

PERTH AND KINROSS COUNCIL**Audit Sub-Committee – 27 June 2012****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 Sub-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 14 had a completion date of January to March 2012 and are therefore detailed in the following appendices B to G. A further 20 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 G present detailed follow-up information on a service-by-service basis, in respect of actions agreed for completion in the period of January to March 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.

3. PROPOSALS

- 3.1 It is recommended that the Sub-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: June 2012

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Appendix A: Summary of Agreed Actions

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

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Chief Executive's	0 (2)	0 (1)	38 (13)	17 (1)	0 (0)	55 (17)
Education & Children's Services	1 (1)	0 (0)	15 (11)	5 (8)	0 (0)	21 (20)
Housing & Community Care	0 (0)	3 (2)	13 (6)	6 (9)	0 (0)	22 (17)
The Environment Service	0 (0)	3 (4)	20 (21)	5 (6)	1 (1)	29 (32)
All Services	1 (3)	6 (7)	86 (51)	33 (24)	1 (1)	127 (86)

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 (1)	6 (6)	0 (1)	0 (0)	6 (7)
Education & Children's Services	1 (0)	0 (0)	7 (4)	3 (4)	0 (0)	11 (8)
Housing & Community Care	0 (0)	1 (0)	1 (2)	0 (0)	0 (0)	2 (2)
The Environment Service	0 (0)	2 (3)	9 (13)	3 (1)	1 (1)	15 (18)
All Services	1 (0)	3 (4)	23 (25)	6 (5)	1 (1)	34 (35)
Those actions where the agreed date is not January to March 2012 which have been previously reported to Audit Sub-Committee						20
Actions with a completion date of January to March 2012 which have not been completed and therefore included on Appendices B to G						14

Appendix B: Internal Audit Follow-Up

Chief Executive's Service

(Reporting for actions due to be completed in January to March 2012)

Action Plan	Dates	Status/Explanation
<p>07/027 - Income/Debtors Action Point: 7 - Minimum Invoice Values Importance: Medium</p> <p>This issue of minimum invoice values will be covered in the Income Strategy document, in consultation with the other services.</p> <p>(M Cowdery, Senior Exchequer Manager (Incomes))</p>	<p>Dec 2009 Dec 2010 Aug 2011 Mar 2012 Dec 2012</p>	<p>A comprehensive review of the Sales Ledger has commenced and this action point will be considered as part of that review.</p> <p>The completion date of the review was to be 31 March 2012. This was put on hold pending determination of a larger transactional review across the Council which is anticipated to conclude in 2014. However, to ensure a quicker response is considered, it is proposed that the minimum pricing strategy be discussed at the next Financial Controllers meeting, and if necessary providing an update to the Council's Financial Regulations as part of the Biennial Review in 2012.</p> <p>It is anticipated the revised completion date will be no later than 31st December 2012.</p> <p>Internal Audit Opinion: Accepted</p>
<p>08/008 - Committee Services Action Point: 4 - Quality of Reports Importance: Medium</p> <p>Committee Services will establish a protocol which will clarify the respective roles of Committee Officers and contacts in the Services ensuring that the latter are aware of their responsibility to have reports approved by management teams for accuracy clarity and completeness, before</p>	<p>Dec 2009 Mar 2010 Aug 2010 Mar 2011 Sep 2011 Jan 2012 Sep 2012</p>	<p>This protocol has now been superseded and will be replaced with more detailed guidance for Services which will include committee protocols and report writing.</p> <p>Internal Audit Opinion: Accepted</p>

Action Plan	Dates	Status/Explanation
<p>submission to Committee Services.</p> <p>(C Flynn, Democratic Services Manager)</p>		

Appendix C: Internal Audit Follow-Up**Education & Children's Services****(Reporting for actions due to be completed in January to March 2012)**

Action Plan	Dates	Status/Explanation
<p>09/013 - Applications Software - Development & Maintenance 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 Oct 2012</p>	<p>Significant progress has been made towards implementing a systematic approach to IT Change Management. An IT Change Management Policy and high level Process have been approved by CRG. However work remains to embed detailed Change Management procedures and IT are working towards this with a target completion date of end of October 2012.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>09/017 - Fostered and Adopted Children Action Point: 4(1) - Action from 2005 audit Importance: Medium</p> <p>The Service will investigate the viability of an automated link between SWIFT and INTEGRA for the different categories of payments.</p> <p>(L Oswald, Acting Finance Manager)</p>	<p>Mar 2012 Aug 2012</p>	<p>The Finance Support Team have met with the SWIFT Team and IT to review the possibility of an automated link between SWIFT and INTEGRA. IT has now confirmed that this is possible and work has been ongoing to update the systems in order to trial the new process. The revised timeline for converting the payment run onto the automated system is the end of July 2012 which will allow time to run a minimum of 3 trial runs prior to going live.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>10/07 - Hardware Asset Management Action Point: 4 (1) - Inventory Procedures - IT Hardware Importance: Medium</p>	<p>Mar 2012 Aug 2012</p>	<p>The IT Asset Management Plan 2011/12 references three hardware asset types - Server Infrastructure; Desktop computers; and Communications and Network</p>

<p>Inventory procedures for the IT hardware inventory will be developed.</p> <p>(K Wilson, IST Business Manager)</p>		<p>infrastructure:</p> <p>Significant progress has been made in regard to this Audit action in that inventory procedures are embedded and working well for Server Infrastructure and Desktop Computers.</p> <p>Work is underway to complete this process for Communications and Network Infrastructure related inventory. This will be complete by August 2012.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>10/07 - Hardware Asset Management Action Point: 6 - Asset Management Procedures Importance: Medium</p> <p>The Service is currently developing processes and procedures, in line with industry best practice, to better manage the lifecycle of assets.</p> <p>(K Wilson, IST Business Manager)</p>	<p>Mar 2012 Aug 2012</p>	<p>See Action Point 4(1) above.</p> <p>Internal Audit Opinion: Satisfactory</p>

Appendix D: Internal Audit Follow-Up

The Environment Service

(Reporting for actions due to be completed in January to March 2012)

Action Plan	Dates	Status/Explanation
<p>07/019 - Property Management 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, Regeneration Manager)</p>	<p>Dec 2009 Jun 2010 Mar 2011 Mar 2012 Sep 2012</p>	<p>Since agreeing this action, the Estates function has been subject to significant change, which has contributed to the delays in implementing this action.</p> <p>The preliminary assessment, classification and review of the portfolio has been completed by the Councils Estates and Infrastructure Team under the direction of the Regeneration Manager.</p> <p>External consultants have been engaged to review the initial findings, to finalise the review in the context of the external commercial environment and to bring forward recommendations for maximising the financial viability of the Councils commercial portfolio, including proposals for the retention, disposal and development of assets.</p> <p>The external review is due to be completed in April 2012, and the findings, with recommendations, will be reported to the Strategic Policy and Resources Committee of the Council in September 2012.</p> <p>Internal Audit Opinion: Accepted</p>
<p>11/15 - Carbon Reduction Commitment Action Point: 4 - Action Point 4 - CRC Energy Efficiency Scheme Documented Guidance Importance: Medium</p> <p>The Service will include a CRC Energy Efficiency Scheme</p>	<p>Mar 2012 Sep 2012</p>	<p>The Service has provided a copy of the draft report and advised that a report will go to the Property Sub-Committee in September 2012.</p> <p>Internal Audit Opinion: Satisfactory,</p>

<p>statement within the Energy Management and Conservation Policy that will be approved at Committee level and linked with other guidance such as the Reporting on Scotland's Climate Change Declaration. This statement will detail how the Council will comply with the requirements of the CRC scheme, the roles and responsibilities such as budget holders and the management structure.</p> <p>(G Dick, Facilities Management Officer (Energy))</p>		
<p>11/16 - Waste Management Plan Action Point: 2 - Strategic Waste Member Officer Group Remit Importance: Low</p> <p>A revised remit of the Strategic Waste Member Officer Working Group will be drawn up for agreement by the group, to incorporate the stated lifespan and the scope of the group in relation to the Waste Management Plan and Zero Waste Scotland.</p> <p>(B Reekie, Waste Services Manager)</p>	<p>Mar 2012 Aug 2012</p>	<p>There is currently a review of decision making structures being undertaken. A draft remit will be provided to inform this review.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>11/16 - Waste Management Plan Action Point: 3 - Annual Report Importance: Low</p> <p>Elected members will be kept informed of progress through Strategic Waste Member Officer Working Group following verification of information by SEPA.</p> <p>(B Reekie, Waste Services Manager)</p>	<p>Mar 2012 Nov 2012</p>	<p>The Service has advised that the Waste Management Plan Annual Report is in development and will be submitted to the November Environment Committee.</p> <p>Internal Audit Opinion: Satisfactory</p>

<p>11/17 - Winter Maintenance Action Point: 10 - Treatment Times Importance: Medium</p> <p>The Service will submit a report to the Enterprise and Infrastructure (E&I) Committee that advises them the Policy and Level of Service for Winter Service 2011/12 incorrectly specified an extra 3 hours of footway treatment cover on a Monday to Saturday and an extra 1 hour of cover on a Sunday.</p> <p>(S D'All, Area Roads Engineer)</p>	<p>Mar 2012 Aug 2012</p>	<p>The Service advised that no report was submitted to the Enterprise & Infrastructure Committee as the winter period was effectively over in March and it was therefore inappropriate timing. The report for winter 2012/13, due to be submitted in August 2012, will flag up the correction from the report of 2011/12.</p> <p>Internal Audit Opinion: Accepted</p>
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Appendix E: Internal Audit Follow-Up

Housing & Community Care

(Reporting for actions due to be completed in January to March 2012)

Action Plan	Dates	Status/Explanation
09/030 - Housing Repairs Action Point: 4 - Rechargeable Repairs Policy & Procedure Importance: Medium The Service will investigate ways of improving the rechargeable repairs collection rate and the related financial management information made available by/to them. (L Robinson, Repairs Centre & Administration Manager)	May 2011 Oct 2011 Mar 2012 Oct 2012	The Service has explored ways to enable payment to be collected in advance of the works being carried out. Work is ongoing on the introduction of the paye.net system to the Repairs Centre and a trial will be run for 3 months to monitor the success rate of this (aim to start in July 2012). Internal Audit Opinion: Accepted

