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Council Building  
2 High Street  
Perth  
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22/06/2023

Attached is a supplementary agenda for the hybrid meeting of the **Audit and Risk Committee** being held in **the Council Chamber** on **Monday, 26 June 2023** at **13:00**.

If you have any queries please contact Committee Services on (01738) 475000 or email [Committee@pkc.gov.uk](mailto:Committee@pkc.gov.uk).

**THOMAS GLEN**  
Chief Executive

***Those attending the meeting are requested to ensure that all notifications are silent on their device and other devices are in silent mode.***

***Please note that the meeting will be broadcast online and recorded. The recording will be publicly available on the Council's website following the meeting.***

**Members:**

Councillor David Illingworth (Convener)  
Councillor Andy Chan (Vice-Convener)  
Councillor Liz Barrett  
Councillor Ken Harvey  
Councillor Iain MacPherson  
Councillor Colin Stewart  
Councillor Grant Stewart



## **Audit and Risk Committee**

**Monday, 26 June 2023**

### **AGENDA**

***MEMBERS ARE REMINDED OF THEIR OBLIGATION TO DECLARE ANY FINANCIAL OR NON-FINANCIAL INTEREST WHICH THEY MAY HAVE IN ANY ITEM ON THIS AGENDA IN ACCORDANCE WITH THE COUNCILLORS' CODE OF CONDUCT.***

#### **7 COMMUNITIES**

##### **7(i) A21-05 TAY CITIES REGION DEAL (copy herewith 23/199)**

**5 - 14**

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**Internal Audit Report  
Communities – Planning and Development**

**26 June 2023**

**A21-05 TAY CITIES REGION DEAL**

**Final Report**  
(Report No. 23/199)

Legal and Governance  
Corporate and Democratic Services  
Perth & Kinross Council  
Council Offices  
2 High Street  
Perth  
PH1 5PH

## **A21-05 Tay Cities Region Deal**

### Contents by Section

1. Introduction
2. Executive Summary
3. Audit Background Information
4. Scope and Limitations
5. Assessment of the Control Environment
6. Summary of Findings
7. Conclusions
8. Acknowledgement
9. Action Implementation & Follow Up
10. Management Action Plan
11. Authorisation
12. Distribution
13. Assessment Definitions

## **1. INTRODUCTION**

- 1.1 The audit of Tay Cities Region Deal (the Deal) was undertaken as part of the Internal Audit Plan for 2021/2022, which was approved by the Audit Committee on 30 June 2021.
- 1.2 The indicative scope for the audit was to give relevant assurance to the council by liaising with internal auditors from other Tay City councils.
- 1.3 This audit is linked to, and aims to provide assurance over the effectiveness of the controls in place for, the management of the following strategic risks:  
SR03 – Economic Wellbeing – The economy in Perth and Kinross does not grow in an inclusive and sustainable way.

## **2. EXECUTIVE SUMMARY**

- 2.1 The scope of the audit was to ensure that the Council is receiving relevant assurances from the Lead Authority and that the Council have controls in place internally for relevant assurances.
- 2.2 The audit has concluded that reasonable assurance can be placed on the arrangements in place for both of the objectives, with one medium- and one low-risk actions arising, as detailed in section 10.

## **3. AUDIT BACKGROUND INFORMATION**

- 3.1 The focus of this audit was to ensure that the council was working together with partner councils and receiving relevant assurances throughout the Deal.
- 3.2 The Deal is one of twelve agreements created by the UK, Scottish, and local government with partnerships from other external fields. The Tay Cities Region Deal ratified the implementation and financial arrangements in December 2020 for the £700 million investment in the region.
- 3.3 Dundee City Council (DCC) is the accountable body for the Deal and, as such, hosts the overall Project Management Office (PMO), with each local authority providing a proportion of funding for the PMO and also having local arrangements in place. A Joint Committee, established under the Local Government Act (1973) is the responsible body for the Deal and comprises two thirds Elected Members from the constituent local authorities, and one third representatives of partner organisations, in line with the Memorandum of Understanding. Three Elected Members from Perth & Kinross Council are nominated by the Council to sit on this Committee.
- 3.4 The Joint Committee is supported by the Management Group, which consists of senior officers from the constituent authorities and partner organisations. The role of Convenor of the Joint Committee rotates between the Councils annually and this currently sits with Perth & Kinross.

3.5 The PMO supports the Management Group and lead officers from each individual project liaise directly with the PMO. The Economic Development Manager – People, Partnerships & Funding within the Communities Service is the nominated lead officer for Perth & Kinross Council, who liaises with the PMO for Perth & Kinross projects, provides local advice and guidance, and has sight of relevant reports. It is the responsibility of the PMO, rather than Perth and Kinross Council, to monitor, manage and control spending for the projects, and for the overall Deal.

3.6 The first Tay Cities Deal annual report was considered by the Council in 2022, and the second annual report will be presented to Elected Members later this year.

#### 4. SCOPE AND LIMITATIONS

4.1 The scope of the audit is as detailed in the control objectives below and was a high-level review of the governance and reporting arrangements within Perth & Kinross Council. This review did not include a detailed review of the specific projects. It was concerned with reviewing the controls and arrangements for the management of the Deal's risks from a Perth & Kinross perspective.

4.2 This review has been undertaken over a prolonged period of time and this has allowed for some improvements to be made during the review. These have been reflected within the report, and in the assessment of the control environment in Section 4 below.

#### 5. ASSESSMENT OF CONTROL ENVIRONMENT

5.1 The table below contains a summary of the findings against each control objective and Internal Audit's assessment of the adequacy and effectiveness of the controls in place to meet each of the objectives agreed for this audit, further details, including any improvement actions, are set out in the Management Action Plan.

No.	Control Objective	Action Rating					Control Objective Assessment
		5	4	3	2	1	
1	To ensure that the council is receiving relevant assurances from the Lead Authority.			1			Reasonable assurance
2	To ensure that the Council have controls in place internally for relevant assurances.				1		Reasonable assurance



- 5.2 The auditor has assessed that, at the time of reporting, reasonable assurance can be placed on controls overall in relation management of risks associated with the Deal. Meaning: There is a generally sound system of governance, risk management and control in place.
- 5.3 The audit has taken place over a prolonged period, with testing taking place in 2022 with further updates and evidence being provided up to May 2023, which have been incorporated into the summary of findings.

## **6. SUMMARY OF FINDINGS**

- 6.1 Below is a summary of key findings and actions, which are reflected in the Management Action Plan, detailed in section 9.
- 6.2 Dundee City Council has previously undertaken an audit and the outcomes were shared with PKC Internal Audit during this review. A further high-level review of progress of projects and compliance with grant offer guidance is underway at present and the outcome will also be shared. A summary of their findings from the former was shared with the TCRD Joint Committee as well as their own Council Committee. Consideration should be given to making these assurances available to relevant officers, and to elected members via an appropriate Committee in Perth & Kinross.

Action Point 1

- 6.3 While undertaking the review, it was initially challenging to find information relating to Perth & Kinross Council's support for the TCRD and the projects within our geographical area. During the review, a report was provided to Council on the Tay Cities Region Deal progress, and it is the intention of the Service for such a report to be considered annually by a relevant Committee.
- 6.4 Perth & Kinross Council currently hold the chair for the Joint Committee and the Management Group. Elected members are active in the Joint Committee and officers within the Management Group. As such, there is a high degree of visibility of progress with the Deal as a whole and opportunity to provide appropriate challenge and gain assurance from the relevant bodies, with oversight of individual projects.
- 6.5 The audit found that there was scope to improve information regarding TCRD on the Perth & Kinross Council website, including improved referencing and links to other external sites which provide such up to date and accurate information in terms of signposting.

Action Point 2

## **7. CONCLUSION**

- 7.1 The Internal Audit review can place reasonable assurances on the overall control environment for the arrangements in place for the Tay Cities Region Deal. The agreed actions, once implemented, should enable Internal Audit to place substantial assurance on these.

## **8. ACKNOWLEDGEMENTS**

- 8.1 Internal Audit would like to thank all officers who were involved in this audit, particularly officers within the Tay Cities Region Deal and externally the Internal Audit team at Dundee City Council for providing relevant evidence and research.

## **9. ACTION IMPLEMENTATION & FOLLOW UP**

- 9.1 Responsibility for the maintenance of adequate and effective controls rests with management. Where the audit has identified areas for management action, these are identified in the Management Action Plan. Where a decision is taken by management not to act in response to finding from this review, it is the responsibility of management to assess and accept the risk arising from non-implementation.
- 9.2 Achievement of the agreed actions is monitored through Internal Audit's 'follow up' arrangements.

## 10. MANAGEMENT ACTION PLAN

Action Point	Para. No	Finding	Risk Rating	Agreed Action & Evidence	Action Owner	Target Completion Date
1	5.2	Dundee City Council has previously undertaken an audit and the outcomes were shared with PKC Internal Audit during this review. A further high-level review of progress of projects and compliance with grant offer guidance is underway at present and the outcome will also be shared. A summary of their findings from the former was shared with the TCRD Joint Committee as well as their own Council Committee. Consideration should be given to making these assurances available to relevant officers, elected members via an appropriate Committee in Perth & Kinross	3	The Service Manager will ascertain what assurance reports are provided regarding the Tay Cities Region Deal and ensure that the outcomes are shared with relevant officers and elected members in Perth & Kinross Council as part of the annual reporting process.  Agreed evidence: Annual Report	A. Seggie, Economic Development Manager	October 2023
2	5.5	The audit found that there was scope to improve information regarding TCRD on the Perth & Kinross Council website, including improved referencing and links to other external sites which provide such up to date and accurate information in terms of signposting.	2	The Service Manager will review information held and link within the Council's website and ensure that appropriate links to external sites are included.  Agreed evidence: Updated website	A. Seggie, Economic Development Manager	July 2023

## 11. AUTHORISATION

11.1 The auditor for this assignment was C. Carena. The supervising auditor was J Clark. This report is authorised for issue.

## 12. DISTRIBUTION

12.1 This report has been distributed to:

T. Glenn, Chief Executive  
B. Renton, Executive Director, Communities  
D. LittleJohn, Head of Planning and Development  
A. Seggie, Economic Development Manager  
External Audit

Noted: Outcomes will be shared with the Chief Internal Auditors of Dundee City (Lead Authority), Angus, and Fife Councils out of professional courtesy.

## 13. ASSESSMENT DEFINITIONS

13.1 The following table contains the definitions of the control objective assessment.

<b>Control Objective Assessment</b>	
<b>Level of assurance</b>	<b>Definition</b>
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

13.2 The following table contains the definitions applied by Internal Audit in rating audit findings/actions.

<b>Risk Rating for Individual Findings</b>		
<b>Rating</b>	<b>Rating description</b>	<b>Definition</b>
<b>5</b>	Critical	Significant observations / major concerns which require immediate action. Management will need to add these to the appropriate Service risk register <i>Issue represents a control weakness which could cause, or is causing, severe disruption of the process or severe adverse effect on the ability to achieve process objectives</i>
<b>4</b>	High	Significant observations regarding the absence / failure of key controls requiring urgent action. Management should consider adding these to the appropriate Service / divisional risk register <i>Issue represents a control weakness which could have, or is having, major adverse effect on the ability to achieve process objectives</i>
<b>3</b>	Medium	Observations regarding the effectiveness of key controls requiring reasonably urgent action. Management should consider these when updating any divisional / team risk registers <i>Issue represents a control weakness which could have, or is having, significant adverse effect on the ability to achieve process objectives</i>
<b>2</b>	Low	Minor observations regarding the adequacy of controls which require action to improve the efficiency, effectiveness, or economy of operations or which otherwise require to be brought to the attention of Senior Management <i>Issue represents a minor control weakness with minimal but reportable impact on the ability to achieve process objectives</i>
<b>1</b>	Trivial / Minor	Very minor observations which will be raised during the audit and may not be included within the final report <i>Issue represents a very minor control weakness with negligible impact on the ability to achieve process objectives. The issue will be raised during the audit and may not be included within the final report.</i>

