

Governance, Risk and Best Value Committee

10.00am, Tuesday, 16 January 2018

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

Item number	7.1
Report number	
Executive/routine	
Wards	
Council Commitments	

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 a progress update be brought back to the Committee's January meeting, setting out progress against the agreed improvement actions. This report outlines those actions taken to date, with a further progress update on longer-term actions to be reported to the Committee's meeting on 8 May 2018.

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:
- 1.1.1 note the progress made to date in addressing the 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 May.

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 In considering both the Annual Audit and Internal Control review reports, members asked that a progress update be brought to the Committee's January meeting. While a number of the actions are not due for completion until later in the year, this report provides an update on those for which an earlier implementation date had been agreed. A further update, incorporating the actions with longer associated timescales for implementation, will be brought to the Committee's meeting on 8 May.

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. Of these, three have planned implementation dates later in the year, with the corresponding preparatory work underway.
- 3.2 For those actions with due dates of December 2017 or earlier, the position in respect of implementation is as follows:
- (i) **maintenance of councillors' register of interests (medium-priority)** – the Council continues to remind, and support, councillors in meeting their responsibilities under The Elected Members' Code of Conduct. Detailed guidance was provided as part of the initial member induction programme in May 2017, with periodic targeted reminders issued since that time following Committee and external body appointments approved by Council. The Council also hosted a regional roadshow for elected members on the Councillors' Code of Conduct, delivered by the Standards Commission, on 20 November 2017, with all elected members invited to attend;
 - (ii) **finalisation and issuing of "People Plans" (medium-priority)** – action completed. The People Plans chart a twelve-month outlook for each service area, detailing planned HR delivery and service initiatives which have a 'people' impact. The plans are living documents and are now being used by Senior HR Business Partners to discuss with service area senior management teams the timescales for delivery and any gaps which may exist;
 - (iii) **publication of Edinburgh Integration Joint Board Annual Performance Report for 2016/17 (medium-priority)** – action completed. [The report](#) was considered by the Corporate Policy and Strategy Committee on 3 October 2017;
 - (iv) **publication of the Council's Corporate Governance framework self-assessment (medium-priority)** – action completed. [The self-assessment](#) was considered by the Governance, Risk and Best Value Committee on 28 November 2017, with a number of recommendations agreed by the Committee to establish a member-officer working group to review and, where practicable, streamline the process for future years; and
 - (v) **continuing prioritisation of actions to improve performance in respect of delayed discharge (high-priority)** – on-going. Weekly Star Chamber meetings continue to allow focused discussion on individuals experiencing delay. Further actions undertaken include:
 - Implementation of locality teams from beginning of October to allow more integrated community responses;
 - Continuation of work to address capacity issues with care at home providers;
 - Seeking of additional care home places from independent sector;

- Review of the care at home contract; and
 - Presentation of outline commissioning plan for older people to the EIJB in January 2018.
- 3.3 As noted above, progress updates in respect of addressing delayed discharge-related issues and other actions with planned implementation dates later in 2018 will be provided to the Committee's meeting on 8 May 2018.

Review of internal controls

- 3.4 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.
- 3.5 For those actions with planned implementation dates by December 2017, the position is as follows:
- (i) **payroll systems access (medium-priority)** – action completed. Access rights for all payroll employees have been updated to be fully aligned to current responsibilities and a process put in place going forward to undertake reviews on a quarterly basis;
 - (ii) **documentation and review of all key procedures for the CFATS Telford, Tranman and SWIFT systems (medium-priority)** – action completed. Procedures for all key systems have now been developed or updated as appropriate, with an annual cycle of review also put in place;
 - (iii) **CFATS Telford system access rights (medium-priority)** – action completed. A full review of current rights has been undertaken and a programme of regular review introduced going forward to ensure that access appropriate to an individual's role is maintained;
 - (iv) **CFATS – documentation of procedures to ensure full reconciliation of work performed and requested prior to payment approval (medium-priority)** – action completed. These notes are included in the suite of procedural documentation noted above;
 - (v) **updating of published guidance on members' remuneration (medium-priority)** – action in progress. Updated guidance, incorporating input from Insurance, Payroll, Democratic Services is being finalised and will be published on the Orb by the end of January 2018. This guidance will be subject to formal and documented annual review going forward as part of the Customer Division's wider policy assurance review; and
 - (vi) **Non-Domestic Rates reliefs/exemptions spot checks (low-priority)** – action completed. Annual spot checks were concluded by the end of November 2017. Activities are being scheduled within "business as usual" plans for future years.

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.

Andrew Kerr

Chief Executive

Contact: Jo McStay, Interim Strategy and Insight Senior Manager

E-mail: jo.mcstay@edinburgh.gov.uk | Tel: 0131 529 7950

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

Stephen S. Moir

Executive Director of Resources

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

11. Appendices

None