

PERTH AND KINROSS COUNCIL**Audit Committee****22 March 2017****INTERNAL AUDIT FOLLOW UP****Report by Chief Internal Auditor****PURPOSE OF REPORT**

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

1. BACKGROUND AND MAIN ISSUES

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to establish a follow-up process to monitor and ensure that management actions have been effectively implemented. 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 the actions.
- 1.2 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 90.
 - Table 2 shows the number of agreed actions that have been reported as incomplete as at their original agreed completion date. These total 25, of which 14 had a completion date of November and December 2016 and are therefore detailed in the following Appendices B to E.
 - A further 11 actions not completed by their original date have been allocated revised dates for completion after 31 December 2016 and progress will be reported on these at a future Committee.
 - The number of agreed actions which have yet to be followed up as the date for completion is after 31 December 2016 is 65.
- 1.3 In both tables, the actions are grouped by Service and reported by 'importance' of the agreed actions. The importance of each action is documented in the original Internal Audit reports considered by the Audit Committee. Reported importance ratings range from 'critical', where there are significant financial, reputation, legal, performance, or safety issues, to 'low', where the risks are lower but there may be opportunities for improving processes and procedures. Reports produced by Audit Scotland do not explicitly state the importance of each individual action and are therefore included in the tables as 'not rated'.

- 1.4 Appendices B to E present detailed follow-up information in respect of actions agreed for completion in the period of November and December 2016. The appendices also record service management's explanations of the status of each action point and internal audit comments where relevant.
- 1.5 The Audit Committee has requested information regarding any action with a 'critical' or 'high' risk rating which has not been completed on its originally agreed date. Table two highlights eight such instances of 'high' risk actions. Six of these actions relate to actions arising for Services from the Information Sharing audit and appear on Appendices C to E. The further two actions relate to The Environment Service's Fuel Management audit and also appear on Appendix E.

2. PROPOSALS

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

3. CONCLUSION AND RECOMMENDATIONS

- 3.1 The Audit Committee is asked to consider the most appropriate action to be taken to progress the agreed Action Plans.
- 3.2 It is recommended that the Audit Committee:
- (i) Note the current position in respect of the agreed actions arising from internal and external work; and
 - (ii) Consider the most appropriate action to be taken to progress the agreed action plans, taking into account the recorded audit opinions.

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

2. Assessments

2.1 Equality Impact Assessment

2.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

2.1.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

2.2 Risk

2.2.1 There is a risk to the strength of the control environment if the agreed action plans are not carried out in a timely manner.

3. **Consultation**

3.1 Internal

3.1.1 The Chief Executive and all Directors have been consulted in the preparation of this report.

2. **BACKGROUND PAPERS**

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.

3. **APPENDICES**

Appendix A - Summary of Agreed Actions

Appendix B - Audit Follow-Up Corporate & Democratic Services

Appendix C - Audit Follow-Up Education & Children's Services

Appendix D – Audit Follow Up Housing & Community Care

Appendix E - Audit Follow-Up The Environment Service

Summary of Agreed Actions

Table 1: All Agreed Actions for Follow-Up as at 31 December 2016 (figures in brackets reported in February 2017). This table includes actions not yet due for completion.

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Corporate & Democratic Services	0 (0)	0 (0)	15 (24)	15 (19)	2 (3)	32 (46)
Education & Children's Services	0 (0)	4 (4)	4 (5)	8 (9)	0 (0)	16 (18)
Housing & Community Care	0 (0)	5 (12)	8 (13)	9 (6)	0 (0)	22 (31)
The Environment Service	0 (0)	6 (6)	12 (17)	2 (2)	0 (0)	20 (25)
All Services	0 (0)	15 (22)	39 (59)	34 (36)	2 (3)	90 (120)

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

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Corporate & Democratic Services	0 (0)	0 (0)	4 (3)	3 (2)	2 (2)	9 (7)
Education & Children's Services	0 (0)	2 (0)	2 (2)	0 (0)	0 (0)	4 (2)
Housing & Community Care	0 (0)	2 (2)	3 (2)	0 (0)	0 (0)	5 (4)
The Environment Service	0 (0)	4 (2)	3 (4)	0 (0)	0 (0)	7 (6)
All Services	0 (0)	8 (4)	12 (11)	3 (2)	2 (2)	25 (19)
Actions with a completion date of November and December 2016 which have not been completed and therefore included on Appendices B to E						14
Those actions where the agreed date is not November and December 2016 which have been previously reported to Audit Committee						11

Audit Follow-up
Corporate & Democratic Services
(Reporting for All dates on or before: December 2016)

Action Plan	Dates	Status/Explanation
<p>12-24 - Purchasing Controls Action Point : 2 - Changes to the Council's Contract Rules Importance: Medium</p> <p>Audit Committee Date: March 2013</p> <p>The contract rules will be presented to a future meeting of the Strategic Policy & resources Committee. In addition, the approval mechanism for non- strategic policies and minor changes will be clarified.</p> <p>(L Simpson, Head of Legal & Governance Services)</p>	<p>Sep 2013 Nov 2013 Sep 2013 Oct 2014 Jun 2015 Nov 2015 Dec 2016 Apr 2017</p>	<p>A report is due to be presented to the Strategic Policy & Resources Committee in April 2017 which will include reference to the Contract Rules.</p> <p>Internal Audit Opinion: Accepted</p>
<p>16-03 - Sales Ledger Action Point : 15 - Late Billing – Housing Repairs Importance: Medium</p> <p>Audit Committee Date: November 2016</p> <p>The wording of letters to be sent to liable owners, at the time rechargeable capital works are notified, is to be agreed between the Housing Repairs and Improvement Service and the Finance Division. This will ensure evidence of liability is obtained and provide information on ways to reduce debt.</p> <p>(E Sturgeon, Chief Exchequer Officer)</p>	<p>Dec 2016 Mar 2017</p>	<p>The Chief Exchequer Officer continues to work with Housing to ensure that this action is progressed.</p> <p>Internal Audit Opinion: Satisfactory</p>

<p>Audit Scotland 11 - Annual Audit Report 2014/15 Action Point : 2 - Decision-Making Structure Importance: N/A</p> <p>Audit Committee Date: September 2015</p> <p>The Council's decision-making arrangements are kept under review to ensure that it reflects changes required by new legislation etc. – a review of the entire decision-making structure will be undertaken in preparation for the local government elections in May 2017.</p> <p>(G Taylor, Head of Democratic Services)</p>	<p>Nov 2016 Apr 2017</p>	<p>This review is due for completion in advance of the elections in May.</p> <p>Internal Audit Opinion: Satisfactory</p>
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Audit Follow-up
Education & Children's Services
(Reporting for All dates on or before: December 2016)

Action Plan	Dates	Status/Explanation
<p>16-05 - Information Sharing Action Point : 7 - Information Sharing Management Importance: High</p> <p>Audit Committee Date: September 2016</p> <p>Finalised/signed Data Sharing protocols held by Services will be identified and submitted to the Information Compliance Manager to ensure appropriate data management across the Council, and to inform the production of the corporate Data Sharing Register which will include review arrangements for each protocol.</p> <p>(S Devlin, Director)</p>	<p>Dec 2016 May 2017</p>	<p>The Service states that progress is being made with this action however it is taking longer than anticipated. The Service has taken the opportunity to review these protocols and to ensure that they are signed by both the Council and the party with whom information is shared.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>16-05 - Information Sharing Action Point : 12 - Review of Data Sharing Protocols Importance: High</p> <p>Audit Committee Date: September 2016</p> <p>All Data Sharing Protocols held by the Service will be reviewed in line with the requirements of each protocol and good practice. Reviewed protocols will be notified to the Information Compliance Manager to inform the production of the Data Sharing Register.</p> <p>(P Davison, Corporate Research and Information Manager)</p>	<p>Dec 2016 May 2017</p>	<p>The Service states that progress is being made with this action however it is taking longer than anticipated. The Service has taken the opportunity to review these protocols and to ensure that they are signed by both the Council and the party with whom information is shared.</p> <p>Internal Audit Opinion: Satisfactory</p>

**Internal Audit Follow-up
Housing & Community Care
(Reporting for All dates on or before : December 2016)**

Action Plan	Dates	Status/Explanation
<p>15-07 - Reablement Action Point : 11 - Training & Qualifications Importance: Low</p> <p>Audit Committee Date: June 2015</p> <p>Training needs to be completed in line with schedule</p> <p>(V Riddell, Team Leader)</p>	<p>Dec 2016 Sep 2017</p>	<p>The Service states that whilst some members of staff have the required qualifications, for those with outstanding training needs, Access/Reablement are dependent on the capacity of Learning and Development team to provide the necessary training. It is suggested that this situation is reviewed in September 2017 to ensure that the Service will meet statutory qualification requirements.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>16-05 - Information Sharing Action Point : 4. - Information Sharing Management Importance: High</p> <p>Audit Committee Date: September 2016</p> <p>Finalised/signed Data Sharing protocols held by Services will be identified and submitted to the Information Compliance Manager to ensure appropriate data management across the Council, and to inform the production of the corporate Data Sharing Register which will include review arrangements for each protocol</p> <p>(B Atkinson, Acting Executive Director (Housing and Community Safety)</p>	<p>Dec 2016 Apr 2017</p>	<p>The Service states that it is actively seeking details of existing Information Sharing Protocols to ensure the accuracy of the Data Sharing Register.</p> <p>Internal Audit Opinion: Satisfactory</p>

<p>16-05 - Information Sharing Action Point : 5. - Review of Data Sharing Protocols Importance: High</p> <p>Audit Committee Date: September 2016</p> <p>All Data Sharing Protocols held by the Service will be reviewed in line with the requirements of each protocol and good practice. Reviewed protocols will be notified to the Information Compliance Manager to inform the production of the Data Sharing Register.</p> <p>(A Taylor, Head of Corporate Revenues and IT)</p>	<p>Dec 2016 Apr 2017</p>	<p>The Service states that internal processes will be documented to ensure that details of all such Protocols are recorded, including the frequency of review.</p> <p>Internal Audit Opinion: Satisfactory</p>
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Audit Follow-up
The Environment Service
(Reporting for All dates on or before: December 2016)

Action Plan	Dates	Status/Explanation
<p>13-05 - Roads Management Inspection & Maintenance Action Point : 9 - Roads Inspection Policy and Manual Importance: Medium</p> <p>Audit Committee Date: September 2013</p> <p>The Roads Inspection Manual will thereafter be reviewed and updated to reflect the Strategy and the Roads Maintenance Partnership with Tayside Contracts.</p> <p>(S D'All, Deputy Roads Maintenance Partnership Manager)</p>	<p>Mar 2014 Dec 2014 Dec 2015 Nov 2016 Sep 2017</p>	<p>The new national code of practice was issued in October 2016 (1 year later than expected) and the Society of Chief Officers for Transportation in Scotland (SCOTS) draft template was provided in November 2016. The PKC manual was subsequently revised with a view to being presented to Committee. However, following the receipt of further guidance regarding the risk elements of the plan earlier this year and comments from insurers and solicitors, there is a requirement to reconsider some elements of the Plan.</p> <p>Internal Audit Opinion: Accepted</p>
<p>15-13 - School Transport Contracts Action Point : 1 - Internal Procedures Importance: Medium</p> <p>Audit Committee Date: March 2016</p> <p>The Public Transport Unit will review existing procedures, updating as appropriate to reflect current processes. The review will also consider implementing enhanced procedures in respect of contract management and contractor default in performance.</p> <p>(A Warrington, Public Transport Manager)</p>	<p>Dec 2016 April 2018</p>	<p>In consultation with Corporate Procurement it has been decided that the PTU will utilise a totally new procurement methodology for forthcoming tendering activity, which will take place over the next 12 months. This will result in the creation of a Dynamic Purchasing System(s) through Public Contracts Scotland Tender.</p> <p>As a result, our tendering procedures will need to be completely reviewed and rewritten where necessary to reflect this change, hence the revised date.</p> <p>Internal Audit Opinion: Accepted</p>

<p>16-05 - Information Sharing Action Point : 8 - Information Sharing Management Importance: High</p> <p>Audit Committee Date: September 2016</p> <p>Finalised/signed Data Sharing protocols held by Services will be identified and submitted to the Information Compliance Manager to ensure appropriate data management across the Council, and to inform the production of the corporate Data Sharing Register which will include review arrangements for each protocol.</p> <p>(B Renton, Director)</p>	<p>Dec 2016 May 2017</p>	<p>The Service discussed data sharing at TES Management Team and is working with the Information Compliance Officer.</p> <p>Internal Audit Opinion: Accepted</p>
<p>16-05 - Information Sharing Action Point : 11 - Review of Data Sharing Protocols Importance: High</p> <p>Audit Committee Date: September 2016</p> <p>All Data Sharing Protocols held by the Service will be reviewed in line with the requirements of each protocol and good practice. Reviewed protocols will be notified to the Information Compliance Manager to inform the production of the Data Sharing Register.</p> <p>(S MacKenzie, Head of Performance & Resources)</p>	<p>Dec 2016 May 2017</p>	<p>The Service discussed data sharing at TES Management Team and is working with the Information Compliance Officer.</p> <p>Internal Audit Opinion: Accepted</p>
<p>16-15 - Fuel Management Action Point : 7 - Fuel Card Contract Importance: High</p> <p>Audit Committee Date: June 2016</p> <p>The FMS will investigate fuel usage and spend patterns on fuel cards across the Council. Using this information, the Service will review the potential suppliers from the National Category A shortlist and document the decision making process for the award of the direct call-off contract. This decision will ensure that all aspects</p>	<p>Aug 2016 Dec 2016 Apr 2017</p>	<p>The Service has advised the analysis is complete and a strategy has been agreed and authorised. Contact has been made with the preferred supplier and it is anticipated that the contract will be formalised by April 2017.</p> <p>Internal Audit Opinion: Accepted</p>

<p>of the contract will be taken into consideration and ensure that the Council achieves best value. The Service will then sign a contract with the chosen supplier.</p> <p>(B Morton, Fleet Manager)</p>		
<p>16-15 - Fuel Management Action Point : 8 - Fuel Card Contract Importance: High</p> <p>Audit Committee Date: June 2016</p> <p>The FMS will liaise with the Procurement Manager to ensure that the Contracts Register is updated for all contracts held.</p> <p>(B Morton, Fleet Manager)</p>	<p>Aug 2016 Dec 2016 Apr 2017</p>	<p>As per the above, it is anticipated that the contract will be formalised by April 2017.</p> <p>Internal Audit Opinion: Accepted</p>