

PERTH AND KINROSS COUNCIL**Audit Committee****23 November 2016****INTERNAL AUDIT FOLLOW UP****Report by Chief Internal Auditor****PURPOSE OF REPORT**

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

1. BACKGROUND AND MAIN ISSUES

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to establish a follow-up process to monitor and ensure that management actions have been effectively implemented. To assist the Audit Committee, the appendices to this report provide information on those actions that have not been implemented in accordance with the original agreed timetable, or where there is insufficient information on the current situation. Some dates have been revised and agreed with Services in recognition of the need for more time to complete the actions.
- 1.2 Appendix A presents a summary of the number of actions arising from internal and external audit reports.
- Table 1 shows the total number of agreed actions which Internal Audit will be following up even where the originally agreed completion dates have not yet been reached; the total number of actions is 106.
 - Table 2 shows the number of agreed actions that have been reported as incomplete as at their original agreed completion date. These total 19, of which 6 had a completion date of July and August 2016 and are therefore detailed in the following Appendices B to D.
 - A further 13 actions not completed by their original date have been allocated revised dates for completion after 31 August 2016 and progress will be reported on these at a future Committee.
 - The number of agreed actions which have yet to be followed up as the date for completion is after 31 August 2016 is 87.
- 1.3 In both tables, the actions are grouped by Service and reported by 'importance' of the agreed actions. The importance of each action is documented in the original Internal Audit reports considered by the Audit Committee. Reported importance ratings range from 'critical', where there are significant financial, reputation, legal, performance, or safety issues, to 'low', where the risks are lower but there may be opportunities for improving processes and procedures. Reports produced by Audit Scotland do not

explicitly state the importance of each individual action and are therefore included in the tables as 'not rated'.

- 1.4 Appendices B to D present detailed follow-up information in respect of actions agreed for completion in the period of July and August 2016. The appendices also record service management's explanations of the status of each action point and internal audit comments where relevant. There are no actions with a completion date of July and August that have not been completed for Education & Children's Services.
- 1.5 The Audit Committee has requested information regarding any action with a 'critical' or 'high' risk rating which has not been completed on its originally agreed date. Table two highlights 3 such instances of 'high' risk actions. One action relates to Housing and Community Care and is included in Appendix C and two are for The Environment Service and are included in Appendix D.

2. PROPOSALS

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

3 CONCLUSION AND RECOMMENDATIONS

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

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

1.1 Corporate Plan

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

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

- 1.1.2 This report relates to all of these objectives.

2. Assessments

2.1 Equality Impact Assessment

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

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

2.2 Risk

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

3. Consultation

3.1 Internal

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

2. BACKGROUND PAPERS

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

3. APPENDICES

Appendix A - Summary of Agreed Actions

Appendix B - Audit Follow-Up Corporate & Democratic Services

Appendix C – Audit Follow Up Housing & Community Care

Appendix D - Audit Follow-Up The Environment Service

Appendix A: Summary of Agreed Actions

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

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Corporate & Democratic Services	0 (0)	0 (0)	18 (13)	4 (6)	3 (4)	25 (23)
Education & Children's Services	0 (0)	2 (2)	8 (11)	1 (3)	0 (0)	11 (16)
Housing & Community Care	0 (0)	13 (15)	19 (21)	11 (10)	3 (2)	46 (49)
The Environment Service	0 (0)	4 (4)	15 (20)	4 (5)	1 (2)	24 (31)
All Services	0 (0)	19 (21)	60 (65)	20 (24)	7 (8)	106 (119)

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

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Corporate & Democratic Services	0 (0)	0 (0)	3 (1)	0 (2)	2 (2)	5 (5)
Education & Children's Services	0 (0)	0 (0)	2 (1)	0 (3)	0 (0)	2 (4)
Housing & Community Care	0 (0)	1 (1)	3 (2)	0 (0)	1 (2)	5 (5)
The Environment Service	0 (0)	2 (0)	4 (5)	0 (1)	0 (1)	6 (7)
All Services	0 (0)	3 (1)	12 (9)	0 (6)	3 (5)	18 (21)
Actions with a completion date of July and August 2016 which have not been completed and therefore included on Appendices B to D						5
Those actions where the agreed date is not July and August 2016 which have been previously reported to Audit Committee						13

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

Action Plan	Dates	Status/Explanation
<p>15-17 - IT Disaster Recovery Planning Action Point : 6 - Single points of failure Importance: Medium</p> <p>Audit Committee Date: June 2016</p> <p>The IT Service will review key single points of failure and develop options and costs for increased resilience. These options will be considered at the Corporate Resources Group.</p> <p>(D Adams, Service Manager - ICT Support)</p>	<p>Aug 2016 Jan 2017</p>	<p>The Service states that this action is ongoing and will be completed by January 2017</p> <p>Internal Audit Opinion: Satisfactory</p>

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

Action Plan	Dates	Status/Explanation
<p>15-22 - Self-Directed Support Action Point : 19 - Individual Service Fund Enabling Agreements Importance: High</p> <p>Audit Committee Date: March 2016</p> <p>The procedure introduced will include a monitoring routine which checks that Individual Service Fund Enabling Agreements (ISFAs) are held. Monitoring of ISFAs will be undertaken initially by the Self Directed Support team but in the future by Commissioning and Contracting Team.</p> <p>(G Peters, Team Leader, Commissioning & Contracting)</p> <p>Required Evidence Of Completion : Evidence of monitoring</p>	<p>Aug 2016 Dec 2016</p>	<p>The Service has provided evidence of monitoring of an ISFA by Contracts and Commissioning Team. Internal Audit note the improvement by the Service however, the monitoring report provided was incomplete and some notes indicated that not all checks had been carried out. Internal Audit will await a completed report to confirm the monitoring arrangements.</p> <p>Internal Audit Opinion: Satisfactory</p>

Appendix D - Audit Follow-up
The Environment Service
(Reporting for All dates on or before: August 2016)

Action Plan	Dates	Status/Explanation
<p>14-11 - Management of Contracts Action Point : 5 - The Council's corporate rules on contract management Importance: Medium</p> <p>Audit Committee Date: February 2015</p> <p>The Corporate Procurement Team are working on a "roles and responsibilities" framework to help services identify appropriate measures; e.g., requirements for Contract Officers and their supervisors, to ensure that contract management is effective and proportionate, and Council decision-makers are regularly assured of same.</p> <p>(M Mitchell, Corporate Procurement Manager)</p>	<p>Sep 2015 Feb 2016 Jul 2016 Dec 2016</p>	<p>The Service has advised that part of the business case for the Procurement Transformation project included funding to upgrade or introduce systems to improve our management of contracts and that a contract management module which integrates with the electronic tendering system has been identified and the roll out of the system has begun.</p> <p>Roles and responsibilities will be assigned to officers using the system. These are likely to be tiered levels of authority.</p> <p>Internal Audit Opinion: Accepted</p>
<p>16-15 - Fuel Management Action Point 1a – Fuel Card Contract Importance: High</p> <p>Audit Committee Date: June 2016</p> <p>The Fleet Management Service will investigate fuel usage and spend patterns on fuel cards across the Council. Using this information, the Service will review the potential suppliers from the National Category A shortlist and document the decision making process for the award of the direct call-off contract.</p>	<p>Aug 2016 Dec 2016</p>	<p>The Service has requested an extension as this task is underway and has involved more work than anticipated.</p> <p>Internal Audit Opinion Accepted</p>

Action Plan	Dates	Status/Explanation
<p>This decision will ensure that all aspects of the contract will be taken into consideration and ensure that the Council achieves best value. The Service will then sign a contract with the chosen supplier.</p> <p>(B Morton, Fleet Manager)</p>		
<p>15-15 - Fuel Management Action Point 1b – Fuel Card Contract Importance: High</p> <p>Audit Committee Date: June 2016</p> <p>The Fleet Management Service will liaise with the Procurement Manager to ensure that the Contracts Register is updated for all contracts held.</p> <p>(B Morton, Fleet Manager)</p>	<p>Aug 2016 Dec 2016</p>	<p>The Service has requested an extension as this task is underway and has involved more work than anticipated.</p> <p>Internal Audit Opinion Accepted</p>