



Internal Audit

Audit, Risk and Scrutiny Committee Internal Audit Update Report November 2023

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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 2022/23 and 2023/24 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:

- Four reviews have been completed.
- Work is underway with regards to delivery of the 2023/24 Internal Audit Plan.
- Two audit recommendations have been closed.

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 2022/23 Audits

Service	Audit Area	Position
Resources	Corporate Asset Management	Final Report Issued

2.2 2023/24 Audits

Service	Audit Area	Position
Children and Family Services	Pupil Equity Fund	Final Report Issued
Children and Family Services	Secondary School Visits	Review in progress
Commissioning	Procurement Compliance	Review in progress
Commissioning	City Region Deal	Review in progress
Commissioning	Environmental Action	Review Scheduled
Council Led HSCP Services	Social Care Financial Assessments	Review Scheduled
Council Led HSCP Services	Care Management System	Final Report Issued
Customer	Volunteer Arrangements	Review in progress
Customer	Recruitment	Review Scheduled
Customer	PREVENT	Review Scheduled
Customer	Data Protection	Final Report Issued
Customer	Attendance Management	Review in progress
Customer	Cyber Controls	Review in progress
IJB	Compliant Handling	Review in progress
IJB	IJB Hosted Services	Review Scheduled
NESPF	Pensions Investment Strategy	Review in progress
Resources	Vehicle and Driver Compliance	Review in progress
Resources	Stores Stock Controls	Review in progress
Resources	Revenue Budget Setting and Financial Strategy	Review in progress
Resources	Creditors System	Review in progress
Resources	COVID-19 Spend	Review in progress
Resources	Private Sector Housing	Review Scheduled

2.3 Audit reports presented to this Committee

Report Title	Assurance Year	Conclusion
AC2313 – Corporate Asset Management	2022/23	<p>The level of net risk is assessed as MAJOR with the control framework considered to provide LIMITED assurance over the Council's approach to asset management.</p> <p>Arrangements in respect of three of the Council's main asset groups: Corporate Property, Roads, and Fleet were reviewed in detail. Other parts of the Council's asset portfolio including Housing, Environment, Digital and Heritage assets were not reviewed in detail, but Officers were asked to describe their asset management practice and contribute to the review overall. None had a complete Policy, Strategy and Action Plan to drive asset management practice, balance competing interests,</p>

Report Title	Assurance Year	Conclusion
		<p>priorities and demands, and ensure a targeted approach to delivering against corporate objectives. Whilst the majority of the assets are land and property (in various formats) and are managed by the Corporate Landlord, the findings in this report apply equally to other parts of the portfolio. Whilst there were components of the structure that would make up an asset management framework, these were either out of date; lacked detail or were embedded as sections within various separate Council key documents. There was no one document or series of documents that provided a clear concise direction for the assets, how objectives would be implemented and the plan to accomplish these.</p> <p>There is an apparent lack of joined up strategic planning for assets, leading to various short-term decisions being made to address immediate operational demands, within the confines of annual historically determined individual service budgets, and sets of service standards devised on the basis of achievability rather than to deliver agreed policy intentions. If there is insufficient planning, maintenance and investment as a result, there will be a risk of failure, which could impact on service delivery, reputation, and asset values.</p> <p>A variety of performance data is recorded across multiple operational asset recording systems, supporting annual budgeting and short-term prioritisation. To an extent, strategic direction can be implied through the selection of performance data and targets, but it is not currently documented or explicitly evidencable. Variations were also identified between data held for financial and operational purposes, reducing assurance over the completeness and accuracy of asset management records.</p> <p>A Capital Board was set up in 2019, with Terms of Reference including governance arrangements that in addition to identifying and monitoring the resources available to fund the capital programme, would provide strategic direction, make decisions, and provide stewardship to the delivery of a Corporate Asset Management framework and Asset Management Plans. Membership of this Board was composed of the Director of Resources and ten Chief Officers. However, no further records, agendas or minutes were available for review, limiting assurance over the consistent application of asset management governance controls in this area.</p> <p>Procedures covering asset acquisitions; maintenance; data collection, collation & reporting; review breakpoints; funding; option appraisals and business cases (financial & non-financial), were not available. There is therefore a risk of inconsistent approaches to these critical asset management activities.</p>
AC2403 – Pupil Equity Fund	2023/24	The level of net risk is assessed as MODERATE , with the control framework deemed to provide REASONABLE

Report Title	Assurance Year	Conclusion
		<p>assurance over the Council's approach to the Pupil Equity Fund.</p> <p>Pupil Equity Funding (PEF) is additional funding from the Scottish Government's £750m Scottish Attainment Challenge programme from 2017/18 up until 2025/26. The funding is allocated directly to schools and targeted at closing the poverty related attainment gap. This funding is to be spent at the discretion of head teachers working in partnership with each other and their local authority. In 2022/23 Aberdeen City schools received a total of £3.264m and the allocation for 2023/24 is £3.264m. The allocation per school was based on £1,225 per pupil, in primary 1 to secondary 3, estimated by the Scottish Government as being registered for free school meals (FSM).</p> <p>All schools reviewed had processes in place for identifying pupils who could benefit from PEF and all schools reviewed had PEF plans in place.</p> <p>PEF budget monitoring is facilitated by regular meetings between head teachers and Finance who also provide regular budget monitoring reports. In addition, in line with grant funding conditions, the Council reported on outcomes and plans relevant to PEF in its annual National Improvement Framework report to Education Operational Delivery Committee, in September 2022. Also, separately the Education and Children's Services Committee receive regular attainment performance updates.</p> <p>However, the review identified some areas of weakness where the framework of control could be strengthened, specifically: Intervention Planning, Accountability, Financial Planning, Procurement, Staffing and IR35 Compliance.</p> <p>Recommendations have been made to address the above risks, including establishing systems of control to ensure: PEF plans are consulted on, established in line with national and Council guidance; that PEF plans are fully costed with appropriate contingency arrangements; that PEF procurement processes comply with the Council's Scheme of Governance and IR35; that the budgeted saving for central support costs funded by PEF is verified for accuracy before being applied, and that performance reporting is established. In addition, it was recommended that consideration be given to PEF funds ceasing and the associated impact on staffing funded by PEF.</p>
AC2405 – Care Management System	2023/24	<p>The level of net risk is assessed as MINOR, with the control framework deemed to provide SUBSTANTIAL assurance over the Council's approach to the care management system.</p> <p>The following governance, risk management and control measures were sufficiently robust and fit for purpose:</p>

Report Title	Assurance Year	Conclusion
		<p>System Maintenance and Development, Procurement, and Business Continuity and Disaster Recovery.</p> <p>Security updates (patching) was out of scope for the review due to resourcing constraints for the Cluster and management assurance that the adequacy of system patching arrangements has been covered by the most recent IT health check (ITHC) for Public Services Network (PSN) compliance and Cyber Essentials Plus. This will be considered as part of the planned 2023/24 Cyber Action Plan Internal Audit review.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Written Procedures and Training, Access Control, and Interfaces.</p> <p>Recommendations have been made to address the above risks including reviewing system access restrictions, ensuring mandatory training is robust, and establishing an automated interface for Child Protection Register updates.</p>
AC2406 – Data Protection	2023/24	<p>The level of risk is assessed as MINOR, with the control framework deemed to provide SUBSTANTIAL assurance over the Council’s approach to data protection.</p> <p>The following governance, risk management and control measures were sufficiently robust and fit for purpose: Governance Arrangements, Incident Response Handling, and Procurement and Contract Management.</p> <p>However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically: Staff Policies, Procedures and Training, Privacy Notices, and Subject Access Requests.</p> <p>Recommendations have been made to address these risks, including reviewing, and updating policies and procedures and improving their accessibility, reviewing accessibility arrangements for hard copy privacy notices, improving mandatory training completion rates through Service Manager and line manager monitoring and publishing data sharing agreements. Subject access request performance was reported to AR&SC in September 2023 as part of the annual information governance management report and action is already being taken to improve response times via a review of procedures, roles and responsibilities, and delivery of training.</p>

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 31 August 2023 (the baseline for our exercise), three audit recommendations were due and outstanding:

- One rated as Moderate
- Two rated as Minor

As part of the audit recommendations follow up exercise, 2 recommendations were closed:

- Two rated as Minor

For the remaining recommendation¹, an update was provided by Management and an extension given.

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 outstanding audit recommendation that will be taken forward and followed up as part of the next cycle.

2.4.1 AC2314 - Assurance Review of Adults with Incapacity – Follow Up

At the September Audit, Risk and Scrutiny Committee, in response to a question relating to how the Committee would get assurance that the Service was on track between now and June 2024 with implementation of the recommendations of this Major risk report, it was agreed that progress updates would be presented to each Committee going forward. Internal Audit reached out on the recommendations in advance of Committee reporting, with Management advising that all were in progress but no further detail or evidence provided.

2.5 2024-27 Audit Planning Process

Over the coming months Internal Audit will undertake the process of developing the 2024-27 Assurance Plan. Appendix 3 – 2024-2027 Internal Audit Planning Process details the process that will be followed.

¹ This is the position with regards to recommendations that were due as at 31 August 2023. 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

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.

4 Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions

Report	Grading	Ref	Recommendation	Original Due Date	Current Due Date	Committee Update	Status
AC2209 - Debt Recovery	Moderate	2.1.8a	Debt recovery policies and written procedures, including the Service Income policy, Corporate Debt Recovery policy, payment arrangements procedure and the write off procedure should be reviewed and updated where necessary.	Jun-23	Mar-24	This recommendation is partly complete but not all policies and guidance have been reviewed and the necessary updates made. An extension is required to allow this to be completed.	In progress

5 Appendix 3 – 2024-2027 Internal Audit Planning Process

