND PROCUREMENT**

### **3.10 Report Number AC1621 – ALEOs**

3.10.1 Four recommendations remain outstanding as follows:

- Services should ensure that there is an up to date Service Level Agreement with each ALEO (2.2.6(a))
- Services should ensure all ALEO SLAs confirm performance reporting requirements, and state that ongoing funding is subject to evidenced satisfactory performance (2.2.6 (b))
- Services should ensure financial clauses in all SLAs accurately reflect the partners' intentions.
- Services should ensure all material ALEO SLAs contain a requirement for internal audit arrangements, and facilitate reporting of assurance through those arrangements to the Council (2.4.11)

### **3.11 Report Number AC1722 – ALEOs – Management by Services**

3.11.1 One recommendation remains outstanding as follows:

- Education and Children's Services should review options for performance management within ALEO agreements (2.4.3)

3.12 **Chief Officer response** – the Strategic Commissioning Committee received annual reports on each of the ALEOs at its meeting on 13<sup>th</sup> September (Aberdeen Sports Village, Sport Aberdeen, Bon Accord Care and Aberdeen Performing Arts. The Committee instructed the Head of Commercial and Procurement Services to:

- (1) review and amend the SLAs to ensure that they are outcomes-focused and contain robust contract management measures; and
- (2) implement a standard annual performance report template which ALEOs will be required to submit annually containing information on their performance against the outcomes set out in the revised SLA.

The Council has set its strategic direction and will transition to the Target Operating Model by becoming a commissioning council. This will require us to put in place commissioning strategies and intentions and these will impact on each of the ALEOs, as will the budget setting process in February 2019. After this point we will have clearer organisation and political direction on KPIs aligned to outcomes and performance expectation. Thereafter we will revisit an actual update of the SLAs. Furthermore, it is within the remit of the ALEO Assurance Hub to monitor internal audit arrangements of ALEOs and to provide

assurance through reports to the Audit, Risk and Scrutiny Committee, that ALEOs had in place, or are moving towards an independent internal audit function in line with audit recommendations. Given the changing strategic picture and the approvals given by the Strategic Commissioning Committee, it is the view of the Chief Officer that these recommendations now be removed.

Committee is asked to determine whether these recommendations can be removed.

## **OPERATIONS – INTEGRATED CHILDREN’S AND FAMILY SERVICES**

### **3.13 Report Number AC1623 – Compliance with Procurement Legislation**

3.13.1 One recommendation remains outstanding as follows:

- Integrated Children’s and Family Services should ensure they spend on supplies, which are likely to be used by more than one school, is forecast, so appropriate Committee approval and tendering can be completed for aggregate spend.

3.13.2 **Chief Officer response** – The Service has issued a circular to schools to limit the number of suppliers for general supplies - all should now be purchased from a recognised supplier who is in the framework. The Education workplan and business cases are expected to be reported to Strategic Commissioning Committee in November, covering school spend.

Committee is asked to determine whether the recommendation can be removed.

## **OPERATIONS – OPERATIONS AND PROTECTIVE SERVICES**

### **3.14 Report Number AC1602 – Craft Workers Terms and Conditions**

3.14.1 Four recommendations remain outstanding as follows:

- The Service should renegotiate the Agreement based on current working practice (2.2.6)
- The Service should complete the roll out of the hand held system to ensure that periods of stand-by are covered (2.3.13)
- The Service should consider whether such payments remain appropriate (2.3.14)
- The Service should consider whether calls that have been cancelled within a short period of having been lodged should be verified to confirm the identity of the caller (2.3.16)

3.14.2 **Chief Officer response** – These four recommendations are to be subject to review and to be included in the work-plan for the delivery of the transformation programme. Given that these actions will be tracked through the transformation programme, the Chief Officer recommends that the recommendations be removed from the outstanding audit list.

Committee is asked to determine whether these recommendations can be removed.

### **3.15 Report Number AC1608 – Trade Waste**

3.15.1 Two recommendations remain outstanding as follows:

- 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 (2.1.10)
- The Service should introduce checks to ensure the accuracy and completeness of all invoices raised (2.1.12)

3.15.2 **Chief Officer response** - The latest update from the Service is that good progress is being made after delays which were outwith the Service's control, and that the new management system is still intended to be implemented by the end of September 2018, which will enable the recommendations to be closed.

Committee is advised that these recommendations will remain outstanding in the meantime.

### **3.16 Report Number AC1705 – Roads Payroll**

3.16.1 One recommendation remains outstanding as follows:

- The Service should review options to ensure all relevant duties (including supervision, administration and vehicle checks) can be completed within contractual hours (2.2.13)

3.16.2 **Chief Officer response** – This recommendation is to be subject to review and to be included in the work-plan for the delivery of the transformation programme. Given that this action will be tracked through the transformation programme, the Chief Officer recommends that the recommendation be removed from the outstanding audit list.

Committee is asked to determine whether the recommendation can be removed.

### **3.17 Report Number AC1808 – Vehicle Maintenance**

3.17.1 One recommendation remains outstanding as follows:

- The Service should ensure that Service Level Agreements are in place between Fleet with all Services for which the maintenance and servicing of vehicles is undertaken, and that these are reviewed periodically (2.3.2)



3.17.2 **Chief Officer response** - The Service advise that the Chief Officer has signed off all Service Level Agreements in principle and therefore recommend that this is removed from the outstanding audit list.

Committee is asked to determine whether the recommendation can be removed.

### 3.18 **Report Number AC1604 – Payment Controls in Children’s Social Work**

3.18.1 One recommendation remains outstanding as follows:

- Relates to C&PS reviewing and rationalising supplier numbers to ensure that there are no duplicates (2.2.15)

3.18.2 **Chief Officer response** - The latest update from the Service is that the software update that will allow this to be implemented has recently been installed and training was being provided by the supplier in July 2018 to show staff how to undertake the agreed task. However, an amendment is required to the software before it can be used for the necessary task and this will be done by September 2018.

Committee is advised that this recommendation will remain outstanding in the meantime.

### 3.19 **Report Number AC1709 – Care First System**

3.19.1 One recommendation remains outstanding as follows:

- The CareFirst Team should ensure that it complies with Standing Orders and procurement regulations in terms of the Service’s Case Recording System for Social Care Clients (2.1.4)

3.19.2 **Chief Officer response** - The Strategic Commissioning Committee in June agreed to extend the Carefirst maintenance and support agreement to March 2020. An options appraisal is all but concluded and will go to the November Committee. The Chief Officer is of the view that recommendation 2.1.4 should therefore should be closed.

Committee is asked to determine whether the recommendation can be removed.

### 3.20 **Report Number AC1803 – Health and Safety - SSERC**

3.20.1 Four recommendations remain outstanding as follows:

- The Service should ensure that schools comply with the SSERC Safety in Microbiology Code of Practice (2.6.5).

- A standardised chemical stock list including chemical location, quantity, hazards, immersion test results, condition test results, date of last tests, date tests are due, and disposal dates should be maintained centrally (2.6.4 a)
- Academies should be advised of the requirement to review their chemical stock and update the central list (2.6.4 b)
- Training should be provided to all staff required to undertake testing or visual inspections of portable electrical appliances (2.8.3 c)

3.20.2 **Chief Officer response** – The Service acknowledges that these are outstanding. We have been unable to access the relevant trainers to deliver the required training to enable these actions to be closed off. The Chief Officer is of the view that as dates have now been confirmed to enable these actions to be closed off.

Committee is asked to determine whether these recommendations can be removed.

### 3.21 **Report Number AC1811 – Placing Requests**

3.21.1 Two recommendations remain outstanding as follows:

- Integrated Children’s and Family Services should prepare detailed procedures for the placing request process (2.1.3)
- The Service should rationalise application forms used to a single form. The Service will implement a new system which will enable this but is dependent on prioritisation of IT transformation projects (2.2.1)

3.21.2 **Chief Officer response** - The latest update from the Service is that processes for the new digital service have been reviewed and agreed by the Chief Education Officer and take into account the full set of recommendations from the audit report. Progress has been made since the last update on completion and stability of the system, with Head Teachers informed of the changes to take place. The implementation plan is progressing on time and launch is subject to the satisfaction of the Chief Education Officer that the system requirements have been fully realised and all final testing complete. This will be complete by January 2019. Internal testing of the full system, including back-office elements, is underway. The customer application forms have been consolidated and will be handled through a single online form.

Committee is advised that these recommendations will remain outstanding in the meantime.

## **HEALTH AND SOCIAL CARE PARTNERSHIP**

### 3.22 **Report Number AC1722 – ALEOs – Management by Services**

3.22.1 One recommendation remains outstanding as follows:

- The Health and Social Care Partnership should review options for performance management within future ALEO agreements (2.4.3)

**3.22.2 Chief Officer response** - The Partnership are in the process of refreshing the Bon Accord Care contract. The current contract has been extended until 31<sup>st</sup> March 2019. The refreshed contract will focus on outcomes and each outcome will have a set of performance measures against it. There are a series of workshops and “task and finish” groups that have been set up to identify and agree the relevant performance measures for each outcome (taking into account what can actually be measured within current systems). The plan is to allocate a dedicated contract manager (from the Council) to each ALEO. Once the performance measures have been agreed the contract manager will (in conjunction with the Partnership) set up regular performance review meetings. The performance measures will feed into the current review being undertaken on the wider performance management framework. This will determine where the indicators are reported and how often so that the relevant people get information that help them manage and improve their service delivery.

Committee is advised that this recommendation will remain outstanding in the meantime.

### **3.23 Report Number AC1617 – Self-Directed Support**

**3.23.1** One recommendation remains outstanding as follows:

- The Service should finalise and implement the Contributing to Your Care and Support Policy and guidance (2.4.2)

**3.23.2 Chief Officer response** - The Committee was advised in May 2018, that work was progressing, and a working group had been established to take forward the topic of charging for the Partnership. The Partnership is piloting the Equivalency Model as a method of Resource Allocation for self-directed support. The identification of a client’s agreed budget allocation via a robust resource allocation system is a pre-requisite to enable the Partnership to move forward with the implementation of the Contributing to Your Care Policy. This will be reported and monitored through the Self-directed Support Board and full implementation was planned for September 2018.

**3.23.3** Although the working group has made significant progress on establishing an Equivalency Model, all of the systems and processes are so interlinked that every time we take one step forward it impacts on many others. The definition of Personal Care has been updated and the group have had to take this into account.

**3.23.4** There is another meeting of the working group planned for 17 September 2018 where we will look at the Resource Allocation Panel (RAP) processes and documentation. This will highlight the steps and paperwork that will need to be updated in order to move ahead with implementing the Equivalency Model and identifying where Contributing to Your Care needs to be updated. To some

extent progress has been constrained due to competing priorities being placed on the CareFirst Team. Robust decisions cannot be taken in the absence of the supporting data, which comes from the Carefirst Team. It is planned that the charging policy will be finalised and make its way through the necessary approval and communication processes in time for full implementation at the beginning of the next financial year i.e. 1<sup>st</sup> April 2019. The timeline for the approval of the Policy will be: submitted to the Integrated Joint Board on the 11<sup>th</sup> of December 2018 and Aberdeen City Council on the 4<sup>th</sup> March 2019.

Committee is advised that this recommendation will remain outstanding in the meantime.

#### **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 Chief Officers have reviewed the outstanding actions and have recommended that a number of the actions be removed from the outstanding actions list. The committee can determine whether or not the assurance provided by Chief Officers in respect of completing the outstanding actions satisfactorily mitigates the risk to the Council to allow the actions to be removed from the list presented to members. Where Chief Officers have not felt able to provide satisfactory assurance to committee on the completion of outstanding actions, they have recommended that these be retained on the outstanding list for future monitoring accordingly.

|                    | <b>Risk</b>     | <b>Low (L),<br/>Medium<br/>(M), High<br/>(H)</b> | <b>Mitigation</b> |
|--------------------|-----------------|--|-------------------|
| <b>Financial</b>   | None identified |  |                   |
| <b>Legal</b>       | None identified |  |                   |
| <b>Employee</b>    | None identified |  |                   |
| <b>Customer</b>    | None identified |  |                   |
| <b>Environment</b> | None identified |  |                   |

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|---------------------|--|---|--|
| <b>Technology</b>   | None identified  |   |  |
| <b>Reputational</b> | Negative impact on reputation if the Council is consistently seen to not be acting on the recommendations of Internal Audit. | L | A scrutiny process is in place through regular reporting by Internal Audit on progress in implementing audit recommendations to senior management and committee. |

## 7. OUTCOMES

7.1 There is no direct impact arising from this report on 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.

## 8. IMPACT ASSESSMENTS

| <b>Assessment</b>                                    | <b>Outcome</b> |
|--|----------------|
| <b>Equality &amp; Human Rights Impact Assessment</b> | Not Required   |
| <b>Data Protection Impact Assessment</b>             | Not Required   |
| <b>Duty of Due Regard / Fairer Scotland Duty</b>     | Not applicable |

## 9. BACKGROUND PAPERS

9.1 Report by the Internal Auditor – “Internal Audit Reports – Follow-up of Agreed Recommendations”

## 10. APPENDICES

None.

## 11. REPORT AUTHOR CONTACT DETAILS

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