

## REPORT TO THE AUDIT COMMITTEE – 29 MARCH 2017

### INTERNAL AUDIT REPORTS

#### 1. Recommendation

- 1.1 **The Committee is requested to review, discuss and comment on the issues raised within this report and the attached appendices.**

#### 2. Discussion

- 2.1 This report advises the Committee of completed audits (section 4), and of progress with implementing agreed recommendations (section 5 and Appendices A and B).
- 2.2 Appropriate officers agreed the factual accuracy of the Internal Audit reports prior to issue and action has been agreed to address the issues identified. Assurances have been sought from officers regarding the implementation of agreed recommendations. Service Directors have had an opportunity to comment on the data included in Appendices A and B.
- 2.3 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report. Any comments made have been incorporated within the report and they are satisfied that the report complies with the Scheme of Governance and relevant legislation.

#### 3. Scheme of Governance

- 3.1 The Committee is able to discuss this item in terms of Sections G.1.1.d and G.1.4 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for Internal Audit matters and reviewing the activities of Internal Audit.

#### 4. Internal Audit Reports

##### 4.1 Disclosure Scotland Checks (Internal Audit Report 1702 – March 2017)

- 4.1.1 Disclosure Scotland is an Executive Agency of the Scottish Government whose primary objective is to provide an accurate and responsive Disclosure service. A Disclosure is a document containing impartial and confidential criminal history information held by the police and government departments, which can be used by employers to make safer recruitment decisions.
- 4.1.2 The Protection of Vulnerable Groups (Scotland) Act 2007 (PVG Act) has resulted in the introduction of a registration scheme for individuals carrying out regulated work with children and protected adults. Disclosure Scotland

maintain records of this registration and consult with Police and other authorities to identify pertinent information regarding registered individuals. Lists are also maintained by Disclosure Scotland of individuals who have been identified as being unsuitable to work with each group.

- 4.1.3 The objective of this audit was to consider whether arrangements in place to ensure that appropriate employees / volunteers have been checked are adequate.
- 4.1.4 At the time of the audit, the details of posts requiring a Disclosure Scotland Check had not all been migrated from the former to the current employee management systems meaning that there was a risk that appropriate checks may not be undertaken. This issue has now been resolved.
- 4.1.5 The introduction of the PVG scheme resulted in a requirement to commence retrospective checking of employees in regulated work beginning in October 2012. Between October 2012 and February 2014, this checking was the responsibility of each Service. However, due to resource issues the anticipated volumes were not achieved and the task was transferred to HR&OD as part of the creation of the Core Recruitment Team in March 2014 but, according to HR&OD, was delayed due to initial resourcing difficulties. From December 2014 to January 2016 the Business Services Support Services Team were undertaking retrospective checks to meet this requirement. Resources allocated to this task were then moved to support the implementation of iTrent, and the Support Services Manager was advised that the retrospective checking would be undertaken within HR&OD.
- 4.1.6 As at 30 August 2016 the Recruitment Administration Team estimated that there were still 885 employees, 300 Supply Teachers and 4,000 volunteers still to be introduced to the PVG Scheme. These figures have been reported to Disclosure Scotland with an estimated completion date of 31 March 2018.
- 4.1.7 It is essential, both from a legal and a safeguarding perspective, to ensure that all employees and volunteers undertaking regulated work are not barred from doing so. The Service has confirmed that resources from within the Support Services team have been identified to enable this work to re-commence and that appropriate resources will be identified to ensure that it is completed by the 31 March 2018 deadline given by HR&OD to Disclosure Scotland.
- 4.1.8 Education and Children's Services has implemented an temporary exemption procedure which enables the Director of Education and Children's Services to offer temporary dispensation to the requirement to have a PVG in place before a new employee commences regulated work, when there is 'a strong operational need to recruit' ahead of the PVG Scheme Record being received. Recruiting managers are required to apply for the dispensation detailing the necessary information to risk assess the temporary dispensation. PVG records for two new employees subject to a temporary dispensation took more than three months to be provided.

4.1.9 This departure from the Council's procedures has not been formally approved and the circumstances in which it would be acceptable to have a temporary dispensation have not been defined. HR&OD has stated that as the process is already in place they will undertake a review, by August 2017, to determine whether further approval is required, and that, as the circumstances are, by their nature exceptional and tend to be one-offs, it is not considered that a list of circumstances that would be deemed appropriate. This means that the departure from procedure will continue in an unauthorised way, without Strategic Leadership Team considering the risks, and guidance will not be made available.

## **4.2 Self-Billing (Internal Audit Report 1707 – March 2017)**

4.2.1 Self-Billing is a method of paying external VAT registered suppliers on a VAT invoice created by Aberdeenshire Council for work provided to the Council. This saves administration for both the Council and the Supplier as the Council will make payments directly based on the value of work it has certified, rather than having to issue a valuation, obtain an invoice and compare the two prior to processing each payment.

4.2.2 The objective of this audit was to ensure that appropriate procedures are in place and that they are being consistently and accurately applied across the Council.

4.2.3 Finance manages self-billing agreements with suppliers, which must be updated and signed annually in advance of making any self-billing payments, and holds a list of those with current agreements. It is not possible to separately identify self-billing invoices within the financial system, in order to conclusively determine which Services are using them.

4.2.4 The Property Service is the main user of self-billing, with records held on the Timemaster system to support all transactions. A report run from the system showed 358 payments between 1 April 2015 and 31 March 2016; totalling just under £37 million. Property has appropriate procedures, however improvements have been recommended and actions agreed in respect of maintaining records and ensuring all appropriate details are included on self-billing invoices.

4.2.5 It is not apparent that other Services are self-billing, though it remains an option where appropriate. Not all of the suppliers on Finance's list have been used within the last year by Property, therefore there may be scope to reduce the number of agreements, and review their administration. Finance will review the list and remind suppliers that they only require agreements if they provide self-billed supplies to the Council, but will retain ownership over the process in order to mitigate against the risk of non-compliance with HMRC requirements.

## **4.3 Collection Offices (Internal Audit Report 1714 – January 2017)**

4.3.1 The Council has ten public Collection Offices, six of which are Service Points, and a back office processing facility at Viewmount, responsible for

processing income from a number of sources including Council Tax, Business Rates, Housing Rents and Debtors invoices.

4.3.2 The objective of this audit was to consider whether all income sources and expenditure, income handling procedures, payroll records and inventories are adequately controlled and completed.

4.3.3 In general, this was found to be the case with recommendations being made, and agreed, relating to the monitoring of cash holding limits and reviewing the Council's Money Laundering procedure.

#### **4.4 CareFirst System (Internal Audit Report 1718 – March 2017)**

4.4.1 Since 1999 the Council has used the Care First Social Care case management system for recording care arrangements and related events pertaining to Social Care Service Users. Practitioners and Administration staff within Children's Services and Aberdeenshire Health and Social Care Partnership (AHSCP) use the system to manage Service User care, payments to and on behalf of Service Users, and the contributions Service Users make towards the cost of their care.

4.4.2 The objective of this audit was to consider whether appropriate control is being exercised over the system, including contingency planning, and disaster recovery, and its data input, and that interfaces to and from other systems are accurate and properly controlled.

4.4.3 Like many other Council systems, Care First has not been subject to a full retender process. The Service has worked with ICT, Finance and Procurement in relation to CareFirst system contract issues to ensure extensions to the existing contract were appropriate and backed by Committee. However, without market testing it cannot demonstrate that Care First remains the most appropriate and best value system for recording, control and use of the Council's Social Care data. Integration of Health & Social Care means future requirements are currently difficult to determine, therefore alternatives to retendering are being considered in the meantime to mitigate any risk.

4.4.4 Care First System User training and support is provided by the Business Systems team which also receives support from ICT as required. The extent of support which the supplier provides is not clearly indicated in contract documents so the Service intends to work with ICT and the supplier to document this.

4.4.5 The Business Systems Team is not always informed at an early stage of changes in Service practice which necessitate adjustments to the system and staff training to ensure data is recorded appropriately. Data integrity issues which were identified are to be addressed locally with Managers through improved focus on areas where inconsistencies or omissions could present higher risk. The Service has agreed to ensure that system

requirements are highlighted at Health and Social Care Partnership Management Teams and will recommend options for improving data collection and processing.

- 4.4.6 Access to the system is controlled through corporate network access controls in addition to system controls, however there is a small risk that users changing role may not have access adjusted promptly. The Service has agreed to review the current mechanisms which ensure that access is withdrawn when appropriate, to improve controls in this area.
- 4.4.7 The interfaces to and from Care First are adequately monitored and confirmed on a regular basis. Clarity over the responsibility for ensuring that Debtors' interface rejections are dealt with has been improved by the Service. Although checks and monitoring are in place, there is no reconciliation between Care First and the ledger system to confirm that data on income and expenditure match. Finance considers that data processing improvements agreed with the Service, and an increase in the amount of data which is directly interfaced between systems, should reduce the risk of error, and therefore reconciliations are not required.
- 4.4.8 Service Business Continuity plans are in place and give due consideration to the event of system loss. Existing data recovery testing arrangements are adequate but will be further enhanced through the provisions of a new data centre contract.

#### **4.5 Information Technology in Schools (Internal Audit Report 1719 – March 2017)**

- 4.5.1 Education Scotland recognises that, as technology becomes increasingly embedded, learners must be provided with relevant and contemporary experiences that allow them to successfully engage with technology and prepare them for life after school.
- 4.5.2 In Aberdeenshire, schools are supported by the Learning Through Technology team who provide training and ongoing support on how teachers can effectively utilise digital technology to enhance the learning of their pupils.
- 4.5.3 The objective of this audit was to consider the Service's approach to IT in schools ensuring that it is consistent and appropriate. In general, this was found to be the case although the following issues were identified that require action.
- 4.5.4 In September 2016, the Scottish Government published "*Enhancing Learning and Teaching through the use of Digital Technology: A Digital Learning and Teaching Strategy for Scotland*". This sets out a series of national actions and local expectations structured around four objectives. Aberdeenshire Council's ECS ICT Strategy is currently in draft, and the Service has agreed to complete development of this in alignment with the Scottish Government objectives. The strategy requires that local authorities "ensure that digital technology is a central consideration in all

areas of curriculum and assessment delivery". In this respect, the Service has agreed to include development of digital skills and the use of digital technology, across the curriculum and for the purposes of assessment, when developing the next curriculum plan for 2017/18.

- 4.5.5 Glow, a purpose-built digital learning solution which supports the delivery of Curriculum for Excellence, is funded by the Scottish Government and is available to all schools across Scotland. Scholar, an online programme which provides resources and learning material for all pupils undertaking Scottish Qualification Authority exams, is funded by local authorities and available in secondary schools. There are inconsistencies in the use of both systems across Aberdeenshire schools. The Service has agreed to highlight low usage through an annual report to the ECS ICT Strategy Group and develop a focussed strategy to increase the use of the systems to enhance learning and teaching. This action will be included in the LTT Improvement Plan for 2017/18.
- 4.5.6 Financial Regulations were not complied with and best value was not demonstrated in relation to the procurement of Show My Homework and the use of the Crown Commercial Service framework agreement when procuring ICT hardware for schools as part of the "ICT PC Refresh" programme. The Service has agreed to consider whether Glow should be used as an alternative, more cost-effective solution to Show My Homework. If an alternative to Glow is considered the best option, the Service will ensure the contract is procured in compliance with Financial Regulations. The Service has also agreed to work with Commercial and Procurement Services to ensure the conditions of framework agreements are complied with when used to procure ICT equipment in future.
- 4.5.7 ICT has identified Data Protection risks in relation to the procurement of software and apps by schools and prepared guidance to be followed by schools. The Service issued this in January 2017 as part of a school email circular. Data protection risks remain for software, apps and hosted systems procured / used by schools prior to this ICT guidance being issued. To address this, the Service has agreed to establish a list of software, apps and hosted systems currently used by schools and thereafter discuss with ICT to consider if privacy impact assessments are required.
- 4.5.8 At the start of each financial year, schools are assigned a devolved budget which Head Teachers are responsible for with decisions taken at a school level regarding use of the budget. There is currently no central overview of devolved spending to ensure compliance with Financial Regulations at a Service level which increases the risk of non-compliance with procurement related regulations. The Service has agreed to develop a process for monitoring devolved spend per supplier to ensure compliance with Financial Regulations.
- 4.5.9 ICT spend and inventory per pupil was examined across Aberdeenshire and inconsistencies were identified. During development of the ECS ICT Strategy, the Service has agreed that consideration will be given to a

baseline provision of technology in schools to ensure that no child is disadvantaged.

- 4.5.10 A list of inventory (laptops, desktops, and tablets) is being sent by ICT to CSN Support Services Co-ordinators for the schools in their network at the end of each term, with an expectation that the inventory is checked for each school at least once a year. At the time of the audit, ICT had not received validation that inventory is correct, or otherwise, from any schools. The Service has agreed that annual inventory checks will be completed, in line with the Council's inventory guidelines, and ICT will be advised. ICT has agreed to keep a record of the date of inventory confirmations for each school, to provide an overview.

#### **4.6 Planning Enforcement (Internal Audit Report 1721 – January 2017)**

- 4.6.1 The Planning Enforcement Team acts to identify and resolve breaches of planning control as well as assisting Planning Officers in monitoring compliance with conditions of Planning Permission. Each case is considered on its own individual merit, and where possible the team seeks to resolve identified problems at the earliest opportunity rather than punishing non-compliance. The Service budget falls under Development Management. For 2016/17 this was £921,000.

- 4.6.2 Cases are identified through complaints from the public as well as internal referrals. During 2015, 720 complaints were received in respect of potential planning breaches. Complaints which are not a potential enforcement issue are generally not recorded, with complainants re-directed to alternative contacts wherever possible.

- 4.6.3 The objective of this audit was to review processes in place related to planning functions with planning enforcement. In general these are adequate, and adhered to. Improvements to procedures, and supporting evidence for actions and decisions have been recommended to the Service, which has updated procedures accordingly.

#### **4.7 iProcurement and Ledger System (Internal Audit Report 1723 – March 2017)**

- 4.7.1 The Council utilises the Oracle e-Business Suite (EBS) to manage and monitor procurement and for financial management.

- 4.7.2 The objective of this audit was to confirm that appropriate control is exercised over the iProcurement and ledger systems, including contingency planning and disaster recovery, ensure that robust purchasing practices are adhered to, and the information produced for budget monitoring is robust. In general, controls were found to be adequate, well managed and adhered to.

- 4.7.3 However, the following areas were identified which require management action: system procedures; system access and security and use of non-catalogue ordering for contract catalogue suppliers.

4.7.4 The Service has agreed to address the issues highlighted including: updating Oracle EBS procedures on Arcadia; amending the system through which Oracle EBS access requests are made so that they cannot be approved by the person placing the request; reminding managers of procedures to follow when completing user access requests; working with HR to develop an automatically generated monthly system report of Council leavers to ensure Oracle EBS access is removed as appropriate; and issuing joint guidance on Arcadia with Commercial and Procurement Services on the use of contract supplier catalogues.

#### **4.8 Creditors System (Internal Audit Report 1724 – March 2017)**

4.8.1 The Oracle Payables System is part of the Oracle Integrated Financial System. It is used to pay all the Council's suppliers. During 2015/16, it was used to pay 270,000 invoices with a total value of £401 million.

4.8.2 The objective of the audit was to consider whether appropriate control is being exercised over the Payables System, including contingency planning and disaster recovery, and that interfaces to and from other systems are accurate and properly controlled.

4.8.3 In general, controls were found to be adequate, well managed and adhered to. Areas identified for improvement included: data protection training; changes to supplier master data; invoice processing; and payment of high value invoices.

4.8.4 The Service has agreed to address the compliance matters identified and introduce suggested improvements which include ensuring segregation of duties between the setting up of new suppliers and the authorisation to pay those suppliers; reintroducing audit tables showing changes to supplier bank details; investigating the possibility of a workflow process for changes to supplier master data in the next Payables System to be procured; and development of a report showing all over £50,000 payments without a purchase order, to provide to authorised signatories, to ensure these high values payments are supported and authorised.

#### **4.9 Burial Grounds Strategy (Internal Audit Report 1727 – March 2017)**

4.9.1 The Burial Grounds Strategy is intended to allow effective control, administration, management and development of burial sites. It demonstrates the Council's intention to provide a Burial Service which is sympathetic towards all regardless of individual preferences or different cultures, ensure continuity of burial ground supply, make all sites safe and accessible, and provide opportunity for public commemoration and genealogical research.

4.9.2 The Strategy was last updated in 2006, but since a number of sections of the Burial and Cremation (Scotland) Act 2016 came into effect in December 2016, and further guidance from the Scottish Government is anticipated, the Service intends to review its Strategy.

- 4.9.3 The objective of this audit was to ensure current procedures provide adequate control measures to deliver the aspirations of the current Burial Grounds Strategy and associated Policies.
- 4.9.4 In accordance with the Strategy, the Service has performed a Best Value Review in respect of Burials' administration and has implemented its recommendations. The Service has given due consideration to the availability of alternative burial methods including crematoria facilities. A Service User Pledge has been introduced and both Service Users and staff have been provided with adequate information to ensure cultural and lingual differences are accommodated.
- 4.9.5 Although genealogical research facilities are accessible, development of other electronic services has been limited. Implementation of an electronic Cemetery Management System (CMS) was planned, however procurement difficulties have been encountered. Issues identified in respect of central availability, organisation and security of often sensitive Service information could be addressed through such a system. In the interim the Service has agreed to amend existing information handling practices.
- 4.9.6 The policy for Indigent Burials was to be brought into line with that of neighbouring local authorities in 2015, but this work, and development of procedures for seeking cost recovery where appropriate, is still in progress.
- 4.9.7 Arrangements in place to ensure continuity of burial ground supply are adequate, however these do not clearly evidence that factors including demography and size of local populations have been applied as intended by the Strategy. The Service has agreed to review and document its methodology.
- 4.9.8 A maintenance programme for the upgrade and conservation of historical burial grounds is in place but the records and written procedures for monitoring memorial stone stability do not adequately evidence the checks and risk assessments taking place. The Service will implement new procedures to do so.
- 4.10 CONFIRM System (Internal Audit Report 1728 – February 2017)**
- 4.10.1 CONFIRM is an Asset Management system which records activities related to over 300,000 assets consisting of, but not limited to, 1,200 public buildings, 1,600 bridges, 43,000 street lights, 20,000 square kilometres of public parks and spaces, 15,000 trees, 1,800 bus stops and shelters and 117,000 properties served by Waste collection. The system is used by a number of Services including Waste, Landscape Services, Property and Roads. Over 200 enquires a day are received in to the system. The current cost of supporting the system is £74,195 per annum.
- 4.10.2 There are currently 753 registered users, with a maximum of 173 users able to access the system at any one time, along with a further 50 mobile users. Information is fed into the system by staff at the contact centre recording faults or issues with assets, by the general public via a portal, or

by staff within Services. Depending on the location and the type of asset this report is then allocated to an individual member of staff who then subsequently records any action taken, giving a complete history.

- 4.10.3 The objective of this audit was to ensure that data taken onto the system is accurate and adequately supported and that control over the system is robust. In general this is the case. Recommendations have been made and actions agreed with the Service in respect of a risk of duplicate logins restricting access for other users, demonstrating compliance with data protection requirements, and scheduling system recovery tests.

#### **4.11 Social Work Client Transport (Internal Audit Report 1730 – March 2017)**

- 4.11.1 The Public Transport Unit (PTU) provides transport to Social Work Clients where it is assessed by Social Work as being required. In 2015/16 the Service spent over £760,000 on hired in transport, and £777,000 on in-house transport. In 2016/17 to November 2016, £385,000 had been spent on hired in transport, and £523,000 on in-house provision.
- 4.11.2 Internal Audit Report 1432: Social Work Client Transport identified a number of recommendations for action which were agreed by both Social Work and the Public Transport Unit (PTU), and these have all been advised as complete. In October 2016 Internal Audit Report AW1603: Taxi Invoice Discrepancies highlighted after investigation that there were weaknesses in internal controls which could have impacted on the ability of the Service to avoid, detect, and correct fraud or error timeously. As a result this identified a number of recommendations for action which are being implemented by the PTU.
- 4.11.3 The objective of this audit was to consider whether appropriate arrangements are in place to secure transportation in a cost effective and well managed way.
- 4.11.4 Although forms are in place, these are not always being fully and promptly completed, and are not set up to clearly demonstrate compliance with policy. The Service intends to seek approval from the Integration Joint Board to roll out a new Assisted Transport Policy, and thereafter will implement mechanisms to demonstrate that it is being complied with.
- 4.11.5 A small element of transport expenditure is still being arranged directly by Social Work establishments, instead of via the PTU. The Service intends to address this where appropriate through implementation of the new policy and associated forms, though there will remain a requirement to arrange travel directly in emergency situations.
- 4.11.6 Appropriately tendered contracts are in place with transport operators, however not all of the paperwork had been fully completed, signed and returned by the operators in advance of contracts commencing. Without signed agreements there is a risk that the Service may have limited recourse in the event that suppliers do not adhere to the conditions and

responsibilities set out therein. The PTU will implement procedures to obtain all completed contract documentation prior to commencement of new call off agreements.

- 4.11.7 Data relating to provision of social care transport is retained in both the Care First system and Trapeze. The former contains details of individuals' care needs, existence of a transport support agreement, and a shadow unit cost. The latter documents the specific details of routes, operators and actual costs. Discrepancies were identified between the two systems, including cases where service users' circumstances had changed and were no longer travelling, but transport arrangements still indicated their presence on a particular route. The Services have committed to improve controls over the input and processing of travel arrangements as part of Internal Audit Report AW1603: Taxi Invoice Discrepancies, and have agreed to work together to review service user transport requirements and improve notification and record keeping processes going forward.
- 4.11.8 Trapeze system data including end dates of contracts, and their values, did not always match corresponding paperwork held by PTU. The PTU will update procedures to ensure consistency of practice.

#### **4.12 Cleaning Payroll (Internal Audit Report 1734 – February 2017)**

- 4.12.1 Building Cleaning provides cleaning services for Council owned buildings such as schools, offices, Sheltered Housing complexes and public toilets, employing over 820 staff, with a budget of £6.78 million for staff costs in 2016/17.
- 4.12.2 The objective of this audit was to consider whether all aspects of payroll administration (new starts, leavers, timesheet completion and authorisation, overtime approval, etc.) are adequately controlled. In general this is the case, however some minor discrepancies were identified, including two overpayments which are being recovered, and revisions to procedures have been recommended.
- 4.12.3 The Service has agreed to review its staffing lists for accuracy, and implement procedures to check these periodically, to ensure staffing budgets and complements remain aligned, and to improve cost monitoring. Staff will also be reminded of the correct process for claiming pay enhancements on timesheets, and the need for prompt and accurate recording and notification of payroll changes, including employment, absence and special leave records.
- 4.12.4 HR&OD will review the corporate processes for monitoring working time directive compliance, effecting and reconciling payroll recoveries, and calculating annual leave for term-time workers leaving during school holiday periods, and will clarify associated guidance to aid Services' application of these procedures.

## **5. Progress with agreed recommendations**

- 5.1.1 Appendices A and B show progress made by Services with completing agreed Internal Audit recommendations. Where these have not been completed by their original due date, reasons are provided along with the grading applied to the recommendation in the original Internal Audit report. An explanation of the gradings used is shown at appendix C.
- 5.1.2 Where it has been confirmed that all actions contained in reports issued before April 2016 have been fully completed, these reports are no longer shown.

## **6. Equalities, Staffing and Financial Implications**

- 6.1 An equality impact assessment is not required because the reason for this report is for Committee to discuss and comment on the findings of Internal Audit work and there will be no differential impact, as a result of this report, on people with protected characteristics.
- 6.2 There are no staffing or financial implications arising directly from this report other than those implicit in the tightening of internal controls recommended in the Internal Audit reports.

### **CHIEF INTERNAL AUDITOR**

Report prepared by David Hughes, Chief Internal Auditor.  
14 March 2017.

## APPENDIX A

### POSITION WITH AGREED RECOMMENDATIONS AS AT 14 MARCH 2017

#### SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. On 15 February 2017, the Committee was advised that, as at 31 January 2017, there were 28 recommendations which were due to have been completed by 31 December 2016 which were not fully complete. This has reduced to 24. The total not fully complete, which had an original due date of before 31 January 2017, is 28. Full details relating to progress, on a report by report basis, are shown in appendix B.

SERVICE	Recommendations							Grading of Overdue Recommendations		
	Agreed in reports shown in Appendix B	Due for completion by 31.12.16	Confirmed complete by Service	New in January and February 2017	Confirmed complete by Service	Not fully complete by original due date of 28.02.17	Major	Significant	Important	
<b>Gross Service</b>	51	48	45	0	0	3	0	1	2	
<b>Business Services</b>	148	94	84	19	15	14	0	6	8	
<b>Health &amp; Social Care</b>	95	75	74	5	5	1	0	1	0	
<b>Education and Children's Services</b>	98	73	65	4	4	8	3	2	3	
<b>Infrastructure Services</b>	116	69	67	12	12	2	0	1	1	
<b>Total</b>	508	359	335	40	36	28	3	11	14	

**APPENDIX B**

**POSITION WITH AGREED RECOMMENDATIONS AS AT 14 MARCH 2017**

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**CROSS SERVICE**

1428	Corporate Contracts	June 2014	12	12	10	2	2 Important
<p>As reported to Committee in February 2017, the two overdue recommendations (<b>graded "important within audited area"</b>) were due to be implemented by the end of July 2014 and relate to incorporating a permanent link to corporate contracts on the Arcadia home page and ensuring that the list of contracted suppliers on Arcadia is updated promptly following changes. The Service was working on these and intended having them completed by the end of September 2014. This was then incorporated in the PACE project and was being progressed in line with the Arcadia project, with the recommendations being rescheduled for October 2015. The Service advised that the holding platform would continue to be utilised whilst the new Sharepoint platform was being finalised and that this would take six to nine months to complete, and should, therefore, be complete by August 2016. The Scrutiny and Audit Committee was advised in December 2016 that the Contracts Register had been published online and was available on Arcadia. The Service advised that updated information in relation to C&amp;PS would be available following completion of the governance review which was being carried out within the Council. This involved a revision to Financial Regulations and would be supplemented by Procurement Guidance Notes. The new regulations were developed in January 2017 and updated pages will be in place by the end of March 2017.</p>							
1638	Travel and Subsistence	April 2016	29	28	28	0	0
1705	Recruitment Procedures	October 2016	10	8	7	1	1 Significant
<p>As reported to Committee in February 2017, the overdue recommendation (<b>graded "significant within audited area"</b>) was due to be implemented by the end of December 2016 and relates to HR&amp;OD reviewing a particular practice, ensuring that it is appropriate and, if so, formalising the arrangements. The Service advised that this was under review and, if any changes are considered necessary, they will be made by the end of March 2017.</p>							

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**BUSINESS SERVICES – Commercial and Procurement Services**

1551	Procurement Performance	August 2015	8	8	6	2	1 Significant 1 Important
------	-------------------------	-------------	---	---	---	---	------------------------------

As reported to Committee in February 2017, one overdue recommendation (**graded “significant within audited area”**) was due to be implemented by the end of October 2015 and relates to the Service, in conjunction with Finance, being pro-active in ensuring that regular and consistent procurement performance management information is made available to Services and Committee. As part of embedding the Business Model the Service was to re-train / educate officers to ensure that the organisation has a better understanding of the overall value of a contract / spend within the requirements of Aberdeenshire regulations, and Scottish and European legislation. Category Managers were to be taking a more strategic view of spend by category across the organisation and, as part of this, spend was to be analysed and used to support the training needs. A method for identifying / recording potential non-compliance was to be included in this process in conjunction with contract register development and it was anticipated that this would be completed by August 2016. The Service then advised that this was included in the Council’s governance review and a process was to be incorporated in the revision to Financial Regulations and supplemented by Procurement Guidance Notes. These were developed in January 2017. In addition, the Government has reassessed the Procurement Capability Assessment and an updated version has been rolled out across all public sector organisations with Aberdeenshire’s assessment date originally being in February 2017, but this has changed to March 2017.

As reported to Committee in February 2017, the final overdue recommendation (**graded “important within audited area”**) relates to the Service ensuring that quality evidence which is clearly linked to assessment questions and the improvement plan is retained in support of the Procurement and Commercial Improvement Plan assessment. This external assessment was due to take place between January and June 2016. However, as indicated above, this external review is now scheduled to take place in March 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**BUSINESS SERVICES – Finance**

1556	Revenue Budget Setting Process	December 2015	2	2	1	1	1 Significant
------	--------------------------------	---------------	---	---	---	---	---------------

As reported to Committee in February 2017, the overdue recommendation (**graded “significant within audited area”**) was due to be implemented by the end of March 2016 and relates to the Service developing guidance for staff detailing the revenue budget setting process. The Service had advised that this was linked to the review of the Medium Term Financial Strategy and could not be completed until the review had been completed in May 2016. Guidance was then being worked on which was due to be complete by the end of July 2016. However, procedures had changed and the Service was in the process of working through these. As a result, the guidance was to be finalised in December 2016. However, changes to the Scheme of Governance which took effect from 27 January 2017 impact on the budget setting process and result in greater Service Committee involvement throughout the financial year in the lead up to the budget setting process. Therefore, to capture the process that has been used for 2017/18 budget would not reflect the revised arrangements. Corporate Finance and Accountancy are also reviewing the budgeting and financial management with a view to improving on existing processes. The results of this review have to be reported to the Head of Finance by April 2017. A manual has been commenced and will be updated following each stage of the 2018/19 budget setting process. In view of this, the manual should be complete by December 2017.

1618	Council Tax	December 2015	2	1	1	0	0
1621	AWPR	May 2016	5	5	5	0	0
1633	Cash Receipting System	March 2016	2	0	0	0	0
1634	Benefits Offices	June 2016	1	1	1	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**BUSINESS SERVICES – Finance (continued)**

1701	Purchase Cards	July 2016	11	11	8	3	1 Significant 2 Important
------	----------------	-----------	----	----	---	---	------------------------------

As reported to Committee in February 2017, there are three overdue recommendations that were due to be implemented by the end of November 2016. They relate to the Payments Section updating the current purchase card manuals to ensure that they reflect the most recent policies and procedures, and ensuring that manuals are regularly reviewed (**graded “important within audited area”**), updating the manuals to instruct staff to input sufficient descriptions of transactions in the 360Control system (**graded “important within audited area”**), and the Payments Section requesting that the recovery of purchase cards, and notification to the Payments Section, is included in the HR&OD Leavers Checklist (**graded “significant within audited area”**). The Service stated that the use of purchase cards is being reviewed and it will take until the end of March 2017 to complete the recommendations.

1713	Electronic Document Management System	November 2016	8	0	0	0	0
1714	Collection Offices	February 2017	7	4	4	0	0
1715	Revenues and Benefits System	August 2016	4	3	2	1	1 Important

As reported to Committee in February 2017, the overdue recommendation (**graded “important within audited area”**) was due to be implemented by the end of December 2016 and relates to the Service enabling all password parameters, in order that upper & lower case characters are required, to enhance password security. The software supplier has advised that this may not be possible due to encryption being enabled. The Service will test a solution once year-end processing has been completed, although communication with other Councils has confirmed that they have been unable to force case sensitive characters with encryption on.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**BUSINESS SERVICES – HR&OD**

1547	Attendance Management	May 2015	9	9	8	1	1 Important
<p>As reported to Committee in February 2017, the overdue recommendation (<b>graded “important within audited area”</b>) was due to be implemented by the end of December 2015 and relates to HR&amp;OD reviewing the options for recording adherence to the Attendance Management Policy. This was being reviewed as part of the implementation of the new payroll system which went live in April 2016. The Service advised that use of the sickness absence functionality within iTrent was being considered, with pilots due to commence within specific service areas in August 2016. Options for recording adherence to the Attendance Management Policy were to be progressed as part of this work activity.</p> <p>The Service then advised that recording adherence to the Attendance Management Policy was being considered as part of the design and development of the sickness functionality within iTrent. The intention was to pilot this functionality in October / November 2016 with its subsequent rollout across Services commencing thereafter. This was then delayed to November / December 2016.</p> <p>HR&amp;OD then advised that they have been reviewing the project plan for iTrent which includes the rollout of the absence management functionality and that options for recording adherence to the Absence Management Policy would be delayed until December 2017.</p>							
1639	Employee Benefits	July 2016	12	12	12	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**BUSINESS SERVICES – ICT**

1540	Software Licensing and Support	April 2015	6	5	5	0	0
1712	Data Protection	October 2016	15	14	11	3	2 Significant 1 Important

As reported to Committee in February 2017, one recommendation (**graded “significant within audited area”**) was due to be implemented by the end of November 2016 and relates to training completion statistics being included in a regular report to the Information Management Strategic Group. Arrangements relating to information security have changed recently and the new group has not yet met. Reports are ready to be presented when this does happen.

As reported to Committee in February 2017, another recommendation (**graded “significant within audited area”**), due to be implemented by the end of November 2016, relates to a central list being maintained of all staff members who are recruited through an agency (outwith a framework agreement), volunteers, placement students and contractors, including whether a signed confidentiality agreement is in place. HR&OD advised that they will work with Services to establish an appropriate process for identifying such personnel and that this will be concluded by September 2017.

One further recommendation (**graded “important within audited area”**) was due to be implemented by the end of January 2017 and relates to regular data protection reports being issued to the new operational and strategic information management groups and senior management. The Service has advised that this is linked to the first overdue recommendation, detailed above, and will commence when the new Information Management Strategic Group meets.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**BUSINESS SERVICES – Legal and Governance**

1704	External Legal Advice	November 2016	7	7	7	0	0
1722	Registrars	December 2016	15	15	12	3	1 Significant 2 Important

The three overdue recommendations were due to be implemented by the end of February 2017. The first (**graded “important within audited area”**) relates to ensuring that the ceremonies database is developed and utilised promptly. The Service has advised that ICT are still working on the system and it will be operational by the end of April 2017.

The second overdue recommendation (**graded “significant within audited area”**) relates to periodically checking that all income has been collected and accounted for. The Service has advised that the first check will be undertaken by the end of March 2017.

The final overdue recommendation (**graded “important within audited area”**) relates to the Service checking the mileage claimed in a small number of travel claims to confirm their accuracy. The Service has advised that this will be completed by the end of March 2017.

**BUSINESS SERVICES – Property and Facilities Management**

1629	Industrial and Commercial Rent Income	June 2016	11	11	11	0	0
1734	Cleaning Payroll	February 2017	23	5	5	0	0

**HEALTH & SOCIAL CARE PARTNERSHIP**

1604	Older People – Residential Care	December 2015	27	26	26	0	0
------	---------------------------------	---------------	----	----	----	---	---

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**HEALTH & SOCIAL CARE PARTNERSHIP (continued)**

1610	Day Care Establishment Visits	December 2015	24	24	23	1	1 Significant
<p>As reported to Committee in February 2017, the overdue recommendation (<b>graded "significant within audited area"</b>) was due to be implemented by the end of April 2016 and relates to the Service ceasing payment for premises which have been vacated by the Council and are now occupied by a charity. The Council commissions services from the charity and pays a unit rate for the service excluding the property costs paid by the Council. Progress was being made to transfer the lease to the charity, after which the unit costs charged to the Council would increase to incorporate the premises costs. The issue was due to be resolved by the end of September 2016 but was then delayed to the end of October 2016. At that point the Service advised that the revised lease was with the charity awaiting signature and on 10 November 2016, the Social Work and Housing Committee resolved that, if this issue was not complete by the end of December 2016, a full report was to be submitted to the Committee in January 2017 explaining the reasons. This was not achieved and the Service advised Internal Audit that, due to issues regarding the charging for services, the Service anticipated resolving this issue by the end of January 2017.</p> <p>The latest update from the Service is that discussions are on-going with the charity.</p>							
1624	Self Directed Support	January 2016	16	15	15	0	0
1635	Home Care System and Service	October 2016	19	6	6	0	0
1636	Following the Public Pound	May 2016	9	9	9	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**EDUCATION & CHILDREN'S SERVICES**

1541	Teachers Payroll	July 2015	15	15	13	2	2 Significant
------	------------------	-----------	----	----	----	---	---------------

As reported to Committee in February 2017, the first overdue recommendation (**graded "significant within audited area"**) was due to be implemented in April 2016 and relates to HR&OD introducing a verification process to ensure that contracts are accurate before being sent to employees. The Service had advised that a quality checking protocol was being progressed as part of new procedures within HR Support and that a realistic timescale for implementation of this would be by the end of July 2016. However, due to the high volumes of work received in HR Support for July 2016 the implementation of the contract quality checking process was delayed until the beginning of October 2016 to give the teams time to catch up with the August contract backlog. The Service then advised that, while the backlog had been cleared, due to work demands over the summer months and the implementation of Phase 2 of iTrent, the full implementation of the verification process had been delayed until the end of December 2016. The Service then advised that this had been delayed until the end of March 2017 due to ongoing resource issues.

As reported to Committee in February 2017, the final recommendation (**graded "significant within audited area"**) was due to be implemented in May 2016 and relates to HR&OD ensuring that the process of paying staff is as straightforward and transparent as possible had a revised completion date of December 2016. The process was being reviewed following iTrent going live in April 2016 but there had been challenges with elements of the system which delayed this action being moved forward more quickly. The process was being reviewed but the Service stated that it needs the buy-in of other parties as this relates to teachers who have nationally agreed terms and conditions. A meeting was held between the iTrent system supplier and their local authority customers in July 2016 to discuss requirements and reach an understanding on a cross-authority solution. They are reviewing and rewriting the system for Scottish Teachers terms and conditions with a completion date of August 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**EDUCATION & CHILDREN'S SERVICES (continued)**

1543	Purchasing and Creditors Procedures	July 2015	16	16	15	1	1 Major
<p>As reported to Committee in February 2017, the overdue recommendation (<b>graded "major at a Service level"</b>) was due to be implemented by the end of September 2016 and relates to the Service ensuring that the procurement of goods and services from identified suppliers is subjected to an appropriate tendering process and Committee approval sought for the level of spend. Some progress had been made with contracts having been reported to the Policy and Resources Committee. However, some of the identified supplies had not been concluded. The Service was working to see if there were other supplies that should be addressed in a similar fashion and these were to be combined into a single report to the Policy and Resources Committee in March 2017.</p> <p>However, following introduction of the Council's new governance arrangements in January 2017, Services are currently working on producing procurement plans. Education and Children's Service will be reporting their plan to the Education and Children's Services Committee in June 2017 and this should address the outstanding recommendation.</p>							
1606	Education Lets	December 2015	11	10	8	2	2 Important

As reported to Committee in February 2017, the overdue recommendations (**graded "important within audited area"**) were due to be implemented by December 2016. They relate to the Service considering streamlining the booking process with all availability and bookings made through the Gladstone System and using Gladstone to monitor the income from lets in order to ensure that properties are used effectively and efficiently. The Service confirmed that the process needs to be streamlined but that a new corporate booking system will be used to fully implement the recommendations. The bookings system will eventually cover all booking types across the Council and there will be a need to prioritise how the different booking types are moved across to the system. The school lets booking process has been identified as an early priority in the business case, however, it was not clear when the system will become operational.

The latest update from ICT is that the business case for a corporate booking system will be considered by the Digital Aberdeenshire Group in April 2017.

Report Number	Report Title	Date Issued	Agreed in Report	Number of Recommendations			Grading of overdue recommendations
				Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**EDUCATION & CHILDREN'S SERVICES (continued)**

1631	SEEMiS	April 2016	10	8	6	2	1 Major 1 Important
------	--------	------------	----	---	---	---	------------------------

As reported to Committee in February 2017, the system provider monitors unsuccessful logins and security violations but these are not reported to the Council for further investigation. A recommendation that the Service should determine the frequency and extent of security violations and unsuccessful log ins and consider whether this report should be run by schools on a regular basis (**graded "important within audited area"**) was due to be implemented in December 2016. The Service was awaiting a response from SEEMiS regarding the scope of the report before determining if it would be beneficial to review it on a regular basis. The latest update from the Service is that it is possible to run the reports and they are awaiting instructions on how to do this from the Account Manager.

As reported to Committee in February 2017, the final overdue recommendation (**graded "major at a Service level"**) was due to be implemented in December 2016. It relates to the Service reviewing current arrangements relating to data sharing and, where appropriate, seeking advice from the Principal Information Security Officer and Legal and Governance. The Principal Information Security Officer has advised that the Service make contact with the Scottish Government and SQA to discuss data sharing with them. It is expected that they will have standard data sharing agreements in place. The latest update from the Service is that this matter is progressing: contact has been made with the SQA who are reviewing their data sharing governance, and a data sharing agreement is being finalised to sit under a Memorandum of Understanding that is already in place with the NHS.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**EDUCATION & CHILDREN'S SERVICES (continued)**

1640	Pre-School Commissioned Places	September 2016	11	9	8	1	1 Major
<p>As reported to Committee in February 2017, the overdue recommendation (<b>graded "major at a Service level"</b>) was due to be implemented by the end of December 2016 and relates to the Service ensuring that it has sufficient evidence that children detailed on census returns are receiving pre-school education before the Pre-school Partner Providers are paid. The Service advised that Service Level Agreements had been updated and that Principal Teachers would inspect attendance records for each Provider each term. This will impact on payments to providers from April 2017.</p>							
1703	Primary Schools	July 2016	10	10	10	0	0
1708	Teachers' Recruitment Procedures	November 2016	15	9	9	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**INFRASTRUCTURE SERVICES**

1362	Building Maintenance Stores	March 2014	12	12	11	1	1 Important
------	-----------------------------	------------	----	----	----	---	-------------

As reported to Committee in February 2017, the overdue recommendation (**graded “important within audited area”**) was due to be implemented by the end of January 2016 and relates to the Service investigating the possibility of introducing random van stock checks. This was linked to the introduction of the system to replace the SAVE system which had been delayed by ICT issues. The Service advised that, as a result, introduction of the recommendation would be delayed until December 2016. The Service then advised that the system was scheduled to go live by the end of February 2017 and would incorporate real-time monitoring of stock levels on a depot and van basis.

The latest update from the Service is that there has been further slippage and the revised project plan agreed with the system supplier has a “go live” date of 26 April 2017 for Fraserburgh, with other areas following after the first phase has been successfully introduced.

1602	Rent Assessment Scheme	October 2015	7	6	6	0	0
1626	Support for Small Businesses	April 2016	13	13	13	0	0
1628	Burial Grounds	April 2016	8	7	7	0	0
1637	Waste Collection and Disposal	June 2016	21	16	15	1	1 Significant

As reported to Committee in February 2017, the overdue recommendation (**graded “significant within audited area”**) was due to be implemented by the end of November 2016 and relates to the Service ensuring that all orders are instructed on an official purchase order and, if this is not considered possible for certain items, seeking a dispensation from the Head of Finance. The Service advised that this was being dealt with through training provided by Commercial and Procurement Services as a result of revised governance arrangements. Appropriate staff had been identified to attend the training and Service guidance would be updated by the end of March 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.17	Confirmed Implemented by Service	Not implemented by original due date	

**INFRASTRUCTURE SERVICES (continued)**

1706	Roads Year End Stocks	August 2016	14	7	7	0	0
1709	LEADER	October 2017	8	4	4	0	0
1710	Aberdeenshire European Fisheries Fund	August 2016	4	4	4	0	0
1717	Housing Rent System	December 2016	2	1	1	0	0
1721	Planning Enforcement	January 2017	9	8	8	0	0
1725	Portsoy Conservation Area Regeneration Scheme	December 2016	12	0	0	0	0
1726	Bus Service Operators Grant	November 2016	3	3	3	0	0
1728	CONFIRM System	February 2017	3	0	0	0	0

**APPENDIX C**

**Grading of Recommendations**

<b>GRADE</b>	<b>DEFINITION</b>
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
<b>Major at a Service Level / within audited area</b>	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.