

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	29 September 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Reports – Follow-up of Agreed Recommendations
<b>REPORT NUMBER</b>	IA/21/009
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Colin Harvey
<b>TERMS OF REFERENCE</b>	2.3

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### 1. PURPOSE OF REPORT

- 1.1 This report advises the Committee of progress made by Services with implementing recommendations that have been agreed in Internal Audit reports.

### 2. RECOMMENDATIONS

The Committee is requested to:

- 2.1 Review, discuss and comment on the issues raised within this report and the attached appendices
- 2.2 Consider and agree the proposal from C&PSS to close the actions included in section 4 below.

### 3. BACKGROUND / MAIN ISSUES

- 3.1 The Public Sector Internal Audit Standards require that Internal Audit monitors the implementation of agreed recommendations until they are implemented by management. The Corporate Management Team and the Audit, Risk and Scrutiny Committee receive a report from Internal Audit at each of their meetings which shows progress made.
- 3.2 However, circumstances may change following completion of an Internal Audit. Having investigated implementation more fully, a recommendation may, for example, take longer to implement, or the cost of implementation may be higher, than originally anticipated. In these circumstances either more time may be required, or management may conclude, based on the risk to the organisation, that the recommendation should no longer be implemented. Where this is the case, management will make recommendations regarding how the agreed recommendation should be treated.

- 3.3 The attached appendices 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 2021 have been completed, these are no longer shown in the appendices.
- 3.4 Where recommendations have not been completed by their original due date, reasons are provided along with recommendations from management (where appropriate) regarding how and when the agreed Internal Audit recommendation will be concluded or whether it should no longer be implemented.
- 3.5 Management has noted that implementation of several recommendations has been delayed due to the impact of the Covid-19 pandemic. This is to be anticipated. It is appropriate for the organisation to reallocate resource to address risks posed by the pandemic where those risks outweigh the risks of not completing some outstanding recommendations.

#### 4. PROPOSAL TO CONCLUDE AUDIT ACTIONS

- 4.1 In addition to providing progress updates, Services have been asked to consider whether the actions agreed in respect of the risks originally identified during the audit process remain appropriate. Where there are other mitigations in place which address the identified risks, where the circumstances are considered by the Service to no longer pose as significant a risk, and where the Service has accepted any residual risk, these will be presented to the Audit, Risk & Scrutiny Committee for consideration.

#### 4.2 AC2019 – Procurement Compliance

*2.2.3a: All spend should be clearly linked, e.g. through consistent reference numbers and inclusion of approval details in the Contracts Register, back to a contract and its approval. (Significant within audited area)*

*2.2.3b: A clear and consistent method of recording contract details against each payment should be developed and implemented. (Significant within audited area).*

#### **Service discussion**

- 4.3 The Service had previously requested to extend the deadline for all of the AC2019 actions to 31st March 2021, which aligned with similar recommendations for Aberdeenshire and would allow the Service to carry out development work on the Contract Register and develop and roll out further training.
- 4.4 The last update from the Service was that a short term working group is being established to look at mapping between the Contracts Register and Finance System. This was anticipated to be concluded by June 2021.
- 4.5 Initial work from the working group identified that there are a number of limitations in the Finance system and Feeder systems which means it is not possible to find a consistent approach to implement a methodology for

spend outwith a catalogue or punchout site, and would potentially involve updates to various systems at cost to the Council and require significant resource to implement as due to the way that systems are structured we would need to implement a number of different solutions to meet the recommendation. As an example it cannot report on the field in Pecos that a contract reference can be entered so cannot implement this as a solution via adding a Contract Reference to Purchase orders.

- 4.6 C&PSS therefore wish to request that these recommendations are closed out on the basis of the solution identified to close out elements of contract spend. C&PSS will continue to work with Finance but a solution cannot be fully implemented to cover all contracts at present and may not be possible unless / until there is a change in Finance system.

#### **Internal Audit comment**

- 4.7 The originally identified risk was that the Council will have less assurance over compliance with its own rules and procurement legislation, because without a clear and consistent method of recording contract details against each payment it will be difficult to ensure all spend is covered by a contract and is within approved levels of spend.
- 4.8 The Council's Risk Appetite Statement sets out that the Council is averse to risks that may result in non-compliance or breaches in statutory obligations, regulations and law. The Council is also averse to risks associated with internal controls. These risks are not increased by not concluding the agreed actions, but will not be further mitigated as a result.
- 4.9 Whilst the risk remains, the Service has sought to address it, undertaken a review, identified a partial solution and has accepted the residual risk.
- 4.10 Had the Service accepted the risk during the audit, it would have been highlighted to the Audit, Risk and Scrutiny Committee in the audit report, and concluded. It is therefore not unreasonable to conclude it at this point.
- 4.11 As an area in which there have been frequent audit findings, this will be scheduled for further internal audit review in due course, at which point the risk will be re-evaluated.

### **5. FINANCIAL IMPLICATIONS**

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

### **6. LEGAL IMPLICATIONS**

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

### **7. MANAGEMENT OF RISK**

- 7.1 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. Those not implemented by their agreed due date are detailed in the attached appendices.

## 8. OUTCOMES

- 8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.
- 8.2 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.

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
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.
Data Protection Impact Assessment	Not required

## 10. APPENDICES

- 10.1 Appendix A – Position with Agreed Recommendations – Summary.
- 10.2 Appendix B – Position with Agreed Recommendations – Cross Service.
- 10.3 Appendix C – Position with Agreed Recommendations – Commissioning.
- 10.4 Appendix D – Position with Agreed Recommendations – Customer.
- 10.5 Appendix E – Position with Agreed Recommendations – Operations.
- 10.6 Appendix F – Position with Agreed Recommendations – Resources.

## 11. REPORT AUTHOR DETAILS

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# APPENDIX A – SUMMARY

## POSITION WITH AGREED RECOMMENDATIONS AS AT 31 JULY 2021

The following table provides a summary of progress being made by Services with completing agreed recommendations.

On 12 May 2021, the Committee was advised that, as at 29 April, there were 27 recommendations which were due to have been completed by 31 March 2021 which were not fully complete. This has now reduced to 7.

The total not fully complete, which had an original due date of before 31 July 2021, is shown in the following table. Full details relating to progress, on a report by report basis, are shown in appendices B to G.

FUNCTION	Agreed in reports shown in Appendices B to G	Due for completion by June 2021	Confirmed complete by Service	New in June to July 2021	Confirmed complete by Service	Not fully complete by original due date	Major	Significant	Important
<b>Cross Service</b>	14	13	11	0	0	2	0	2	0
<b>Commissioning</b>	6	5	5	1	0	1	0	1	0
<b>Customer</b>	31	30	29	0	0	1	0	0	1
<b>Operations</b>	74	60	58	6	6	2	0	2	0
<b>Resources</b>	47	43	39	3	3	4	0	3	1
<b>Health &amp; Social Care</b>	0	0	0	0	0	0	0	0	0
<b>Total</b>	172	151	142	10	9	10	0	8	2

# KEY TO COLOURING USED IN FOLLOWING APPENDICES

## Recommendation Grading:

Grading	Definition
Major	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. Financial Regulations have been consistently breached.
Significant	Addressing this issue will enhance internal controls. An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on a system's adequacy and effectiveness. Financial Regulations have been breached.
Important	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.

## Length of time overdue

Over 12 months
6 to 12 months
Less than 6 months

**APPENDIX B**  
**CROSS SERVICE**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2018</b>	<b>Workforce Planning</b>	August 2020	2	1	1	<b>0</b>	NA

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.21	Confirmed Implemented by Service	Not implemented by original due date	
<b>AC2019</b>	<b>Procurement Compliance</b>	September 2020	12	12	10	<b>2</b>	2 Significant
Chief Officer	Recommendation	Grading / Due Date	Position				
Commercial & Procurement	All spend should be clearly linked, e.g. through consistent reference numbers and inclusion of approval details in the Contracts Register, back to a contract and its approval. 2.2.3a	Significant December 2020	The Service had previously requested to extend the deadline for all of the AC2019 actions to 31 <sup>st</sup> March 2021, which aligns with similar recommendations for Aberdeenshire and allows the Service to carry out development work on the Contract Register and develop and roll out further training.  The latest update from the Service is that a short term working group is being established to look at mapping between the Contracts Register and Finance System. This was anticipated to be concluded by June 2021.				
Commercial & Procurement	A clear and consistent method of recording contract details against each payment should be developed and implemented. 2.2.3b	Significant December 2020	Initial work from the working group established by C&PSS/Finance has identified a method to link BOrganised records to the EFin system that will cover Catalogue and Punchout items only.  C&PSS work with Finance identified that there are a number of limitations in the Finance system and Feeder systems which means it is not possible to find a consistent approach to implement a methodology for spend outwith a catalogue or punchout site, and would potentially involve updates to various systems at cost to the Council and require significant resource to implement as due to the way that systems are structured we would need to implement a number of different solutions to meet the recommendation.				

		<p>As an example we cannot report on the field in Pecos that a contract reference can be entered so cannot implement this as a solution via adding a Contract Reference to Purchase orders.</p> <p>We would wish to request that these recommendations are closed out on the basis of the solution identified to close out elements of contract spend, we will continue to work with Finance but a solution cannot be fully implemented to cover all contracts at present and may not be possible until there is a change in Finance system.</p>
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**APPENDIX C**  
**COMMISSIONING**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.21	Confirmed Implemented by Service	Not implemented by original due date	
<b>AC2014</b>	<b>Civil Contingencies</b>	September 2020	6	6	5	1	N/A
Chief Officer	Recommendation	Grading / Due Date	Position				
Governance	Further development of the resilience plans should be scheduled, taking account of existing multi-agency plans. 2.5.4	Significant July 2021	To be completed by December 2021 due to on-going requirements for resilience support to the organisation and Local Resilience Partnership. Gaps are well understood but not fully scheduled.				

**APPENDIX D**

**CUSTOMER**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2012</b>	<b>Customer Access Points and Service Centre</b>	January 2020	13	12	11	1	1 Important
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The position with the overdue recommendation is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	The Chief Officer – Finance in consultation with the Chief Officer – Corporate Landlord will review the inventory arrangements outlined within the Financial Regulations and design a new process for the management of inventories (2.9.2 b)	Important June 2020	<p>The Committee was last advised that the inventory arrangements were updated in the Financial Regulations updated in March 2020 that set the principles for the new process. Due to other priorities in the Finance Cluster as a result of Covid, this process has been delayed. In addition, managing inventory during the pandemic with significant changes for staff in their operational places of work has required reconsideration of the process. It was proposed that the action completion date is moved to March 2021.</p> <p>It was subsequently proposed that the action completion date is moved to June 2021.</p> <p>Prioritisation of this action will be changed to ensure a procedure is in place for the end of the financial year, March 2022</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2023</b>	<b>Timesheets and Allowances</b>	January 2020	18	18	18	<b>0</b>	NA

**APPENDIX E**  
**OPERATIONS**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.21	Confirmed Implemented by Service	Not implemented by original due date	
AC1925	Music Service	May 2019	22	20	22	0	N/A

AC2013	School Catering Income and Expenditure	January 2020	24	22	21	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Operations and Protective Services	The Service should work with Commercial and Procurement Services to progress the tendering process for a cashless catering contract. (2.4.4)	Significant	The Service has advised that the current contract license has been extended to October 2021 pending review in conjunction with Digital and Technology, Commissioning, and Scotland Excel, to determine the most advantageous route to market for the system replacement.  Catering and Commercial and Procurement Service colleagues are engaged with Scotland Excel on the development of an online school payments framework. One of the lots which will be part of this framework is for Cashless Catering and Kitchen Management systems. It is expected that this framework will go live in Autumn 2021
		December 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2021</b>	<b>SEEMiS</b>	February 2020	10	10	9	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Education	Required Data Sharing Agreements will be developed where not in place. (2.4.10b)	Significant September 2020	<p>The Service last noted that this is progressing but as it involves a number of partners with whom there are ongoing discussions regarding data sharing arrangements this has been delayed and would now be completed by March 2021.</p> <p>Work continues to put this in place, however it has not progressed as quickly as hoped. Completion is now anticipated by the end of June 2021.</p> <p>Data sharing agreements are in place with key partners – two remain to be resolved and are being progressed with the relevant partners. An extension to December 2021 is required to ensure this is completed.</p>

<b>AC2028</b>	<b>Fostering, Adoption &amp; Kinship</b>	July 2020	12	10	10	0	N/A
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<b>AC2105</b>	<b>Vehicle Usage</b>	April 2021	6	4	4	0	N/A
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# **APPENDIX F**

# **RESOURCES**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.21	Confirmed Implemented by Service	<b>Not implemented by original due date</b>	
<b>AC2008</b>	<b>Ring-Fenced Funding</b>	March 2020	9	9	9	<b>0</b>	N/A

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2009</b>	<b>Travel Policy</b>	January 2020	14	14	12	<b>2</b>	<b>2 Significant</b>
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Finance	Ensuring value for money with the Travel Partnering arrangements and other significant supplies will be incorporated into the procurement compliance review (2.4.4b)	Significant	There are now more extensive checks and quotations in place through the updated process and with the commissioning intentions annual cycle this will be addressed as part of business as usual.  The travel partnering review has been deferred due to Covid. It was considered that we should see what the travel footprint looked like post-Covid more closely before re-procuring travel arrangements. This will be completed by December 2021.
		December 2020	
Finance	The Council should ensure that action is taken to comply with its Procurement Regulations in respect of travel related expenditure (2.4.6)	Significant	There are now more extensive checks and quotations in place through the updated process and with the commissioning intentions annual cycle this will be addressed as part of business as usual.  The procurement compliance review has been deferred due to Covid. A revised date of July 2021 was proposed.  After ongoing resource prioritisation to other activities and lower levels of travel the recommendation remains outstanding. Looking forward the Chief Officer confirms that the date for addressing this recommendation should be March 2022. The team has engaged with the Commercial & Procurement Service to ensure that the appropriate actions are taken to achieve this
		December 2020	

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.21	Confirmed Implemented by Service	Not implemented by original due date	

<b>AC2017</b>	<b>Industrial &amp; Commercial Properties</b>	February 2021	14	13	11	2	1 Significant 1 Important
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The position with the overdue recommendations is as follows:

Chief Officer	Recommendation	Grading / Due Date	Position
Corporate Landlord	The Service should update the Property Estates Strategy. (2.2.2)	Significant April 2021	The property strategy is being updated and will be presented to the Performance Board in July 2023.
Corporate Landlord	The Service should consider whether different approaches to property management could be applied across parts of the Investment Portfolio which might increase Portfolio income and deliver Portfolio objectives more efficiently and effectively. (2.2.14)	Important April 2021	The review of the commercial estate will be taken forward as part of transformational board activities later in 2021. It has been delayed at this time due to market uncertainties. An extension to December 2021 has been requested.

<b>AC2024</b>	<b>Gas Servicing Contract</b>	September 2020	10	10	10	0	NA
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