

Corporate Policy and Strategy Committee

10.00am, Tuesday, 5 December 2017

Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017 – referral from the Governance, Risk and Best Value Committee

Item number	8.5
Report number	
Wards	All

Executive summary

The Governance, Risk and Best Value Committee on 26 September 2017 considered a report which detailed the Internal Audit progress for the period 1 January 2017 to 30 June 2017.

The report has been referred to the Corporate Policy and Strategy Committee on the recommendation that high risk findings from audit reports be submitted to their parent Committee for information. This relates to the internal audit report for Management Information – Referral from the Edinburgh Integration Joint Board. Attached is Appendix 1 of the report, which provides an overview, and the relevant extract of Appendix 2, which is Section 7 – Management Information.

Terms of Referral

Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017

Terms of referral

- 1.1 On 26 September 2017, the Governance, Risk and Best Value Committee considered a summary of the findings and status of work from the Internal Audit plan of work. The plan is updated throughout the year with additional reviews and any emerging risks.
- 1.2 The report by the Chief Internal Auditor highlighted the progress made along with 13 reports, categorised by level of risk.

Details of the action plans with implementation dates to mitigate any findings were also contained within the report. Any action which remained outstanding after the agreed implementation date would be reported back to the Governance, Risk and Best Value Committee.

- 1.3 The Governance, Risk and Best Value Committee agreed:
 - 1.3.1 To note the progress of Internal Audit in issuing 11 Internal Audit reports during Quarter 4 of the 2016/17 plan year and 2 Internal Audit reports during Quarter 1 of the 2017/18 plan year.
 - 1.3.2 To note the areas of higher priority findings for reviews issued during this six month period.
 - 1.3.3 To refer the 6 reports noted in Appendix 1 as potentially being of interest to the Audit and Risk Committee of the Edinburgh Integration Joint Board (IJB) to that Committee.
 - 1.3.4 To note the 6 audit in progress during Quarter 1 of the 2017/18 plan year as detailed in Appendix 1 of the report.
 - 1.3.5 To request information on:
 - the total spend on homelessness provision
 - the checks in place for recovering money from the Government.
 - the governance of the Homelessness Taskforce.

- 1.3.6 To request a report on the operation of homelessness services which included costs and a map of facilitates in the city to the Housing and Economy Committee and Homelessness Taskforce

For Decision/Action

- 2.1 The Corporate Policy and Strategy Committee is asked to note the attached audit report with high risk findings concerning Management Information – Referral from the Edinburgh Integration Joint Board.

Background reading / external references

[Webcast of Governance, Risk and Best Value Committee – 26 September 2017](#)

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Links

Appendices

Appendix 1 – Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017 – report by the Chief Internal Auditor

Governance, Risk and Best Value Committee

10.00am, Tuesday 26 September 2017

Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017

Item number

Report number

Executive/routine

Wards

Council Commitments

Executive summary

Internal Audit has made reasonable progress in the last quarter of the 2016/17 plan year and the first quarter of the 2017/18 plan year.

This report provides details of the activity from 1 January – 30 June 2017.

Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017

Recommendations

- 1.1 Committee is requested to note the progress of Internal Audit in issuing 11 Internal Audit reports during Quarter 4 of the 2016/17 plan year and 2 Internal Audit reports during Quarter 1 of the 2017/18 plan year.
- 1.2 Committee is requested to note the areas of higher priority findings for reviews issued during this six month period.
- 1.3 Committee is requested to refer the 6 reports noted in Appendix 1 as potentially being of interest to the Audit and Risk Committee of the Edinburgh Integration Joint Board (IJB) to that Committee.
- 1.4 Committee is requested to note the 6 audit in progress during Quarter 1 of the 2017/18 plan year as detailed in Appendix 1.

Background

- 2.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a risk-based assessment of Council activities. Additional reviews are added to the plan where considered necessary to address any emerging risks and issues identified during the year, subject to approval from the relevant Committees.
- 2.2 Status of work and a summary of findings are presented to the Governance, Risk and Best Value Committee for consideration on a quarterly basis.

Main report

Audit Findings for the period

- 3.1 Internal Audit has made reasonable progress in the final quarter of the 2016/17 plan year with 13 reports being issued for the quarter. These reports contain a total of 11 High, 18 Medium and 4 Low rated findings.
- 3.2 Reasonable progress was also evident in the first quarter of the 2017/18 plan year with 2 audits completed and 6 in progress. The 6 audits in progress include a thematic review performed across the Council's 10 care homes which has involved circa 120 audit days. Detailed outcome reports and management action

plans have been issued to individual care homes and the overarching report that outlines the consolidated outcomes and findings will be issued in September 2017.

- 3.3 The current status of all outstanding recommendations from reports issued prior to this period is discussed in the report 'Internal Audit follow-up arrangements: status report' presented separately to the Committee.
- 3.4 No reports were referred by the Edinburgh Integration Joint Board (EIJB) Audit and Risk Committee at their meeting in June 2017. It is recommended that the Committee refers 4 of the reports issued in Quarter 4 2016/17 to the next EIJB Audit and Risk Committee meeting (refer Appendix 1). None of the reports completed in Quarter 1 2017/18 are recommended for referral.
- 3.5 Appendix 1 provides a summary of reports and the classification of findings in the period. A full copy of all final reports is available to members upon request.
- 3.6 Appendix 2 provides a summary of the High-Risk findings and associated management actions.

Measures of success

- 4.1 Once implemented, the recommendations contained within these reports will strengthen the Council's control framework.

Financial impact

- 5.1 None.

Risk, policy, compliance and governance impact

- 6.1 If Internal Audit recommendations are not implemented, the Council will be exposed to the risks set out in the relevant detailed Internal Audit reports. Internal Audit recommendations are raised as a result of control gaps or deficiencies identified during reviews therefore overdue items inherently impact upon compliance and governance.
- 6.2 To mitigate the associated risks, the Committee should review the progress of Internal Audit and the higher classified findings, and consider if further clarification or immediate follow-up is required with responsible officers for specific items.

Equalities impact

- 7.1 No full ERIA is required.

Sustainability impact

8.1 None.

Consultation and engagement

9.1 None.

Background reading/external references

10.1 None.

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11. Appendices

Appendix 1 – Summary of Internal Audit report findings issued for period of 1 January 2017 – 31 March 2017.

Appendix 2 – Summary of High Risk Findings and Management Actions for period of 1 January 2017 – 31 March 2017

Summary of Internal Audit reports issued during Quarter 4 2016/17 (1 January 2017 – 31 March 2017)

Internal Audit reports				
Title of Review	High Risk Findings	Medium Risk Findings	Low risk Findings	Advisory Comment
# Leavers Process (RES1603)	4	1	-	-
# Property Maintenance – (RES1615)	2	2	1	-
Health and Safety – Contractor Management (RES1601)	1	2	-	-
Complaints (CF1619)	-	3	1	-
# Information Commission Officer Audit Follow Up (RES 1606)	-	3	1	-
Royal Edinburgh Military Tattoo – Stock Management and Anti-Fraud procedures (JB1604)	-	2	1	-
Lothian Valuation Joint Board (JV1601)	-	1	-	1
# Contentious Testing – Working Time Regulations (RES1618)	-	1	-	-
Prevent Strategy (CF1618)	-	1	-	-
Lothian Borders Community Justice Authority (JB1603)	-	-	-	-
SesTrand (JB1602)	-	-	-	-
* # IT Disaster Recovery (CW1602)	1	-	-	-
* # Review of External Security (CW1603)	3	2	-	-
<i>Total</i>	11	18	4	1
Audit report referred by the Edinburgh Integration Joint Board Audit and Risk Committee				
Management Information	1	3	-	-

These reviews may be of interest to members of the Audit and Risk Committee of the Edinburgh Integrated Joint Board and it is proposed that these reviews are referred to that Committee.

* These audits were included in the 2016/17 plan. Whilst work had commenced prior to year end, reports were not finalised until May 2017.

Summary of Internal Audit reports issued during Quarter 1 2016/17 (1 April – 30 June 2017)

Internal Audit reports				
Title of Review	High Risk Findings	Medium Risk Findings	Low risk Findings	Advisory Comment
Short Term Homelessness Housing Provision (SSC1701)	2	3	1	-
Edinburgh Shared Repairs Service (RES1701)	-	-	2	1
<i>Total</i>	2	3	3	1
No Audit reports were referred by the Edinburgh Integration Joint Board Audit and Risk Committee from their June meeting.				

Summary of Internal Audits in progress during Quarter 1 2016/17 (1 April – 30 June 2017)

Internal Audit reports		
Title of Review	Start Date	Estimated Completion Date
Property Conservation Lessons Learned (RES17)	February 2017	Final report issued August 2017
Care Homes (HSC1701)	March 2017	Final overarching report expected by end September 2017 – individual reports have been issued to each of the 10 care homes reviewed.
HR and Payroll – Starters Process (RES1704)	April 2017	Final report issued July 2017
Ross Bandstand (PR1701)	May 2017	Final report expected by end August 2017
Treasury (RES1703)	June 2017	Final report issued August 2017
Local Development Plan (PL1705)	August 2017	Final Report expected by end August 2017

Appendix 2

City of Edinburgh Council

Internal Audit

**Summary of Critical/High Risk Findings and
Management Actions**

(1 January 2017 – 30 June 2017)

Section 7 – Management Information – Referral from the Edinburgh Integration Joint Board Audit & Risk Committee

Total number of findings

	Critical	High	Medium	Low
Total	-	1	3	1

Background

The Edinburgh Integration Joint Board ('EIJB') approved the Strategic Plan for Health and Social Care in Edinburgh in March 2016. This plan forms the basis for directions issued to NHS Lothian and City of Edinburgh Council setting out how services should be delivered.

The EIJB is required to establish a performance management framework to enable it to monitor progress against the priorities and actions set out in the Strategic Plan. As part of the performance management framework, the EIJB will need data from the organisations of the Edinburgh Health & Social Care Partnership which is accurate, timely, and curated to meet the particular needs of the EIJB, allowing them to monitor performance effectively and make informed decisions on the provision of health and social care in the City.

The Public Bodies (Joint Working) (Scotland) Act 2014 also requires all Integrated Joint Boards to publish an Annual Performance Report, with the first due in July 2017 for the 2016/17 financial year. Boards will report performance in each locality against the 9 National Outcomes.

Scope

The scope of this review will be to assess the design and operating effectiveness of the EIJB's controls relating to management information. This included:

- The development of the Performance Management Framework; and
- Review performance reporting on delays across the Health & Social Care system

Summary of High Risk Findings

Performance Management Framework in Development

A key part of the strategic plan is the development of a performance management framework, which will allow the EIJB to monitor progress against national and local outcomes, and embed quality improvement.

The EIJB is also required by the Public Bodies (Joint Working) (Scotland) Act 2014 to publish a performance report each year, with the first report due in July 2017. The Scottish Ministers have indicated that this will be a report on performance against the 9 National Outcomes and 23 core indicators.

At the time of audit fieldwork, 6 months into the 2016/17 performance year, both the Performance Management Framework and the Annual Performance Report are in development. Management are building a performance management framework from scratch and, in consultation with stakeholder groups, are in the process of developing metrics for the 44 strategic objectives set by the EIJB, and the 23 core indicators set by the Scottish Ministers.

Rubrics (definitions of what 'excellent', 'acceptable' and 'poor' look like for that section) are being trialled for 5 of the 44 strategic objectives. Progress against the remaining 39 strategic objectives will be tracked by monitoring whether key milestones in the project plan are met. The project plans are currently being drafted.

Until the Performance Management Framework is developed, however, regular performance reporting to the EIJB and its subgroups is limited to financial updates and statutory delayed discharge reporting.

Recommendations and Agreed Management Action for High Risk Finding

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
<p>Performance Management Framework in Development</p> <p>The Performance Management Framework, including preparation for the Annual Performance Report, should be finalised and embedded. This should include:</p>	<p>We now monitor and have data against the 23 core indicators. However, the 2016/17 data will not be available by July 2017. This is a national issue and Scottish Government is aware of it.</p>	<p>28 February 2017</p>	<p>Complete</p>

Summary of High Risk Findings

Off-contract purchasing

A significant element of expenditure on B&Bs is on off-contract properties that are consistently used and in some cases fully occupied by the council for the whole year.

In 2016/17, 15,362 bed nights were purchased in off-contract B&Bs for a total of £953,006.51. The following table shows frequently used off-contract B&Bs in 2016/17: Off Contract B&B	No of Bed nights	Cost of Bed nights	Average cost per night	
Abbot House Hotel*	3658	£191,982.50	£52.48	
Abbey Lodge	2372	£158,200.00	£66.69	
Aaron Lodge	2287	£119,058.57	£52.06	
Edinburgh Regency Guest House	1605	£108,270.00	£67.46	
Parkview Hotel	909	£80,648.80	£88.72	
Heriott Park B&B	586	£56,185.00	£95.88	
Premier Inn (South Queensferry)	208	£33,625.95	£161.66	
John's Place (No 9)*	614	£28,838.00	£46.97	
Ravensdown	677	£27,200.00	£40.18	
Premier Inn (Leith)	119	£12,656.94	£106.36	
Premier Inn (Haymarket)	112	£11,958.70	£106.77	

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