

Update on Progress with Implementation of Internal Audit Recommendations arising from the May 2018 Report

Report by the Chief Executive

1 Purpose of Report

- 1.1 The purpose of this report is to provide an update to the Audit Committee on Management's progress with implementation of Internal Audit Recommendations arising from the May 2018 Report.

2 Background

- 2.1 Reports on the Investigation of Roads Contract Management including Internal Audit Recommendations were presented at Special Audit Committee meetings in May and June 2018.
- 2.2 Part of the Audit Committee's role is to monitor progress in addressing risk-related issues reported to the Committee, and to consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

3 Progress Update

- 3.1 The initial steps undertaken by Management included the identification of specific tasks associated with the Action Plan that underpin the Internal Audit Recommendations arising from the May 2018 Report, each of which has an assigned owner, target date, RAG status, and evidence of implementation. Monitoring Meetings have taken place on a regular basis since August 2018 with the Chief Executive, initially weekly then fortnightly, to assess progress with implementation of Actions, and to take any necessary steps to address any areas of concern.
- 3.2 The Appendix to this report provides an update to the Audit Committee on the Council's progress at 08 November 2018 with implementation of Internal Audit Recommendations arising from the May 2018 Report.
- 3.3 In summary there has been good progress with implementation of Internal Audit Recommendations arising from the May 2018 Report. For each of the Actions some of the tasks are complete, others are underway, and there are plans and resources in place to complete the remaining tasks by end March 2019.

4 Report Implications

4.1 Resource

Implementation of Internal Audit Recommendations arising from the May 2018 Report is being delivered within existing resources.

4.2 Risk

Implementation of Internal Audit Recommendations arising from the May 2018 Report is designed to reduce the risks within the Council and specifically within the Roads Service.

4.3 Single Midlothian Plan and Business Transformation

Themes indirectly addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

4.4 Key Priorities within the Single Midlothian Plan

Although this report does not relate directly to the key priorities within the Single Midlothian Plan (Reducing the gap in learning outcomes; Reducing the gap in health outcomes; and Reducing the gap in economic circumstances) by improving internal controls and governance more resources might be available to support achievement of the Council's objectives.

4.5 Impact on Performance and Outcomes

Implementation of Internal Audit Recommendations arising from the May 2018 Report is designed to improve performance and outcomes to support achievement of the Council's objectives.

4.6 Adopting a Preventative Approach

Having robust internal controls and governance contributes to safeguarding the Council's resources, for delivery of services, as part of protecting the public purse.

4.7 Involving Communities and Other Stakeholders

The Council delivers in services through appropriate engagement with communities or other stakeholders.

4.8 Ensuring Equalities

There are no equalities issues with regard to this report.

4.9 Supporting Sustainable Development

There are no sustainability issues with regard to this report.

4.10 IT Issues

There are no IT issues with regard to this report.

5 Recommendations

The Audit Committee is therefore asked to consider the progress made by Management against the Internal Audit Recommendations arising from the May 2018 Report.

Date: 28 November 2018

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Appendix 1

The following table sets out the 14 Internal Audit Recommendations arising from the May 2018 Report to the Council's Audit Committee and shows progress on these to enable effective monitoring of the implementation by Management and the Audit Committee.

Internal Audit Recommendation	Progress as at 8 November 2018
1. Review contract management procedures and controls ensuring that there are adequate segregation of duties and oversight / checking of compliance with the contract by Senior Management.	A Contract and Supplier Management Review is underway. Review and document contract management arrangements on award of new contracts is underway.
2. Review the roles and responsibilities of Senior Managers to ensure an adequate understanding, awareness and accountability for day-to-day activities undertaken in their areas of responsibility.	Directors issued reminders to Managers. Complete Procurement Manager to attend DMTs to raise awareness of new Procurement Strategy and guidance.
3. Provide regular training to all staff to promote an understanding and awareness of the implications of the Bribery Act 2010, potential corruption in the workplace and the Council's policy on Bribery & Corruption, and client / contractor relationships.	E-learning module on Procurement Fraud Awareness launched 3 September 2018 – (monitoring underway). E-learning module on Bribery Act launched 5 November 2018.
4. Instruct Staff involved in tendering contracts and allocating work to Contractors to read and acknowledge the Council's policies on Bribery & Corruption and Gifts & Hospitality.	2018 procedures include this requirement. Complete Directors issued reminders to Managers. Complete
5. Undertake, as part of the tendering process, due diligence checks on Contractors and document these checks. Instruct potential Contractors to read and acknowledge the Council's policies on Bribery & Corruption and Gifts & Hospitality.	2018 procedures include this requirement. Complete Directors issued reminders to Managers. Complete
6. Review and update Council policies including: Code of Conduct, a standalone Gifts and Hospitality Policy, Gifts and Hospitality Register, Register of Interests (to record and manage potential Conflict of Interests), and Secondary Employment. This should include appropriate authorisations (approvals and refusals) and the central recording of declarations to enable regular and discrete review (Gifts and Hospitality, Register of Interests, and Secondary Employment).	Code of Conduct update to reflect standalone Gifts and Hospitality policy, Gifts and Hospitality Register, Register of Interests and Secondary Employment Register and the requirement to record these centrally is being developed by HR. Aim to take proposals through Corporate Management Team then staff/trade union consultation prior to Committee approval.

Internal Audit Recommendation	Progress as at 8 November 2018
7. Review the process for approving and setting up new Suppliers on the payments database to enhance controls over creating a new Supplier.	E-Form introduced in 2017 as part of P2P Project. Process for creation of new suppliers has been reviewed. Complete
8. Enhance ongoing monitoring and review of payments to Suppliers to complement the Budget Monitoring processes. This should involve regularly reviewing payments to Suppliers to ensure they reflect the Council's contract arrangements.	Periodic sample checks and quarterly monitoring to CMT – first report planned for December 2018.
9. Introduce regular monitoring of the mix of in-house manpower, plant and equipment and third parties to optimise use of resources and demonstrate value for money in relevant Service areas (Senior Management and Elected Member oversight).	The Service Delivery Framework was updated and presented to Council on 13 November 2018. Complete Monitoring arrangements being progressed by the Acting Director of Resources with the new Roads Manager that has been appointed.
10. Review invoice payment processing to ensure that Staff are made aware of when counter signatories should be obtained and that the splitting of invoices to avoid this control is strictly forbidden. In addition, there should be adequate segregation of duties to ensure the same individual cannot award work, confirm it has been satisfactorily completed, and authorise payment of the invoice.	Staff communications have been issued. Complete
11. Introduce due diligence checks on Conflicts of Interest Declarations as part of the Procurement Tender process and review of documents.	Directors issued reminders to Managers to re-emphasise compliance with Conflict of Interest Form and Guide. Complete
12. Review the Asset Register and Fleet Management system to enable better recording of information and tracking of plant and equipment purchased by the Council. This should include a regular review of assets to ensure they can be accounted for.	Being progressed by the Acting Director of Resources with the new Roads Manager that has been appointed.
13. Create procedures and guidance for Staff relating to the external hiring of Council equipment and jobs carried out for family, friends and colleagues (full costs to be met by Client).	Being progressed by the Acting Director of Resources with the new Roads Manager that has been appointed.
14. Promote the Council's Whistleblowing policy and the mechanisms for raising concerns, anonymously if desired, for Staff & Public.	Staff communications have been issued and Corporate Fraud Annual Report 2017/18 highlighted channels for Whistleblowing, resulting in increase in volume. Complete