

REPORT TO THE AUDIT COMMITTEE – 21 SEPTEMBER 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 Benefits (Internal Audit Report 1732 – June 2017)

4.1.1 Housing Benefit (HB) and Council Tax Reduction (CTR) are means tested social security benefits intended to help meet housing costs for rented accommodation and the cost of Council Tax. Local authorities reclaim most of the HB they have paid to claimants from the Department for Work and Pensions (DWP) by submitting subsidy claims certified by the appointed external auditor. Each Local Authority receives funding for the CTR scheme as part of the Revenue Support Grant. In 2016/17, the Council made payments of £40.9 million for HB and £7.23 million for CTR and had a subsidy claim for £39.6 million and Revenue Support Grant of £7.25 million covering a caseload comprising 10,224 HB and 11,580 CTR claims.

- 4.1.2 Internal Audit tested a sample of new, cancelled and back-dated claims, changes of circumstances, overpayments, and reconciliations. Some recommendations have been made and agreed with management made to assist in improving the accuracy of data held in support of claims.
- 4.1.3 The Service did not meet its new claim performance targets in 2015/16 and 2016/17 as a result of an increase in the number of new claims received, while Scottish Welfare Grants, which are administered by the same staff, also increased. The Service was the subject of an Audit Scotland HB Risk Assessment in 2016 and the resultant report recognised that the Service was doing all it could to improve the speed of processing given the increase in workload. Speed of processing improved in April 2017 and the Service is also about to implement a software solution that will download online HB/CTR new claims straight into the Benefits systems and, by insisting that new claims are made online, will automate the vetting of new claims.

4.2 Budget Monitoring (Internal Audit Report 1735 – July 2017)

- 4.2.1 Budget holders across each Service have been assigned responsibility for specific elements of income and expenditure under their control. Finance supports Service budget holders by providing budget monitoring information including actual expenditure to date, committed funds and forecast outturns. Finance staff, in consultation with relevant budget holders, then prepare reports to Service Management and to Committee, highlighting spending patterns and forecast variations from budget in order to demonstrate performance and advise on any areas of risk and corresponding management action. The Council budgeted net Service revenue expenditure of £533.4 million for 2016/17.
- 4.2.2 The objective of this audit was to review the system of budget monitoring including involvement from Services, assumptions made and changes in forecasts from one period to the next.
- 4.2.3 In general the process works well, and is adequately supported by evidence and reasonable assumptions. The Service has agreed to update some elements of the suite of written procedures which, although covered elsewhere, are not fully up to date.
- 4.2.4 Changes were made to reporting formats in 2016, however following comments from Councillors and managers Finance agreed to revert to the previous format for 2017/18.
- 4.2.5 Forecast accuracy is, overall, good, however the results for individual Services and budget pages can vary substantially. Various internal and external factors and management action to resolve anticipated variances impact on the forecast and actual outturn for each element of the budget. Forecast accuracy changes throughout the year, as plans progress, knowledge of events and service activities improves, virements are applied, and the risk of unanticipated events reduces. There is a prudent approach to forecasting – increasing as more certainty is obtained throughout the year. Forecasts are at their most accurate in the last three months of the

financial year, and in most cases this data is presented in a report to Committee towards or after the end of the financial year. At this point there will be limited options to address expenditure variations. There is a risk that resources might be tied up unnecessarily until Services' forecasts better reflect the extent of any likely outturn within budget.

- 4.2.6 Finance considers that most of the forecasts reflected earlier in the financial year are as accurate as they can be, based on the information available at the time. For example, if pressures had not been identified early in the financial year, action could not have been taken to address those pressures and the expenditure would have been considerably higher than budget. A workshop on improving the accuracy of forecasts was held with all Accountants in February 2016. The accuracy of forecasts will be kept under review, and should the need arise, further training will be given.
- 4.2.7 In order to explain and provide assurance over material (over £100,000) forecast variances in budget outturn, Accountants are expected to detail in variance notes why they have arisen, whether they are expected to recur in future, whether and why any changes have occurred, to what extent service delivery is likely to be affected, and what management action is being taken. Not all budget monitoring variance notes are meeting this standard, therefore management and Councillors may not have all of the assurance they require. Finance will re-emphasise the requirements to all Accounting staff.
- 4.2.8 Three variances in excess of £100,000 identified by Accountants had not been included within the September 2016 budget monitoring, as assurances had been received from Directors that they would be resolved. Although assurances were provided, the potential variances had not been resolved at this point, and no notes to this effect were included in the budget monitoring report, meaning the risks were not made transparent. Finance considers that regular review by Finance and Directors provides sufficient reassurance that the reported figures and notes are accurate. However, there is a risk that un-reported variances may occur, without sufficient advance warning.
- 4.2.9 Virements are the transfer of budgets between different headings and services after they have been set for the year. Delegated authority to approve proposals to make these transfers is provided under Financial Regulations to Committees, Directors, and the Head of Finance for specified types and levels of virement. However, although there are requests to carry out virements, these are always submitted after the relevant accounts and budgets have been amended. Financial Regulations are therefore not being complied with in this respect. Finance has agreed to make reports clearer to show that the figures presented include the proposed virements, subject to approval, but considers that advance approval would be unworkable.

4.3 Halls (Internal Audit Report 1739 – July 2017)

- 4.3.1 Property and Facilities Management manage the Council's 41 Town and

Public Halls which are available for letting to the general public, community groups, sports groups and other Council Services. The gross cost of Hall provision in 2016/17 was £884,000 with income generated of £234,000. The objective of this audit was to consider whether income and expenditure, payroll records, inventories, etc., are adequately controlled and completed at a selection of Halls.

- 4.3.2 Bookings for the facilities are made in a number of ways and the Halls themselves do not have access to the booking system. Supporting procedures are largely manual. A proposed corporate customer booking system which will allow users to make online bookings and advance payments will improve efficiency in this area and should be in place for Halls by May 2018.
- 4.3.3 A number of issues were identified during the audit including the availability of written procedures and provision of appropriate training, a lack of reconciliation between the current booking system and invoices raised to ensure completeness of income, delays in the raising of invoices, a lack of inventories, no Phonographic Performance Limited (PPL) returns being made where recorded music is played, and a small number of breaches of the Working Time Regulations regarding length of working hours without breaks being taken. The Service has responded positively to recommendations made by Internal Audit which will all be implemented by November 2017.
- 4.4 Transportation Purchasing and Creditors (Internal Audit Report 1740 – July 2017)**
- 4.4.1 The objective of this audit was to ensure that robust documented procedures are in place for Transportation purchasing and creditors payments, that these are satisfactorily complied with throughout the Service, and that value for money is being achieved.
- 4.4.2 Procedures are in place covering transactions which are processed through both the corporate financial system and the Service's transport scheduling, contracts, and finance system. Improvements to access to these for key staff in the Public Transport Unit and Support Services, and to the application and efficiency of authorisation and filing processes have been recommended and reviews agreed with the Service.
- 4.4.3 Existing mechanisms which flag up passenger transport invoices which have not been received or paid but remain as a commitment in the system are to be enhanced, and additional controls are to be put in place so that changes to contract rates are verified.
- 4.4.4 In breach of Financial Regulations, seven purchase orders had not been raised timeously, and in two cases Commercial and Procurement Service's approval to vary procurement practice was not evidenced in advance. Staff will be reminded of the requirements.
- 4.4.5 Council-wide issues relating to the provision of information to the Estates

section concerning leases of non-Council property, and the Council's preparation for and ability to meet the requirements of HMRC IR35 Intermediaries Regulations, have been raised for the attention of the relevant Services.

4.5 Children's Homes (Internal Audit Report 1744 – June 2017)

4.5.1 Children's Homes form part of Community Placement Children's Services within Education and Children's Services. The Service currently operates 3 Children's Homes: Coblehaugh in Inverurie, Fernbank in Peterhead and Scalloway Park in Fraserburgh, with 12 children currently in residence, and transitional accommodation. The combined budget for the Homes for 2016/17 was £1.705 million.

4.5.2 The objective of this audit was to ensure that all areas relating to the finance of the Homes are adequately controlled and monitored. The Homes utilise both corporate and service-specific methods for managing expenditure, the latter including payments and allowances for service users. Minor errors were identified in the content and consistency of expenditure records and supporting evidence, and the Service will remind staff of the requirements.

4.5.3 Food and cleaning products are typically purchased for Council Services via corporate contracts, awarded to suppliers through competitive tendering processes to ensure compliance with procurement regulations. As identified in the previous audit in 2014, the Service regularly obtains these items from supermarkets instead, as it seeks to replicate a normal family environment, and considers the products available under contract to be inadequate. In order to continue doing so without breaching Financial Regulations, the Service intends to seek dispensation from the Head of Finance following discussion with Commercial & Procurement Services.

4.6 Social Media (Internal Audit Report 1746 – August 2017)

4.6.1 The term 'social media' is commonly used to describe any number of web-based and mobile technologies that allow users to communicate and interact with each other. 'Social networking' is a term commonly used to describe the process of using these channels.

4.6.2 The objective of this audit was to review controls in place to protect the Council's reputation in relation to social media. This involved a general observation of Council social media accounts as well as the controls currently implemented and available. A review was also carried out to consider publicity during the pre-election period. In general social media is adequately controlled.

4.6.3 The Customer Communication and Improvement (CCI) Team oversee the Council's corporate social media presence using a variety of accounts over the following social media platforms: Facebook, Twitter, Instagram, YouTube, Yammer and LinkedIn. The CCI team also provide guidance and oversight for further social media accounts operated by teams outside of

CCI. When a team is considering opening a social media account for Council purposes they should contact CCI who will discuss their requirements, procedures and training, however this requirement is not currently well known, and CCI has agreed to update and promote the relevant guidance.

- 4.6.4 Improvements have also been recommended, and agreed with CCI, in respect of cataloguing social media accounts, and maintaining assurance over access to accounts following changes in the officers administering them.
- 4.6.5 Whilst there are policies in place to cover employee use of social media, there are no set procedures for management and HR&OD to follow in the event that these policies are breached. Instances are limited, and HR&OD provides advice and guidance on application of the disciplinary process, but considers that it is for Services themselves to identify whether or not the instance of unacceptable use of social media by an employee merits a disciplinary investigation. Although it is reasonable that the circumstances of each instance should dictate the action, this leaves a risk that similar instances may be treated inconsistently by different Services or line managers.

4.7 Housing Repairs Year-End Stock Takes (Internal Audit Report 1747 – August 2017)

- 4.7.1 During 2016/17, the Housing Repairs Service used £815,000 worth of stock to complete 13,121 repair and maintenance jobs on Council houses. As at the 31 March 2017, stock to the value of £381,000 was held. The objective of this audit was to attend a number of depots during year end stock taking and consider the accuracy of the process.
- 4.7.2 In general, the stock count procedures were found to have been complied with, although one store had system generated reports which detailed the stock held according to the system. Best practice is that this information is not available to count staff. Recommendations made have been agreed by management and are due to be implemented by the end of March 2018, however, this is dependent on successful completion of the roll out of the new Repairs and Planned Maintenance Management System.
- 4.7.3 Internal Audit counted almost 200 stock lines during visits and a number of differences were identified when compared to the Service's count. Once these were re-checked by Service staff, the value of stocks held was increased by just over £3,000.
- 4.7.4 As part of the Service stock count procedure the stock control staff independently counted 579 stock lines where the initial stock count varied by greater than £50 when compared to the stock held on the system. This identified 89 stock items where the initial stock count was incorrect.
- 4.7.5 In total, there were £101,600 worth of adjustments to the value of stock at the 2016/17 year end resulting in a net write down of stock in the stock

system of £32,800. This is an increase on previous years which may have been the result of random stock checks having not been completed during the year, as in previous years, to allow staff to concentrate on implementing a new stock system.

- 4.7.6 In order to reconcile the financial ledger balance for stock held to the adjusted value in the stock system, an amount of £82,000 had to be written off the financial ledger. Whilst differences between the two systems have always arisen and have not been fully explained in the past, the Service has agreed to investigate the differences arising at the 2016/17 year end by the end of September 2017. It is anticipated that such differences will not occur with the new stock system.

4.8 Payroll Reconciliations (Internal Audit Report 1804 – August 2017)

- 4.8.1 The objective of this audit was to review procedures to ensure that accurate, timely payroll reconciliations are produced using a robust methodology. There are a number of reconciliations undertaken by the Income Management Team who rely, in some cases, on the timely provision of data from the Payroll Section. The purpose of the reconciliations is to ensure that entries generated by the iTrent payroll system are accurately reflected in the ledger and bank, and that payment of deductions to third parties are correct and similarly reflected in the ledger. They also highlight amounts owing from employees due to overpayments and advances.
- 4.8.2 At the time of review, there were a number of 2016/17 reconciling transactions that were over two months old that had not been resolved and there was little movement in the reconciling transactions relating to previous years. There were also delays in Payroll providing required information to the Income Management Team. Recommendations made regarding these issues have been agreed. HR has advised that information flow to the Income Management Team will be improved and that dealing with reconciling transactions is an ongoing task, which is currently limited by available resources and the ongoing implementation of iTrent full functionality impacting on workloads and available time.
- 4.8.3 iTrent currently lacks the functionality to interface payroll transactions directly to the general ledger system. Payroll prepare an interface file from iTrent for each paygroup and this is passed to the Financial Systems Team, who upload the file and match input and output files to ensure that all relevant data has been posted to the ledger. Some reconciling differences in the PAYE payroll reconciliation resulted from additional payruns for which an interface file had not been prepared and passed to Finance. The missing transactions have subsequently been posted to the ledger but failure to update the ledger promptly could adversely affect the budget monitoring process. Payroll has advised that procedures have since been changed so that this cannot happen again.

4.9 Transportation Taxi Contract MOT and Licensing Checks (Internal Audit Report 1805 – September 2017)

- 4.9.1 Transportation has service agreements in place for the transport of school pupils and for individuals to attend care services. While external bus companies and the Council's internal minibus resources are used for school and social care purposes, 446 contracts are in place with local Taxi and Private Hire Car Operators in order to meet requirements where the use of bus transport is impractical or inefficient.
- 4.9.2 While responsibility for the licensing and safety of bus operators' vehicles lies with the Traffic Commissioner, as Licensing Authorities Local Councils are responsible for ensuring Taxi and Private Hire Cars are safe and fit for purpose and that Taxi and Private Hire Car Drivers are fit and proper persons to hold a licence. The Council's Licensing section within Legal & Governance administers the licence process. The Licensing Sub-Committee is ultimately the decision making body. At the date of audit there were licences for 480 Taxis and 309 Private Hire vehicles (789 total vehicles) and 1809 Taxi drivers and 137 Private Hire Car drivers (total 1946) in issue.
- 4.9.3 Before granting or renewing a licence, or accepting a different vehicle as a substitute for an existing licensed vehicle, MOT tests are performed by Fleet Services, with whom Licensing has an agreement in place. Vehicles are also subject to a six monthly check in the course of their annual vehicle licence.
- 4.9.4 The objective of this audit was to ensure that adequate procedures are in place to confirm that vehicles used by operators on Council contracts have been MOT tested, have been subject to the required six-monthly check and are properly licensed. Controls governing vehicle insurance and driver licensing checks have also been examined. Whilst there are procedures in place, reliance is placed by Transportation on Licensing, Fleet and other Local Authorities where applicable to have carried out relevant checks prior to issuing or renewing a licence.
- 4.9.5 Vehicle maintenance and safety are reviewed by Fleet and Licensing as part of the annual MOT process, but have no impact on Transportation's operator selection processes. Transportation will seek to obtain this data from operators through future contracts. Transportation undertakes spot checks of bus, taxi and private hire vehicle contract operation, however resources are limited. In addition, not all operators are declaring changes to the vehicles used for each contract, increasing the risk a vehicle not licensed for the purpose may be used. The Service will review whether checks remain sufficiently resourced and prioritised to provide an appropriate level of assurance.
- 4.9.6 Contracts for transport provision have been reviewed each time that a major procurement exercise has been undertaken, meaning that suppliers may have more than one set of terms and conditions to apply. In addition,

details for Licensing on the Council website were out of date. The Services will harmonise presentation in next year's framework agreements, and ensure the website is up to date.

- 4.9.7 The Services have agreed to work together to document and review their sources of assurance, and will work together to review options for Taxi Licence compliance monitoring and enforcement action, including increased monitoring, proposals for changes to be presented to the Sub-Committee, and through new Civic Licensing Standards Officers and engagement with Police Scotland as appropriate.
- 4.9.8 Improvements to the Licensing and Fleet check processes have been recommended and actions agreed with the Services in respect of ensuring documentation is recorded as received and reviewed prior to issuing licences.

4.10 Primary School Visits (Internal Audit Report 1808 – August 2017)

- 4.10.1 An audit of the financial records relating to six primary schools has been completed. The objective of the audit was to ensure all the schools had adequate procedures in place to manage the financial aspects of the establishment and complied with the Council's Financial Regulations.
- 4.10.2 The audit identified a number of areas of non-compliance with Financial Regulations and / or the Service's financial procedures. Whilst three of the schools visited had raised purchase orders in relation to all invoices paid, across the six schools 67 out of 490 invoices (13.7%) did not have an order, compared with 4.9% the last time primary schools were audited in 2016, although one school did account for 41 invoices (8.4%). The schools had not always used contract suppliers when they were available, and not all inventories had been maintained up-to-date. In relation to school funds one school did not have an up-to-date constitution, two had made purchases that did not comply with the terms of their constitutions, there was no monthly reconciliation of the fund balance to bank balance at three schools, those relating to the other three had not been reviewed by the Head Teacher, and two schools were not accounting for VAT correctly on photographic commission.
- 4.10.3 Similar findings have been reported by Internal Audit in the past and the Service has attempted to address these through the issue of circulars to all schools requiring compliance. In addition, an annual control compliance checklist is completed by all schools. In order to make improvements, the Service has agreed to implement the recommendations outlined in the report.

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 2017 have been fully completed, these reports are no longer shown.

6. Implications and Risk

- 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.
- 6.3 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

CHIEF INTERNAL AUDITOR

Report prepared by David Hughes, Chief Internal Auditor.
5 September 2017.

APPENDIX A

POSITION WITH AGREED RECOMMENDATIONS AS AT 4 SEPTEMBER 2017

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. On 21 June 2017, the Committee was advised that, as at 5 June 2017, there were 33 recommendations which were due to have been completed by 30 April 2017 which were not fully complete. This has reduced to 24. The total not fully complete, which had an original due date of before 31 July 2017, is 36. 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 30.04.17	Confirmed complete by Service	New in June and July 2017	Confirmed complete by Service	Not fully complete by original due date of 31.07.17	Major	Significant	Important	
Gross Service	41	39	36	0	0	3	0	3	0	
Business Services	207	85	78	47 (i)	43 (i)	11	0	7	4	
Health & Social Care	85	60	56	11	8	7	0	5	2	
Education and Children's Services	126	63	55	19	17	10	2	4	4	
Infrastructure Services	105	56	54	25 (ii)	22 (ii)	5	3	1	1	
Total	564	303	279	102	90	36	5	20	11	

- (i) Includes 6 recommendations included in reports no longer shown in Appendix B
- (ii) Includes 12 recommendations included in reports no longer shown in Appendix B

APPENDIX B

POSITION WITH AGREED RECOMMENDATIONS AS AT 4 SEPTEMBER 2017

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

CROSS SERVICE

1638	Travel and Subsistence	April 2016	29	29	28	1	1 Significant
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As reported to Committee in June 2017, the overdue recommendation (**graded "significant within audited area"**) was due to be implemented by the end of March 2017 and relates to Education and Children's Services reviewing cases where essential user lump sum payments were being made to staff who were not using their cars for business use. The Service advised that this exercise had not been completed although it was anticipated that it would be by the end of June 2017.

The latest update from the Service is that reports have started to be produced and the Service will monitor these and where no claims continue to be made, the lump sum payment will be terminated. The Service anticipates that this process will be fully operational by December 2017.

1705	Recruitment Procedures	October 2016	12	10	8	2	2 Significant
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As reported to Committee in June 2017, the overdue recommendations (**graded "significant within audited area"**) were due to be implemented by the end of April 2017 and relate to HR&OD reviewing the job evaluation process to ensure that it remains fit-for-purpose and reviewing all job profiles to ensure that they match the requirements of recruiting Services. This was to be progressed following publication of the Scottish Council Joint Scheme of Evaluation (v3). However, due to a delay in the commencement of the sampling exercise, the implementation of a revised version of the Scottish Joint Council Evaluation Scheme (v3) will be undertaken by December 2017. The exercise will also involve the testing of a computerised job evaluation system 'Gauge'.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

BUSINESS SERVICES – Customer, Communication and Improvement

1746	Social Media	August 2017	9	0	0	0	0
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BUSINESS SERVICES – Finance

1556	Revenue Budget Setting Process	December 2015	2	2	1	1	1 Significant
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As reported to Committee since March 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. Subsequent 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. 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. 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.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	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
1633	Cash Receipting System	March 2016	2	2	1	1	1 Significant

As reported to Committee in June 2017, the overdue recommendation (**graded “significant within audited area”**) was due to be implemented by the end of March 2017 and relates to Finance implementing a solution to mitigate the risks of non-compliance with the Payment Card Industry Data Security Standard (PCIDSS). The Service is upgrading the Civica Icon System over the summer months and will be required to fully test it. The Council is also progressing with the implementation of e-Store at the same time and Civica will only support one live date for the whole project. All the Pin Entry Devices (PEDs) that require replacing and the software update for these for PCIDSS compliance are all tied up with this, as is a solution to the assisted telephone payments non-compliance. The end date for ensuring compliance with PCIDSS requirements is February 2018 and the Project Board, Project Team and software supplier are aware of this.

1701	Purchase Cards	July 2016	11	11	9	2	2 Important
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As reported to Committee since March 2017, there are two 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”**), and updating the manuals to instruct staff to input sufficient descriptions of transactions in the 360Control system (**graded “important within audited area”**). Whilst the manuals have been updated to incorporate the issues identified during the audit, they need to reflect the Council’s new governance arrangements before being re-issued. The Service advised that this would be complete by the end of June 2017 but this will now be by the end of September 2017.

Report Number	Report Title	Date Issued	Number of Recommendations			
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date

BUSINESS SERVICES – Finance (continued)

1713	Electronic Document Management System	November 2016	8	4	4	0	0
1723	iProcurement and Ledger Systems	March 2017	5	3	3	0	0
1724	Creditors System	March 2017	9	8	8	0	0
1732	Benefits	June 2017	7	7	7	0	0
1733	Fixed Asset Register	May 2017	5	2	2	0	0
1735	Budget Monitoring	July 2017	6	5	5	0	0
1731	Treasury Management	May 2017	17	2	2	0	0
1741	Debtors System	May 2017	7	4	4	0	0
1804	Payroll Reconciliations	August 2017	4	1	1	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	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 since March 2017, the overdue recommendation (graded “important within audited area”) was due to be implemented by the end of December 2015 and relates to HR&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&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>							
1702	Disclosure Scotland Checks	March 2017	14	10	9	1	1 Significant
<p>The overdue recommendation (graded “significant within audited area”), due to be implemented by the end of June 2017, relates to HR&OD formalising arrangements for identifying post Disclosure Scotland check requirements and updating the Disclosure Scotland procedure as appropriate. Posts have been identified although the procedure has still to be updated. The Service has advised that this will now be done by the end of December 2017 to ensure that processes are aligned with other areas.</p>							
1737	Health and Safety	May 2017	16	0	0	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

BUSINESS SERVICES – ICT

1712	Data Protection	October 2016	15	15	13	2	2 Significant
<p>As reported to Committee since February 2017, the overdue 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.</p> <p>The final recommendation (graded “significant within audited area”), due to be implemented by the end of June 2017, relates to the development of an Information Asset Register. This is being co-ordinated by the Service but information from the Health and Social Care Partnership is not yet complete (although a draft has been received). The Service has reminded the H&SCP.</p>							
1743	Deployment of Microsoft Technology	June 2017	3	0	0	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

BUSINESS SERVICES – Legal and Governance

1722	Registrars	December 2016	15	15	14	1	1 Important
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As reported to Committee since March 2017, the overdue recommendation (**graded “important within audited area”**) was due to be implemented by the end of February 2017 and relates to ensuring that the ceremonies database is developed and utilised promptly. The Service advised that ICT were still working on the system and it would be operational by the end of April 2017. In June 2017, the Committee was advised that ICT did not have staff available to make progress on this at present and it would now be complete by the end of July 2017.

The latest update from the Service is that the system should be live by the beginning of August with all required data imported by September 2017.

BUSINESS SERVICES – Property and Facilities Management

1734	Cleaning Payroll	February 2017	23	22	20	2	2 Significant
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Internal Audit is awaiting updates from HR&OD regarding two recommendations that were due to be implemented in July 2017 (**graded “significant within audited area”**). The first relates to HR&OD ensuring that all leavers are removed from the payroll as at the date they leave employment, and appropriate annual leave calculations are completed and payments made or recovered, in line with policy, and the second relates to reminding all staff responsible for requesting PVG checks to ensure that the correct type of check is always requested.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

BUSINESS SERVICES – Property and Facilities Management (continued)

1739	Halls	July 2017	13	4	4	0	0
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HEALTH & SOCIAL CARE PARTNERSHIP

1610	Day Care Establishment Visits	December 2015	24	24	23	1	1 Significant
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As reported to Committee in March 2017, the overdue recommendation (**graded “significant within audited area”**) 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. The Service advised that discussions were on-going with the charity.

The latest update from the Service is that the charity has agreed to take on the lease and Internal Audit will be advised once it has been concluded.

1624	Self Directed Support	January 2016	16	15	15	0	0
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

HEALTH & SOCIAL CARE PARTNERSHIP (continued)

1635	Home Care System and Service	October 2016	19	19	16	3	3 Significant
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As reported to Committee in June 2017, the first overdue recommendation (**graded "significant within audited area"**) was due to be implemented in April 2017 and relates to the Service invoicing based on planned rather than actual care to prevent variations being required. The Service is in the process of moving all clients on to the SDS Pathway which will result in charging based on planned care. Progress is being made but the Service has stated that it will take until December 2017 to complete the exercise.

The second overdue recommendation (**graded "significant within audited area"**) was due to be implemented in April 2017 and relates to the Service monitoring Care at Home timesheet adjustments and taking action where appropriate. The Service has advised that the system team run payroll tidy up reports every 4 weeks, and anomalies within time sheets are flagged up to the relevant CTCs (with Managers copied in). Management checks for the number of adjustments would be futile as there are so many changes having to be made manually due to carers not having the devices or they are failing. This should be resolved after Cygnum go live as carers will all receive new devices and any visits being checked through will be authorised by the system. Therefore, it should just be mistakes made by carers that are being adjusted as opposed to whole rotas. The Service has requested and extension to the end of December 2017 to allow the Cygnum system to bed-in.

The final overdue recommendation (**graded "significant within audited area"**) was due to be implemented in June 2017 and relates to the Service reviewing whether more transparent data can be provided when raising invoices to clients. The Service has stated that all clients have to be transferred to the SDS pathway before this can be considered. As a result, this will be delayed to December 2017.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

HEALTH & SOCIAL CARE PARTNERSHIP (continued)

1718	Care First System	March 2017	11	10	7	3	1 Significant 2 Important
<p>As reported to Committee in June 2017, the first overdue recommendation (graded “important within audited area”) was due to be implemented in April 2017 and relates to the Service revisiting the audit trail functionalities within Care First in order to ensure that user activity and amendments to records can be reviewed. The Service has advised that there are a number of options still to be considered and, whilst progress has been made, it will take until the end of October 2017 to finalise consideration.</p> <p>The second overdue recommendation (graded “significant within audited area”) was due to be implemented in June 2017 and relates to the Service obtaining a refreshed contract from the system supplier to clarify the level of system support and the related costs, terms and conditions which have been agreed. Internal Audit is awaiting an update from the Service.</p> <p>The final overdue recommendation (graded “important within audited area”) was due to be implemented in July 2017 and relates to the Service reviewing information processing habits to determine issues which need to be addressed in order to improve the consistency and accuracy of data within the Care First system. Internal Audit is awaiting an update from the Service.</p>							
1730	Social Work Client Transport	March 2017	15	3	3	0	0

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

EDUCATION & CHILDREN'S SERVICES

1541	Teachers Payroll	July 2015	15	15	14	1	1 Significant
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As reported to Committee since March 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.

1606	Education Lets	December 2015	11	11	9	2	2 Important
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As reported to Committee since March 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. ICT confirmed that the business case for a corporate booking system will be considered by the Digital Aberdeenshire Group (DAG) in April 2017.

The Committee was advised in June 2017 that the business case was approved by DAG in April although funding had still to be approved by Strategic Leadership Team. If approved, it is anticipated that Education Lets will go-live by February 2018.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

EDUCATION & CHILDREN'S SERVICES (continued)

1631	SEEMiS	April 2016	10	10	8	2	2 Major
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As reported to Committee since March 2017, the 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 advised that the Service make contact with the Scottish Government and SQA to discuss data sharing with them. It was expected that they will have standard data sharing agreements in place. The Service advised that this matter was progressing: contact had been made with the SQA who were reviewing their data sharing governance, and a data sharing agreement was being finalised to sit under a Memorandum of Understanding that was already in place with the NHS. The Committee was advised in June 2017 that the SQA has advised that no Scottish Local Authority has an agreement in place and they are looking into the issue and how best to resolve it. The Service is trying to get an update from the SQA.

As reported to Committee in June 2017, the final overdue recommendation (**graded "major at a Service level"**) was due to be implemented in March 2017 and relates to the Service ensuring that all staff with access to SEEMiS have completed the Council's Data Protection Training. At that time, an update was awaited from the Service. The latest update from the Service is that they now have a SEEMiS report and need to cross check this against the overall data protection list. The Service will then have to and ensure that those who have not undertaken the training do so. This will take until March 2018 to resolve.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

EDUCATION & CHILDREN'S SERVICES (continued)

1640	Pre-School Commissioned Places	September 2016	11	11	9	2	1 Significant 1 Important
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As reported to Committee in June 2017, the first overdue recommendation (**graded "significant within audited area"**) was due to be implemented in March 2017 and relates to the Service ensuring that the maximum number of sessions that a child can attend is not exceeded. Although arrangements have improved, the final step of having a disclaimer signed by parents confirming that provision is not also being obtained elsewhere was being worked on with Legal and Governance. This was to be incorporated in a revision of admission documentation due to be introduced in August 2017. The latest update from the Service is that it has been determined that disclaimers signed by parents would not be legally binding and, as such, it has been deemed more effective to ensure that it is communicated to parents that the 600 hours entitlement is for the year and that we work with authorities to ensure that the 600 hours are not exceeded unless this is topped up by parents/carers etc. Internal Audit has requested confirmation of when this will be complete.

The final overdue recommendation (**graded "important within audited area"**) was due to be implemented in March 2017 and relates to the Service reviewing and formalising arrangements with neighbouring authorities and considering whether charging is required or should be waived, with any decision thereon being approved by Committee. Consultation is ongoing with neighbouring authorities which is due to be concluded by the end of May 2017 with proposals being submitted to Committee in October 2017 for approval.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

EDUCATION & CHILDREN'S SERVICES (continued)

1708	Teachers' Recruitment Procedures	November 2016	15	15	13	2	1 Significant 1 Important
<p>The first overdue recommendation (graded "important within audited area") was due to be implemented in April 2017 and relates to HR&OD ensuring that the payroll system is configured to automatically calculate teachers' salary and leave payments, prior to August 2017, when there's a national change relating to the way teachers' pay is calculated. The Service had advised that this needed to be extended to August 2017, as an upgrade is awaited from the payroll system supplier. The latest update from the Service is that the national change has now been delayed until August 2018 and the recommendation will, as a result, be completed by July 2018.</p>							
<p>The final overdue recommendation (graded "significant within audited area") was due to be implemented in April 2017 and relates to the Overseas Criminal Records Check procedure being updated to clarify when cases should be referred to the Determination Panel. The Service has advised that this will now be done by the end of December 2017 to ensure that processes are aligned with other areas.</p>							
1719	IT in Schools	March 2017	16	6	5	1	1 Significant
<p>As reported to Committee in June 2017, the first overdue recommendation (graded "significant within audited area") was due to be implemented in April 2017 and relates to the Service ensuring that annual inventory checks are completed, in line with the Council's inventory guidelines, and returned to ICT. ICT had received a partial response from 1 of the 17 CSNs whilst Education was in discussion with ICT regarding the format and efficiency of the returns.</p>							
<p>The latest update from the Service is that 27 schools have submitted their returns and CSN Coordinators have been given until 13 October 2017 to have their networks' returns submitted.</p>							
1738	Sports Facilities	May 2017	17	8	8	0	0

1744	Childrens Homes	June 2017	21	6	6	0	0
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

INFRASTRUCTURE SERVICES

1362	Building Maintenance Stores	March 2014	12	12	11	1	1 Important
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As reported to Committee since March 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 Service then advised that there had been further slippage and the revised project plan agreed with the system supplier had a "go live" date of 26 April 2017 for Fraserburgh, with other areas following after the first phase has been successfully introduced.

The latest update from the Service is that the system is live in Fraserburgh and that other areas will be live by the end of December 2017.

1602	Rent Assessment Scheme	October 2015	7	6	6	0	0
1628	Burial Grounds	April 2016	8	8	7	1	1 Significant

As reported to Committee in June 2017, the overdue recommendation (**graded "significant within audited area"**) was due to be implemented by the end of March 2017 and relates to the Service ensuring that procedures and guidance are developed to reflect the new Cemetery Management System and that they are rolled out to all offices in advance of its implementation. This has been delayed as the Service is now looking to use the CONFIRM System to manage this area and are working on test modules to see how this would operate.

The latest update from the Service is that it will take until the end of November 2017 to allow for the system to be rolled out and tested.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 31.07.17	Confirmed Implemented by Service	Not implemented by original due date	

INFRASTRUCTURE SERVICES (continued)

1637	Waste Collection and Disposal	June 2016	21	21	18	3	3 Major
<p>The overdue recommendations (graded "major at a Service level") were due to be implemented by the end of June 2017 and relate to the Service (a) seeking Committee approval to continue under the terms of their most recent contracts with suppliers pending the procurement of new agreements, (b) ensuring that EU compliant tender exercises are completed for expired contracts and areas of substantial expenditure without contracts in excess of the relevant thresholds as a matter of priority, and (c) ensuring that expenditure over £50,000 is only incurred following a Committee approved competitive tendering exercise.</p> <p>The Service has advised that it will take until March 2018 to fully complete these recommendations.</p>							
1706	Roads Year End Stocks	August 2016	14	13	13	0	0
1727	Burial Grounds Strategy	March 2017	7	3	3	0	0
1740	Transportation Purchasing and Creditors	July 2017	19	6	6	0	0
1747	Housing Repairs Year End Stock Checks	August 2017	6	0	0	0	0

APPENDIX C

Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	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.
Major at a Service Level / within audited area	<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>
Significant within audited area	<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>
Important within audited area	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.