

Governance, Risk and Best Value Committee

10.00am, Tuesday, 8 May 2018

2016/17 Annual Audit Report and Review of Internal Controls: progress update

Item number	7.1
Report number	
Executive/routine	n/a
Wards	n/a
Council Commitments	n/a

Executive summary

In considering the Council's 2016/17 Annual Audit Report and the External Auditor's annual review of the Council's internal control framework on 26 September 2017, members of the Governance, Risk and Best Value Committee asked that updates be brought back to subsequent meetings, setting out progress against the agreed improvement actions. Following an earlier interim update provided to the Committee's meeting on 16 January 2018, this report sets out the good progress made in implementation of the remaining actions.

2016/17 Annual Audit Report and Review of Internal Controls: progress update

1. Recommendations

- 1.1 Members of the Governance, Risk and Best Value Committee are asked to note the progress made in addressing the remaining actions contained within the 2016/17 Annual Audit Report and review of the Council's internal control framework.

2. Background

- 2.1 At its meeting on 26 September 2017, the Governance, Risk and Best Value Committee considered the external auditor's Annual Audit Report for 2016/17. In issuing an unqualified opinion on the financial statements, the Council's financial management arrangements were assessed to be effective, with the Council also open and transparent in the conduct of its business and demonstrating strong self-awareness of areas where improvement was required.
- 2.2 As part of its annual cycle of review, the external auditor furthermore requires to assess the effectiveness of the Council's internal control framework. The key findings of this assessment were reported to the Committee's meeting on 26 September 2017, with the existing controls considered to be well-designed and effective.
- 2.3 While, in each case above, the key conclusions were positive, a number of opportunities for further improvement were identified and these formed the basis of the respective action plans. These action plans incorporated management responses in respect of each recommendation made, along with a named responsible officer and associated planned timescale for implementation.
- 2.4 An interim update was considered by the Governance, Risk and Best Value Committee meeting on 16 January 2018, indicating good progress in implementation of the agreed actions due to the end of December 2017. In considering the report, however, it was noted that a further update would be provided in respect of those actions due for implementation in the following months.

3. Main report

Annual Audit Report

- 3.1 The agreed action plan for the Council's Annual Audit Report includes eight individual recommendations, with seven assigned medium-priority, and one high-priority, status. Implementation of four of these was confirmed in the report to the Committee's meeting on 16 January 2018. For the remaining recommendations with implementation dates due in 2018 or of an on-going nature, good progress has been made as follows:

(i) introduction of additional independent review of journal posting

(medium-priority) – year-end procedures have been modified to introduce proportionate evidenced review of all journals posted as part of the 2017/18 accounts closure process;

(ii) revisions to presentation of in-year revenue monitoring reports

(medium-priority) – due to other pressures, a revised report format, drawing on an analysis of best practice adopted elsewhere, will be presented to the Finance and Resources Committee's meeting on 16 August 2018 as part of the first quarter's revenue monitoring report;

(iii) development of performance framework (medium-priority) – the

Performance Management Framework was approved by Council on 23 November 2017. The framework will be reviewed annually and include refreshing of measures, targets and actions to ensure that the data collected is useful in measuring performance and delivery against Council Business Plan strategic aims and outcomes, as well as commitments. Performance monitoring will be enhanced by better integrating performance measures, benchmarking information, perception measures and complaints.

The Annual Performance Overview for 2017/18 will be presented to the Council and Corporate Policy and Strategy Committee in the summer and published on the Council's website thereafter.

(iv) performance in relation to delayed discharges (medium-priority) – current or planned actions include:

- weekly star chamber meetings continue to ensure focused discussion on individuals experiencing delay;
- additional care home places being purchased from independent sector;
- a range of activity (reported separately to the Edinburgh Integration Joint Board (EIJB) and Corporate Policy and Strategy Committee) is being undertaken to increase capacity of community assets and the care at home contract, review and improve specialist in-house provision and accelerate matching;
- an outline commissioning plan for older people has been agreed by the EIJB and is being developed into full strategic commissioning plans – these

- include increasing provision of intermediate care and services to prevent hospital admission and speed up discharge;
- challenge panels have been set up for each work stream lead to report on their progress in relation to the Older People's Inspection Improvement Plan; and
- a pilot to improve the matching of need to services has been set up. If the outcomes are positive, the Partnership will redesign the service matching processes to ensure greater speed and efficiency.

Review of internal controls

- 3.2 The external auditor's review of the Council's internal control framework, while attesting to the general effectiveness of current arrangements, included seven recommendations, six of which were assigned medium-priority and the remaining one low-priority.
- 3.3 Completion of five actions due for implementation by December 2017 was reported to the Committee's January meeting. Of the two actions with completion dates in 2018, the following actions have been undertaken:
- (i) **full documentation of payroll procedures (medium-priority)** – a full set of documentation covering all key procedures has now been developed and is available to all staff on the shared drive. These procedures will be reviewed on a six-monthly basis, publicising material changes to key stakeholders;
 - (ii) **members' remuneration guidance (medium-priority)** – updated guidance has been published on the Orb and will be subject to annual review going forward.
- 3.4 The overall effectiveness of the Council's internal control framework is enhanced by timely and full implementation of all internal and external audit recommendations. In parallel with the review of historic internal audit actions included elsewhere on today's agenda, managers assigned responsibility for implementation of relevant actions are therefore working with external audit colleagues as part of their follow-up audit to ensure that the control improvements recommended in last year's review are effectively embedded.

4. Measures of success

- 4.1 Agreed measures are implemented to address any actions identified within external and internal audit reviews in accordance with the timescales indicated.

5. Financial impact

- 5.1 There is no direct additional impact arising from the report's contents, although the on-going effectiveness of the Council's current financial management and planning arrangements was noted in the Annual Audit Report.

6. Risk, policy, compliance and governance impact

- 6.1 The Committee's remit includes the review of all matters relating to external audit, including reports and action plans to monitor implementation of external audit recommendations.
- 6.2 The Council's arrangements for risk management, fraud prevention and internal control, as well as its wider governance framework, have been assessed to operate effectively. Prompt actioning of recommendations for improvement serves to strengthen the effectiveness of this overall framework.

7. Equalities impact

- 7.1 There is no direct relevance of equalities and rights issues to the report's contents.

8. Sustainability impact

- 8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

9. Consultation and engagement

- 9.1 There is no direct relevance to the report's contents.

10. Background reading/external references

[External audit review of internal financial controls, 2016/17](#), Governance, Risk and Best Value Committee, 26 September 2017

[City of Edinburgh Council – 2016/17 Annual Audit Report to the Council and the Controller of Audit](#), Governance, Risk and Best Value Committee, 26 September 2017

[2016/17 Annual Audit Report and Review of Internal Controls – Progress Update](#), Governance, Risk and Best Value Committee, 16 January 2018

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11. Appendices

None