

PERTH AND KINROSS COUNCIL**Audit Committee****30 March 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 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 65. Table 2 shows the number of agreed actions that have been reported as incomplete as at their original agreed completion date; these total 28, of which 13 had a completion date of November and December 2015 and are therefore detailed in the following Appendices B to D. A further 15 actions not completed by their original date have been allocated revised dates for completion after 31 December 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 after 31 December 2015 is 37. In both tables, the actions are grouped by Service and reported by 'importance' of the agreed actions.
- 1.3 Appendices B to D present detailed follow-up information in respect of actions agreed for completion in the period of November and December 2015. 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 November and December 2015 that have not been completed for Education & Children's Services.

- 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 3 such instances of 'high' risk actions for Housing & Community Care, all of which are included within Appendix C.

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 Chief Executive's Service

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 (figures in brackets reported in February 2016). This table includes actions not yet due for completion.

Service	Importance					
	Critical	High	Medium	Low	Not Rated	Total
Corporate & Democratic Services	0 (0)	3 (4)	10 (8)	14 (14)	5 (5)	32 (25)
Education & Children's Services	0 (0)	1 (1)	8 (6)	8 (10)	0 (0)	17 (16)
Housing & Community Care	1 (2)	8 (5)	9 (11)	10 (11)	0 (0)	28 (14)
The Environment Service	0 (0)	1 (1)	10 (5)	9 (5)	0 (0)	20 (10)
All Services	1 (2)	13 (11)	37 (30)	41 (40)	5 (5)	97 (65)

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 (2)	6 (6)	5 (4)	5 (5)	16 (16)
Education & Children's Services	0 (0)	0 (0)	1 (1)	0 (0)	0 (0)	1 (1)
Housing & Community Care	0 (0)	3 (0)	1 (2)	1 (2)	0 (0)	5 (5)
The Environment Service	0 (0)	0 (0)	2 (2)	4 (4)	0 (0)	6 (6)
All Services	0 (0)	3 (2)	10 (11)	10 (10)	5 (5)	28 (28)
Actions with a completion date of November and December 2015 which have not been completed and therefore included on Appendices B to E						13
Those actions where the agreed date is not November and December 2015 which have been previously reported to Audit Committee						15

**Appendix B - Audit Follow-up
Corporate & Democratic Services
(Reporting for All dates on or before: December 2015)**

Action Plan	Dates	Status/Explanation
<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 & resources Committee. In addition, the approval mechanism for non-strategic policies and minor changes will be clarified.</p> <p>(L Simpson, Head of Legal and Governance Services)</p>	<p>Sep 2013 Nov 2013 Sep 2013 Oct 2014 Jun 2015 Nov 2015 Dec 2016</p>	<p>This piece of work has now been wrapped into a wider (Phase 2) governance review with an estimated completion date of December 2016.</p> <p>Internal Audit Opinion: Accepted</p>
<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 and Governance Services)</p>	<p>Apr 2015 Nov 2015 Aug 2016</p>	<p>A review of engagement terms with the Tayside Procurement Consortium will form part of a wider review of the Council's contract and commissioning arrangements being undertaken jointly by the Head of Legal & Governance Services and the Head of Strategic Commissioning and Organisational Development. It should also be noted that it was originally expected that the procurement reform legislation would come into effect in April 2015 however there has been a significant delay in the legislative timetable and it is anticipated that this will now come into effect within the next few months. As a result of this the timescale requires to be moved out to take account of changes in legislation and the wider review timetable.</p>

Action Plan	Dates	Status/Explanation
		Internal Audit Opinion: Accepted
<p>Audit Scotland 9 - Arms-length external organisations - are you getting it right?</p> <p>Action Point : 2 - Board Member Roles</p> <p>Audit Committee Date:</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 and Governance Services)</p>	<p>Sep 2014</p> <p>Nov 2015</p> <p>Mar 2016</p>	<p>New Following the Public Pound guidance has been drafted to take into account impending changes to the procurement legislation and a board member protocol will be revised to reflect this - anticipated completion date March 2016.</p> <p>Internal Audit Opinion: Accepted</p>

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

Action Plan	Dates	Status/Explanation
<p>14-16 - Housing Repairs Action Point : 10 - Verification: timeliness and meeting the specification of emergency repairs Importance: Medium</p> <p>Audit Committee Date: April 2015</p> <p>The Housing Repairs and Improvements Service 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 Mar 2017</p>	<p>The Service states that it has prepared a Business Case for the purchase of new mobile technology which awaits approval from Housing Management Team. Assuming approval is granted, the Service estimates that the system would not be operational until March 2017.</p> <p>Audit Opinion: Satisfactory</p>
<p>15-11b - Beechgrove House Care Home Action Point : 1 - Comfort Fund Importance: Low</p> <p>Audit Committee Date: November 2015</p> <p>The Constitution will be updated, authorised and displayed in the home, along with the minutes of meetings in accordance with procedures. Additional support in the use of the Comfort Fund spreadsheet will be sought from Housing & Community Care's Finance Team.</p> <p>(F Crawford, Team Leader, Care Home)</p>	<p>Dec 2015 Mar 2016</p>	<p>The Service has requested further time to recruit and establish a new comfort fund committee.</p> <p>Audit Opinion: Satisfactory</p>

Action Plan	Dates	Status/Explanation
<p>15-41 - Assessment & Charging, Community Meals Action Point : 2 - Automated Processes Importance: High</p> <p>Audit Committee Date: September 2015</p> <p>The Service will review the options available for utilising SWIFT to automate the invoicing process for non-residential clients.</p> <p>(C Barnett, Finance Officer)</p>	<p>Dec 2015</p>	<p>The Service states that it has reviewed the possibility of utilising SWIFT to automate the invoicing process for non-residential clients. Housing and Community Care Senior Management Team has decided that progression of automated invoicing is not a priority due to the costs involved and the benefits for a small number of clients</p> <p>Internal Audit Opinion: Accepted</p>
<p>15-41 - Assessment & Charging, Community Meals Action Point : 5 - Payment at the Point of Delivery Importance: High</p> <p>Audit Committee Date: September 2015</p> <p>The Service will raise the issue of the requirement for an auditable system for receipting cash and cheque payments directly with the contractor, with a view to ensuring that all income is receipted by using a duplicate, sequentially numbered receipt book. The Service will further seek assurance that these receipt books are used to reconcile the income due from each delivery driver.</p> <p>(G Peters, Team Leader, Commissioning & Contracting)</p>	<p>Dec 2015 Mar 2016</p>	<p>The Service notes that the sub-contractor has conducted trials of two different processes for receipting cash and cheque income. A third trial – of pre-numbered duplicate receipt books - is currently under way, the results of which will be reported to the Service.</p> <p>Audit Opinion: Satisfactory</p>
<p>15-41 - Assessment & Charging, Community Meals Action Point : 6 - Ensuring Adequate Control by the</p>	<p>Dec 2015 Mar 2016</p>	<p>The Service states that they have received information regarding the current arrangements in place for the</p>

Action Plan	Dates	Status/Explanation
<p>Contractor Importance: High</p> <p>Audit Committee Date: September 2015</p> <p>The Team Leader, Commissioning and Contracting will liaise with the Business & Resources Team Leader to instigate a periodic review of the procedures in place within the local meals providers to ensure that there are adequate and effective arrangements in place for the payment for meals. This will include a review of the proper financial controls with the meals provider.</p> <p>(G Peters, Team Leader, Commissioning & Contracting)</p> <p>Required Evidence Of Completion : Outcome of first review</p>		<p>sub-contractor, for the payment of meals from clients. Further information has been requested regarding the audit processes of the main contractor.</p> <p>Audit Opinion: Satisfactory</p>

Appendix D - Audit Follow-up
The Environment Service
(Reporting for All dates on or before: December 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: June 2013</p> <p>The Service will undertake to fully identify all roles and associated responsibilities in a review of the SLA.</p> <p>(J McCrone, Conservation and Regeneration Manager)</p>	<p>Mar 2014 Apr 2015 Nov 2015 Mar 2016</p>	<p>The report which includes the SLA is in draft format, awaiting formal approval at Enterprise & Infrastructure (E&I) Committee on 23 March 2016.</p> <p>Internal Audit Opinion: Accepted</p>
<p>13-05 - Roads Management Inspection & Maintenance Action Point: 9 - Roads Inspection Policy and Manual Importance: Medium</p> <p>Audit Committee Date: September 2013</p> <p>The Roads Inspection Manual will thereafter be reviewed and updated to reflect the Strategy and the Roads Maintenance Partnership with Tayside Contracts.</p> <p>(S D'All, Deputy Roads Maintenance Partnership Manager)</p>	<p>Mar 2014 Dec 2014 Dec 2015 Nov 2016</p>	<p>The Roads Inspection Manual has been updated including changes to hierarchy and inspection frequency, these changes are in draft format awaiting details regarding defect intervention level increasing from 40mm to 60mm.</p> <p>The strategy will form an appendix to the Roads Inspection Manual and will no longer be a standalone document.</p> <p>This is scheduled to go to Senior Management Team in October 2016 and to E&I Committee on 9 November 2016.</p> <p>Internal Audit Opinion: Accepted</p>
<p>13-18 - Fleet Management Action Point: 13 - Embedding the Policy and Procedures Importance: Low</p> <p>Audit Committee Date: June</p>	<p>Dec 2014 Aug 2015 Dec 2015 Mar 2016</p>	<p>This action is mostly completed. A training presentation has been uploaded onto the Learn Innovate Grow platform however it is difficult to find. The Service is working with Organisational</p>

Action Plan	Dates	Status/Explanation
<p>2014</p> <p>E-learning modules will be developed on the Corporate Fleet Transport Policy and Procedural Arrangements (CFTPPA), to inform staff and to provide guidance on the application of relevant procedures.</p> <p>(B Morton, Fleet Manager)</p>		<p>Development to ensure that the training is more accessible.</p> <p>Internal Audit Opinion: Accepted</p>
<p>13-18 - Fleet Management Action Point: 16 - Embedding the Policy and Procedures Importance: Low</p> <p>Audit Committee Date: June 2016</p> <p>The CFTPPA will be the subject of an Inside News Bulletin.</p> <p>(B Morton, Fleet Manager)</p>	<p>Dec 2014 Aug 2015 Dec 2015 Mar 2016</p>	<p>See Action Point 13</p>