

**PERTH AND KINROSS COUNCIL****Audit Committee****5 February 2014****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 that the Chief Internal Auditor establishes 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 128. Table 2 shows the number of agreed actions that have been reported as incomplete as at their original agreed completion date; these total 30, of which 16 had a completion date of July to October 2013 and are therefore detailed in the following appendices B to E. A further 14 actions not completed by their original date have been allocated dates in the future for completion and progress will be reported on at a future committee. Therefore, the number of agreed actions which have yet to be followed up as the date for completion is in the future is 98. In both tables, the actions are grouped by Service and reported by 'importance' of the agreed actions.
- 1.3 Appendices B to E present detailed follow-up information on a service-by-service basis, in respect of actions agreed for completion in the period of July to October 2013. In each case the appendices also record service management's explanations of the status of each action point and internal audit comments where relevant.

## 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;
  - (ii) Consider the most appropriate action to be taken to progress the agreed action plans, taking into account the recorded audit opinions.

### Author

Name	Designation	Contact Details
Jackie Clark	Chief Internal Auditor	Ext 75524 JClark@pkc.gov.uk

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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;
- (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 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 Chief Executive's Service

Appendix C - Audit Follow Up Education & Children's Services

Appendix D - Audit Follow-Up Housing and Community Care

Appendix E - Audit Follow-Up The Environment Service

## Appendix A: Summary of Agreed Actions

Table 1: All Agreed Actions for Follow-Up (figures in brackets reported in March 2013). This table includes actions not yet due for completion.

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Chief Executive's	0 (0)	0 (1)	16 (18)	4 (8)	9 (15)	29 (42)
Education & Children's Services	0 (0)	4 (0)	15 (9)	15 (10)	2 (2)	36 (21)
Housing & Community Care	0 (0)	4 (1)	19 (11)	5 (6)	7 (9)	35 (27)
The Environment Service	2 (2)	6 (9)	11 (20)	4 (5)	5 (5)	28 (41)
<b>All Services</b>	<b>2 (2)</b>	<b>14 (12)</b>	<b>61 (58)</b>	<b>28 (29)</b>	<b>23 (31)</b>	<b>128 (131)</b>

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

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Chief Executive's	0 (0)	0 (0)	8 (4)	2 (2)	4 (3)	14 (9)
Education & Children's Services	0 (0)	0 (0)	2 (1)	0 (0)	1 (1)	3 (2)
Housing & Community Care	0 (0)	0 (0)	3 (4)	3 (3)	2 (0)	8 (7)
The Environment Service	0 (0)	0 (1)	1 (7)	1 (3)	3 (3)	5 (14)
<b>All Services</b>	<b>0 (0)</b>	<b>0 (1)</b>	<b>14 (16)</b>	<b>6 (8)</b>	<b>10 (7)</b>	<b>30 (32)</b>
Actions with a completion date of July to October 2013 which have not been completed and therefore included on Appendices B to E						16
Those actions where the agreed date is not July to October 2013 which have been previously reported to Audit Committee						14



**Appendix B –Audit Follow-up  
Chief Executive's Service  
(Reporting for All dates on or before: October 2013)**

<b>Action Plan</b>	<b>Dates</b>	<b>Status/Explanation</b>
<p>12-02 - Following the Public Pound Action Point : 27 - Reporting Accuracy Importance: Medium</p> <p>Audit Committee Date: June 2013</p> <p>The issue of reference to external sources will be taken into account when the problems with the central register are discussed with Services.</p> <p>(P Dickson, Complaints &amp; Governance Officer)</p>	<p>Sep 2013 Mar 2014</p>	<p>This action is partly completed. Services reviewed and checked the Report and Appendix prior to presentation to Committee.</p> <p>Officers from Finance Division are currently assessing the feasibility of utilising information from the Council's finance system, Integra to provide and independent check on the completeness of information provided by Services.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>12-02 - Following the Public Pound Action Point : 30 - Non Cash Support Importance: Medium</p> <p>Audit Committee Date: June 2013</p> <p>Efforts will be made to ensure that any other non-cash support related to FPP funding is properly identified by Services and reported in the annual report for 2012/13 onwards.</p> <p>(P Dickson, Complaints &amp; Governance Officer)</p>	<p>Sep 2013 Jun 2014</p>	<p>A statement was made in the Annual Report for 2012/13 regarding non cash support.</p> <p>Services are aware of the need to record this information but concern has been expressed that the systems necessary to do this will not be proportionate to the materiality of the resulting information. Therefore more work is being undertaken to progress this action, the outcomes of which will be included within the Annual Report for 2013/14.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>12-20 - Gifts and Hospitality Action Point : 11 - The Council's Scheme of Administration Importance: Medium</p> <p>Audit Committee Date: June</p>	<p>Oct 2013 May 2014</p>	<p>A review of the Council's Fraud and Corruption arrangements, including the implications of the Bribery Act has been commissioned with a view to providing an anti-fraud strategy</p>

Action Plan	Dates	Status/Explanation
<p>2013</p> <p>The implications of the Bribery Act 2010 are currently being assessed and will be reported to the Executive Officer Team.</p> <p>(I Innes, Head of Legal Services)</p>		<p>for the Council.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>12-24 - Purchasing Controls Action Point : 2 - Changes to the Council's Contract Rules Importance: Medium</p> <p>Audit Committee Date: March 2013</p> <p>The contract rules will be presented to a future meeting of the Strategic Policy &amp; resources Committee. In addition, the approval mechanism for non-strategic policies and minor changes will be clarified.</p> <p>(I Innes, Head of Legal Services)</p>	<p>Sep 2013 Oct 2014</p>	<p>After consideration, it has been decided that an annual report on the Contract Rules will be presented to Strategic Policy &amp; Resources Committee which will detail changes implemented since the previous version of the Contract Rules was considered by the Committee. This work will be undertaken during the summer recess and reported thereafter.</p> <p>Internal Audit Opinion: Accepted</p>
<p>13-02 - Software Licences Action Point : 8 - Terms &amp; Conditions Importance: Medium</p> <p>Audit Committee Date: October 2013</p> <p>Human Resources are in the process of revising the Code of Conduct to include reference to the Information Security Policy. Statements of Employment Particulars will be amended for Single Status and Teachers to include the revised Code of Conduct.</p> <p>(K Ridley, Personnel Manager)</p>	<p>Sep 2013 Apr 2014</p>	<p>The revised Code of Conduct is currently in draft form and is expected to be submitted to SP&amp;R in April 2014. The revised Code has been streamlined to focus on standards of behaviour and incorporates by reference all relevant Corporate policies and procedures. This includes reference to the Information Security Policy.</p> <p>The current Statement of Employment Particulars templates include a reference already to the current Code of Conduct. However, a new paragraph has been added under the "general" section which makes reference</p>



Action Plan	Dates	Status/Explanation
		<p>specifically to the Information Security Policy and Guidance. This was implemented in September 2013.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>Audit Scotland 6 - Annual report on the 2011/12 audit Action Point : 5 - Action Point 5 Importance: N/A</p> <p>Audit Committee Date: January 2013</p> <p>The legal position regarding the debt owed by Kinross Common Good Fund will be examined along with options for correcting this issue.</p> <p>(I Innes, Head of Legal Services)</p>	<p>Aug 2013 Aug 2014</p>	<p>The legal position is that the Common Good fund should not be in debt, and this position will be resolved by the sale of Kinross Town Hall. The sale is in progress however it is not likely to be completed before the end of the current financial year.</p> <p>Internal Audit Opinion: Accepted</p>
<p>Audit Scotland 6 - Annual report on the 2011/12 audit Action Point : 8 - Action Point 8 Importance: N/A</p> <p>Audit Committee Date: January 2013</p> <p>A risk assessment as required under the Bribery Act 2010 will be carried out.</p> <p>(I Innes, Head of Legal Services)</p>	<p>Jan 2013 Sep 2013 May 2014</p>	<p>A review of the Councils Fraud and Corruption arrangements, including the implications of the Bribery Act has been commissioned with a view to providing an anti-fraud strategy for the Council.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>Audit Scotland 6 - Annual report on the 2011/12 audit Action Point : 11 - Action point 4.1 Importance: N/A</p> <p>Audit Committee Date: January 2013</p>	<p>Jun 2013 Oct 2013 Apr 2014</p>	<p>The substantive issues raised by the external auditors from the three constituent authorities have been agreed upon by the Heads of Legal Services. This has led to a review of more political aspects of the Minute of Agreement for which further dialogue is required in order to</p>

Action Plan	Dates	Status/Explanation
<p>The Head of Legal Services will review the Minute of Agreement for Tayside Contracts.</p> <p>(I Innes, Head of Legal Services)</p>		<p>arrive at a way forward. As a result, the updated Minute of Agreement has yet to be signed.</p> <p>Internal Audit Opinion: Accepted.</p>

**Appendix C –Audit Follow-up  
Education & Children’s Services  
(Reporting for All dates on or before: October 2013)**

Action Plan	Dates	Status/Explanation
<p>12-04 - Protection of Vulnerable Groups Action Point : 1 - PVG For Volunteers Importance: Medium</p> <p>Audit Committee Date: June 2013</p> <p>The PVG short life working group are progressing proposals for implementing a Council-wide volunteering policy.</p> <p>(W Atkinson, Depute Director (ECS))</p>	<p>Aug 2013 Apr 2014</p>	<p>The Service states that this action is currently being progressed through the short-life working group, however it is now anticipated that the action will be completed by April 2014.</p> <p>Internal Audit Opinion: Satisfactory</p>



**Appendix D - Audit Follow-up  
Housing & Community Care  
(Reporting for All dates on or before : October 2013)**

Action Plan	Dates	Status/Explanation
<p>11-12 - Commissioning Services - Temporary Accommodation Action Point: 10(b) - Monitoring and Annual Reports Importance: Medium</p> <p>Audit Sub-Committee Date: June 2012</p> <p>The requirement to present 6-monthly reports to Committee regarding monitoring activity of Service Level Agreements will be raised at Policy &amp; Governance Group as this presents an onerous pressure on resources within the Service.</p> <p>(S Rankin, Planning and Commissioning Manager)</p>	<p>Jan 2013 Jun 2013 Sep 2013 Apr 2014</p>	<p>The Service advises that the September Policy &amp; Governance Group meeting agreed that the Code of Guidance for Following the Public Pound required to be reviewed fully however this will not be considered until early 2014.</p> <p>Internal Audit Opinion: Accepted</p>
<p>12-11 - Owner Occupiers Accommodation Related Costs Action Point : 2 - Service Policy and Procedures and SharePoint sites Importance: Medium</p> <p>Audit Committee Date: June 2013</p> <p>The two SharePoint sites will be amalgamated and the contents will be reviewed and updated where applicable. Procedures for recharges for all types of repairs, maintenance and improvement works to owner occupiers accommodation in mixed tenancy buildings will be</p>	<p>Oct 2013 Jan 2014</p>	<p>The Service advises that the SharePoint sites have been merged enabling a review of files to be carried out to ensure structure complies with requirements, with an anticipated completion date of January 2014.</p> <p>Internal Audit Opinion: Satisfactory</p>

Action Plan	Dates	Status/Explanation
<p>updated and clearly located within the SharePoint site.</p> <p>(J Beverley, Housing Repairs Service Manager)</p>		
<p>12-11 - Owner Occupiers Accommodation Related Costs Action Point: 3 - Stairlighting Recharges Importance: Low</p> <p>Audit Committee Date: June 2013</p> <p>The Recharge Policy and Procedure will be updated to reflect that the charge increases each year by the same percentage as any agreed rent increase.</p> <p>(J Beverley, Housing Repairs Service Manager)</p> <p>Required Evidence Of Completion : Updated Recharge Policy and Procedure</p>	<p>Oct 2013 Mar 2015</p>	<p>The Service states that this policy is due to be considered by Housing &amp; Health Committee in March 2015 and, as this was a minor change to the policy, this action will not be completed until then.</p> <p>Internal Audit Opinion: Accepted</p>
<p>Audit Scotland Review of Financial Systems 2012-13 – Action Point 7 (c): Housing Rents</p> <p>Audit Committee Date: September 2013</p> <p>Further control measures will be established to ensure identification of fraud during the tenancy. This includes the Policy and Procedures on Tackling Tenancy Fraud</p>	<p>Aug 2013 Jan 2014</p>	<p>The Service states that the Policy will be presented to Housing and Health Committee for consideration in January 2014.</p> <p>Internal Audit Opinion: Satisfactory</p>

Action Plan	Dates	Status/Explanation
L Cooper, Neighbourhood Services Manager		
<p>External Audit – Review of Financial Systems 2012-13 – Action Point 7 (d): Housing Rents</p> <p>Audit Committee Date: September 2013</p> <p>Further control measures will be established to ensure identification of fraud during the tenancy. This includes training for staff</p> <p>L Cooper, Neighbourhood Services Manager</p>	<p>Oct 2013 Mar 2014</p>	<p>The Service has advised that staff training will commence following Committee dependent on approval of the Policy as indicated from Action Point 7(c).</p> <p>Internal Audit Opinion: Satisfactory</p>





**Appendix E - Audit Follow-up**  
**The Environment Service**  
**(Reporting for All dates on or before: October 2013)**

Action Plan	Dates	Status/Explanation
<p>13-05 - Roads Management Inspection &amp; Maintenance  Action Point: 4 - Management Information  Importance: Medium</p> <p>Audit Committee Date:  September 2013</p> <p>A “crystal report” will be set up within the Roads Management System to report on compliance with roads inspection requirements and this will be reported to the Road Maintenance Partnership Board at each meeting. It is noted, however, that there will always be the risk that other operational priorities such as winter/flooding will result in inspections being late. The implementation of Purchase to Pay, which is built into Roads Management System, will present difficulties whilst it beds in. The Road Maintenance Partnership will liaise with and request colleagues in Asset Management (who manage the computerised system) to ensure the software returns to full functionality in respect of inspection information as soon as possible.</p> <p>(S D'All, Deputy Roads Maintenance Partnership Manager)</p>	<p>Oct 2013  Feb 2014</p>	<p>The Service advised that they have set up this report but it requires a bit more work as the report isn't giving accurate information due to tolerances.</p> <p>The next meeting of the board is 31st January 2014 and the report should be operational for then.</p> <p>Internal Audit Opinion:  Satisfactory</p>
<p>Henderson Loggie - Corporate Asset Management  Action Point : 2 - 7.4  Importance:</p>	<p>Dec 2008  Dec 2009  Dec 2012  Sep 2013</p>	<p>Guidance on whole life costing will be included as an addition to the project management toolkit following a presentation to the</p>

Action Plan	Dates	Status/Explanation
<p>Audit Sub-Committee Date: March 2008</p> <p>The Council should adopt the use of whole life costing and should provide assistance on how to use it in all guidance issued, including the project Management Toolkit</p> <p>(S MacKenzie, Head of Performance &amp; Resources)</p>	Feb 2014	Corporate Resources Group in January 2014 on the proposed approach to managing projects.