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# ***South Lanarkshire Council***

## **Follow up of Prior Year audit Recommendations during the 2011/12 audit**

*May 2012*



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# Section 1 – 2011/12 Follow Up

## Executive Summary

- 1.01 As part of the audit work we performed in March and April 2012, we have undertaken a review of the progress being made to implement the agreed audit recommendations arising from our previous audits.
- 1.02 This follow up relates to recommendations contained in the following reports:
- 2010/11 Follow up of Best Value and Community Planning ;
  - Follow up of 2009/10 Audit Recommendations during the 2010/11 Audit; and
  - Interim Management Letter 2010/11.
- 1.03 Of the 16 outstanding recommendations made in the reports issued, progress at the time of our visit was as follows:

Status	2010/11 Follow up of Best Value and Community Planning	Follow up of 2009/10 Audit Recommendations during the 2010/11 Audit	Interim Management Letter 2010/11	Total
Fully implemented	2	4	6	12
Action in progress	1	1	1	3
Not yet implemented	-	-	-	-
Not yet due for implementation	-	-	-	-
No longer applicable	1	-	-	1
<b>Total Recommendations</b>	<b>4</b>	<b>5</b>	<b>7</b>	<b>16</b>

- 1.04 Overall, the Council has fully implemented 12 of the outstanding recommendations made during 2009 – 2011. This represents excellent progress towards improving standards of internal control within the organisation and is detailed in **Section 2 – Follow Up Review**.
- 1.05 Three recommendations have been classified as action in progress. Further action required by management to implement these recommendations is detailed in **Section 3 – Areas where further management action is required**.
- 1.06 To assist management in assessing each audit finding and recommendation, we have assessed the risk to the organisation of each of the recommendations which have not yet been fully implemented and have categorised each recommendation according to the criteria shown below:

Risk Assessment	Definition	Number
High	Significant control weakness requiring immediate attention by management	1
Medium	Control weakness identified which needs to be rectified but where there is no material impact on the achievement of the control objectives	1
Low	Minor control weakness identified	1
Total ongoing recommendations		3

- 1.07 The remaining recommendation assessed as high risk is in respect of the procurement strategy; this has been classified as ‘in progress’ due to the ongoing implementation of the recommendation and a planned review of the implementation is scheduled for September 2012.
- 1.08 Details of these recommendations are provided in the action plan in **Section 3 – Areas where further management action is required**.

## Section 2 – Follow Up Review

### Summary of Progress

Reference	Original Recommendation – 2010/11 Follow Up of Best Value and Community Planning	Risk	Implementation status	Action Ref
A.1	As part of the Council's general review of its decision making arrangements in advance of the new Council in 2012, consideration should be given to the role of Area Committees, in particular in respect of decision making powers.	Low	Action in progress - due for implementation following May 2012 Elections.	Action Point 1
A.2	Management should refresh and implement an action plan to ensure that the Community Engagement Framework is uniformly applied across the Council area.	Low	Complete	-
A.3	The Council's Procurement Strategy should be finalised as soon as practicable to ensure that it is able to take advantage of opportunities for recurring savings and efficiencies.	Low	Complete	-
A.4	<p>Management should ensure that the Roads Investment Programme remains on course for delivery through continued monitoring and reporting.</p> <p>The roads investment plan has been extended to 2019. During the year the Executive Committee approved the extension and re-phasing to 2018/19. The initial proposal to fund investment in the early years from the sale of commercial property has been amended following the continuing economic situation. The sale of commercial property has been delayed pending market improvements and this position will be reviewed over the next two/three years. As the Council's plans have changed significantly since the original recommendation it is no longer applicable to undertake a follow up through this report due to the long term nature of the plans.</p>	Medium	No longer applicable	-

Reference	Original Recommendation – Follow up of 2009/10 Audit Recommendations during the 2010/11 Audit	Risk	Implementation status	Action Ref
B.1	<p>The IT and HR departments should continue to work towards creating an effective process for ensuring that all leavers from the organisation are communicated to the IT department so that network access can be disabled or deleted.</p> <p>A project was initiated jointly sponsored by Corporate and IT. The project has completed extensive Business analysis of Starters, Leavers and the associated system changes.</p>	Medium	Not yet implemented	Action Point 2
B.2	<p>Management should review the journal report produced for each Resource Team. In particular, management could increase the threshold of journals included on the report and remind all Resources to review the report and take action where necessary.</p>	Low	Complete	-
B.3	<p>As part of initiatives to generate efficiency savings, management should consider six key areas that our experience in other sectors has shown may be relevant in addressing the financial challenges ahead:</p> <ul style="list-style-type: none"> <li>• Completeness and awareness of the size of the challenge</li> <li>• Strong leadership</li> <li>• Need to engage with the whole organisation and external stakeholders</li> <li>• Realistic and detailed plans to resolve the situation</li> <li>• Rigorous implementation (programme management arrangements)</li> <li>• Financial control and discipline</li> </ul> <p>Management need to work quickly to ensure that tangible savings and change initiatives are in place for 2011/12 (and beyond). These plans should be flexible and be refreshed regularly in order to address the ever-changing environment and requirements of the forthcoming Scottish Budget announcement.</p>	High	Complete	-
B.4	<p>The Council should closely monitor the actions it has put in place to address its sub-optimal procurement arrangements, with a view to ensuring it can demonstrate that it is achieving best value across the various performance categories.</p>	High	Complete	-

Reference	Original Recommendation – Follow up of 2009/10 Audit Recommendations during the 2010/11 Audit	Risk	Implementation status	Action Ref
B.5	Given the internal audit resources currently available to the Council, it is recommended that Internal Audit reconsiders all work planned for 2010/11, as well as the compilation of the 2011/12 internal audit plan, based on the contribution it will make to the significant risks and challenges faced by the Council. On this basis, internal audit work should be re-prioritised to ensure that appropriate value protecting and enhancing reviews take place on a timely basis, by appropriately qualified staff and with full quality review. Internal audit should therefore take the opportunity to re-align its resource capabilities and arrangements to those best practice arrangements being achieved by leading edge internal audit providers.	High	Complete	-

Reference	Original Recommendation – Interim Management Letter 2010/11	Risk	Implementation status	Action Ref
C.1	The current arrangements, with the roles and responsibilities of a Director of Finance being shared amongst the Chief Executive and the Head of Finance are acknowledged by the Council as not being a long term solution. The Council should consider the options available to it and ensure a suitable structure is developed in the new year.	High	Complete	-
C.2	<p>The timescale of this review should be a key focus for the Council as actions are required at the earliest opportunity to consider the sources of the essential savings required from procurement. The Council should ensure reviews of the procurement function are robust but are also carried out in a timely manner to ensure any required actions can be implemented enabling the required savings to be realised.</p> <p>The review should also consider the below compliance performance ratings received from the Procurement Capability Assessment. The Council should identify not only areas where potential savings could be missed but where currently arrangement and processes are not commensurate with a procurement function delivering best value.</p>	High	Action in progress - recommendation now at the implementation stage (Mar-Apr 12) with a review of implementation scheduled for September 2012.	Action Point 3
C.3	Management should ensure all key reconciliations are completed and subject to a formal, robust review within a timely manner. Procedures should be developed to ensure alternative appropriate personnel are identified to complete these controls in the absence of the regular person. All reconciliations should be retained for audit purposes, evidencing when they were prepared and the review process that has been completed. Where electronic reconciliations are used and storage issues exist this could be performed by the reviewer saving a PDF version to a shared drive that is back up regularly.	Medium	Complete	-
C.4	<p>The Council should take the opportunity from reviewing its processes and controls surrounding changing supplier details to ensure these controls are spread and enforced consistently across the Council, across Resources as well as within Accounts Payable, to ensure robust controls are in place for obtaining or amending the details of other recipients of Council monies.</p> <p>It is acknowledged that a memo has been sent to this effect in February 2011; this should be followed up with a review to ensure appropriate controls based on the risk to the Council have been implemented.</p>	Medium	Complete	-
C.5	The control to review amendments to standing data on the Northgate (NDR) system should be widened to ensure it incorporates potential changes by all individuals with access rights enabling them to make changes to standing data, ensuring there is no self review threat and all individuals' changes could be subject to a review.	Low	Complete	-



Reference	Original Recommendation – Interim Management Letter 2010/11	Risk	Implementation status	Action Ref
C.6	The Council should continue to consider the ability of ‘peopleconnect’ to assist in the prompt notification of starters and leavers between Resources, the Human Resources Department and the Payroll Department. Pending the completion of these projects Resources should be reminded of the importance of notifying the Human Resources and Payroll Departments to ensure overpayments are reduced.	Medium	Complete	-
C.7	A report should be developed to show all amendments to standing data made by payroll staff during a day or week. This report should be used by an appropriate level of staff, segregated from the processing of amendments, to ensure all amendments are being processed as per the designed controls; with appropriate review, confirmation of accuracy and evidence of rationale and the required change. This additional review could be performed on a sample basis, as practical, with evidence retained for audit purposes.	Medium	Complete	-

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## ***Section 3 – Areas where further management action is required***

Refer to the following updates made to matters raised to the South Lanarkshire Council in prior years:

- A. 2010 Follow Up of Best Value and Community Planning
- B. Follow up of 2009/10 Audit Recommendations during the 2010/11 Audit
- C. Internal Management Letter 2010/11

## A. 2010/11 Follow Up of Best Value and Community Planning

The following actions contain the original findings, and recommendations; where applicable a revised recommendation is included.

Action Point – 1	Area Committees	Action in Progress
<p>The Council reviewed the operation of a number of the Council's forums and also the Area Committees in 2009 as a result of the recommendations from the Audit of Best Value and Community Planning; resulting in revised arrangements for their operation being approved by July 2009. In 2009/10 an audit action was raised to encourage the Council to revisit the role of area committees in respect of decision making powers, an area it was felt had not been fully addressed in the 2009 revised arrangements. The Council has accepted this further action and will address the recommendation in its review of arrangements in mid 2011, in preparation for the new Council following the 2012 elections. This will be embedded in the Corporate Resources Plan 2011/12 which is currently being prepared. The original recommendation has been left pending the completion of this review.</p>		
Finding rating	Recommendation	Responsible person / title
Low	<p><b>Original recommendation:</b> As part of the Council's general review of its decision making arrangements in advance of the new Council in 2012, consideration should be given to the role of Area Committees, in particular in respect of decision making powers.</p> <p><b>Action in progress:</b> Certain Council scrutiny forums are now being held in public and the frequency and nature of the business being dealt with by the Area Committees has been updated.</p> <p>A paper was presented to the Corporate Management Team in November 2011 to highlight the arrangements for the end of the current council and to set out the areas to be considered as part of the preparations for the new council following the elections in May 2012.</p> <p><b>2011/12 Follow-up response</b></p> <p>All Terms of Reference for Council Committees and forums have been reviewed and approved at the full Council of the new administration.</p>	<p>Head of Administration</p> <p><b>Target date:</b></p> <p>June 2012</p>

## B. Follow Up of 2009/10 Audit Recommendations during the 2010/11 Audit

Action Point – 2 Removing leavers IT access rights		Not yet implemented
<p><b>Original Finding</b></p> <p>Sample testing was performed to ensure leavers are being removed from IT systems and the network in a timely manner. IT has addressed the issue of network leavers by continuing its periodic review of inactive users. This has been tested and we noted five exceptions from a sample of forty five where an active user account existed for an SLC leaver. It was noted that none of these leavers had accessed the SLC network after the leaving date.</p> <p><b>2011/12 Follow-up Finding</b></p> <p>Sample testing was performed to ensure leavers are being removed from IT systems and the network in a timely manner. We again noted five exceptions from our sample where an active user account existed for a member of staff that has now left the Council.</p>		
Finding rating	Recommendation	Responsible person / title
Medium	<p><b>Original recommendation:</b> Each of the seven IT Business Teams should be provided with a regular report from HR to ensure that all leavers are identified and dealt with appropriately with regard to removing their access rights to the South Lanarkshire network. It is line managers' responsibility to instruct the IT Business Teams how to deal with leavers, while feedback should be provided where line managers or departments do not promptly inform the IT team of a leaver.</p> <p><b>Original Response</b> Review of outcome from the project scheduled for May 12 2011 and implementation dates will be agreed along with the precise scope and ownership of the various responsibilities.</p> <p><b>2011/12 Follow-up response:</b></p> <p>A Business Process review has been carried out on the current arrangements surrounding leavers, and a procedure is being developed detailing how the removal from systems for leavers will be managed.</p>	<p>Kay Brown, Head of IT and Kay McVeigh, Head of Personnel</p> <p><b>Target date:</b></p> <p>November 2012</p>

## C. Internal Management Letter 2010/11

Action Point – 3 Procurement		Action in progress
The centralised Strategic Procurement Department, originally established in 2009, has not been embedded within the Council and is currently under review. The Council is revisiting its procurement functions and determining improvements that are required.		
Finding rating	Recommendation	Responsible person / title
High	<p><b>Original recommendation:</b> The timescale of this review should be a key focus for the Council as actions are required at the earliest opportunity to consider the sources of the essential savings required from procurement. The Council should ensure reviews of the procurement function are robust but are also carried out in a timely manner to ensure any required actions can be implemented enabling the required savings to be realised. The review should also consider the below compliance performance ratings received from the Procurement Capability Assessment. The Council should identify not only areas where potential savings could be missed but where currently arrangement and processes are not commensurate with a procurement function delivering best value.</p> <p><b>Action in Progress:</b></p> <p>The Council's Procurement Strategy was approved in September 2011 and an action plan is now being implemented. The 2011 Procurement Capability Assessment (PCA) concluded with an outcome score of 36, (conformant) and represents a significant improvement on the prior year score of 23(non-conformant). The first update on the action plan was presented to the Corporate Management Team in March 2012, including an update on actions. The Procurement department is scheduled to review the implementation of the new procurement delivery model in September 2012.</p> <p><b>2011/12 Follow-up response:</b></p> <p>The Implementation of the Procurement Strategy Action plan is well progressed, with the category management approach to delivering Procurement across the Council now embedded. A review of the delivery model will be undertaken by the end of the calendar year.</p>	<p>Head of Finance</p> <p><b>Target date:</b></p> <p>December 2012</p>

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