Aberdeenshire
C O U N C I L   **Business Services**

REPORT TO THE AUDIT COMMITTEE – 2 NOVEMBER 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   Criminal Justice Service (Internal Audit Report 1742 – September 2017)

4.1.1   The Criminal Justice Service is responsible for implementing the relevant sections of the Social Work (Scotland) Act 1968; section 12 covers the promotion of Social Welfare and section 27 covers the supervision and care of persons on probation or released from prison.

4.1.2   The Council receives ring fenced Community Justice funding from the Scottish Government (£2.37 million in 2016/17). The key objective of the Service is to achieve a reduction in re-offending, enhance community safety and public protection, and increase the social inclusion of former offenders. Services provided include Supervision of service users, Unpaid Work for Offenders, Community Payback Orders, Throughcare Services, Drug Treatment and Testing Orders, Court Social Work, Prison-based

Social Work, Diversion for Prosecution, Joint Sex Offenders Project, and MAPPA (Multi Agency Public Protection Arrangements).

4.1.3   The objective of this audit was to ensure that adequate control is exercised over income and expenditure, and that system data is accurate and adequately supported. This involved examining procedures, income from the Scottish Government, a sample of invoices, purchase card payments and petty cash funds.

4.1.4   Multiple procedures are operated by the Service to manage operational activity, authorisations, maintaining records, and for financial administration, with some inconsistency between them and in their application across different offices and establishments. The Service has agreed to review and rationalise procedures where appropriate and ensure they are applied consistently. Records supporting activities and costs incurred, decisions made on the basis of risks presented by individual service users, and advance authorisation for these, will be standardised.

4.1.5   Service users in unpaid work teams may be involved in workshops engaged in renovating or producing items for resale. Income from these activities is minimal, but is not being well managed to ensure it is accounted for appropriately. The Service has determined that as the workshops are provided as part of rehabilitation and skills development, rather than to generate income, and the additional administration to record movement of items would be disproportionate to the value of the information gained, it will donate rather than sell all items produced in future.

4.1.6   Costs are regularly incurred obtaining the services of interpreters (over £14,000 in 2016/17), including in many instances cancellation fees and variable mileage costs. In breach of Financial Regulations there are no contracts in place, and the Service does not issue an official Purchase Order in advance of booking these services, as it considers there are too many potential variations to the final cost. Internal Audit considers that although there are likely to be variations, procurement of interpreting services is not significantly different from any other service. It is essential that the scale of costs (e.g. an hourly rate and maximum length of time), and terms and conditions (e.g. travel costs), are agreed prior to contracting with any supplier. The Service does not intend to implement changes to practice but will approach the Head of Finance to determine whether it can obtain dispensation from the requirement.

4.1.7   In 2013 the Policy and Resources Committee agreed to approve the award of a 2 year contract for a Community Payback Service, for £100,000 per annum, following completion of a tendering exercise. A contract variation in 2016 retrospectively extended the contract to March 2017, at an increased cost of £115,000 per annum. A further extension was agreed, but neither variation has been approved by Committee or provided for in a delegation to officers, as required under Financial Regulations. The Commissioning Procurement and Contracts team will ensure that committee approval is sought for the total contract value, including any optional extensions, in line with Financial Regulations and the Scheme of Governance.

4.2   Overtime (Internal Audit Report 1801 – October 2017)

4.2.1   Overtime is currently available Council wide as a tool to fill in shortfalls or unexpected demand. Overtime is payable at 1.5 times the normal rate payable for any time worked over 37 hours per week by an employee in any one post. Where an employee holds multiple posts the hours cannot be combined. Overtime must be authorised in advance by the relevant line manager.

4.2.2   The objective of this audit was to review the levels of overtime across the Council and determine if this is the most cost efficient way of managing additional work to achieve required outcomes. Taking only the direct cost into account would suggest that overtime does not provide value for money, as in theory the resource cost is 50% more expensive than employing additional staff to do the same work at standard rates of pay. In practice, however, Services have stated that operational circumstances and recruitment difficulties often mean that overtime is the best value option available.

4.2.3   In 2016/17 approximately £3.3 million was spent on overtime, with on-costs (including employer's national insurance and pension contributions) of approximately 28% bringing the total cost to the Council to around £4.2 million (1.1% of total payroll costs). This has decreased marginally since the previous year (£3.5 million + 28%).

4.2.4   Whilst HR&OD develops policy and provides guidance, it does not enforce it. HR&OD has agreed to promote appropriate interventions and support Services in implementing them, including provision of data where this is available from the payroll system.

4.2.5   Although written procedures require advance authorisation of all overtime, there is no standard method for recording this authorisation. As a result, records are not kept by Services. Many cases are considered, retrospectively, to have been emergencies, though there is no agreed definition of such circumstances. HR&OD will review the policy and procedure to determine if a record of prior approval, or some form of categorisation of overtime types, is necessary, and if so liaise thereafter with the Heads of Service with the highest incidence of overtime to identify who would be best placed to take forward a project to determine a technical solution.

4.2.6   Working Time Regulations compliance may be at risk where regular additional hours are being worked regularly. Whilst key Services are able to check compliance using their own records, others are currently unable to do so following a change in payroll systems. HR&OD are developing reports from the new payroll system to assist Services, and will remind Services of the requirements to promote compliance.

4.2.7   Following changes in the payroll system, exception reports were not adequately reviewed, resulting in an erroneous overtime payment. Payroll has instigated additional checks to avoid future errors.

4.3   Libraries Income and Expenditure (Internal Audit Report 1806 – September 2017)

4.3.1   The objective of the audit was to ensure that control over income and expenditure was adequate. The net budget for the Service for 2017/18 is £4.743 million.

4.3.2   In general, procedures and compliance were found to be good, although recommendations to further improve the control environment have been made in relation to written procedures, Library system performance issues, the raising of purchase orders in a timeous manner (5 out of 1,120 were raised retrospectively in breach of Financial Regulations), ensuring segregation of duties in cash handling and investigating cash discrepancies, and reviewing the allocation of income to ensure that where it is meant to cover certain costs that this can be demonstrated.

4.4   New Governance Arrangements (Internal Audit Report 1809 – October 2017)

4.4.1   The Scheme of Governance exists to guide the Council in its operations, incorporating: Standing Orders for the conduct of Council and Committee meetings; lists of Committee and Officer Delegated Powers; Planning Delegations; Financial Regulations; Scrutiny Arrangements for policy and performance; and Procurement Guidance.

4.4.2   Following changes to Council Services, in March 2015 a Future Governance Working Group was set up to review existing arrangements and make suggestions for change. New arrangements were subsequently drafted after consultation with Services through Service Governance Champions and came into force from 27 January 2017 following due consideration and approval from Full Council.

4.4.3   The objective of this audit was to review actions taken by Services to ensure that appropriate staff are aware of the new Governance Arrangements and that management has made necessary amendments to systems to ensure compliance and achieve desired outcomes.

4.4.4   Although general training was provided in advance of the new arrangements, changes in officers and councillors, and differing interpretations of the requirements in respect of procurement, mean that further training and clarifications may be required. This is being developed and will be rolled out before the start of the next financial year.

4.4.5   One of the most significant changes is the implementation of procurement work plans, which set out Services' procurement activity for the forthcoming year for Committee approval. Although plans have been prepared and approved, delegated procurement authority guidance for officers is still under development, and it is planned to issue this and commence additional training in November 2017.

4.4.6   There is currently no mechanism for monitoring expenditure against

contracts in order to provide assurance that Committee approvals and delegated authority have not been exceeded. Finance will explore options within any new Financial Management System and if this cannot be implemented promptly will develop a monitoring process within the existing system.

4.5   Day Services Establishment Visits (Internal Audit Report 1812 – September 2017)

4.5.1   Health and Social Care provide day care facilities for older persons and adults with disabilities across Aberdeenshire with fifteen services for older persons (with five of these managed by very sheltered housing) and seven for adults with disabilities. These services support people to meet their identified needs, outcomes and potential. The aim is to improve or maintain quality of life, to promote independence, prevent social isolation, provide respite for carers, encourage friendships, and meet individual needs.

4.5.2   At the centres a variety of activities to suit all needs and abilities are on offer. Activities vary by site and service user group, and may include: music & movement; arts & crafts; table top games; reminiscence; and themed events linking to local and national celebrations. Some activities are chargeable, including meals, tea and coffee, and horse riding. Others develop products which are then sold to generate an income stream either for the centre or its amenity fund, including kindling, woodwork, jams, soaps, and arts & crafts.

4.5.3   The objective of this audit was to consider whether adequate control is exercised over income, expenditure, security of premises, and inventories, and that staff have been issued with adequate guidelines for dealing with clients for a sample of day care establishments.

4.5.4   Improvements to the consistency of written procedures, pricing, administration of amenity funds and inventories, and records of centre and project income and expenditure including VAT have been recommended and agreed with the Services. In addition, a set of principles will be developed by the Services regarding the use of and accounting for revenue generating schemes including recycling projects.

4.6   Business Continuity Planning (Internal Audit Report 1815 – September 2017)

4.6.1   Business Continuity is the capability of an organisation to deliver essential services during and after a disruptive incident, and resume normal service provision following such an event. Schedule 1 Part 2 of the Civil Contingencies Act 2004 (the Act) defines the Council as a Category 1 Responder in relation to emergencies as defined by the Act. As such, Section 2 (c) of the Act requires the Council 'to maintain plans for the purpose of ensuring, so far as reasonably practicable, that if an emergency occurs, the person or body is able to continue to perform his or its

functions'. Business Continuity Plans are maintained by the Council for this purpose.

4.6.2   The objective of this audit was to ensure that Business Continuity Plans are in place as required by the Business Continuity Policy and that arrangements adequately manage identified risks. This included a review of written policy and procedures; business impact analyses; business continuity plans; reviews and testing; post incident handling; reporting, and ensuring records were consistent.

4.6.3   Service Business Impact Assessments, Business Continuity Plans, and Establishment Emergency Response Plans are in place for the majority of critical functions as required by the Business Continuity Policy and Procedures. However, some plans were incomplete and the templates followed by Services and Schools do not contain everything specified in the Policy and Procedures. The Service has agreed to amend the Procedures, which are more generic, to match the templates, which have been developed to meet Aberdeenshire's requirements, and to provide additional clarification where necessary. A separate School Total Loss Plan is under development to enhance resilience in this area.

4.6.4   Business Impact Assessments and Plans are owned by the respective Services, though copies of the most recent documents should be provided to the Risk Manager. Not all copies are up to date, and records of reviews do not all clearly show the date they were last completed. These are however returned to Services when tests or reviews are requested, to confirm their current status.

4.6.5   Plans are reviewed regularly, but not annually as indicated in the Procedure – instead a criticality level is determined by the Service in conjunction with the Risk Manager, and this determines the frequency of reviews from 18 to 36 months. Testing is conducted more regularly, and often results in revisions to existing Plans, meaning a formal review is not required. The Service will revise the Procedure to indicate that this meets the requirement for annual reviews, and the process for determining criticality will be documented.

4.6.6   Except where a cross-service incident management team is set up, there is no requirement for enactment of Business Continuity Plans in the event of an incident to be reviewed and documented, and there are no plans to implement this. Internal Audit considers that unless implementation experience is shared, or the Risk Manager involved in each instance, the wider organisation will not be able to reflect on this experience and update their plans accordingly. Weaknesses may be replicated in the future, impacting on the Council's reputation should it be identified that it had not acted on this information.

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.
17 October 2017.

APPENDIX A

POSITION WITH AGREED RECOMMENDATIONS AS AT 17 OCTOBER 2017

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations.

On 21 September 2017, the Committee was advised that, as at 4 September 2017, there were 36 recommendations which were due to have been completed by 31 July 2017 which were not fully complete. This has reduced to 30.

The total not fully complete, which had an original due date of before 30 September 2017, is 61. 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 31.07.17	Confirmed complete by Service	New in August and September 2017	Confirmed complete by Service	Not fully complete by original due date	Major	Significant	Important
Cross Service	55	39	36	1	1	**3**	0	3	0
Business Services	180	108	100	29	19	**18**	0	9	9
Health & Social Care	122	71	65	21	7	**20**	2	10	8
Education and Children's Services	139	71	63	41	36	**13**	2	7	4
Infrastructure Services	120	69	64	25	23	**7**	3	3	1
Total	616	358	328	117	86	**61**	7	32	22

APPENDIX B

POSITION WITH AGREED RECOMMENDATIONS AS AT 17 OCTOBER 2017

CROSS SERVICE

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	**Not implemented by original due date**	
1638	Travel and Subsistence	April 2016	29	29	28	**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 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, reported to Committee in September 2017, was 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 |

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'.

| 1815 | Business Continuity Planning | September 2017 | 14 | 1 | 1 | **0** | 0 |

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	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 |

BUSINESS SERVICES – Finance

| 1556 | Revenue Budget Setting Process | December 2015 | 2 | 2 | 1 | **1** | 1 Significant |

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.

BUSINESS SERVICES – Finance

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1633	Cash Receipting System	March 2016	2	2	1	1	1 Significant

As reported to Committee since 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 was upgrading the Civica Icon System over the summer months and will be required to fully test it. The Council was also progressing with the implementation of e-Store 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 were 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.

The latest update from the Service is that the Civica Icon upgrade was successfully implemented in September 2017 and the roll-out of encrypted chip and pin devices will be complete by 17 October 2017. With regards to assisted telephone payments the recommended solution approved by the Digital Aberdeenshire Group is not compatible with the Council's telephony system as, when transferring the caller to the ATP system to enter their payment securely, the call is still within the Council network and is, therefore, not compliant. This issue is with ICT to investigate further, but to date there is no recommended solution. The Project Board has decided that, for now, the Council will accept this risk, based on there being no breaches to date, until a solution is available. Although the compliance deadline is February 2018, this will more than likely be extended due to the number of businesses struggling to find a solution. The Service has been advised that further guidance is due to be released in December 2017.

BUSINESS SERVICES – Finance (continued)

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1701	Purchase Cards	July 2016	11	11	9	2	2 Important

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.

The latest update from the Service is that this will now take until December 2017. This is to allow for a wider review of purchase card usage which will require input from all Services.

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
1713	Electronic Document Management System	November 2016	8	6	6	0	0
1724	Creditors System	March 2017	9	9	8	1	1 Significant

One recommendation *(graded "significant within audited area")* was due to be implemented by the end of September 2017 relating to the Service investigating the possibility of re-introducing audit tables to the Payables System, detailing changes to supplier bank details, as part of the Financial Systems Review. The Service has advised that the Financial Systems Review / Tender is not yet concluded and the recommendation will now be implemented by 31 March 2018.

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
1732	Benefits	June 2017	7	7	7	0	0
1733	Fixed Asset Register	May 2017	5	3	3	0	0

BUSINESS SERVICES – Finance (continued)

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1735	Budget Monitoring	July 2017	6	5	5	**0**	0
1731	Treasury Management	May 2017	17	13	10	**3**	3 Important

Three recommendations *(graded "important within audited area")* were due to be implemented by the end of September 2017. The Service has advised that the recommendations, relating to (i) the Service reviewing and updating all written procedures to ensure they reflect current practice, (ii) further defining the roles of Principal Accountant and other authorisers, and Treasury Management Officer within the Treasury Management Handbook to clearly show the separation of duties between deal execution and deal recording, and (iii) reviewing reporting terminology and methodology to ensure that borrowing in advance is reported in line with Scottish Government requirements, are being progressed and will be complete by the end of October 2017.

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
1741	Debtors System	May 2017	7	5	4	**1**	1 Important

One recommendation *(graded "important within audited area")* was due to be implemented by the end of September 2017 relating to the Service identifying and removing leavers from the Authorised Signatory list. The Service has advised that this will take until the end of December 2017 to complete due to completion of a Revenues staffing review in April 2017. Vacant posts were filled between May and June, and a full training program was designed due to the number of new starts and the additional work transferred to the team. Training had to take priority to ensure that the main functions were being addressed first, whilst still providing an acceptable level of service. The Service also had to ensure that the transfer or work areas from Income Recovery to Income Management went smoothly. This work will be completed by the end of December 2017.

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
1804	Payroll Reconciliations	August 2017	4	1	1	**0**	0

BUSINESS SERVICES – HR&OD

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1547	Attendance Management	May 2015	9	9	8	1	1 Important

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.

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.

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.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	

BUSINESS SERVICES – HR&OD (continued)

1702	Disclosure Scotland Checks	March 2017	14	12	9	3	3 Significant

As reported to Committee in September 2017, the first 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.

A further two recommendations *(graded "significant within audited area")* were due to be implemented in September 2017 and relate to the Disclosure / PVG Exemption procedure being reviewed and updated to reflect current practice, and thereafter presented to Strategic Leadership Team for approval. The Service has advised that, in order to ensure that this is given the correct level of consideration and for background work to be completed, this will now be completed by the end of December 2017.

1737	Health and Safety	May 2017	16	4	4	0	0

BUSINESS SERVICES – ICT

1712	Data Protection	October 2016	15	14	14	1	1 Significant

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. Internal Audit is awaiting an update on progress.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	**Not implemented by original due date**	

BUSINESS SERVICES – ICT (continued)

1743	Deployment of Microsoft Technology	June 2017	3	0	0	**0**	0

BUSINESS SERVICES – Property and Facilities Management

1734	Cleaning Payroll	February 2017	23	22	21	**1**	1 Significant

Internal Audit is an awaiting update from HR&OD regarding a recommendation that was due to be implemented in July 2017 *(graded "significant within audited area")*, relating to 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.

1739	Halls	July 2017	13	11	8	**3**	1 Significant 2 Important

Three recommendations were due to be implemented in August 2017, relating to ensuring that all required licenses are being applied and paid for *(graded "significant within audited area")*, complying with Financial Regulations regarding inventories *(graded "important within audited area")*, and considering the recharge of Halls staff costs not currently reflected in the Halls budget page to the Halls Budget page *(graded "important within audited area")*. The Service has provided details of the progress made to date and stated that these will now be complete by the end of November 2017.

HEALTH & SOCIAL CARE PARTNERSHIP

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	**Not implemented by original due date**	
1610	Day Care Establishment Visits	December 2015	24	24	23	**1**	1 Significant

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 Committee was advised in September 2017 that 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. No further update has been provided.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
1624	Self Directed Support	January 2016	16	15	15	**0**	0

HEALTH & SOCIAL CARE PARTNERSHIP (continued)

| Report Number | Report Title | Date Issued | Number of Recommendations | | | | Grading of overdue recommendations |
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1635	Home Care System and Service	October 2016	19	19	16	3	3 Significant

As reported to Committee since 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.

As reported to Committee since June 2017, 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.

As reported to Committee in September 2017, 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.

HEALTH & SOCIAL CARE PARTNERSHIP (continued)

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1718	Care First System	March 2017	11	10	8	**2**	1 Significant 1 Important

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.

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. The Service has advised that this has been requested, but has not yet been provided.

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
1730	Social Work Client Transport	March 2017	15	9	7	**2**	2 Major

The two overdue recommendations *(graded "major at a service level")* were due to be implemented by the end of August 2017 and relate to Social Work and the Public Transport Unit working together to review and correct both systems to reflect actual current transport requirements and the arrangements which are in place to meet them, and Social Work then reviewing the arrangements currently in place to ensure they are correct, and in conjunction with the PTU make changes if necessary. The PTU has advised that they have reconciled databases and identified discrepancies which have been advised to Social Work. There is ongoing dialogue between the Services regarding this data and Internal Audit is awaiting an update regarding when this is likely to be completed.

HEALTH & SOCIAL CARE PARTNERSHIP (continued)

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1742	Criminal Justice Service	September 2017	19	14	2	**12**	5 Significant 7 Important

Twelve recommendations were due to be implemented in September 2017:

(i) Ensuring that all invoice payment documentation is fully completed (*"important within audited area"*)

(ii) Ensuring that all invoices are date stamped on receipt (*"important within audited area"*)

(iii) Ensuring the requirement for travel expenses is approved in advance (*"important within audited area"*)

(iv) Developing and implementing procedures for the use of financial assistance forms (*"significant within audited area"*)

(v) Ensuring that all purchase card logs are completed correctly, signed and dated within a reasonable time by Cardholders and Line Managers (*"significant within audited area"*)

(vi) Ensuring that all purchases over £25.00 are authorised in advance by a Line Manager (*"significant within audited area"*)

(vii) Ensuring that VAT receipts are always obtained, and that VAT is recorded correctly in all instances (*"significant within audited area"*)

(viii) Ensuring that Petty Cash spends over £10.00 have the appropriate authorisation (*"important within audited area"*)

(ix) Ensuring that all reimbursement of petty cash forms are completed correctly, that paperwork matches and the costs are allocated correctly (*"important within audited area"*)

(x) Ensuring that receipts produced to support claims are only for the items to be reimbursed from Petty Cash (*"important within audited area"*)

(xi) Ensuring that observation logs are recorded on CareFirst detailing why purchases and payments have been required (*"important within audited area"*)

(xii) Ensuring that evidence is obtained showing that items have been handed over to the service user (*"significant within audited area"*).

Internal Audit is awaiting an update on progress.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1812	Day Service Establishment Visits	September 2017	18	1	1	**0**	0

EDUCATION & CHILDREN'S SERVICES

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1541	Teachers Payroll	July 2015	15	15	14	1	1 Significant

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 were reviewing and rewriting the system for Scottish Teachers terms and conditions with a completion date of August 2017.

This has now been delayed to August 2018 due to a delay in agreeing revised national conditions.

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
1606	Education Lets	December 2015	11	11	9	2	2 Important

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.

EDUCATION & CHILDREN'S SERVICES (continued)

Report Number	Report Title	Date Issued	Number of Recommendations			Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1631	SEEMiS	April 2016	10	10	8	2	2 Major

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 latest update from the SQA is that they will be dealing with this a part of their General Data Protection Regulation compliance plan due to be complete by May 2018.

As reported to Committee since 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.

EDUCATION & CHILDREN'S SERVICES (continued)

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1708	Teachers' Recruitment Procedures	November 2016	15	15	13	2	1 Significant 1 Important

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.

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.

| 1719 | IT in Schools | March 2017 | 16 | 14 | 8 | 6 | 6 Significant |

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. The Committee was advised in September 2017 that 27 schools (15.5%) had submitted their returns and CSN Coordinators have been given until 13 October 2017 to have their networks' returns submitted. By that date, returns had risen to 92.0%, with 14 schools still to respond. The remaining schools are being actively chased for responses.

One of the overdue recommendations, that was due to be implemented in August 2017 *(graded "significant within audited area")*, relates to the Service considering 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 contract should be procured in compliance with Financial Regulations. This issue has been referred to the Education and Children's Services Committee to undertake a review. This will happen in December 2017.
(continued over page)

EDUCATION & CHILDREN'S SERVICES (continued)

(Internal Audit Report 1719 – IT I Schools – continued)

Another overdue recommendation, due to be implemented in August 2017 *(graded "significant within audited area")*, relates to the Service ICT Strategy Group overseeing the development of a local ECS ICT Strategy which aligns with the four objectives of the national strategy. Internal Audit is awaiting confirmation of when the Strategy will be finalised.

Two recommendations were due to be implemented in September 2017 *(both graded "significant within audited area")*. They relate to the Service agreeing a baseline provision for technology in schools and, during development of the ECS ICT Strategy, consideration being given to inconsistencies in devolved spend and number of devices per pupil to ensure equity of provision. The Service has advised that a baseline has been established and a process has been implemented to identify the impact on this of decisions made. Internal Audit has requested further information before agreeing that these recommendations have been implemented in full, and is currently awaiting a response.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1738	Sports Facilities	May 2017	17	11	11	0	0
1744	Children's Homes	June 2017	21	18	18	0	0
1806	Libraries Income and Expenditure	September 2017	9	5	5	0	0
1808	Primary School Visits	August 2017	15	13	13	0	0

INFRASTRUCTURE SERVICES

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1362	Building Maintenance Stores	March 2014	12	12	11	1	1 Important

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 since 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 Committee was advised in September 2017 that the latest update from the Service was that it will take until the end of November 2017 to allow for the system to be tested and rolled out. Procedures and guidance will be available from then.

INFRASTRUCTURE SERVICES (continued)

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1637	Waste Collection and Disposal	June 2016	21	21	18	**3**	3 Major

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.

The Committee was advised in September 2017 that the Service had advised that it will take until March 2018 to fully complete these recommendations.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1706	Roads Year End Stocks	August 2016	14	13	13	**0**	0
1727	Burial Grounds Strategy	March 2017	7	3	3	**0**	0
1736	School and Supported Bus Service Tendering	April 2017	11	11	11	**0**	0

INFRASTRUCTURE SERVICES (continued)

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	
1740	Transportation Purchasing and Creditors	July 2017	19	14	13	**1**	1 Significant

The overdue recommendation *(graded "significant within audited area")* was due to be implemented by the end of September 2017 and relates to Estates ensuring that all Services are aware of the requirement for details of existing and proposed property lease arrangements to be provided to them. Internal Audit is awaiting an update on progress.

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
1747	Housing Repairs Year End Stock Checks	August 2017	6	2	1	**1**	1 Significant

The overdue recommendation *(graded "significant within audited area")* was due to be implemented in September 2017 and relates to the Service reviewing the differences between the SAVE stock system and the financial ledger for 2016/17 to ascertain the reasons and identify any potential improvements. The Service has advised that investigations continue into the differences highlighted and an extension to the end of December 2017 is required in order to provide a comprehensive assessment. Roll out of a replacement stock control system has now commenced.

Report Number	Report Title	Date Issued	Agreed in Report	Due for implementation by 30.09.17	Confirmed Implemented by Service	Not implemented by original due date	Grading of overdue recommendations
1805	Taxi MOT and Licensing	September 2017	15	4	4	**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	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. Financial Regulations have been consistently breached.
Significant within audited area	Addressing this issue will enhance internal controls. An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on a system's adequacy and effectiveness. Financial Regulations have been breached.
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.