

## PERTH AND KINROSS COUNCIL

## Audit Committee

14 June 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 115.
  - Table 2 shows the number of agreed actions that have been reported as incomplete as at their original agreed completion date. These total 27, of which 13 had a completion date of January to March 2017 and are therefore detailed in the following Appendices B to E.
  - A further 14 actions not completed by their original date have been allocated revised dates for completion after 31 March 2017 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 March 2017 is 88.
- 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 January to March 2017. 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 seven such instances of 'high' risk actions. Six of these actions relate to actions arising for Services from the Information Sharing audit. Progress on these were reported to Audit Committee in March 2017 (Report 17/115 refers). The further action relates to The Environment Service's LEADER audit and appears 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.

### **Author**

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

Appendix E - Audit Follow-Up The Environment Service

## Summary of Agreed Actions

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

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Corporate & Democratic Services	0 (0)	1 (0)	9 (15)	13 (15)	2 (2)	25 (32)
Education & Children's Services	0 (0)	7 (4)	6 (4)	7 (8)	0 (0)	20 (16)
Housing & Community Care	0 (0)	4 (5)	7 (8)	9 (9)	0 (0)	20 (22)
The Environment Service	0 (0)	5 (6)	22 (12)	23 (2)	0 (0)	50 (20)
<b>All Services</b>	<b>0 (0)</b>	<b>17 (15)</b>	<b>44 (39)</b>	<b>52 (34)</b>	<b>2 (2)</b>	<b>115 (90)</b>

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)	1 (0)	3 (4)	4 (3)	2 (2)	10 (9)
Education & Children's Services	0 (0)	2 (2)	2 (2)	0 (0)	0 (0)	4 (4)
Housing & Community Care	0 (0)	2 (2)	1 (3)	2 (0)	0 (0)	5 (5)
The Environment Service	0 (0)	3 (4)	5 (3)	0 (0)	0 (0)	8 (7)
<b>All Services</b>	<b>0 (0)</b>	<b>8 (8)</b>	<b>11 (12)</b>	<b>6 (3)</b>	<b>2 (2)</b>	<b>27 (25)</b>
Actions with a completion date of January to March 2017 which have not been completed and therefore included on Appendices B to E						13
Those actions where the agreed date is not January to March 2017 which have been previously reported to Audit Committee						14



**Audit Follow-up  
Corporate & Democratic Services  
(Reporting for All dates on or before: March 2017)**

Action Plan	Dates	Status/Explanation
<p>15-35 - Optimum Action Point : 1 - Review of Standing Data Importance: Low</p> <p>Audit Committee Date: March 2016</p> <p>The Service were aware of the complexities of the standing data with regard to work patterns. Once the final phase of the migration of Education &amp; Children's Services staff onto Leave Management, there will be a housekeeping exercise undertaken to ensure that only those work patterns which are current are retained. This will avoid the need to remove standing data which may be subsequently required in the final phase</p> <p>(S Liston, ISD Team Leader)</p>	<p>Feb 2017 July 2017</p>	<p>Work Patterns in Optimum will be updated to obsolete any redundant patterns in excess of 36 hours per week for single status staff by 31 July 2017.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>16-02 – Credit Cards Action Point: 9 - In-house Catering and Corporate Hospitality Importance: Medium</p> <p>Audit Committee Date: September 2016</p> <p>The Head of Legal and Governance Services will review the relevant Gifts and Hospitality policy to ensure that there is clarity regarding the provision of corporate hospitality.</p> <p>(L Simpson, Head of Legal &amp; Governance Services)</p>	<p>Mar 2017 Sep 2017</p>	<p>Draft Amendment to the Gifts and Hospitality policy currently under consideration by officers..</p> <p>Internal Audit Opinion: Satisfactory</p>

Action Plan	Dates	Status/Explanation
<p>16-02 – Credit Cards Action Point: 10 – In-house Catering and Corporate Hospitality Importance: Medium</p> <p>Audit Committee Date: September 2017</p> <p>The credit card guidelines will subsequently be linked to the revised Gifts and Hospitality Policy</p> <p>(R Goldby, Senior Incomes Officer)</p>	<p>Mar 2017 Sep 2017</p>	<p>This action can only be completed upon the completion of the above action.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>16-03 - Sales Ledger Action Point : 6 - Credit Note Authority Importance: Medium</p> <p>Audit Committee Date: November 2016</p> <p>The e-form for Credit Notes has been developed and is currently being piloted with one of the Services. It is anticipated that the form will be fully developed and implemented by March 2017. (E Sturgeon, Chief Exchequer Officer)</p>	<p>Mar 2017 Jun 2017</p>	<p>The Service states that a pilot has taken place within one Service, which accounts for 61% of all credit notes raised. The pilot highlighted changes which are necessary. However, the Financial Systems Team, who will be heavily involved with the roll out of the new process, are unable to progress this due to critical year end processes and the roll out will be delayed until June 2017.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>16-03 - Sales Ledger Action Point : 7 – Reasons for Raising Credit Notes Importance: Low</p> <p>Audit Committee Date: November 2016</p> <p>The credit note e-form currently being piloted, as discussed in Action Point 6 includes explanations for the raising of the credit notes identifying the</p>	<p>Jan 2017 Jun 2017</p>	<p>The response to action point 6 above identifies a delay in roll out to all remaining Services to June 2017.</p> <p>The system recording of a more detailed reason for the issue of a credit note, the subject of this action point, is currently being used for 61% of all Council credit notes, i.e. those raised through the e-form pilot in Community Care.</p>



Action Plan	Dates	Status/Explanation
<p>error in the original invoice. The effective implementation of these controls will ensure that the reason for raising the credit note is held on the system.</p> <p>(E Sturgeon, Chief Exchequer Officer)</p>		<p>Internal Audit Opinion: Satisfactory</p>
<p>16-17 - Pupil Support Action Point : 4 - Arrangements Under Review Importance: Medium</p> <p>Audit Committee Date: February 2017</p> <p>HR will document procedures aligning to the process of allocation of PSA and PST resource. This will include reference to responsibilities in relation to managing mileage claim length and contract terms and changes; systems of version control and improved record keeping relating to the PSA transfer process.</p> <p>(S McLeod, Senior HR Officer)</p>	<p>Feb 2017 June 2017</p>	<p>The PSA allocation exercise is currently underway for this year. This is the first year that HR has led this exercise. The procedures will be reviewed and finalised thereafter.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>Audit Scotland 6 - Annual report on the 2011/12 audit Action Point : 11 - Action point 4.1</p> <p>Audit Committee Date: January 2013</p> <p>The Head of Legal Services will review the Minute of Agreement for Tayside Contracts.</p> <p>(L Simpson, Head of Legal &amp; Governance Services)</p>	<p>Jun 2013 Oct 2013 Apr 2014 Dec 2014 Jun 2015 Oct 2015 Apr 2016 Mar 2017 Sep 2017</p>	<p>The Minute of Agreement is still awaiting signing by Angus and Dundee City Councils.</p> <p>Internal Audit Opinion: Accepted</p>



**Audit Follow-up  
Education & Children's Services  
(Reporting for All dates on or before: March 2017)**

<b>Action Plan</b>	<b>Dates</b>	<b>Status/Explanation</b>
<p>16-06(b) - Financial Management - St Johns RC Academy Action Point : 1 - Internal Procedures Importance: Low</p> <p>Audit Committee Date: November 2016</p> <p>Daily routines relating to financial management to be documented so that it is clear what actions are to be taken in the event of the absence of a member of clerical staff.</p> <p>(S McIntosh, Business Manager)</p>	<p>Mar 2017 Aug 2017</p>	<p>Work has commenced to document the daily procedures however this has yet to be completed. It is anticipated that this can be in place for the new academic year.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>16-11 - Management of the Relationship with Horsecross Art Action Point : 1 - Key Person Dependency Importance: Medium</p> <p>Audit Committee Date: February 2017</p> <p>The situation regarding key person dependency will be reviewed to ensure the risk is addressed.</p> <p>(J Fyffe, Senior Depute Chief Executive)</p>	<p>Feb 2017 Aug 2017</p>	<p>The revised Service Level Agreement has yet to be finalised. Once it is finalised, it will include contingency arrangements to manage the risk of key person dependency.</p> <p>Internal Audit Opinion: Satisfactory</p>



**Internal Audit Follow-up  
Housing & Community Care  
(Reporting for All dates on or before : March 2017)**

Action Plan	Dates	Status/Explanation
<p>14-16 - Housing Repairs Action Point : 10 - Verification: timeliness and meeting the specification of emergency Importance: Medium</p> <p>Audit Committee Date: March 2015</p> <p>HRIS is already in close contact with the Council's IT Service in order to improve the capability of our mobile technology, in accordance with Housing's Technology and Improvement Plan.</p> <p>(J Beverley, Housing Repairs Service Manager)</p>	<p>Dec 2015 Mar 2017 Oct 2017</p>	<p>The Service states that as part of the corporate IT Transformation project, Housing Repairs is to be an early adopter of the corporate IT mobile working solution; this has resulted in working with a different system and supplier from that anticipated at the last update.</p> <p>The date for this project has been delayed due to integration issues with Total Mobile and therefore it is not anticipated that this action point will be completed until October 2017.</p> <p>Audit Opinion: Accepted</p>
<p>16-09 - Housing Options Action Point: 3 - Training Toolkit Importance: Low</p> <p>Audit Committee Date: September 2016</p> <p>The Service will continue to be involved in the Training Toolkit Steering Group to ensure that the toolkit is piloted in the first quarter of 2017.</p> <p>(E Ritchie, Service Manager)</p>	<p>Mar 2017 Sep 2017</p>	<p>The Service states that the toolkit roll out is being extended by the Scottish Government. Additional funding will provide for all 32 local authorities and 1 housing association. As a result and following changes to legislation, the project will not now meet its anticipated timescales. Project milestones will include the successful tender, before the supplier can build the toolkit. Following this, a pilot toolkit is to be trialled at the end of the year/beginning of 2018 and PKC will be part of this pilot.</p> <p>Internal Audit recommends that this situation is reviewed in September 2017 to monitor progress with the project.</p>

Action Plan	Dates	Status/Explanation
		Revised Completion Date: March 2017 Review Date: September 2017

**Audit Follow-up  
The Environment Service  
(Reporting for All dates on or before: March 2017)**

Action Plan	Dates	Status/Explanation
<p>16-02 - Credit Cards Assignment Action Point : 21 - Incomes Team Credit Card Management Importance: Medium</p> <p>Audit Committee Date: September 2016</p> <p>Each Service's Operational Financial Regulations will subsequently require to be updated for this and other changes arising from the review of the Financial Regulations</p> <p>(F Crofts, Finance &amp; Resources Manager)</p>	<p>Mar 2017 June 2017</p>	<p>The Service has provided updated Operational Financial Regulations. The first credit card control check is scheduled for June 2017, after the completion of Financial Year-end.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>16-20 - LEADER Action Point : 2 – Local Action Group Documentation Importance: High</p> <p>Audit Committee Date: February 2017</p> <p>The Accountable Body will ensure all documentation relating to the Local Action Group is completed as required. The Accountable Body will liaise with the Scottish Government where forms may differ from those indicated within the Business Plan.</p> <p>(S Rice-Jones, LEADER Co- ordinator)</p>	<p>Mar 2017 June 2017</p>	<p>Work is progressing in this area but has taken longer than expected. 16 out of 20 Local Action Group members have signed a Memo of Understanding and a nominated representative form.</p> <p>The last declarations of interest are expected imminently.</p> <p>Internal Audit Opinion: Satisfactory</p>