

PERTH AND KINROSS COUNCIL**Audit Committee – 16 January 2013****INTERNAL AUDIT FOLLOW UP****Report by Chief Internal Auditor****ABSTRACT**

This report presents a current summary of Internal Audit's 'follow up' work.

1. RECOMMENDATIONS

1.1 The Audit Sub-Committee is asked to:

- (i) note the current position in respect of the agreed actions arising from internal and external audit work;
- (ii) consider the most appropriate action to be taken to progress the agreed action plans, taking into account the recorded audit opinions.

2. BACKGROUND

2.1 CIPFA's "Code of Practice for Internal Audit in Local Government in the United Kingdom" places upon management the responsibility for ensuring that the agreed actions arising from audit reports are implemented. It is the duty of the Chief Internal Auditor to seek assurance that the actions have been completed and to put in place 'escalation procedures' where this does not appear to have been the case. To assist the Audit Committee, the appendices to this report provide information on those actions that have not been implemented in accordance with the original agreed timetable, or where there is insufficient information on the current situation. Some dates have been revised and agreed with Services in recognition of the need for more time to complete them.

2.2 Appendix A presents a summary of the number of actions arising from internal and external audit reports. Table 1 shows the total number of agreed actions which Internal Audit will be following up even where the originally agreed completion dates have not yet been reached; the total number of actions is 104. Table 2 shows the number of agreed actions that have been reported as incomplete as at their original agreed completion date; these total 34, of which 10 had a completion date of September and October 2012 and are therefore detailed in the following appendices B to F. A further 24 actions not completed by their original date have been allocated dates in the future for completion and progress will be reported on at a future committee date. Therefore, the number of agreed actions which have yet to be followed up as their date has yet to pass is 70. In both tables, the numbers are grouped by service and reported by 'importance' of the agreed actions.

- 2.3 Appendices B to F present detailed follow-up information on a service-by-service basis, in respect of actions agreed for completion in the period of September and October 2012. In each case the appendices also record service management's explanations of the status of each action point and internal audit comments where relevant. There are no actions for the Chief Executive's Service which were due for completion in September and October 2012 which have not been completed and therefore there is no appendix for this Service.

3. PROPOSALS

- 3.1 It is recommended that the Committee seeks assurance that there are clear and achievable action plans for completing the agreed actions noted above.

4. CONSULTATION

- 4.1 All Council services have been consulted in the preparation of the report.

5. RESOURCE IMPLICATIONS

- 5.1 There are no resource implications arising from this report.

6. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

- 6.1 The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-

- (i) A Safe, Secure and Welcoming Environment
- (ii) Healthy, Caring Communities
- (iii) A Prosperous, Sustainable and Inclusive Economy
- (iv) Educated, Responsible and Informed Citizens
- (v) Confident, Active and Inclusive Communities

- 6.2 The Chief Executive's Service provides a range of functions for internal and front-line customers alike. These functions support the work of the whole Council by assisting them in the delivery of the Council's Corporate Objectives. As a consequence, this report does not specifically relate to one of the objectives, but assists with the delivery of all five.

7. EQUALITIES ASSESSMENT

- 7.1 The Council's Corporate Equalities Assessment Framework requires an assessment of functions, policies, procedures or strategies in relation to race, gender and disability and other relevant equality categories. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new policies to ensure there is no adverse impact on any community group or employees.

- 7.2 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Assessment Framework and the determination was made that the items summarised in this report do not require further assessment as they do not have an impact on people's wellbeing.

8. STRATEGIC ENVIRONMENTAL ASSESSMENT

- 8.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 8.2 However, no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.

9. CONCLUSION

- 9.1 This report presents a current summary of Internal Audit's 'follow-up' work.

J CLARK
Chief Internal Auditor

Note: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

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Date: January 2013

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Appendix A: Summary of Agreed Actions

Table 1: All Agreed Actions for Follow-Up (figures in brackets reported in November 2012)

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Chief Executive's	0 (0)	6 (7)	17 (24)	5 (11)	3 (0)	31 (42)
Education & Children's Services	1 (1)	0 (0)	5 (6)	2 (2)	5 (0)	13 (9)
Housing & Community Care	0 (0)	4 (5)	24 (27)	11 (17)	0 (0)	39 (49)
The Environment Service	0 (0)	1 (2)	11 (11)	4 (4)	5 (1)	21 (18)
All Services	1 (1)	11 (14)	57 (69)	22 (34)	13 (1)	104 (118)

Table 2: All Actions Reported as Incomplete on Their Original Agreed Date

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Chief Executive's	0 (0)	0 (0)	4 (6)	0 (0)	0 (0)	4 (6)
Education & Children's Services	1 (1)	0 (0)	4 (4)	2 (1)	0 (0)	7 (6)
Housing & Community Care	0 (0)	0 (0)	5 (4)	1 (1)	0 (0)	6 (5)
The Environment Service	0 (0)	1 (1)	11 (9)	4 (3)	1 (1)	17 (14)
All Services	1 (1)	1 (1)	24 (23)	7 (5)	1 (1)	34 (31)
Those actions where the agreed date is not September and October 2012 which have been previously reported to Audit Sub-Committee						24
Actions with a completion date of September and October 2012 which have not been completed and therefore included on Appendices B to D						10

Appendix B: Internal Audit Follow-Up

Education & Children's Services

(Reporting for actions due to be completed in September & October 2012)

Action Plan	Dates	Status/Explanation
<p>09/013 - Applications Software - Development & Maintenance Audit Sub-Committee 9 March 2011 Action Point:3 (2)- Procedures Importance: Medium</p> <p>The Service is currently developing processes and procedures, in line with industry best practice, to better manage the implementation of changes to software applications.</p> <p>(K Wilson, IST Business Manager)</p>	<p>Mar 2012 Dec 2012 Oct 2012 Mar 2013</p>	<p>The Service has demonstrated improved processes, procedures and documentation to support the implementation of Change Management. Further work is required to trial and embed them and Internal Audit will return to review the progress in March 2013 and to confirm the satisfactory conclusion of the Action Point.</p> <p>Internal Audit Opinion: Accepted</p>
<p>11-04 - Creditors/Purchase Ledger Assignment Audit Sub-Committee 27 June 2012 Action Point: 2(1) - Lack of written procedures in Services Importance: Low</p> <p>Financial Controllers will ensure that guidelines are produced for staff within their Services for the Service-based procedures as required by Financial Regulations and Purchase Ledger Manual guidelines</p> <p>(G Boland, Service Manager (Contracts, Services and Financial Management))</p>	<p>Sep 2012 Jan 2013</p>	<p>There is a review of financial procedures and guidelines for Education & Children's Services which will be undertaken in January and this action will form part of this review.</p> <p>Internal Audit Opinion: Satisfactory</p>

Appendix C: Internal Audit Follow-Up
Housing & Community Care
(Reporting for actions due to be completed in September & October 2012)

Action Plan	Dates	Status/Explanation
<p>09/030 - Housing Repairs Audit Sub-Committee 9 March 2011 Action Point : 4 - Rechargeable Repairs Policy & Procedure Importance: Medium</p> <p>The Service will introduce a cumulative log detailing recharges not pursued. This will include the amount not recharged, the reason for not pursuing and name of the authorising officer(s). Rechargeable repairs procedures will be updated to include the authorisation for not recharging, for example by referring to the Repairs Centre & Administration Manager. Procedures will also detail administration fees. The Service will investigate ways of improving the rechargeable repairs collection rate and the related financial management information made available by/to them.</p> <p>(L Robinson, Repairs Centre & Administration Manager)</p>	<p>May 2011 Oct 2011 Mar 2012 Oct 2012 Mar 2013</p>	<p>This Action Point is partially completed and only the implementation of paye.net to improve non-payment rates remains outstanding. The Service advises that there have been delays in implementing the system due to software conflicts however, following some refresher training the system trial will start in January.</p> <p>Internal Audit Opinion: Satisfactory</p>

Appendix D: Internal Audit Follow-Up

The Environment Service

(Reporting for actions due to be completed in September & October 2012)

Action Plan	Dates	Status/Explanation
<p>07/019 - Property Management Audit Sub-Committee 28 May 2008 Action Point: 1 - Property Management Policy Importance: High</p> <p>The commercial estate will be reviewed under the approved Asset Management Plan this year, subject to availability of resources. The review of non-commercial property is beyond the scope of Estates Management alone. Estates Management will be reviewing 'core processes' over a period of 18 months, commencing in April 2008 as part of a general exercise in the whole of Property Division. Following completion of this exercise, a property management policy framework will be drafted for submission to appropriate committee.</p> <p>(J McCrone, Conservation and Regeneration Manager)</p>	<p>Dec 2009 Jun 2010 Mar 2011 Mar 2012 Sep 2012 Mar 2013</p>	<p>The Service advised that a draft Strategic Policy and Resources Committee (SP&R) report has been prepared on the policy framework for disposal of property. A further report on the review of the commercial property portfolio with recommendations for maximising the financial viability of the Councils portfolio, including proposals for the retention, disposal and development of assets in the context of the external commercial environment will be reported to the SP&R early 2013.</p> <p>Internal Audit Opinion: Accepted</p>
<p>07/019 – Property Management Audit Sub-Committee 28 May 2008 Action Point: 7 - Local Scheme of Delegation Importance: Medium</p> <p>The Scheme of Delegation beyond Executive Director is to be reviewed within the Property Division.</p> <p>(R Thomson, Head of Technical Services)</p>	<p>Dec 2008 Jun 2009 Sep 2009 Dec 2009 Apr 2010 Mar 2011 Aug 2011 Nov 2011 Mar 2012 Sep 2012 Feb 2013</p>	<p>The Service has advised that this will be completed and approved by The Environment Service's Senior Management Team by the end February 2013.</p> <p>Internal Audit Opinion: Accepted</p>

<p>11-04 - Creditors/Purchase Ledger Assignment Audit Sub-Committee 27 June 2012 Action Point : 2 - Lack of written procedures in Services Importance: Low</p> <p>Financial Controllers will ensure that guidelines are produced for staff within their Services for the Service-based procedures as required by Financial Regulations and Purchase Ledger Manual guidelines</p> <p>(F Crofts, Business & Resources Manager)</p>	<p>Sep 2012 Feb 2013</p>	<p>The Service has advised that all Finance Officers and their teams, as well as managers and officers, are provided PKC Financial Regulations and TES Operational Financial Regulations.</p> <p>A review of purchase ledger/creditors procedures is ongoing to ensure consistency and compliance across the four TES finance teams. A review completion target is 28/2/13 – full written procedures will be completed from the review.</p> <p>Internal Audit Opinion: Satisfactory</p>
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