Internal Audit Recommendations: Performance Report
Report by Internal Audit Manager

1. Purpose of the Report

This report provides a summary of the recommendations raised by Internal Audit over the last 3 years and the reported progress with implementing these agreed actions.

The attached appendix shows that 378 recommendations have been made in the last 3 years. The success rate in implementing Internal Audit's recommendations shows that 96% have been completed or are 'on target' and only 4% are overdue (14 recommendations). This represents a significant improvement in performance reported to the March 2012 Audit Committee where 14% of recommendations raised (52 recommendations) were noted as overdue.

2. Background

Where weaknesses are identified by Internal Audit during assignments, recommendations are raised and agreed with management to improve upon internal control. These recommendations are rated as high, medium and low priority dependent on the perceived urgency of the required action.

Internal Audit periodically tests whether or not the recommendations have been implemented. This provides assurance to the Corporate Management Team and the Audit Committee that any identified weaknesses have been adequately addressed. The last such review was undertaken in April 2013 and reported to the June 2013 Audit Committee. This showed that out of the 55 recommendations sampled 49 had been implemented satisfactorily. This exercise will be repeated in April 2014 and reported to the Audit Committee in May 2014.

This report focuses on the 14 recommendations noted as overdue, the reasons for the delay in implementation and the risks associated with the outstanding elements of the recommendations. The following is a brief summary arising from a review of updates within Covalent and discussion with relevant Council officers where appropriate:

Audit Report	Number of Recs	Original Due Date / Responsibility	Recommendation / Latest Covalent Update Note
Data Protection	4	01/07/12 Performance and Planning Officer (Education Communities and Economy) and Performance and Information Systems Manager	**High Priority** The population of a new database on information systems (including data sharing agreements). This issue has been consolidated within the main Information Management Group action plan and has an end date of 31 March 2014 for business critical systems. Education Communities and Economy have noted that this issue is now complete while Communities and Wellbeing

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		(Communities and Wellbeing)	have noted that the Business critical systems have been identified and that they are currently on target to meet the end of March 2014 target date.
		31/12/12 Performance and Planning Officer (Education Communities and Economy)	**Medium Priority** Divisional Information Management Groups should review the adequacy of current privacy statements used on data capture forms against the standard Council Statement and the Information Commissioner's Guidance notes and update where necessary.
			Individual support has been given to staff reviewing information gathering forms from the Divisional Information Management Group representatives. Awareness has also been raised when populating the Information Register. The issue is currently recorded as 85% complete and has a target completion date of end of quarter 3, 2013/14.
		31/12/12 Performance and Information Systems Manager (Communities and Wellbeing)	A meeting is scheduled to review which Adult and Community Care forms within the case management system (Frameworki) require privacy statements and where they do that they meet the required standards. There is a Divisional Information Management Group Meeting on 9th December 2013, and the action is to be added to the agenda so that this can be cascaded to staff in other areas of Communities & Wellbeing to action. The Chair of the Divisional Group will provide support to this process to ensure that this can be expedited smoothly. The target date for completion is end of quarter 4, 2013/14.
Housing Allocations	1	31/12/11 Head of Housing and Community Safety	**Medium Priority** The issue relates to undertaking a cost / benefit analysis of providing housing officers with Council laptops to assist with remote working.
			This recommendation has been included within the Effective Working in Midlothian Business Transformation Programme and is currently recorded as 90% complete. Completion is also now impacted by the Public Sector Network requirements and in piloting the remote working kit.
			The end date is not yet clear but this was an efficiency recommendation rather than raising concerns over control.
Fuel Management	3	31/03/2013 Business Systems Officer	**High Priority** The design and use of exception reporting over the use of fuel cards. It is now unlikely this will be able to be implemented because of system issues with the format of the data received from the supplier. E-mail alerts are not being received through the council e-mail filtering software due to errors in the encoding of supplier's emails. IT Services advise that the Council cannot stop the e-mail filtering system carrying out these checks. The supplier has been advised of what type of encoding is required but no response has been received and it is doubtful that the supplier will be able to make the suggested changes.
			However, regular reports with additional details on the use of fuel cards, are being prepared by Business Services which are provided to the responsible service managers for review. As all other system related recommendations from the Fuel Management Audit are in place the risk of not

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			having email generated exception reports has been mitigated.
		31/03/2013 Travel and Fleet Services Manager	**Medium Priority** Tracking of hired vehicles using TrackYou technology. This is reported as 85% completed with the units delivered and being evaluated by the Travel Team. It is anticipated that this will be in place by mid December 2013.
		31/03/2013 Waste Services Manager	**Medium Priority** Adding signage to tanks to indicate where fuel cleaning kits can be obtained. This is reported as 75% complete and is expected to be closed by 31 December 2013.
Income Control	3	31/08/2012 Head of Customer Services	**Medium Priority** The development of a policy on which payment methods are acceptable and what fees are applicable on credit card payments. This is reported as 70% complete with analysis being undertaken and a policy being drafted ahead of a report to CMT. This is anticipated to be reported to CMT in Q4, 2013/14.
		31/7/2012 Financial Services Manager	**Medium Priority** To re-tender the cash collection contract.
		30/04/2012 Financial Services Manager	**Medium Priority** To determine the optimal number of pick-ups for cash collection. Both these latter issues are delayed due to the notice period required with the current provider and the implementation date is now expected to be 31 March 2014.
ICT Schools	1	31/10/2012 Education Officer Curriculum ICT	**Medium Priority** The issue was that there should be a standardised policy and procedure for the use of school equipment taken home by pupils. The policy has been drafted and is currently being piloted at one school. The action is reported as 80% complete. If the pilot is successful, it is anticipated the policy will be rolled out to the other schools by the end of Q4, 2013/14.
Follow Up Review of Audit Recommendations	1	31/07/2012 Risk, Safety, Health & Civil Contingencies Manager	**Medium Priority** The high level policy on off-site excursions is to be amended to reference to local policies and procedures. No progress has yet been made due to staff changes but is scheduled to be completed by 31 March 2014.
Care at Home	1	30/04/13 Contracts Officer	**Medium Priority** Home Care providers' insurance policies should be reviewed by Council insurers. In addition, Adult and Community Care should request home care providers' permission to seek direct notification from their insurers of changes to policy terms or cancelations. Progress Policies are checked every year as part of the supplier review process. When contracts are re-tendered a clause is to be added giving Midlothian Council the right to contact third party insurers directly.

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			Any suppliers that are giving cause for concern will then be assessed to determine if there is a need to contact the insurers direct. The current insurance brokers are to be asked to sample check suppliers' insurance policies for adequacy of cover. The current estimate is that this work will be completed by the end of Q4, 2013/14 which is considered reasonable given the amount of work that has been required to close these issues.
TOTAL	14 (4%)		

3. Conclusion

The success rate in implementing Internal Audit's recommendation shows that 96% are completed or 'on target' and only 4% are overdue (14 recommendations). This represents a significant improvement on performance reported to the March 2012 Audit Committee where 14% of recommendations raised (52 recommendations) were noted as overdue.

Of the 14 recommendations that are shown as overdue, we are of the opinion that the Data Protection related issues need to be addressed as soon as possible but that the remainder of the outstanding issues do not give rise to immediate concern.

4. Report Implications

4.1 Resource

There are no direct resource implications in this report.

4.2 Risk

The risks facing the Council will reduce following implementation of recommendations made by Internal Audit.

4.3 Single Midlothian Plan and Business Transformation

Themes 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 Impact on Performance and Outcomes

This report has no direct impact on performance outcomes.

4.5   Adopting a Preventative Approach

This report addresses the need to periodically review the Council's performance in closing Internal Audit recommendations in the original timeframe agreed with management.

4.6   Involving Communities and Other Stakeholders

This report has been discussed with the: Director, Resources, s95 Officer and the Chair of the Audit Committee.

4.7   Ensuring Equalities

N/A

4.8   Supporting Sustainable Development

N/A

4.9   IT Issues

N/A

5   Recommendations

The Audit Committee is invited to:

a) note the reported progress in implementing Internal Audit recommendations; and

b) note that a sample of recommendations recorded as completed by management on the Covalent system will be tested to confirm the adequacy of the actions taken. This will be reported to the May 2014 Audit Committee.

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