Securing the future… • *Improving services* • *Enhancing quality of life* • *Making the best use of public resources*

Council Building
2 High Street
Perth
PH1 5PH

Monday, 10 April 2017

A Special Meeting of the **Audit Committee** will be held in **the Council Chambers, 2 High Street, Perth, PH1 5PH** on **Tuesday, 18 April 2017** at **14:00**.

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

BERNADETTE MALONE
Chief Executive

Those attending the meeting are requested to ensure that all mobile phones and other communication devices are in silent mode.

Members:
Councillor Dave Cuthbert (Convener)
Councillor Barbara Vaughan (Vice-Convener)
Councillor Henry Anderson
Councillor Kathleen Baird
Councillor Joe Giacopazzi
Councillor Willie Wilson
Councillor Anne Younger

Special Meeting of the Audit Committee

Tuesday, 18 April 2017

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.

PLEASE NOTE THAT ALTHOUGH THE PRE-AGENDA MEETING IS NOT SUBJECT TO THE TERMS OF THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973 IT IS RECOMMENDED THAT THE CONTENTS OF REPORTS AND DISCUSSIONS AT THE MEETING CONSTITUTE INFORMATION WHICH IS EXEMPT IN TERMS OF SCHEDULE 7A TO THAT ACT, AND THEREFORE, YOU SHOULD NOT DISCLOSE TO OR DISCUSS WITH ANY MEMBER OF THE PRESS OR PUBLIC ANYTHING CONTAINED IN REPORTS OR DISCLOSED DURING DISCUSSIONS.

PERTH AND KINROSS COUNCIL

Audit Committee

22 March 2017

INTERNAL AUDIT UPDATE

Report by the Chief Internal Auditor

PURPOSE OF REPORT

This report presents a summary of Internal Audit's work against the 2016/17 annual plan.

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1. BACKGROUND / MAIN ISSUES

1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor reports periodically to the Audit Committee on internal audit activity and on performance relative to the approved plan.

1.2 Work has been completed on assignments included within the Internal Audit Plan for 2016/17. All reports from planned Internal Audit activity were issued by the 31 March 2017.

1.3 Appendix A details those assignments where work has been completed since the last report to the Audit Committee. Where appropriate, Internal Audit Reports for these assignments will be presented to the Audit Committee.

1.4 Appendix B shows a summary of each audit previously approved as part of the 2016/17 plan, along with the date that the outcome has been considered by Audit Committee.

2. CONCLUSION AND RECOMMENDATIONS

5.1 This report presents a summary of Internal Audit's work against the 2016/17 annual plan. The 2016/17 plan is fully completed and reported.

5.2 It is recommended that the Committee notes the completion of work against the plan for 2016/17.

Author(s)

Name	Designation	Contact Details
Jackie Clark	Chief Internal Auditor	CHXFinance@pkc.gov.uk

If you or someone you know would like a copy of
this document in another language or format,
(on occasion only, a summary of the document
will be provided in translation), this can be arranged
by contacting   *Jackie Clark*

Council Text Phone Number 01738 442573

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

(i) Giving every child the best start in life;
(ii) Developing educated, responsible and informed citizens;
(iii) Promoting a prosperous, inclusive and sustainable economy;
(iv) Supporting people to lead independent, healthy and active lives; and
(v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

2. Assessments

2.1 Equality Impact Assessment

2.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

2.1.2   The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

2.2   Risk

2.2.1   The risks are associated with the level of assurance provided on the control environment in the event that Internal Audit's planned work is not completed on time.

3.   Consultation

3.1   Internal

3.1.1   The Chief Executive and Head of Finance have been consulted in the preparation of this report.

2.   BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3.   APPENDICES

Appendix A – Audit Activity Completed Since The Last Report To Audit Committee

Appendix B – Progress With Assignments Approved In The Internal Audit Plan for 2016/17

INTERNAL AUDIT UPDATE

Internal Audit Activity Completed Since The Last Report To Audit Committee

Audit No.	Audit Title	Service
16-04	SWIFT	Housing & Community Safety
16-16	Transformation	The Environment Service
16-22	Roads Maintenance Partnership	The Environment Service
16-23	Personalisation	Education & Children's Services
16-24	Commissioned Services: Care At Home	Housing & Community Safety
16-25	Parking Services	The Environment Service
16-27	Events & Festivals	The Environment Service

Progress With Assignments Approved In The Internal Audit Plan for 2016/17 as at February 2016

Audit No.	Audit Title	Original Anticipated Audit Committee	Assignment brief approved	Factual accuracy confirmed	Draft Report issued	Final Report issued	Audit Committee Date ^
16-01	Debt Recovery & Write Off	Sep 2016	23 August 2016	7 December 2016	15 December 2016	10 January 2017	**February 2017**
16-02	Credit Cards	Sep 2016	6 Apr 2016	19 May 2016	21 July 2016	16 September 2016	**September 2016**
16-03	Sales Ledger	Sep 2016	17 August 2016	20 October 2016	21 October 2016	31 October 2016	**November 2016**
16-04	SWIFT	Feb 2017	8 February 2017	24 February 2017	24 March 2017	31 March 2017	**April 2017**
16-05	Information Sharing	Sep 2016	20 Apr 2016	25 May 2016	7 June 2016	24 August 2016	**September 2016**
16-06	Financial Management of All-Through Schools: (a) Fairview School (b) St. John's Academy	Sep 2016	26 May 2016	17 August 2016	17 August 2016	(a) 24 August 2016	**(a) September 2016** **(b) November 2016**
16-07	Financial Assessment and Charging	Sep 2016	23 June 2016	14 July 2016	27 July 2016	26 August 2017	**September 2016**
16-08	Adult Protection	Sep 2016	12 Apr 2016	7 June 2016	9 June 2016	19 August 2016	**September 2016**
16-09	Housing Options	Nov 2016	10 May 2016	9 August 2016	9 August 2016	24 August 2016	**September 2016**

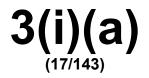| Audit No.	Audit Title	Original Anticipated Audit Committee	Assignment brief approved	Factual accuracy confirmed	Draft Report issued	Final Report issued	Audit Committee Date ^
16-10	Charging for Services	Feb 2017	28 October 2016	22 December 2016	22 December 2016	22 December 2016	**February 2017**
16-11	Management of Relationship with Horsecross	Nov 2016	8 November 2016	16 December 2016	22 December 2016	6 January 2017	**February 2017**
16-12	Procurement	Nov 2016	February 2017	1 February 2017	1 February 2017	1 February 2017	**March 2017**
16-13	Performance & Capacity Management	Sep 2016	14 February 2017	24 February 2016	24 February 2017	2 March 2017	**March 2017**
16-14	Named Person Follow Up	Feb 2017	Not applicable	Not applicable	Not applicable	Not applicable	**Removed (Report 16/518 refers)**
16-15	Fuel Management	Jun 2016	22 Apr 2016	19 May 2016	19 May 2016	31 May 2017	**June 2016**
16-16	Transformation	Feb 2017	February 2017	27 March 2017	28 March 2017	29 March 2017	**April 2017**
16-17	Pupil Support	Nov 2016	22 November 2016	8 December 2016	15 December 2016	6 January 2017	**February 2017**
16-18	Housing Rents	Feb 2017	19 September 2016	21 February 2017	21 February 2017	6 March 2017	**March 2017**
16-19	Rent Arrears	Feb 2017	10 January 2017	21 February 2017	21 February 2017	6 March 2017	**March 2017**
16-20	LEADER	Feb 2017	7 December 2016	22 December 2016	22 December 2016	11 January 2017	**February 2017**

Audit No.	Audit Title	Original Anticipated Audit Committee	Assignment brief approved	Factual accuracy confirmed	Draft Report issued	Final Report issued	Audit Committee Date ^
16-21	Property Maintenance	Nov 2016	10 August 2016	9 September 2016	13 September 2016	31 October 2016	**November 2016**
16-22	Roads Maintenance Partnership	Feb 2017	4 January 2017	23 February 2017	1 March 2017	30 March 2017	**April 2017**
16-23	Personalisation	Feb 2017	6 February 2017	16 February 2017	16 February 2017	31 March 2017	**April 2017**
16-24	Commissioned Services: Care At Home	Mar 2017	6 February 2017	28 March 2017	28 March 2017	30 March 2017	**April 2017**
16-25	Parking Services	Mar 2017	7 December 2016	21 February 2017	21 February 2017	27 March 2017	**April 2017**
16-26	Health & Social Care Partnership – Integrated Joint Board	Mar 2017	Commissioned and reported directly to the Integrated Joint Board				
16-27	Events and Festivals	Mar 2017	14 February 2017	21 March 2017	21 March 2017	27 March 2017	**April 2017**
16-28	BSOG October - March 2016 Grant Claim	Not Applicable	25 May 2016	Not applicable	Not applicable	Not applicable	Not applicable
16-29	BSOG April - September 2016 Grant Claim	Not applicable	25 May 2016	Not applicable	Not applicable	Not applicable	Not applicable
16-30	Cycling Walking Safer Streets Grant Claim	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16-31	Superconnected Cities Grant Claim	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16-32	Childs Plan	Feb 2017	February 2017	1 March 2017	1 March 2017	1 March 2017	**March 2017**

Audit No.	Audit Title	Original Anticipated Audit Committee	Assignment brief approved	Factual accuracy confirmed	Draft Report issued	Final Report issued	Audit Committee Date ^
16-33	European Social Fund	Nov 2016	7 December 2016	21 December 2016	22 December 2016	22 December 2016	**February 2017**
16-34	Tayside Contracts	Mar 2017	Ongoing	23 February 2017	23 February 2017	23 February 2017	**March 2017**
16-35	Transformation	Mar 2017	Ongoing	23 February 2017	23 February 2017	23 February 2017	**March 2017**
16-36	Corporate Governance	Mar 2017	Ongoing	23 February 2017	23 February 2017	23 February 2017	**March 2017**
16-37	Universal Credit	Sep 2016	19 October 2016	8 December 2016	5 January 2017	5 January 2017	**February 2017**
16-38	Housing Technology Implementation Plan	Mar 2017	14 February 2017	8 March 2017	8 March 2017	8 March 2017	**March 2017**

It is not anticipated that reports will be required to be issued for the certification of grant claims. Reports will only be issued where weaknesses in controls are identified which require action.

Internal Audit Report
Education & Children's Services
16-23 Personalisation
March 2017

Final Report

Finance Division
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
2 High Street
Perth
PH1 5PH

1

Internal Audit

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". Public Sector Internal Auditing Standards (PSIAS)

On 27th March 2013, the Council's Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the Internal Audit plan for 2016/17, which was approved by the Audit Committee on 30 March 2016.

Personalisation and self-directed support, within a social care setting, is about actively involving people in shaping and selecting the services they receive. In terms of social work services to children and families, this means working with young people and their families through a person-centred approach to support greater choice over the support they receive and the way in which they receive it. This allows families to decide how and who is going to help meet their assessed needs and personal outcomes.

The Social Care (Self-Directed Support) (Scotland) Act 2013 came into effect in April 2014, placing duties on local authorities to offer greater choice and control to people who they have assessed as eligible for support. This legislation works in conjunction with other aspects of the broader reform agenda, and closely aligns with Getting It Right For Every Child (GIRFEC) and the Children (Scotland) Act 1995.

The Service has advised that throughout 2015 and 2016 they have been moving towards implementation by prioritising the development of the cultural conditions for personalisation. The focus has been on encouraging staff to view personalisation as an approach, rather than a set of procedures, and to draw on SDS principles to address vulnerability and risk.

Audit testing was carried out in January and February 2017.

Scope and Limitations

The audit considered arrangements in place within Children, Young People and Families Services, regarding personalisation relating specifically to legislative requirements defined within the Social Care (Self-Directed Support) (Scotland) Act 2013.

The review consisted of analysis of documentation and systems in place and interviews with officers within the Planning, Performance, Partnership & Woodlea Cottage Service, Fieldwork Services and other relevant officers within Education & Children's Services (ECS) as identified.

The audit did not evaluate compliance with GIRFEC requirements and similar legislation yet to be enacted. The audit did not evaluate the qualitative nature of the assessments which have been undertaken by social work professionals.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure the adequacy of arrangements to support personalisation through Self-Directed Support (SDS)
Internal Audit Comments: Internal Audit has observed arrangements in place to support personalisation through SDS. These include collaboration with Housing & Community Safety, process development, pilot schemes, the review of Service Level Agreements and budgets and a planned transformation project to develop an appropriate commissioning strategy. The first phase of implementation has been carried out within the Child Health Team, with recent expansion to the Fieldwork Teams through the provision of a dedicated locally held and managed budget. It is recognised nationally that SDS is less advanced in services for children and families, than for adults and this national position is reflected in Perth and Kinross. The Service acknowledges that further development would strengthen arrangements to ensure that SDS is fully embedded within ECS by the target date of 2020, set by the Scottish Government.   This includes a need to put in place a Council-wide strategy supporting SDS implementation and associated arrangements, which acknowledges the differences in application across services for adults and children. In addition, the Service should undertake a full implementation self-evaluation exercise as recommended by Audit Scotland. The Service reviewed options for SDS within ECS through the delivery of 2 pilots, the first of which concluded in May 2016 and the second which is ongoing. Whilst consideration has been given to the evaluation of both of these schemes, there are improvement actions from the first pilot scheme which are still to be completed. This includes the revision of procedures and training materials.

Strength of Internal Controls:	Moderate

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken

not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of officers within the Planning, Performance, Partnership, Child Health Team and Woodlea Cottage and all other relevant officers within ECS who assisted during this audit.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Fyffe, Senior Depute Chief Executive Equality, Community Planning & Public Service Reform

S Devlin, Director (Education & Children's Services)

J Pepper, Head of Services for Children, Young People & Families

J Symon, Head of Finance

K McNamara, Head of Strategic Commissioning and Organisational Development

L Simpson, Head of Legal Services

G Taylor, Head of Democratic Services

C Mackie, Service Manager – Planning & Performance Partnership

S Cooper, Improvement Officer

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment was L Ferguson. The supervising auditor was M Morrison.

This report is authorised for issue:

_____

Jacqueline Clark
Chief Internal Auditor
Date: 31 March 2017

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Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	SDS Strategy/Policy & Evaluation	High
2	Risk, Implementation & Monitoring	High
3	Evaluation Actions & Procedures	Medium

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Appendix 2: Action Plan

Action Point 1 - SDS Strategy/Policy & Evaluation

Statutory Guidance refers throughout to Local Authority strategy/policy for implementation of SDS.   This strategy/policy should address matters such as eligibility, allocation of resources and integration with any other relevant plans.

Whilst the Service is aware of current arrangements and plans for the delivery and monitoring of SDS, these have yet to be formalised in a strategic document and presented for approval at an appropriate level. The Service stated that further guidance is anticipated from the Scottish Government which will assist in the development of a Council-wide strategy along with colleagues from Housing & Community Safety.

In line with recommendations from an Audit Scotland report in 2014, the Service may benefit from completing a self-evaluation of arrangements using the appropriate matrix from either CIPFA or Audit Scotland. Outcomes from this could be used to inform, and facilitate discussion about, an appropriate documented framework and strategy.

Management Action Plan

1. The Service will undertake a self-evaluation of SDS implementation using the Audit Scotland matrix.

2. Following receipt of the guidance from the Scottish Government, the outcomes from the above will be used to inform the Council-wide strategy, which will then be considered at the appropriate Committee.

Importance:	High
Responsible Officer:	C Mackie, Service Manager – Planning & Performance Partnership
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	1. August 2017 2. October 2018
Required Evidence of Completion:	1. Completed Audit Scotland matrix showing Self –Evaluation of SDS 2. Approved strategy and minutes from Committee showing approval.

Internal Audit Comments

Satisfactory

Action Point 2 -   Risk, Implementation & Monitoring

A report completed by Audit Scotland in June 2014 highlighted that Councils should ensure that they have a clear plan and effective arrangements for managing the risks to successfully implementing SDS. This includes monitoring the risks regularly, and keeping Elected Members and senior managers informed of progress.

The Service's monitoring processes do not yet include any reference to SDS implementation, monitoring or the risks attached to these.

Management Action Plan

1. The Service will review the Audit Scotland report and Statutory Guidance to identify the key risks for SDS implementation.
2. The outcomes from the above will be considered for inclusion within the Service's formal monitoring processes and risk register for 2017/18 as appropriate.

Importance:	High
Responsible Officer:	C Mackie, Service Manager – Planning & Performance Partnership
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	1. June 2017 2. October 2017
Required Evidence of Completion:	1. Evidence of review 2. Review outcome documentation , including mechanism for formal reporting to senior managers and Elected Members

Internal Audit Comments

Satisfactory

Action Point 3 - Evaluation Actions & Procedures

The Service completed the evaluation of an SDS pilot within May 2016. Whilst a corresponding action plan was drafted this did not identify timescales or owners sufficiently. At the time of Internal Audit testing, not all actions have been completed.

It was noted that the Child Health Team and Fieldwork Teams are using different forms for processing SDS. In line with actions identified as part of the evaluation exercise, Internal Audit notes that procedures and training materials would benefit from revision to provide clarity around processes

Furthermore, there was an additional multi-agency pilot designed in association with a secondary school which has recently concluded, with an evaluation being completed by an external organisation: Children in Scotland. There is scope for the Service to liaise with Children in Scotland to ensure that lessons learned from this evaluation are formulated into an action plan and monitored at an appropriate level.
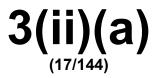
Management Action Plan

1. The Service will revisit the action plan from the May 2016 pilot and document action owners and target dates. Follow up of actions will be monitored through Children and Families Services Senior Management Team (CFSMT).

2. Evaluation of the recently concluded SDS pilot will be analysed by the Service and an appropriate briefing paper/action plan will be presented to CFSMT and followed up as necessary.

3. The service will consider ways in which the application and implementation of SDS can be incorporated into commissioning arrangements with third sector organisations for children and families at risk, and the ongoing strengthening and implementation of GIRFEC.

Importance:	Medium
Responsible Officer:	C Mackie, Service Manager – Planning & Performance Partnership
Lead Service:	Education & Children's Services
Date for Completion (Month / Year):	October 2017
Required Evidence of Completion:	1. Revised action plan with action owners and target dates and minutes of CFSMT showing acknowledgement of this. 2. Minutes of CFSMT showing consideration of the recent pilot evaluation 3. Outcomes from the considerations

Internal Audit Comments

Satisfactory

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Internal Audit Report
The Environment Service
16-27 Events & Festivals
March 2017

Final Report

Finance Division
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
2 High Street
Perth
PH1 5PH

1

Internal Audit

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On 27th March 2013, the Council's Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2016/17, which was approved by the Audit Committee on 30 March 2016. Perth and Kinross has an extensive calendar of events and festivals ranging from small locality focused events to large sporting and mass participation events and festivals such as T in the Park. Events are acknowledged as major drivers of tourism and growth to the local economy, with major events generating an estimated net additional economic impact for the area of approximately £17 million per year. An Events and Festivals strategy was approved by Committee in June 2013 which outlined the Council's ambition for the area as a whole to be the destination choice for UK and international visitors.

Audit testing was carried out in February and March.

Scope and Limitations

The audit considered arrangements in place in relation to events and festivals within Perth & Kinross. This included a review of planning and management of events led by the Council, support to external events and evaluation of events to demonstrate their contribution to Council objectives.

In order to arrive at an opinion on the achievement of the control objective, the audit consisted of analysis of documentation and systems in place and interviews with relevant officers.

The audit did not consider arrangements in regards to business events or the promotion of Perth and Kinross as a tourist destination.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure that there are adequate arrangements in place regarding events and festivals
Audit Comments:
Internal audit testing confirmed that there are controls in place in respect of events and festivals.

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There is a documented Events & Festivals Strategy for 2013-2020, which was approved by the Enterprise & Infrastructure Committee in June 2013. The Service recognises that this document would benefit from revision to ensure that the information and the approach is up-to-date and that there will be performance information available to provide evidence of the progress made against the goals set out in the events strategy.

There are application and approval processes available for event organisers requesting grant funding and those seeking to use Council community greenspace. Currently there is an information pack available to those using greenspace areas. A new booklet has been drafted for Council wide use and is being submitted for approval by the Corporate Management Group. This focuses primarily on health, safety and legal considerations for larger scale events. A two-page summary document has also been drafted for small scale events. A revised approach to a Multi-Agency Strategic Safety Advisory Group has recently been established and events will be reviewed and supported, as necessary, as part of this.

The Service has recognised that there would be benefit in reviewing the customer journey where event organisers contact the Council regarding an event within Perth & Kinross. They are currently working with Services to introduce a Service-wide application process. There would be merit in extending this to include a review of the application assessment process and the supporting information provided to event organisers, including information available on the Council website.

The Service utilises planning and control sheets to ensure that Council led events are successful and comply with various regulatory requirements. There is scope, however, to improve planning documentation to record considerations of equality and suitability of volunteers/staff utilised at the event and to document the formal approval process for all Council events.

There is evidence demonstrating consideration of advertising/ promotion of Council led events, and those being held on Council owned land.   The Service has recognised the benefit of formalising the approach to marketing activity and has recently established a Communications and Marketing Group to agree roles, responsibilities and to produce a coordinated marketing and communication strategic plan. Within this, there is scope to ensure that this aligns to the Events Strategy and to document the approach to timescale and coverage for promotion activity.

It is a condition of award of Council grant funding that an event evaluation is provided and testing has confirmed that this is happening. Councillors have been involved in growing the Winter Festival programme and key events within this have been evaluated. There is, however, scope to improve the evaluations and development process by recording the Council approach to evaluation, introducing a centralised register and expanding information included within the master events register.

Strength of Internal Controls:	Moderately Strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of M Boyle and other officers within the Enterprise team and the Greenspace team.

Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Valentine, Depute Chief Executive Sustainability, Strategic and Entrepreneurial Development

B Renton, Director Environment

T Flanagan, Interim Head of Economic Development

W Young, Head of Environmental and Consumer Services

J Symon, Head of Finance

K McNamara, Head of Strategic Commissioning and Organisational Development

G. Taylor, Head of Democratic Services

L Simpson, Head of Legal and Governance Services

L McIntyre, Enterprise Manager

A Graham, Business Development Team Leader

M Boyle, Events Officer

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditors for this assignment were L Ferguson and J O'Connor. The supervising auditor was M Morrison.

This report is authorised for issue:

_____

Jacqueline Clark
Chief Internal Auditor
Date: 27 March 2017

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Events & Festivals Strategy and Reporting	Low
2	Support for Event Organisers	Low
3	Council Events Documentation	Medium
4	Promotion and Marketing	Low
5	Development	Low

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Appendix 2: Action Plan

Action Point 1 - Events & Festivals Strategy and Reporting

There is a documented Events & Festivals Strategy for 2013-2020, which was approved by the Enterprise & Infrastructure Committee in June 2013.

1) This would benefit from revision to update the strategic focus on events, the approach and governance and to include the frequency of Event Strategy Meetings.

2) Whilst it is acknowledged that Councillors have assisted in directing events evaluations in relation to the Perth Winter Festival over the past few years, there is a lack of process for determining which events (both internal and external) should be evaluated and the scale of evaluation to be considered. It was noted in a report submitted to the Enterprise & Infrastructure Committee in June 2016 that the Director (Environment) would report on the economic impact of the 2016/17 events programme in April 2017 and a report was considered by the Committee in March 2017 relating to the impact of the Winter Festival.

Management Action Plan

1) It was agreed at the Events Strategy meeting held on the 15th March 2017 that the Events & Festivals Strategy would be updated.

2) A process will be introduced for determining which events are to be evaluated and to what extent.

Importance:	Low
Responsible Officer:	1) A Graham, Business Development Team Leader 2) M Boyle, Events Officer
Lead Service:	The Environment Service
Date for Completion (Month / Year):	1) April 2018 2) September 2017
Required Evidence of Completion:	1) Updated Events & Festivals Strategy 2) Evidence that process has been introduced for determining which events are to be evaluated and to what extent

Auditor's Comments

Satisfactory

Action Point 2 - Support for Event Organisers

The Service has recognised that there would be benefit in reviewing the customer journey where event organisers contact the Council regarding an event within Perth & Kinross.

1) Work is currently being undertaken with Services to introduce a Service-wide application process. There would be merit to extending this to include a review of the application assessment process and the supporting information provided to event organisers.

2) Internal Audit reviewed the Council website in relation to events and noted that improvements could be made to assist organisers considering staging events within Perth & Kinross. Examples of this are: including contact details on the main Events page; including information about holding events within Perth and Kinross; the vision for the Council in relation to Events & Festivals; and publication of an application form once this has been defined.

Management Action Plan

1) A Council wide application and assessment process will be introduced

2) The Council website will be revised to include, for example, the main Events page including contact details; information about holding events within Perth and Kinross; the vision for the Council in relation to Events & Festivals; and publication of an application form once this has been defined.

Importance:	Low
Responsible Officer:	1) & 2) M Boyle Events Officer.
Lead Service:	1) & 2) The Environment Service
Date for Completion (Month / Year):	1) & 2) September 2017
Required Evidence of Completion:	1) Example of application and assessment process
	2) Evidence that council website has been revised to include contact details; information about holding events within Perth and Kinross; the vision for the Council in relation to Events & Festivals; and publication of an application form once this has been defined

Auditor's Comments

Satisfactory

Action Point 3 - Council Events Documentation

1) There is a planning process in place to ensure that Council led events are successful and comply with various regulatory requirements. Whilst the Service advises that equalities issues are considered, Internal Audit testing revealed that this is not reflected within the planning sheets.

2) Similarly, there is no policy/planning material in place which demonstrates consideration of suitability of the following at Council led events:

a) General Public in a volunteering role

b) Council employees in a volunteering role

c) Security staff.

3) Internal Audit testing has revealed that there is also a lack of a documented formal approval process for all Council events. Such documentation should show that there is an assessment of the event against the objectives of the Events Strategy and that there is consideration of costs.

Management Action Plan

1) Planning sheets will be updated to reflect compliance with equalities legislation.

2) Planning sheets will be updated to evidence consideration of suitability of

a) General Public in a volunteering role;

b) Council employees in a volunteering role; and

c) Security staff.

3) The service has prepared an event outline template which will be completed for each future council planned or managed event.

Importance:	Medium
Responsible Officer:	1) M Boyle, Events Officer 2(a) L McIntyre, Enterprise Manager 2(b) & 2(c) M Boyle, Events Officer 3) Complete
Lead Service:	1 & 2) The Environment Service
Date for Completion (Month / Year):	1) and 2) September 2017

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Required Evidence of Completion:	1) Evidence that planning sheets have been updated to reflect compliance with equalities legislation
	2) Evidence that planning sheets have been updated to consider the suitability of
	a) General Public in a volunteering role
	b) Council employees in a volunteering role
	c) Security staff

Auditor's Comments

Satisfactory

Action Point 4 -   Promotion and Marketing

The Service has recognised the benefit of formalising the approach to marketing activity and has recently established a Communications and Marketing Group to agree roles, responsibilities and produce a coordinated marketing and communication strategic plan.

However, at the time of audit testing an advertising and marketing strategy has yet to be developed which would link to the Events Strategy and the growth of events.

Management Action Plan

Advertising and marketing strategy will be developed which links to the Events Strategy and the growth of events.

Importance:	Low
Responsible Officer:	L McIntyre, Enterprise Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	September 2017
Required Evidence of Completion:	Advertising and marketing strategy

Auditor's Comments

Satisfactory

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Action Point 5 - Development

1) There is no centralised register kept of all event organisers contacting the Council along with the outcome of contact. Introduction of such a log would facilitate information in regards to marketing and customer experience and could be used to analyse potential improvement areas and increase future event growth

2) There is a master events register, which details events to be held within Perth and Kinross. There is scope to enhance this register to include more information, such as whether an event is local/regional/major; third party or Council owned and the frequency of the event. This information would assist in developing events and facilitating economic growth in line with priorities outlined within the Events Strategy.

Management Action Plan

1) Consideration will be given to logging all contacts by potential event organisers with the council and their outcome.

2) The master event register will be updated to provide additional information in respect of whether an event is local, regional or major, third party or council led and frequency of the event.

Importance:	Low
Responsible Officer:	M Boyle, Events Officer
Lead Service:	The Environment Service
Date for Completion (Month / Year):	September 2017
Required Evidence of Completion:	1) Evidence that consideration has been given to logging all contacts by potential event organisers with the Council and their outcome
	2) Evidence that master event register has been updated to provide additional information in respect of whether an event is local, regional or major, third party or council led and frequency of the event.

Auditor's Comments

Satisfactory

Internal Audit Report
The Environment Service
Parking Services No: 16-25
March 2017

Final Report

Finance Division
Corporate and Democratic Services
Perth & Kinross Council
2High Street
Perth
PH1 5PH

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Internal Audit

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". Public Sector Internal Auditing Standards (PSIAS)

On 27th March 2013, the Council's Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2016/17, which was approved by the Audit Committee on 30 March 2016.

Perth & Kinross Council's Parking Services, managed by the Performance and Support Manager enforces all the on and off street parking throughout Perth and Kinross.

Parking Services ensure that people can park safely and conveniently. The main tasks include ensuring traffic flow; turnover of car parking space and road and pavement user safety; the operation and maintenance of the Council's car parks; determining applications for blue badges, and residents parking permits and parking bay suspensions. Education and awareness to encourage responsible parking, support for events, community engagement and partnership working are also within the Parking Services remit.

The Council has 149 on-street parking machines in use between Perth City and Crieff. In addition there are a further 48 off-street parking machines, of which 28 are in Perth City and 20 are located in 4 country towns.

The budgeted income for 2016/17 is £2,885,000 which is generated from pay and display parking, parking permits and penalty charge notices. The Council's approved policy of setting parking charges is intended to ensure that the Parking Services Account is self-financing, to restrict demand for limited road space at peak traffic periods and to help create favourable operating conditions for public transport.

Audit testing was carried out in December 2016 and January 2017.

Scope

In order to arrive at an opinion on the achievement of the control objectives, the audit included interviews with relevant staff within parking services and a review of the procedures in place.

Audit testing was carried out on the internal arrangements to ensure adherence to the relevant procedures.

The scope of the audit did not include a review of debt recovery and write off of parking income as this was included within audit assignment 16-01 Debt Recovery and Write off. The scope also did not include a review of parking policy.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control

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objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective 1: To ensure that there are adequate controls in place over the collection, recording and monitoring of Parking Services income.

Internal Audit Comments:

Parking Services is operated in the main in accordance with laid down procedures for ensuring the appropriate collection, recording and monitoring of car parking income.

Financial monitoring is being carried out on a monthly basis

Internal Audit work carried out confirmed that comprehensive records of individual car parks' income were maintained and up to date and that adequate documentary evidence was available to support car park income transactions. Regular reconciliation's of monies collected is being carried out with appropriate segregation of duties.

A secure process is in place throughout Parking Services for the collection and storage of cash and the control and security over keys in use. However, at the time of audit the key security process was not formally documented.

Documented procedures are in place for the issuing of Penalty Charge Notices (PCNs) incorporating checks for ensuring lawful issue without delay. There are arrangements in place for the recovery of PCNs which are carried out effectively with repeat offenders identified and pursued.

The Thimblerow car park is operated via a manned pay on exit system. The Service acknowledges there is scope to improve controls in this car park.

Canal Street car park underwent extensive refurbishment and was re-opened in November 2016 with charging commencing in January 2017. This may have impacted on the maximization of income to the Car Park Trading Account.

Strength of Internal Controls:	Moderately Strong

Control Objective 2: To ensure that there are adequate arrangements in place in respect of the management of Parking Services.

Internal Audit Comments:

The Service advised that they are in the process of undertaking a review of the structure within parking services. The outcomes from this review have yet to be approved.

There are comprehensive procedures in place for blue badges, residents' parking permits and parking bay suspensions. Testing confirmed that procedures are being followed and that an enforcement protocol is in place in respect of blue badges.

Parking Gateway is the back office computerised system which is linked to each

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Parking Attendants' handheld device used to process PCNs. Having been in operation since 2002, the system is limited in its ability to produce detailed reports. There is also scope to improve the access rights to the system and associated written procedures.

The Service established a Car Parking Board to ensure that there is a consistent approach to car parking policy, investment, operations and communications throughout The Environment Service. In November 2016, as an improvement initiative, the Service instigated procedures for the planned identification and management of car park maintenance. This new process should enable the Service to develop a planned maintenance programme, including estimated budgetary implications.

Testing confirmed that reputational risk is being managed as per the Parking Services Reputational Management Plan for example delivering education and awareness programmes to schools and community groups, presentations to hard to reach stakeholders and articles and updates for Inside News and TES connect.

There are procedures in place to ensure that Parking Attendant patrols are appropriately scheduled and testing confirmed that patrols were well organised and systematic. The Service did, however, advise that there is minimal supervision in place to ensure that patrols are adequately completed. Staff performance and income pattern are monitored on a regular basis.

The parking attendants have used body worn cameras since 2008, and following changes in national guidance, the service carried out a privacy impact assessment on the appropriate use of theses cameras. This assessment has yet to be finalised and any recommendations implemented.

Strength of Internal Controls:	Moderately Strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

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Acknowledgements

Internal Audit acknowledges with thanks the co-operation of staff within The Environment Service during this audit.

Feedback

Internal Audit welcomes feedback in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Valentine, Depute Chief Executive, Environment (Sustainability, Strategic and Entrepreneurial Development) and Chief Operating Officer

B Renton, Director (The Environment Service)

S MacKenzie, Head of Performance and Resources

H Hope, Finance & Support Services Manager

J Symon, Head of Finance

L Simpson, Head of Legal and Governance Services

G Taylor, Head of Democratic Services

Keith McNamara, Head of Strategic Commissioning and Organisational Development

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment was J O'Connor. The supervising auditor was M Morrison.

This report is authorised for issue:

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J Clark
Chief Internal Auditor
Date: 27 March 2017

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Thimblerow Car Park	Medium
2	Gateway System	Medium
3	Training	Low
4	Body Worn Cameras	High

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Appendix 2: Action Plan

Action Point 1 - Thimblerow Car Park

Thimblerow car park is operated via a manned pay on exit barrier system and income in the region of £270,000 was received in the last year. There is a lack of documentary evidence over free entry entitlement. The operating system on site is not configured to cope with permits, blue badges or free parking initiatives.

There are risks associated with any cash collection system. There is a risk of loss to the Council and there is a further risk to employees where allegations may be made regarding fraud and corruption.

Management Action Plan

1) The Service has introduced a register which documents all free entry entitlement to the car park. This will also include a record of the vehicles left in the car park at the end of the working day and a reconciliation with the number of post-operating hours payments received.

2) The Service will introduce ad hoc spot checks.

3) The Service will give consideration to the installation of pay and display machines once the future of the car park is more certain.

Importance:	Medium
Responsible Officer:	H Hope, Finance & Support Services Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	1) Completed 2) April 2017 3) April 2017
Required Evidence of Completion:	1) Extract from register 2) Evidence that ad hoc spot checks are taking place 3) Outcome from consideration

Auditor's Comments

Satisfactory

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Action Point 2 - Gateway System

Parking Gateway is the back office computerised system which is linked to each Parking Attendant's handheld device used to process PCNs. There are no written procedures available for the management and control of access rights to the Gateway system.

There is scope to improve the access to the system in that all users with supervisor permissions can carry out any function i.e. cancelling PCNs, changing access rights, re-activating users, and creating new accounts.

Management Action Plan

1) Written procedures will be prepared in respect of the management and control of access rights to the Gateway System.

2) Access to the system will be reviewed to limit access appropriately.

Importance:	Medium
Responsible Officer:	H Hope, Finance & Support Services Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	1) Procedures in respect of the management and control of access rights to the Gateway system 2) Review of system to limit access

Auditor's Comments

Satisfactory

Action Point 3 - Training

The Parking Services Reputation Management Plan states that appropriate training for staff will be provided. A matrix of completed training is in operation; however at the time of audit the matrix was not up to date.

Management Action Plan

The training matrix will be updated to reflect the training that has been delivered.

Importance:	Low
Responsible Officer:	H Hope, Finance & Support Services Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	Updated training matrix

Auditor's Comments

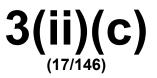Satisfactory

Action Point 4 - Body Worn Cameras

Parking attendants have used body worn cameras since 2008, and following changes in national guidance the service carried out a privacy impact assessment on the appropriate use of these cameras.   This assessment recommends some changes to current practice, however it remains in draft. It is therefore important to finalise this Privacy Impact Assessment in order to ensure that the Council is complying with data protection legislation.

Management Action Plan

The Privacy Impact Assessment will be finalised and the recommendations will be implemented.

Importance:	High
Responsible Officer:	H Hope, Finance & Support Services Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	1) Finalisation of privacy impact statement 2) Recommendations implemented

Auditor's Comments

Satisfactory

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Internal Audit Report
The Environment Service
Roads Maintenance Partnership
Assignment No 16-22
March 2017

Final Report

Finance Division
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
2 High Street
Perth
PH1 5PH

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Internal Audit

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". Public Sector Internal Auditing Standards (PSIAS)

On 27th March 2013, the Council's Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

Internal Audit Report -The Environment Service - Roads Maintenance Partnership (RMP) Improvement Plan - Follow-Up Report 15-50 reported that for completeness, an Internal Audit review relating to the activities of the RMP was recommended for inclusion in the 2016/17 audit plan. This audit has subsequently been carried out as part of the audit plan, as approved by the Audit Committee on 30 March 2016. Audit testing was carried out in January and February 2017.

The RMP is a shared service arrangement comprising elements of Perth & Kinross Council (PKC) and Tayside Contracts (TC) and is the body which commissions maintenance works and has responsibility for maintaining over 1,500 miles (2,400 kilometres) of public road network (including footways) in a safe condition, thus maintaining its value as a vital asset and providing best value to the Council.

The RMP is managed by an employee of TC with a PKC employee the deputy manager. The partnership also carries out routine inspection of the road network and cyclical maintenance such as line refreshing and cleaning out gullies. The partnership provides the Council's winter maintenance service to preserve essential services and economic activities throughout the winter and its reactive response to flooding events.

Works are awarded to TC based upon an agreed best value evaluation which states that, by providing 75% of such works to TC, this allows the facility for PKC to draw upon the workforce to assist in difficult scenarios such as maintaining the road network during periods of challenging weather conditions.

The RMP is based in the Ruthvenfield Depot, Perth, and the Blairgowrie Depot. Each office contains employees of both PKC and TC. This includes open plan office spaces.

Scope and Limitations

As stated above, the Road Maintenance Partnership is operated in conjunction with Tayside Contracts. This assignment was not a wholesale review of the workings of the partnership but focussed on Perth and Kinross Council aspects of the partnership workings.

Interviews took place during the audit with the Deputy Manager, Roads Maintenance Partnership based at Ruthvenfield Depot.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of

adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure the adequacy of the ongoing monitoring and delivery of the Roads Maintenance Partnership Improvement Plan and the relevant files.

Audit Comments:

A Roads Maintenance Partnership (RMP) Improvement Plan was presented to the Audit Committee on 16 September 2015. This Plan was prepared in response to a previous Audit Scotland report and previous Internal Audit reports.

The Environment Service's Business Management and Improvement Plan also include performance information relating to the RMP, with the Roads Asset Annual Status Report comparing the Perth and Kinross network road conditions against the Scottish average.

Sample testing carried out during this audit can give the assurance that progress has been made with the delivery of the Roads Maintenance Partnership Improvement Plan (the "Plan") and that the examined files contained evidence such as site measurements, contract order information and tender process sheets which supported the file. However, there is scope to further improve the files and checklist in use.

There is scope to review the current Plan to ensure that it remains relevant as an improvement tool as many of the actions are recorded as complete or ongoing, indicating that this is now business as usual.

Testing of ten files confirmed that checklists were held in respect of these records. Five checklists were assessed by the Auditor as fully completed with the remaining checklists mostly completed. There is also the need to ensure that only the up to date checklist is in use as different versions were found to have been used. Furthermore, there would be benefit in implementing best practice regarding the consistency and uniformity of the supporting file records, as some records were individually numbered and filed in the same order as the checklist whilst others were not.

There is a need to review the offer of contract letter as the "accept /do not accept" section of the letter was routinely not completed. Similarly, there would be benefit in reviewing controls in relation to accessing the spreadsheet detailing the contractors' prices and ensuring files are held in a secure area.

The Service has sought independent monitoring of the files from an officer out-with The Environment Service. There is scope to improve the communication of the outcomes from these reviews in order to drive forward improvements on a timely basis. A 21 January 2015 Enterprise and Infrastructure Committee meeting approved an extension to the RMP agreement for a further year as the initial document was for a three year trial period, expiring 31 March 2015. The agreement is therefore in need of review.

The partnering arrangements are supported by an Obtaining Best Value in Works Contracts procedure which is also in need of review as the procedure is dated

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2005. The Environment Service Risk Profile includes an example which refers to road maintenance but the risks relating to the RMP are not documented within a risk profile.	
Strength of Internal Controls:	Moderate

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of S D A'll, Deputy Manager, Roads Maintenance Partnership during this audit.

Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Valentine, Depute Chief Executive, Environment (Sustainability, Strategic and Entrepreneurial Development)

B Renton, Director (Environment)

W Young, Head of Environmental & Consumer Services

S D A'll, Deputy Manager, Roads Maintenance Partnership

W Mahoney, Senior Engineer, Blairgowrie Depot

F Easton, Change and Improvement Team Leader, ECS - Change and Improvement

L Simpson, Head of Legal and Governance Services

J Symon, Head of Finance

K McNamara, Head of Strategic Commissioning and Organisational Development

G. Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment was D McCreadie. The supervising auditor was M Morrison.

This report is authorised for issue:

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Jacqueline Clark
Chief Internal Auditor
Date: 30 March 2017

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Partnership Improvement Plan	Medium
2	File Checklist	Low
3	Monitoring of Files	Low
4	Supporting File Documentation	Low
5	Access to Information	Medium
6	Offer of Contract Letter	Medium
7	Road Maintenance Partnership Agreement	Medium
8	Risk Profile	Medium
9	Condition of Roads	Low

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Appendix 2: Action Plan

Action Point 1 - Partnership Improvement Plan

The Roads Maintenance Partnership Improvement Plan dated August 2015 was presented to the Audit Committee (Report 15/394 refers) on 16 September 2015.

Monitoring of the plan is carried out by the Deputy Partnership Manager who advised that progress had been discussed with the Director (Environment) although there is no formal documentation to evidence this review.

There is scope for the Service to review and update the plan to ensure that it is up to date and continues to meet business needs. There would also be benefit in reviewing the layout of the document to record greater evidence which supports completed actions and/or records progress made. Similarly, there would be benefit in introducing a system of version control which evidences the approval of any changes to the plan.

Management Action Plan

The Deputy Partnership Manager will review the Roads Maintenance Partnership Improvement Plan to ensure that the plan is up to date and continues to meet business needs. The Plan layout will also be updated to record evidence which supports completed actions and records progress made.

A system of version control will also be introduced which evidences the approval of any changes to above Plan.

Importance:	Medium
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	May 2017
Required Evidence of Completion:	Updated RMP improvement Plan and system of version control

Auditor's Comments

Satisfactory

Action Point 2 - File Checklist

Whilst most of the areas highlighted for review in the Internal Audit Report 15-50 (Report 16/154 refers) have been implemented, there is scope to further improve the file checklist by including a sign off authorisation which confirms documentation is in order and thereby authorises payments. There would also be benefit in making the checklist clearer by stating that an explanation is required where costs differ by +/- 10% or over £500.

Audit testing of ten files revealed five checklists were fully completed with the other checklists being mostly completed. The mostly completed checklists related to one ongoing checklist with hand written queries and the other cases relating to one or two incomplete sections per checklist. Whilst a system of version control over the checklist is in place, there is a need to ensure that the up to date checklist is being used as different versions were found to be in use.

Management Action Plan

For completeness, the Deputy Partnership Manager will update the file checklist to include an authorisation section which confirms the documentation is in order.

The checklist will be made clearer by prompting that an explanation is required where costs differ by +/- 10% or over £500.

A version control log will be introduced for the checklist and staff reminded of the need to use the correct version.

Importance:	Low
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	Updated checklist and version control log and staff reminder regarding use of correct version.

Auditor's Comments

Satisfactory

Action Point 3 - Monitoring of Files

The Improvement Plan referred to in Action Point 1 includes an ongoing action relating to the independent monitoring of files from out-with the Service. At the time on the audit, the RMP Deputy Manager was unaware of the detailed outcome of the most recent independent monitoring and advised that feedback was verbal.

Items selected for the above review are manually extracted from a list of projects. The Service advised that a working group was being set up with the aim of producing management information via their Road Management System (RMS) which may assist in the production of such information.

Management Action Plan

a) Feedback has now been provided for the most recent independent monitoring visit. The Deputy Partnership Manager will liaise with the Head of Service to ensure that timely feedback is provided in future.

b) A request will be submitted to the Road Management System working group regarding the system producing RMP management information.

Importance:	Low
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	May 2017
Required Evidence of Completion:	a) Timely feedback from independent monitoring. b) Outcome of submission to the RMS working group re management information

Auditor's Comments

Satisfactory

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Action Point 4 - Supporting File Documentation

Sample testing confirmed that the examined files contained supporting evidence such as site measurements, contract order information and tender process sheets.

The files would benefit from consistent implementation of best practice as not all files contained "percentage difference" sheets which explained the reasons for any differences between the estimated and actual costs. Similarly some sheets were numbered and filed in the same order as the checklist whilst others were not.

Management Action Plan

a) The Deputy Manager RMP will arrange for "percentage difference" sheets to be stored in files that explain the detail behind any differences between estimated and actual costs.

b) Staff will be advised of the need to number sheets and file in the same order as the checklist.

Importance:	Low
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	a) April 2017 b) April 2017
Required Evidence of Completion:	a) Percentage difference sheet and evidence staff made aware of requirement to use. b) Staff reminder to number sheets and file items in the same order as the checklist.

Auditor's Comments

Satisfactory

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Action Point 5 - Access to Information

Internal Audit Report 13-10/13-27 (Report 14/284 refers) issued in April 2014 stated that procedures had been introduced by the Service to restrict access to the spreadsheet which details contractors' prices. However, the password which controls access to the above has not been changed.

Due to one case of historic long term sickness the password has also been issued to a member of staff that no longer requires access. There would be benefit in the spreadsheet being transferred to a dedicated SharePoint site as systems would require staff to regularly change passwords in line with the Council's Information Security Standards.

The RMP staff share office space with non PKC staff. The files containing measurements and prices are held in an unlocked cabinet. Whilst it is appreciated that access to such information is after the award of contracts, there is the risk that sensitive information which could be used to inform future tendering or the refreshing of prices could be available to non PKC staff.

Management Action Plan

a) The files containing relevant measurements and prices will be held in a locked cabinet.

b) The Deputy Manager RMP will arrange for the spreadsheet which details contractors' prices to be transferred to a dedicated SharePoint site that can only be accessed by nominated staff.

Importance:	Medium
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	a) April 2017 b) June 2017
Required Evidence of Completion:	a) Confirmation files in secure location. b) Extract from SharePoint site.

Auditor's Comments

Satisfactory

Action Point 6 - Offer of Contract Letter

The offer of contract letter issued to contractors includes an "I hereby accept/do not accept" section which requires the appropriate option to be deleted by the contractor. Of the ten tested letters only one contractor had deleted this accept/delete section.

The letter also states that Perth and Kinross Council would like to offer you (the contract), however, the one offer of contract letter with an "accept/do not accept" option deleted was not signed by a PKC employee, but by a Tayside Contracts employee, the contractor to whom the contract was also awarded.

Whilst the above letter details the works to be undertaken, it does not include the estimated price of the contract. One letter was also found to be unsigned.

Management Action Plan

The Deputy Manager RMP will review and update the offer of contract letter to clarify and emphasise the "I hereby accept/do not accept" sections and also detail the estimated price of the contract.

The offer of contract letter template will be updated to detail PKC staff names. Staff will also be reminded that only PKC staff can sign the offer of contract letters.

Importance:	Medium
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	a) Updated contract letter. b) Reminder that only PKC staff can sign offer of contract letter.

Auditor's Comments

Satisfactory

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Action Point 7 - Road Maintenance Partnership Agreement

An Enterprise and Infrastructure Committee (EIC) report of 21 January 2015 reported that the initial Road Maintenance Partnership (RMP) agreement was for a three year period expiring 31 March 2015.The relevant minutes contain a resolution for an extension for a further year and also that the agreement be subject to an ongoing review to ensure it continues to be fit for purpose. The agreement also seeks to develop systems and procedures that ensure compliance with BS EN ISO 9001/9002. At the date of audit testing no update report had been presented to the EIC and the partnership agreement had expired.

The partnering arrangements are supported by the "Obtaining Best Value in Works Contracts" procedures that do not refer to BS EN ISO 9001/9002. The procedures are also in need of review as the document is dated 2005 and stipulate a review period of 12 months and the approval section states "await SMT authorisation".

Management Action Plan

a) The Partnership continues to operate under the Memorandum Of Understanding in relation to Tayside Contracts operation and the authorised delegated powers of PKC officers within the Partnership. There is currently a Scottish Government drive towards collaborative working and this may change the way the Partnerships (PKC, Angus and Dundee City) move forward hence no further agreement has been put in place. When the output of the collaborative working group is reported to Committee the status of the Partnership will be clarified.

b) Once the above RMP plan has been clarified the Deputy Manager, RMP will review and update the "Obtaining Best Value in Works Contracts" procedure taking cognisance of agreed way forward in providing the service. Any reference to BS EN ISO 9001/9002 and/or the quality principles will be dependent on the outcome of the review by the collaborative working group.

Importance:	Medium
Responsible Officer:	a) B Renton – Director (Environment) b) S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	a) January 2018 & (b) April 2018
Required Evidence of Completion:	a) Updated RMP agreement. b) Updated Best Value procedure.

Auditor's Comments

Satisfactory

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Action Point 8 - Risk Profile

The Environment Service Risk Profile includes an example which refers to road maintenance and an improvement action of asset management plans for roads and fleet. The risks relating to the Roads Maintenance Partnership (RMP) are not documented within a risk profile.

The documentation, assessment and review of the risks and associated controls in relation to the delivery of the RMP in a risk profile would allow the Service to evidence the effectiveness of their controls and the actions taken to mitigate risks.

Management Action Plan

The Deputy Manager RMP will discuss the aspects of a risk profile that require consideration with the Head of Service and draft the risk profile to ensure controls are in place and regularly monitored. The risk profile will be presented to TES SMT for consideration for inclusion in the overall TES risk profile.

Importance:	Medium
Responsible Officer:	S D'All, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	September 2017
Required Evidence of Completion:	RMP Risk Profile in place

Auditor's Comments

Satisfactory

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Action Point 9 - Condition of Roads

An Enterprise and Infrastructure Committee (EIC) Roads Asset Annual Status Report of 9 November 2016 described the condition of the roads asset versus the Scottish Average.

In respect of 2015, the report stated that 37% of "A" and 36% of "B" roads in Perth and Kinross require attention. The report also stated that the corresponding Scottish Average figures were 29% and 35%.

However, audit testing revealed that the Scottish Average figures were 27% and 32%.

The Service advised that the figures used in the Committee report are external unverified figures as the Scotland wide verification timescale is later than the required submission date of the Committee report.

Management Action Plan

The Deputy Manager RMP will arrange for the next Roads Asset Annual Status Report presented to Enterprise and Infrastructure Committee to report that the Scottish Average of A and B class roads that required attention in 2015 were 27% and 32% and not 29% and 35% as reported in 9 November 2016.

The Service will also consider deferring the above EIC report from November to January, or for the report to state that the national figures contained therein in November are at that time unverified.

Importance:	Low
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	January 2018
Required Evidence of Completion:	Extract from EIC 2017 Status Report

Auditor's Comments

Satisfactory

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Internal Audit Report
The Environment Service
16-16 Transformation
March 2017

Final Report

Finance Division
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
2 High Street
Perth
PH1 5PH

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Internal Audit

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". Public Sector Internal Auditing Standards (PSIAS)

On 27th March 2013, the Council's Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2016/17, which was approved by the Audit Committee on 30 March 2016. Audit testing was carried out in February and March 2017.

The transformation programme was approved by council on 1 July 2015 (report 15/292 refers) as part of the "Building Ambition: The Council's Transformation Strategy 2015-2020 and Organisational Development Framework".

Scope and Limitations

The audit has included interviews with key officers in the Corporate Transformation team and has included reviewing evidence of progress of a sample of individual projects.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure that there are adequate processes for the oversight of the transformation programme.

Audit Comments:

Subsequent to the approval of the Transformation Strategy, reports have been presented to Elected Members through the Strategic Policy and Resources Committee and Council.

There have been changes to the corporate oversight of transformation projects during the year. A streamlined monthly reporting process is now in place with regard to the provision of information for the Executive Officer Team and Elected Members.

The Corporate team demonstrated an understanding of the projects tested and were able to provide evidence of progress against the achievement of approved / projected savings and approved / projected spending.

The Service has identified areas where improvements have been made regarding the identification and reporting of progress, where slippage has occurred or

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additional expenditure may be required in order to deliver the anticipated savings.	
Strength of Internal Controls:	Moderately strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of the Team Leader, Strategic Planning, Improvement and Riskduring this audit.

Feedback

Internal Audit welcomes feedback, in connection with this audit or with the Internal Audit service in general.

Distribution

This final report has been distributed to:

B Malone, Chief Executive

J Valentine, Depute Chief Executive Sustainability, Strategic and Entrepreneurial Development

K McNamara, Head of Community Planning, Strategic Commissioning and Organisational Development

J Symon, Head of Finance

G. Taylor, Head of Democratic Services

L Simpson, Head of Legal and Governance Services

S Flannigan, Employee Innovation and Engagement Manager

C Jolly, Team Leader

P Dickson, Complaints & Governance Officer

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External Audit

Authorisation

The auditor for this assignment was J Clark.

This report is authorised for issue:

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Jacqueline Clark
Chief Internal Auditor
Date: 29 March 2017

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Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Proportionality	Low

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Appendix 2: Action Plan

Action Point 1 - Proportionality

The Corporate Transformation team have an awareness of the overall progress of individual projects and work with Services to ensure that Verto is updated monthly. The reporting and oversight of each project is the same regardless of the size of the project. As such, projects with a saving of £16,000 are treated in the same way as projects which are anticipated to deliver £600,000 in savings.

There is scope to review the oversight role to ensure proportionality.

Management Action Plan

The Service is working towards implementing a 'highlight' reporting tool within Verto and it is anticipated that this will assist in directing scrutiny towards those projects which are most significant in terms of political sensitivity, funding allocated and anticipated savings.

Importance:	Low
Responsible Officer:	C Jolly, Team Leader, Strategic Planning, Improvement and Risk
Lead Service:	The Environment Service
Date for Completion (Month / Year):	June 2017
Required Evidence of Completion:	'Highlight' report template

Auditor's Comments

Satisfactory

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Internal Audit Report
Housing and Community Safety
Commissioned Services – Care at Home   Assignment No.16-24
March 2017

Final Report

Finance Division

Corporate and Democratic Services

Perth & Kinross Council

2 High Street

Perth PH1 5PH

Internal Audit

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On 27th March 2013, the Council's Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2016/17, which was approved by the Audit Committee on 30 March 2016.

The Housing and Community Safety, Housing and Strategic Commissioning Service of the Council commissions the letting of contracts to third parties for the provision of services, including Care at Home, to be provided throughout the Council's area.

The 2016/17 Housing and Community Safety (H&CS) approved gross revenue budget of £124.264 million includes £54.277million as payments for a range of services to be provided by Third Parties, including services for Care at Home.

The indicative scope of the audit was to review the adequacy of the arrangements in place for the management of Care at Home service contract commissioning and monitoring. As the Service were in the process of commissioning contracts for Care At Home services, the review has concentrated on adding value by ensuring that arrangements are in place for the management of the new contracts in place.

Scope and Limitations

In order to arrive at an opinion on the achievement of the control objectives, the audit included reviews of practices and interviews with staff within Housing and Community Safety, Housing and Strategic Commissioning, at Pullar House.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: 1.   To ensure the Council's strategy on the commissioning of contracts for Care at Home services is up-to-date and complies with current legislation, Financial Regulations and Corporate Plan
Audit Comments: The Council approved a Housing and Community Safety Services, Commissioning Strategy document in 2011/12 in line with legislation, Financial Regulations and Corporate Plan objectives. This is available on the web page and has remained appropriate until 2016. Following the creation of the Perth and Kinross Health and Social Care Integrated Joint Board (IJB) a new Strategic

Commissioning Plan, 2016-2019, has been developed and introduced by the partnership which includes many of the essential features of the 2011 document but also incorporates the requirements of the new joint working and commissioning arrangements. The IJB has the strategic planning responsibility for the provision of a wide range of services, including Care at Home. The Council will continue to commission these services on behalf of the partnership for the immediate future and H&CS SMT have established a Commissioned Services Board to provide oversight of activity and developments on behalf of the Council and IJB, and in October 2016 agreed a new contract strategy specifically in respect of Care at Home Commissioning.

Our review confirms that the Council's contract commission strategy is up-to-date and complies with relevant legislation and regulations but the electronic copy of the 2011 document should be deleted

Strength of Internal Controls:	Strong

Control Objective: 2.   To ensure that Care at Home service contract commissioning procedures are in line with approved strategy and support changing user needs and the Council's improvement priorities
Audit Comments: The commissioning of contracts for the provision of Care at Home services falls within the remit of the Contracting and Commissioning Team. The team have developed a range of standard documents, guides and templates for use in the contract commission process which ensure that contracts are commissioned in line with Council strategy and contract rules. However a number of the documents require updating following developments during 2016 and new documentation will be in place following the awarding of the new contract from 1 May 2017.

Strength of Internal Controls:	Moderately strong

Control Objective: 3. To ensure that Care at Home service contract commissioning procedures include appropriate and effective contract monitoring and control provisions.
Auditor's Comments: The standard forms and documents in use within the contract commissioning procedures include provisions for the monitoring and control of the contracts, requiring providers to maintain adequate records and cooperate with the Council in reasonable monitoring processes. Contract monitoring activity falls within the remit of the Contracting and Commissioning Team and oversight of monitoring lies with the Commissioned Services Board. The Contracts and Commissioning Team have in place a contract monitoring guide; however, this is dated 2008 and has not yet been amended to reflect developments during 2016, particularly the creation of the IJB and the appointment of Quality Monitoring Officers based within Localities. Our review confirms that a number of service providers have been the subject of satisfactory monitoring during 2016 but there is no timetable for regular reporting to the Commissioned Services Board.

Strength of Internal Controls:	Moderately strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Housing and Strategic Commissioning staff during this audit.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

The Final Report will be issued to the following officers:

B Malone, Chief Executive

J Fyffe, Senior Depute Chief Executive

B. Atkinson, Director (Social Work),

L. Cameron, Head of Housing & Strategic Commissioning

E. McMullen, Planning and Commissioning Manager

G. Peters, Team Leader, Commissioning and Contracting

J Symon, Head of Finance

L Simpson, Head of Legal and Governance Services

K McNamara, Head of Community Planning, Strategic Commissioning and Organisational Development

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment was D Brownlow. The supervising auditor was J Clark

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Jacqueline Clark
Chief Internal Auditor
Date: 30 March 2017

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Out of date strategy document to be deleted	Low
2	Update guides and procedures	Low
3	Register of contracts	Low
4	Contract monitoring reporting timetable	Medium

Appendix 2: Action Plan

Action Point 1 - Out of date strategy

The 2011 strategy document has been superseded. However, it remains accessible on the Council's intranet site, ERIC.

Management Action Plan

The Service will ensure that this out of date strategy is removed.

Importance:	Low
Responsible Officer:	G. Peters, Team Leader, Commissioning and Contracting
Lead Service:	Housing and Community Safety
Date for Completion (Month / Year):	Completed
Required Evidence of Completion:	Document deleted

Auditor's Comments

Satisfactory

Action Point 2 - Update guides and procedures

The Contracts and Commissioning Team have a significant number of standard documents and guides but a number of these require review and update to reflect changes during 2016 and 2017.

Management Action Plan

The Service has identified the need to review and update standard documents and guides in line with the new contracts awarded from 1 May 2017.

Importance:	Low
Responsible Officers:	G. Peters, Team Leader, Commissioning and Contracting
Lead Service:	Housing and Community Safety
Date for Completion (Month / Year):	July 2017
Required Evidence of Completion:	Updated guides made available

Auditor's Comments

Satisfactory

Action Point 3 - Register of contracts

Contract details and supporting documents are held for all contracts within the team's individual service provider files. However there is no overall register or management control records in place.

Management Action Plan

Revised arrangements will be put in place for the management of the new contracts for 2017.

Importance:	Low
Responsible Officer:	G. Peters, Team Leader, Commissioning and Contracting
Lead Service:	Housing and Community Safety
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	Contract register or control record introduced

Auditor's Comments

Satisfactory

Action Point 4 - Contract monitoring reporting

The remit of the Commissioned Services Board includes overseeing monitoring, reviewing work programmes and receiving regular reports on these. Monitoring of a number of Care at Home service providers was undertaken by the Contracts and Commissiong Team during 2016. However, there is no systematic reporting on monitoring provided to the Board.

Management Action Plan

1) The Service will agree an approach with the Commissioned Services Board for reporting on monitoring.

2) An annual report on commissioned services, which will include Care at Home Services, will be provided to the Commissioned Services Board.

Importance:	Medium
Responsible Officer:	E McMullen, Planning & Commissioning Manager
Lead Service:	Housing and Community Safety
Date for Completion (Month / Year):	1) July 2017 2) April 2018
Required Evidence of Completion:	1) Minutes from the Commissioned Services Board 2) Annual report

Auditor's Comments

Satisfactory

Internal Audit Report
Housing & Community Safety
SWIFT System
Assignment No.16-04
March 2017

Final Report

Finance Division
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
2 High Street
Perth
PH1 5PH

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Internal Audit

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On 27th March 2013, the Council's Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2016/17, which was approved by the Audit Committee on 30 March 2016.

The SWIFT system is used to manage Perth and Kinross Council (PKC) clients' information in the provision of Adult Care and Children's Services. SWIFT was first installed at PKC in 2005 and is currently used by 9 other Scottish local authorities. SWIFT can be accessed by other Council services staff including Housing, Adults Social Care and Children's Services teams and also third parties. The Swift system is managed by the Business Systems Team. Upgrades are also managed/co-ordinated by the Business Systems Team Leader. The supplier does the upgrades with support from the Business Systems Team and Corporate IT (who manage the infrastructure). PKC upgraded to the latest version of Swift in May 2016.

Scope and Limitations

The audit reviewed controls in place by interviewing relevant personnel and checking sample system documentation, relevant corporate guidance and procedures relating to the system and system data. Due to the size and complexity of the application, the scope of this review was limited to reliance on this evidence for testing. Online access to the system was not requested.

SWIFT system is used to manage Council clients' personal information. As such, it falls within legislative areas for the protection of personal data, i.e. the Data Protection Act and the incoming General Data Protection Regulation 2016. The Act and new Regulation carry large potential penalties for non-compliance by organisations. Effective management of SWIFT records can also deliver significant benefits for PKC, for example, demonstrate proper treatment of personal information and maintain confidence between PKC and its clients.

Key officers interviewed included the Business Improvement Manager for Housing & Community Safety, the Business Systems Team Leader as the System Responsible Officer, the IT Co-ordinator (Applications) and the Council's Information Compliance Manager during February 2017.

The audit did not review information sharing with third parties and areas already covered in audit 16-05 Information Sharing.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the

actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective 1: To ensure that support and maintenance arrangements are in place for the SWIFT system

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Audit Comments: PKC has a 5 year contract agreement with the SWIFT software supplier up until the end of March 2019. There are regular meetings of the Scottish SWIFT End User Group, which is currently chaired by PKC's Business Systems Team Leader.

Corporate IT manages the hardware infrastructure that holds SWIFT data. Regular backup and restore tests are carried out for SWIFT data and confirmation reports sent to the Service Desk on completion. Policy and procedures for backup and restore test policy are documented. In the event of any system failure, recovery of data up to the last working day should be available through the process in place. The SWIFT system is categorised as the highest priority Council application on the Corporate IT current business continuity plan.

The SWIFT supplier advised that an end of support notice is planned for issue to customers in April 2017. Development is planned to cease for the SWIFT (Adult and Children) product after 31st March 2017. Support for the product is planned to end on 31 March 2020, including the recent Adult Integrated Services (AIS) and the Children's Case Management (CCM) products used by PKC practitioners. The supplier will make critical fixes as required until March 2020. To ascertain the way forward, a paper on the future of SWIFT has been produced by the Head of Revenues and Corporate IT advising relevant officers. The Scottish SWIFT End User Group has also requested the supplier to extend the 3 year notice to 5 years.

In addition, vulnerability was identified within SWIFT in November 2016. It was reported that work was underway to upgrade and fix this vulnerability during the audit and has now been fixed.

Strength of Internal Controls:	Moderate

Control Objective 2: To ensure that adequate physical and logical access controls are in place for SWIFT

Audit Comments:

Access control and documentation:

In line with good practice guidance in the Information Security Standard, ISO279002:2013, a Business Systems Access Control Policy document by Housing and Community Safety has been produced, dated 2015. This is understood to be due for review and update.

There is also a Business Systems Procedures Document, dated May 2015 which defines system administration procedures and access controls for SWIFT.

SWIFT environments: It was reported that the LIVE environment is used in place of a previous TRAIN environment for user training and that this is carried out under supervision. Thus, users can input and update live data during training, logged in

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and recorded by their User ID.

Training: Users are also required to complete training by requesting this on a training request form. After training and login request forms are authorised by Line Managers, training and access is provided by the SWIFT Business Systems Team as required. Training guides are available for SWIFT users including -

Housing and Community Safety Generic AIS Personal Details Training Guide

AIS Adult Care Plans and Service Delivery User Guide

AIS and SWIFT - Adult Protection User Guide

Child Case Management [CCM] Helpful Hints and Tips

CCM Viewing the Electronic Social Care Record (ESCR)

There is also Council wide policy on clear desks as part of the flexible working arrangements for offices; staff are encouraged to lock or switch off their devices if there are leaving them. Devices automatically lock after a set period of time.

Access to SWIFT and password authentication: In advance of accessing SWIFT, users require written authorisation by their Manager. This was evidenced in a sample request form. Forms are sent to the SWIFT Team for processing. If SWIFT system user requests are agreed, the user is then provided with a username and first password on a written form via email. They are requested to sign their agreement to maintain confidentiality of information and their Line Manager has to countersign the same form. This form is then sent to PKC Employee Support Service and recorded on SWIFT as being completed. Therefore the first password and username is viewed by several staff during this process and held on their staff file. This does not comply with SWIFT Confidentiality and Passwords, Looking after Information – Staff Awareness guidance which requires usernames and passwords to be kept confidential and not shared.

Users are also required to sign a formal agreement reminding them of their obligations for confidentiality of information and the Council's Employee Code of Conduct. Third parties accessing SWIFT are required to sign up to the same disciplinary treatment as PKC employees if they are found to break the confidentiality agreement.

It was reported that system administrators' access allows them to input data as well as carry out administrative tasks.

There was a satisfactory detail of activated and de-activated user IDs listed dating back to 03/07/2009 which system administrators can view as required.

One generic login for Online Training set up in July 2012 was reported to not be in common use.

The option to force users to change their password was not switched on. However, prior to accessing SWIFT, users also have to access the PKC network, which has an enforced change of password every 40 days.

User management: To assist in user management, SWIFT administrators can interrogate and produce reports on User Groups and permissions in SWIFT as required. Sample reports were provided - all Member User-Groups and also for the new Launchpad Titles for AIS Users. The former listed 82 User Groups, of which 32 were 'defaults' and noted 1172 SWIFT users set up with these groups on 22

March 2017. Default groups were reported to be useful as templates from which to set up users' access by job requirements.

The process for identifying change to user access requirements has been reliant on Managers notifying the Business Systems Team, awareness of the SWIFT Business Systems Team of changes (for example through information in staff newsletters on staff who have left the Council) and through sending out requests to Team Leaders to regularly review lists of those with SWIFT systems access for the Business Systems Team. However, in March 2017, the Business Systems Team Leader advised that agreement with HR/Payroll had been made to obtain monthly payroll reports on 'starters, movers and leavers'. A process to follow up changes recorded with relevant managers to make necessary changes to network and SWIFT systems access will be undertaken to improve the management of change.

Strength of Internal Controls:	Moderate

Control Objective 3: To ensure that there are adequate controls for data input and data integrity in SWIFT

Audit Comments: Input:

Prior to inputting data in SWIFT, users are required to search records first to reduce the risk of data being input twice. Within the system there are warnings about creating new people where similar records may already exist. User guidance provides detail on search options to do this. Users are advised to search at a high level and use the 'wild card' option to provide numerous rows for checking. These rows of records are then to be refined filtered and sorted to verify if a record already exists. If none is found then a new record is created.

However, there is a risk that if the search option does not identify a record that is there, another record or duplicate may then be created.

Integrity:

Controls in place to assist with data integrity are reported as follows:

If a practitioner finds an error, such as a duplicate record, this can be reviewed and fixed through the formal request form for a record merging/deletion processed by the SWIFT Team. During January and February 2017 there were 1,240 new records created. 37 requests to merge records were made during that period, of which 15 were described as duplicate records or duplicate IDs. Record merge request forms are not kept by the system administrators; however, there is a record held within Swift about which records have been merged, who asked for it, when it was merged and who in the systems team merged it. This note is added into the actual client record to confirm the record that has been 'consumed' into the 'live' one. The email request is then deleted as the Team was advised that they should not keep records/data related to clients.

There are validation reports, some monthly; some related to a specific record/ assessment which can be run before a final version is saved

There are a number of guides on what information needs to be recorded, use of coded dropdown lists reduce input errors

In addition, the statutory social care return to the Scottish Government is an electronic extract of the SWIFT client details over the year. Considerable validation of this data is carried out prior to submission.

Other statistical analysis linking social care clients to NHS clients also assists with validating data and highlighting and duplicates.

Strength of Internal Controls:	Moderate

Control Objective 4: To ensure that there are adequate retention and output controls applied to SWIFT data

Audit Comments: Data Retention:

SWIFT data is kept electronically within the system and is not archived onto another storage area. This provides a single platform which makes search and retrieval of archives simpler and avoids compatibility requirements for a separate archive storage area.

No review was made on requests for data to be deleted as these records were not available during the review. In 27 September 2016, PKC employees were advised not to destroy any documents or files containing documents pertaining to children or interactions with children in the Inside News Bulletin.

Data Output:

Evidence of guidance for users on output controls was provided during the review. Council wide policy on safeguarding information beyond PKC, including the use of encryption and the use of USB hard drives confirmed policy guidance is in place for SWIFT users.

The Information Compliance manager reported that he understood the SWIFT system to be fairly well controlled. Evidence was provided of the PKC Data Protection Policy approved by PKC in February 2017. This defined roles and responsibilities for the security of personal and confidential data and data sharing agreement requirements. Further testing was not carried out as guidance and procedures were found to be in place for users to adhere to.

Audit trail and audit logs:

SWIFT audit logs have been switched on and report on data in the system going back to 2011. Systems administrators access and review these logs for incident management purposes and report on specific sensitive records data in SWIFT to relevant staff, but not for general compliance monitoring purposes.

Strength of Internal Controls:	Moderate

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each

6

'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of the Business Systems Team Leader and Corporate IT during this audit.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

The final report will be issued to:

B Malone, Chief Executive

J Fyffe, Senior Depute Chief Executive

J Valentine, Depute Chief Executive

B Atkinson, Director of Housing and Community Safety

S Devlin, Director (Education & Children's Services)

A Taylor, Head of Corporate Revenues and IT; Housing and Community Safety

D Fraser, Head of Adult Social Work and Social Care

J Symon, Head of Finance

K McNamara, Head of Strategic Commissioning and Organisational Development

L Simpson, Head of Legal and Governance Services

G. Taylor, Head of Democratic Services

S Strathearn, Business Improvement Manager, Housing & Community Safety

D Henderson, Information Compliance Manager

C MacLean, Business Systems Team Leader

D Turner, (IT Co-ordinator (Applications)

External Audit

Authorisation

The auditor for this assignment was N Duncan. The supervising auditor was J Clark.

This report is authorised for issue:

_____

Jacqueline Clark
Chief Internal Auditor
Date: 31 March 2017

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	End of Support Notice and security	Medium
2	SWIFT environments	Medium
3	SWIFT access and password authentication	High
4	User access management and change	Medium
5	Input and integrity checks	Medium
6	SWIFT record deletion	Medium

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Appendix 2: Action Plan

Action Point 1 - System end of support notice and security

a) Although PKC has a contract agreement until the end of March 2019 with the supplier, Northgate has advised that a formal statement will be issued in April 2017 of the company's plan to end the development and support of SWIFT.

The Business Systems Team Leader chairs the Scottish SWIFT End User Group and this group has asked the supplier to consider extending support up to 5 years.

b) The Technical Support team is currently testing a security update to SWIFT for compliance with a target date for this upgrade in 31 March 2017. Therefore the risk arising from this vulnerability is limited to the testing period.

It is noted that dependence on third party suppliers' applications and older versions of system software is a general area of risk which is noted in the cyber security report to the Strategic Policy and Resources Committee in February 2016.

Management Action Plan

a) Once formal de-support notice is received, the Service will:

(i) Review the implications with Legal & Governance Services;

(ii) Carry out options appraisal for replacement system; and

(iii) Work with procurement, IT, system users to take forward tender process for replacement system.

b) The Service is working with the supplier (Northgate) and Corporate IT to ensure all relevant service packs are tested and applied as soon as possible after release.

Importance:	Medium
Responsible Officer:	S Strathearn, Business Improvement Service Manager/C MacLean, Business Systems Team Leader
Lead Service:	Housing & Community Safety
Date for Completion (Month / Year):	a) March 2020 b) complete
Required Evidence of Completion:	a) Replacement Social Care System Outline Business Case Tender/procurement documentation b) PSN Sign-off reports

Auditor's Comments

Satisfactory

Action Point 2 -   SWIFT environments

Users learn SWIFT processes in the LIVE environment under supervision as there is no separate training environment. The risks of using the LIVE environment for user training include potential unauthorised change or loss of data.

Where there is a lack of segregation of duties available, mitigating controls can assist, for example review of audit trails and exception reporting.

SWIFT audit logs have been switched on and can report on system processes in reasonable detail back to 2011. Systems administrators have access to the audit logs and reporting function. Some audit reporting is carried out for specific sensitive records data in SWIFT.

Logs are reviewed on an incident response basis. There is no periodic random checking of the audit logs carried out.

Review of audit detail is a useful mitigating control, for example, to monitor areas where there is limited segregation of access, as referred to in action point 2 - users are trained in the live system and systems administrators can also input access.

Management Action Plan

The Business Systems Team Leader, in association with other relevant Team Leaders, will carry out periodic random checking of audit reports to confirm appropriate record access.

Importance:	Medium
Responsible Officer:	C MacLean, Business Systems Team Leader
Lead Service:	Housing & Community Safety
Date for Completion (Month / Year):	September 2017 and then 6-monthly.
Required Evidence of Completion:	Exception report from review of audit logs

Auditor's Comments

Satisfactory

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Action Point 3 - Access to SWIFT and password authentication

SWIFT users' first time passwords are issued to users via email on user request forms which are printed off and then countersigned, stored and can be viewed by others. This does not comply with the Information Security Standards or SWIFT's Confidentiality and Passwords, Looking after Information – Staff Awareness guidance which requires usernames and passwords to be kept confidential and not shared.

In addition, there is no enforced change of SWIFT user login passwords although this functionality is available. It was reported that when this had been switched on previously there had been problems, so the facility was left switched off. However, this hasn't been tested in the latest version of SWIFT. SWIFT users are advised to manually change their passwords on a regular basis.

Mitigating controls to compensate for this control not being enforced include the initial network login controls which enforce a change every 40 days.

Management Action Plan

The process for issuing passwords will be changed to ensure these are confidential to the user and the Acceptance Form will be updated accordingly.

Importance:	High
Responsible Officer:	C MacLean, Business Systems Team Leader
Lead Service:	Housing & Community Safety
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	Documented Process for issuing passwords Updated Acceptance Form

Auditor's Comments

Satisfactory

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Action Point 4 - User access management and change

The process for identifying changes to user access requirements has been reliant on managers acting on reports generated from Swift and notifying the Business Systems Team of such changes. This can lead to delays in ensuring that system access is restricted to only those officers who require those levels of access.

Management Action Plan

In addition to distributing reports generated from SWIFT, the Service will use HR/Payroll monthly reports on starters and leavers to identify changes to SWIFT users' job roles and will follow up access changes.

A process to follow up changes and make necessary changes to network and SWIFT systems access is planned.

Importance:	Medium
Responsible Officer:	C MacLean, Business Systems Team Leader
Lead Service:	Housing & Community Safety
Date for Completion (Month / Year):	May 2017 - ongoing
Required Evidence of Completion:	Monthly cross- checked (before and after) system access reports

Auditor's Comments

Satisfactory

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Action Point 5 - Input and integrity checks

Prior to inputting a new record, users are advised on how to search in SWIFT in case there is a record for that person already in the system. Guidance recommends users search at a high level and use the wild card option to provide numerous rows for checking. These rows of records are then to be refined filtered and sorted to verify if a record already exists. If none is found then a new record can be created. However, there is a risk that if the search option does not identify a record that is there, another record or duplicate may then be created.

The extent of this risk occurring was found in the report maintained by the Business Systems Team and provided during the audit. During January and February 2017 there were 1,240 new records created. 37 requests to merge records were made during that period, of which 15 were described as duplicate records or duplicate IDs.

A process for identifying and correcting errors and duplicate records in SWIFT was reported as follows. When a user finds an error, such as a duplicate record, correction of the SWIFT record is through the formal request form for a duplicate record merging processed by the SWIFT Team. The Team keep a summarised record of the change on a spreadsheet, and then send back the form to the user who requested the change. The email request is then deleted as the Team was advised that they should not keep records/data related to clients.

Other integrity checking of SWIFT input data is in place, including validation reports and close scrutiny of records annually for the Scottish Government's statutory social care return. Other statistical analysis linking social care clients to NHS clients assists with validating data and highlighting and duplicates.

Management Action Plan

The Service will continue to monitor data quality using reports distributed to team leaders and other relevant staff to review and action as required in preparation for data migration to the replacement system.

Importance:	Medium
Responsible Officer:	C MacLean, Business Systems Team Leader
Lead Service:	Housing & Community Safety
Date for Completion (Month / Year):	Ongoing
Required Evidence of Completion:	Copies of reports showing reduced errors

Auditor's Comments

Satisfactory

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Action Point 6 - SWIFT record deletion:

A SWIFT Record Deletion Request Form was provided during the review which was required to be approved by a Team Leader or Senior. Records that could be deleted with this process included - Whole Client Record; Profile Note; Contact; Referral; Assessment; Relation; Involvement; Review; Criminal Justice Service Report; Criminal Justice Service Order; Other.

Internal Audit did not review details of requests for data to be deleted as these records were not available centrally. However, there appears to be a potential risk that if a whole client record had been deleted in error pre- June 2016, the only log detail of this would be in the file of a key worker who requested this.

Management Action Plan

A process will be put in place to maintain records of deletions from SWIFT (subject to compliance with the current embargo on client record deletions associated with children).

Importance:	Medium
Responsible Officer:	C MacLean, Business Systems Team Leader
Lead Service:	Housing & Community Safety
Date for Completion (Month / Year):	May 2017
Required Evidence of Completion:	Record of deletions from Swift

Auditor's Comments

Satisfactory

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PERTH AND KINROSS COUNCIL

Audit Committee

18 April 2017

THE INTERNAL AUDIT STRATEGY & PLAN, 2017/18

Report by the Chief Internal Auditor

PURPOSE OF REPORT
This report presents the strategy for the delivery of Internal Audit and the proposed Internal Audit Plan for the April to September 2017.

1.   BACKGROUND

1.1   Internal Audit, as defined in the Public Sector Internal Audit Standards (PSIAS), is an independent, objective assurance and consulting activity designed to add value and improve the effectiveness of the Council's operations. It helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes.

1.2   The PSIAS require the Chief Internal Auditor to prepare a risk based Internal Audit Plan (the Plan) setting out the team's annual work programme. The Plan should take account of the Council's objectives, risk and performance management arrangements.

1.3   In order to ensure compliance with the PSIAS requirement of undertaking an annual risk assessment, a detailed exercise reviewing the 'audit universe' (which includes all significant activities and systems that contribute to the achievement of the Council's objectives) has been undertaken. This includes a review of the main priorities, aims and objectives of the Council and its key partners, as set out in the Single Outcome Agreement, the Corporate Plan, Service BMIPs and the Business Plan.

1.4   In February 2017, the Strategic Policy and Resources Committee approved revised arrangements for the corporate management of risk (report 17/63). The embedding of these changes may change the shape of Internal Audit plans going forward and will provide an improved position for Internal Audit to place reliance on the Council's risk management arrangements.

1.5   The Internal Audit Plan will further benefit from taking into consideration the outcomes from the self-assessment exercise and evidence that supports the Annual Governance Statement, which is included as part of the final accounts provided to External Audit in June.

1.6   Internal Audit has therefore taken these developments into account and presents for approval a plan for the period April to September 2017. This plan

takes account of the assignments which have been previously approved by Audit Committee in March 2017 (Report 17/116 refers).

1.7   In developing this Plan, outcomes from the 2016/17 Annual Governance Statement (AGS) process and the ongoing improvements to the corporate management of risk have been taken into consideration. The Local Area Network of external scrutiny bodies undertakes a strategic risk assessment for Perth & Kinross Council and produces an Assurance and Improvement Plan, which is the assessment of the level of external scrutiny required for each council, and this has been examined and a discussion has taken place with the Council's External Auditors regarding their priorities and in order to ensure that there is no duplication of audit effort. Previous Internal Audit activity and information regarding complaints to the Council have also contributed to the development of the audit universe. Consultation has also taken place with Services regarding Internal Audit coverage for the period covered by the Plan.

1.8   Each potential audit subject is assigned a priority rating which derives from an assessment of four factors:

(i)   the significance of the activity or system in relation to the Council's objectives;
(ii)   the likely consequences of a failure of control, whether in financial, legal, health & safety, reputational or other ways;
(iii)   the degree of change in the activity or system, whether legislative, managerial or in other ways;
(iv)   the assessed strength of the internal controls in place, where known, and reported performance.

1.9   The priority ratings are assigned independently by Internal Audit; however, the process benefits greatly from the information provided by Services during consultation.

1.10   Once the priority ratings have been assigned, a review of the available resources is undertaken. For the year 2017/18, some resources will be utilised by working collaboratively with Highland Council to augment the capacity of the Internal Audit team in order to deliver more technical IT audits. This will ensure that a greater number and more technical audits can be undertaken within the year.

1.11   Each audit assignment has been assessed with regard to the indicative scope and has been assigned an appropriate level of resource in order to deliver the assignment. The allocation of resources is based on the assumption that there will be no significant issues arising from the audit which require any detailed investigative work over and above the anticipated assurance work on the control environment.

1.12   An allocation of resources has been set aside to enable Internal Audit to respond to requests for ad hoc advice or requests for unplanned consultancy during the year. The allocation also provides for resources to be available to support the Counter-Fraud and Corruption Strategy and to undertake

investigations as required. This resource equates to roughly 10% of resources available for Internal Audit activity.

1.13 A further allocation of resources has been set aside within the Plan to support the Chief Internal Auditor of NHS Fife, Tayside and Forth Valley in delivering the Internal Audit Plan for the Integrated Joint Board. Detailed work in this area will be approved by, and reports will be submitted to, the Integrated Joint Board.

2. PROPOSALS

2.1 Appendix A shows a summary of the forecast internal audit resources for April – September 2017. The 'Days available for allocation to PKC Internal Audit Plan' equates to 14 audit assignments plus the IT audit to be delivered by Highland Council. This represents the 'core' audit plan for the Council and is in addition to other direct audit work, including:

(i)   supporting the Chief Internal Auditor for the Integrated Joint Board;
(ii)   the certification of Council grant claims;
(ii)   facilitating the Council's response to the National Fraud Initiative; and
(iii)   other ad-hoc audit assignments.
.

2.2 Appendix B shows the assignments which are proposed to be undertaken during April to September 2017. It highlights the areas to be audited, along with the indicative scope of the assignment. The number of audit days attributable to each audit has been estimated and is included here for information, along with the indicative time scales for each audit. The 2017/18 Audit Plan is summarised in the table below:

Quarter	Title	Lead Service
1	Management of Contracts	All Services
1 *	General Outcome Focussed Assessment	Health & Social Care Partnership
1	Partnership Working – Community Justice Partnership	Housing & Community Safety
1 *	Financial Management of Secondary Schools	Education & Children's Services
1 *	Capital Programme	The Environment Service
2	Northgate Housing System	Housing & Community Care / Corporate & Democratic Services
2	Financial Assessment & Charging Follow Up	Housing & Community Safety
Through-out year	Integrated Adult Health & Social Care	Integrated Joint Board
Through-out year*	Grant claim certification as required	The Environment Service

Quarter	Title	Lead Service
Consultancy		
1 *	Child's Plan	Education & Children's Services
1	IR35	Corporate & Democratic Services
1&2	Arms Length External Organisations (ALEOs)	
Through-out year *	Supporting the embedding of new Risk Management arrangements	Corporate
Through-out year	Transformation	Corporate
Through-out year *	Corporate Governance	Corporate & Democratic Services
Through-out year	Community Empowerment	Corporate & Democratic Services
Through-out year	New process development	Education & Children's Services

* Previously approved as part of the Internal Audit Update in March 2017 (Report 17/116 refers)

2.3   Appendix B also highlights a division between assurance and planned consultancy activity, which may take place over a longer period. The consultancy assignments are a more pro-active, enabling audit approach and aim to support management in building in controls at the outset for the implementation of systems, processes and procedures and also for the provision of specific assurance for particular projects or issues at the request of management. This approach is consistent with the PSIAS and with the Internal Audit Charter, approved by the Audit Committee in November 2015 (report 15/545 refers).

2.4   The listing of audit subjects by Council Service and Division in Appendix B is intended only as a guide. It does not necessarily imply that sole responsibility for that activity or system rests with the Service named or that the audit will be restricted to the work of that Service. In particular, many subjects of a 'corporate' nature (including most of the Council's financial systems) may require access to records across all Services.

2.5   It is not the purpose of this part of the planning process to specify the content of each audit in detail, but the high-level indicative scope has been captured to indicate the areas which will be subject to review. This will minimise the time taken in the detailed scoping of assignments at a future date.

2.6   The planned work will take place from April to September 2017.

2.7   The responsibility for implementing and maintaining the appropriate controls in each area rests with management. The purpose of the internal audit process is to provide independent assurance to the Council that these controls are appropriate and are operating effectively. The aim of the

prioritisation process described above is to ensure that this assurance is directed to those areas where it is of most benefit in supporting the delivery of the Council's objectives.

2.8   The achievement of the audit plan is based on the assumption of the availability of the anticipated financial and staffing resources. It is also reliant upon the co-operation of Council Services throughout the process, from agreeing the scope of the audit to the implementation of agreed actions. Appendix D details the protocol with Services for the delivery of the Internal Audit Service.

3.   CONCLUSION AND RECOMMENDATION

3.1   It is recommended that the Audit Committee considers and approves the proposed internal audit plan for the period April to September 2017.

Author(s)

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If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting   *Jackie Clark*

Council Text Phone Number 01738 442573

1. **IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION**

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	None

1. **Strategic Implications**

1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

(i) Giving every child the best start in life;
(ii) Developing educated, responsible and informed citizens;
(iii) Promoting a prosperous, inclusive and sustainable economy;
(iv) Supporting people to lead independent, healthy and active lives; and
(v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

2. **Assessments**

2.1 Equality Impact Assessment

2.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

2.1.2   The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

2.2   Risk

2.2.1   The risks are associated with the level of assurance provided on the control environment in the event that Internal Audit's planned work is not completed on time.

3.   Consultation

3.1   Internal

3.1.1   The Chief Executive, Depute Chief Executives, Directors, the Head of Finance, the Head of Legal and Governance Services, relevant Heads of Service and Elected Members on the Audit Committee have been consulted in the preparation of this report.

3.2   External

3.1.2   The Council's External Auditors, Audit Scotland, have been consulted in the preparation of this report.

2.   BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3.   APPENDICES

Appendix A – Internal Audit Resources (Audit Days) for April to September 2017

Appendix B – The Internal Audit Plan for April to September 2017

Appendix C – Protocol with Services for Delivery of the Approved Internal Audit Plan

Appendix A – Internal Audit Resources (Audit Days) for April to September 2017

Description	2015/16
Days Attendance at Work (Net of Public Holidays, Annual Leave and Sickness Allowance)	477
Less: Time on Other Non-Audit Activity (Team and Other Meetings, Training, Personnel and Other Management Tasks)	(50)
Days Available for internal audit activity	427
Less: Time on 'Core' Audit Work (Follow-Up, Strategic Audit Planning, Supporting the Audit Committee, Development of Policies & Procedures, Supervision and Quality Assurance)	(87)
Grant certification, supporting the National Fraud Initiative and IJB audit work	(50)
Allocation of resources for unplanned work, ad-hoc advisory work, investigations and Counter-Fraud and Corruption	(43)
Days available for allocation to specified assignments	**247**
Equivalent Assignments	14
Anticipated externally delivered assignments	1
Total assignments included within the 2017/18 Internal Audit Plan	**15**

Appendix B – The Internal Audit Plan for April to September 2017

Internal Audit Assignments:

Service	Division	Title	Indicative Scope	Internal Audit Priority rating	Total days	Quarter
Corporate	All Services	Management of Contracts	To review the adequacy and effectiveness of the management of contracts	High	30	1
Corporate & Democratic Services	Corporate IT	Northgate Housing	To ensure the adequacy of the framework for the Northgate Housing system.	High	*	2
Education & Children's Services	Education Services	Financial Management of Schools – Secondary Schools	To review arrangements in place for the financial administration of 2 secondary schools.	Medium	20	1
Health & Social Care Partnership	Adult Social Work and Social Care	General Outcome Focussed Assessment	To provide assurance over the effectiveness of the process improvements being identified for the assessment of outcomes.	High	25	1&2
Housing & Community Safety	Adult Social Work and Social Care	Partnership Working	To provide assurance over the arrangements for changes in community justice.	High	25	1
Housing & Community Safety	Corporate IT and Revenues	Financial Assessment Follow Up	To undertake an extended follow up of the agreed actions arising from Internal Audit 16-07 Financial Assessment & Charging.	High	10	2
The Environment Service	Performance & Resources	Capital Programme	To provide assurance over the adequacy of arrangements in place to support the delivery of the capital programme	High	30	1
Total days allocated to traditional audit activity					*140*	

Consultancy Assignments:

Service	Division	Title	Indicative Scope	Internal Audit Priority rating	Total days	Quarter
Corporate & Democratic Services	Finance Division	IR35	To provide advice regarding the roll-out of processes to ensure compliance with legislation regarding contractors' self-employed status.	Medium	5	1
Corporate	All Services	Corporate Risk Management	To support Services with embedding adequate arrangements in line with the approved risk management policy and strategy.	High	25	Ongoing
Education & Children's Services	Children & Family Services	Child's Plan	To provide assurance over the arrangements in place for the implementation of the Childs Plan in line with requirements arising from the Children and Young People (Scotland) Act 2014	Medium	15	1
Corporate	Corporate & Democratic Services	ALEOs	To provide resources to ensure that there is an appropriate governance framework for the ALEOs	High	20	1&2
Education & Children's Services	Whole Service	New process development	To provide a resource to support Education & Children's Services in developing processes for the implementation of new legislation	High	7	Ongoing
Corporate	Various	Transformation	To provide resources to support the transformation agenda	High	5	Ongoing
Corporate	Legal & Governance Services	Corporate Governance	To provide resources to support and challenge the annual governance process.	Medium	20	Ongoing

Service	Division	Title	Indicative Scope	Internal Audit Priority rating	Total days	Quarter
Corporate & Democratic Services	Community Planning, Strategic Commissioning and Organisational Development	Community Planning	To act as a 'critical friend' and contribute to the governance framework for the development in relation to community empowerment.	High	10	Ongoing
Total days allocated to planned consultancy audit activity					*107*	
TOTAL AUDIT DAYS					**247**	

* highlights an assignment to be undertaken through an externally-procured arrangement

Protocol with Services for Delivery of the Approved Internal Audit Plan

This document lays down the principles for the delivery of Internal Audit within Services to ensure the delivery of the 2017/18 Internal Audit Plan.

Approval of the Internal Audit Plan

The Internal Audit Plan 2017/18 will be submitted to Audit Committee for approval on 22 March 2017. In support of the delivery of the Internal Audit Plan on time and to budget, it is essential that Services interact appropriately with the Internal Auditors undertaking the audit assignments, from initial discussion of the original brief, through to the agreement of the Final Report and subsequently undertaking the agreed actions on time.

Key dates

For information, the following are key dates for the Internal Audit process:

4 April 2017:   2017/18 Internal Audit Plan considered by the Executive Officer Team
18 April 2017:   2017/18 Internal Audit Plan considered by Audit Committee
31 May 2017:   All Heads of Service will have been consulted on a more detailed scope of assignments in areas on which they lead.

Requirements of the Audit Process

In order to ensure that the process is managed appropriately:

1.   Heads of Service will be consulted on the drafting of the Assignment Briefs prior to the end of May 2017.
2.   The Assignment Brief will be issued to Directors, relevant Heads of Service and Service Management as appropriate immediately prior to the commencement of each audit.
3.   Once the audit has commenced, it is the responsibility of the Head of Service to ensure that staff are made available to facilitate the audit process. The Internal Auditor will provide an indication of the likely timeframe for testing and for the draft report to Senior Managers once the assignment brief has been issued. The Assignment Brief will detail the anticipated meeting of the Audit Committee which will consider the Final Report.
4.   Once fieldwork has been completed, the factual accuracy will be confirmed and a draft report will be issued to managers in the area being audited, along with other relevant parties, for discussion of any potential actions arising from the findings detailed in the report.
6.   Once the report has been through a final quality assurance review in Internal Audit, the Draft Report will be issued to Managers and Heads of Service in order to develop an action plan to mitigate the issues

raised by the audit. In some cases, Service Managers may have provided responses and where this is the case, these actions will be included within the report. It is management's responsibility to ensure that the action plans are achievable within the timeframes stated within the report.

7. It is imperative that reports are dealt with promptly to ensure that the weaknesses highlighted in the report can be identified timeously for appropriate remedial management action. As such, responses from Heads of Service and Service Managers are to be provided to the relevant Internal Auditor as soon as possible and at least within 10 working days of the issue of the draft report.

8. Once the response has been received and clarifications have been sought to resolve any issues raised, the draft Final Report will be issued to Directors for their information prior to issuing the report as a Final Report.

Undertaking Agreed Actions

In order for Internal Audit to be effective, to deliver a Service which adds value to the organisation and feeds into the Annual Governance Statement, it is necessary for Senior Managers and Chief Officers to engage positively with the entirety of the internal audit process. This process includes addressing the agreed actions arising from the audit report completely and on time.

Internal Audit undertakes a systematic review of all actions agreed in internal and external audit reports to ensure that action plans are completed on time and in full. This 'follow up' process takes place in line with the Audit Committee timetable and supports the work of the Audit Committee. The Audit Committee is informed of those actions which have not been completed and are provided with an update on the progress of these outstanding actions.

Internal Auditors will contact nominated officers within the Services to ascertain the progress of actions which are due to have been completed. It is the responsibility of Services to respond promptly to such requests for information and to provide the previously agreed evidence as part of the response. Where the actions have not been completed as agreed, the Service must provide an explanation for the delay, an update on progress being made with the implementation of the action, a plan to implement the action as soon as possible and a revised date for completion. On occasions, the agreed action may no longer be required or appropriate. Where this is the case, a detailed explanation of the reasons must be provided to Internal Audit for their assessment.

It is Internal Audit's responsibility to arrive at a view, based on the evidence provided, as to whether the action has been fully completed and the control issues raised have been appropriately dealt with. Any issues will be discussed with the Service prior to an opinion being formed.

Feedback

Any feedback on the audit process is welcome. Please contact the Chief Internal Auditor, Jackie Clark, on 01738 475524 or by email at JClark@pkc.gov.uk

PERTH AND KINROSS COUNCIL

Audit Committee

18 April 2017

INTERNAL AUDIT ANNUAL REPORT 2016/17

Report by the Chief Internal Auditor

PURPOSE OF REPORT

This report presents the year-end report and audit opinion of the Chief Internal Auditor for 2016/17, as set out in Section 7.

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1.   BACKGROUND / MAIN ISSUES

1.1   The Public Sector Internal Audit standards (PSIAS) require the Chief Internal Auditor to provide an annual opinion which must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The report must incorporate the opinion, a summary of the work that supports this opinion, a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. This report fulfils this requirement.

1.2   Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.   In accordance with the PSIAS, it helps the council accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

1.3   Perth & Kinross Council's internal controls include the full range of policies, procedures and practices intended to ensure the proper conduct of its operations and the achievement of its objectives. They include processes and procedures, organisational structures, job descriptions, authorisation limits, management supervision, risk management processes, reports and decisions.

1.4   It is the responsibility of management to devise, implement and maintain appropriate controls over the activities for which they are responsible. The role of Internal Audit is to provide an opinion to the Council as to the effectiveness of the controls that have been put in place by management in order to ensure that the organisation achieves its objectives. Internal Audit is thus a key part of the process by which the Council ensures the management of the risks that threaten the achievement of its objectives.

1.5   Internal Audit's work is planned in such a way as to take account of these risks. Prioritising work towards the areas of highest assessed risk enables the Council to identify and remedy the most material weaknesses in its framework of internal controls.

1.6   In line with the PSIAS, Internal Audit undertakes a process of planning resulting in an annual plan. For 2016/17, the Internal Audit Plan covered the period from April 2016 to March 2017. It was approved by the Audit Committee on 30 March 2016 [report 16/1456 refers]. All Perth & Kinross Council's activities are reviewed as part of the planning process. The plan for 2016/17, taken as a whole, aimed to cover the most significant areas of risk within the resources available whilst ensuring that there was a balance of coverage for all Services. The Internal Audit Plan also included a protocol with Services for the delivery of the plan.

1.7   The Internal Audit Plan for 2016/17 incorporated two assignments which were delivered through a service level agreement with Highland Council. This augmented Internal Audit capacity for the year and ensured that there was coverage of IT risks.

1.8   This report summarises the audit work carried out in 2016/17 and presents the Chief Internal Auditor's opinion on the effectiveness of the Council's internal control environment for that year.

2.   INTERNAL AUDIT'S WORK IN 2016/17

2.1   This section presents an overview of Internal Audit's work during 2016/17 in its role as independent reviewer of the Council's systems of internal control.

2.2   The Internal Audit Plan approved in April 2016 included 34 planned internal audits. Of these, 27 were assurance audits and 7 were consultancy / enabling assignments. In addition, resources were included within the Plan to certify grant claims within the year.

2.3   During the year there was one change to planned work which was approved by Audit Committee. The proposed follow up of the consultancy work undertaken in 2015/16 of the Named Person Service was deferred from the 2016/17 Internal Audit Plan and will be considered for inclusion within a future audit plan, if appropriate.

2.4   All planned assignments, covering the period from April 2016 to March 2017, have been completed and reports issued. 36 Internal Audit reports have been issued for 34 planned assignments and 4 grants have been certified, representing 100% of the anticipated reports arising from Internal Audit work connected with the approved plan.

2.5   Unplanned assignments, as a result of investigations or additional requests from Services, have been undertaken during the year. Where appropriate, control issues highlighted as a result of this work are reported to the Audit Committee.

2.6   The results detailed in this report relate to all audit reports issued relating to Internal Audit's work during the period from April 2016 to March 2017, both planned and unplanned.

2.7   All findings detailed within the reports issued during the year were accepted by management. These reports contain a total of 188 agreed actions, compared with 147 actions in 2015/16. The table below details the rating of the importance of these actions. The figures in brackets relate to the rating of individual actions for the financial year 2015/16:

Critical Risk	0 (3) agreed actions
High Risk	30 (27) agreed actions
Medium Risk	89 (61) agreed actions
Low Risk	69 (56) agreed actions

2.8   This represents a decrease in the proportion of critical-, high- and low-risk actions from 2%, 18% and 38% respectively in 2015/16 to 0%, 16% and 37% in 2016/17. There was a corresponding increase in the proportion of medium-risk actions from 42% in 2015/16 to 47% for 2016/17.

2.9   Appendix A shows a summary of Internal Audit's work for Perth & Kinross Council during 2015/16 compared with the original plan as approved by the Audit Committee in March 2016 along with the current status of each assignment. The Appendix details additional work, such as internal investigations or non-audit tasks undertaken during the year, where this has resulted in a report to Audit Committee. Internal Audit was actually involved with 46 assignments consisting of 33 planned audits, 4 grant certifications, 8 investigations and one request for advice.

Areas for Significant Improvement in Controls

2.10   During 2016/17, each audit report was assigned an overall rating, summarising the strength of internal controls in the area under review. These ratings were intended to provide a guide to management in setting priorities for action and to inform the Audit Committee in their scrutiny role. The number of areas where controls have been described as 'moderately weak' or 'weak' have increased on those reported last year from 2 to 5. There are no areas where controls have been described as 'unacceptably weak'.

2.11   Issued reports during this period contain an assessment of the control environment for a total of 47 control objectives. This compares with 69 control objectives assessed during 2015/16. These assessments of control at the time audits took place are broken down as follows, with the relevant figures for 2015/16 being recorded in brackets:

Strong	8 (25) Control Objectives
Moderately Strong	21 (22) Control Objectives
Moderate	14 (17) Control Objectives
Moderately Weak	1 (3) Control Objectives
Weak	3 (2) Control Objectives
Unacceptably Weak	0 (0) Control Objectives

2.12 Overall, this represents a decrease in the proportion of strong- and moderately strong- rated control objectives over the two years, , these being 62% for 2016/17 compared with 68% for 2015/16. The proportion of moderately weak- and weak-rated control objectives is broadly similar over the two years, these being 8% for 2016/17 compared with 7% for 2015/16. However, in 2016/17, three control objectives (6%) were rated as weak, whereas there were two control objectives (3%) rated as weak in 2015/16.

2.13 During 2016/17, the Council has revised its approach to risk management in line with best practice following Internal Audit involvement in this area in 2015/16. A revised risk management strategy was approved by the Strategic Policy and Resources Committee in February 2017 (Report 17/63 refers) and is yet to be fully embedded. Internal Audit has worked closely with the Head of Legal and Governance Services with this and will continue to support Services as these arrangements are embedded.

Follow Up of Action Plans

2.14 The responsibility for considering (and accepting or rejecting) Internal Audit's findings rests with management. Final audit reports record the agreed plan of action, including the individual(s) responsible; the planned timescales for completion; and the evidence required by Internal Audit to verify completion of the action. The audit process is of little value unless action is taken to remedy deficiencies in internal control where these are identified. Hence, a significant part of Internal Audit's role is the following-up of progress with these action plans in line with the requirements of the Public Sector Internal Audit Standards.

2.15 A database for recording agreed actions is maintained for this purpose. Services are routinely requested to provide the agreed evidence of completion for actions which are due to have been completed. Where actions have not been completed, an update on progress is requested along with the reason for non-completion and a revised date for completion. The Audit Committee is informed of all actions which have not been completed, along with an Internal Audit opinion on the acceptability or otherwise of the response received from management.

2.16 The support of the Chief Executive, Depute Chief Executives, Directors and Senior Management Teams in ensuring that agreed actions are completed has continued during the year.

2.17 Of the 188 actions agreed with management (see 2.7 above) 114 had a completion date within 2016/17. Of these 114, 98 have been verified by Internal Audit as having been completed. This represents 86% of actions having been implemented within the year.

2.18 In the Chief Internal Auditor's opinion, the procedures in place provide a sound basis for ensuring that progress against the agreed plans is exposed to the proper level of scrutiny.

3   THE AUDIT COMMITTEE

3.1 The Audit Committee operates within an approved 'Role and Remit' and, as a formally constituted Committee of the Council. The Committee conducts its meetings in public, thus ensuring a high degree of accountability for its activities.

3.2 The Audit Committee reviews its effectiveness on an annual basis and highlights any development requirements. The specific area identified for development by the Committee in March 2016 related to the appropriate level of scrutiny of the final accounts and associated reports. This was provided during the year.

4   RESOURCES

4.1 Internal Audit's budget for 2016/17 was £235,573. Whilst the final outturn figures are not yet available, it is projected that expenditure for 2016/17 on Internal Audit will be in the region of £230,000.

4.2 Recent trends in internal audit staffing are as shown below:

	April 2015 No. (FTE)		April 201 No. (FTE)		April 2016 No. (FTE)	
Qualified Staff	2.8	60%	1.9	39%	1.7	37%
Unqualified Staff	1.9	40%	3.0	61%	2.9	63%
Total	4.7	100%	4.7	100%	4.6	100%

5   ANTI-FRAUD ACTIVITY

5.1 The responsibility for preventing and detecting fraud and corruption rests with management; it is the responsibility of management to take into account the risks arising from fraud and corruption and to devise and maintain the appropriate internal controls to provide a reasonable level of assurance that the Council's resources are being protected from loss and misappropriation.

5.2 Nevertheless, Internal Audit has a number of responsibilities regarding the Council's anti-fraud and anti-corruption arrangements. The year 2016/17 saw a moderate level of audit activity in this area as described below.

The National Fraud Initiative

5.3 The National Fraud Initiative (NFI) is a large-scale 'data-matching' exercise that takes place every two years and takes place over two financial years. Perth & Kinross Council is participating in the 2016/17 exercise. The NFI involves the comparison of personal data held by public authorities in order to identify anomalies that may indicate fraud or error. This output then forms the basis for a process of investigation within each authority, in order to ensure that errors are recognised and corrected and that, where cases of possible fraud are identified, they are pursued appropriately.

5.4 This investigative process, which is driven by Audit Scotland, is co-ordinated by Internal Audit and includes overseeing Services' arrangements for uploading the data securely and the checking of a sample of identified anomalies within the period of the exercise, on the basis of an assessment of risk. Internal Audit facilitates the reporting of progress to Audit Scotland. There has been, and continues to be, an allocation of audit resources towards the completion of this task.

5.5 The 2016/17 exercise has continued during the year and the Audit Committee have been informed of progress (Report 16/412 refers).

Anti-Fraud and Anti-Corruption Policies

5.6 The Council's Counter-Fraud and Corruption Strategy, along with associated policies, were presented to and approved by the Strategic Policy and Resources Committee in February 2015. Senior Management Teams have been supported in completing risk assessments for their functions and have identified relevant areas of their business where risks require to be managed. Further development has been identified for 2017/18.

5.7 The Chief Internal Auditor is the Council's nominated Money Laundering Reporting Officer. There has been no relevant activity during the year.

'Whistleblowing' Arrangements

5.8 In order to ensure that the Council meets the standards set out in its counter-fraud and corruption arrangements, some aspects of the Council's 'whistle-blowing' arrangements are managed by Internal Audit. This includes the maintenance of a dedicated e-mail address and telephone line for employees with concerns at work, which is routed to Internal Audit. The Council also supports the national charity 'Public Concern at Work' that upholds the rights of those who raise concerns about wrongdoing at their place of work and which operates a free legal advice 'hotline'.

5.9 Four contacts were made with Internal Audit of a 'whistleblowing' nature within the year. These cases were resolved and, as there were no control implications arising, reports were not provided to the Audit Committee. The outcomes have fed into the updating of the Audit Universe and in the planning exercise for the 2017/18 Internal Audit Plan.

5.10 Whistleblowing arrangements have been in place throughout 2016/17 and are supported by a Whistle-blowing Policy, which is included within the Counter-Fraud and Corruption Strategy.

5.11 Further training will be rolled out to all staff and elected members within 2017/18, along with other aspects of the Counter-Fraud and Corruption Strategy, as detailed in 5.6 above.

Investigations

5.12 Internal Audit's role includes the assessment of any concerns that are raised through the above arrangements and the conduct of internal investigations where appropriate. A small time allowance is made for work of this sort within the audit plan. As highlighted in 2.5 above, the time spent on investigations was contained within the existing resources in the Internal Audit team.

5.13 The year 2016/17 saw a number of investigations requiring input from Internal Audit. Investigative work undertaken within the year has resulted in agreed improvements which will enhance the Council's internal control environment. Where there is scope for improvement to the control environment identified by investigations, this is reported to the Audit Committee.

6 **COMPLIANCE WITH AUDITING STANDARDS**

6.1 The Public Sector Internal Audit Standards have been adopted by Perth & Kinross Council as the relevant professional standards. The outcome of a review of the Standards was reported to Audit Committee and this report remains current [Report 13/147 refers].

6.2 The Chief Internal Auditor has undertaken a self-assessment of compliance with the PSIAS and has concluded that the function is generally compliant with the PSIAS. This view is supported by Audit Scotland, the appointed external auditors, who concluded that Internal Audit operates generally in accordance with the PSIAS and has sound documentation standards and reporting procedures in place. [Reports 15/395 and 16/158 refer].

Code of Ethics

6.3 Internal Auditors must conform to the Code of Ethics included within the Standards. This Code incorporates the principles and rules of conduct for Internal Auditors' integrity, objectivity, confidentiality and competency.

Public Sector Internal Audit Standards

6.4 The Standards are separated into Attributable Standards (including requirements for the establishment of the internal audit function) and performance standards (including the management and execution of internal audit activity)

Performance Measures

6.5   Internal Audit's prime performance measure is the completion of the approved audit plan. Performance against the approved audit plan has been highlighted in Section 2 of this report. As at 31 March 2017, all assignments from the 2016/17 plan had been completed. This is the third year where there has been 100% completion within the year.

Quality Assurance of Internal Audit

6.6   There is a requirement for the annual report to contain a statement on conformance with the PSIAS and the results of the quality assurance and improvement plan.

6.7   An External Quality Assessment of the Internal Audit function is due to be completed in 2017/18. In the interim, the Chief Internal Auditor has undertaken a self-assessment of compliance with the PSIAS.

6.8   A quality assurance system was in place in Internal Audit throughout 2016/17 which ensured the quality of Internal Audit work was of a consistent and professional standard.

6.9   Improvements highlighted as required by the Chief Internal Auditor as part of the Quality Assurance and Improvement Plan for 2016/17 have been addressed as follows:
   o The Audit Committee has been informed of the approach taken for consultancy assignments (Report 17/58 refers) and work has been undertaken during the year to document this approach;
   o The audit manual continues to be reviewed and updated; and
   o Identified training needs are documented as part of the Employee Review and Development process.

6.10   Further improvements will continue into 2017/18 regarding the formalising of professional development records, and conflicts of interest. In addition, a review of the revised PSIAS will be undertaken to ensure that Internal Audit is in conformance with these revised Standards. A report on the outcome of this review will be prepared for considering at a future Audit Committee meeting.

7   **AUDIT OPINION**

7.1   **In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's governance arrangements and systems of internal control for 2016/17, subject to management implementation of the agreed actions detailed in Internal Audit reports and summarised at Section 2 above. Whilst limited reliance can be placed on the corporate risk management arrangements in place for 2016/17, the ongoing implementation and embedding of the corporate risk management strategy should enable reasonable reliance for 2017/18.**

8. CONCLUSION AND RECOMMENDATION

8.1   It is recommended that the Committee notes the content of this report and specifically the Audit Opinion at Section 7.

Author(s)

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If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting   *Jackie Clark*

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1. **IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION**

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. **Strategic Implications**

1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

(i) Giving every child the best start in life;
(ii) Developing educated, responsible and informed citizens;
(iii) Promoting a prosperous, inclusive and sustainable economy;
(iv) Supporting people to lead independent, healthy and active lives; and
(v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

2. **Assessments**

2.1 Equality Impact Assessment

2.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations

between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

2.1.2   The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

3.   Consultation

3.1   <u>Internal</u>

3.1.1   The Chief Executive and the Head of Finance have been consulted in the preparation of this report.

2.   BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3.   APPENDICES

Appendix A – The 2016/17 Internal Audit Summary

APPENDIX A – THE 2016/17 INTERNAL AUDIT SUMMARY

Audit Subject	2016/17 Audit Plan	2016/17 Status
Debt Recovery and Write Off	Planned	Completed
Credit Cards	Planned	Completed
Sales Ledger	Planned	Completed
Information Sharing	Planned	Completed
Financial Management of All-Through Schools	Planned	Completed
Financial Assessment & Charging	Planned	Completed
Adult Protection	Planned	Completed
Housing Options	Planned	Completed
Charging for Services	Planned	Completed
Management of the Relationship with Horsecross	Planned	Completed
Procurement	Planned	Completed
IT Performance & Capacity Management	Planned	Completed
Named Person Follow Up	Planned	Removed from Audit Plan (Report 16/518 refers)
Fuel Management	Planned	Completed
Transformation	Planned	Completed
Pupil Support	Planned	Completed
Housing Rents	Planned	Completed
Rent Arrears	Planned	Completed
LEADER	Planned	Completed
Property Maintenance	Planned	Completed
Roads Maintenance Partnership	Planned	Completed
Personalisation	Planned	Completed
Commissioned Services: Care at Home	Planned	Completed
Parking Services	Planned	Completed
Events and Festivals	Planned	Completed
Childs Plan	Planned	Completed
European Social Fund	Planned	Completed
Tayside Contracts	Planned	Completed

Transformation	Planned	Completed
Corporate Governance	Planned	Completed
Universal Credit	Planned	Completed
Housing Technology Improvement Plan	Planned	Completed
Bus Service Operators Grant (6 monthly)	Planned	Completed
Bus Service Operators Grant (6 monthly)	Planned	Completed
Superconnected Cities Grant	Planned	Completed
Bereavement Services	Unplanned	Completed
Housing & Community Care Internal Controls	Unplanned	Completed
Housing Repairs & Improvement Service	Unplanned	Completed
Whistleblowing: Corporate & Democratic Services	Unplanned	Completed
The Environment Service correspondence	Unplanned	Completed
Whistleblowing: The Environment Service	Unplanned	Completed
Education & Children's Services advice	Unplanned	Completed
Whistleblowing: The Environment Service	Unplanned	Completed
Whistleblowing: The Environment Service	Unplanned	Completed