

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 14 January 2020

## 2018/19 Annual Audit Report and External Audit Review of Internal Financial Controls – progress update

Executive/routine Wards Council Commitments	Executive All
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### 1. Recommendations

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- 1.1 Members of the Governance, Risk and Best Value Committee are asked to:
- 1.1.1 note the progress made to date in addressing the management actions contained within the Annual Audit Report and review of the Council's internal control framework; and
  - 1.1.2 note that a further update on longer-term actions will be provided to the Committee's meeting in June 2020.

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# Report

## 2018/19 Annual Audit Report and External Audit Review of Internal Financial Controls – progress update

### 2. Executive Summary

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- 2.1 This report appraises members of progress in taking forward the agreed management actions contained within the Council's Annual Audit Report and review of the internal financial control framework.

### 3. Background

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- 3.1 On 17 September 2019, members of the Governance, Risk and Best Value Committee considered the Council's 2018/19 Annual Audit Report. While the report identified several areas of good practice, as in previous years a series of management actions was identified, against which officers provided corresponding responses and associated timescales for implementation. While some of the recommendations are explicitly linked to the 2019/20 Final Accounts process, a number fall due for implementation before that time.
- 3.2 In acknowledging its role in underpinning the figures disclosed within the 2018/19 Annual Accounts, the Committee's meeting also considered the outcome of the external auditor's review of the Council's framework of internal financial controls. In concluding that the framework was well-designed, one new medium-risk recommendation was nonetheless made, along with a need to embed some previous recommendations. As with the recommendations in the main Audit Report, while some of these are specifically linked to the Final Accounts process, three fall to be implemented before that time.

### 4. Main report

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#### Annual Audit Report, 2018/19 – new management actions

- 4.1 A total of eight new recommendations were included in the 2018/19 Annual Audit Report. Of these, five are due for implementation in full, or in part, by December 2019, with progress as follows:
- (i) **Revised Committee management system** (originally planned for implementation in January 2020) - the implementation of phase two of Modern Government has been delayed due to the General Election. Work

will commence in January, with the second phase of the system now expected to be deployed by April 2020.

- (ii) **Member/officer protocol** (review of current arrangements, originally planned for implementation in January 2020) – the Council has taken a collaborative approach in amending the member/officer protocol and has undertaken a number of workshops with councillors and officers. A joint workshop will be held in January 2020 and the protocol will be submitted to Committee thereafter. The intention is to consider the protocol at the Governance, Risk and Best Value and Policy and Sustainability Committees before being presented to Council. At this stage, completion is anticipated in April 2020.
- (iii) **Implementation of Internal Audit recommendations** (on-going action) – as reported to the Governance, Risk and Best Value Committee on 3 December 2019, steady progress is being made in addressing historic overdue findings, with all high-rated findings now closed. The overall number of overdue actions decreased from 47 in August 2019 to 42 in October, with evidence to support closure of ten of these actions being reviewed by Internal Audit.
- (iv) **CGI contract management** (implementation of outstanding recommendations from security audit, due by December 2019) – as of the time of writing, following the submission of significant additional details intended to support closure of the audit actions, the outcome of discussions between the external auditor and CGI is awaited.
- (v) **Service performance – Environmental Services** (implementation of first two improvement-related recommendations, due by October 2019) - strategic investment in key infrastructure for the Waste and Cleansing service is already starting to yield benefits. The new Waste and Cleansing depots and Waste Transfer Stations at Seafield (in the east of the city) and Bankhead (in the west) are allowing the service to operate more efficiently and to improve performance. As of November 2019, kerbside waste collection complaints are consistently being maintained at their lowest levels for several years. The service commencement of the new Energy from Waste (EfW) facility at Millerhill, in partnership with Midlothian Council, is also delivering financial savings and has significantly reduced the amount of Edinburgh’s waste that is sent to landfill.

4.2 Preparatory work on the remaining recommendations is underway and a further update will be provided in the June 2020 report to this Committee.

#### **Previous years’ recommendations – follow-up**

4.3 A number of recommendations from previous years’ audit reports remained outstanding as of September 2019. Subsequent progress for the actions concerned with due dates of, or around, December 2019 is as follows:

- (i) **Financial sustainability – Health and Social Care** - the Partnership's management team has started a series of workshops to develop a proposed savings and recovery programme for 2020 and beyond. This, in turn, will be presented to the board at development sessions scheduled between November 2019 and January 2020 with the final proposed programme being presented to the Board in February 2020. A balanced position is expected for 2019/20.
- (ii) **Performance reporting – Edinburgh Partnership** - the Edinburgh Partnership considered the final outcome report on the Community Plan 2015/18 in December 2018.

#### **Review of internal financial controls, 2018/19**

4.4 As noted above, in concluding that the Council's internal control framework operated satisfactorily, one new recommendation and a number of outstanding previous recommendations were identified within the external auditor's report. Progress against those for which corresponding actions by, or around, December 2019 were identified is as follows:

- (i) **Sundry income – policies and procedures** – in line with the original recommendation, a user note has been sent to all PPSL (accounts receivable) users. Subsequent clarification of the recommendation has, however, highlighted a need for improved guidance on the steps to be considered by service areas in raising invoices, including those in respect of grant claims. Following this clarification, work is continuing to address this recommendation in full.
- (ii) **Payroll starter file review** - the on-boarding team lead has finalised report development from the CRM system which outputs all new starters to the Council within a specified period. This report is then independently checked and verified by the payroll team lead (who has no access to the same CRM data) against payroll output reports for specified periods. The payroll team lead reports any anomalies to the Employee Lifecycle Lead for investigation. The new process is currently in test and is scheduled to go live from January 2020.

## **5. Next Steps**

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5.1 A further update on those medium-term recommendations contained within the respective reports will be reported to the Governance, Risk and Best Value Committee in June 2020. An assessment of the extent to which those actions noted above have, where applicable, been effectively embedded will also be undertaken at this time.

## **6. Financial impact**

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6.1 There is no direct impact arising from the report's contents but a robust system of internal financial control promotes the economic, efficient and effective use of resources and contributes positively to the securing of best value.

## **7. Stakeholder/Community Impact**

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7.1 There is no direct impact arising from the report's contents.

## **8. Background reading/external references**

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8.1 [Internal Audit: Overdue findings and late management responses as at 22 October 2019](#), Governance, Risk and Best Value Committee, 3 December 2019

8.2 [External audit review of internal financial controls, 2018/19](#), Governance, Risk and Best Value Committee, 17 September 2019

8.3 [City of Edinburgh Council – 2018/19 Annual Audit Report to the Council and the Controller of Audit](#), Governance, Risk and Best Value Committee, 17 September 2019

## **9. Appendices**

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None