

**PERTH AND KINROSS COUNCIL****Audit Committee****18 June 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 92. Table 2 shows the number of agreed actions that have been reported as incomplete as at their original agreed completion date; these total 39, of which 17 had a completion date of January to March 2014 and are therefore detailed in the following appendices B to E. A further 22 actions not completed by their original date have been allocated dates for completion after 31 March 2014 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 31 March 2014 is 53. 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 January to March 2014. 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.

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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 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 (0)	19 (18)	5 (7)	9 (10)	33 (35)
Education & Children's Services	0 (0)	1 (3)	10 (9)	5 (12)	2 (2)	18 (26)
Housing & Community Care	0 (0)	3 (5)	7 (13)	6 (6)	0 (3)	16 (27)
The Environment Service	0 (2)	13 (6)	7 (8)	3 (3)	2 (3)	25 (22)
<b>All Services</b>	<b>0 (2)</b>	<b>17 (14)</b>	<b>43 (48)</b>	<b>19 (28)</b>	<b>13 (18)</b>	<b>92 (110)</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)	11 (7)	1 (0)	7 (4)	19 (11)
Education & Children's Services	0 (0)	0 (0)	2 (1)	1 (2)	1 (1)	4 (4)
Housing & Community Care	0 (0)	0 (0)	3 (3)	5 (5)	0 (2)	8 (10)
The Environment Service	0 (2)	0 (5)	4 (6)	2 (0)	2 (3)	8 (16)
<b>All Services</b>	<b>0 (2)</b>	<b>0 (5)</b>	<b>20 (17)</b>	<b>9 (7)</b>	<b>10 (10)</b>	<b>39 (41)</b>
Actions with a completion date of January to March 2014 which have not been completed and therefore included on Appendices B to E						17
Those actions where the agreed date is not January to March 2014 which have been previously reported to Audit Committee						22



**Appendix B –Audit Follow-up  
Chief Executive’s Service  
(Reporting for All dates on or before: March 2014)**

<b>Action Plan</b>	<b>Dates</b>	<b>Status/Explanation</b>
<p>11-09 - Information Security Action Point : 20 - Information Security Training Importance: Medium</p> <p>Audit Committee Date: June 2012</p> <p>Once funding is available the e-learning Information Security training package will be updated and will refer to the Council’s Information Security standards linked to corresponding Information Security guidance on the Council’s intranet site.</p> <p>(D Henderson, Information Security Manager)</p>	<p>Mar 2013 Mar 2014 Aug 2014</p>	<p>The Information Security and Data Protection e-Learning packages have both been amended, but implementation has been delayed by subsequent revisions to the packages made by the supplier. Revised timings are currently awaited from the supplier.</p> <p>Internal Audit Opinion: Accepted</p>
<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</p>	<p>The Service states that the Following the Public Pound (FPP) Code is currently under review and the draft now contains a version control table. This will appear in the final version when it is approved later in 2014.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>12-02 - Following the Public Pound Action Point : 24 - Central Register Importance: Medium</p> <p>Audit Committee Date: June</p>	<p>Mar 2014 Mar 2015</p>	<p>There are two exercises being undertaken each with the aim of bringing this action point to completion:- IT is working to produce a report to manually extract information from Integra to populate the</p>

Action Plan	Dates	Status/Explanation
<p>2013</p> <p>The problems with the functionality of the Central Register will be discussed with Services with a view to achieving an acceptable solution to the various issues raised, including the over-riding need for there to be a working Central Register</p> <p>(I Innes, Head of Legal Services)</p>		<p>Central Register for 2014/15 and it is anticipated that this will be completed by June 2014.</p> <p>Agreement has been reached by all four Services that the FPP coding structure can be changed to enable FPP organisations to be identified within Integra so that data can be extracted automatically to populate the Central Register in future. This action will achieve a permanent solution and will be in place for 2015/16.</p> <p>Internal Audit Opinion: Accepted</p>
<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 Jun 2014</p>	<p>As stated above, the main finance system, Integra, is the principal external source of information. IT is working to produce a report to manually extract information from Integra to populate the Central Register for 2014/15.</p> <p>Internal Audit Opinion: Accepted</p>
<p>12-20 - Gifts and Hospitality Action Point : 4 - Rules on Gifts and Hospitality: (d) communication Importance: Low</p> <p>Audit Committee Date: June 2013</p> <p>Staff will be reminded of the policy after it is amended to take account of the points in the</p>	<p>Mar 2014 July 2014</p>	<p>The rules on Gifts and Hospitality have been reviewed and changes have been approved by the Policy &amp; Governance Group.</p> <p>The changes will be brought to the attention of staff during June/July 2014.</p> <p>Internal Audit Opinion: Satisfactory</p>



Action Plan	Dates	Status/Explanation
<p>report. Other initiatives to improve awareness and to investigate discrepancies will be considered as and when necessary thereafter.</p> <p>(I Innes, Head of Legal Services)</p>		
<p>13-32 - Financial Assessment Action Point : 8 - Management Action On Disclosure Of Offences Importance: Medium</p> <p>Audit Committee Date: February 2014</p> <p>The obligations on managers when offences are disclosed to them will be included in the communication plan which will be put in place once the revised Employee Code of Conduct has been considered by Strategic Policy &amp; Resources Committee. In addition, the Disclosure Panel which is chaired by the Chief Social Work Officer will provide advice on information received from Disclosure Scotland or Police Scotland to ensure that the council is not exposed to unnecessary risk.</p> <p>(K Donaldson, Corporate Human Resources Manager)</p>	<p>Mar 2014 Jun 2014</p>	<p>The Employee Code of Conduct was approved by the Executive Sub Committee of Strategic Policy &amp; Resources in March for launch in May 2014. A Communication Plan has been developed and will include guidance in a Manager's Briefing Pack on the Employee Code of Conduct advising how each Service should ensure that;</p> <ol style="list-style-type: none"> <li>Managers are fully aware of the Employee Code of Conduct and clearly communicate it to their team</li> <li>When employees disclose a criminal offence or civil dispute the manager should carry out a risk assessment to determine whether the employee can remain in post or if any other action is required.</li> </ol> <p>Internal Audit Opinion: Satisfactory</p>
<p>Audit Scotland 7 - Audit Scotland's Review of Data Management Action Point : 2 - Corporate Risk Assessment Importance: Audit Committee Date: September 2013</p> <p>Consideration will be given to undertaking a corporate risk</p>	<p>Mar 2014 Jun 2014</p>	<p>A report on this matter will be considered by the Policy &amp; Governance Group at the beginning of June 2014.</p> <p>Internal Audit Opinion: Satisfactory</p>

Action Plan	Dates	Status/Explanation
<p>assessment, which would establish where information security measures are lacking and which, if any, mitigating controls are required.</p> <p>(D Henderson, Information Security Manager)</p>		
<p>Audit Scotland 7 - Audit Scotland's Review of Data Management Action Point : 5 - Training Importance:</p> <p>Audit Committee Date: September 2013</p> <p>It is already planned to implement revised e-Learning modules for Information Security and Data Protection. These will be refreshed periodically thereafter.</p> <p>(D Henderson, Information Security Manager)</p>	<p>Mar 2014 Aug 2014</p>	<p>The Information Security and Data Protection e-Learning packages have both been amended, but implementation has been delayed by subsequent revisions to the packages made by the supplier. Revised timings are currently awaited from the supplier.</p> <p>Internal audit Opinion: Accepted,</p>
<p>Audit Scotland 7 - Audit Scotland's Review of Data Management Action Point : 6 - Privacy Impact Assessments Importance:</p> <p>Audit Committee Date: September 2013</p> <p>Full Privacy Impact 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 Security Manager)</p>	<p>Mar 2014 Jun 2014</p>	<p>Proposals for a revised Privacy Impact Assessment process were considered by the Policy and Governance Group in May. Further amendment is required and this will be re-considered by the Group in June prior to EOT/Committee approval.</p> <p>Internal Audit Opinion: Satisfactory</p>

**Appendix C –Audit Follow-up  
Education & Children’s Services  
(Reporting for All dates on or before: March 2014)**

Action Plan	Dates	Status/Explanation
<p>12-02 - Following the Public Pound Action Point : 17 - Reporting to Service Committee Importance: Medium</p> <p>Audit Committee Date: June 2013</p> <p>The Service will coordinate reporting requirements and ensure relevant reporting timetables are met including Committee reports in accordance with corporate Guidance.</p> <p>(A Cook, Contracts &amp; Facilities Manager)</p>	<p>May 2013 Dec 2013 Feb 2014 Nov 2014</p>	<p>The completion of this action has been delayed to ensure that any action is consistent with the outcome of the review of the Following the Public Pound guidance. It is now anticipated that all reporting to Committees will take place in the Autumn, following the six monthly review.</p> <p>Internal Audit Opinion: Accepted</p>



**Appendix D - Audit Follow-up**  
**Housing & Community Care**  
**(Reporting for All dates on or before : March 2014)**

Action Plan	Dates	Status/Explanation
<p>13-02 - Software Licences  Action Point : 3 - Proof of Claim  Importance: Medium</p> <p>Audit Committee Date:  October 2013</p> <p>Nominated IT Service representatives will  Identify all rights and entitlements conferred by system applications for which they are responsible;  Share information about their Service's system application rights/ entitlements with IT to support maintenance of the Council's Asset Register.</p> <p>(A Strathearn, Business Improvement Manager)</p>	<p>Nov 2013  Mar 2014  Jun 2014</p>	<p>The Service states that this action is partially completed; a list of all software applications in use has been compiled and returned to Corporate IT. Details regarding the rights and entitlements conferred by each licence have yet to be completed.</p> <p>Revised Completion Date: June 2014</p> <p>Audit Opinion: Accepted</p>



## Appendix E - Audit Follow-up The Environment Service

(Reporting for All dates on or before: March 2014)

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 with Perth &amp; Kinross Heritage Trust (PKHT).</p> <p>(J McCrone, Conservation and Regeneration Manager)</p>	<p>Mar 2014 Apr 2015</p>	<p>The current SLA 2012-2015 identifies roles and responsibilities in respect of the Council and PKHT. PKHT Trustees and management have undertaken relevant training and have approved governance frameworks for the management and operation of the Trust, compliant with PKC requirements.</p> <p>The Council and PKHT are currently reviewing the SLA which will address the audit action which was to adhere to the Local Code requirement for potential conflicts of interests to be handled through explicit terms of written agreements. This will be considered by both parties in early 2015.</p> <p>Internal Audit Opinion: Accepted</p>
<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 with Perth &amp; Kinross Countryside Trust (PKCT).</p> <p>(A Clegg, Parks Development Manager)</p>	<p>Mar 2014 Apr 2015</p>	<p>There is a full review of the current SLA and other governance arrangements associated with PKCT being undertaken at a high level by both PKCT and the Council.</p> <p>This review will also address the audit action which was to adhere to the Local Code requirement for ensuring that all roles and responsibilities of PKCT members and staff and any associated Council staff are fully defined and potential conflicts of interests are handled through explicit terms of written agreements. This will be considered by both parties in</p>

Action Plan	Dates	Status/Explanation
		early 2015.  Internal Audit Opinion: Accepted
<p>13-02 - Software Licences Action Point: 3.1 - Proof of Claim Importance: Medium</p> <p>Audit Committee Date: October 2013</p> <p>Nominated Service IT representatives will identify all rights and entitlements conferred by system applications for which they are responsible.</p> <p>(N Ballantine, TES CAM Team Leader).</p>	<p>Nov 2013 Mar 2014 Jul 2014</p>	<p>The Service has advised that an email on behalf of the Executive Director - The Environment Service was issued to all Service Managers on 17 March 2014 requesting relevant information for all staff. Responses are being collated for this. Once the return is complete, this will give TES a list of all software which will be passed to IST.</p> <p>Internal Audit Opinion: Accepted</p>
<p>13-02 - Software Licences Action Point: 3.2 - Proof of Claim Importance: Medium</p> <p>Nominated Service IT representatives will share information about their Service's system application rights/entitlements with IT to support maintenance of the Council's Asset Register.</p> <p>(N Ballantine, TES CAM Team Leader).</p>	<p>Nov 2013 Mar 2014 Jul 2014</p>	<p>See 3.1 above</p>
<p>13-05 - Roads Management Inspection &amp; 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</p>	<p>Mar 2014 Dec 2014</p>	<p>The Service has advised that this action has been deferred to follow Strategy approval. New target Dec 2014</p> <p>Internal Audit Opinion: Accepted</p>



Action Plan	Dates	Status/Explanation
<p>Partnership with Tayside Contracts.</p> <p>(S D'All, Deputy Roads Maintenance Partnership Manager)</p>		
<p>Audit Scotland 4 - Maintaining Scotland's Roads - Follow up Action Point: 2 - AP 2 Importance: N/A</p> <p>Audit Committee Date: September 2012</p> <p>See Action Point 1. The Roads Asset Management Plan is being developed as part of the Society of Chief Officers for Transportation (SCOTS) national project.</p> <p>(G Ferguson, Corporate Asset Management Team Leader)</p>	<p>Jun 2013 Mar 2014 Jul 2014</p>	<p>The Service has advised that work is continuing to update the Roads Asset Management Plan to the new format. This is being carried out in conjunction with SCOTS and is now scheduled for completion in July 2014.</p> <p>Internal Audit Opinion: Accepted</p>

