

## PERTH AND KINROSS COUNCIL

## Audit Committee

16 September 2015

## 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 89. Table 2 shows the number of agreed actions that have been reported as incomplete as at their original agreed completion date; these total 24, of which 13 had a completion date of April to June 2015 and are therefore detailed in the following Appendices B to E. A further 11 actions not completed by their original date have been allocated revised dates for completion after 30 June and progress will be reported on these at a future Committee. Therefore, the number of agreed actions which have yet to be followed up as the date for completion is after 30 June 2015 is 65. 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 in respect of actions agreed for completion in the period of April to June 2015. The appendices also record service management's explanations of the status of each action point and internal audit comments where relevant.
- 1.4 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 2 such instances. The action relating to the Chief Executive Service is included within Appendix B and relates to Internal

Audit Report 14-07 Data Protection. The Education & Children's Service action relates to Internal Audit Report 13-34 Interfaces Action Point 3, and relates to the activation of audit logs on systems (Report 14/398 refers). The Service had been unable to clarify with suppliers what the impact on service performance would be of the turning on of database auditing. This action is now due for completion in September 2015 and evidence of completion of this action will be requested after this date.

## 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

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## 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 for Education & Children's Services

Appendix D - Audit Follow-Up Housing & 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 April 2015). This table includes actions not yet due for completion.

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Chief Executive's	0 (0)	2 (1)	10 (11)	10 (4)	7 (4)	29 (20)
Education & Children's Services	0 (0)	2 (3)	5 (7)	7 (10)	0 (0)	14 (20)
Housing & Community Care	0 (0)	5 (0)	16 (21)	13 (17)	1 (0)	35 (38)
The Environment Service	0 (0)	2 (1)	3 (6)	6 (4)	0 (2)	11 (12)
<b>All Services</b>	<b>0 (0)</b>	<b>11 (5)</b>	<b>34 (45)</b>	<b>36 (35)</b>	<b>8 (6)</b>	<b>89 (90)</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)	1 (1)	6 (7)	2 (1)	6 (3)	15 (11)
Education & Children's Services	0 (0)	1 (0)	1 (1)	0 (1)	0 (0)	2 (2)
Housing & Community Care	0 (0)	0 (0)	0 (1)	2 (2)	0 (0)	2 (3)
The Environment Service	0 (0)	0 (0)	1 (1)	4 (4)	0 (1)	5 (6)
<b>All Services</b>	<b>0 (0)</b>	<b>2 (1)</b>	<b>8 (10)</b>	<b>8 (6)</b>	<b>6 (4)</b>	<b>24 (22)</b>
Actions with a completion date of April to June 2015 which have not been completed and therefore included on Appendices B to E						13
Those actions where the agreed date is not April to June 2015 which have been previously reported to Audit Committee						11



**Appendix B - Audit Follow-up**  
**Chief Executive's Service**  
**(Reporting for All dates on or before: June 2015)**

Action Plan	Dates	Status/Explanation
<p>12-02 - Following the Public Pound  Action Point : 23 - Intranet Access to Current Local Code  Importance: Medium</p> <p>Audit Committee Date: June 2013</p> <p>Appropriate version control will be used for any future changes made to the Local Code of Guidance.</p> <p>(P Dickson, Complaints &amp; Governance Officer)</p>	<p>Mar 2014  Nov 2014  Apr 2015  Sep 2015</p>	<p>A further revised draft is now being reviewed by the new Head of Legal Services. The revised Code shall be re-submitted to the EOT for consideration in September.</p> <p>Internal Audit Opinion: Accepted</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>(L Simpson, Head of Legal Services)</p>	<p>Sep 2013  Nov 2013  Sep 2013  Oct 2014  Jun 2015  Nov 2015</p>	<p>The review of contract rules is being undertaken as part of a wider review of contracting arrangements being carried out by the Head of Legal Services. Given that procurement legislation is changing – the contract review will also encompass a review and redesign of internal and external processes to ensure compliance.</p> <p>The Head of Legal Services is also working alongside the procurement team and their consultant to dovetail with the procurement review to make best use of resources, ensure consistency of approach and avoid duplication of effort.</p> <p>An update of progress to date will be submitted to EOT by the end of November 2015.</p> <p>Internal Audit Opinion: Accepted</p>

Action Plan	Dates	Status/Explanation
<p>13-15 - Spend Profiling Action Point : 4 - Tayside Contracts Importance: Low</p> <p>Audit Committee Date: April 2014</p> <p>Once the Procurement Reform Bill is enacted the terms on which Tayside Contracts engages with the other parties to the Tayside Procurement Consortium will be reviewed and altered, if necessary, to ensure statutory compliance.</p> <p>(L Simpson, Head of Legal Services).</p>	<p>Apr 2015 Nov 2015</p>	<p>The review of contract rules is being undertaken as part of a wider review of contracting arrangements being carried out by the Head of Legal Services. Given that procurement legislation is changing – the contract review will also encompass a review and redesign of internal and external processes to ensure compliance.</p> <p>The Head of Legal Services is also working alongside the procurement team and their consultant to dovetail with the procurement review to make best use of resources, ensure consistency of approach and avoid duplication of effort.</p> <p>An update of progress to date will be submitted to EOT by the end of November 2015</p> <p>Internal Audit Opinion: Accepted</p>
<p>14-07 - Data Protection Action Point : 15 - Disposal of Confidential Information Importance: High</p> <p>Audit Committee Date: November 2014</p> <p>The disposal of confidential information guidance has been removed from Eric. This will be replaced with new guidance related to the Council's information security classification standards which will ensure that documents for disposal are properly stored and destroyed.</p> <p>(D Henderson, Information</p>	<p>Dec 2014 May 2015 Nov 2015</p>	<p>The report on the information security classification was delayed pending the completion of consultation, but was considered by the Policy and Governance Group in June and will be submitted to the Corporate Management Group in August. The action will be able to be completed thereafter.</p> <p>It had been anticipated that the new guidance relating to the Council's information security standard incorporate guidance specific to the identification, holding and disposal of confidential information. However separate guidance is now being developed.</p>



Action Plan	Dates	Status/Explanation
Compliance Manager)		Internal Audit Opinion: Accepted
<p>14-13 - Management of the Relationship with Live Active Leisure Action Point : 1 - Governance over Public Reporting Importance: Medium</p> <p>Audit Committee Date: February 2015</p> <p>The fact that there is no requirement for public reporting of the monies paid to LAL under current Council governance arrangements will be resolved as part of the revised FPP procedure.</p> <p>(L Simpson, Head of Legal Services)</p>	<p>Jun 2015 Sep 2015</p>	<p>A further revised draft of the Local Code re Following the Public Pound is now being reviewed by the new Head of Legal Services.</p> <p>The revised Code shall be re-submitted to the EOT for consideration in September.</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</p> <p>Audit Committee Date: January 2013</p> <p>The Head of Legal Services will review the Minute of Agreement for Tayside Contracts.</p> <p>(L Simpson, Head of Legal Services)</p>	<p>Jun 2013 Oct 2013 Apr 2014 Dec 2014 Jun 2015 Oct 2015</p>	<p>This is presently being reviewed by the respective Heads of Legal Services of Perth &amp; Kinross, Angus and Dundee City with a view to a final draft being signed off end of August.</p> <p>Internal Audit Opinion: Accepted</p>
<p>Audit Scotland 7 - Audit Scotland's Review of Data Management Action Point : 6 - Privacy Impact Assessments</p> <p>Audit Committee Date: September 2013</p> <p>Full Privacy Impact</p>	<p>Mar 2014 Jun 2014 Nov 2014 Jun 2015 Oct 2015</p>	<p>A report has been presented to the Corporate Management Group and will be presented to the Executive Officer Team.</p> <p>Internal Audit Opinion: Accepted</p>

Action Plan	Dates	Status/Explanation
<p>Assessments are not always being carried out, however it is already planned to embed Privacy Impact Assessments in the committee report process.</p> <p>(D Henderson, Information Compliance Manager)</p>		
<p>Audit Scotland 9 - Arms-length external organisations - are you getting it right? Action Point : 2 - Board Member Roles</p> <p>Audit Committee Date: June 2014</p> <p>In line with the Council's Code, a formal written agreement will be implemented setting out roles and responsibilities.</p> <p>(L Simpson, Head of Legal Services)</p>	<p>Sep 2014 Nov 2015</p>	<p>The current Code of Guidance for Funding External Bodies and Following the Public Pound requires that where the Council participates as a decision-maker, adviser or observer of the external body, the Council will enter into a written agreement with the body setting out roles and responsibilities. This requirement is being reconsidered as part of the review of the Code which will be reported to the SP&amp;R Committee in November 2015.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>Audit Scotland 10 - Annual Report on the 2013/14 Audit Action Point : 1 - Annual Governance Statement</p> <p>Audit Committee Date: February 2015</p> <p>The Council will review its processes for obtaining assurance over its governance framework.</p> <p>(L Simpson, Head of Legal Services)</p>	<p>Jun 2015 Oct 2015</p>	<p>The Head of Legal Services is presently undertaking a review of the governance assurance processes with a view to revising the same to incorporate a higher level of assurance and accountability as regards internal controls and dovetailing the process with the business management and improvement plan process.</p> <p>A report will be submitted to the EOT by the end of October 2015.</p> <p>Internal Audit Opinion: Satisfactory</p>

**Appendix C - Audit Follow-up  
Education & Children's Services  
(Reporting for All dates on or before: June 2015)**

Action Plan	Dates	Status/Explanation
<p>14-13 - Management of the Relationship with Live Active Leisure Action Point : 2 - Contract Monitoring Importance: Medium</p> <p>Audit Committee Date:</p> <p>A new contract is being drawn up for 2015/16 which will ensure that all the current performance indicators are reviewed and that a clear distinction is made between information that is core and material to contract performance which should continue to be presented regularly and other secondary indicators where the information must be collated by Live Active Leisure and available to PKC as required.</p> <p>(A Cook, Contracts and Projects Manager)</p>	<p>Apr 2015 Apr 2016</p>	<p>Following the Council's decision to expand the remit for Live Active Leisure, the completion of this action has been deferred until April 2016. This will allow negotiations for the new agreement to take place and incorporate the new indicators.</p> <p>Internal Audit Opinion: Accepted</p>



**Appendix D - Audit Follow-up  
Housing & Community Care  
(Reporting for All dates on or before: June 2015)**

Action Plan	Dates	Status/Explanation
<p>14-10 - Rent Arrears Action Point : 8 - Rent Accounts in Arrears subject to Sequestration Importance: Low</p> <p>Audit Committee Date: November 2014</p> <p>The value of rent arrears sequestrations will be included in the Annual Report to SP&amp;R.</p> <p>(M Dow, Neighbourhood Operations Service Manager)</p>	<p>Jun 2015 Jun 2016</p>	<p>The Service advised and evidenced that they had successfully identified the level of accounts subject to sequestration for submission as part of the corporate report seeking approval for write-off by SP&amp;R Committee in June. However, due to an oversight, this figure was not specifically identified in the committee report. Following consultation with Corporate Finance, this Action Point will be transferred to Chief Executive service to follow up at the next report to SP&amp;R seeking approval for write off.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>14-11 - Management of Contracts Action Point : 6 - Tayside Procurement Strategy Importance: Low</p> <p>Audit Committee Date: February 2015</p> <p>Council services are actively contributing to the Tayside Procurement Consortium's strategy document for 2015 and beyond. In line with Scottish Government priorities, it is anticipated the new strategy will incorporate a greater emphasis on ensuring that contract management arrangements are efficient and effective. The Council's Strategic Policy and Resources Committee will be</p>	<p>Jun 2015 Oct 2015</p>	<p>The Service advised that this report was withdrawn from the June Agenda for SP&amp;R but is to be presented at the meeting in October.</p> <p>Internal Audit Opinion: Satisfactory</p>

Action Plan	Dates	Status/Explanation
<p>briefed on the new Strategy in due course; such briefing will address the above issue identified by the audit.</p> <p>(A Taylor, Head of Finance &amp; Support Services)</p>		

**Appendix E - Audit Follow-up**  
**The Environment Service**  
**(Reporting for All dates on or before: June 2015)**

Action Plan	Dates	Status/Explanation
<p>12-02 - Following the Public Pound  Action Point: 6 - Roles and Responsibilities  Importance: Low</p> <p>Audit Committee Date:</p> <p>The Service will undertake to fully identify all roles and associated responsibilities in a review of the two Service Level Agreements (SLAs).</p> <p>(J McCrone, Conservation and Regeneration Manager)</p>	<p>Mar 2014  Apr 2015  Sep 2015</p>	<p>This action has been completed for the SLA with the Perth and Kinross Countryside Trust. For the second SLA, discussions have taken place between the Council and Perth and Kinross Heritage Trust regarding the Council's relationship with the Trust and a report on a Partnership Agreement and revised Service Level Agreement articulating roles and responsibilities is in preparation for consideration by the Enterprise and Infrastructure Committee in November 2015</p> <p>Internal Audit Opinion: Accepted</p>

