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Council Building
2 High Street
Perth
PH1 5PH

21 June 2018

A Meeting of the **Audit Committee** will be held in **the Council Chamber, 2 High Street, Perth, PH1 5PH** on **Wednesday, 27 June 2018** at **10:00**.

If you have any queries please contact Committee Services on (01738) 475000 or email Committee@pkc.gov.uk.

BERNADETTE MALONE
Chief Executive

Those attending the meeting are requested to ensure that all electronic equipment is in silent mode.

Please note that the meeting will be recorded and will be publicly available on the Council's website following the meeting.

Members:

Councillor Eric Drysdale (Convener)
Councillor Bob Band (Vice-Convener)
Councillor Audrey Coates
Councillor Stewart Donaldson
Councillor David Illingworth
Councillor Xander McDade
Councillor Willie Wilson

Audit Committee

Wednesday, 27 June 2018

AGENDA

MEMBERS ARE REMINDED OF THEIR OBLIGATION TO DECLARE ANY FINANCIAL OR NON-FINANCIAL INTEREST WHICH THEY MAY HAVE IN ANY ITEM ON THIS AGENDA IN ACCORDANCE WITH THE COUNCILLORS' CODE OF CONDUCT.

- 1 WELCOME AND APOLOGIES**
- 2 DECLARATIONS OF INTEREST**
- 3 MINUTE OF THE MEETING OF THE AUDIT COMMITTEE OF 23 MAY 2018 FOR APPROVAL AND SIGNATURE** **5 - 8**
(copy herewith)
- 4 INTERNAL AUDIT FOLLOW-UP** **9 - 26**
Report by Chief Internal Auditor (copy herewith 18/218)
- 5 INTERNAL AUDIT UPDATE** **27 - 34**
Report by Chief Internal Auditor (copy herewith 18/219)
- 5 (i) CORPORATE AND DEMOCRATIC SERVICES**
- 5 (i)(a) UPDATE ON THE IMPLEMENTATION OF AGREED ACTIONS ARISING FROM THE INTERNAL AUDIT REPORT ON FINANCIAL ASSESSMENT AND CHARGING** **35 - 48**
Report by Chief Internal Auditor (copy herewith 18/220)
- 5 (ii) HOUSING AND ENVIRONMENT**
- 5 (ii) 17 - 27 - HOUSING REPAIRS AND IMPROVEMENT SERVICE - FINANCIAL CONTROL** **49 - 58**
(a) (copy herewith 18/222)
- 6 THE INTERNAL AUDIT STRATEGY AND PLAN, 2018/19** **59 - 72**
Report by Chief Internal Auditor (copy herewith 18/221)
- 7 UNAUDITED ACCOUNTS 2017/2018**
(copy to follow)

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PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
23 MAY 2018

AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Council Chamber, 2 High Street, Perth on Wednesday 23 May 2018 at 2.00pm.

Present: Councillors E Drysdale, B Band, K Baird, A Coates, S Donaldson, D Illingworth and X McDade.

In Attendance: D Adam, J Clark, C Irons, M Morrison, G Taylor and S Walker (all Corporate and Democratic Services); J Cockburn (Education and Children's Services).

Also in Attendance: A Shaw, KPMG

Councillor Drysdale, Convener, Presiding.

296. WELCOME AND APOLOGIES/SUBSTITUTIONS

The Convener welcomed everyone to the meeting.

297. DECLARATIONS OF INTEREST

There were no Declarations of Interest made in terms of the Councillors' Code of Conduct.

298. MINUTE

The minute of meeting of the Audit Committee of 28 March 2018 (Arts.164-171) was submitted and approved as a correct record and authorised for signature.

299. GENERAL DATA PROTECTION REGULATION

D Henderson, Information Compliance Manager and Data Protection Officer, gave a presentation on the work being done to prepare for the implementation of the General Data Protection Regulation (GDPR).

Resolved:

- (i) That training on GDPR would be provided to Councillors in the week of 4 June 2018, be noted.
- (ii) The presentation be made available to all elected members for their information.

300. INTERNAL AUDIT FOLLOW UP

There was submitted a report by the Chief Internal Auditor (18/167) presenting a current summary of Internal Audit's follow up work.

With regard to the Environment Service's LEADER audit (16-20), in response to a question from Councillor Drysdale, J Clark advised she would confirm whether

PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
23 MAY 2018

or not the business plan had been submitted to the Scottish Government by the end of April 2018.

Resolved:

- (i) The current position in respect of the agreed actions arising from internal and external work be noted.
- (ii) The action plans be progressed, taking into account the recorded audit opinions.

301. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (18/168) presenting a summary of Internal Audit's work against the 2017/18 Annual Plan.

Resolved:

- (i) The progress of work against the 2017/18 Annual Plan be noted.
- (ii) The findings from the initial review of controls following a significant fraud in another local authority be noted.
- (iii) The outcomes from consultancy work be noted.

The Committee considered the following final reports:-

(i) Corporate and Democratic Services

(a) 17-23 – IT Change Management

There was submitted a report by the Chief Internal Auditor (18/169) on an audit to ensure (1) that a Governance Framework Policy and Procedures for IT Change Management were in place and complied with IT management best practice and Council corporate strategy and business plans to ensure consistent and timely processing of changes; (2) that change control was recorded for confirmation that change was controlled and authorised at each stage; (3) that monitoring of change control was carried out and checks made to confirm changes made have produced the required outcomes including compliance with the Council change management policy framework and (4) that any emergency change was controlled and documented in true emergencies.

J Clark confirmed that arrangements were in place for the IT Change Management and highlighted that the internal controls were all rated as strong.

Resolved:

- (i) Internal Audit's findings, as detailed in Report 18/169, be noted.
- (ii) That Highland Council were no longer in a position to undertake IT audits for this Council and other arrangements would be made, be noted.

PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
23 MAY 2018

(ii) **Education and Children's Services**

(a) **17-25 – Pupil Equity Fund**

There was submitted a report by the Chief Internal Auditor (18/170) on an audit to ensure that was a framework in place to support schools to understand and evidence requirements relevant to the Pupil Equity Fund.

J Cockburn confirmed that where there was underspending in the Fund, this could be carried forward in exceptional circumstances. He also confirmed that the effectiveness of the Fund would be reviewed and reported at the end of the academic year.

Resolved:

Internal Audit's findings, as detailed in Report 18/170, be noted.

302. INTERNAL AUDIT ANNUAL REPORT 2017/18

There was submitted a report by the Chief Internal Auditor (18/171) presenting the year-end report and audit opinion of the Chief Internal Auditor for 2017/18, as set out in Section 7 of Report 18/171.

J Clark also advised that an external quality assessment would be undertaken by North Lanarkshire Council in June 2018.

J Clark confirmed that an advert should be placed soon for the recruitment of staff to the Internal Audit team. It was noted that the Trainee accountant had been a temporary post within the Internal Audit team and that had now ended.

J Clark also confirmed that measures were taken to ensure any whistleblowing reports were kept anonymous.

Resolved:

The Audit Opinion of the Chief Internal Auditor set out in Section 7 of Report 18/171 be noted.

303. PERTH AND KINROSS COUNCIL INTERIM MANAGEMENT REPORT AND AUDIT STATUS SUMMARY

There was submitted and noted a report by the Council's External Auditor, KPMG (18/172) on the Council's interim management report and audit summary to 31 March 2018.

A Shaw, KPMG, advised the report summarised their initial audit testing.

In response to a question from Councillor Illingworth, A Shaw advised that the valuation of property, plant and equipment was necessary as a true value of assets required to be shown on the Council's balance sheets.

PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
23 MAY 2018

S Walker confirmed that unaudited accounts would be submitted to the Audit Committee on 27 June 2018 and the audited accounts would be submitted to the meeting on 26 September 2018.

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# PERTH AND KINROSS COUNCIL

## Audit Committee

27 June 2018

### INTERNAL AUDIT FOLLOW UP

#### Report by Chief Internal Auditor (Report No. 18/218)

#### 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 55.
  - Table 2 shows the number of agreed actions that have been reported as incomplete as at their original agreed completion date. These total 26, of which 17 had a completion date of March and April 2018 and are therefore detailed in the following Appendices B to E.
  - A further 9 actions not completed by their original date have been allocated revised dates for completion after 30 April 2018 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 30 April 2018 is 29.
- 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 external audit do not explicitly state the importance of each individual action and are therefore included in the tables as 'not rated'.

- 1.4 Following Service re-organisation, the outstanding actions have been reviewed and have been aligned with the new Service with responsibility for that area. Comparable figures from the previous report to Audit Committee for individual Services have not been included however the total number of actions in each category has been provided.
- 1.5 Appendices B to E present detailed follow-up information in respect of actions agreed for completion in the period of March and April 2018.
- 1.6 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 two such instances of 'high' risk actions. One of these actions relates to the audit on Personalisation in respect of monitoring risk and is included Appendix C. The other relates to the audit of LEADER and update of the Business Plan.

## **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**

| <b>Name</b>    | <b>Designation</b>      | <b>Contact Details</b>                                                 |
|----------------|-------------------------|------------------------------------------------------------------------|
| Moira Morrison | Senior Internal Auditor | <a href="mailto:InternalAudit@pkc.gov.uk">InternalAudit@pkc.gov.uk</a> |

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Council Text Phone Number 01738 442573

## ANNEX

### 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 the Executive 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 & Environment

Appendix E – Audit Follow-Up Health & Social Care Partnership

## Appendix A: Summary of Agreed Actions

Table 1: All Agreed Actions for Follow-Up as at 31 May 2018. This table includes actions not yet due for completion.

| Service                          | Importance   |              |                |                |                |
|----------------------------------|--------------|--------------|----------------|----------------|----------------|
|                                  | Critical     | High         | Medium         | Low            | Total          |
| Corporate & Democratic Services  | 0            | 0            | 12             | 9              | 21             |
| Education & Children's Services  | 0            | 2            | 1              | 2              | 5              |
| Housing & Environment            | 0            | 1            | 11             | 11             | 23             |
| Health & Social Care Partnership | 0            | 0            | 3              | 1              | 4              |
| <b>All Services</b>              | <b>0 (0)</b> | <b>3 (3)</b> | <b>27 (36)</b> | <b>23 (24)</b> | <b>53 (65)</b> |

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

| Service                                                                                                                          | Importance   |              |               |               |                |
|----------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|---------------|---------------|----------------|
|                                                                                                                                  | Critical     | High         | Medium        | Low           | Total          |
| Corporate & Democratic Services                                                                                                  | 0            | 0            | 1             | 4             | 5              |
| Education & Children's Services                                                                                                  | 0            | 1            | 0             | 0             | 1              |
| Housing & Environment                                                                                                            | 0            | 1            | 7             | 7             | 15             |
| Health & Social Care Partnership                                                                                                 | 0            | 0            | 2             | 1             | 3              |
| <b>All Services</b>                                                                                                              | <b>0 (0)</b> | <b>2 (2)</b> | <b>10 (7)</b> | <b>12 (9)</b> | <b>24 (18)</b> |
| Actions with a completion date of March and April 2018 which have not been completed and therefore included on Appendices B to E |              |              |               |               | 15             |
| Those actions where the revised date for completion is after April 2018 and have been previously reported to Audit Committee.    |              |              |               |               | 9              |



**Appendix B - Internal Audit Follow-up**  
**Corporate & Democratic Services**  
**(Reporting for All dates on or before: April 2018)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Dates                        | Status/Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#">16-01 Debt Recovery &amp; Write Off</a></p> <p>Action Point : 9 - Write Off Information<br/>Importance: Low</p> <p>Audit Committee date: February 2017</p> <p>There is scope to review the control environment in relation to the information presented to each SMT, for example for each report to be supported by an Appendix which provides the breakdown of the individual debts which make up the proposed write offs. This would ensure a consistent Corporate approach to debt write off.</p> <p>The Chief Exchequer Officer will ensure that this action is completed within the Corporate Debt work stream.</p> <p>(C Robertson, Central Services Manager, Finance Division)</p> | <p>Mar 2018<br/>Dec 2018</p> | <p>As the Financial Transformation Review has been closed the next meeting of the Intelligent Client group will consider this action. It is recommended that all Service Management Team have sight of the detailed list of debts in order to make a balanced, robust and effective decision on individual write offs.</p> <p>The owner for these actions has changed following the review of finance and HR functions.</p> <p>Internal Audit Opinion: Accepted</p> |

|                                                                                                                                                                                                                                                                                                                                                                                                          |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| <p><a href="#">16-01 Debt Recovery &amp; Write Off</a><br/> Action Point : 14 - Timescales - Sales Ledger<br/> Importance: Low</p> <p>Audit Committee date: February 2017</p> <p>The Chief Exchequer Officer will arrange for any differences in Sales Ledger timescales to be reviewed as part of the Finance Transformation Corporate debt work stream review.</p> <p>(S Walker, Chief Accountant)</p> | <p>Mar 2018<br/> Dec 2018</p> | <p>As the Financial Transformation Review has been closed therefore agreement was to be sought between the Financial Controllers of Corporate &amp; Democratic Services (CADS) and The Environment Service, as was, and the Intelligent Client for CADS and the new Housing &amp; Environment for the most efficient recovery process of commercial property rents.</p> <p>The owner for these actions has changed following the review of finance and HR functions.</p> <p>Internal Audit Opinion: Accepted</p> |
| <p><a href="#">17-22 - Elected Members Allowances</a><br/> Action Point : 1 - Joint Board Recharges<br/> Importance: Medium</p> <p>Audit Committee Date: January 2018</p> <p>A recharge for the Tayside Valuation Joint Board will be undertaken.</p> <p>(S MacKenzie, Head of Finance)</p>                                                                                                              | <p>Mar 2018<br/> Jun 2018</p> | <p>The Head of Finance has been in contact with Dundee City Council in respect of this recharge and expects it to be completed in June.</p> <p>Internal Audit Opinion: Satisfactory</p>                                                                                                                                                                                                                                                                                                                          |



|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                               |                                                                                                                                                                                                        |
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| <p><a href="#">17-22 - Elected Members Allowances</a><br/> Action Point : 3 - Annual Return<br/> Importance: Low</p> <p>Audit Committee Date: January 2018</p> <p>Internal procedures relating to the annual return will be reviewed to ensure full compliance with Scottish Government guidance. Internal procedures will be updated, as required, to reflect the full scope of collation and recording practices carried out. Within this, consideration will be given to utilising the standard annual return form also.</p> <p>(V Iwanio, Team Leader, Employment Services (Recruitment))</p> | <p>Mar 2018<br/> Jun 2018</p> | <p>The Service states that procedures are being updated as year-end tasks are being carried out. This action will therefore be completed in June.</p> <p>Internal Audit Opinion:<br/> Satisfactory</p> |
| <p><a href="#">17-22 - Elected Members Allowances</a><br/> Action Point : 6 - Councillor Absence<br/> Importance: Low</p> <p>Audit Committee Date: January 2018</p> <p>The Head of Democratic Services will discuss arrangements for Councillors to declare any periods of ill health, which result in their being unable to undertake their duties, with other senior officers and political leaders.</p> <p>(G Taylor, Head of Democratic Services)</p>                                                                                                                                         | <p>Mar 2018<br/> Sep 2018</p> | <p>The Service states that a proposed procedure has been drafted and that this requires further consideration by political groups.</p> <p>Internal Audit Opinion:<br/> Satisfactory.</p>               |



**Appendix C - Internal Audit Follow-up**  
**Education & Children's Services**  
**(Reporting for All dates on or before: April 2018)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Dates                                                           | Status/Explanation                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#">16-23 - Personalisation</a><br/>           Action Point : 2.2 - Risk,<br/>           Implementation &amp; Monitoring<br/>           Importance: High</p> <p>Audit Committee date: April 2017</p> <p>The outcomes from self-evaluation, using the Audit Scotland matrix, will be considered for inclusion within the Service's formal monitoring processes and risk register for 2017/18 as appropriate.</p> <p>(S Cooper, Improvement Officer)</p> | <p>Oct 2017<br/>           Mar 2018<br/>           Dec 2018</p> | <p>The Service states that, whilst self-directed support is in place and operational risks are being managed, the formal monitoring and reporting framework is yet to be finalised.</p> <p>Internal Audit Opinion: Accepted</p> |



**Appendix D - Internal Audit Follow-up  
Housing & Environment  
(Reporting for All dates on or before: April 2018)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Dates                                                               | Status/Explanation                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#">14-16 - Housing Repairs</a><br/>Action Point: 10 - Verification: timeliness and meeting the specification of emergency repairs<br/>Importance: Medium</p> <p>Audit Committee Date:<br/>April 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<br/>Mar 2017<br/>Oct 2017<br/>Mar 2018<br/>Oct 2018</p> | <p>The project has been delayed by Total Mobile due to integration issues. Phase 1 went live on 01 May 2018. There will then be a phased approach until the whole Service is working this way.</p> <p>Internal Audit Opinion:<br/>Accepted</p>                                                                                                                                                               |
| <p><a href="#">15-13 - School Transport Contracts</a><br/>Action Point : 1 - Internal Procedures<br/>Importance: Medium</p> <p>Audit Committee Date:<br/>March 2016</p> <p>The PTU 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>(M Roy, Transport Officer)</p>                    | <p>Dec 2016<br/>Apr 2018<br/>Oct 2018</p>                           | <p>Progress has been made in updating general procedures relevant to the Public Transport Unit. However, owing to changes in management and team structure, tendering and continuing procurement activity, further enhancements are ongoing. These are anticipated to be completed further to the conclusion of the taxi/PHV tender exercise in August 2018.</p> <p>Internal Audit Opinion:<br/>Accepted</p> |

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| <p><a href="#">15-13 - School Transport Contracts</a><br/> Action Point : 3b - Contract Oversight &amp; Performance Monitoring<br/> Importance: Medium</p> <p>Audit Committee Date:<br/> March 2016</p> <p>The Public Transport Manager will liaise with the Procurement Manager to develop appropriate contract &amp; supplier management plans for future awards.</p> <p>(M Roy, Transport Officer)</p> | <p>Aug 2017<br/> Apr 2018<br/> Oct 2018</p>               | <p>A contract strategy outlining key performance indicators was defined as part of tender awards for PSV and PHV exercises. Conditions of contracts have also been updated to facilitate appropriate contract and supplier management. Reactive monitoring and consultation with contractors is ongoing, however, a further risk-based approach for communication and monitoring will be considered further to the conclusion of the taxi/PHV tender exercise.</p> <p>Internal Audit Opinion:<br/> Accepted</p> |
| <p><a href="#">16-09 - Housing Options</a><br/> Action Point : 3 - Training Toolkit<br/> Importance: Low</p> <p>Audit Committee Date:<br/> 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<br/> Sep 2017<br/> Mar 2018<br/> Mar 2019</p> | <p>As per previous updates, this action has taken longer than initially expected to incorporate use of the toolkit by all 32 Scottish local authorities, in line with Scottish Government recommendation.</p> <p>Initial evaluation of tender submissions has commenced and it is anticipated that a provider will be appointed by September 2018. Following this, a period of testing will commence prior to full roll out.</p> <p>Internal Audit Opinion:<br/> Accepted</p>                                   |

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| <p><a href="#"><u>16-22 - Roads Maintenance Partnership</u></a><br/> Action Point : 7b - Road Maintenance Partnership (RMP) Agreement<br/> Importance: Medium</p> <p>Audit Committee Date:<br/> April 2017</p> <p>Once the above RMP plan has been clarified the Deputy Manager, RMP will review and update the "Obtaining Best Value in Works Contracts" procedure taking cognisance of agreed way forward in providing the service. Any reference to BS EN ISO 9001/9002 and/or the quality principles will be dependent on the outcome of the review by the collaborative working group.</p> <p>(S D'All, Deputy Roads Maintenance Partnership Manager)</p> | <p>Apr 2018<br/> Jan 2019</p> | <p>The member officer working group is currently considering the way forward in providing the overall Service, with conclusion of this anticipated to be July 2018. Commencement of review and update of procedures will be subsequent to this.</p> <p>Internal Audit Opinion:<br/> Satisfactory</p>                     |
| <p><a href="#"><u>16-27 - Events &amp; Festivals</u></a><br/> Action Point : 1.1 - Events &amp; Festivals Strategy and Reporting<br/> Importance: Low</p> <p>Audit Committee Date:<br/> April 2017</p> <p>It was agreed at the Events Strategy meeting held on the 15th March 2017 that the Events &amp; Festivals Strategy would be updated.</p> <p>(A Graham, Business Development Team Leader)</p>                                                                                                                                                                                                                                                          | <p>Apr 2018<br/> Sep 2018</p> | <p>At the May 2017 Events Strategy group meeting, chaired by the Executive Director, a scoping document was approved which included an indicative timeline. In light of the agreed scope, it is now intended that the strategy will be finalised by September 2018.</p> <p>Internal Audit Opinion:<br/> Satisfactory</p> |

|                                                                                                                                                                                                                                                                                                     |                                           |                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#"><u>16-27 - Events &amp; Festivals</u></a></p> <p>Action Point : 2.1 - Support for Event Organisers<br/>Importance: Low</p> <p>Audit Committee Date:<br/>April 2017</p> <p>A Council wide application and assessment process will be introduced.</p> <p>(M Boyle, Events Officer)</p> | <p>Sep 2017<br/>Apr 2018<br/>Sep 2018</p> | <p>The revised application and assessment process is currently out for consultation. This will be concluded shortly and will then be operational.</p> <p>Internal Audit Opinion: Accepted</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



**Appendix E - Internal Audit Follow-up**  
**Health & Social Care Partnership**  
**(Reporting for All dates on or before: April 2018)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                        | Dates                        | Status/Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#"><u>16-24 - Commissioned Services - Care at Home</u></a></p> <p>Action Point : 4.2 - Contract monitoring reporting<br/>Importance: Medium</p> <p>Audit Committee Date:<br/>April 2017</p> <p>An annual report on commissioned services, which will include Care at Home Services, will be provided to the Commissioned Services Board.</p> <p>(E McMullen, Planning &amp; Commissioning Manager)</p> | <p>Apr 2018<br/>Sep 2018</p> | <p>It was initially anticipated that the model for the annual report would be drawn from the Contract Monitoring Framework In the Public Contracts Scotland system. However, this proved to be unsuitable and we have developed our own template for reports from Care at Home Providers.</p> <p>Whilst the full annual report has not yet been implemented, a model report for Care at Home will be completed for the 2nd half of the year by the end of June 2018.</p> <p>Care at Home is being used as the model for all community based contracts and a template developed for a summary report by locality. Work in progress to implement this for all contracts</p> <p>Internal Audit Opinion:<br/>Satisfactory</p> |

|                                                                                                                                                                                                                                                                                                                                             |                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#"><u>17-01 - Generic Outcome Focussed Assessments</u></a></p> <p>Action Point : 2b - Management Reporting<br/>Importance: Medium</p> <p>Audit Committee Date:<br/>January 2018</p> <p>The Quality Assurance Group will include the reporting framework of GOFA as part of their review.</p> <p>(K Ogilvy, Service Manager)</p> | <p>Mar 2018<br/>Sep 2018</p> | <p>The report to capture cases where “Progress to Assessment” is identified but no assessment takes place has been developed and circulated, based on data recorded after 1st April 2018.</p> <p>An aggregate report that provides details on the number of Contacts per Responsible Team where the ‘no linked assessment’ condition is met will be made available to the Quality Assurance Group. This will allow for monitoring Service &amp; Team Performance of these cases at the QA Group. At present this is a standalone report, however, this will be included in the Team Leader Reports Suite that Swift Support Team is currently developing.</p> <p>The date of this action has been revised to allow time to see the impact of the use of reporting framework.</p> <p>Internal Audit Opinion:<br/>Satisfactory</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# PERTH AND KINROSS COUNCIL

## Audit Committee

27 June 2018

### INTERNAL AUDIT UPDATE

Report by the Chief Internal Auditor (Report No. 18/219)

#### PURPOSE OF REPORT

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

#### 1. BACKGROUND / MAIN ISSUES

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor reports periodically to the Audit Committee on internal audit activity and on performance relative to the approved plan.
- 1.2 Work has concluded on assignments included within the Internal Audit Plans for 2017/18, as approved by Audit Committee in April 2017 (report 17/150) and September (report 17/312) and in line with the strategy and plan approved in March 2018 (report 18/109).
- 1.3 Since April 2018, Internal Audit has been contacted on 2 occasions to provide advice, assurance and / or assistance to services regarding specific issues. Internal Audit will follow up on these areas during the year, where necessary.
- 1.4 Internal Audit has continued to work with colleagues in NHS Tayside to support the Audit and Performance Committee of the Integrated Joint Board.
- 1.5 In addition, Internal Audit has continued to prepare for the 2018/19 National Fraud Initiative to ensure that Services are adequately prepared to meet the requirements of the exercise.
- 1.6 The external validation of the self assessment of Internal Audit's compliance with the Public Sector Internal Audit Standards has taken place. The outcome from this will be reported to a future Audit Committee.
- 1.7 Appendix A details those assignments where work has been completed since the last report to the Audit Committee. Where appropriate, Internal Audit Reports for these assignments will be presented to the Audit Committee.
- 1.8 Appendix B shows the areas of work being undertaken following the Audit Committee's consideration of the Internal Audit work plan for 2018/19.

#### 2. CONCLUSION AND RECOMMENDATIONS

- 2.1 This report presents a summary of Internal Audit's work.

- 2.2 It is recommended that the Committee notes the completion of work against the plan for 2017/18 and the progress with assignment for 2018/19.

**Author(s)**

| <b>Name</b>  | <b>Designation</b>     | <b>Contact Details</b>                                                   |
|--------------|------------------------|--------------------------------------------------------------------------|
| Jackie Clark | Chief Internal Auditor | <a href="mailto:Internal.Audit@pkc.gov.uk">Internal.Audit@pkc.gov.uk</a> |

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Council Text Phone Number 01738 442573

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

| <b>Strategic Implications</b>                       | <b>Yes / None</b> |
|-----------------------------------------------------|-------------------|
| Community Plan / Single Outcome Agreement           | None              |
| Strategic 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 The risks are associated with the level of assurance provided on the control environment in the event that Internal Audit's planned work is not completed on time.

## 3. **Consultation**

### 3.1 Internal

- 3.1.1 The Chief Executive and Head of Finance 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 – Audit Activity Completed Since The Last Report To Audit Committee

Appendix B – Work Commenced from 2018/19 Internal Audit Work Plan

**Appendix A****INTERNAL AUDIT UPDATE****Internal Audit Activity Completed Since The Last Report To Audit Committee**

| <b>Audit No.</b> | <b>Audit Title</b>                                          | <b>Service</b>                  |
|------------------|-------------------------------------------------------------|---------------------------------|
| 17-27            | Housing Repairs & Improvements Service's Financial Controls | Housing & Environment           |
| 18-09            | Financial Assessment & Charging Follow Up                   | Corporate & Democratic Services |





## Work Commenced from 2018/19 Internal Audit Work Plan as at April 2018

## Appendix B

| Audit No. | Audit Title                                               | Original Anticipated Audit Committee | Assignment brief approved                                                                                                                                                                             | Factual accuracy confirmed | Draft Report issued                                      | Final Report issued | Audit Committee Date ^ |
|-----------|-----------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------|---------------------|------------------------|
| 18-01     | Initial Review of Controls following a Significant Fraud  | May 2018                             | April 2018                                                                                                                                                                                            | April 2018                 | Outcome provided to Audit Committee. No separate report. |                     | <b>May 2018</b>        |
| 18-02     | Detailed Review of Controls following a Significant Fraud | November 2018                        | April 2018                                                                                                                                                                                            |                            |                                                          |                     |                        |
| 18-03     | IDEA Implementation                                       | March 2019                           | April 2018                                                                                                                                                                                            |                            |                                                          |                     |                        |
| 18-04     | Arms Length External Organisations                        | September 2018                       |                                                                                                                                                                                                       |                            |                                                          |                     |                        |
| 18-05     | Transformation                                            | March 2019                           | April 2018                                                                                                                                                                                            |                            |                                                          |                     |                        |
| 18-06     | Corporate Governance                                      | March 2019                           |                                                                                                                                                                                                       |                            |                                                          |                     |                        |
| 18-07     | Commissioning Strategy                                    | March 2019                           |                                                                                                                                                                                                       |                            |                                                          |                     |                        |
| 18-08     | Financial Assessment & Charging Follow Up                 | June 2018                            | April 2018                                                                                                                                                                                            | May 2018                   | May 2018                                                 | May 2018            | <b>June 2018</b>       |
| 18-09     | Bus Service Operators Grant                               | September 2018                       | It is not anticipated that reports will be required to be issued for the certification of grant claims. Reports will only be issued where weaknesses in controls are identified which require action. |                            |                                                          |                     |                        |



# PERTH AND KINROSS COUNCIL

## Audit Committee

27 June 2018

### UPDATE ON THE IMPLEMENTATION OF AGREED ACTIONS ARISING FROM THE INTERNAL AUDIT REPORT ON FINANCIAL ASSESSMENT AND CHARGING

Report by Chief Internal Auditor (Report No. 18/220)

#### PURPOSE OF REPORT

This report presents a summary of the Service's response to the outcomes of Internal Audit's report on Financial Assessment & Charging and provides an update on the implementation of the agreed action plan.

#### 1. BACKGROUND AND MAIN ISSUES

- 1.1 Internal Audit undertook an investigation relating to the charging for community meals as a result of a complaint in 2015 and reported to Audit Committee regarding agreed improvements in internal control ([report 15/384](#) refers). The Internal Audit Plan for 2016/17 subsequently included an audit of Financial Assessment & Charging.
- 1.2 In line with the approved 2016/17 Internal Audit Plan, the audit took place, with the outcome being reported to Committee in September 2016 ([report 16/416](#) refers). Internal Audit was proactive in highlighting that a more detailed follow up review would be required due to the nature of the findings arising from the audit. This approach was approved by Audit Committee, with an undertaking to report back on the findings in June 2017. However, in order to allow the Service to complete its annual reassessment, the Internal Audit Plan for 2017/18 reflected a revised date to complete this work in Quarter 2 ([report 17/150](#) refers).
- 1.3 As a result of the work undertaken in August and September 2017, the Audit Committee was informed that Internal Audit concluded that many of the control issues highlighted had not been fully addressed or sustained. As a result, the Service undertook a wholesale review of the arrangements for financial assessment and charging, supported by an external consultant. A revised date for reporting to Audit Committee was agreed as the middle of 2018 ([report 17/384](#) refers).

#### 2. ACTION TAKEN

- 2.1 The remit of the external consultant was re-directed to ensure that the work complimented that of Internal Audit and would therefore be beneficial in identifying further improvements to areas such as structures and service delivery.

- 2.2 In order to address the issues arising from the extended follow up of Internal Audit actions and those arising from the consultant's report, the Service established a Charging Governance Board. The purpose of the Board is to provide scrutiny and assurance to enable the Council to achieve its intended outcomes from: charges for community care services; the COSLA Threshold Project; and the recommendations arising from the consultant's report along with the previously agreed Internal Audit actions. The Chief Internal Auditor sits on this Board, along with the S95 Officer and the Monitoring Officer.
- 2.3 The Charging Governance Board has sought information and assurance regarding progress with clearing historic cases and has been provided with these assurances. A number of issues have been brought to the Board's attention which has raised other concerns regarding some processes. The Board has therefore taken a wider role in identifying improvements over and above those identified as part of the 2016 Internal Audit report.
- 2.4 The Service has subsequently been able to take action to redistribute resources to implement revised working arrangements which should assist in the management of the team's workload going forward.
- 2.5 Regarding the specific issues raised and actions agreed relating to the Internal Audit Report 16-07, Internal Audit has met with key officers to review progress with their implementation. This progress has appeared to be slow and additional resources have been identified to assist in this regard. The current status of each individual action is attached as an Appendix to this report.

### **3. SUMMARY OF OUTCOMES**

- 3.1 The Appendix highlights that a number of actions have been completed.
- 3.2 Whilst evidence has been provided that procedures and processes have been put in place for some of the agreed actions, the sustainability of these actions and controls going forward is less certain. As such, Internal Audit is proposing to review the sustainability of the actions as part of the Internal Audit Plan for 2018/19, which is on the agenda for today's meeting of the Audit Committee.
- 3.3 There are also a number of actions where improvements have yet to be implemented. Whilst this is disappointing, the Service appears to have plans in place to ensure that these actions are taken forward.

### **4. PROPOSALS**

- 4.1 Internal Audit proposes to review the actions in the 4<sup>th</sup> quarter of 2018/19 to ensure that those actions which have been completed have been sustained and to ensure that those which have yet to be completed are completed and sustained. The Chief Internal Auditor will continue to sit on the Charging Governance Board and will therefore be informed of progress against these and other agreed improvement actions.

## 5 CONCLUSION AND RECOMMENDATIONS

- 5.1 It is recommended that the Committee notes that:
- 5.1.1 there is progress to be made by the Service in implementing and sustaining the actions agreed in the 16-07 Financial Assessment and Charging Report; and
- 5.1.2 the Service appears to be committed to delivering the changes required to improve Service provision and internal control.
- 5.2 It is also recommended that the Committee requests that the Chief Internal Auditor provides a further update on the sustainability of agreed actions following the completion of the work to be agreed within the Internal Audit Plan for 2018/19.

### Author

| Name         | Designation            | Contact Details                                                        |
|--------------|------------------------|------------------------------------------------------------------------|
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Council Text Phone Number 01738 442573

## 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;
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- (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 the Executive Director (Environment) 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.





## Appendix 1

**2018 Financial Assessment and Charging Extended Follow Up**

**Scope:** To continue working with Financial Assessment and Charging to be able to ensure that matters arising from Internal Audit 16-07 and Extended Follow Up 17-07 are dealt with and evidence provided.

The table below gives an overview of progress made and evidence provided.

| Audit Action Point | Sub Action | 16-07 Management Action Plan                                                                                                                                           | Sept 2017 complete | June 2018 complete | Comment                                                                                                                                                                                                     |
|--------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                    |            |                                                                                                                                                                        |                    |                    |                                                                                                                                                                                                             |
| 1.1                | 1          | Information available on the pck.gov.uk/care charges site and information leaflets provided to clients will be reviewed to ensure up to date information is available. | No                 | Yes                | Some information was uploaded following Internal Audit's visit in August 2017. Following discussions in April 2018, the information relating to 2018/19 has been uploaded.                                  |
| 1.2                | 2          | A version control document which outlines all documents/webpages for clients and staff which require review and update will be introduced.                             | No                 | Yes                | In August 17 this document had not been amended, and was not used as a control, to ensure all relevant information was updated with 2017/18 rates.<br><br>The document appears to be up to date in May 2018 |
| 1.3                | 3          | Operational staff will be reminded of the requirement to complete the Financial Assessment Request.                                                                    | No                 | Yes                | Whilst the Community Care Management Team no longer exists, evidence of the reminder and user guide has been received by Internal Audit.                                                                    |

|                                                                                                                                                |   |                                                                                                                                                                                                                                                                                                                                                                                                                  |         |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                |   | Reports detailing noncompliance will be provided regularly to Community Care Management Team.                                                                                                                                                                                                                                                                                                                    |         |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 1.4                                                                                                                                            | 4 | Procedures will be collated, updated as required and uploaded to the team SharePoint site.                                                                                                                                                                                                                                                                                                                       | No      | No      | <p>There is a suite of procedures on the SharePoint site, however there are other procedures held off SharePoint. There is therefore a risk that out of date procedures will be used.</p> <p>This action is being taken forward by a project officer who has been assigned to assist the team. She is taking a risk based approach to ensure that the most significant procedures and processes are reviewed and updated first. These will be located in a central repository.</p> |
| <p style="text-align: center;">Action Point 2 – Previous Internal Audit Actions</p> <p style="text-align: center;">Importance Rating: High</p> |   |                                                                                                                                                                                                                                                                                                                                                                                                                  |         |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 2.1                                                                                                                                            | 1 | Specific areas highlighted such as lone working procedure and cash handling will be updated immediately. Due to changes in the roles, responsibilities and working practices of the FAOs previous procedures may no longer be relevant. These will be reviewed and where appropriate reinstated; where they are no longer valid, procedures will be reviewed and/or prepared as part of the wider team review of | In part | In part | <p>Independent review of procedures has revealed that, whilst there have been updates to these procedures they could benefit from further development and are not held centrally, in line with 1.4 above. In addition, Internal Audit has been informed that the daily movement sheets are not always fully completed.</p> <p>This action is being taken forward by a project officer who has been assigned to assist the team</p>                                                 |

|                                                                                                                                |   |                                                                                                                                                                                                                                                                                                                           |     |         |                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                |   | procedures                                                                                                                                                                                                                                                                                                                |     |         |                                                                                                                                                                                                                                                                                                                                         |
| 2.2                                                                                                                            | 2 | <p>In late 2015, an Internal Audit report identified the need for additional control in relation to manual bills. The controls were put in place but were not continued after November 2015.</p> <p>This previously agreed action in relation to manual bills has been reinstated. Clients impacted will be invoiced.</p> | No  | In part | <p>The originally identified clients were invoiced.</p> <p>However there is an outstanding query as to whether invoices were raised for a one month period. The Service is investigating this. In addition, the Service is to provide evidence that the invoices are supported by relevant back up information for community meals.</p> |
| <p style="text-align: center;">Action Point 3 – Data Protection</p> <p style="text-align: center;">Importance Rating: High</p> |   |                                                                                                                                                                                                                                                                                                                           |     |         |                                                                                                                                                                                                                                                                                                                                         |
| 3.1                                                                                                                            | 1 | The Service accept that data protection security checks require to be undertaken, and will liaise with the Information Security Manager to agree a protocol which is appropriate for this client base.                                                                                                                    | Yes | Yes     | There is a procedure in place and Internal Audit has received independent confirmation that this appears to be implemented.                                                                                                                                                                                                             |
| 3.2                                                                                                                            | 2 | Management will liaise with the Information Compliance Manager and consider implementation of call recording facilities within the current review of performance and quality and                                                                                                                                          | Yes | Yes     | The Service and the Information Compliance Manager considered the issue of call recording and decided not to progress with recording calls.                                                                                                                                                                                             |

|                                                                                                                                      |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |     |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                      |   | available resources.                                                                                                                                                                                                                                                                                                                                                                                                                                                  |     |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p style="text-align: center;">Action Point 4 – Supervisory Oversight</p> <p style="text-align: center;">Importance Rating: High</p> |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |     |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 4                                                                                                                                    | 1 | <p>The Service will review and document procedures and oversight checks for the full scope of the FA and charging process.</p> <p>This will include reviewing the arrangements for the oversight of the allocation of work within the team alongside verifying FAs and invoices and ensuring that there is an adequate audit trail.</p> <p>As per the third action at Action Point 1, the Service will review how errors are communicated to Community Care teams</p> | No  | No  | <p>The Service is working with Business Improvement team to develop a technical solution enabling relevant reporting from SWIFT. However this has proved problematic.</p> <p>Evidence provided relating to this action does not cover all aspects and there remains a gap in oversight and monitoring as well as feeding back outcomes of reviews to officers.</p> <p>The Service now has an understanding of the workload of team members relating to the number of assessments / calculations which are in their workload.</p> <p>New arrangements have been put in place in June 2018 to manage new referrals to the Assessment &amp; Charging team through a single point in order to have a clear understanding of cases in the system.</p> |
| <p style="text-align: center;">Action Point 5 – Annual Review Process</p> <p style="text-align: center;">Importance Rating: High</p> |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |     |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 5.1                                                                                                                                  | 1 | During the audit, 59 clients were identified as being in receipt of non-residential services but had not been reviewed by the Assessment                                                                                                                                                                                                                                                                                                                              | Yes | Yes | Evidence was provided that all of these cases had been reviewed. Sample checks highlighted revealed that invoices were raised appropriately.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

|                                                                             |   |                                                                                                                                                                                                           |     |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                             |   | & Charging Team.<br>These 59 cases have been reviewed.                                                                                                                                                    |     |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 5.2                                                                         | 2 | The Service will document the annual review procedures and ensure that an audit trail and control checks are implemented.<br><br>Should any historic cases be highlighted, relevant action will be taken. | No  | In part | The Service is in the process of documenting the annual review procedure and there is scope to be explicit about control checks.<br><br>Internal Audit were informed as part of routine follow up that no further cases had come to light during the review.<br><br>However, a full review was undertaken in March 2018 and this highlighted 413 instances where changes had been made to services provided which may have required the team to be involved. Some changes dated back to 2013. The Service is currently working through these cases to ensure that appropriate action is taken. 35 of these cases had been subjected to a financial assessment but the calculation had not taken place however the team were not aware of the other changes. The issue of Social Work notification of changes to care packages is being progressed through the Board. |
| Action Point 6 – Deprivation Recording<br>Importance Rating: Low            |   |                                                                                                                                                                                                           |     |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 6                                                                           | 1 | The form used to assess deprivation cases has been amended                                                                                                                                                | Yes | Yes     | A revised form has been in use, however there is no overarching document which records cases where deprivation may have occurred. A review of 3 completed forms revealed that there was scope to develop further processes to ensure clarity around rationale and timeliness.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Action Point 7 – Credit Notes & Invoices on Hold<br>Importance Rating: High |   |                                                                                                                                                                                                           |     |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

|     |   |                                                                                                                                                                                                                                                                                                                                                  |    |         |                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7.1 | 1 | The Service will implement a procedure which outlines steps requiring to be taken to investigate the need for a credit note to be issued; this should also document audit trail requirements for rationale of issuance                                                                                                                           | No | In part | Evidence was provided of the procedures in use. The use of the e-form for raising credit notes resulted in improvements to the process. However the detailed calculations which have taken place are not always retained. This has caused difficulty in the verification of the accuracy of the credit notes raised.                                                                                                            |
| 7.2 | 2 | The Service will document the review of the credit note control report along with resultant discussions/actions                                                                                                                                                                                                                                  | No | Yes     | Evidence has been provided showing appropriate oversight and conversations relating to credit note control                                                                                                                                                                                                                                                                                                                      |
| 7.3 | 3 | <p>The Service will undertake a one-off exercise to ensure that all invoices on hold are reviewed with appropriate action taken.</p> <p>Additionally, the Service will introduce a documented control which provides assurance that invoices which have been placed on hold are being reviewed on a regular, at least once a quarter, basis.</p> | No | In part | <p>There is evidence that on-hold invoices have been reviewed.</p> <p>It was noted that all cases where services have ceased relate to either the current or previous financial years' invoices which would suggest service ceased are being completed timeously.</p> <p>Regular checking of invoices which remain on hold has been undertaken in most cases but there is scope to increase the frequency of these reviews.</p> |







## Internal Audit Report



Internal Audit Report  
Housing and Environment  
Housing Repairs & Improvement Service  
Financial Control  
Assignment No. 17- 27  
May 2018

## Final Report

(Report No. 18/222)

Legal and Governance  
Corporate and Democratic Services  
Perth & Kinross Council  
Council Offices  
2 High Street  
Perth  
PH1 5PH

## Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

The Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

## Background and Introduction

This audit was carried out as part of the audit plan for 2017/18, which was presented to the Audit Committee on 27 September 2017. Audit testing was carried out in April 2018.

## Scope and Limitations

In order to arrive at an opinion on the effectiveness of the control objectives, the audit included visits to the repairs and improvement service, interviews with relevant staff and review of the relevant procedures and documentation. Compliance with procedures was tested as appropriate.

Internal Audit undertook work with the Financial Systems Team within Corporate and Democratic Services (CADS) utilising data matching software, which has recently been purchased by the Internal Audit team, to assist in enhancing existing controls within Housing Repairs & Improvements Service.

## Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A ‘control objective’ is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

|                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Control Objective 1: To confirm that appropriate regulations, policies and procedures are in place for the requisition, purchase, receipt and payment of goods and services. |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit Comments: Internal Audit testing can confirm that Operational Financial Regulations, policies and procedures are easily accessible through the Council’s SharePoint to guide staff on the requisition, purchase, receipt and payment of goods. There are also “Best Practice” documents available and a comprehensive Integra Purchase Ledger manual. In addition there is detailed guidance in respect of processing invoices through Northgate. |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Integra and Northgate systems are being used effectively on a daily basis to complete the order production, invoice registration and payment processes. Financial administrative staff is aware of and complying with guidance. However testing highlighted that there were instances where there was not an appropriate segregation of duties. This is an important element of any control framework and |
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## Internal Audit Report

contributes to ensuring that only appropriate and valid invoices are passed for payment

Checks are being carried out at each stage of the financial process including any changes to supplier bank account details. Sample testing found that invoices are being processed correctly in accordance with the Council's procedures and are filed securely.

A new Authorised Signatory database was introduced by the Financial Systems team in late 2017, which is now accessible through the Integra system. Testing revealed that 8 purchase invoices were authorised by officers who did not have the appropriate documented authority to do so. The service took action during the audit to rectify the above and ensure appropriate documented authority was in place. In one example the invoice was authorised by an officer which was above their financial limit.

The Service has advised that an annual review of authorised signatories is in the process of being carried out.

Data matching software was utilised to identify potential duplicate payments. Five invoices were confirmed as being duplicates, two of which had been previously identified and rectified. Appropriate action is now being taken by the Service in respect of the other three invoices.

The Service confirmed that additional invoice processing training for administration staff was carried out during the audit.

Strength of Internal Controls:

Moderate

Control Objective 2: To confirm that adequate system controls are in place to ensure the integrity of the system.

Audit Comments: Audit testing confirmed that adequate systems controls and procedures are in place to ensure the integrity of the system.

The BACS authorisation process was tested and confirmed effective in a previous internal audit report ([Creditors System](#)). This audit also confirmed that there were adequate back up procedures in place to prevent data older than 24 hours from being lost in the event of a system failure.

The Authorised Signatories Database is maintained and updated on a regular basis. This is evidenced by reports provided by the Financial Systems team which confirm that updates and/or amendments have been submitted within the last 3 months.

Testing confirmed that there were adequate controls in place in respect of user access to the Integra financial system. The Financial Systems team receive monthly lists of leavers from Human Resources which enables them to update user access. In addition the service will advise of any movers. An annual audit of leavers and movers is also carried out. User access in respect of the Northgate was subject to a previous internal audit ([Northgate Housing Information System](#)) and found to be satisfactory.

Strength of Internal Controls:

Strong

### Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

### Acknowledgements

Internal Audit acknowledges with thanks, the co-operation of the Housing Repairs & Improvements Service and Finance staff within the Service and Corporate & Democratic Services during this audit.

### Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

### Distribution

This report will be distributed to:

B Malone, Chief Executive

J Valentine, Depute Chief Executive (Chief Operating Officer)

B Renton, Director (Housing & Environment)

K McNamara, Depute Director (Housing & Environment)

C Mailer, Head of Housing

J McColl, Service Manager (Housing)

F Crofts, Finance & Resource Manager

F Low, Business & Resources Team Leader

S Coyle, Business & Resources Team Leader

L Robinson, Team Leader

J Cruickshank, Team Leader

G Taylor, Head of Democratic Services

## Internal Audit Report

L Simpson, Head of Legal and Governance Services

S MacKenzie, Head of Finance

S Walker, Chief Accountant

External Audit

### Authorisation

The auditor for this assignment was M Morrison. The supervising auditor was J Clark.

This report is authorised for issue:

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Jackie Clark  
Chief Internal Auditor  
Date: May 2018

## Appendix 1: Summary of Action Points

| No. | Action Point                               | Risk/Importance |
|-----|--------------------------------------------|-----------------|
| 1   | <a href="#">Segregation of duties</a>      | Medium          |
| 2   | <a href="#">Authority to Sign Invoices</a> | Medium          |
| 3   | <a href="#">Duplicate Invoices</a>         | Medium          |

## Appendix 2: Action Plan

### Action Point 1 - Segregation of Duties

Procedures state in all areas of the payment process there should be recognition of the importance of segregation of duties. This is an important element of any control framework and contributes to ensuring that only appropriate and valid invoices are passed for payment.

Testing confirmed that there were instances where appropriate segregation of duties between checking and authorising invoices was not in place.

### Management Action Plan

This control weakness was acknowledged during the audit and the service has now put a procedure in place to ensure there is adequate segregation of duties between checking and authorising invoices.

|                                     |                                     |
|-------------------------------------|-------------------------------------|
| Risk/Importance:                    | Medium                              |
| Responsible Officer:                | J McColl, Service Manager (Housing) |
| Lead Service:                       | Housing and Environment             |
| Date for Completion (Month / Year): | Completed                           |
| Required Evidence of Completion:    |                                     |

### Auditor's Comments

Satisfactory

## Action Point 2 - Authority to Sign Invoices

The Council's Financial Regulations require Services to put in place arrangements to ensure that invoices are correct and authorised for payment by an appropriate person.

Audit testing revealed that of the total of 21 invoices tested 8 were authorised by officers who did not have the appropriate documented financial authority to do so. Whilst there are operational reasons for such, this is contrary to procedures.

In addition one of the invoices was authorised by an officer, where the value was above their authorised financial limit.

## Management Action Plan

- 1) The service will ensure that appropriate documented authority is in place in respect of the financial codes identified during testing.
- 2) The service is in the process of undertaking a review of all authorised signatories
- 3) The service will issue a reminder to all authorised signatories of the importance to adhere to their authorised financial limit.

|                                     |                                                                                                                                    |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Risk/Importance:                    | Medium                                                                                                                             |
| Responsible Officer:                | 1) J McColl, Service Manager (Housing)<br>2) F Low, Business & Resources Team Leader<br>3) F Low, Business & Resources Team Leader |
| Lead Service:                       | Housing & Environment                                                                                                              |
| Date for Completion (Month / Year): | 1) Complete<br>2) June 2018<br>3) June 2018                                                                                        |
| Required Evidence of Completion:    | 2) Evidence that a review of authorised signatories has been undertaken.<br>3) Copy of reminder issued and circulation             |

## Auditor's Comments

Satisfactory



### Action Point 3 - Duplicate Invoices

Data matching software was utilised to identify potential duplicate payments. Of a potential 587 matches, 19 were identified as warranting further investigation due to similar narrative, invoice number or pay date. Five invoices were identified as duplicates, two of which had already been identified and remedied by the Service. The Service has contacted the relevant suppliers in respect of the other invoices to make arrangements to have them repaid.

As a result of these duplicate invoices internal audit will utilise data matching software to review the effectiveness of the agreed actions.

### Management Action Plan

- 1) Service has advised that they are in the process of reclaiming the duplicate amounts from the relevant suppliers.
- 2) The service will remind all officers within the Improvement Service that payment in respect of capital programme contract should be passed for payment based on interim/final certificates and not invoices.
- 3) The service will remind all authorised signatories of their responsibility to ensure invoices are not posted twice.

|                                     |                                                                                                                                 |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Risk/Importance:                    | Medium                                                                                                                          |
| Responsible Officer:                | J Cruickshank, Project Manager                                                                                                  |
| Lead Service:                       | Housing & Environment                                                                                                           |
| Date for Completion (Month / Year): | 1) June 2018<br>2) June 2018<br>3) June 2018                                                                                    |
| Required Evidence of Completion:    | 1) Evidence that overpayment has been received<br>2) Evidence of reminder being issued<br>3) Evidence of reminder being issued. |

### Auditor's Comments

Satisfactory



# PERTH AND KINROSS COUNCIL

## Audit Committee

27 June 2018

### THE INTERNAL AUDIT STRATEGY & PLAN, 2018/19

#### Report by the Chief Internal Auditor (Report No.18/221)

#### PURPOSE OF REPORT

This report presents the strategy for the delivery of Internal Audit and the proposed Internal Audit Plan for July 2018 to March 2019.

#### 1. BACKGROUND

- 1.1 Internal Audit, as defined in the Public Sector Internal Audit Standards (PSIAS), is an independent, objective assurance and consulting activity designed to add value and improve the effectiveness of the Council's operations. It helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes.
- 1.2 The PSIAS require the Chief Internal Auditor to prepare a risk based Internal Audit Plan (the Plan) setting out the team's annual work programme. The Plan should take account of the Council's objectives, risk and performance management arrangements.
- 1.3 In order to ensure compliance with the PSIAS requirement of undertaking an annual risk assessment, an exercise reviewing the 'audit universe' (which includes all significant activities and systems that contribute to the achievement of the Council's objectives) is undertaken. This includes a review of the main priorities, aims and objectives of the Council and its key partners, as set out in the Single Outcome Agreement, the Corporate and Community Plans, Service BMIPs and the Business Plan.
- 1.4 In February 2017, the Strategic Policy and Resources Committee approved revised arrangements for the corporate management of risk (report 17/63). The embedding of these changes will provide an improved position for Internal Audit to place reliance on the Council's risk management arrangements. A working group has been established to develop and embed the strategy both corporately and within Services and training has been delivered to the relevant key officers responsible for these tasks. In addition, workshops have been held within Services to understand and document key risks.
- 1.5 This Internal Audit Plan has further benefited from taking into consideration the outcomes from the self-assessment exercise and evidence that supports

the Annual Governance Statement, which is included as part of the final accounts provided to External Audit in June 2018.

- 1.6 In developing this Plan, outcomes from the 2018/19 Annual Governance Statement (AGS) process and the ongoing improvements to the corporate management of risk have been taken into consideration. The Local Area Network of external scrutiny bodies undertakes a strategic risk assessment for Perth & Kinross Council and produces an Assurance and Improvement Plan, which is the assessment of the level of external scrutiny required for each council. Previous Internal Audit activity and information regarding complaints to the Council have also contributed to the development of the audit universe. Consultation has also taken place with Services regarding Internal Audit coverage for the period covered by the Plan.
- 1.7 Where appropriate, Internal Audit has linked the proposed Plan to the Corporate Plan demonstrate where Internal Audit's work directly contributes to the achievement of the Council's objectives of:
  1. Giving every child the best start in life;
  2. Developing educated, responsible and informed citizens;
  3. Promoting a prosperous, inclusive and sustainable economy;
  4. Supporting people to lead independent, healthy and active lives; and
  5. Creating a safe and sustainable place for future generations.
- 1.8 Internal Audit has therefore taken these developments into account and presents for approval a plan for the period July 2018 to March 2019. This plan, taken together with the plan previously approved by Audit Committee in March 2018 (Report 18/109 refers), will constitute Internal Audit work for the financial year 2018/19.
- 1.9 Each potential audit subject is assigned a priority rating which derives from an assessment of four factors:
  - (i) the significance of the activity or system in relation to the Council's objectives;
  - (ii) the likely consequences of a failure of control, whether in financial, legal, health & safety, reputational or other ways;
  - (iii) the degree of change in the activity or system, whether legislative, managerial or in other ways;
  - (iv) the assessed strength of the internal controls in place, where known, and reported performance.
- 1.10 The priority ratings are assigned independently by Internal Audit; however, the process benefits greatly from the information provided by Services during consultation.
- 1.11 Once the priority ratings have been assigned, a review of the available resources is undertaken.
- 1.12 Each audit assignment has been assessed with regard to the indicative scope and has been assigned an appropriate level of resource in order to deliver the

assignment. The allocation of resources is based on the assumption that there will be no significant issues arising from the audit which require any detailed investigative work over and above the anticipated assurance work on the control environment.

- 1.13 An allocation of resources has been set aside to enable Internal Audit to respond to requests for ad hoc advice or requests for unplanned consultancy during the year. The allocation also provides for resources to be available to support the Counter-Fraud and Corruption Strategy and to undertake investigations as required. This resource equates to roughly 10% of resources available for Internal Audit activity.
- 1.14 A further allocation of resources has been set aside within the Plan to support the Chief Internal Auditor of NHS Fife, Tayside and Forth Valley in delivering the Internal Audit Plan for the Integrated Joint Board. Detailed work in this area will be approved by, and reports will be submitted to, the Integrated Joint Board.
- 1.15 Internal Audit has acquired a data analytics tool to assist in some assurance audits. This tool, IDEA, will enable Internal Audit to analyse large volumes of data and target resources appropriately. It can also facilitate further data matching and counter fraud work. As a result, development time has been included within the plan to ensure that this tool is utilised to the greatest benefit of the Council.

## **2. PROPOSALS**

- 2.1 Appendix A shows a summary of the forecast internal audit resources for July 2018 – March 2019. The 'Days available for allocation to PKC Internal Audit Plan' equates to 21 audit assignments. This represents the 'core' audit plan for the Council and is in addition to other direct audit work, including:
  - (i) supporting the Chief Internal Auditor for the Integrated Joint Board;
  - (ii) the certification of Council grant claims;
  - (ii) facilitating the Council's response to the National Fraud Initiative; and
  - (iii) other ad-hoc audit assignments.
- 2.2 Appendix B shows the assignments which are proposed to be undertaken during July 2018 to March 2019. It highlights the areas to be audited, along with the indicative scope of the assignment. The number of audit days attributable to each audit has been estimated and is included here for information, along with the indicative time scales for each audit.

2.3 The 2018/19 Audit Plan is summarised in the table below:

| <b>Quarter</b>     | <b>Title</b>                                                                  | <b>Lead Service</b>                            |
|--------------------|-------------------------------------------------------------------------------|------------------------------------------------|
| 2                  | School Estate                                                                 | Education & Children's Services                |
| 2                  | Management of Contracts                                                       | Corporate & Democratic Services                |
| 2                  | Review of Internal Controls following a Significant Fraud in another Council. | Corporate & Democratic Services                |
| 2                  | Workforce Planning                                                            | Corporate & Democratic Services                |
| 2 & 3              | Welfare Reform                                                                | Corporate & Democratic Services                |
| 3                  | Payroll                                                                       | Corporate & Democratic Services                |
| 3                  | Sales Ledger                                                                  | Corporate & Democratic Services                |
| 3                  | Residential Services                                                          | Education & Children's Services                |
| 3                  | Tay Cities Deal                                                               | Housing & Environment                          |
| 3                  | LEADER                                                                        | Housing & Environment                          |
| 3                  | Carbon Reduction Commitment and Climate Change                                | Housing & Environment                          |
| 4                  | Financial Assessment & Charging                                               | Corporate & Democratic Services                |
| 4                  | General Data Protection Regulations                                           | Corporate & Democratic Services / All Services |
| 4                  | Carers Act                                                                    | Health & Social Care                           |
| 4                  | Local Action Partnerships                                                     | Corporate & Democratic Services                |
| Through-out year   | Continuous auditing with IDEA                                                 | All Services                                   |
|                    |                                                                               |                                                |
| <i>Consultancy</i> |                                                                               |                                                |
| 2                  | Community Empowerment                                                         | Corporate & Democratic Services                |
| 3 & 4              | Commissioning Strategy                                                        | Education & Children's Services                |
| 3 & 4              | Inclusion Services                                                            | Education & Children's Services                |
| Through-out year   | Corporate Risk Management                                                     | Corporate & Democratic Services                |
| Through-out year   | ALEOs                                                                         | Corporate & Democratic Services                |
| Through-out year   | Transformation                                                                | Corporate                                      |

- 2.4 Appendix B also highlights a division between assurance and planned consultancy activity, which may take place over a longer period. The consultancy assignments are a more pro-active, enabling audit approach and aim to support management in building in controls at the outset for the implementation of systems, processes and procedures and also for the provision of specific assurance for particular projects or issues at the request of management. This approach is consistent with the PSIAS and with the Internal Audit Charter.
- 2.5 The listing of audit subjects by Council Service and Division in Appendix B is intended only as a guide. It does not necessarily imply that sole responsibility for that activity or system rests with the Service named or that the audit will be restricted to the work of that Service. In particular, many subjects of a 'corporate' nature (including most of the Council's financial systems) may require access to records across all Services.
- 2.6 It is not the purpose of this part of the planning process to specify the content of each audit in detail, but the high-level indicative scope has been captured to indicate the areas which will be subject to review. This will minimise the time taken in the detailed scoping of assignments at a future date.
- 2.7 The planned work will take place from July 2018 to March 2019.
- 2.8 The responsibility for implementing and maintaining the appropriate controls in each area rests with management. The purpose of the internal audit process is to provide independent assurance to the Council that these controls are appropriate and are operating effectively. The aim of the prioritisation process described above is to ensure that this assurance is directed to those areas where it is of most benefit in supporting the delivery of the Council's objectives.
- 2.9 The achievement of the audit plan is based on the assumption of the availability of the anticipated financial and staffing resources. It is also reliant upon the co-operation of Council Services throughout the process, from agreeing the scope of the audit to the implementation of agreed actions.

### **3. CONCLUSION AND RECOMMENDATION**

- 3.1 It is recommended that the Audit Committee considers and approves the proposed internal audit plan for the period July 2018 to March 2019.

#### **Author(s)**

| <b>Name</b>  | <b>Designation</b>     | <b>Contact Details</b>                                                 |
|--------------|------------------------|------------------------------------------------------------------------|
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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

| <b>Strategic Implications</b>                       | <b>Yes / None</b> |
|-----------------------------------------------------|-------------------|
| Community Plan / Single Outcome Agreement           | None              |
| Strategic 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                                            | Yes               |
| <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 The risks are associated with the level of assurance provided on the control environment in the event that Internal Audit's planned work is not completed on time.

## 3. **Consultation**

### 3.1 Internal

- 3.1.1 The Chief Executive, Depute Chief Executives, Directors, the Head of Finance, the Head of Legal and Governance Services, relevant Heads of Service and Elected Members on the Audit Committee have been consulted in the preparation of this report.

### 3.2 External

- 3.2.2 The Council's External Auditors, Audit Scotland, 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 – Internal Audit Resources (Audit Days) for July 2018 to March 2019

Appendix B – The Internal Audit Plan for July 2018 to March 2019

**Appendix A – Internal Audit Resources (Audit Days) for July 2018 to March 2019**

| Description                                                                                                                              | 2018/19<br>Quarters 2 - 4 |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Days Attendance at Work (Net of Public Holidays, Annual Leave, training and Sickness Allowance)                                          | 600                       |
| Less: Time on Other Non-Audit Activity (Team and Other Meetings, Personnel and Other Management Tasks)                                   | (50)                      |
| Days Available for internal audit activity                                                                                               | 550                       |
| Less: Time on 'Core' Audit Work (Follow-Up, Strategic Audit Planning, Supporting the Audit Committee, Supervision and Quality Assurance) | (85)                      |
| Grant certification, supporting the National Fraud Initiative and IJB audit work                                                         | (60)                      |
| Allocation of resources for unplanned work, ad-hoc advisory work, investigations and Counter-Fraud and Corruption                        | (55)                      |
| <b>Days available for allocation to specified assignments</b>                                                                            | <b>350</b>                |
|                                                                                                                                          |                           |
| Equivalent Assignments                                                                                                                   | 21                        |



## Appendix B – The Internal Audit Plan for July 2018 to March 2019

### Internal Audit Assignments:

| Service                         | Division                    | Title                                                                         | Indicative Scope                                                                                                                                              | Corporate Objective | Internal Audit Priority rating | Total days | Quarter |
|---------------------------------|-----------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------------|------------|---------|
| Corporate & Democratic Services | Human Resources             | Payroll                                                                       | To provide assurance on the accuracy and integrity of payroll                                                                                                 | All                 | Medium                         | 20         | 3       |
| Corporate & Democratic Services | Human Resources             | Workforce Planning                                                            | To review arrangements in place throughout the Council to ensure that there are plans for a sustainable workforce                                             | All                 | High                           | 30         | 2       |
| Corporate & Democratic Services | Finance Division & IT       | Review of Internal Controls following a Significant Fraud in another Council. | To review internal controls in place within Finance and IT following their review of vulnerabilities resulting from the significant fraud in another Council. | All                 | High                           | 20         | 2       |
| Corporate & Democratic Services | Finance Division            | Sales Ledger                                                                  | To provide assurance on the adequacy and effectiveness of the control environment for the raising, amendment and payment of sales ledger invoices.            | All                 | High                           | 20         | 3       |
| Corporate & Democratic Services | Legal & Governance Services | General Data Protection Regulation                                            | To provide assurance over the arrangements in place throughout the Council for compliance with GDPR                                                           | All                 | High                           | 20         | 4       |
| Corporate & Democratic Services | Strategic Commissioning     | Management of Contracts                                                       | To review arrangements in place within Service to manage contracts.                                                                                           | All                 | Medium                         | 25         | 2       |
| Corporate & Democratic Services | Community Planning          | Local Action Partnerships                                                     | To review the adequacy of the partnerships in delivering local priorities.                                                                                    | All                 | Medium                         | 20         | 4       |

| <b>Service</b>                                            | <b>Division</b>         | <b>Title</b>                                         | <b>Indicative Scope</b>                                                                                                                 | <b>Corporate Objective</b> | <b>Internal Audit Priority rating</b> | <b>Total days</b> | <b>Quarter</b> |
|-----------------------------------------------------------|-------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------------------------------|-------------------|----------------|
| Corporate & Democratic Services                           | Corporate IT & Revenues | Further Follow Up of Financial Assessment & Charging | To continue to follow up actions arising from 16-07 Internal Audit Report and to ensure that arrangements in place have been sustained. | 4                          | High                                  | 15                | 4              |
| Education & Children's Services                           | Education Services      | Residential Services                                 | To provide assurance over the revised arrangements for residential placements.                                                          | 1,2,4                      | Medium                                | 25                | 3              |
| Education & Children's Services                           | Education Services      | School Estate Strategy                               | To provide assurance on the arrangements in place to ensure that the Council has adequate planning for the school estate.               | 2                          | High                                  | 25                | 2              |
| Housing & Environment                                     | Regeneration            | Tay Cities Deal                                      | The scope for this audit will be agreed nearer the towards the end of 2018.                                                             | 3,5                        | Medium                                | 20                | 4              |
| Housing & Environment                                     | Economic Development    | LEADER                                               | To undertake an audit of LEADER                                                                                                         | 3, 5                       | High                                  | 15                | 3              |
| Housing & Environment                                     | Property Planning       | Carbon Reduction Commitment & Climate Change         | To ensure that the Council is complying with the initiatives for carbon reduction and climate change                                    | 5                          | Medium                                | 20                | 3              |
| Health & Social Care                                      | Social Care             | Carers Act                                           | To review the adequacy of arrangements in place for the implementation of the Carers Act                                                | 4                          | Medium                                | 20                | 4              |
| Corporate                                                 | Various                 | Welfare Reform                                       | To ensure that the Council has an understanding of the impact of Welfare Reform on Services                                             | 1,3,4                      | High                                  | 20                | 2 & 3          |
|                                                           |                         |                                                      |                                                                                                                                         |                            |                                       |                   |                |
| <i>Total days allocated to traditional audit activity</i> |                         |                                                      |                                                                                                                                         |                            |                                       | 315               |                |

Consultancy Assignments:

| Service                                                           | Division                        | Title                     | Indicative Scope                                                                                                                               | Corporate Objective | Internal Audit Priority rating | Total days | Quarter  |
|-------------------------------------------------------------------|---------------------------------|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------------|------------|----------|
| Corporate & Democratic Services                                   | Community Planning              | Community Empowerment     | To continue to act as a 'critical friend' and contribute to the governance framework for the development in relation to community empowerment. | 2, 3, 5             | High                           | 5          | 2        |
| Education & Children's Services                                   | Whole Service                   | Commissioning Strategy    | To provide advice and support to the Service for the implementation and monitoring of the Strategy                                             | 1,2,4               | Medium                         | 5          | 3 & 4    |
| Education & Children's Services                                   | Education Services              | Inclusion Services        | To provide advice and support to the Service for the future delivery of Inclusion Services                                                     | 2                   | High                           | 10         | 3 & 4    |
| Corporate                                                         | All Services                    | Corporate Risk Management | To continue to support Services with embedding adequate arrangements in line with the approved risk management policy and strategy.            | All                 | High                           | 5          | All year |
| Corporate                                                         | Corporate & Democratic Services | ALEOs                     | To continue to provide resources to ensure that there is an appropriate governance framework for the ALEOs                                     | 2, 4                | High                           | 5          | All year |
| Corporate                                                         | Various                         | Transformation            | To continue to provide resources to support the transformation agenda                                                                          | All                 | High                           | 5          | All year |
|                                                                   |                                 |                           |                                                                                                                                                |                     |                                |            |          |
| <i>Total days allocated to planned consultancy audit activity</i> |                                 |                           |                                                                                                                                                |                     |                                | 35         |          |
|                                                                   |                                 |                           |                                                                                                                                                |                     |                                |            |          |
| <b>TOTAL AUDIT DAYS</b>                                           |                                 |                           |                                                                                                                                                |                     |                                | <b>350</b> |          |

