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Council Building  
2 High Street  
Perth  
PH1 5PH

Wednesday, 25 January 2017

A Meeting of the **Audit Committee** will be held in the **Council Chambers, Ground Floor, Council Building, 2 High Street, Perth, PH1 5PH on Wednesday, 01 February 2017 at 14:00.**

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



## Audit Committee

Wednesday, 01 February 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.***

- 1 WELCOME AND APOLOGIES/SUBSTITUTES**
- 2 DECLARATIONS OF INTEREST**
- 3 MINUTE OF MEETING OF THE AUDIT COMMITTEE OF WEDNESDAY 23 NOVEMBER 2016 5 - 8**
- 4 INTERNAL AUDIT FOLLOW UP 9 - 18**  
Report by Chief Internal Auditor (copy herewith 17/52)
- 5 INTERNAL AUDIT UPDATE 19 - 30**  
Report by Chief Internal Auditor (copy herewith 17/53)
- (i) EDUCATION AND CHILDREN'S SERVICES**
  - (a) 16-17 - PUPIL SUPPORT 31 - 40**  
(copy herewith 17/55)
  - (b) 16-11 - MANAGEMENT OF RELATIONSHIP WITH HORSECROSS ARTS LTD 41 - 50**  
(copy herewith 17/56)
- (ii) CORPORATE**
  - (a) 16-01 - DEBT RECOVERY AND WRITE OFF 51 - 68**  
(copy herewith 17/54)
- (iii) ENVIRONMENT SERVICE**
  - (a) 16-20 - LEADER 69 - 76**  
(copy herewith 17/57)
- 6 CONSULTANCY ASSIGNMENTS 77 - 82**  
Report by Chief Internal Auditor (copy herewith 17/58)

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## **AUDIT COMMITTEE**

Minute of meeting of the Audit Committee held in the Hay Room, Dewar's Centre, Glover Street, Perth on Wednesday 23 November 2016 at 2.00pm.

Present: Councillors D Cuthbert, B Vaughan, H Anderson, K Baird and A Gaunt (substituting for W Wilson).

In Attendance: J Clark, C Irons, M Morrison, E Sturgeon, J Symon and G Taylor (all Corporate and Democratic Services); J Cockburn (Education and Children's Services); J Beveridge, S Crawford, R Graham, S Mackenzie and M Mitchell (all Environment Service) and N Copland (Housing and Community Care).

Also in Attendance: L Nelson, KPMG

Apologies: Councillors J Giacomazzi and W Wilson.

Councillor Cuthbert, Convener, Presiding.

### **810. WELCOME AND APOLOGIES/SUBSTITUTIONS**

The Convener welcomed everyone to the meeting. Apologies and a substitution were noted as above.

### **811. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made in terms of the Councillors' Code of Conduct.

### **812. MINUTE**

The minute of meeting of the Audit Committee of 28 September 2016 (Arts. 663 –669) was submitted and approved as a correct record and authorised for signature, except for the addition of the word 'capital' at article 666 to read "Councillor B Vaughan referred to the section of the Annual Accounts which detailed that the capital budget was consistently underspent and by considerable amounts."

It was also noted that the full report on Financial Assessment and Charging, referred to at article 669(i)(a) would be submitted to this Committee in September 2017 instead of June 2017 so as not to interfere with the preparation of the year end accounts.

PERTH AND KINROSS COUNCIL  
AUDIT COMMITTEE  
23 NOVEMBER 2016

**813. INTERNAL AUDIT FOLLOW-UP**

There was submitted a report by the Chief Internal Auditor (16/517), presenting the Committee with a current summary of Internal Audit's follow up work.

It was noted that a monitoring routine had been introduced for Self-Directed Support, 15 – 22, action point 19 but the process required to be evidenced for completion of the action point.

**814. INTERNAL AUDIT UPDATE**

There was submitted a report by the Chief Internal Auditor (16/518) presenting a summary of Internal Audit's work against the 2016/17 Annual Plan together with a summary of the outcome of consultancy assignments and additional work undertaken by Internal Audit, where appropriate.

**Resolved:**

- (i) The progress of work on the Internal Audit Plan for 2016/17 be noted.
- (ii) The proposal to defer the Named Person Service Follow-Up assignment into 2017/18 be approved.
- (iii) The outcomes from consultancy work completed since the last Audit Committee on 28 September 2016, be noted.
- (iv) The outcomes from additional work , as detailed in Report 16/518, be noted.
- (v) A summary of consultancy and advisory work undertaken, planned or requested during the year continue to be included in the regular internal audit update report.

The Committee considered the following final reports:-

**(i) Corporate and Democratic Services**

**(a) 16-03 – Sales Ledger**

There was submitted a report by the Chief Internal Auditor (16/519), on an audit to ensure that (1) the Council identifies and properly and timeously, records all sales ledger transactions (2) the Council identifies and pursues outstanding sales ledger debt appropriately and (3) adequate system controls were in place to ensure the integrity of the system.

It was noted that the Schemes of Charges Information on the Pay For It page were for 2015/16 although 2016/17 was available elsewhere on the Council website.

Councillor B Vaughan was assured that the Council's Pay For It page would hold details of the current Schemes of Charges.

**Resolved:**

Internal Audit's findings, as detailed in Report 16/519, be noted.

PERTH AND KINROSS COUNCIL  
AUDIT COMMITTEE  
23 NOVEMBER 2016

(ii) **Education and Children's Services**

(a) **16-06(B) – Financial Management of Through Schools**

There was submitted a report by the Chief Internal Auditor (16/520), on an audit to ensure that St Johns RC Academy, Perth was managed in accordance with the financial procedures as laid down by Education and Children's Services.

J Clark, Chief Internal Auditor, declared an interest in this report & advised that the audit had been supervised by M Morrison.

J Cockburn advised that policy and procedures were to be reviewed with regard to keeping an inventory of all property as the current limit was £100 and this required to be updated. It was also noted that IT equipment was recorded on the IT database and therefore would not require to be recorded on the school's inventory.

**Resolved:**

Internal Audit's findings, as detailed in Report 16/520, be noted.

(iii) **The Environment Service**

(a) **16-21 – Property Maintenance**

There was submitted a report by the Chief Internal Auditor (16/521) on an audit to ensure that (1) there were appropriate systems in place for identifying maintenance works required (both planned and reactive) and (2) reactive maintenance work was procured from the appropriate suppliers.

The Convener noted that the report identified that the Council currently had 155 operational owned buildings, 140 commercial leased buildings, 28 previously operational buildings (now vacant) and a multitude of sites with varying levels of responsibility.

Councillor B Vaughan stated the report reflected that there had been improvements to the service and acknowledged there would be further improvements.

The Convener asked the Head of Property to congratulate staff on the improvements made.

Councillor B Vaughan expressed some concern that action point 4 referred to an element of key person dependency existing.

PERTH AND KINROSS COUNCIL  
AUDIT COMMITTEE  
23 NOVEMBER 2016

S Crawford advised that while the audit did not focus on capacity the resource availability was necessary to ensure work was undertaken.

J Clark advised that Internal Audit would be satisfied with progress made through the completion of the action points and through discussion with Property Services.

**Resolved:**

Internal Audit's findings, as detailed in Report 16/521, be noted.

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## PERTH AND KINROSS COUNCIL

## Audit Committee

1 February 2017

## INTERNAL AUDIT FOLLOW UP

## Report by Chief Internal Auditor

**PURPOSE OF REPORT**

This report presents a current summary of Internal Audit's 'follow up' work.

**1. BACKGROUND AND MAIN ISSUES**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to establish a follow-up process to monitor and ensure that management actions have been effectively implemented. To assist the Audit Committee, the appendices to this report provide information on those actions that have not been implemented in accordance with the original agreed timetable, or where there is insufficient information on the current situation. Some dates have been revised and agreed with Services in recognition of the need for more time to complete the actions.
- 1.2 Appendix A presents a summary of the number of actions arising from internal and external audit reports.
- Table 1 shows the total number of agreed actions which Internal Audit will be following up even where the originally agreed completion dates have not yet been reached; the total number of actions is 120.
  - Table 2 shows the number of agreed actions that have been reported as incomplete as at their original agreed completion date. These total 19, of which 6 had a completion date of September and October 2016 and are therefore detailed in the following Appendices B to E.
  - A further 13 actions not completed by their original date have been allocated revised dates for completion after 31 October 2016 and progress will be reported on these at a future Committee.
  - The number of agreed actions which have yet to be followed up as the date for completion is after 31 October 2016 is 101.
- 1.3 In both tables, the actions are grouped by Service and reported by 'importance' of the agreed actions. The importance of each action is documented in the original Internal Audit reports considered by the Audit Committee. Reported importance ratings range from 'critical', where there are significant financial, reputation, legal, performance, or safety issues, to 'low', where the risks are lower but there may be opportunities for improving processes and procedures. Reports produced by Audit Scotland do not

explicitly state the importance of each individual action and are therefore included in the tables as 'not rated'.

- 1.4 Appendices B to E present detailed follow-up information in respect of actions agreed for completion in the period of September and October 2016. The appendices also record service management's explanations of the status of each action point and internal audit comments where relevant.
- 1.5 The Audit Committee has requested information regarding any action with a 'critical' or 'high' risk rating which has not been completed on its originally agreed date. Table two highlights four such instances of 'high' risk actions. Two actions relate to Housing and Community Care, one of which is included in Appendix D. The second for this Service was included in the Internal Audit Follow Up report to Audit Committee in November 2016 (report 16/517 refers) and relates to completion of checks relating to the Individual Service Fund Enabling Agreements for Self Directed Support. Internal Audit was satisfied at the time with the progress being made within the Service. There are two 'high' actions for The Environment Service which were also included in November's Internal Audit Follow Up report and these both relate to the contract arrangements for the purchasing of fuel for fleet using fuel cards. Internal Audit accepted that progress was being made by the Service with these actions.

## **2. PROPOSALS**

- 2.1 It is recommended that the Committee seeks assurance that there are clear and achievable action plans for completing the agreed actions noted above.

## **3 CONCLUSION AND RECOMMENDATIONS**

- 3.1 The Audit Committee is asked to consider the most appropriate action to be taken to progress the agreed Action Plans.
- 3.2 It is recommended that the Audit Committee:
- (i) Note the current position in respect of the agreed actions arising from internal and external work; and
  - (ii) Consider the most appropriate action to be taken to progress the agreed action plans, taking into account the recorded audit opinions.

### **Author**

| <b>Name</b>  | <b>Designation</b>     | <b>Contact Details</b>                                                           |
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## ANNEX

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

| <b>Strategic Implications</b>                       | <b>Yes / None</b> |
|-----------------------------------------------------|-------------------|
| Community Plan / Single Outcome Agreement           | None              |
| Corporate Plan                                      | Yes               |
| <b>Resource Implications</b>                        |                   |
| Financial                                           | None              |
| Workforce                                           | None              |
| Asset Management (land, property, IST)              | None              |
| <b>Assessments</b>                                  |                   |
| Equality Impact Assessment                          | Yes               |
| Strategic Environmental Assessment                  | None              |
| Sustainability (community, economic, environmental) | None              |
| Legal and Governance                                | None              |
| Risk                                                | Yes               |
| <b>Consultation</b>                                 |                   |
| Internal                                            | Yes               |
| External                                            | None              |
| <b>Communication</b>                                |                   |
| 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 There is a risk to the strength of the control environment if the agreed action plans are not carried out in a timely manner.

**3. Consultation**

3.1 Internal

- 3.1.1 The Chief Executive and all Directors 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 - Summary of Agreed Actions

Appendix B - Audit Follow-Up Corporate & Democratic Services

Appendix C - Audit Follow-Up Education & Children's Services

Appendix D – Audit Follow Up Housing & Community Care

Appendix E - Audit Follow-Up The Environment Service

## Appendix A: Summary of Agreed Actions

Table 1: All Agreed Actions for Follow-Up as at 31 August 2016 (figures in brackets reported in June 2016). This table includes actions not yet due for completion.

| Service                         | Importance   |                |                |                |              |                  |
|---------------------------------|--------------|----------------|----------------|----------------|--------------|------------------|
|                                 | Critical     | High           | Medium         | Low            | Not Rated    | Total            |
| Corporate & Democratic Services | 0 (0)        | 0 (0)          | 24 (18)        | 19 (4)         | 3 (3)        | 46 (25)          |
| Education & Children's Services | 0 (0)        | 4 (2)          | 5 (8)          | 9 (1)          | 0 (0)        | 18 (11)          |
| Housing & Community Care        | 0 (0)        | 12 (13)        | 13 (19)        | 6 (11)         | 0 (3)        | 31 (46)          |
| The Environment Service         | 0 (0)        | 6 (4)          | 17 (15)        | 2 (4)          | 0 (1)        | 25 (24)          |
| <b>All Services</b>             | <b>0 (0)</b> | <b>22 (19)</b> | <b>59 (60)</b> | <b>36 (20)</b> | <b>3 (7)</b> | <b>120 (106)</b> |

Table 2: All Actions Reported as Incomplete on their Original Agreed Date

| Service                                                                                                                                | Importance   |              |                |              |              |                |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|----------------|--------------|--------------|----------------|
|                                                                                                                                        | Critical     | High         | Medium         | Low          | Not Rated    | Total          |
| Corporate & Democratic Services                                                                                                        | 0 (0)        | 0 (0)        | 3 (3)          | 2 (0)        | 2 (2)        | 7 (5)          |
| Education & Children's Services                                                                                                        | 0 (0)        | 0 (0)        | 2 (2)          | 0 (0)        | 0 (0)        | 2 (2)          |
| Housing & Community Care                                                                                                               | 0 (0)        | 2 (1)        | 2 (3)          | 0 (0)        | 0 (1)        | 4 (5)          |
| The Environment Service                                                                                                                | 0 (0)        | 2 (2)        | 4 (4)          | 0 (0)        | 0 (0)        | 6 (6)          |
| <b>All Services</b>                                                                                                                    | <b>0 (0)</b> | <b>4 (3)</b> | <b>11 (12)</b> | <b>2 (0)</b> | <b>2 (3)</b> | <b>19 (18)</b> |
| Actions with a completion date of September and October 2016 which have not been completed and therefore included on Appendices B to E |              |              |                |              |              | 6              |
| Those actions where the agreed date is not September and October 2016 which have been previously reported to Audit Committee           |              |              |                |              |              | 13             |

**Appendix B - Audit Follow-up**  
**Corporate & Democratic Services**  
**(Reporting for All dates on or before: October 2016)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Dates                                       | Status/Explanation                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>15-32 - Governance Arrangements for ALEOs and Statutory Bodies<br/> Action Point: 1 - Formal requirement for the review of Scheme of Administration<br/> Importance: Low</p> <p>Audit Committee Date: June 2016</p> <p>It is intended that there will be an updated Scheme submitted to the Council meeting in June 2016. Thereafter, an annual review will take place which will support the production of the annual governance statement.</p> <p>(G Taylor, Head of Democratic Services)</p> | <p>Jun 2016<br/> Oct 2016<br/> Apr 2017</p> | <p>All updates to the Scheme of Administration are due to be considered by Elected Members in April 2017.</p> <p>Internal Audit Opinion: Accepted</p> |
| <p>16-02 - Credit Cards Assignment<br/> Action Point: 27 - Card Holder Security Arrangements<br/> Importance: Medium</p> <p>Audit Committee Date: September 2016</p> <p>Corporate &amp; Democratic Services will request the agreement of the Head of Finance for the removal of specific credit cards from the office for business need.</p> <p>(G Taylor, Head of Democratic Services)</p>                                                                                                       | <p>Oct 2016<br/> Jan 2017</p>               | <p>The Service states that this action is in the process of being completed.</p> <p>Internal Audit Opinion: Satisfactory</p>                          |

**Appendix C - Audit Follow-up**  
**Education & Children's Services**  
**(Reporting for All dates on or before: October 2016)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Dates                         | Status/Explanation                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| <p>15-32 - Governance Arrangements for ALEOs and Statutory Boards<br/> Action Point : 6 - Scrutiny and oversight of ALEOs' performance<br/> Importance: Medium</p> <p>Audit Committee Date: June 2016</p> <p>The Head of Public Service Reform, Culture and Community Development will ensure that the ALEOs' performance will be reported to Scrutiny Committee at least every six months.</p> <p>(F Robertson, Head of Public Service Reform)</p> <p>Required Evidence Of Completion : Report to Scrutiny Committee</p> | <p>Sep 2016<br/> Feb 2017</p> | <p>ALEO performance will be reported to the next Scrutiny Committee in February 2017.</p> <p>Internal Audit Opinion: Accepted</p> |



**Appendix D - Internal Audit Follow-up**  
**Housing & Community Care**  
**(Reporting for All dates on or before : October 2016)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Dates                         | Status/Explanation                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>15-22 - Self-Directed Support<br/> Action Point: 13 - Responsibility for SDS<br/> Importance: High</p> <p>Audit Committee Date: March 2016</p> <p>The Council website will be updated to ensure that the SDS information is more accessible to people requiring services for Children and Young People. The response to the draft Joint Commissioning Strategy will ask for the reference to SDS to be changed to reflect its applicability to Children/Young People and all relevant adult client groups.</p> <p>(D Fraser, Joint Head of Community Care)</p> | <p>Sep 2016<br/> Jan 2017</p> | <p>The Service advises that changes have been made to the presentation of information for SDS as it applies to children and young people. However further work is required to ensure that the information provided is complete and consistent.</p> <p>Internal Audit Opinion:<br/> Satisfactory</p> |
| <p>16-05 - Information Sharing<br/> Action Point : 3 - Fair Processing Notices for Health and Social Care<br/> Importance: Medium</p> <p>Audit Committee Date: September 2016</p> <p>Fair processing notices used in consent forms for Social Care, will be amended to reflect the uses of personal data in the development and planning of services, as outlined in the Scottish Government Strategic Framework.</p> <p>(Diane Fraser/Colin Johnson, Heads of Community Care)</p>                                                                                | <p>Oct 2016<br/> Mar 2017</p> | <p>This action is currently being progressed. The Service anticipates that it will be completed by March 2017</p> <p>Internal Audit Opinion:<br/> Satisfactory</p>                                                                                                                                  |

**Appendix E - Audit Follow-up**  
**The Environment Service**  
**(Reporting for All dates on or before: October 2016)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Dates                         | Status/Explanation                                                                                                                                                                                                               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>16-15 - Fuel Management<br/> Action Point: 4 - Fuel Site<br/> Sharing &amp; Charging Agreement<br/> Importance: Medium</p> <p>Audit Committee Date: June<br/> 2016</p> <p>The Fleet Manager will discuss<br/> the reciprocal fuel site sharing<br/> agreement with Tayside<br/> Contracts and with Legal and<br/> Governance Services to ensure<br/> an appropriate arrangement is<br/> entered into by both parties. This<br/> should include charging<br/> structures and invoice<br/> calculations.</p> <p>(B Morton, Fleet Manager)</p> | <p>Oct 2016<br/> Mar 2017</p> | <p>The Service states that<br/> discussions regarding a<br/> reciprocal site sharing<br/> agreement and charging<br/> arrangements with Tayside<br/> Contracts are ongoing.</p> <p>Internal Audit Opinion:<br/> Satisfactory</p> |

**PERTH AND KINROSS COUNCIL**

**Audit Committee**

**1 February 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. It also summarises the outcome of consultancy assignments and additional work undertaken by Internal Audit, where appropriate.

**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 continued on assignments included within the Internal Audit Plan for 2016/17.
- 1.3 Since April 2016, Internal Audit has also been involved with nine areas of unplanned activity. Of these assignments, three remain outstanding and six has been concluded without any further action required. Internal Audit's unplanned workload is within the resources allocated as part of the Internal Audit Planning process and there are currently no implications from this additional work on the completion of the Internal Audit Plan for 2016/17. However, this work may impact on the ability to complete work in accordance with the original schedule. The Audit Committee will be informed if there is any change to this situation.
- 1.4 Internal Audit has continued to work with colleagues from NHS Tayside to support the Audit and Performance Committee of the Integrated Joint Board.
- 1.5 In February 2014, the Audit Committee decided to take part in the Scottish Local Authority Chief Internal Auditors Group's validated self assessment model for the delivery of the External Quality Assessment, which is required by the PSIAS, by 2018. Perth and Kinross was matched with North Lanarkshire to validate their self assessment. Work has been undertaken on the validation and a report is being prepared for North Lanarkshire Council's Audit and Governance Panel. The validated External Quality Assessment is scheduled to take place on Perth & Kinross Council's Internal Audit service in 2017/18 by Edinburgh City Council.

- 1.6 Appendix A details those assignments where work has been completed since the last report to Audit Committee. Where appropriate, Internal Audit Reports for these assignments will be presented to the Audit Committee.
- 1.7 Appendix B shows a summary of each audit previously approved as part of the 2016/17 plan, along with the stage of progress for each assignment. The indicative date for the Audit Committee to consider the report is recorded. The achievement of these scheduled dates is dependent upon the level of unplanned investigation work and engagement with Services.
- 1.8 Appendix C details areas of work which are in addition to the approved Internal Audit Plan for 2016/17 arising from either Service requests for assistance or from investigatory work.

## **2. OUTCOMES FROM CONSULTANCY WORK**

- 2.1 Within Appendix A there are a number of assignments which were identified as 'consultancy' within the Internal Audit Plan (report 16/156 refers). Following approval from the Audit Committee in June 2016 of a revised reporting process for consultancy assignment (report 16/306 refers), this report will provide a summary of the completed work with regard to such assignments, where appropriate.
- 2.2 The indicative scope of the European Social Fund (ESF) consultancy assignment was to provide assurance over the management of projects linked to funding from the ESF. This assignment has been completed. Internal Audit is satisfied that adequate and proportionate arrangements are being implemented, with relevant controls, in regards to projects linked to ESF funding. Assurance was gained through a review of documentation, interviews with the ESF Programme Officer and a review of verification work completed by the Scottish Government in November 2016.
- 2.3 The indicative scope of the Universal Credit assignment was to provide assurance over the controls in place for the roll out and mitigation of Universal Credit. Universal Credit became 'live' in Perth and Kinross in April 2016 and the volumes of those affected by this remains low as only those who are single and are making a new claim for benefit on the grounds that they are fit for work and satisfy other eligibility criteria are eligible to claim. Internal Audit is satisfied that there are appropriate controls in place. However, the Service remains vigilant with regard to the effect that Universal Credit will have when it is rolled out to other groups of claimants in the future.
- 2.4 The nature of the assignment undertaken in relation to Charging For Services has changed within the year. The indicative scope was to ensure that arrangements are in place throughout the council for charging for services. In place of this, Internal Audit has undertaken a supportive review of the work being undertaken by officers within The Environment Service in following up the recommendations of the Fifth Scrutiny Review, which was originally presented to the Scrutiny Committee in February 2015 (report 15/65 refers). Internal Audit has confirmed that a rolling programme of strategic level

reviews of charges is ongoing which will ensure implementation of the recommendations from the Scrutiny Review.

### **3. OUTCOMES FROM ADDITIONAL WORK**

- 3.1 Additional work has been undertaken as a result of a whistleblowing incident regarding officers parking spaces. The work highlighted that a policy is in place for the allocation of car parking spaces. However the current allocations are to be reviewed as a result of the closure of office buildings connected with the Perth Office Programme. As a result, no further Internal Audit activity will be undertaken at this time.

### **4. CONCLUSION AND RECOMMENDATIONS**

- 4.1 This report presents a summary of Internal Audit's work against the 2016/17 annual plan, along with the outcomes from consultancy and additional work undertaken by Internal Audit. It is currently anticipated that the 2016/17 Internal Audit Plan will be completed within the year.
- 4.2 It is recommended that the Committee:
- 4.2.1 notes the progress of work against the plan for 2016/17;
- 4.2.2 notes the outcomes from consultancy work completed since the last Audit Committee; and
- 4.2.3 notes the outcomes from additional work.

#### **Author(s)**

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Council Text Phone Number 01738 442573

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

Appendix C – Progress With Assignments Not Included In The Internal Audit Plan for 2016/17

**INTERNAL AUDIT UPDATE**

**Audit Activity Completed Since The Last Report To Audit Committee**

| <b>Audit No.</b> | <b>Audit Title</b>                         | <b>Service</b>                         |
|------------------|--------------------------------------------|----------------------------------------|
| 16-01            | Debt Recovery and Write Off                | All Services                           |
| 16-10            | Charging for Services*                     | The Environment Service / All Services |
| 16-11            | Management of Relationship with Horsecross | Corporate                              |
| 16-17            | Pupil Support                              | Education & Children's Services        |
| 16-20            | LEADER                                     | The Environment Service                |
| 16-33            | European Social Fund*                      | The Environment Service                |
| 16-37            | Universal Credit*                          | Housing & Community Care               |

\* No report required for this assignment (see sections 2 and 3 of this report)



## Appendix B

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

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

| <b>Audit No.</b> | <b>Audit Title</b>                         | <b>Original Anticipated Audit Committee</b> | <b>Assignment brief approved</b> | <b>Factual accuracy confirmed</b> | <b>Draft Report issued</b> | <b>Final Report issued</b> | <b>Audit Committee Date ^</b>         |
|------------------|--------------------------------------------|---------------------------------------------|----------------------------------|-----------------------------------|----------------------------|----------------------------|---------------------------------------|
| 16-10            | Charging for Services                      | Feb 2017                                    | 28 October 2016                  | 22 December 2016                  | 22 December 2016           | 22 December 2016           | <b>February 2017</b>                  |
| 16-11            | Management of Relationship with Horsecross | Nov 2016                                    | 8 November 2016                  | 16 December 2016                  | 22 December 2016           | 6 January 2017             | <b>February 2017</b>                  |
| 16-12            | Procurement                                | Nov 2016                                    |                                  |                                   |                            |                            | March 2017                            |
| 16-13            | Performance & Capacity Management          | Sep 2016                                    |                                  |                                   |                            |                            | March 2017                            |
| 16-14            | Named Person Follow Up                     | Feb 2017                                    | Not applicable                   | Not applicable                    | Not applicable             | Not applicable             | <b>Removed (Report 16/518 refers)</b> |
| 16-15            | Fuel Management                            | Jun 2016                                    | 22 Apr 2016                      | 19 May 2016                       | 19 May 2016                | 31 May 2017                | <b>June 2016</b>                      |
| 16-16            | Transformation                             | Feb 2017                                    |                                  |                                   |                            |                            | March 2017                            |
| 16-17            | Pupil Support                              | Nov 2016                                    | 22 November 2016                 | 8 December 2016                   | 15 December 2016           | 6 January 2017             | <b>February 2017</b>                  |
| 16-18            | Housing Rents                              | Feb 2017                                    | 19 September 2016                |                                   |                            |                            | February 2017                         |
| 16-19            | Rent Arrears                               | Feb 2017                                    | 10 January 2017                  |                                   |                            |                            | March 2017                            |
| 16-20            | LEADER                                     | Feb 2017                                    | 7 December 2016                  | 22 December 2016                  | 22 December 2016           | 11 January 2017            | <b>February 2017</b>                  |
| 16-21            | Property Maintenance                       | Nov 2016                                    | 10 August 2016                   | 9 September 2016                  | 13 September 2016          | 31 October 2016            | <b>November 2016</b>                  |

| <b>Audit No.</b> | <b>Audit Title</b>                                        | <b>Original Anticipated Audit Committee</b> | <b>Assignment brief approved</b> | <b>Factual accuracy confirmed</b> | <b>Draft Report issued</b> | <b>Final Report issued</b> | <b>Audit Committee Date ^</b> |
|------------------|-----------------------------------------------------------|---------------------------------------------|----------------------------------|-----------------------------------|----------------------------|----------------------------|-------------------------------|
| 16-22            | Roads Maintenance Partnership                             | Feb 2017                                    | 4 January 2017                   |                                   |                            |                            | March 2017                    |
| 16-23            | Personalisation                                           | Feb 2017                                    |                                  |                                   |                            |                            | March 2017                    |
| 16-24            | Commissioned Services: Care At Home                       | Mar 2017                                    |                                  |                                   |                            |                            | March 2017                    |
| 16-25            | Parking Services                                          | Mar 2017                                    | 7 December 2016                  |                                   |                            |                            | March 2017                    |
| 16-26            | Health & Social Care Partnership – Integrated Joint Board | Mar 2017                                    |                                  |                                   |                            |                            | March 2017                    |
| 16-27            | Events and Festivals                                      | Mar 2017                                    |                                  |                                   |                            |                            | March 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                      |                                   |                            |                            | No report anticipated         |
| 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                                    |                                  |                                   |                            |                            | March 2017                    |
| 16-33            | European Social Fund                                      | Nov 2016                                    | 7 December 2016                  | 21 December 2016                  | 22 December 2016           | 22 December 2016           | <b>February 2017</b>          |
| 16-34            | Tayside Contracts                                         | Mar 2017                                    |                                  |                                   |                            |                            | March 2017                    |
| 16-35            | Transformation                                            | Mar 2017                                    |                                  |                                   |                            |                            | March 2017                    |

| <b>Audit No.</b> | <b>Audit Title</b>                     | <b>Original Anticipated Audit Committee</b> | <b>Assignment brief approved</b> | <b>Factual accuracy confirmed</b> | <b>Draft Report issued</b> | <b>Final Report issued</b> | <b>Audit Committee Date <sup>^</sup></b> |
|------------------|----------------------------------------|---------------------------------------------|----------------------------------|-----------------------------------|----------------------------|----------------------------|------------------------------------------|
| 16-36            | Corporate Governance                   | Mar 2017                                    |                                  |                                   |                            |                            | March 2017                               |
| 16-37            | Universal Credit                       | Sep 2016                                    | 19 October 2016                  | 8 December 2016                   | 5 January 2017             | 5 January 2017             | <b>February 2017</b>                     |
| 16-38            | Housing Technology Implementation Plan | Mar 2017                                    |                                  |                                   |                            |                            | March 2017                               |

<sup>^</sup> Dates in bold are when reports have been considered by Audit Committee. Other dates are the current anticipated dates for consideration by Audit Committee where this differs from the originally anticipated date.

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.

## Appendix C

### Progress With Assignments Not Included In The Internal Audit Plan for 2016/17

| Ass No. | Assignment Description                                    | State of progress | Draft Report issued | Final Report issued | Audit Committee Date |
|---------|-----------------------------------------------------------|-------------------|---------------------|---------------------|----------------------|
| 16-40   | Bereavement Services                                      | Completed         | Not applicable      | Not applicable      | Not applicable       |
| 16-41   | Housing & Community Care Internal Controls                | Ongoing           |                     |                     |                      |
| 16-42   | Housing & Community Care Repairs and Improvements Service | Completed         | Not applicable      | Not applicable      | Not applicable       |
| 16-43   | Whistleblowing – Staff Parking                            | Completed         | Not applicable      | Not applicable      | Not applicable       |
| 16-44   | TES correspondence                                        | Completed         | Not applicable      | Not applicable      | Not applicable       |
| 16-45   | Whistleblowing – The Environment Service                  | Ongoing           |                     |                     |                      |
| 16-46   | ECS advice                                                | Completed         | Not applicable      | Not applicable      | Not applicable       |
| 16-47   | Whistleblowing – the Environment Service                  | Completed         | Not applicable      | Not applicable      | Not applicable       |
| 16-48   | Whistleblowing – The Environment Service                  | Ongoing           |                     |                     |                      |

When additional work is undertaken during the year, a report will only be issued where the review highlights areas for improvement in the control environment or significant risks.





Internal Audit Report  
Education & Children's Services  
16-17 Pupil Support  
January 2017

## Final Report

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

### 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.

As part of the Education (Additional Support for Learning) (Scotland) Acts 2004 & 2009 education authorities must put in place “adequate and efficient” provision for early years and school-age children who have additional support needs.

In Perth and Kinross, early years establishments and schools use additional support for learning procedures to plan support in their establishments. A review of Additional Support Needs (ASN) is carried out on an annual basis and information from this is used to strategically plan and allocate Pupil Support Teachers (PSTs) and Assistants (PSAs) across identified early years establishments and schools as required and on an ongoing basis.

Allocation and planning of resources is carried out by the Inclusion Team, Education and Children’s Services (ECS) in conjunction with Employee Support, Human Resources (HR) and ECS Finance.

Audit testing was carried out in October and November 2016.

### Scope and Limitations

The audit considered arrangements in place for the deployment of support staffing resources across early years establishments and schools within Perth and Kinross. This included looking at how information from the annual ASN audit is used to inform planning and allocation.

In order to arrive at an opinion on the achievement of the control objectives, this audit included interviews with members of the Inclusion Team, Employee Support and HR and the testing of guidance and documentation.

The audit did not examine the annual ASN review process which determines pupil numbers requiring additional support.

### 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.



|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <p>Control Objective: To ensure that there are adequate arrangements in place regarding the deployment of Additional Support Needs (ASN) staffing resources to early years establishments and schools</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |          |
| <p>Audit Comments:</p> <p>Based on lessons learned from previous years, it was agreed that arrangements regarding the deployment of ASN staffing resource be reviewed within 2016. This work is in progress, some areas of responsibility now transferring from the Inclusion Team to HR prior to the commencement of the review of additional support needs and support staff allocation exercise in 2017.</p> <p>Audit noted evidence of collaboration between the Inclusion Team and HR to deliver improvements including definition and documentation of the process of PSA and PST allocation. This includes establishment of a process map, implementation of a procedure regarding recruitment and transfer of PSAs and outputs from a meeting regarding lessons learned. Development of documents is ongoing and Audit has shared information with HR, based on audit testing, where further definition and improved record keeping would increase clarity.</p> <p>Audit reviewed arrangements in relation to the deployment of ASN staffing resources during 2016.</p> <p>It was noted that the Inclusion Team determine the level of ASN staffing resource required at each school, based on information gathered within the annual ASN audit. Whilst there is no formal staffing formula applied, the Inclusion Team advises that this is done through a consistent methodology of considerations including school context and capacity and the level of pupil need as documented by schools through SEEMIS.</p> <p>Audit testing has revealed that, although there is evidence of review, there is scope to improve records kept to evidence considerations, group discussions and final decisions made. This includes documenting the procedure followed by the Inclusion Team when reviewing outcomes of the ASN audit and the calculation of support staff requirements based on this.</p> <p>There is evidence to indicate that the newly documented procedure, regarding selection of PSAs to be transferred in line with school staffing requirements, was followed. In addition, there is evidence of staff being advised of the location of their deployment in a timely manner and of a mechanism in place for them to challenge decisions regarding this.</p> <p>The roles of PSA and PST are peripatetic to ensure flexibility of support in line with the movement of pupils and support needs. Whilst this is outlined within Inclusion Service documents, there is currently no reference to the peripatetic nature of the role within job descriptions. There is, however, a review being completed by HR in relation to job families and new wording within these will address this.</p> |          |
| 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 the Inclusion Team, Employee Support and Human Resources 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

J Walker, Depute Chief Executive, Corporate & Community Development Services

S Devlin, Director Education & Children's Services

R Hill, Head of Education, Secondary & Inclusion

J Symon, Head of Finance

K Donaldson, Corporate Human Resources Manager

K McNamara, Head of Strategic Commissioning and Organisational Development

G. Taylor, Head of Democratic Services

L Simpson, Head of Legal and Governance Services

E Sturgeon, Chief Exchequer Officer

S Turner, Inclusion Manager

F Graham, Quality Improvement Officer (ASN)

## Internal Audit Report

D Henderson, Quality Improvement Officer (ASN)

S McLeod, Senior HR Officer

B Mackie, Assistant HR 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:

---

J Clark

Chief Internal Auditor

Date: 4 January 2017

## Appendix 1: Summary of Action Points

| No. | Action Point                                                   | Risk/Importance |
|-----|----------------------------------------------------------------|-----------------|
| 1   | <a href="#"><u>Arrangements Under Review</u></a>               | Medium          |
| 2   | <a href="#"><u>Inclusion Team Procedures &amp; Records</u></a> | High            |
| 3   | <a href="#"><u>Job Descriptions</u></a>                        | Low             |

## Appendix 2: Action Plan

### Action Point 1 - Arrangements Under Review

The Inclusion Team has been working with HR during 2016 to improve, define and document the process of PSA and PST allocation. As part of this review, a process map has been created and a procedure regarding recruitment and transfer of PSAs was implemented in 2016. HR advises that these documents are still being developed and a full suite of procedures will be created to align to the process map.

Audit identified areas within these documents and process where further definition and improved record keeping would increase clarity. Examples of this:

- At present the guidance does not assign responsibility for managing mileage claim length or identifying when Supply and Fixed Term contracts should be subject to change in line with PKC HR guidance
- There is no overarching document or system of version control across the areas of Inclusion, HR and Finance, enabling easy identification of PSA transfer
- There were some instances where PSAs were recommended for transfer as per the guidance but did not move location. Whilst these were explained by Employee Support and verified on Resourcelink, it would be beneficial to document the rationale for these exceptions to enhance transparency.

In addition it was noted that there were 2 versions of the Resource Requirement Overview Sheet and the Transfer of PSA guidance provided to Internal Audit by different departments involved in the PSA allocation and transfer process. On this basis, and as indicated by Inclusion colleagues and HR also, Internal Audit observed that it would be beneficial to create a SharePoint site to facilitate storage and sharing of information between services involved in the process of deployment of ASN staffing resource.

### Suggested Management Action Plan

- a) HR will document procedures aligning to the process of allocation of PSA and PST resource. This will include reference to responsibilities in relation to managing mileage claim length and contract terms and changes; systems of version control and improved record keeping relating to the PSA transfer process.
- b) HR is investigating the creation of a SharePoint site and will update Audit once this is in place.

|                      |                             |
|----------------------|-----------------------------|
| Importance:          | Medium                      |
| Responsible Officer: | S McLeod, Senior HR Officer |
| Lead Service:        | CADS                        |

## Internal Audit Report

|                                     |                                                                                                                                |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Date for Completion (Month / Year): | a & b) February 2017                                                                                                           |
| Required Evidence of Completion:    | a) Updated Allocation of PSA and PST Process & Procedure Documents<br>b) Evidence of Allocation of PSA and PST SharePoint site |

### Auditor's Comments

Satisfactory

## Action Point 2 - Inclusion Team Procedures & Records

The Inclusion Team determine the level of ASN staffing resource required at each school, based on information gathered within the review of additional support need. They advise that this is done through consistent considerations including school context, and capacity and the level of pupil need as documented by schools through SEEMIS.

Audit testing has revealed that, although there is evidence of review, there is scope to improve records kept to evidence considerations, group discussions and final decisions made. This includes documenting the procedure followed by the Inclusion Team when reviewing outcomes of the ASN audit and calculation of support staff requirements based on this.

### Management Action Plan

a) The Service will document the process in relation to how the level of PSA resource is decided on an annual basis. This will include how output information of the ASN review will be utilised, alongside a checklist of other considerations which feed into the decision making process.

b) The Service will minute dates of meetings held regarding staff allocation and document outcomes regarding individual schools

|                                     |                                                                                                                    |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| Importance:                         | High                                                                                                               |
| Responsible Officer:                | R Hill, Head of Secondary and Inclusion Services                                                                   |
| Lead Service:                       | ECS                                                                                                                |
| Date for Completion (Month / Year): | a) February 2017<br>b) June 2017                                                                                   |
| Required Evidence of Completion:    | a) Procedure document/checklist<br>b) Evidence of meetings being held and decision outcomes for individual schools |

### Auditor's Comments

Satisfactory

### Action Point 3 - Job Descriptions

The roles of PSA and PST are peripatetic to ensure flexibility of support in line with the movement of pupils and support needs. Whilst this is outlined within Inclusion Service documents, there is currently no reference to the peripatetic nature of the role within job descriptions.

There is, however, a review being completed by HR in relation to job families and new wording within these will address this.

### Suggested Management Action Plan

The Service will update job descriptions for Pupil Support Teachers and Assistants as part of a wider review across the council. New wording within these will address the need for flexibility of location.

|                                     |                                 |
|-------------------------------------|---------------------------------|
| Importance:                         | Low                             |
| Responsible Officer:                | S McLeod, Senior HR Officer     |
| Lead Service:                       | CADS                            |
| Date for Completion (Month / Year): | June 2016                       |
| Required Evidence of Completion:    | Job Description for PSA and PST |

### Auditor's Comments

Satisfactory





Internal Audit Report  
Education and Children's Services/Corporate  
Management of the Relationship with Horsecross Arts Ltd. Assignment No.16-11  
January 2017

## Final Report

Finance Division  
Corporate and Democratic Services  
Perth & Kinross Council  
Blackfriars Development Centre  
North Port  
Perth PH1 5LU

### 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.

Horsecross Arts Ltd (Horsecross) is a charitable Trust and a Company limited by guarantee. It became a Sole Member organisation in March 2013 when new Articles of Association were adopted. The Council is the sole member. It is one of three Arms-Length External Organisations (ALEOS) from which the Council commissions services. All three are charitable trusts and sole member companies. In accordance with the Articles of Association, 3 elected members sit as Council Directors on the Board of Horsecross. As charitable Trustees, they are bound to act in the interests of the Company rather than act as representatives of the Council. A further 7 Directors with a range of skills and experience sit on the Board, to provide direction and scrutiny to management. The Trust’s strategic and day-to-day relationship with the Council is described in a Memorandum of Understanding. This sets out the protocol to ensure open and transparent communication and maintain an effective context in which services are delivered by Horsecross and monitored/scrutinised by the Council. A one-year Service Level Agreement is in place setting out the Council requirements in respect of Performing Arts, Creative Learning and business tourism (i.e. conference services) to be provided by Horsecross. This agreement is managed by the Head of Culture and Public Service Reform.

Audit testing was carried out in November and December 2016.

### Scope and Limitations

The audit included interviews and discussions with officers from Education and Children’s Services, Legal Services and Finance in addition to the monitoring officer for the contract, the Head of Culture and Public Service Reform. Documents setting out the relationship with Horsecross, Committee reports detailing the development of the relationship and reports on financial and performance information were reviewed.

To avoid duplication, the audit took into consideration Internal Audit Report 15-32 Corporate Governance – Governance Arrangements for ALEOS and Statutory Bodies.

### 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 which describes, on the basis of the audit work

## Internal Audit Report

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: That the relationship with Horsecross Arts Ltd is managed effectively

### Audit Comments

The relationship between the two organisations is articulated in a number of documents, in particular: the Articles of Association; the Memorandum of Understanding and the Service Level Agreement.

Of these the Service Level Agreement (SLA) details the current obligations of Horsecross for the provision of services relating to Performing and Creative Arts and, for the Council, the management arrangements to ensure the delivery of those services to specified levels. Services are provided across Perth & Kinross, but chiefly at Perth Concert Hall and Perth Theatre (on re-opening in Autumn 2017). The current SLA was signed by the Senior Depute Chief Executive of the Council and the Chief Executive of Horsecross for the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017.

Horsecross has a strategic risk register in place detailing key risks to the operation. This is reviewed by the Horsecross Board and managed by the Horsecross Chief Executive. In addition, there is a Risk Register for the Perth Theatre Project to manage the risks to the successful re-opening of the theatre following improvement works. This is managed by the Senior Officer Group responsible for delivery of the Theatre Project and chaired by the Head of Culture and Public Service Reform who is Senior Responsible Officer for the Theatre project.

The provision of Services was subject to a “soft tender” exercise in early 2016 prior to the Service Level Agreement being signed to ensure that Horsecross would provide the services required, meet Best Value and deliver continuous improvement. A work plan and a short-term Growth and Cost Pressure Action Plan were prepared by Horsecross to demonstrate the organisations capacity for service provision within the context of reducing public sector funding. Horsecross is also developing a new Business Plan to direct activity for the organisation from 2017 to 2020; this includes the planned re-opening of Perth Theatre in late 2017 and potential changes to core funding by Creative Scotland from 2017/18 onwards.

In compliance with the SLA, performance is formally managed through quarterly monitoring meetings held between the Head of Culture & Public Service Reform who acts as monitoring officer for the Council, and the Chief Executive of Horsecross. The meetings are also attended by Finance Managers from both organisations. Monthly financial monitoring is also carried out by a PKC Finance Manager to confirm that Horsecross is able to maintain its financial stability, following financial difficulties experienced in 2013, and to ensure the adequacy of the Trust's financial reporting. The Head of Culture & Public Service Reform also attends Horsecross Board meetings, in an observer capacity, which receives financial monitoring reports from the Horsecross Chief Executive.

The Service Specification details activities which are to be fulfilled to provide the required service, however it lists only one new key performance indicator (KPI) for this year and does not include any other new performance targets for 2016/17.

## Internal Audit Report

The indicators which are being used have not changed from the previous agreement and some have lower targets than previously required, reflecting the current closure of Perth Theatre. The SLA does not stipulate the timeframe and reporting requirements for financial information although these are set out in a separate document agreed with the Horsecross Board in 2013. These conditions remain in place.

Internal Audit was assured that the Head of Culture and Public Service Reform maintains a positive working relationship with Horsecross through ongoing dialogue to ensure the development and delivery of services. Due to staff absence however, one of the planned quarterly monitoring meetings was not held this year. There is currently no substitute for the Head of Culture and Public Service in this capacity.

|                                |                   |
|--------------------------------|-------------------|
| 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. Appendix 3 contains an action that has been identified as a result of a decision made by the Council. This is included here to verify that the action is completed when it becomes due.

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 Head of Public Service Reform, Head of Property, officers in Legal and Governance Services (CADS) and Finance and Governance (ECS) during this audit.

### Feedback

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

## Internal Audit Report

### Distribution

This draft report has been distributed to:

B Malone, Chief Executive

J Fyffe, Senior Depute Chief Executive, Education & Children's Services, (Equality, Community Planning & Public Service Reform)

F. Robertson, Head of Culture & Public Service Reform

J Symon, Head of Finance

K McNamara, Head of Strategic Commissioning and Organisational Development and

L Simpson, Head of Legal and Governance Services

G Taylor, Head of Democratic Services

P Dickson, Complaints and Governance Officer

External Audit

### Authorisation

The auditor for this assignment was A Gallacher. The supervising auditor was M Morrison.

This report is authorised for issue:

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Jacqueline Clark  
Chief Internal Auditor  
Date: 11 January 2017

## Appendix 1: Summary of Action Points

| No. | Action Point                            | Risk/Importance |
|-----|-----------------------------------------|-----------------|
| 1.  | <a href="#">Key Person Dependency</a>   | Medium          |
| 2.  | <a href="#">Service Level Agreement</a> | Medium          |
| 3.  | <a href="#">Skills Matrix</a>           | Low             |

## Appendix 2: Action Plan

### Action Point 1 - Key Person Dependency

There was no quarterly monitoring meeting with Horsecross during the Summer of 2016, as a result of the absence of a key member of staff. The meeting was rescheduled on the officer's return to work but no deputy was nominated to act in the officer's absence. This is indicative of a key person dependency.

Quarterly performance monitoring continued to be received during this period which did not highlight any issues and financial monitoring also continued during this period.

### Management Action Plan

The situation will be reviewed to ensure the risk is addressed.

|                                     |                                                                                                                                |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Importance:                         | Medium                                                                                                                         |
| Responsible Officer:                | J Fyffe, Senior Depute Chef Executive, Education & Children's Services, (Equality, Community Planning & Public Service Reform) |
| Lead Service:                       | Education and Children's Services                                                                                              |
| Date for Completion (Month / Year): | February 2017                                                                                                                  |
| Required Evidence of Completion     | Revised Service Level Agreement to describe substitution/contingency arrangements.                                             |

### Auditor's Comments

Satisfactory

## Action Point 2 - Service Level Agreement

The Service Level Agreement with Horsecross will expire at the end of the current financial year. Future Service Level Agreements would benefit from strengthening with reference to:

- The demonstration of the alignment between the Council's strategic objectives for Culture and Sport, and those of the ALEO;
- The ongoing review of performance measures to provide assurance that outcomes are being achieved, including consideration of localities;
- Specific financial monitoring arrangements required by the Council, with respect to timescales and information required;
- Insurance details for cover and excess;
- Quality Assurance and Customer Care systems;

Consideration should also be given to new public reporting arrangements for outcomes against agreed performance measures, in light of the increased scale of cultural services commissioned by the Council.

The Service has advised that this is in progress.

## Management Action Plan

Issues to be addressed in SLA for 2017/18

|                                     |                                                       |
|-------------------------------------|-------------------------------------------------------|
| Importance:                         | Medium                                                |
| Responsible Officer:                | F. Robertson, Head of Culture & Public Service Reform |
| Lead Service:                       | Education and Children's Services                     |
| Date for Completion (Month / Year): | April 2017                                            |
| Required Evidence of Completion:    | Revised Service Level Agreement                       |

## Auditor's Comments

Satisfactory



### Action Point 3 - Skills Matrix

The Articles of Association identifies the setting of a Skills Matrix for guidance in the identification of the necessary skills and experience for recruitment of members to the Board.

Whilst Audit is assured that the current Board represents a wide range of professional experience and knowledge to enable it to carry out its functions, a Skills Matrix would assist in evidencing the systematic evaluation of candidates. The Service advised that this is also currently being progressed by Horsecross.

### Management Action Plan

Head of Culture and Public Service Reform will ensure that a skills matrix is put in place by Horsecross.

|                                     |                                                                                                                                           |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Importance:                         | Low                                                                                                                                       |
| Responsible Officer:                | F. Robertson, Head of Culture and Public Service Reform                                                                                   |
| Lead Service:                       | Education and Children's Services                                                                                                         |
| Date for Completion (Month / Year): | April 2017                                                                                                                                |
| Required Evidence of Completion:    | Skills Matrix for current Board identifying current skills/expertise of board members to identify where skills base could be strengthened |

### Auditor's Comments

Satisfactory

## Appendix 3: Action Plan

### Action Point 4 - Assistance in Kind

Leases for Perth Concert Hall and Perth Theatre were the subject of a report to Strategic Policy and Resources Committee on 2 December 2015, where the Committee approved waiving the charges for both properties (or £1, if asked). These arrangements commenced from April 2016.

The Following the Public Pound report for 2016/17 has not yet been finalised however the value of the waived charges should be included as Assistance in Kind, in accordance with the Code of Guidance for Funding External Bodies and Following the Public Pound.

### Management Action Plan

Lease arrangements to be reflected in Following the Public Pound Annual report.

|                                     |                                                         |
|-------------------------------------|---------------------------------------------------------|
| Importance:                         | Low                                                     |
| Responsible Officer:                | F. Robertson, Head of Culture and Public Service Reform |
| Lead Service:                       | Education and Children's Services                       |
| Date for Completion (Month / Year): | June 2017                                               |
| Required Evidence of Completion:    | Following the Public Pound Report                       |

### Auditor's Comments

Satisfactory



Internal Audit Report  
Corporate  
Debt Recovery and Write Off  
Assignment No 16-01  
January 2017

Final Report

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

## 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 the period September to November 2016.

The Financial Regulations state that the Head of Finance will determine the most appropriate course of action in cases of non-payment and write offs having considered the views of the relevant Executive Director.

Items for write-off are normally presented annually for approval to the Council’s Strategic Policy and Resources Committee (SP&R). The most recent SP&R report of 15 June 2016 states that, whilst the amounts are to be written off for accounting purposes, the debts have progressed through the debt recovery process using various legislative procedures. The amounts remain after the exhaustive recovery procedures have been undertaken. The above report states that debts can include amounts identified in respect of Sales Ledger; Council Tax (including Water & Waste Water charges); Non – Domestic Rates; Irrecoverable Rents; Housing Benefit Overpayments and the Car Park Trading Account Income. The report requested approval to write off £1,376,403.58 (excluding the Housing Revenues Account) in respect of bad debts.

## Scope and Limitations

The audit considered the processes, systems of control and the consistency of approach within Services in respect of the recovery and write off of debt.

The review consisted of interviews with officers, the testing of information and of the systems in place to ensure the adequacy of arrangements.

The audit was not a wholesale review of processes in relation to the Sales Ledger, Housing Rents or Rent Arrears as these are separate audit assignments in the Internal Audit plan for 2016/17. The auditor ensured that there was no duplication with these audits.

## 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 consistency and adequacy of the approach across Services in relation to the recovery and write-off of debt.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                   |
| <p>Audit Comments: Audit testing confirmed the consistency and adequacy of the approach across Services in relation to the recovery and write-off of debt. Routines are in place that require invoices and debt reminder letters to be issued at predetermined intervals. Processes are also in place to ensure that monies recovered are promptly credited to the relevant account and that any bad debt provision is adjusted. Reminder letters were issued in respect of reviewed cases.</p> <p>Written procedures within Services document the routines regarding the recovery of debt. There is scope to ensure the consistency of approach for example, by updating and publishing the Sales Ledger write off routines on Eric to ensure that this information is available within all Services.</p> <p>Debt information such as the breakdown of debt and the value of the accounts requested for write off are presented to Service Senior Management Teams, although no corresponding write off report is presented in respect of Car Park Trading Account debt. The Service has indicated that such reports will be submitted in future.</p> |                   |
| Strength of Internal Controls:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Moderately Strong |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Control Objective: To ensure the adequacy of the debt write-off process                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                   |
| <p>Audit Comments:</p> <p>Audit testing confirmed the adequacy of the debt write-off process with some scope to enhance these routines, for example by updating authorised signatory lists to include a write off authorisation category. The processing of write offs is restricted to appropriate personnel, again there is some scope to enhance this routine.</p> <p>Written records support each of the tested write off entries. Write off certificates are signed by the respective Financial Controllers for Sales Ledger Debt. Whilst supporting information is provided for non-sales ledger debt, there is no corresponding certificate from the Financial Controller.</p> <p>All debt write-offs were detailed in a report by the Head of Finance for approval by the Strategic Policy and Resources Committee. Although the minutes of the June 2015 Committee resolved that the previous years' figures be included in future write off reports, the previous figures were not included in the 2015/16 report.</p> |                   |
| 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. Appendix 3 details matters identified during the audit, but are considered to be out-with the scope.

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 all Services 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 Walker, Depute Chief Executive, HCC (Corporate and Community Development Services) and Chief Operating Officer

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

B Atkinson, Director (Social Work)

B Renton, Director (The Environment Service)

J Symon, Head of Finance

S MacKenzie, Head of Performance and Resources (The Environment Service)

L Brady, Revenues & Benefits Service Manager (HCC)

J Cockburn, Finance and Governance Manager (ECS Finance)

N Copland, Business & Resource Manager (HCC)

F Crofts, Finance and Resources Manager (TES)

K McNamara, Head of Strategic Commissioning and Organisational Development

G. Taylor, Head of Democratic Services

L Simpson, Head of Legal and Governance Services

E Sturgeon, Chief Exchequer Officer

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: 11 January 2017

## Appendix 1: Summary of Action Points

| No. | Action Point                                                              | Risk/Importance |
|-----|---------------------------------------------------------------------------|-----------------|
| 1   | <a href="#">Timescales - Sales Ledger</a>                                 | Low             |
| 2   | <a href="#">Sales Ledger Procedures</a>                                   | Low             |
| 3   | <a href="#">Authorised Signatories</a>                                    | Low             |
| 4   | <a href="#">Write Off Report</a>                                          | Medium          |
| 5   | <a href="#">Purpose of the Write-Off Report</a>                           | Low             |
| 6   | <a href="#">Car Park Trading Account</a>                                  | Medium          |
| 7   | <a href="#">Council Tax &amp; Non Domestic Rates Separation of Duties</a> | Low             |
| 8   | <a href="#">Integra</a>                                                   | Low             |
| 9   | <a href="#">Write Off Information</a>                                     | Low             |



## Appendix 2: Action Plan

### Action Point 1 - Timescales - Sales Ledger

Since April 2014 the Council's commercial rents have been included within Sales Ledger. The timescales regarding the issue of invoices and any subsequent reminders for commercial rents differ to the timescales for invoices detailed in Sales Ledger routines.

An Appendix to the annual Strategic Policy and Resources Committee write off report quotes the timescales for the debt recovery process but doesn't detail the above differences.

The Auditor accepted that there are currently valid reasons for the differing timescales, but there is scope for the Service to include the differences in timescales in the Finance Transformation Corporate Debt work stream.

### Management Action Plan

a) The Service will review the Council's Sales Ledger routines and update them to detail the timescales in respect of collecting monies due in respect of Commercial Rents.

b) The next write off report presented to the Strategic Policy and Resources Committee will also refer to the above timescales.

c) The Chief Exchequer Officer will arrange for any differences in Sales Ledger timescales to be reviewed as part of the Finance Transformation Corporate debt work stream review.

|                                     |                                                                                                |
|-------------------------------------|------------------------------------------------------------------------------------------------|
| Importance:                         | Low                                                                                            |
| Responsible Officer:                | a) & b) L Law, Financial Systems Team Leader<br>c) E Sturgeon, Chief Exchequer Officer         |
| Lead Service:                       | Corporate and Democratic Services                                                              |
| Date for Completion (Month / Year): | a) March 2017<br>b) June 2017<br>c) March 2018                                                 |
| Required Evidence of Completion:    | a) Updated procedures<br>b) Annual write-off report<br>c) Outcome of corporate debt workstream |

### Auditor's Comments

Satisfactory

## Action Point 2 - Sales Ledger Procedures

Sales Ledger Write Off procedures including the recovery actions to be taken when an invoice remains unpaid were issued to Services by email in 2013. However at the date of audit testing these procedures were not published on Eric. Whilst the Auditor was satisfied that Service staff were aware of the arrangements, neither the Education and Children's Services (ECS) nor Housing and Community Care (HCC) procedures referred to these requirements.

The Auditor also noted that the ECS Request for Write Off form contains a statement that debts in excess of £1,000 cannot be written off without the prior approval of the Council. The Service advised that this was an out of date statement.

### Management Action Plan

- a) The Service will upload the Sales Ledger Write Off procedures to the relevant SharePoint site on Eric and also contact the ECS and HCC Financial Controllers to ensure that they are aware of this.
- b) The ECS Financial Controller will arrange for the statement which states that debts in excess of £1,000 cannot be written off without the prior approval of the Council to be removed from the ECS Request for Write Off form.

|                                     |                                                                                                       |
|-------------------------------------|-------------------------------------------------------------------------------------------------------|
| Importance:                         | Low                                                                                                   |
| Responsible Officer:                | a) L Law, Financial Systems Team Leader<br>b) J Cockburn, Finance & Governance Manager (ECS)          |
| Lead Service:                       | a) Corporate and Democratic Services<br>b) Education & Children's Services                            |
| Date for Completion (Month / Year): | a) March 2017<br>b) Completed                                                                         |
| Required Evidence of Completion:    | a) Uploaded procedures and confirmation relevant Financial Controllers made aware.<br>b) Updated form |

### Auditor's Comments

Satisfactory

### Action Point 3 - Authorised Signatories

The Sales Ledger Management Guidelines produced by the Financial Systems Team refers to authorised signatories by stating it is the responsibility of Executive Directors to maintain such a register.

The "Certificate of Sales Ledger Account Write Off" form also includes a statement that "I am a registered authorised signatory for that purpose". Whilst audit testing revealed that these were authorised by the Financial Controllers, there is no category on the authorised signatory lists on Eric for Sales Ledger write offs, nor were the Sales Ledger Team able to provide such a list.

The debt write off limits referred to in the Housing and Community Care Housing Benefit Overpayment Write Off sheet are also not detailed on any Sales Ledger Team authorised signatories list.

### Management Action Plan

The Financial Systems Team Leader will contact each Service to confirm that only Financial Controllers are authorised to recommend a write off. The Authorised Signatory Lists will thereafter be updated to reflect these amendments.

|                                     |                                              |
|-------------------------------------|----------------------------------------------|
| Importance:                         | Low                                          |
| Responsible Officer:                | L Law, Financial Systems Team Leader         |
| Lead Service:                       | Corporate and Democratic Services            |
| Date for Completion (Month / Year): | March 2017                                   |
| Required Evidence of Completion:    | Sample of updated Authorised Signatory List. |

### Auditor's Comments

Satisfactory

## Action Point 4 - Write Off Report

The 2015/16 SP&R write off report details the proposed Sales Ledger Debt write off as £328,998.62. However, the report does not provide a breakdown of this total by Service.

Whilst the amounts making up the above SP&R amount agree with the relevant write off certificates, there are differences of £6,802.70 and £887.78 when testing the write off figures to the corresponding amounts of £253,676.42 and £15,015.12 presented to the respective HCC and ECS management teams.

Also, the write off certificates in respect of the Sales Ledger Debt were signed by the respective Financial Controller, but there were no such certificates for the other debts included in the SP&R report.

In addition, the minutes of the SP&R Committee on 17 June 2015, which considered the 2014/15 write off report, resolved that the previous years' figures should be included in future write off reports. The previous figures were not included in the 2015/16 report.

## Management Action Plan

Write off certificates will be obtained from all Services in respect of all debt requested to be written off and included in the SP&R report.

The Service will arrange for future SP&R write off reports to include a breakdown of the Sales Ledger debt by Service. This will allow Services to carry out a further check of the write off totals to their records. The report will also include the previous years' figures. The Financial System Team Leader will advise Financial Controllers of these changes.

|                                     |                                                                                 |
|-------------------------------------|---------------------------------------------------------------------------------|
| Importance:                         | Medium                                                                          |
| Responsible Officer:                | L Law, Financial Systems Team Leader                                            |
| Lead Service:                       | Corporate and Democratic Services                                               |
| Date for Completion (Month / Year): | June 2017                                                                       |
| Required Evidence of Completion:    | Sample of Non Sales Ledger write off certificate and updated annual SP&R report |

## Auditor's Comments

Satisfactory

## Action Point 5 - Purpose of the Write-Off Report

The “Purpose of Report” or abstract section of Report 15/251: “Authority to write off Debt and Obsolete Stock” presented to the SP&R Committee on 17 June 2015 made no reference to a proposal to write off a loan. Full details of the proposed write off were, however, included in the “Proposals” section of the report.

The report stated that the debts proposed for write off remained outstanding after exhaustive recovery procedures had been undertaken. However, a security charge was held in respect of the loan. The Head of Finance states that the narrative included in the report in respect of the loan clearly indicates that the purpose of writing off the loan was to allow the recipient to achieve revenue stability rather than reflecting the Council’s inability to recover the debt through appropriate diligence.

At the date of testing the charge was still in place, although it has subsequently been removed during the course of the audit.

## Management Action Plan

The Service will ensure that the “Purpose of Report” section as well as the “Proposals” section of the next SP&R write-off will refer to any proposals to write off loans.

|                                     |                                      |
|-------------------------------------|--------------------------------------|
| Importance:                         | Low                                  |
| Responsible Officer:                | L Law, Financial Systems Team Leader |
| Lead Service:                       | Corporate and Democratic Services    |
| Date for Completion (Month / Year): | June 2017                            |
| Required Evidence of Completion:    | SP&R 2016/17 write off report        |

## Auditor’s Comments

Satisfactory

## Action Point 6 - Car Park Trading Account

The 2015/16 Authority to Write Off Debts of 15 June 2016 presented to the SP&R requested authority to write off £112,794 in respect of the Car Park Trading Account Income.

Audit testing revealed that no report had been presented to the Service Senior Management Team requesting their approval of the proposed write off and/or provided a breakdown of this figure.

At the date of audit testing, the relevant write off entries had not been posted to the individual accounts.

There are no written procedures that document or support the Car Park Trading Account Income write off routines.

## Management Action Plan

- a) The Service will ensure that the relevant entries for the Car Park Trading Account write off of £112,794 approved by the SP&R in June 2016 will be posted to the individual accounts.
- b) The Service will add a procedure for the Car Park Trading Account write off to their current debt recovery and write off procedures. This will include reporting to SMT for authorisation and relevant completion dates for the various stages.

|                                     |                                               |
|-------------------------------------|-----------------------------------------------|
| Importance:                         | Medium                                        |
| Responsible Officer:                | S Welsh, Finance & Governance Team Leader     |
| Lead Service:                       | The Environment Service                       |
| Date for Completion (Month / Year): | a) Completed<br>b) Completed                  |
| Required Evidence of Completion:    | a) Confirmation of write off<br>b) Procedures |

## Auditor's Comments

Satisfactory

## Action Point 7 - Council Tax & Non Domestic Rates Separation of Duties

Within the Council Tax and Non Domestic Rates sections one member of the team, normally a Revenues Assistant, has systems access that requests progression of a write off. A second member of the team, normally a Revenues Officer has systems permission rights to thereafter authorise such requests.

Testing of 20 randomly selected cases confirmed that two differing members of staff were involved in the requesting and authorising of write offs. However, the system would allow a Revenues Officer to both request and authorise the same write off.

### Management Action Plan

The Service will investigate the creation of a report that shows who requested and who authorised any Council Tax or Non Domestic Rates write off, such as via Business Objects. The Service will thereafter incorporate the checking of such reports into their monthly checking procedures.

|                                     |                                       |
|-------------------------------------|---------------------------------------|
| Importance:                         | Low                                   |
| Responsible Officer:                | K Fraser, Assistant Revenues Manager  |
| Lead Service:                       | Housing and Community Care            |
| Date for Completion (Month / Year): | January 2017                          |
| Required Evidence of Completion:    | Extract from Business Objects Reports |

### Auditor's Comments

Satisfactory

## Action Point 8 - Integra

Testing of 20 randomly selected items detailed on the record entitled "Integra Finance System Transactions Flagged for Write-Off" revealed inaccurate descriptions for 4 of these items.

Audit testing confirmed that each of above individual entries on Integra was correct and that the issue related to the formatting of the information on this record. The Auditor noted that additional entries on the record also detailed incorrect descriptions.

## Management Action Plan

The Service will investigate the reasons for the incorrect descriptions in some of the "Integra Finance System Transactions Flagged for Write-Off" report and carry out sample testing to ensure the accuracy thereof.

|                                     |                                      |
|-------------------------------------|--------------------------------------|
| Importance:                         | Low                                  |
| Responsible Officer:                | L Law, Financial Systems Team Leader |
| Lead Service:                       | Corporate and Democratic Services    |
| Date for Completion (Month / Year): | March 2017                           |
| Required Evidence of Completion:    | Sample from next report              |

## Auditor's Comments

Satisfactory



## Action Point 9 - Write Off Information

As reported in Action Point 4, the Service has agreed to ensure that all proposed debt write offs are in future supported by a write off certificate and the corresponding reporting to the relevant Senior Management Team.

There is scope for the Finance Transformation Review Corporate Debt work stream to consider the information communicated to SMTs for outstanding debts to be written off.

There is scope to review the control environment in relation to the information presented to each SMT, for example for each report to be supported by an Appendix which provides the breakdown of the individual debts which make up the proposed write offs. This would ensure a consistent Corporate approach to debt write off.

## Management Action Plan

The Chief Exchequer Officer will ensure that this action is completed within the Corporate Debt work stream.

|                                     |                                                    |
|-------------------------------------|----------------------------------------------------|
| Importance:                         | Low                                                |
| Responsible Officer:                | E Sturgeon, Chief Exchequer Officer                |
| Lead Service:                       | Corporate and Democratic Services                  |
| Date for Completion (Month / Year): | March 2018                                         |
| Required Evidence of Completion:    | Evidence of review from Corporate Debt work stream |

## Auditor's Comments

Satisfactory

## Appendix 3

### Action Point 10 - Awarding of a Loan

As a result of the review of the write-off of a loan, Internal Audit noted that the 30 November 2011 report to the SP&R which sought approval of the £200,000 loan stated that under the Council's approved Investment Strategy (permitted investments rules) all such third party loans require to be subsequently approved by full Council. However, the auditor could not trace any such approval by full Council.

Due to the passage of time, there is no specific action arising from this finding.

## Action Point 11 - Non Declared Interest

As a result of the review of the write-off of a loan, and subsequent review of the Committee reports and minutes regarding the conditions of the loan, Internal Audit identified that there were occasions where elected members on the external board to whom the loan was granted did not declare their interest.

The Service stated that it is the responsibility of the Elected Member to declare their interests.

### Management Action Plan

a) The requirement for Elected Members to declare their interests will form part of the training to be delivered to Elected Members following the election.

b) The Head of Legal and Governance Services will work with the Head of Democratic Services to develop a process for monitoring elected member declarations of interest and action to be taken.

|                                     |                                                                                                 |
|-------------------------------------|-------------------------------------------------------------------------------------------------|
| Importance:                         | Medium                                                                                          |
| Responsible Officer:                | a) G Taylor, Head of Democratic Services<br>b) L Simpson, Head of Legal and Governance Services |
| Lead Service:                       | Corporate and Democratic Services                                                               |
| Date for Completion (Month / Year): | June 2017                                                                                       |
| Required Evidence of Completion:    | Training delivered to Elected Members                                                           |

### Auditor's Comments

Satisfactory





Internal Audit Consultancy Report  
The Environment Service  
LEADER Assignment No.16-20  
January 2017

## Final Report

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

### 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.

Consultancy work aims to support management in building in controls at the outset for the implementation of systems, processes and procedures and also provides specific assurance for particular projects or issues at the request of management. This approach is consistent with the PSIAS.

### Background and Introduction

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

LEADER is a programme funded by the European Union aimed at increasing support to local, rural community and business networks to build knowledge and skills, and encourage innovation and cooperation in order to tackle local development objectives.

The Council has agreed to act as the ‘Lead Partner’ or ‘Accountable Body’ (AB) on the LEADER project for the rural Perth & Kinross (RPK) area. Officers from The Environment Service’s Investment team undertake this role. This involves working with, and for, a community-led Local Action Group (LAG) which awards funding to projects to support the delivery of a Local Development Strategy (LDS).

A Service Level Agreement (SLA) was entered into with the Scottish Government (SG) in August 2015. This defines a requirement for the AB to complete an annual Internal Audit review.

### Scope and Limitations

As the Scottish Government carried out a monitoring visit on projects and administration in June 2016, this assignment has been amended from an audit to consultancy to avoid duplication of work carried out and to reflect the fact that there has been a delay in the programme implementation date. At the time of the assignment, only one project claim had been submitted.

The consultancy sought to work with officers to review progress of the LEADER project and recommendations identified within the previous Internal Audit review in March 2016 (Report 16/310 refers). This was in regards to the implementation of the business plan through which the LDS will be delivered. Additionally, audit reviewed the SLA, which was unavailable at the time of the last review, and guidance provided by the SG to ensure that there had been consideration of evidencing requirements within this.

Consultancy activity included meetings with relevant officers and review of documentation in relation to LEADER.

## Project Update

The Service advises that the LAG and AB have received a higher level of Expressions of Interest and applications than anticipated within the 1<sup>st</sup> year of programme implementation. Between January and 22 December 2016, 38 applications have been assessed and 27 approved. Of these, 9 projects have commenced and 1 claim has been paid. The AB and LAG has recognised that this has caused capacity issues, and has amended LAG dates for 2017 to help address this. The SG visited the AB in June 2016 and reviewed administration set up and documentation relating to 2 of the projects, during which time it was noted that this was in order and well presented. Five recommendations were made as a result of this SG review. The AB advises that 3 of these have been undertaken and that work is progressing regarding the outstanding 2.

The management information system provided by the SG, through which all information will be recorded, recently became available for use. All applications are now recorded on the system, and it is anticipated that the claims module will be available within the first quarter of 2017. The AB has yet to receive guidance documents from the SG regarding cooperation activities and monitoring and evaluation of projects.

The LEADER co-ordinator terminated their employment with effect from December 2016. A new LEADER co-ordinator has been appointed and will commence in post at the beginning of January 2017.

## Audit Comments

Internal Audit has worked with the relevant officers on behalf of the AB throughout 2016 and has highlighted areas where processes and LAG documents have not been completed as outlined within the original business plan. The AB is currently reviewing the Business Plan and the LDS and will be seeking to have these finalised and approved once all guidance has been received from the SG.

Internal Audit notes that minutes of the LAG reflect discussion regarding training needs, project assessment, progression of project objectives and budgets. In addition, the AB has advised that it is completing “inception” visits with projects and intends to formulate an appropriate monitoring and evaluation structure in 2017, following receipt of guidance from the SG. However, there are some requirements defined in the SLA which require further discussion and documentation.

Internal Audit has provided the incoming LEADER Co-ordinator with a log detailing consultancy discussions for reference and guidance. An action plan has been drafted to ensure that areas highlighted from the current and previous reviews are fully addressed in advance of the annual certification exercise, scheduled for September 2017.

## Management Action and Follow-Up

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

## Internal Audit Report

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 PKLEADER AB staff during this assignment.

### Feedback

Internal Audit welcomes feedback from management, in connection with this work 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 & Entrepreneurial Development)

B Renton, Director (Environment)

T Flanagan, Interim Head of Economic Development

J Symon, Head of Finance

S Merone, Investment Manager

F McGowan, Investment Team Leader

S Rice-Jones, LEADER Coordinator

L Simpson, Head of Legal and Governance Services

K McNamara, Head of Strategic Commissioning and Organisational Development

G Taylor, Head of Democratic Services

P Dickson, Complaints and 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:

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Jacqueline Clark  
Chief Internal Auditor  
Date: 17 January 2017

Appendix 1: Summary of Action Points

| No. | Action Point                         | Risk/Importance |
|-----|--------------------------------------|-----------------|
| 1   | <a href="#">Business Plan Update</a> | High            |
| 2   | <a href="#">LAG Documentation</a>    | High            |

## Appendix 2: Action Plan

### Action Point 1. Business Plan Update

The Service is aware that the LEADER Business Plan requires review and update to reflect current and proposed processes. This should include documentation of procedures to support separation of duties in claims processing and scrutiny of capital projects in line with requirements defined within the SLA.

The AB is awaiting further guidance from the SG prior to finalising the Business Plan.

Changes to the Business Plan should be approved by the LAG and SG.

### Management Action Plan

The AB is currently reviewing the Business Plan and the LDS. Once further guidance has been received these will be finalised and presented for approval by the LAG and the SG.

|                                     |                                                                                                                                                                                                                                                                        |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Importance:                         | High                                                                                                                                                                                                                                                                   |
| Responsible Officer:                | S Rice-Jones, LEADER Co-ordinator                                                                                                                                                                                                                                      |
| Lead Service:                       | The Environment Service                                                                                                                                                                                                                                                |
| Date for Completion (Month / Year): | August 2017                                                                                                                                                                                                                                                            |
| Required Evidence of Completion:    | <p>a) Updated Business Plan. This should reflect procedures regarding separation of duties and scrutiny of capital projects.</p> <p>b) Minutes of LAG meeting where Business Plan was approved</p> <p>c) Confirmation of approval of revised business plan from SG</p> |

### Auditor's Comments

Satisfactory

## Action Point 2. LAG Documentation

There are forms relating to the LAG which are still to be completed in line with the Business Plan and SLA.

## Management Action Plan

The AB will ensure all documentation relating to the LAG is completed as required. The AB will liaise with the SG where forms may differ from those indicated within the Business Plan.

|                                     |                                                                                                                                                               |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Importance:                         | High                                                                                                                                                          |
| Responsible Officer:                | S Rice-Jones, LEADER Co-ordinator                                                                                                                             |
| Lead Service:                       | The Environment Service                                                                                                                                       |
| Date for Completion (Month / Year): | March 2017                                                                                                                                                    |
| Required Evidence of Completion:    | <p>a) Confirmation that all LAG members have signed a Memo of Understanding and nominated representative forms</p> <p>b) A completed Register of Interest</p> |

## Auditor's Comments

Satisfactory

## PERTH AND KINROSS COUNCIL

## Audit Committee

1 February 2017

## CONSULTANCY ASSIGNMENTS

## Report by the Chief Internal Auditor

**PURPOSE OF REPORT**

This report presents a summary of Internal Audit's approach to consultancy assignments.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) define Internal Audit as “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”.
- 1.2 In June 2016, the Audit Committee requested a report detailing the approach taken in Perth and Kinross Council to assignments included within the Internal Audit Plan as being of a consultancy nature. This report aims to provide an insight into the main different types of assignments which the Chief Internal Auditor has classified as ‘consultancy’ which is consistent with the PSIAS.
- 1.3 Consulting activity is integral to the definition of Internal Audit as defined in the PSIAS. However the treatment of such activity differs between types of assignment.
- 1.4 Internal Audit adds greater value to new or changed processes by being involved at their design and implementation stages rather than undertaking a review post-implementation. This assists Services to ensure that such processes are designed efficiently and effectively in order to ensure that they deliver the objectives of the Council, Service or team and consider associated risks appropriately. In order for this to be achieved, Internal Audit seeks information from Services regarding how such time could be best utilised as part of the annual planning process. A recent example of this type of assignment is the procurement and roll out of the property system, Concerto (reports 14/394, 15/267 and 16/37 refer).
- 1.5 There are occasions where Internal Audit is aware of risks being managed within Services where formal Internal Audits would be neither appropriate nor timely. This could be due to the nature of the uncertainty regarding the environment in which the risk is held. This could be as a result of impending changes in legislation which require Council action but at the time of planning,

the timing and extent of Council involvement may be unclear. An example of this type of assignment is the overview of the roll out of Universal Credit within Perth and Kinross and the Council's readiness to respond (Report 16/313 refers).

- 1.6 As with all assignments, Internal Audit agree the scope of Internal Audit work. The role that Internal audit take is advisory in nature and is scoped to ensure that relevant consideration is given to the changing risk and control environments. Internal Audit also works with the Services to ensure that there is no subsequent impairment to the independence and objectivity of the Internal Audit team undertaking 'traditional' audits in due course.
- 1.7 Each consultancy assignment is treated as a unique assignment and the scope tailored to ensure that resources are utilised to the best advantage of the Council. However, there are basic protocols in place which Internal Auditors follow when undertaking consultancy assignments. As with other areas of Internal Audit work, an assessment of the capacity of the Internal Audit team will be undertaken to ensure that the team can deliver consultancy appropriately, where identified.

## **2. OUTCOMES FROM CONSULTANCY WORK**

- 2.1 The reporting arrangements for each assignment will be discussed with the primary contact at the outset of the assignment. This may take the form of a written report highlighting the outcomes and assurances given. Reports will be written in such a way to provide management with the relevant detailed advice and assurances that may be required to ensure that the objectives of the assignment have been met.
- 2.2 There may be occasions where the issue of a final report is not considered appropriate due to the nature of the assignment and where Internal Audit's ongoing input may be the outcome which is required.
- 2.3 The Audit Committee has agreed that detailed reports on consultancy assignments will not routinely be considered by Audit Committee (Report 16/306 refers). However for each 'consultancy' assignment, the Audit Committee will be provided with a summary of the outcome(s) or work undertaken. This summary will be agreed with the primary contact for the assignment within the Service.

## **3. CONCLUSION AND RECOMMENDATION**

- 3.1 This report presents an overview of the different approach to consultancy assignments and their internal reporting arrangements.
- 3.2 It is recommended that the Committee notes the contents of this report.

### **Author(s)**

| <b>Name</b> | <b>Designation</b> | <b>Contact Details</b> |
|-------------|--------------------|------------------------|
|-------------|--------------------|------------------------|

|              |                        |                                                                                  |
|--------------|------------------------|----------------------------------------------------------------------------------|
| Jackie Clark | Chief Internal Auditor | <a href="mailto:CHXFinance@pkc.gov.uk">CHXFinance@pkc.gov.uk</a><br>01738 475524 |
|--------------|------------------------|----------------------------------------------------------------------------------|

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

| <b>Strategic Implications</b>                       | <b>Yes / None</b> |
|-----------------------------------------------------|-------------------|
| Community Plan / Single Outcome Agreement           | None              |
| Strategic Plan                                      | Yes               |
| <b>Resource Implications</b>                        |                   |
| Financial                                           | None              |
| Workforce                                           | None              |
| Asset Management (land, property, IST)              | None              |
| <b>Assessments</b>                                  |                   |
| Equality Impact Assessment                          | Yes               |
| Strategic Environmental Assessment                  | None              |
| Sustainability (community, economic, environmental) | None              |
| Legal and Governance                                | None              |
| Risk                                                | Yes               |
| <b>Consultation</b>                                 |                   |
| Internal                                            | Yes               |
| External                                            | None              |
| <b>Communication</b>                                |                   |
| 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. Internal Audit's ability to undertake consultancy work, where resources permit, leads to a greater management of risk within the processes being subject to consultancy review.

## 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**

- 2.1 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**

- 3.1 None

