

## **REPORT TO AUDIT COMMITTEE – 20 SEPTEMBER 2018**

### **EXTERNAL AUDIT – INTERIM REPORT ON THE 2017/18 AUDIT**

#### **UPDATED ACTION PLAN**

#### **1 Recommendations:**

**Audit Committee is recommended to:**

- 1.1 Agree the action plan for the External Audit Report for 2017/18; and**
- 1.2 Agree to receive six-monthly update reports on the delivery of the action plan.**

#### **2 Discussion**

- 2.1 The external auditor's interim report on the 2017/18 audit was considered by Committee on 5th July 2018. Members will be aware that all recommendations were agreed, and Committee was to receive a further report updating the action plan with appropriate activity, timescales and lead officers.
- 2.2 The report sets out the auditor's findings from their annual review of internal financial controls and wider scope responsibilities. This is in line with the Annual Audit Plan which was considered by the Audit Committee in March 2018.
- 2.3 The updated action plan is attached as Appendix 1 and Committee is asked to discuss and agree the plan.
- 2.4 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and 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 consider/comment on this item in terms of Section G.1.5 of the List of Committee Powers in Part 2A of the Scheme of Governance as the report relates to the Council's relationship with its external auditors.

#### **4 Risk and Implications**

- 4.1 An equality impact assessment is not required because this report informs the Committee of the planned scrutiny activity to be carried out by audit and

inspection bodies and does not have a differential impact on any of the protected groups.

4.2 There are no staffing and financial implications as a direct result of this report.

4.3 The following Risks have been identified as relevant to this matter on a Corporate Level:

- Reputation management – this is controlled through general policy & procedures and assured by external scrutiny bodies through the annual shared risk assessment and by Internal Audit

**Ritchie Johnson**  
**Director of Business Services**

Report prepared by Amanda Roe, Service Manager - Policy, Performance & Improvement Team  
19 July 2018

# Appendix

## Key findings and action plan 2017/18

| Issue identified   | Management response   | Responsible officer and target date                       |
|--|---|---|
| <b>Audit findings</b>  |   |   |
| <p><b>1.Invoice not addressed to Aberdeenshire Council</b></p> <p>We identified one paid invoice which was not addressed to Aberdeenshire Council.</p> <p><i>Risk: Payments are processed for inappropriate good/services.</i></p> <p>Recommendation: Staff should be reminded that only invoices addressed to Aberdeenshire Council should be accepted for payment.</p>   | <p>Agreed</p> <p>Information will be disseminated through a range of channels, including Arcadia and team briefs, to ensure all staff responsible for processing invoices are aware of this requirement.</p>        | <p>Head of Finance</p> <p>30 September 2018</p>           |
| <p><b>2.Care First Debtors Reconciliation</b></p> <p>No reconciliation is carried out between the Debtors interface file from Care First and the total per the general ledger system.</p> <p><i>Risk: Differences are not timeously identified and resolved which may provide an opportunity for inappropriate actions.</i></p> <p>Recommendation: A reconciliation should be carried out and reviewed on a regular basis between the Care First debtors interface and the general ledger.</p> | <p>Agreed</p> <p>Work is underway to develop a reconciliation process that will provide appropriate controls for the interface arrangements.</p>  | <p>Head of Finance</p> <p>28 February 2019</p>            |
| <b>Audit dimensions - issues and risks</b>   |   |   |
| <p><b>3.Register of Interests/Conflicts of interest</b></p> <p>We reviewed the council's approach to its register of interests for both members and officers. We concluded that whilst the council</p>   | <p>Agreed</p> <p>A Register of Interests will be established for members of the Senior Leadership Team and for Chief Officers carrying out procurement activity. This is a proportionate response as only Chief</p> | <p>Head of Legal &amp; Governance</p> <p>30 June 2019</p> |

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|---|--|--|
| <p>could demonstrate its arrangements in respect of members, similar procedures could be implemented in respect of senior/specialist staff. Whilst a register is in place to record officers' gifts and hospitality, there is no register of officers' interests.</p> <p>From a review of employee policies, there was no obvious policy covering the council's approach to managing staff conflicts of interest.</p> <p><i>Risk: There is a risk that officers in may be operating inappropriately if there are undisclosed conflicts of interest.</i></p> <p><b>Recommendation:</b> The requirement to maintain a register of interests should be extended to members of the Strategic Leadership Team and other key officers with financially critical responsibilities e.g. Procurement. Arrangements for managing potential staff conflicts of interest should be reviewed. Overall, arrangements should be regularly monitored to ensure that appropriate safeguards are in place for both the council and its staff and that the arrangements are regularly monitored.</p> | <p>Officers have the power to approve business cases and contract awards over £50K. Expenditure between £10K-50K is also awarded by Chief Officers unless they make a specific delegation to another senior officer to make the award. Actions to establish a Register include deciding information required, format, control, use and accessibility; issuing questionnaire, guidance and training to SLT and Chief Officers; populating Register with information received and maintaining it.</p> <p>Whilst there is no policy covering the council's approach to managing staff conflicts of interest, there is a protocol in place for employees which confirms they should inform their line manager if they are aware of a potential conflict of interest. An action will be progressed to review and confirm the protocol within each service's employee handbooks and awareness raised through channels such as Arcadia.</p> |  |
| <p><b>4.Register of Whistleblowing cases</b></p> <p>While the council has received a small number of whistle blowing cases, no central register of cases is maintained or formally reported to the Strategic Leadership Team or the Audit Committee.</p> <p><i>Risks: The council is not responding to cases in a consistent fashion and in the absence of a lessons learnt review, there is a failure to corporately share lessons and implement improvements.</i></p> <p><b>Recommendation:</b> A central register of whistleblowing cases should be developed and maintained. The number, issues arising, and outcomes of cases should be reported regularly to the Strategic Leadership Team and Audit Committee and summarised</p>   | <p>Agreed</p> <p>The Council's Whistleblowing Procedure currently provides for all whistleblowing cases to be reported to the Head of Legal and Governance. In accordance with the audit recommendation all cases will be recorded in a secure and confidential central register from October 2018 which will be maintained by the Head of Legal and Governance, with restricted access.</p> <p>In terms of the Whistleblowing Policy the Council has a duty to take all reasonable steps to protect the identity of the employee concerned therefore no personal information will be reported to SLT or to the Audit Committee, or information which could result in the employee being identified.</p> <p>Annual reports will be submitted to SLT and the Audit Committee from 2019,</p>   | <p>Head of Legal &amp; Governance</p> <p>From 1 October 2018</p> |

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|---|---|--|
| <p>annually. (Include as part of the annual fraud report already recommended)</p>   | <p>summarising the number of cases received and any improvement activity or lessons learned. The timing of reporting will be aligned to the Annual Fraud Report which is due to be reported to the Audit Committee annually from September 2018: the whistleblowing summary will be included in the 2019 Annual Fraud Report and future Fraud Reports thereafter.</p>   |  |
| <p><b>5.Compliance with Laws and Regulations</b></p> <p>It is difficult to easily demonstrate each year how the council complies with laws and regulations where there may be hidden potential for the council to incur significant additional costs if there were a breach.</p> <p><i>Risk: The council fails to comply with legislative and/or other regulatory requirements and consequently is liable for significant additional costs.</i></p> <p>Recommendation: Procedures should be developed to identify regulations which if breached, could result in a significant cost/penalty for the council and therefore impact on its financial position and annual accounts.</p> | <p>Agreed</p> <p>A mechanism will be developed to identify the significant laws and regulations which, if breached, could have a material impact on the accounts i.e. by £1-2 million+ and consideration will be given to a suitable and proportionate procedure to report these, once identified, to the Strategic Leadership Team with the measures put in place to reduce the likelihood of a breach, in order that assurance can be provided.</p> | <p>Head of Legal &amp; Governance<br/>30 June 2019</p> |
| <p><b>6.Risk Management</b></p> <p>Quarterly risk management reviews are prepared for the Strategic Leadership Team and made available to members. While the Audit Committee is responsible for reviewing the adequacy of the council's risk management arrangements, it has not received a report since December 2016.</p> <p><i>Risk: Risk management arrangements are not subject to effective scrutiny.</i></p> <p>Recommendation: A review of risk management arrangements should be considered by the Audit Committee at least on an Annual basis. .</p>  | <p>Agreed</p> <p>An annual report will be provided to the Audit Committee. The first report will be presented to the Audit Committee on 13 December 2018 and yearly thereafter.</p>   | <p>Head of HR &amp; OD<br/>13 December 2018</p>        |
| <p><b>7.Information Management Strategy</b></p>   | <p>Agreed</p>   | <p>Head of ICT</p>                                     |

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| <p><b>The Information Management Strategy has not been updated since 2013.</b></p> <p><i>Risk: The council's longer-term IT plans are unclear, and projects being taken forward in the interim may no longer be relevant or appropriate to the council's priorities.</i></p> <p><b>Recommendation: The strategy should be reviewed and updated as appropriate.</b></p>  | <p>A review and refresh of strategy is currently underway and a draft strategy for consultation will be ready by end August 2018.</p> | <p>31 December 2018</p>  |
| <p><b>8.Charitable Management Plan</b></p> <p><b>The Trustees of the Aberdeenshire Charities Trust (ACT2) approved a Charitable Management Plan in March 2017. No similar plan exists for Aberdeenshire Educational Trusts which holds significantly more funds than ACT2.</b></p> <p><i>Risk: The roles and duties of Trustees and the process for application for funds is not clearly understood.</i></p> <p><b>Recommendation: A Charitable Management Plan for the Aberdeenshire Educational Trusts.</b></p> | <p>Agreed</p> <p>Building on the ACT2 plan, a plan will be developed for the Educational Trusts.</p>                                  | <p>Head of Legal &amp; Governance<br/>Head of Finance<br/>31 December 2018</p> |

Source: Audit Scotland