

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 18 February 2020

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Internal Audit Report – February 2020

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued, and follow-up work completed, since the last meeting of the Committee and to provide an update on progress made against the 2019/20 annual audit plan.

## **2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from Internal Audit reports issued during the period from November 2019 to February 2020 as contained in Appendix 1;
  - ii. the findings from Internal Audit's follow-up work;
  - iii. Internal Audit's progress against the annual audit plan for 2019/20 as set out in Appendix 3.

## **3 BACKGROUND**

- 3.1 Since the last meeting of the Committee, final reports have been issued in respect of the following audits: Procurement, Homecare Services, Records Management, Performance Indicators and Roads Contracts.
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1.

- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Procurement – Moderate Assurance
  - Homecare Services – Moderate Assurance
  - Records Management – Moderate Assurance
  - Performance Indicators – Moderate Assurance
  - Roads Contracts – Reasonable Assurance
- 3.4 Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Detailed spreadsheets are maintained to monitor progress being made and this report provides a summary of the current status for two audits that were reported in previous years. Our findings are detailed below.

### **Business Grants**

- 3.5 Internal Audit's report on Business Grants was issued in June 2019. Our follow-up review has highlighted that all ten recommendations made have been implemented.

### **Contracts**

- 3.6 Internal Audit's report on Contracts was issued in February 2019. Our follow-up review has highlighted that of the ten recommendations made, seven have been implemented and three partly implemented. For the three partly implemented recommendations, we note that a procurement process which has been developed in one service area is now being implemented in the other service area. Details of the partly implemented recommendations and the revised dates of completion are shown in Appendix 2.

### **Progress Report 2019/20**

- 3.7 The progress report attached as Appendix 3 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2019/20.
- 3.8 The planned audit work on Fleet Management in 2019/20 will now be completed as part of the 2020/21 annual audit plan. This will allow for service implementation of a new fleet management system and incorporation of actions from the November 2019 Fixed Assets audit prior to the review commencing. Due to a change in weekly hours worked by one member of audit staff there has been a reduction of 10 weeks of audit resource available for the 2019/20 audit plan, however, only this one audit exercise is currently planned as not being achievable within the plan year.

## **4 POLICY IMPLICATIONS**

- 4.1 None

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial - None  
6.2 Personnel - None  
6.3 Other - None

## **7 BACKGROUND PAPERS**

- 7.1 None

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<b>DATE</b>	7 February 2020



## EAST LOTHIAN COUNCIL – INTERNAL AUDIT PROCUREMENT

### 1. EXECUTIVE SUMMARY

#### 1.1 Introduction

As part of the Audit Plan for 2019/20, a review was undertaken of the Procurement arrangements operating with the Council. A summary of our main findings is outlined below.

#### 1.2 Areas where Expected Controls were Met

- The Council has a Corporate Procurement Strategy 2017-2022 in place, which was approved by Cabinet in November 2017.
- Appropriate contract registers are in place – a register of all regulated contracts is maintained on the Public Contracts Scotland website and a register is maintained internally of all contracts let by the Council.
- For Scotland Excel contracts, appropriate arrangements are in place to ensure that retrospective rebates are received – rebates are based on the level of spend and approximately £360,000 has been received by the Council since 2016.

#### 1.3 Areas with Scope for Improvement

- From 2016/17 the Procurement Reform (Scotland) Act 2014 required an annual Procurement Report to be published. For 2018/19 a report has not been published and Scottish Ministers have not been notified. *Risk – failure to comply with legislation.*
- The Council has detailed Corporate Procurement Procedures in place, however the current procedures date from 2014 and require to be reviewed and updated to ensure compliance with legislation and best practice. *Risk – failure to ensure that procedures are up to date.*
- In some cases, there was a lack of evidence to confirm that the Corporate Procurement Procedures had been followed during the tendering process. *Risk – failure to demonstrate best value.*
- Documentation relating to the procurement process is not being consistently held in a central location. *Risk – failure to maintain a complete record of all key stages in the procurement process.*
- In some cases, there was a lack of evidence to indicate how the preferred contractor had been identified. *Risk – failure to demonstrate best value.*
- There is a lack of evidence of effective contract management processes being in place, including regular meetings being held with contractors. *Risk – failure to ensure the effective management of contracts.*

#### 1.4 Summary

Based on our review of Procurement, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

**Duncan Stainbank**  
Service Manager – Internal Audit

**February 2020**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.1.1	Management should ensure that a review of the Procurement Strategy is carried out annually.	Medium	Commercial Programme Manager for Procurement	Agreed. The procurement strategy will be reviewed on an annual basis going forward.		May 2020
3.1.2	Management should ensure that an Annual Procurement Report is published.	Medium	Commercial Programme Manager for Procurement	Agreed. An annual procurement report will be produced from 2019/20 onwards.		October 2020 as required by Scottish Government.
3.1.3	Management should ensure that the Corporate Procurement Procedures manual is reviewed and updated for legislative and best practice changes.	Medium	Commercial Programme Manager for Procurement	Agreed. This will now be reviewed on a regular basis.		August 2020 to incorporate new contract management process.
3.2.2	Management should ensure that the Procurement Strategy is updated to reflect the amended publication of the contract register.	Medium	Commercial Programme Manager for Procurement	Agreed. This will be completed as part of the strategy review.		May 2020

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3.2.3	Management should ensure that the internal contract register contains complete information for contracts.	Medium	Commercial Programme Manager for Procurement	Agreed. Some of the information on contract values and extension dates was not transferred over correctly as part of a recent software upgrade. Discussions on recovering this data are ongoing with IT. Information will then be reviewed and where possible with current systems functionality full details will be recorded.		May 2020
3.2.4	Management should ensure that all contracted suppliers are correctly flagged on the system.	Medium	Commercial Programme Manager for Procurement	Agreed. I am in the process of evaluating the contract spend information availability to establish if better quality and more frequently available information can be made available.		June 2020 also dependent on Finance / P2P and Spikes Cavell (external reporting system).





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3.3.4	Management should ensure that the Procurement Route selected is clearly stated on the Strategy Document or SSAF.	Medium	Commercial Programme Manager for Procurement	Agreed. This will be completed going forward for single source supplier procurement above service thresholds.		March 2020
3.3.5	Management should ensure that all tender submissions are evaluated in accordance with the Procurement Procedures and a central document confirming the scoring of each tender for cost and quality is retained with appropriate audit trail.  Management should ensure that all records are held in a central location.	Medium	Commercial Programme Manager for Procurement	Agreed. A pre-tender award document will be used to capture this information for all above threshold tenders and will be maintained in a central location within the procurement team.		May 2020
3.3.6	Management should ensure that contracts are cancelled on the contracts register promptly after the contract has expired.	Low	Commercial Programme Manager for Procurement	Agreed. When better expenditure information against contract is available contracts without spend will be reviewed with services and expired if required.		This will be ongoing and solutions may be implemented in stages. Q3 /2020 for review.

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3.3.7	Management should ensure these historic tenders are closed on the PCS portal.	Low	Commercial Programme Manager for Procurement	Agreed		June 2020
3.4.1	Management should ensure that training is provided to ensure services monitor the rates being charged.  Management should ensure that rates are checked prior to contract monitoring meetings.	Medium	Commercial Programme Manager for Procurement	Agreed. Training and guidance on contract management is to be provided for service management to complete.		September 2020 for training to be rolled out across all service units.
3.5.2	Management should ensure that appropriate contract management processes are put in place for each contract, with procurement team involvement on a risk assessed basis.	Medium	Commercial Programme Manager for Procurement	Agreed. Contract management processes have not been completed due to very restricted procurement resource. From the end of February 2020 with a full complement of staff these can be recommenced on a risk assessed basis.		Contracts Risk segmentation complete March 2020.  Contract management tools available May 2020.  Contract management process finalised July 2020.

### **Grading of Recommendations**

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

### **Levels of Assurance – Definitions**

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
<b>Substantial Assurance</b>	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
<b>Reasonable Assurance</b>	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
<b>Moderate Assurance</b>	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
<b>Limited Assurance</b>	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
<b>No Assurance</b>	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

## **EAST LOTHIAN COUNCIL – INTERNAL AUDIT HOMECARE SERVICES**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

As part of the Audit Plan for 2019/20, a review was undertaken of the arrangements in place for the provision of the Council's in-house Homecare Service. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- The Council Homecare Service complies with the Health & Social Care Standards and the most recent, January 2019, Care Inspectorate report graded the service as very good for quality of care and support; and good for quality of staffing.
- For all clients in our sample a detailed Personal Plan was in place and all had been reviewed within the last six months.
- Homecare Support Services provide all clients with a documentation pack containing details of all key services information, and who to contact in the event of any queries, problems or emergencies.
- 98% of Homecare staff are Scottish Social Services Council registered and the remaining 2% of staff are in the process of registering, as required under the Regulation of Care (Scotland) Act 2001.

#### **1.3 Areas with Scope for Improvement**

- ELC Homecare Services and NHS Hospital to Home Services are currently going through a service review to allow the services to work together to provide best value. It is noted that the review identified ELC Homecare Services as the most expensive provider. *Risk – failure to achieve best value.*
- The arrangements for communicating with members of staff require review. At present all weekly rotas are printed off and posted out 1<sup>st</sup> class to the relevant Homecare staff. The weekly rotas contain sensitive personal information. *Risk - loss of sensitive personal information resulting in loss to clients or the Council.*
- In October 2014 a "Rolling Hours Agreement" was implemented which allowed unused hours of work to be used in future periods, unused hours are no longer written off annually, but carried forward indefinitely. A lack of effective monitoring has been carried out on hours worked and at the end of December 2019 the total hours due to the council is 1,637 hours. *Risk – financial and operational loss of payments made in advance of work being completed.*
- From a sample of 19 homecare staff 9 were found to not be submitting timesheets on a regular basis. *Risk – failure to make accurate payroll payments.*
- Management of rotas and staff routes should be improved to reduce average travel time of 26% to provide greater time to focus on client support. *Risk – reduced service capacity and increased cost.*

#### **1.4 Summary**

Based on our review of Homecare Services, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

**Duncan Stainbank**  
Service Manager – Internal Audit

**February 2020**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.1.1	Management should ensure that procedures are updated, made available to all staff and are regularly reviewed.	Medium	Service Manager – Ongoing Care	Agreed – procedures will be updated and put in place.		November 2020
3.1.2	Management should ensure that the service review is completed and presented to the IJB following approval at the appropriate change board.	Medium	Service Manager – Ongoing Care	Agreed – this will be approved with an initial pilot in a rural area before full implementation.		July 2020
3.2.1	Management should ensure that copies of the signed and dated Personal Plans issued to clients are retained on file.  Management should ensure that review dates are accurately recorded in both the Staffplan system and on the review section on the file copy of client's Personal Plans.	Medium	Service Manager – Ongoing Care	Agreed – will be in place.  Agreed – will be in place.		March 2020
3.3.1	Management should ensure that the pilot using encrypted iphones is completed, costed and evaluated against any other proposed management methodologies.  Management should ensure that processes are put in place to ensure there is a secure method of effectively communicating regular staff rotas with homecare staff that provides best value for the resources being utilised.	High	Service Manager – Ongoing Care	Agreed – will be put in place as a matter of urgency. Meeting already arranged with I.T. to discuss options available.		April 2020

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3.3.3	<p>Management should ensure that all hours due by carers is worked.</p> <p>Management should review the Rolling Hours Policy and implement a limit to the amount of hours that can be underbanked in a period.</p> <p>Management should ensure that adequate monitoring is carried out to ensure that staff are complying with the Rolling Hours Agreement.</p>	Medium	Service Manager – Ongoing Care	<p>Agreed.</p> <p>Agreed – the Rolling Hours Policy is currently under review.</p> <p>Agreed.</p>		<p>February 2020</p> <p>March 2020</p> <p>February 2020</p>
3.4.1	<p>Management should ensure that all Homecare timesheets are fully completed, signed and submitted weekly.</p> <p>Management should ensure that all timesheets are retained on file for checking and review.</p>	Medium	Service Manager – Ongoing Care	<p>Agreed – put in place with immediate effect.</p> <p>Agreed – put in place with immediate effect.</p>		<p>February 2020</p> <p>February 2020</p>
3.4.2	<p>Management should review and report on all homecare staff claiming in excess of 25% travel time with an explanation of why this is required. Consideration should be given to setting Care Support Organisers a specific travel time reduction target on an annual basis.</p> <p>Management should also ensure that the record sheets are fully completed and maintained up to date.</p>	Medium	Service Manager – Ongoing Care	<p>Agreed – to be discussed with Organisers.</p> <p>Agreed.</p>		<p>April 2020</p> <p>February 2020</p>

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.5.1	Management should ensure that independent verification of travel time input to payroll spreadsheets is completed on a fortnightly basis.	Medium	Service Manager – Ongoing Care	Agreed – put in place with immediate effect.		February 2020
3.5.2	Management should ensure that all annual leave is approved and recorded in Staffplan in advance of annual leave being taken.  Management should ensure that the correct weekly dates are used to pull through annual leave from Staffplan.  Management should ensure that all annual leave records are held in a consistent format electronically.	Medium	Service Manager – Ongoing Care	Agreed.  Agreed.  Agreed.		April 2020  February 2020  February 2020
3.5.3	Management should ensure that the Payroll Summary sheet is checked and signed by the preparer and one member of management staff independent of the preparer who take responsibility for the accuracy of the information.	Low	Service Manager – Ongoing Care	Agreed.		February 2020
3.6.1	Management should continue to make progress and ensure that the small number of remaining Homecare Care Support staff have gained the relevant SVQ2 qualifications and are SSSC registered.	Medium	Service Manager – Ongoing Care	Agreed.		Ongoing



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3.6.2	<p>Management should ensure that accurate and up to date training records for Homecare Services staff are maintained.</p> <p>Staffplan should be upgraded to provide reports from the system when Homecare staff certificates are due for renewal.</p>	Medium	Service Manager – Ongoing Care	<p>Agreed.</p> <p>Agreed – will discuss the upgrade of Staffplan with the Systems Team.</p>		<p>February 2020</p> <p>April 2020</p>

### **Grading of Recommendations**

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

## Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

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<b>Moderate Assurance</b>	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
<b>Limited Assurance</b>	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
<b>No Assurance</b>	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.



## **EAST LOTHIAN COUNCIL – INTERNAL AUDIT RECORDS MANAGEMENT**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

As part of the Audit Plan for 2019/20, a review was undertaken of the arrangements in place within the Council for Records Management. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- A Records Management Plan 2014-2019 is in place to meet the requirements of the Public Records (Scotland) Act 2011 – the Plan was approved by Council on 28 October 2014. The Keeper of the Records of Scotland has recently launched a new model plan and following its publication, the Council intends to review and update the Records Management Plan.
- The Council was instrumental in the development of Progress Update Reports, which are being submitted regularly by the Council to the Keeper of the Records of Scotland, for assessment and comment by the Public Records (Scotland) Act 2011 Assessment Team.
- The Council has a Retention Schedule in place, which is available to staff within the Records Management section of the intranet. The Retention Schedule is linked to the Council's Business Classification Scheme, which identifies all functions and activities carried out by the Council, and is split into 26 functional areas – service areas have identified the record types that fall within their individual areas.

#### **1.3 Areas with Scope for Improvement**

- The destruction and long term preservation of electronic records continues to be an area of weakness – there has been limited progress in developing protocols for file deletion with regards to records held in the Council's main systems, EDRMS or shared networks. *Risk – records may be retained beyond their retention periods or core digital records may become inaccessible over time.*
- For four of the elements within the Records Management Plan, the Council has been assessed as "Amber", indicating that further actions and stronger evidence are required to support the statements of improvement and how they are being measured. *Risk – failure to achieve compliance with the Public Records (Scotland) Act 2011 and to fulfil the Keeper's expectations.*
- The arrangements in place for monitoring and reporting on the implementation of the Council's Records Management Plan require review. *Risk – failure to deliver the Plan and to ensure the ongoing implementation of all agreed actions.*
- The online Records Management training module on LearnPro is currently not designated as a mandatory module and has a lower uptake than other modules, which are mandatory. *Risk – lack of staff awareness of Records Management, with follow-on impact on business processes, legal and regulatory compliance.*

#### **1.4 Summary**

Based on our review of Records Management, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

**Duncan Stainbank**  
Service Manager – Internal Audit

**February 2020**

## ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	Management should ensure that the strategies, plans and protocols outlined in the Council's Records Management Plan are fully developed to assist staff in the effective implementation of Records Management throughout the Council.	Medium	Service Manager – People & Governance/ Team Manager – Information Governance	Agreed – a new Records Management Plan will be developed, in accordance with the Keeper's requirements, specifying actions required.		Ongoing, new Records Management Plan will be delivered at a timescale identified by the Keeper.
3.3.1	For those elements of the Records Management Plan, which are currently assessed as "Amber", Management should ensure that further actions are undertaken and evidence provided, to allow compliance with the Public Records (Scotland) Act 2011 to be achieved.	Medium	Service Manager – People & Governance/ Team Manager – Information Governance	Agreed – these areas will be prioritised and will be a key focus of the new Records Management Plan.		Ongoing, with progress reported annually.
3.4.1	A review should be carried out, across all service areas, to establish the level of adherence to the retention periods detailed in the Council's approved Retention Schedule.  The findings from the review should be communicated to Senior Management and an action plan should be put in place outlining the actions that require to be taken, to enable adherence to the specified retention periods.	High	Service Manager – People & Governance/ Team Manager – Information Governance/ Service Managers (Council-wide)	Agreed – following the development of an Information Asset Register, which is commencing with workshops early in 2020, individual asset owners will have responsibility for creating an action plan to enable adherence to retention periods. The Information Governance Team will then monitor and report annually.		Four workshops will be completed in 2020, ongoing monitoring and reporting of progress will take place at least annually.

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3.5.1	Management should review the progress that is being made with regards to the management and destruction of electronic records and, where relevant, ensure that an appropriate risk assessed plan of implementation is put in place.	High	Service Manager – People & Governance/ Team Manager – Information Governance/ Service Managers (Council-wide)	Agreed – following the development of an Information Asset Register, which is commencing early in 2020, individual asset owners will have responsibility for the records in their area. The Information Governance Team will have a monitoring role.		Ongoing, with progress reported annually.
3.6.1	Management should ensure that the online Records Management training module on LearnPro is designated as a mandatory module, which will require to be completed by all members of staff every two years.	Medium	Service Manager – People & Governance/ Team Manager – Information Governance	Agreed – will ask CMT to make the training module mandatory, as part of a package underpinning Data Protection, FOI and Information Security.		April 2020
3.7.1	Management should ensure that appropriate arrangements are in place for monitoring and reporting on the delivery and ongoing implementation of the Council's Records Management Plan.	Medium	Service Manager – People & Governance/ Team Manager – Information Governance	Agreed – a report will be prepared on an annual basis.		June 2020

### **Grading of Recommendations**

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.



### Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

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<b>Moderate Assurance</b>	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
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<b>No Assurance</b>	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.



## **EAST LOTHIAN COUNCIL – INTERNAL AUDIT PERFORMANCE INDICATORS**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

As part of the Audit Plan for 2019/20, Internal Audit reviewed a sample of Local Government Benchmarking Framework (LGBF) performance indicators for 2018/19, as published by the Improvement Service. The 2018/19 indicators reviewed, together with a comparison to the (inflation adjusted) figures for 2017/18, are shown below:

- CORP 4 – Cost per dwelling of collecting Council Tax. 2018/19 – £6.65 (2017/18 – £8.81)
- SW 1 – Older Persons (aged 65+) Home Care costs per hour. 2018/19 – £16.07 (2017/18 – £17.07)
- ENV 2a – Net cost of Waste Disposal per premise. 2018/19 – £66.61 (2017/18 – £73.83)
- ENV 4a – Cost of Roads per kilometre. 2018/19 – £6,751 (2017/18 – £9,523)
- ENV 5a – Cost of Trading Standards, Money Advice and Citizen Advice per 1,000 population. 2018/19 – £1,304 (2017/18 – £1,341)
- ECON 1 – % of unemployed people assisted into work from Council funded/operated employability programmes. 2018/19 – 5.65% (2017/18 – 3.05%)

#### **1.2 Areas where Expected Controls were Met**

- The Improvement Service calculate the indicators based on information prepared by the Council, including Local Financial Returns (LFRs) and the Scottish Government quarterly monitoring survey.
- An annual report on the Council's LGBF indicators is presented to the Council's Policy and Performance Review Committee (PPRC). Managers provide a commentary on reasons for changes in the indicators and the report provides a summary of the results for each indicator, including comparison to the previous year's performance, the Scottish average and the overall rank position.

#### **1.3 Areas with Scope for Improvement**

- The reported cost of Trading Standards, Money Advice and Citizen Advice per 1,000 population is approximately 22% of the Scottish average and does not include the payments being made by the Council to the East Lothian Advice Consortium. *Risk – non-compliance with the LGBF metadata definition and a lack of comparability with other authorities.*
- The indicator for Older Persons (aged 65+) Home Care costs per hour requires review to ensure that all information being provided is on a comparable basis. *Risk – the reported indicator for Home Care costs per hour may be understated.*

#### **1.4 Summary**

Based on our review of Performance Indicators, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

**Duncan Stainbank**  
Service Manager – Internal Audit

**February 2020**

## **ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.2.5	Management should review the indicator for Older Persons (aged 65+) Home Care costs per hour, to ensure that all information being provided is on a comparable basis.	Medium	Chief Operating Officer Finance/Group Service Manager – Planning and Performance	Agreed – this indicator will be reviewed jointly by staff within Finance and Health & Social Care.		April 2020
3.5.4	Management should ensure that the LGBF metadata definition is being complied with and that relevant third party payments are included in the reported cost of Trading Standards, Money Advice and Citizen Advice per 1,000 population.	Medium	Service Manager – Corporate Policy and Improvement/Chief Operating Officer Finance	Agreed – the 2019/20 indicator will include apportionment of funds to the East Lothian Advice Consortium for money advice and general advice. We will write to the Improvement Service to query the rationale behind including money advice and citizen advice in this indicator.		October 2020
3.6.5	Appropriate checking mechanisms should be put in place to ensure the accuracy of the data provided by the Council as part of the annual SLAED Indicators data return, which forms the basis of LGBF indicator ECON 1.	Medium	Service Development Officer	Agreed – will be implemented for the next return.		June 2020

### **Grading of Recommendations**

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

### **Levels of Assurance – Definitions**

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
<b>Substantial Assurance</b>	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
<b>Reasonable Assurance</b>	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
<b>Moderate Assurance</b>	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
<b>Limited Assurance</b>	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
<b>No Assurance</b>	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

# EAST LOTHIAN COUNCIL – INTERNAL AUDIT ROADS CONTRACTS

## 1. EXECUTIVE SUMMARY

### 1.1 Introduction

A review of the internal controls surrounding the administration of Roads Contracts was undertaken as part of the Audit Plan for 2019/20. A summary of our main findings is outlined below.

### 1.2 Areas where Expected Controls were Met

- For the sample of contracts reviewed, we found that that the Council's Corporate Procurement Procedures were being followed for Roads Contracts. A wider review of Council procurement has recently been completed, providing more extensive assurance on these procedures.
- Appropriate arrangements are in place to prioritise roads maintenance work required – an annual needs assessment, comprising a combination of internal and external assessments of road surface condition and usage, is carried out on a regular basis to assess the condition of all roads.
- From a sample of contracts reviewed, we found that appropriate arrangements are in place to ensure that payments made to contractors are in accordance with contracted rates – a clear audit trail is maintained to confirm that the rates charged agreed to the tender rates submitted.
- In all cases sampled, where a new rate was charged due to variations in the work required, appropriate evidence was held of the new rate being approved, prior to payments being made to the contractor.

### 1.3 Areas with Scope for Improvement

- In some cases, roads maintenance was not being carried out in accordance with the needs assessment priorities identified and there was a lack of a clear audit trail outlining the reasons for this. *Risk – lack of evidence to support the rationale for deviations from the identified needs assessed priorities.*
- The Roads Maintenance Manual in place, which provides procedural guidance to members of staff on the processes to follow, requires to be reviewed and updated to reflect changes in legislation and the Code of Practice. *Risk – failure by members of staff to follow a consistent approach.*
- For one contract where additional work was carried out, we found a lack of evidence to confirm that a variation order had been issued. *Risk – errors or irregularities may occur and remain undetected.*

### 1.4 Summary

Based on our review of Roads Contracts, Internal Audit can provide reasonable assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.1.2	Management should ensure that the Roads Maintenance Manual is finalised and approved.	Medium	Team Manager – Assets & Regulatory	Agreed		September 2020
3.3.1	Management should ensure that a clear audit trail exists for all variations from priorities set by the needs assessment.  Management should take steps to ensure that the development of the electronic system is completed.	Medium	Team Manager – Engineering & Operations  Team Manager – Assets & Regulatory	Agreed  Agreed – completion is linked to the development of the web based system.		February 2020  February 2021
3.5.1	Management should ensure that adequate evidence is retained to explain the need for the variation.	Medium	Team Manager – Engineering & Operations	Agreed – to be discussed at Team meetings.		February 2020



### **Grading of Recommendations**

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

### Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
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<b>No Assurance</b>	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

**OUTSTANDING RECOMMENDATIONS  
CONTRACTS**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>AGREED DATE OF COMPLETION</b>	<b>REVISED DATE OF COMPLETION</b>
3.1.2	<u>Partly Implemented</u> Management should ensure that the Council's Corporate Procurement Procedures are fully complied with in the procurement of all goods and services.	High	Service Manager – Engineering Services & Building Standards	Agreed – work is now ongoing with procurement to ensure contracts are put in place on a prioritised basis.	Ongoing	March 2020
3.1.2	<u>Partly Implemented</u> Management should review the external spend within their area – where the cumulative spend exceeds the thresholds detailed in the Corporate Procurement Procedures, Management should ensure that the goods or services are competitively procured in line with the Corporate Procurement Procedures.	High	Service Manager – Engineering Services & Building Standards	Agreed – work is now ongoing with procurement to ensure contracts are put in place on a prioritised basis.	Ongoing	March 2020
3.4.1	<u>Partly Implemented</u> Appropriate monitoring arrangements should be put in place to ensure that the correct rates are being charged by suppliers.	Medium	Service Manager – Engineering Services & Building Standards	Agreed – formal sample checking implemented with new procurement processes currently in progress.	March 2019	March 2020



**INTERNAL AUDIT PROGRESS REPORT 2019/20**

**APPENDIX 3**

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Purchase Cards	We will review the internal controls in place for the use of purchase cards, including the arrangements for monitoring expenditure.	September 2019	Completed
Payroll Deductions	We will review the procedures in place for ensuring the accuracy and completeness of payroll deductions, including Tax, NI and pension contributions.	November 2019	Completed
Home Care Services	We will review the in-house delivery of Home Care services to Adult Services clients.	February 2020	Completed
IR35	We will check to confirm that adequate arrangements are in place for ensuring compliance with IR35 regulations, in respect of workers who supply their services through an intermediary body.	November 2019	Completed
Risk Management	We will select a sample of High risks from both the Council's Corporate Risk Register and service area Risk Registers and will review the adequacy and effectiveness of the risk control measures in place.	November 2019	Completed
Non-Domestic Rates (NDR)	We will continue our audit work on Non-Domestic Rates (NDR) – in 2019/20, we will review the arrangements in place for the recovery of NDR arrears.	June 2020	
Direct Payments	We will review the arrangements in place for the administration and monitoring of direct payments made to Children's Services and Adult Services clients.	June 2020	

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Records Management	We will review the arrangements operating within service areas for records management including the storage, retention and disposal of records.	February 2020	Completed
Roads Contracts	We will examine the arrangements in place for the procurement, tendering and monitoring of work awarded by Road Services.	February 2020	Completed
Procurement	As part of our annual review of procurement, we will examine work being awarded to suppliers to ensure compliance with the Council's Corporate Procurement Procedures.	February 2020	Completed
Property Maintenance Stores	We will review the arrangements operating at the Property Maintenance stores.	June 2020	Commenced
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	February 2020	Completed
National Fraud Initiative	Time has been allocated for reviewing data matches identified by the 2018/19 National Fraud Initiative (NFI) exercise.	February 2020	Completed
Online Payments	We will review the internal controls surrounding the online payments system (SchoolPay), which was recently introduced in East Lothian schools.	June 2020	
Schools	We will review the financial arrangements operating within one secondary school to ensure compliance with the financial procedures in place.	June 2020	In Progress

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Council Tax	We will continue our audit work on Council Tax – for 2019/20, our review will focus on the procedures in place for Council Tax collection and refunds.	June 2020	Commenced
Transformation Programme	We will examine the implementation of the Council's Transformation Programme to ensure that the financial savings identified have been achieved.	June 2020	
Treasury Management	We will review the Council's approach to Treasury Management to ensure compliance with the CIPFA Code of Practice on Treasury Management.	June 2020	
Fostering and Kinship Care Allowances	We will review payments made to foster and kinship carers to ensure compliance with Council policies and procedures.	June 2020	
General Data Protection Regulations (GDPR)	We will review the arrangements in place within the Council for ensuring compliance with the provisions of GDPR.	June 2020	
Following the Public Pound	As part of our rolling programme of work on Following the Public Pound, in 2019/20 we will review the monitoring arrangements in place for a sample of organisations receiving Council funding.	June 2020	

