

PERTH AND KINROSS COUNCIL
Audit Sub-Committee –9 June 2010
INTERNAL AUDIT FOLLOW UP
Report by Chief Internal Auditor

ABSTRACT

This report presents a current summary of Internal Audit's 'follow up' work.

1. RECOMMENDATION(S)

- 1.1 The Audit Sub-Committee is asked to:
- (i) note the current position in respect of the outstanding agreed actions arising from internal and external audit work;
 - (ii) consider the most appropriate action to be taken to progress the agreed action plans, taking into account the recorded audit opinions.

2. BACKGROUND

- 2.1 CIPFA's "Code of Practice for Internal Audit in Local Government in the United Kingdom" places upon management the responsibility for ensuring that the agreed actions arising from audit reports are implemented. It is the duty of the Chief Internal Auditor to seek assurance that the actions have been completed and to put in place 'escalation procedures' where this does not appear to have been the case. To assist the Audit Sub-Committee, the appendices to this report provide information on those actions that have not been implemented in accordance with the agreed timetable, or where there is insufficient information on the current situation.
- 2.2 Appendix A presents a summary of the number of actions arising from internal and external audit reports. Table 1 shows the numbers of agreed actions currently being followed-up, even where the originally agreed completion dates have not yet been reached; Table 2 shows the numbers of agreed actions that have been reported as incomplete after the original agreed completion date. In both tables, the numbers are grouped by service and by the reported 'importance' of the agreed actions. Both tables now reflect the disaggregation of the former Corporate Services and, where the former Corporate Services agreed actions are included, these have been shown separately.
- 2.3 Appendices B to F present detailed follow-up information on a service-by-service basis, in respect of actions agreed for completion in the period of January to March 2010. The second column of these appendices records the original agreed completion date and any subsequently approved or proposed

postponements. In each case and where possible, the appendices also record management's explanations with internal audit comments where relevant. There are no actions outstanding for the period from Education & Children's Services.

3. PROPOSALS

- 3.1 It is recommended that the Sub-Committee seeks assurance that there are clear and achievable action plans for completing the agreed actions noted above.

4. CONSULTATION

- 4.1 All Council services have been consulted in the preparation of the report.

5. RESOURCE IMPLICATIONS

- 5.1 There are no resource implications arising from this report.

6. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

- 6.1 The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-

- (i) A Safe, Secure and Welcoming Environment
- (ii) Healthy, Caring Communities
- (iii) A Prosperous, Sustainable and Inclusive Economy
- (iv) Educated, Responsible and Informed Citizens
- (v) Confident, Active and Inclusive Communities

- 6.2 The Chief Executive's Service provides a range of functions for internal and front-line customers alike. These functions support the work of the whole Council by assisting them in the delivery of the Council's Corporate Objectives. As a consequence, this report does not specifically relate to one of the objectives, but assists with the delivery of all five.

7. EQUALITIES ASSESSMENT

- 7.1 The Council's Corporate Equalities Assessment Framework requires an assessment of functions, policies, procedures or strategies in relation to race, gender and disability and other relevant equality categories. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new policies to ensure there is no adverse impact on any community group or employees.

- 7.2 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Assessment Framework and the determination was made that the items summarised in this report do not require further assessment as they do not have an impact on people's wellbeing

8. STRATEGIC ENVIRONMENTAL ASSESSMENT

- 8.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 8.2 However, no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.

9. CONCLUSION

- 9.1 This report presents a current summary of Internal Audit's 'follow-up' work.

J CLARK

Chief Internal Auditor

Note: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

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Appendix A: Summary of Outstanding Actions

Table 1: All Agreed Actions for Follow-Up (figures in brackets reported in March 2010)

Service	Importance				
	High	Medium	Low	Not Rated	Total
Chief Executive's	2 (3)	38 (34)	21 (16)	0 (0)	61 (53)
Education & Children's Services	1 (3)	8 (3)	4 (2)	0 (0)	13 (8)
Housing & Community Care	1 (1)	7 (7)	0 (1)	1 (1)	9 (10)
The Environment Service	6 (5)	11 (10)	5 (6)	2 (5)	24 (26)
All Services	10 (12)	64 (54)	30 (25)	3 (6)	107 (97)

Table 2: Actions Reported as Incomplete on Their Original Agreed Date

Service	Importance				
	High	Medium	Low	Not Rated	Total
Chief Executive's	2 (2)	22 (13)	8 (6)	0 (0)	32 (21)
Education & Children's Services	0 (2)	2 (2)	2 (2)	0 (0)	4 (6)
Housing & Community Care	1 (1)	2 (4)	0 (0)	1 (1)	4 (6)
The Environment Service	6 (5)	9 (5)	5 (5)	2 (4)	22 (19)
All Services	9 (10)	35 (24)	15 (13)	3 (5)	62 (52)

**Appendix B: Internal Audit Follow-Up
Chief Executive's Service
(Reporting for All dates on or before: Mar 2010)**

Action Plan	Dates	Status/Explanation
<p>06/005 - Agency Workers Action Point 8 Importance: Medium</p> <p>Potential Tenderers recruitment policies will be vetted by Human Resources prior to inclusion on the select list of Tenderers.</p> <p>(K Donaldson, Personnel Manager)</p>	<p>Feb 2007 Mar 2008 Sep 2008 Mar 2009 Oct 2009 Mar 2010 Jun 2010</p>	<p>The Service states that an exercise is currently underway to review all agency use with a report due for submission to the Corporate Management Group on the use and control of agency staff across the Council. The report, in addressing how the Council will use the national framework contracts for temporary and interim staff awarded through Procurement Scotland, will fulfil the action requirements.</p> <p>Internal Audit Opinion: Accepted</p>
<p>07/004 - Payroll Action Point 19 Importance: Medium</p> <p>The requirement for input forms to be signed / initialled at all stages will be addressed through implementation of an IHRP system.</p> <p>(E Sturgeon, Chief Exchequer Officer)</p>	<p>Apr 2009 Sep 2009 Mar 2010 Sep 2010</p>	<p>The Service states that overtime and Travel will be managed through Release 2 of MyView which is scheduled for June 2010. Annual Leave and Sickness Absence are scheduled for release in September 2010. New paper forms will be created for staff who have no access to a Council pc or intranet.</p> <p>Internal Audit Opinion: Accepted</p>
<p>07/004 - Payroll Action Point 21 Importance: Medium</p> <p>(1) Weaknesses in the authorisation of "Notice of Entry to Service" forms will be addressed through implementation of an IHRP system. The audit finding will be taken account of by the IHRP project group to ensure</p>	<p>Apr 2009 Sep 2009 Oct 2009 Mar 2010 May 2010 Oct 2010</p>	<p>Planned changes to the new starter process involve an interface with the National Recruitment Portal, which has been provided by COSLA and subjected to testing. Progress towards implementation, however, will be delayed owing to Excel spreadsheet limitations and will not be resolved until the release of Microsoft 7 across the</p>

Action Plan	Dates	Status/Explanation
<p>consistency across Services.</p> <p>(E Sturgeon, Chief Exchequer Officer)</p>		<p>Council possibly later this year.</p> <p>Internal Audit Opinion: Accepted</p>
<p>08/008 - Committee Services Action Point 4 Importance: Medium</p> <p>Committee Services will establish a protocol which will clarify the respective roles of Committee Officers and contacts in the Services ensuring that the latter are aware of their responsibility to have reports approved by management teams for accuracy clarity and completeness, before submission to Committee Services.</p> <p>(A Wilson, Democratic Manager)</p>	<p>Dec 2009 Aug 2010</p>	<p>Meetings have taken place with H &CC to take forward the development of the protocol. Meetings have yet to take place with TES and ECS.</p> <p>Internal Audit Opinion: Accepted</p>
<p>08/008 - Committee Services Action Point 6 Importance: Low</p> <p>A business case will be prepared for the acquisition and implementation of a robust and comprehensive electronic Committee Management System which will include appropriate text retrieval software to assist Committee Services staff to quickly respond to queries from Elected Members and Services' staff and to enable them to access the required information directly.</p> <p>(A Wilson, Democratic Manager)</p>	<p>Mar 2010 Jun 2010</p>	<p>This will be taken forward following an appointment to the new post of Democratic Services Manager.</p> <p>Internal Audit Opinion: Accepted</p>
<p>08/008 - Committee Services Action Point 7</p>	<p>Dec 2009</p>	<p>The Service states that a draft report has been considered by</p>

Action Plan	Dates	Status/Explanation
<p>Importance: Medium</p> <p>Following a review of core Committee Services functions, a paper demonstrating the resources needed to deliver these functions will be submitted to senior management for appropriate action.</p> <p>(A Wilson, Democratic Manager)</p>	<p>Mar 2010 July 2010</p>	<p>the Head of Democratic Services who has requested further work to be carried out on the contents.</p> <p>This will be taken forward following an appointment to the new post of Democratic Services Manager.</p> <p>Internal Audit Opinion: Accepted</p>
<p>08/008 - Committee Services Action Point 8 Importance: Medium</p> <p>Consideration will be given, against the background of prevailing priorities, to the establishment of appropriate and realistic internal 'service standards' against which staff performance will be measured and benchmarked against other local authorities.</p> <p>(A Wilson, Democratic Manager)</p>	<p>Mar 2010 Oct 2010</p>	<p>A set of Key Performance Indicators is being developed for local authorities in partnership with the Society of Lawyers and Administrators in Scotland (SOLAR). The latest completion date is October 2010.</p> <p>Internal Audit Opinion: Accepted</p>
<p>08/018 - Councillors Expenses Action Point 2 Importance: Medium</p> <p>Members Services will issue revised guidance in consultation with the Finance Division.</p> <p>(G Taylor, Head of Democratic Services)</p>	<p>Apr 2009 Dec 2009 Mar 2010 July 2010</p>	<p>The revised guidance on councillors' remuneration, allowances and expenses was issued by the Scottish local Authorities Remuneration Committee in April 2010 and this requires to be taken into consideration when issuing revised guidance for Members</p> <p>Internal Audit Opinion: Accepted</p>
<p>08/018 - Councillors Expenses Action Point 4 Importance: Medium</p> <p>The list of approved duties will</p>	<p>Apr 2009 Dec 2009 July 2010</p>	<p>The revised guidance on councillors' remuneration, allowances and expenses was issued by the Scottish local Authorities Remuneration</p>

Action Plan	Dates	Status/Explanation
<p>be reviewed and amended in consultation with the Finance Division.</p> <p>(G Taylor, Head of Democratic Services)</p>		<p>Committee in April 2010 and this requires to be taken into consideration when issuing revised guidance for Members</p> <p>Internal Audit Opinion: Accepted</p>
<p>08/018 - Councillors Expenses</p> <p>Action Point 5</p> <p>Importance: Medium</p> <p>In the light of the Scottish Government's acceptance of the recommendation by the Scottish Local Authorities Remuneration Committee, guidance on the acceptable uses of the budget for the Civic Head will be issued.</p> <p>(G Taylor, Head of Democratic Services)</p>	<p>Mar 2009</p> <p>Apr 2009</p> <p>Dec 2009</p> <p>Mar 2010</p> <p>July 2010</p>	<p>The revised guidance on councillors' remuneration, allowances and expenses was issued by the Scottish local Authorities Remuneration Committee in April 2010 and this requires to be taken into consideration when issuing revised guidance for Members</p> <p>Internal Audit Opinion: Accepted</p>
<p>09/009 - Employees Expenses</p> <p>Action Point 4</p> <p>Importance: Medium</p> <p>Exchequer Payroll will issue guidance to their staff to ensure that authorised signatories on Travel and Subsistence claim forms are checked to the Exchequer Payroll Authorised Signatories' Folder, which will be updated to include officers who are temporarily undertaking higher duties. Cases where signatures are verified by another means have the justification noted on the claim form. Evidence will be obtained from the Services to support the claim forms which the Auditor was unable to verify.</p> <p>(A Ramsay, Senior Payroll</p>	<p>Jan 2010</p> <p>Aug 2010</p>	<p>The Service has yet to produce the written guidance. This will be completed in August.</p> <p>Internal Audit Opinion: Accepted</p>

Action Plan	Dates	Status/Explanation
Officer)		
<p>09/009 - Employees Expenses Action Point 6 Importance: Medium</p> <p>Exchequer Payroll will liaise with HR to update the Council's Travel and Subsistence guidance to ensure that Managers are aware of their requirement to ensure that mileage claims are accompanied by appropriate VAT receipts which do not pre-date claims by more than 2 months.</p> <p>(A Ramsay, Senior Payroll Officer)</p>	<p>Feb 2010 Aug 2010</p>	<p>The Service states that this action will be addressed through the current review of the Council's Travel and Subsistence policy.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>09/009 - Employees Expenses Action Point 7 Importance: Low</p> <p>The benefit in kind for lease car mileage, where applicable for the tax year ended April 2009 and April 2010, will be reported to HMRC.</p> <p>(A Ramsay, Senior Payroll Officer)</p>	<p>Mar 2010 May 2010</p>	<p>The Services states that this is in process, in line with the statutory reporting deadline of 31 May 2010.</p> <p>Internal Audit Opinion: Accepted</p>
<p>09/009 - Employees Expenses Action Point 8 Importance: Medium</p> <p>The requirement to ensure that VAT receipts do not pre-date claims by more than 2 months will be highlighted to the iHRP Project Team for inclusion in the development of the project with a view to amending the Travel and Claim form to highlight that VAT fuel receipts cannot predate claims by more than 2 months. In addition, all employees will be</p>	<p>Feb 2010 Aug 2010</p>	<p>The Service states that a paper on the requirement for retaining VAT receipts will be discussed by the Finance SMT and the Project Board in June 2010. The Trade Unions will be consulted thereafter.</p> <p>Internal Audit Opinion: Satisfactory</p>

Action Plan	Dates	Status/Explanation
<p>encouraged to use the online Travel and Subsistence expense claim form which includes mandatory fields to ensure the accuracy of any surplus VAT calculation.</p> <p>(A Ramsay, Senior Payroll Officer)</p>		
<p>09/009 - Employees Expenses Action Point 11 Importance: Medium</p> <p>Employees will be encouraged to use the online Travel and Subsistence expense claim form to ensure that relevant information is included in the claim.</p> <p>(A Ramsay, Senior Payroll Officer)</p>	<p>Mar 2010 Jun 2010</p>	<p>The Service states that, with the impending roll out of MyView, employees will be encouraged to use the new on-line form which will be available from June 2010.</p> <p>Internal Audit Opinion: Accepted</p>
<p>09/009 - Employees Expenses Action Point 12 Importance: Medium</p> <p>Exchequer Payroll will remind Executive Directors of the need to ensure that Travel and Subsistence expense claims are accurately and fully completed.</p> <p>(A Ramsay, Senior Payroll Officer)</p>	<p>Mar 2010 Jun 2010</p>	<p>The Service states that Executive Directors will be reminded of these requirements when the new on-line form is rolled out in June 2010.</p> <p>Internal Audit Opinion: Accepted</p>

Appendix C: External Audit Follow-Up
Chief Executive's Service
(Reporting for All dates on or before: Mar 2010)

Action Plan	Dates	Status/Explanation
<p>Henderson Loggie. - Financial Statements Audit Plan Action Point 21 Importance: Low</p> <p>All appropriate sections of payroll forms involving starters, leavers and those undergoing a change in circumstance are completed. If sections of the form are not relevant then these should be noted as such.</p> <p>(S Liston, Assistant Payroll Manager)</p>	<p>Jul 2009 Mar 2010 Sep 2010</p>	<p>This action is part of the overall implementation of the integrated Human Resources & Payroll system.</p> <p>There are many individual processes some of which will be completed by 31 May 2010 and some stretching to 30 September 2010.</p> <p>Internal Audit Opinion: Accepted</p>

**Appendix D: Internal Audit Follow-Up
Housing & Community Care
(Reporting for all dates on or before Mar 2010)**

Action Plan	Dates	Status/Explanation
<p>07/057(a) - Information Security Action Point 13 Importance: High</p> <p>SWIFT - In order to achieve an appropriate level of audit functionality, local authorities nationally are working with the system suppliers (via the Scottish User Groups) to agree, develop and implement a workable audit solution. Workshops are due to be held in May/June 2008 where completion dates will be identified.</p> <p>(A Strathearn, Business Improvement Manager)</p>	<p>Jun 2008 Sep 2008 Nov 2008 Sep 2009 Jan 2010 Aug 2010</p>	<p>The Service states that it anticipates installing and testing AIS software by July / Aug 2010. This software should improve the audit facility for SWIFT.</p> <p>Internal Audit Opinion: Accepted</p>

**Appendix E: Internal Audit Follow-Up
The Environment Service
(Reporting for All dates on or before: Mar 2010)**

Action Plan	Dates	Status/Explanation
<p>06/002b - Fleet Management Action Point 2 Importance: Medium</p> <p>The Transport Policy will be written which will cover all aspects of Council fleet procedures</p> <p>(W Morton, Fleet Manager)</p>	<p>Sep 2007 Sep 2009 Mar 2010 Sep 2010</p>	<p>The Service states that progress has been made and interim working procedures are in place to cover the transitional period of ensuring the new system, which went live in September 2009. is working effectively.</p> <p>The Corporate Road Transport Policy will be in place by September 2010. Procedures for vehicle maintenance linked to this policy will be developed by the same date.</p> <p>Internal Audit Opinion: Accepted</p>
<p>06/002b - Fleet Management Action Point 15 Importance: Low</p> <p>A report on the progress of the Minibus Working Group will be completed.</p> <p>(A Warrington, Public Transport Manager)</p>	<p>Mar 2007 Sep 2009 Jan 2010 May 2010</p>	<p>The Service states that the production of the progress report was rescheduled to tie in with key management decisions being taken on both the short/ medium term investment in the minibus fleet and future direction of the management of the overall asset.</p> <p>The report is being drafted for completion by end May 2010.</p> <p>Internal Audit Opinion: Accepted</p>
<p>08/029 - Development Management and Planning Applications Action Point 3 Importance: Medium</p> <p>The service will re-confirm guidance to ensure the separation of these roles and the recording of that separation. This guidance will be placed on the Development Management</p>	<p>Dec 2009 Jun 2010</p>	<p>The guidance on separation of roles and recording that separation has been completed and was posted on the Share Point on 13th August 2009.</p> <p>The Service has prepared the necessary 'amendment to delegation' letters for the Executive Director to sign for those who have the delegated power to decide applications.</p>

Action Plan	Dates	Status/Explanation
<p>Sharepoint site for future reference. The letters of delegation to officers will be updated to incorporate this guidance. The service will continue to audit a sample of applications every six months and to pass the results on to the relevant staff and change procedures as necessary.</p> <p>(G McFarlane, Planning Change Manager)</p>		<p>Internal Audit Opinion: Satisfactory</p>
<p>08/029 - Development Management and Planning Applications Action Point 10 Importance: Low</p> <p>The Service will continue to audit reports on applications on a day to day basis and supplement this with a formal sample audit of applications every six months and to pass any lessons arising on to the relevant staff and change procedures as necessary.</p> <p>(G McFarlane, Planning Change Manager)</p>	<p>Dec 2009 Jun 2010</p>	<p>The day to day reviews are ongoing. A formal audit of a sample of applications has commenced, however, the audit has identified the need for a significant number of written procedures to be developed before the audit can be completed.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>08/030 - Flood Mitigation Action Point 3 Importance: Medium</p> <p>These records will be stored on the Asset Management Server.</p> <p>(P Dickson, Senior Engineer)</p>	<p>Mar 2010 May 2010</p>	<p>The Service states that the digitisation of the watercourse network is substantially complete and the management system is being configured. The system will be up and running by the end of May 2010.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>08/030 - Flood Mitigation Action Point 6 Importance: Low</p>	<p>Mar 2010 Jun 2010</p>	<p>The Service states that space has been allocated to include this information in the</p>

Action Plan	Dates	Status/Explanation
<p>Information from the next biennial report will be included in mailing to households.</p> <p>(S Veitch, Flooding Officer)</p>		<p>Spring/Summer edition of Perth & Kinross News which will be published on 14th of June.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>08/032 - Car Parking Action Point 4 Importance: Low</p> <p>The Service will perform an assessment, with reference to Corporate Procurement and Council Contract rules as to the appropriate action to take to demonstrate 'best value' regarding our servicing and maintenance contract.</p> <p>(F Reid, Parking Operations Manager)</p>	<p>Aug 2009 Jan 2010 Jun 2010</p>	<p>The Service states that car parking ticket machines are complicated devices not readily serviced or repaired by companies other than the supplier. An attempt has been made to locate alternate servicing suppliers but none found.</p> <p>The Service will now seek advice from the Corporate Procurement Team as to the appropriate action to take to demonstrate 'best value' regarding our servicing and maintenance contract.</p> <p>Internal Audit Opinion: Satisfactory</p>
<p>08/032 - Car Parking Action Point 8 Importance: Medium</p> <p>A Council policy will be established which will incorporate stated circumstances under which parking restrictions will be removed or reserved. The content of the policy will be incorporated in procedures for the guidance of relevant staff.</p> <p>(A Olejnik, Head of Public Space Management)</p>	<p>Aug 2009 Mar 2010 Sept 2010</p>	<p>The Service states that details of Car Park space allocations, journeys undertaken and mileages are being reviewed and updated with a view to building a database on which to base the policy, procedures and guidance.</p> <p>The revised date for completion is September 2010.</p> <p>Internal Audit Opinion: Accepted</p>

Appendix F: External Audit Follow-Up
The Environment Service
(Reporting for All dates on or before: Mar 2010)

Action Plan	Dates	Status/Explanation
<p>Audit Scotland 2 - Financial Strategy Action Point 8 Importance:</p> <p>To have a full Asset Management Planning system linked to policy led budgeting</p> <p>(B Renton, Head of Performance and Resources)</p>	<p>Mar 2010 Mar 2011</p>	<p>As part of the work being undertaken across the Council, there is a reduction in focus on policy led budgeting.</p> <p>Linked to this, self evaluation using the BV2 matrix has identified that all Asset Management Plans from June 2010 will contain an explicit reference to existing budgets.</p> <p>Full alignment between financial and asset management plans is a Corporate Improvement Plan action and work is on-going on this.</p> <p>Internal Audit Opinion: Accepted</p>