

PERTH AND KINROSS COUNCIL

AUDIT COMMITTEE

22 May 2019

INTERNAL AUDIT UPDATE

Report by the Chief Internal Auditor (Report No. 19/158)

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 continued on assignments included within the Internal Audit Plan for 2018/19, as approved by Audit Committee in March 2018 (report 18/109) and June 2018 (report 18/221).
- 1.3 Between April 2018 and 31 March 2019, Internal Audit has been contacted on 12 occasions to provide advice, assurance and / or assistance to services regarding specific issues. Since April 2019, Internal Audit has been contacted 3 times for these purposes. Internal Audit will follow up on these areas during the year, where necessary. Where control issues arise as a result of this work, Internal Audit will provide the Audit Committee with a report.
- 1.4 Internal Audit is also undertaking work arising from the Integrated Joint Board's Audit Plan.
- 1.5 Internal Audit has continued to work with Services to ensure that matches arising from the National Fraud Initiative are being investigated appropriately.
- 1.6 Appendix 1 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.
- 1.7 Appendix 2 shows the areas of work being undertaken following the Audit Committee's consideration of the Internal Audit work plan for 2018/19. This shows that all work approved as part of the 2018/19 has been completed.

2. OUTCOMES FROM CONSULTANCY WORK

- 2.1 Within the Internal Audit Plan, there are a number of assignments which were identified as 'consultancy'. Following approval from Audit Committee of a revised reporting process for consultancy assignment (Report 16/306), this

report provides a summary of completed work with regard to such assignments, where appropriate.

- 2.2 The scope of Internal Audit Assignment 18-04 Arms Length External Organisations (ALEOs) was to continue to provide resources to ensure that there is an appropriate governance framework for Live Active Leisure, Horsecross Arts and Culture Perth & Kinross.
- 2.3 The Head of Public Sector Reform, Culture and Community Development acts as contract manager for the Service Level Agreements in place with each of the above organisations. Where issues arise with the management of the Service Level Agreements, these are escalated internally in order to ensure that the Council is aware of the risks associated with the use of ALEOs.
- 2.4 During 2018/19, the Scrutiny Committee has received presentations from each of the bodies and had the opportunity to challenge the representatives on their fulfilment of objectives on the part of the Council. Horsecross Arts has appeared before the Committee on two occasions and remains an area of concern. A report was presented to the Strategic Policy & Resources Committee in [April 2019](#) regarding the transformation projects relating to the ALEOs. This report also highlighted specific issues in relation to Horsecross Arts, which has resulted in the Council exercising its Sole Member Company powers, including the establishment of an Advisory Board, chaired by the Head of Culture and Community Services.
- 2.5 Internal Audit resources are being made available to support Council officers and this Board in fulfilling its responsibilities in order to ensure that the Council's objectives can be delivered and to ensure that the Council's statutory responsibilities for Best Value and Following the Public Pound are not breached.
- 2.6 The scope of Internal Audit Assignment 18-05 Transformation was to continue to provide resources to support the transformation agenda. Internal Audit has kept up to date with development of the governance surrounding transformation and included a more detailed audit of one transformation project within planned Internal Audit work (Internal Audit assignment 18-17 REACH).
- 2.7 Revised governance arrangements for the delivery of the Capital and Transformation Programme have been agreed, with the first meeting of the Strategic Investment and Improvement Board due to take place in April 2019.
- 2.8 The achievement of the programme remains a high priority area for the achievement of the Council's objectives, and therefore will continue to be included within future Internal Audit plans.
- 2.9 The scope of Internal Audit Assignment 18-06 Corporate Governance was for Internal Audit to be aware of and to contribute to the corporate governance of the Council. The Chief Internal Auditor is a member of Policy and Governance Group, which has recently refreshed its role and remit to better reflect the

governance needs of the organisation, in line with the revised remit for the Corporate Management Group. The role of this group includes oversight of governance, risk and internal control and Internal Audit's role will continue into future years.

- 2.10 The scope of Internal Audit Assignment 18-07 Commissioning Strategy was to provide advice and support to the Service for the implementation and monitoring of the Strategy.
- 2.11 The implementation and monitoring of the strategy is the responsibility of the Commissioned Services Board which has met on a regular basis throughout 2018 and has overseen reviews of the commissioned services within its remit. There is evidence that re-commissioning has been and is being carried out to achieve improvements in line with strategic priorities. This approach has also ensured that the full savings identified have been achieved.
- 2.12 The scope of Internal Audit Assignment 18-13 Workforce Planning was to review arrangements in place throughout the Council to ensure that there are plans for a sustainable workforce. Workforce management measures have been developed during the year, and progress has been reported through the Annual Workforce Report in December 2018. These have included the continuation of the measures to recruit to hard-to-fill posts and recruitment, retention and development initiatives. Workshops have been held with managers to develop workforce management areas highlighted within the plan to help shape future priorities. Workforce management will remain as a significant risk for the Council, in terms of having the right people with the right skills in the right place, and this area will remain within the Internal Audit plan in order to review the effectiveness of the specific measures within the Plan.
- 2.13 A review of the Tay Cities Deal (Internal Audit Assignment 18-18) was included within the plan with the scope to be decided depending upon its progress. The Auditor has reviewed publicly available information to ascertain the nature of the Tay Cities Deal and progress to date, and has carried out a brief initial assessment of where Internal Audit may be able to add value to review of this process going forward.
- 2.14 A meeting was held with J Valentine, Depute Chief Executive and access has been provided to the Tay Cities Deal information hub. It is known that there is ongoing scrutiny of City Region deals through the Scottish Parliament's Local Government and Communities Committee and that this is the subject of an Audit Scotland review, which is due to be reported on in late 2019. The Chief Internal Auditor has been in communication with her colleagues in the other Councils involved and a programme of audit activity will be developed once the full scope of continuing assessment is understood to maximise the value that Internal Audit can add and to minimise any duplication.
- 2.15 The scope of Internal Audit Assignment 18-24 IDEA Implementation & Continuous Auditing was to develop the opportunity for utilisation of this data extraction and analysis software in order to add value to systems and create opportunities for reducing the risks of fraud and error. Internal Audit has

utilised IDEA for some financial systems audits and has worked with the Financial Systems Team in developing reports which highlight opportunities to match income and expenditure systems to ensure that the Council does not pay individuals / organisations where debt is owed to the Council. The utilisation of this software tool will continue to develop over time and with other Services.

- 2.16 The scope of Internal Audit Assignment 18-27 Inclusion Services was to provide advice and support to the Service for the future delivery of Inclusion Services. The service manages the strategic and operational provision for meeting additional support needs (ASN) within PKC. The service includes the Educational Psychology Service and comprises of central officers; an Early Years Inclusion team; an English as an Additional Language (EAL) team; Visual Impairment and Hearing Impairment Services; Pupil Support Teachers and Assistants.
- 2.17 The ongoing development and implementation of the review of Inclusion Services is designed to bring about cultural change, service redesign and a shift in resources to improve the effectiveness of inclusive education for children and young people with ASN. The project is being undertaken using the existing capacity and resources of the Education and Children's Services Inclusion Services team. There have been some capacity issues within the team in 2018/19 due to a range of factors, not all of within the control of the Service, and project management resources have been made available to assist.
- 2.18 Additional capacity has been allocated to this work stream to ensure that the implementation plan arising from the review can be taken forward at an appropriate pace.
- 2.19 Following discussion with the Head of Service (Secondary & Inclusion) Internal Audit will continue to offer consultancy support to the Service as part of the Internal Audit Plan for 2019/20.
- 2.20 The scope of Internal Audit Assignment 18-28 Risk Management was to continue to support Services with embedding adequate arrangements in line with the approved risk management policy and strategy.
- 2.21 Internal Audit has continued to provide advice, support and guidance for the roll-out of risk management, in line with the Management of Risk framework and has contributed to this as part of the Planning, Performance & Risk Group. The Strategy and Policy has been reviewed and progress is being made with refreshing the process guide. The Risk Appetite statement and Risk Registers for 2019/20 will be considered by the Audit Committee.
- 2.22 The outcomes from all consultancy assignments are taken into account when considering the Internal Audit universe, from which future Internal Audit plans are derived.

3. CONCLUSION AND RECOMMENDATIONS

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

3.2 It is recommended that the Committee notes:

- i) the completion of all assignments from the Internal Audit Plan for 2018/19
- ii) the outcomes from consultancy work.

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Strategic 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

Community Plan/Single Outcome Agreement

Corporate Plan

- 1.1 The Council's Corporate Plan 2018 – 2022 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.

- 1.2 This report relates to all of these objectives.

2. Assessments

Equality Impact Assessment

- 2.1 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.

- 2.2 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.

Risk

- 2.3 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

Internal

- 3.1 The Chief Executive and Head of Legal and Governance 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 1 – Audit Activity Completed Since The Last Report To Audit Committee

Appendix 2 – Work Completed from the 2018/19 Internal Audit Work Plan