Internal Audit

Audit, Risk and Scrutiny Committee Internal Audit Update Report December 2022

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1 Executive Summary

1.1 Introduction and background

Internal Audit's primary role is to provide independent and objective assurance on the Council's risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Council involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and these are provided to the Audit, Risk and Scrutiny (ARS) Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

This report advises the ARS Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2021-22 and 2022-23 Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.2 Highlights

Full details are provided in the body of this report however Internal Audit would like to bring to the Committee's attention that since the last update:

- Five reports have been finalised.
- Ten audits are currently in progress.
- Eight audit recommendations have been closed, with eight carried forward.

1.3 Action requested of the ARS Committee

The Committee is requested to note the contents of this report and the work of Internal Audit since the last update.

2 Internal Audit Progress

2.1 2021-22 Audits

Council Area	Audit Area	Position
Cross Service	Commissioning	**Final audit report issued**
Cross Service	Attendance Management	**Final audit report issued**
IJB	Transformational Programme	**Final audit report issued**
Operations	Children's Social Care – Children with Disabilities	**Final audit report issued**

2.2 2022-23 Audits

Service	Audit Area	Position
Commissioning	Contract management	**Review in progress**
Commissioning	Corporate Health and Safety	**Final audit report issued**
Commissioning	ALEOs - Performance and Payments	**Review in progress**
Customer	Benefits	**Review in progress**
Customer	Recruitment	**Not started – Review scheduled for Q4**
HSCP	Adults with Incapacity (Management of funds)	**Not started – Review scheduled for Q4**
Integration Joint Board	IJB Data Sharing	**Review in progress**
Operations	Out of Authority Child Placements	**Review in progress**
Operations	Heritage and Historical Assets	**Review in progress**
Operations	Following the Public Pound	**Review in progress**
Operations	Client transport	**Review deferred[1]**
Operations	Vehicle Maintenance Management	**Review deferred**
Operations	Scottish Milk and Healthy Snack Scheme	**Not started – Review scheduled for Q4**
Pensions	Pension Fund Governance Arrangements Including Risk Management	**Review in progress**
Resources	Corporate Asset Management	**Not started – Review scheduled for Q4**
Resources	Lease Financing	**Review in progress**
Resources	PVG & Disclosure Checks	**Review in progress**
Resources	Creditors System	**Review deferred**

2.3 Audit reports presented to this Committee

Report Title	Assurance Year	Conclusion
AC2205 – Commissioning	2021-22	Positive assurance has been obtained over development and implementation of the Council's Strategic Commissioning Approach. The commissioning cycle has

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1 At the February 2022 ARS Committee, it was resolved to delegate authority to the Chief Internal Auditor, following consultation with the Convener and relevant Chief Officer, to defer audits between years within the plan duration. Based on current resources, previous assurances, and other priority areas of work, it has been decided to defer these audits to future years. Planning is currently underway for the 2023-2026 Internal Audit Plan and these reviews will be included as part of this. The deferring of these audits has been deemed to have no negative impact on the Chief Internal Auditor's ability to provide an annual opinion.

Report Title	Assurance Year	Conclusion
		been embedded into the Council's planning and performance management activities, facilitating a data-led approach to delivering against key outcomes prioritised as part of the LOIP, within available resources. Through the Aberdeen Outcomes Framework, in conjunction with community planning partners, the Council has also progressed a variety of improvement projects to further contribute towards the LOIP stretch outcomes. Areas where enhancements to processes could better demonstrate the linkage between individual aspects of service delivery, key measures, plans and the LOIP stretch outcomes they are designed to deliver against, have been highlighted to management. These recommendations are focused on obtaining Best Value and best practice as we found no area to be currently devoid of control, whilst also recognising that this is a complex area with many different stakeholders and overlapping elements. Specific enhancements include clarification of baselines and targets for individual measures, and quantification of the planned and actual contribution of each action to the overall outcomes.
AC2206 – Children with Disabilities	2021-22	In general, care for children with disabilities via contracts and direct payments is being arranged and paid for in accordance with procedure, with due consideration given to child wellbeing and the financial impact of associated care packages. However, Best Value was not always being demonstrated since the procurement of the main contract for provision of residential respite services, care at home services and short breaks, at £825k per annum for three years, with an option to extend by two years, was by direct award, without formalised competition through a tender process, contrary to the Council's Procurement Regulations. In addition, instances were identified where Council arranged provision of services to children with disabilities, was not supported by current contracts reflected on the Council's Contracts Register, as required by the Council's Procurement Regulations and Procurement Legislation. Other areas that would benefit from enhanced controls include preparation of Child Plans and associated Action Plans; delegation of authority to authorise direct payments; retention of signed agreements for direct payments from claimants detailing their responsibilities; segregation of duties in establishing and approving care packages within the care management system; and raising of purchase orders.
AC2211 – IJB Transformational Programme	2021-22	Despite recruitment challenges and the impact of COVID-19, work is continuing to progress delivery of the IJB's transformation agenda. The Aberdeen City Health and Social Care Partnership's (ACH&SCP) Delivery Plan detailed in the Strategic Plan for 2022-25 provides a comprehensive framework for progressing the partnership's priorities over the next three years in the run up to the establishment of the National Care Service, with projects allocated to responsible

Report Title	Assurance Year	Conclusion
		officers and deadlines established and savings allocated at a high level to Strategic Plan aims and enablers. A system of dashboard reporting is in place for Senior Leadership Team and the Risk, Audit and Performance Committee to monitor Delivery Plan progress. In addition, statutory annual performance reporting including progress delivering on national integration outcomes is taking place. Transformation projects have progressed despite the unusual circumstances and challenges presented by COVID-19. Recommendations have been made to enhance controls over project management including formalising project management procedures and enhancing monitoring information available to groups responsible for project delivery, including project level workplans, operational risk logs and budget monitoring information
AC2216 – Attendance Management	2021-22	Assurance has been obtained over compliance and reporting. Following consultation with the Service, however, it has been recognised that improvement work is ongoing to address absence levels across the Council, which according to the most recently available data are higher than the Scottish local Authority mean figure of 9.71 days per employee, with the ACC figure sitting at 10.32 days per employee and changes in the context of working post COVID-19. It was determined that the best use of resources would be to gain the assurance over compliance and reporting and then collaborate with People & Organisational Development going forward. As part of planning for the 2023/24 Internal Audit Plan, we will hold in-depth discussions with management to identify when would be the optimal time to conduct a further review, whilst also supporting People & Organisation Development on a consultancy basis as they implemented the ongoing improvement work.
AC2304 – Corporate Health and Safety	2022-23	The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Council's approach to corporate health and safety. The Council has adequate control over its health and safety arrangements, including an agreed policy that clearly sets out both employee responsibilities and corporate and function governance arrangements to ensure appropriate monitoring. Health and safety related data is being presented to the Staff Governance Committee and Function specific health and safety groups meet regularly. There is also a dedicated Health and Safety Team within Governance who provide occupational health and safety advice to members of the Council. However, certain enhancements could be made to improve controls. The Health and Safety Team has advised that a new system is planned to be implemented in October 2022, with the plans in place for this new system addressing a number of the points that Internal Audit identified as part of this review. It would therefore be beneficial to use this opportunity to ensure the system

Report Title	Assurance Year	Conclusion
		addressed the issues noted. Recommendations have also been made around corporate health and safety procedures, completion of mandatory training, documentation of internal procedures, reporting and, monitoring.

2.4 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

As at 30 September 2022 (the baseline for our exercise), 16 audit recommendations were due and outstanding[2]:

- One rated as Major
- Nine rated as Moderate
- Six rated as Minor

As part of the audit recommendations follow up exercise, eight audit recommendations were closed:

- Four rated as Moderate
- Four rated as Minor

The outstanding position going forward is that of eight audit recommendations[3]:

- One rated as Major
- Five rated as Moderate
- Two rated as Minor

Of the eight outstanding recommendations, all were discussed with management, updates provided and new implementation dates agreed.

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions provides a detailed breakdown of the nine outstanding audit recommendations that will be taken forward and followed up as part of the next cycle.

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[2] Please note that since the last update to the Committee, a mapping exercise has taken place to regrade previous recommendations, made under the historic methodology, to align them with the gradings of the new methodology.
[3] This is the position with regards to recommendations that were due as at 30 September 2022. Recommendations falling due past this date and those made as part of subsequent Internal Audit Reports will be followed up as part of the standard follow up cycle and reported to Committee session on session.

3 Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	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, to the Council.
Major at a Service Level / within audited area	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited. Financial Regulations have been consistently breached.
Significant within audited area	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 within audited area	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.

4 Appendix 2 – Grading of Recommendations

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net risk rating	Description	Assurance assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	**Substantial**
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	**Reasonable**
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	**Limited**
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	**Minimal**

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Council's Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Council. Action should be taken within three months.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Council. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 3 – Audit Recommendations Follow Up – Outstanding Actions

Overall Report Area	Report	Grading	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
Digital and Technology	AC2201 – IT Infrastructure Resilience	Moderate	The Service should document outcomes of Cluster risk register reviews at D&T SMT meetings.	Sep-22	Nov-23	D&T standard SMT agenda has been reviewed and includes a risk review as agenda item 4. This meeting occurs monthly and the next scheduled meeting which will use the new agenda is 09/11/2022. The minute will be provided as evidence of compliance.	In progress
Finance	AC2009 – Travel Policy	Moderate	The Council should ensure that action is taken to comply with its Procurement Regulations in respect of travel related expenditure	Dec-20	Mar-23	The necessary documentation for the award of contract is being drafted and procurement training being undertaken, this will ensure that the various governance gateways are cleared appropriately and will be completed by end March 2023.	In progress

Operations	AC2111 – Consilium System	**Moderate**	An up to date third party access agreement should be completed for the revised system	Jul-22	Dec-22	Discussions ongoing with Account Manager.	**In progress**
Operations	AC2111 – Consilium System	**Moderate**	The Service should explore options to lock users after a set period of inactivity with the software provider as part of the system upgrade.	Aug-22	Sep-23	At the moment this cannot be implemented on the current system, but as the upgrade will mean moving to a cloud based product on closing the browser this would force a user to resign into the system. Also worth noting that fresh log in would be required daily on the upgraded system due to the browser being closed when a pc is powered down at the end of the day. We will investigate this further with the vendor during the system upgrade itself.	**In progress**
Operations	AC2111 – Consilium System	**Moderate**	The System Team should carry out an annual audit of users to ensure they still require the access they hold.	Jul-22	Jan-23	After discussions with both HR & IT it would not be possible for the Total team to be notified through the leavers process due to GDPR,	**In progress**

		 				however a separate process is being worked on with HR at this time which will introduce a quarterly check on staff leavers.	
Health and Social Care Partnership	AC2112 – Mental Health and Substance Abuse	**Minor**	The Service should review policies and procedures to ensure they are up to date. (Service to link with roll out of new D365 system)	Jun-22	Dec-22	There was a slight delay in roll out of D365 but this was completed in October 2022. The review of policies and procedures is partly completed, and this is now scheduled to be concluded by mid-December 2022.	**In progress**
Digital and Technology	AC2201 – IT Infrastructure Resilience	**Major**	The Service should establish accreditation for the PSN.	Sep-22	Dec-22	Date adjusted at the request of independent NCSC auditor.	**In progress**
Health and Social Care Partnership	AC2210 – Learning Disabilities Establishment Visits	**Minor**	The Service should undertake a review to ensure all fees and charges are set in accordance with policy,	Aug-22	Mar-23	This will not be quick fix because the charging policy has already been approved by Committee. We have an idea of what the Shire charge for day care and this needs to be further discussed within the Partnership. This will be followed up with the author of the charging	**In progress**

						policy and aligned with the Council's budget setting process.	