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Council Building  
2 High Street  
Perth  
PH1 5PH

21 January 2019

A Meeting of the **Audit Committee** will be held in **the Council Chamber, 2 High Street, Perth, PH1 5PH** on **Wednesday, 30 January 2019** at **09:30**.

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

**KAREN REID**  
**Chief Executive**

***Those attending the meeting are requested to ensure that all electronic equipment is in silent mode.***

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



**Audit Committee**

**Wednesday, 30 January 2019**

**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.***

- |                  |  |                |
|------------------|--|----------------|
| <b>1</b>         | <b>WELCOME AND APOLOGIES</b>   |                |
| <b>2</b>         | <b>DECLARATIONS OF INTEREST</b>  |                |
| <b>3</b>         | <b>MINUTE OF THE MEETING OF THE AUDIT COMMITTEE OF 7 NOVEMBER 2018 FOR APPROVAL AND SIGNATURE</b><br>(copy herewith) | <b>5 - 8</b>   |
| <b>4</b>         | <b>INTERNAL AUDIT FOLLOW UP</b><br>Report by Chief Internal Auditor (copy herewith 19/24)                            | <b>9 - 24</b>  |
| <b>5</b>         | <b>INTERNAL AUDIT UPDATE</b><br>Report by the Chief Internal Auditor (copy herewith 19/25)                           | <b>25 - 34</b> |
| <b>5(i)</b>      | <b>EDUCATION AND CHILDREN'S SERVICES</b>   |                |
| <b>5(i)(a)</b>   | <b>18 - 11 - SCHOOL ESTATE STRATEGY</b><br>(copy herewith)   | <b>35 - 46</b> |
| <b>5(i)(b)</b>   | <b>18-17 - REMODELLING OF RESIDENTIAL CARE FOR CHILDREN AND YOUNG PEOPLE</b><br>(copy herewith)                      | <b>47 - 50</b> |
| <b>5(ii)</b>     | <b>CORPORATE AND DEMOCRATIC SERVICES</b>   |                |
| <b>5(ii)(a)</b>  | <b>18-02 - REVIEW OF INTERNAL CONTROLS</b><br>(copy herewith)  | <b>51 - 64</b> |
| <b>5(ii)(b)</b>  | <b>18-15 - PAYROLL</b><br>(copy herewith)  | <b>65 - 74</b> |
| <b>5(iii)</b>    | <b>HOUSING AND ENVIRONMENT</b>   |                |
| <b>5(iii)(a)</b> | <b>18-19 - LEADER</b><br>(copy herewith)   | <b>75 - 84</b> |

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PERTH AND KINROSS COUNCIL  
AUDIT COMMITTEE  
7 NOVEMBER 2018

## AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Council Chamber, 2 High Street, Perth on Wednesday 7 November 2018 at 2.00pm.

Present: Councillors E Drysdale, S Donaldson, D Illingworth, A Jarvis (substituting for A Coates) X McDade, M Williamson (substituting for B Band) and W Wilson.

In Attendance: K Reid, Chief Executive; J Clark, C Irons, S Mackenzie, M Morrison, L Simpson, G Taylor and M Willis (all Corporate and Democratic Services); J Cockburn (Education and Children's Services); L Brady, I Caldow, F Crofts, K Fraser, M Mitchell and A Taylor (Housing and Environment).

Apologies Councillors B Band and A Coates.

Councillor Drysdale, Convener, Presiding.

### 649. WELCOME AND APOLOGIES/SUBSTITUTIONS

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

### 650. ORDER OF BUSINESS

L Simpson, Head of Legal and Governance Services expressed concerns over the press coverage following the Report 18/359. She clarified some points of accuracy and advised that as the individual could now be identified, then this now fell within the exemptions under the Local Government (Scotland) Act 1973 and suggested that it might be appropriate for the Committee to consider the report in private. She also advised that the focus of the Audit Committee should be a discussion around the relevant internal controls and the improvement actions being recommended and that it would not be appropriate for the Audit Committee to discuss any Human Resources related matters.

#### **Resolved:**

The press and public be excluded during consideration of Art. 657(i)(a) to avoid the disclosure of information which was exempt in terms of paragraphs 1 and 14 of Schedule 7A to the Local Government (Scotland) Act 1973.

### 651. DECLARATIONS OF INTEREST

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

### 652. MINUTE

The minute of meeting of the Audit Committee of 26 September 2018 (Arts 514-520) was submitted and approved as a correct record and authorised for signature.

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AUDIT COMMITTEE  
7 NOVEMBER 2018

It was noted that two members of staff had now been recruited to the Audit Team.

**653. INTERNAL AUDIT FOLLOW UP**

There was submitted a report by the Chief Internal Auditor (18/357) presenting a current summary of Internal Audit's follow up work.

**Resolved:**

- (i) The current position in respect of the agreed actions arising from internal and external work, be noted.
- (ii) The action plans be progressed, taking into account the recorded audit opinions.

**654. INTERNAL AUDIT UPDATE**

There was submitted a report by the Chief Internal Auditor (18/356) presenting a summary of Internal Audit's work.

In response to a question from Councillor McDade, J Clark advised there was no further information on the Tay Cities Deal at this time.

J Clark confirmed the scope of the audit of the Arms-Length External Organisations had not yet been finalised and that the audit of Welfare Reform would include reference to Universal Credit.

Councillor Wilson acknowledged the Internal Audit Team had been short-staffed and queried if the Team were on target to complete the Audit Plan. J Clark assured Committee that with the new staff in post the Team would be able to complete the plan.

**Resolved:**

The progress of assignments from the 2018/19 Audit Plan, be noted.

**655. EXTERNAL QUALITY ASSESSMENT**

There was submitted a report by the Chief Internal Auditor (18/358) on the outcomes of the validated self-assessment which fulfils the requirements of the Public Sector Internal Audit Standards to ensure that there was an external quality assessment of internal audit.

It was noted that the annual review and supporting evidence had been examined by the Acting Chief Internal Auditor of South Ayrshire Council.

J Clark advised that the action plan had been taken forward.

The Convener stated it was a very positive report and Councillor Donaldson agreed it was an excellent report and J Clark and her team should be congratulated. Councillor Donaldson also referred to developing a suite of key performance

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AUDIT COMMITTEE  
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indicators (KPI's) to measure service delivery and asked what areas were to be looked at. J Clark advised proposals for KPI's would be reported to Committee following benchmarking with other Local Authorities to ensure they were useful and meaningful.

Councillor Wilson asked if there were plans to review and update the Public Sector Internal Audit Standards 2013 under which the review had been undertaken.

J Clark advised that there had been a review since 2013 but no major changes had resulted and she was not aware of any further planned review.

**Resolved:**

The outcome of the independent validation of Internal Audit's self-assessment of compliance with the Public Sector Internal Audit Standards, be noted.

**656. INTERNAL AUDIT UPDATE**

**(ii) Housing and Environment**

**(a) 18-12 – Management of Contracts**

There was submitted a report by the Chief Internal Auditor (18/360) on an audit to ensure the adequacy of arrangements in respect of contract management.

The Convener welcomed Mary Mitchell, Corporate Procurement Manager to the meeting.

J Clark advised that the audit had assessed contract management across a number of areas; contracts had been selected from the Housing and Environment Service as they dealt with the highest number of contracts. The actions required from the audit had been completed swiftly following actions being reported to managers and training had been undertaken.

M Mitchell provided a background to the procurement process for members' information.

Councillor Donaldson asked how training was delivered as training budgets had been cut and M Mitchell advised they were delivered in-house either by the Procurement Team or by Legal and Governance. Procurement Team training was kept up-to-date so that the Team could train other staff.

Councillor Donaldson referred to there being two of five contracts not notified to Public Contracts Scotland within the appropriate time limit and asked how much out of time they were; what sanctions there were and if there was reputational risk. M Mitchell advised that a report on all contracts was produced every Monday to follow up on each. EU contracts had to be notified within 30 days and M Mitchell was not aware of

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AUDIT COMMITTEE  
7 NOVEMBER 2018

any sanctions although there could be some legal risk. M Mitchell agreed to provide Councillor Donaldson with information on how much out of time the two contracts had been.

**Resolved:**

Internal Audit's findings, as detailed in Report 18/360, be noted.

K REID AND M MITCHELL LEFT THE MEETING AT THIS POINT.

**IT WAS AGREED THE PUBLIC AND PRESS BE EXCLUDED DURING CONSIDERATION OF THE FOLLOWING ITEM IN ORDER TO AVOID THE DISCLOSURE OF INFORMATION WHICH WAS EXEMPT IN TERMS OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT,1973**

**657. INTERNAL AUDIT UPDATE**

**(i) Corporate and Democratic Services**

**(a) 18-37 Cash Office Review**

There was submitted a report by the Chief Internal Auditor (18/359) to ensure controls for the collection and banking of income through the cash office at Pullar House were in place and operating effectively.

J Clark advised that this audit had been carried out in addition to the Audit Plan for 2018/19 and arose as a result of the theft of monies from the cash office. J Clark advised that the control environment had been tightened and measures put in place to detect if inappropriate transactions were being made.

**Resolved:**

Internal Audit's findings, as detailed in Report 18/359, be noted.

**658. VALEDICTORY**

The Convener referred to the retiral of Gillian Taylor at the end of November 2018. Gillian had been in Local Government for 39 years with 22 of those in Perth and Kinross. The Convener thanked Gillian for a lengthy and exemplary service to Perth and Kinross Council.

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# PERTH AND KINROSS COUNCIL

## Audit Committee

30 January 2019

### INTERNAL AUDIT FOLLOW UP

#### Report by Chief Internal Auditor (Report No. 19/24)

#### 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 Internal Audit has evaluated evidence provided for actions with an expected completion date of October 2018.
- 1.3 Appendix 1 presents a summary of the number of actions arising from internal and external audit reports.
  - Table 1 shows the total number of actions to be completed arising from Internal Audit reports. These total 48.
  - Table 2 shows the number of actions which have not been completed by their originally agreed date. These total 23, of which 9 had a completion date of September or October 2018 and are therefore detailed in Appendices 2 to 5.
  - A further 14 actions not completed by their original date have been allocated revised dates for completion after October 2018 and progress will be reported on these at a future Committee.
  - The number of actions which have yet to be followed up as their completion date is after October 2018 is 25.
- 1.4 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 external audit do not explicitly state the importance of each individual action and are therefore included in the tables as 'not rated'.

- 1.5 Appendices 2 to 5 present detailed follow-up information in respect of actions agreed for completion in the period of September and October 2018. Internal Audit's opinion on the implementation of the actions is that, whilst the actions have not been undertaken within the originally agreed timeframe, satisfactory progress is being made.
- 1.6 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 two such instance of 'high' risk actions and relates to the audit on Personalisation in respect of monitoring risk, one of which is included within Appendix 3.

## 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

| Name         | Designation            | Contact Details                                                        |
|--------------|------------------------|------------------------------------------------------------------------|
| Jackie Clark | Chief Internal Auditor | <a href="mailto:InternalAudit@pkc.gov.uk">InternalAudit@pkc.gov.uk</a> |

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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              |
| 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

#### Corporate Plan

- 1.1 The Council's Corporate Plan 2018– 2022 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.

- 1.2 This report relates to all of these objectives.

### 2. Assessments

#### Equality Impact Assessment

- 2.1 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.

- 2.2 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.

#### Risk

- 2.3 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**

#### Internal

- 3.1 The Chief Executive and the Executive 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 1 – Summary of Agreed Actions  
Appendix 2 – Audit Follow-Up Corporate & Democratic Services  
Appendix 3 – Audit Follow-Up Education & Children's Services  
Appendix 4 – Audit Follow-Up Health & Social Care Partnership  
Appendix 5 – Audit Follow-Up Housing & Environment

## Appendix 1

## Summary of Agreed Actions

Table 1: All Agreed Actions for Follow-Up as at 31 October 2018. This table includes actions not yet due for completion.

| Service                          | Importance   |              |                |                |                |
|----------------------------------|--------------|--------------|----------------|----------------|----------------|
|                                  | Critical     | High         | Medium         | Low            | Total          |
| Corporate & Democratic Services  | 0 (0)        | 1 (0)        | 10 (9)         | 7 (7)          | 18 (16)        |
| Education & Children's Services  | 0 (0)        | 4 (2)        | 4 (1)          | 0 (0)          | 8 (3)          |
| Health & Social Care Partnership | 0 (0)        | 0 (0)        | 2 (3)          | 0 (0)          | 2 (3)          |
| Housing & Environment            | 0 (0)        | 1 (0)        | 10 (8)         | 9 (9)          | 20 (17)        |
| <b>All Services</b>              | <b>0 (0)</b> | <b>6 (2)</b> | <b>26 (21)</b> | <b>16 (16)</b> | <b>48 (39)</b> |

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

| Service                                                                                                                         | Importance   |              |                |                |                |
|---------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|----------------|----------------|----------------|
|                                                                                                                                 | Critical     | High         | Medium         | Low            | Total          |
| Corporate & Democratic Services                                                                                                 | 0 (0)        | 0 (0)        | 2 (4)          | 3 (3)          | 5 (7)          |
| Education & Children's Services                                                                                                 | 0 (0)        | 2 (1)        | 1 (0)          | 0 (2)          | 3 (3)          |
| Health & Social Care Partnership                                                                                                | 0 (0)        | 0 (0)        | 1 (2)          | 0 (0)          | 1 (2)          |
| Housing & Environment                                                                                                           | 0 (0)        | 0 (0)        | 7 (8)          | 7 (7)          | 14 (15)        |
| <b>All Services</b>                                                                                                             | <b>0 (0)</b> | <b>2 (1)</b> | <b>11 (14)</b> | <b>10 (12)</b> | <b>23 (27)</b> |
| Actions with a completion date up to October 2018 which have not been completed and therefore included on Appendices 2 to 5     |              |              |                |                | 9              |
| Those actions where the revised date for completion is after October 2018 and have been previously reported to Audit Committee. |              |              |                |                | 14             |



## Appendix 2

**Internal Audit Follow-up  
Corporate & Democratic Services  
(Reporting for All dates on or before: October 2018)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                                | Dates                                     | Status/Explanation                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>17-22 - Elected Members Allowances<br/>Action Point : 6 - Councillor Absence<br/>Importance: Low</p> <p>Audit Committee Date:</p> <p>The Head of Democratic Services will discuss arrangements for Councillors to declare any periods of ill health, which result in their being unable to undertake their duties, with other senior officers and political leaders.</p> <p>(G Taylor, Head of Democratic Services)</p> | <p>Mar 2018<br/>Jun 2018<br/>Sep 2018</p> | <p>The Service states that a decision has been made not to progress this action as it may be difficult to maintain accurate records of when Councillors are able to work. Arrangements are in place for when a Councillor is unable to attend meetings over a prolonged period of time.</p> <p>Internal Audit Opinion:<br/>Accepted.</p> |





## Appendix 3

**Internal Audit Follow-up  
Education & Children's Services  
(Reporting for All dates on or before: October 2018)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Dates                        | Status/Explanation                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#">16-23 - Personalisation</a><br/>Action Point : 1.2 - SDS<br/>Strategy/Policy &amp; Evaluation<br/>Importance: High</p> <p>Audit Committee Date: April 2017</p> <p>Following receipt of the guidance from the Scottish Government, the outcomes from the self-evaluation of Self Directed Support implementation, using the Audit Scotland matrix, will be used to inform the Council-wide strategy, which will then be considered at the appropriate Committee.</p> <p>(S Cooper, Service Manager, Planning, Performance and Partnership Working)</p> | <p>Oct 2018<br/>Nov 2019</p> | <p>Children &amp; Families Services is working with colleagues in Adult Social Work to ensure arrangements are in place for a consistent and Council wide approach.</p> <p>Internal Audit Opinion: Accepted</p> |



## Appendix 4

**Internal Audit Follow-up**  
**Health & Social Care Partnership**  
**(Reporting for All dates on or before: October 2018)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                     | Dates                                     | Status/Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#"><u>16-24 - Commissioned Services - Care at Home</u></a></p> <p>Action Point : 4 - Contract monitoring reporting</p> <p>Importance: Medium</p> <p>Audit Committee Date: April 2017</p> <p>An annual report on commissioned services, which will include Care at Home Services, will be provided to the Commissioned Services Board.</p> <p>(E McMullan, Planning &amp; Commissioning Manager)</p> | <p>Apr 2018<br/>Sep 2018<br/>May 2019</p> | <p>A performance framework for care at home has been agreed and information has been collected quarterly and used as part of contract monitoring. An annual report has been drafted, showing aggregation of the data for all on the option 3 care at home contracts. This report will be developed further to show performance analysis, including care inspectorate grades prior to submission to the Commissioned Services Board. It is anticipated that this will be finalised and reported further to financial year end in April.</p> <p>Internal Audit Opinion: Accepted</p> |



## Appendix 5

**Internal Audit Follow-up  
Housing & Environment  
(Reporting for All dates on or before: October 2018)**

| Action Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Dates                                                                            | Status/Explanation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#">14-16 - Housing Repairs</a><br/>Action Point : 3.2 - Verification: timeliness and meeting the specification of emergency repairs<br/>Importance: Medium</p> <p>Audit Committee Date: April 2015</p> <p>HRIS is already in close contact with the Council's IT Service in order to improve the capability of our mobile technology, in accordance with Housing's Technology and Improvement Plan.</p> <p>(J Beverley, Housing Repairs Service Manager)</p> | <p>Dec 2015<br/>Mar 2017<br/>Oct 2017<br/>Mar 2018<br/>Oct 2018<br/>Mar 2019</p> | <p>This action is being progressed as part of IT's mobile working transformation project. As such, timescales for completion are out-with the Service.</p> <p>Progress has been made and the roll out of standard repairs work is scheduled to complete on 8 January 2019. Implementation of customer's signatures for all works completed during working hours will then be progressed and the final phase for out of hours working is expected to now be completed by 31 March 2019.</p> <p>Internal Audit Opinion: Accepted</p> |
| <p><a href="#">15-13 - School Transport Contracts</a><br/>Action Point : 3b - Contract Oversight &amp; Performance Monitoring<br/>Importance: Medium</p> <p>Audit Committee Date: March 2016</p> <p>The Public Transport Manager will liaise with the Procurement Manager to develop appropriate contract &amp; supplier management plans for future awards.</p> <p>(M Roy, Public Transport Officer)</p>                                                                | <p>Aug 2017<br/>Apr 2018<br/>Oct 2018<br/>Mar 2019</p>                           | <p>The Service is developing a process for contract and supplier management. This has been implemented for a major supplier and will be rolled out, using a risk based approach, to all suppliers.</p> <p>Internal Audit Opinion: Accepted</p>                                                                                                                                                                                                                                                                                     |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#"><u>16-22 - Roads Maintenance Partnership</u></a><br/> Action Point : 7a - Road Maintenance Partnership Agreement<br/> Importance: Medium</p> <p>Audit Committee Date: April 2017</p> <p>The Partnership continues to operate under the Memorandum Of Understanding in relation to Tayside Contracts operation and the authorised delegated powers of PKC officers within the Partnership. There is currently a Scottish Government drive towards collaborative working and this may change the way the Partnerships (PKC, Angus and Dundee City) move forward hence no further agreement has been put in place. When the output of the collaborative working group is reported to Committee the status of the Partnership will be clarified.</p> <p>(B Renton, Executive Director (Housing &amp; Environment))</p> | <p>Jan 2018<br/> Jun 2018<br/> Oct 2018<br/> Mar 2019</p> | <p>The short term Member Officer Working Group met and considered the current partnership arrangements on 30 November 2018. Agreement was reached to update the Partnership Agreement for up to 5 years. This will be documented and scheduled for committee in March 2019.</p> <p>Internal Audit Opinion: Accepted</p>                                                                                                                                                                                                                               |
| <p><a href="#"><u>16-27 - Events &amp; Festivals</u></a><br/> Action Point :1.1 - Events &amp; Festivals Strategy and Reporting<br/> Importance: Low</p> <p>Audit Committee Date: April 2017</p> <p>It was agreed at the Events Strategy meeting held on the 15th March 2017 that the Events &amp; Festivals Strategy would be updated.</p> <p>(A Graham, Business Development Team Leader)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>Apr 2018<br/> Sep 2018<br/> Jun 2019</p>               | <p>The current Events &amp; Festivals Strategy covering the period 2013-2020 is being reviewed to take into account the growing importance of events and festivals to the local economy, the proposed regional approach to major events, and the budget agreement to secure an income from events run by the Council. The Head of Planning &amp; Development has indicated that this review will be completed by the end of June 2019 after which committee approval will be sought for the new strategy.</p> <p>Internal Audit Opinion: Accepted</p> |

|                                                                                                                                                                                                                                                                                                                                              |                                                        |                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><a href="#"><u>16-27 - Events &amp; Festivals</u></a></p> <p>Action Point : 1.2 - Events &amp; Festivals Strategy and Reporting<br/>Importance: Low</p> <p>Audit Committee Date: April 2017</p> <p>A process will be introduced for determining which events are to be evaluated and to what extent.</p> <p>(M Boyle, Events Officer)</p> | <p>Sep 2017<br/>Sep 2018<br/>Mar 2019</p>              | <p>This action links into action point 1.1 above. The Service anticipate that a process to determine which events are evaluated, and to what extent, will be developed in advance of the Strategy being approved.</p> <p>Internal Audit Opinion: Accepted,</p>                                            |
| <p><a href="#"><u>16-27 - Events &amp; Festivals</u></a></p> <p>Action Point : 2.1 - Support for Event Organisers (AP8 on DB)<br/>Importance: Low</p> <p>Audit Committee Date: April 2018</p> <p>A Council wide application and assessment process will be introduced.</p> <p>(M Boyle, Events Officer)</p> <p>.</p>                         | <p>Sep 2017<br/>Apr 2018<br/>Sep 2018<br/>Mar 2019</p> | <p>The Conditions of Hire for Greenspace are being reviewed following the review of the City Centre Conditions of Hire. The Service states that the Council wide process will be finalised once this has been completed and will be available on the website.</p> <p>Internal Audit Opinion: Accepted</p> |





# PERTH AND KINROSS COUNCIL

## Audit Committee

30 January 2019

### INTERNAL AUDIT UPDATE

Report by the Chief Internal Auditor (Report No. 19/25)

#### PURPOSE OF REPORT

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

#### 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 2018/19, as approved by Audit Committee in March 2018 (report 18/109) and June 2018 (report 18/221).
- 1.3 Since April 2018, Internal Audit has been contacted on 11 occasions to provide advice, assurance and / or assistance to services regarding specific issues. Internal Audit will follow up on these areas during the year, where necessary. This unplanned workload is contained within the resources allocated as part of the Internal Audit planning process. The Audit Committee will be informed if there is any change to this situation. Where control issues arise as a result of this work, Internal Audit will provide the Audit Committee with a report.
- 1.4 Appendix A details those assignments where work has been completed since the last report to the Audit Committee. Where appropriate, Internal Audit Reports for these assignments will be presented to the Audit Committee.
- 1.5 Appendix B shows the areas of work being undertaken following the Audit Committee's consideration of the Internal Audit work plan for 2018/19.

#### 2. CONCLUSION AND RECOMMENDATIONS

- 2.1 This report presents a summary of Internal Audit's work.
- 2.2 It is recommended that the Committee notes the progress with assignments from the Internal Audit Plan for 2018/19.

#### Author(s)

| Name         | Designation            | Contact Details                                                          |
|--------------|------------------------|--------------------------------------------------------------------------|
| Jackie Clark | Chief Internal Auditor | <a href="mailto:Internal.Audit@pkc.gov.uk">Internal.Audit@pkc.gov.uk</a> |

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

#### Corporate Plan

- 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.

- 1.2 This report relates to all of these objectives.

### 2. Assessments

#### Equality Impact Assessment

- 2.1 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.

- 2.2 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.

#### Risk

- 2.3 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**

#### Internal

- 3.1 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 1 – Audit Activity Completed Since The Last Report To Audit Committee

Appendix 2 – Work Commenced from 2018/19 Internal Audit Work Plan

## Appendix 1

## INTERNAL AUDIT UPDATE

## Internal Audit Activity Completed Since The Last Report To Audit Committee

| <b>Audit No.</b> | <b>Audit Title</b>                                            | <b>Service</b>                  |
|------------------|---------------------------------------------------------------|---------------------------------|
| 18-02            | Detailed Review of Controls following a Significant Fraud     | Corporate & Democratic Services |
| 18-11            | School Estate Strategy                                        | Education & Children's Services |
| 18-15            | Payroll                                                       | Corporate & Democratic Services |
| 18-17            | Remodelling of Residential Care for Children and Young People | Education & Children's Services |
| 18-19            | LEADER                                                        | Housing & Environment           |



## Appendix 2

## Work Commenced from 2018/19 Internal Audit Work Plan as at December 2018

| Audit No. | Audit Title                                                                                               | Original Anticipated Audit Committee | Assignment brief approved                                                                                                                                                                             | Factual accuracy confirmed | Draft Report issued                                      | Final Report issued | Audit Committee Date ^              |
|-----------|-----------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------|---------------------|-------------------------------------|
| 18-01     | Initial Review of Controls following a Significant Fraud                                                  | May 2018                             | April 2018                                                                                                                                                                                            | April 2018                 | Outcome provided to Audit Committee. No separate report. |                     | <b>May 2018</b>                     |
| 18-02     | Detailed Review of Controls following a Significant Fraud                                                 | November 2018                        | April 2018                                                                                                                                                                                            | December 2018              | December 2018                                            | December 2018       | <b>January 2019</b>                 |
| 18-03     | IDEA Implementation                                                                                       | March 2019                           | April 2018                                                                                                                                                                                            |                            |                                                          |                     | March 2019                          |
| 18-04     | Arms Length External Organisations                                                                        | January 2019                         |                                                                                                                                                                                                       |                            |                                                          |                     | May 2019                            |
| 18-05     | Transformation                                                                                            | March 2019                           | April 2018                                                                                                                                                                                            |                            |                                                          |                     | May 2019                            |
| 18-06     | Corporate Governance                                                                                      | March 2019                           |                                                                                                                                                                                                       |                            |                                                          |                     | March 2019                          |
| 18-07     | Commissioning Strategy                                                                                    | March 2019                           |                                                                                                                                                                                                       |                            |                                                          |                     | March 2019                          |
| 18-08     | (a) Financial Assessment & Charging Follow Up<br>(b) Further Follow Up of Financial Assessment & Charging | June 2018<br>March 2019              | April 2018                                                                                                                                                                                            | May 2018                   | May 2018                                                 | May 2018            | <b>June 2018</b><br><b>May 2019</b> |
| 18-09     | Bus Service Operators Grant                                                                               | September 2018                       | Completed and grant claim certified. No report required on this occasion.                                                                                                                             |                            |                                                          |                     |                                     |
| 18-10     | Bus Service Operators Grant                                                                               | March 2019                           | 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. |                            |                                                          |                     |                                     |
| 18-11     | School Estate Strategy                                                                                    | November 2018                        | September 2018                                                                                                                                                                                        | November 2018              | December 2018                                            | December 2018       | <b>January 2019</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> |
|------------------|----------------------------------------------|---------------------------------------------|----------------------------------|-----------------------------------|----------------------------|----------------------------|-------------------------------|
| 18-12            | Management of Contracts                      | September 2018                              | July 2018                        | August 2018                       | August 2018                | September 2018             | <b>November 2018</b>          |
| 18-13            | Workforce Planning                           | January 2019                                |                                  |                                   |                            |                            | May 2019                      |
| 18-14            | Welfare Reform                               | January 2019                                |                                  |                                   |                            |                            | March 2019                    |
| 18-15            | Payroll                                      | November 2018                               | September 2018                   | December 2018                     | December 2018              | December 2018              | <b>January 2019</b>           |
| 18-16            | Sales Ledger                                 | November 2018                               | November 2018                    | December 2018                     | December 2018              |                            | <b>January 2019</b>           |
| 18-17            | Residential Services                         | January 2019                                | November 2018                    | December 2018                     | December 2018              | December 2018              | <b>January 2019</b>           |
| 18-18            | Tay Cities Deal                              | March 2019                                  |                                  |                                   |                            |                            | <b>May 2019</b>               |
| 18-19            | LEADER                                       | November 2018                               | September 2018                   | November 2018                     | November 2018              | November 2018              | <b>January 2019</b>           |
| 18-20            | Carbon Reduction Commitment & Climate Change | March 2019                                  |                                  |                                   |                            |                            | March 2019                    |
| 18-21            | General Data Protection Regulations          | May 2019                                    |                                  |                                   |                            |                            | March 2019                    |
| 18-22            | Carers Act                                   | May 2019                                    |                                  |                                   |                            |                            | May 2019                      |
| 18-23            | Local Action Partnerships                    | May 2019                                    |                                  |                                   |                            |                            | March 2019                    |
| 18-24            | IDEA Continuous Auditing                     | March 2019                                  |                                  |                                   |                            |                            | March 2019                    |
| 18-25            | Community Empowerment                        | March 2019                                  |                                  |                                   |                            |                            | March 2019                    |
| 18-27            | Inclusion Services                           | May 2019                                    |                                  |                                   |                            |                            | March 2019                    |



| <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> |
|------------------|---------------------------|---------------------------------------------|----------------------------------|-----------------------------------|----------------------------|----------------------------|-------------------------------|
| 18-28            | Corporate Risk Management | March 2019                                  |                                  |                                   |                            |                            | March 2019                    |

^ Dates in bold are actual Audit Committee dates. Others are anticipated dates for reporting to Audit Committee.



## Internal Audit Report



Internal Audit Report  
Education & Children's Services  
School Estate Strategy  
18-11  
November 2018

## Final Report (Report No. 19/26)

Legal and Governance  
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)

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 2018/19, which was approved by the Audit Committee on 27 June 2018. Audit testing was carried out in September and October 2018.

Councils, as Education Authorities, have a statutory duty in terms of the Education (Scotland) Act 1980 to make adequate and efficient provision of school education across their entire area for the current school population and future pattern of demand.

The School Estate is a significant and valuable asset to the communities of Perth and Kinross. Between 2018 and 2028, the Council is planning to invest £175m in the school estate. This funding supports a wide range of projects. In addition, the new £32.5m Bertha Park High School will open in August 2019.

There are significant challenges for managing the School Estate over the coming years. These include changing demographics including population growth and movement, house building in certain locations, ongoing deterioration in building infrastructure, pressure on planned maintenance budgets, increasing revenue costs and the expansion of funded Early Learning and Childcare from 600 to 1140 hours.

### Scope and Limitations

This audit considered the arrangements in place to ensure that the School Estate is planned for appropriately under the control objectives noted below.

The review consisted of analysis of documentation and interviews with relevant Officers within the Business & Resources team.

This audit did not seek to verify information relating to property maintenance and condition nor carry out in-depth analysis of the transformation programme or school contingency arrangements. These may be areas considered for future review.

### 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.

## Internal Audit Report

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Control Objective i: To ensure that there is a clear vision and strategy of how the School Estate is to be managed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                   |
| <p>Internal Audit Comments:</p> <p>A clear vision and strategy of how the School Estate is to be managed was set out within the draft School Estate Strategy (2012-2017) document, which was approved by the School Estate Sub-Committee in August 2012. This is referred to in all subsequent reports regarding School Estate planning.</p> <p>The School Estate Strategy document would now benefit from review as there have been a number of changes since it was written. These include updated governance and planning arrangements and emerging influential factors, such as the Tayside Regional Improvement Collaborative and the Scottish Government's vision for Early Learning and Childcare.</p> <p>Whilst there have been no changes to the overall vision for the School Estate, and changes to strategic delivery have been approved, review and update of the School Estate Strategy (2012-2017) document would provide clarity of current arrangements.</p> |                   |
| Strength of Internal Controls:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Moderately Strong |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Control Objective ii: To ensure that consideration is given to appropriate matters, such as the condition, suitability and sufficiency of the school estate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |
| <p>Internal Audit Comments:</p> <p>The Service gathers information regarding suitability every 3 years, sufficiency bi-annually and maintains records for these, carrying out detailed analysis activity as required. Property Services gather and maintain records regarding property condition on a rolling programme.</p> <p>Information on all of these factors is collated and reported annually to the Scottish Government, through a Core Facts data return, in line with their requirements for reporting on the Scottish School Estate Strategy. New Core Facts data guidance has been issued in 2018 and the Service advises that there are plans in place to review this, alongside carrying out in-depth analysis regarding individual elements of an assets condition and suitability.</p> <p>Whilst Core Facts data is held and collated annually, the Service recognises that there may be benefit to documenting key information in one, easily accessible location such as SharePoint. This will aid transparency, specifically with regards to projects and prioritisation, and the Service advises they are working with Property colleagues to develop this. This is particularly pertinent in the absence of an up to date Service Asset Management Plan,(as referred to within Control Objective iii.)</p> <p>In 2016, Lifelong Learning Committee (LLC) approved commencement of a School Estate Transformation review to carry out an in depth review of assets which did</p> |  |

## Internal Audit Report

not conform to a minimum set of principles. These were in relation to condition, suitability, sufficiency and those with life expired buildings<sup>1</sup>. This review is ongoing and outcomes are being reported through LLC.

Changes were made to the Education & Childrens Services' composite capital budget in 2018, with a number of programmes being amalgamated into an overarching programme entitled 'Investment in the School Estate'. An updated business case requires to be developed to formalise these new arrangements. That withstanding, an initial review of high level plans would indicate that the Service is continuing to consider capital spend allocation based on the approved transformation review principles.

|                                |                   |
|--------------------------------|-------------------|
| Strength of Internal Controls: | Moderately Strong |
|--------------------------------|-------------------|

Control Objective iii: To ensure that there are robust governance arrangements in place and operating effectively for school estate planning

### Internal Audit Comments:

The current governance arrangements with regards to the entire school estate planning are under review. There is evidence that the Service is working to streamline and update governance arrangements and create a more cohesive approach to planning with Property Services.

However, there are still some areas where further consideration may be beneficial. These include: a review of governance and reporting arrangements arising from the amalgamation of the School Estate Sub-Committee and Property Sub-Committee; and updating the Service Asset Management Plan, incorporating the School Estate Management Plan to ensure that Lifelong Learning Committee receive information on the overall position of the School Estate on a frequent basis.

|                                |          |
|--------------------------------|----------|
| 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. These will also be monitored via the follow up arrangements.

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.

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<sup>1</sup> Life expired buildings are defined as buildings which are uneconomic to maintain.

## Internal Audit Report

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 C Taylor, Service Manager and members of the ECS Resource Management Team during this audit.

### Feedback

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

### Distribution

This report has been distributed to:

K Reid, Chief Executive

J Valentine, Depute Chief Executive

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

G Boland, Senior Business & Resources Manager

C Taylor, Service Manager (Resource Management)

L Simpson, Head of Legal & Governance

S Mackenzie, Head of Finance

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: 11 December 2018

## Appendix 1: Summary of Action Points

| No. | Action Point                                  | Risk/Importance |
|-----|-----------------------------------------------|-----------------|
| 1   | <a href="#">School Estate Strategy Update</a> | Medium          |
| 2   | <a href="#">Assets Register</a>               | Medium          |
| 3   | <a href="#">Business Case Development</a>     | Medium          |
| 4   | <a href="#">Governance Arrangements</a>       | High            |



## Appendix 2: Action Plan

### Action Point 1 - School Estate Strategy Update

A draft School Estate Strategy was approved in 2012 to cover arrangements from 2012-2017, with a requirement that a finalised version be submitted to Committee.

The Strategy review frequency was also noted as annual.

The draft strategy document has not been updated since 2012. In subsequent years there have been a number of changes to the governance arrangements, forward planning processes and influencing factors.

This document may therefore benefit from review to provide clarity and formalise the current arrangements and to establish an appropriate review frequency for the future.

### Management Action Plan

The Service will review the School Estate Strategy (2012-2017) document to ensure that strategic developments, governance arrangements and relevant influential factors and challenges are documented and align with the vision for managing the School Estate. This will include liaison with appropriate Council Services regarding any legislative changes. A finalised document will be submitted for approval by the Lifelong Learning Committee.

|                                     |                                                                         |
|-------------------------------------|-------------------------------------------------------------------------|
| Risk/Importance:                    | Medium                                                                  |
| Responsible Officer:                | C Taylor, Service Manager (Resource Management)                         |
| Lead Service:                       | Education and Children's Services                                       |
| Date for Completion (Month / Year): | August 2019                                                             |
| Required Evidence of Completion:    | Updated School Estate Strategy<br>Minutes of Committee showing approval |

### Auditor's Comments

Satisfactory

## Action Point 2 - Assets Register

There are documents held between Property Services and the Resource Management Team, which together form a clear picture of the asset base. These are collated and reported annually to the Scottish Government.

However, there is no master asset register which contains all this information centrally, thus providing a complete overview of the School Estate and all works planned and underway at any given time. Creation of such a register would assist in enhancing transparency, specifically with regards to prioritisation rationale.

The Service has advised that they are currently working with Property Services to develop such a register. This will link into the annual Service Asset and School Estate Management Plan (SEMP).

## Management Action Plan

The Service initiated this project in September 2018. Plans are in place to develop the Property Management System, Concerto, to allow for information on suitability to be held alongside Property Information. Further to this, development will take place to allow auto-generation of information through the systems reporting features.

As it is appreciated that this project may take some time to develop, the Service will create a master assets register in the meantime, which will be updated annually (or sooner as required) to facilitate completion of the SEMP.

|                                     |                                                |
|-------------------------------------|------------------------------------------------|
| Risk/Importance:                    | Medium                                         |
| Responsible Officer:                | E Gilruth, Team Leader (Asset Management Team) |
| Lead Service:                       | Education and Children's Services              |
| Date for Completion (Month / Year): | June 2019                                      |
| Required Evidence of Completion:    | Completed Register                             |

## Auditor's Comments

Satisfactory

### Action Point 3 - Business Case Development

In 2018, a number of the school-related Education and Children's Services programmes being progressed through the composite capital budget were amalgamated into an overarching programme entitled 'Investment in the School Estate'.

This new programme will include prioritisation of capital works required to deliver options approved as part of the school estate transformation review.

A business case has yet to be developed to formally document the full scope of the programme priorities.

### Management Action Plan

The Service will develop a business case outlining the Investment in the School Estate programme, aims and priorities. This will be submitted for approval to the appropriate Committee.

|                                     |                                                        |
|-------------------------------------|--------------------------------------------------------|
| Risk/Importance:                    | Medium                                                 |
| Responsible Officer:                | E Gilruth, Team Leader (Asset Management Team)         |
| Lead Service:                       | Education and Children's Services                      |
| Date for Completion (Month / Year): | October 2019                                           |
| Required Evidence of Completion:    | Approved Investment in the School Estate Business Case |

### Auditor's Comments

Satisfactory

## Action Point 4 - Governance Arrangements

Whilst it is recognised that the Service is reviewing the current governance arrangements for planning and managing the School Estate, Internal Audit noted some areas where further clarification of arrangements may be beneficial, namely:

There is scope for the Service to consider the implications of the governance and reporting arrangements to the relevant Council Committee following the merger of the School Estate Sub-Committee with the Property Sub-Committee in 2017. Furthermore, governance structures could be developed further to assist in demonstrating inter-linkages between Committees and Boards.

The annual Service Asset Management Plan (SAMP), incorporating the School Estate Management Plan (SEMP), is identified within the School Estate Strategy and subsequent documents as being a key component to planning for the school estate. The SAMP provides Lifelong Learning Committee (LLC) with information on the overall position of the property assets used by Education and Children's Services to deliver services, alongside setting out developments which have been achieved and outlining future plans. However, since the commencement of the transformation review in 2016, a SAMP has not been completed. LLC has only received specific reports pertaining to individual schools and has not been provided with a recurrent overview of all matters relevant to planning for the school estate.

On the basis of the above, the Service may wish to review the frequency and purpose of information being communicated to the Property Sub-Committee and the re-introduction of a cyclical Service Asset Management Plan (or similar) to ensure LLC receive suitable information with regards to the School Estate.

## Management Action Plan

1. The Service is reviewing reporting and approval arrangements as part of review of Governance structures, which will address the matters raised above.
2. Service Asset Management Plan will be updated and reported to Lifelong Learning Committee.

|                                     |                                                                               |
|-------------------------------------|-------------------------------------------------------------------------------|
| Risk/Importance:                    | High                                                                          |
| Responsible Officer:                | C Taylor, Service Manager (Resource Management)                               |
| Lead Service:                       | Education and Children's Services                                             |
| Date for Completion (Month / Year): | 1. March 2019<br>2. November 2019                                             |
| Required Evidence of Completion:    | Governance review outcome, including reference to Committees<br>Approved SAMP |

## Auditor's Comments

Satisfactory





Internal Audit Report



Internal Audit Report  
Education & Children's Services  
Remodelling of Residential Care for Children and Young People  
Assignment No.18-17  
December 2018

Final Report  
(Report No. 19/27)

Legal and Governance  
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)

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 2018/19, which was approved by the Audit Committee on 27 June 2018. Audit testing was carried out in November and December 2018.

The Review and Remodelling of Residential Care (Children and Young People) is a Transformation Project within Phase 2 of the Council’s current transformation programme, Building Ambition which commenced in 2016/17. The key objective for this review is to reduce reliance on external residential placements, to avoid escalating costs and to better meet increasing and changing demands.

The Council approved the preferred option to replace traditional, council-run, residential care and to reduce the use of external providers of residential care by providing an innovative “hub” model to support young people within their local communities ([Report No. 17/262](#) refers).

The principal aim of this is to develop a fully integrated service for children and young people who are regarded as being ‘on the edge of care’. It is intended that this “hub” will combine intensive, community based and family support.

Following consultation with relevant stakeholders, this approach was named as “REACH”, and is referred to as such within subsequent programme documentation and reports.

### Scope and Limitations

Due to the changes in approach referred to above, the title and scope of the audit have been updated from those approved within the Committee paper, to more accurately reflect current arrangements and risks connected to the ‘REACH’ transformation project. The audit is now entitled ‘Remodelling of Residential Care for Children and Young People’, with the scope being ‘To provide assurance over the adequacy of arrangements in relation to the REACH (Review and Remodelling of Residential Care for Children and Young People) Project’.

This audit considered arrangements in place for managing the project and consisted of analysis of documentation and interviews with relevant Officers.

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<sup>1</sup> those who require support and may be at risk of becoming looked after



## Internal Audit Report

In line with the scope of the transformation review, this audit did not consider cases of children placed in external residential schools under ASL legislation.

### Control Objectives and Opinions

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

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Control Objective: To ensure the adequacy of arrangements relating to the REACH (Review and Remodelling of Residential Care for Children and Young People) Project                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |
| <p>Internal Audit Comments:</p> <p>Internal Audit's opinion is that there are appropriate arrangements in place regarding the REACH project.</p> <p>There is evidence that relevant analysis activity was undertaken to define the approach of the transformation review and to understand the cost and impact/potential benefits of the preferred option.</p> <p>A project plan for delivering the implementation phase was defined, and is in operation. This sets out significant milestones, dates and the work-stream responsible for delivering on these.</p> <p>There is a documented project governance framework in place. This sets out key roles, responsibilities and reporting schedules. There is evidence that these are operating effectively and that the Project Board are receiving appropriate information to facilitate oversight and decision making.</p> <p>As referred to within the background information of the report, Council approved the objectives and strategy for this project. Subsequently there has been scrutiny by Elected Members and Senior Council Officers. Lifelong Learning Committee has considered more detailed information and progress updates. Project progress is also being reported through transformation governance arrangements.</p> <p>There is evidence that risks, controls and issues are being identified and managed as required.</p> <p>The Service is developing a benefits realisation plan and evaluation process to outline outcome measures and reporting arrangements once the REACH project is operational. There is a Performance and Evaluation Officer in post to progress this, and required data will be captured from January 2019. Internal Audit has reviewed draft information and is satisfied that this work will continue and be delivered in line with the project plan.</p> |        |
| Strength of Internal Controls:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Strong |

## Management Action Plan

There are no actions arising from this audit. As such, no management action plan is required.

## Acknowledgements

Internal Audit acknowledges with thanks the co-operation of R Laurenson, Improvement Officer and H Robertson, Head of Service – Services for Children, Young People & Families during this audit.

## Feedback

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

## Distribution

This report has been distributed to:

K Reid, Chief Executive

J Valentine, Depute Chief Executive

S Devlin, Executive Director, Education & Children's Services

J Pepper, Depute Director, Education & Children's Services

H Robertson, Head of Services for Children, Young People & Families

R Laurenson, Improvement Officer

L Simpson, Head of Legal & Governance

S Mackenzie, Head of Finance

Committee Services

External Audit

## Authorisation

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

This report is authorised for issue:

---

Jacqueline Clark

Chief Internal Auditor

Date: 18 December 2018

## Internal Audit Report



Internal Audit Report  
Corporate and Democratic Services  
Review of Internal Controls  
18-02  
December 2018

### Final Report (Report No. 19/28)

Legal and Governance  
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)

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 2018/19, which was presented to the Audit Committee on 27 June 2018. This review follows on from the earlier update to Audit Committee on 23 May 2018 by the Chief Internal Auditor ([Report No. 18/168](#)) on the first phase of work. In this phase, Internal Audit ascertained that relevant Council Services were aware of the contents of an Audit Scotland report that detailed a significant fraud at Dundee City Council (DCC). The Head of Finance, as the Section 95 Officer per the Local Government (Scotland) Act 1973, was aware of the content of the report and had taken action including the circulation of the findings to relevant officers within the Council; the Financial Systems Team Leader, the IT Service Manager and IT Team Leader were all aware of the report.

In this second phase of work, audit focused on the four fundamental controls highlighted by Audit Scotland and whether they were operating effectively. Audit testing was carried out in October and November 2018. Examination of controls in place included those in place to reduce the potential for internal and external threats to integrity of supplier payments.

### Scope and Limitations

The audit focused on controls for processing supplier payments through feeder systems and reported in Integra Purchase Ledger. Controls must take into account the need for the Council to report on meeting targets for paying invoices promptly. The Council is required to provide a performance indicator on the number of invoices paid within 30 days of receipt (or otherwise agreed credit terms). An analysis of the Council’s payments profile found that 94% of invoices are up to £5,000 and 64% are under £250. In addition to the three weekly batches of creditors payments normally run, separate processing of urgent invoices is made through BankLine system. All invoices are subject to scrutiny as defined in the Council’s financial regulations.

Testing included interviews with key officers in Corporate & Democratic Services including the Financial Systems [FS] Team, and the IT Business Applications Team. A review of relevant procedures and documentation was also carried out.

Excluded from scope is detailed examination of payments made via procurement cards and Concerto.

## Control Objectives and Opinions

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

Control Objective 1: To ensure the adequacy of segregation of duties controls and ensuring access to systems are restricted to appropriate levels (to negate the possibility of individuals processing transactions all the way through the payments process).

Internal Audit Comments: Segregation of duties was reviewed both within and across the following systems – Integra Purchase Ledger, PayGate software for processing BACS files, and BankLine for processing urgent payments. The DCC case involved sub-systems for paying suppliers - the Fleet Management system and an in-house Construction Industry Scheme [CIS]. Therefore these were also reviewed within the Financial Systems (FS) Team.

It was found that although access to supplier bank account data was limited to a small number of FS Team administrators, the high level access within Integra gave administrators privileges to access all data fields, not just supplier bank detail therefore segregation of duties was not available as a single control for integra.

Instead, controls included having no single officer with sole high level access. There are four system administrators in Integra, four system administrators in PayGate and two administrators for the BankLine system. In addition any changes to bank account data fields are reported in the integra audit logs. Furthermore reports run during the review confirmed that usernames logged as having changed supplier bank accounts in integra Live were all authorised to carry out this task.

Two finance officers were found to have system administrator access across three systems - Integra, PayGate and BankLine. Privileges were used as the control to restrict their access; for example they were not allowed to input data in BankLine.

Two IT database administrators also had access to Integra data tables to carry out maintenance of the live system and patch management. In practice, file naming protocols for data tables made the files difficult to identify and reduced any potential for unauthorised changes. The same two IT database administrators also had access to maintain PayGate software. However this ended during the audit as PayGate moved off Council servers onto the cloud under a new contract with the supplier.

The Council's bank had recently reviewed 13 areas of security for BankLine and made 5 recommendations for increased security. Of these, 2 were changed; another two were reported to be for functions not used by the Council so not relevant; and the risk of 1 recommended area was tolerated as there were already compensatory controls in place through payments requiring to be dual authorised.

Additional controls are applied to monitor larger value invoices against recent changes to bank accounts before they are paid. The FS Team are currently reviewing thresholds for monitoring supplier payments for improved security.

## Internal Audit Report

A new 'e-form' is being designed and tested by the FS Team to manage requests for changes to suppliers' details. The new form process is designed with layers of control checks – an initial check is completed by the service as per guidelines, then a second check will be completed in the Financial Systems team contacting the supplier before any changes are made to a supplier's data. This new form is expected to go live early in 2019 and provides another level of control to payments to suppliers.

Authorisation levels are maintained in the Finance Services Authorised Signatories Register.

The Construction Industry Scheme [CIS] was reviewed and this was found to have adequate segregation of duties. The Fleet Management system does not interface to Integra in the Council so can be excluded from this review in terms of risk.

Strength of Internal Controls:

Moderately strong

Control Objective 2: To ensure that feeder systems are effectively reconciled to other systems – specifically the Purchase Ledger; using third party information (supplier's statements) and reconciling with payment systems for payments of creditors.

Internal Audit Comments: Reconciliations of the 6 feeder systems to Integra are all documented and updated by the FS Team.

In practice, reports on successful batch runs for 3 of the 6 interfaces are not sent back to the Services unless there were any discrepancies in the interface runs. The 3 system interfaces which had not asked for notification of successful runs were reported to be Northgate Council Tax & Rates, SEEMIS clothing grants and SWIFT Residential Payments.

Results from the other 3 interface batch runs were notified to the relevant Service area. Pecos orders are automatically interfaced for increased control.

Payment of invoices can be made without a matching purchase order and third party statements are not used for reconciliation for all 6,000 active suppliers as this is too resource intensive. In both cases the authorisation process is the primary control.

In the DCC incident, suspense accounts were reported to be used. The Corporate Accounting Manager advised that a sample of suspense account reconciliations is independently checked on a monthly basis.

A check on old in-house developed systems found one in use that the IT Business Applications Team had no awareness of – Bank Reconciliation. This system was reported to be used regularly by the Finance Manager for reconciliations of cheques and income.

Strength of Internal Controls:

Moderately Strong

## Internal Audit Report

**Control Objective:** To ensure that system documentation is maintained which details key controls to be carried out by staff to prevent fraud or error in payments of creditors.

**Internal Audit Comments:** Substantial documented procedures for Integra Purchase Ledger and interfaces with sub-systems were provided on request by the F S Team during the review.

In addition to the Purchase Ledger User Manual on Eric for system users, there were procedures for system administrators managing batch processes for all interfaces to Integra Purchase Ledger. Procedures for daily processes and daily control reporting for balance checks and corrections for the transaction consolidation in the Purchase Ledger were documented. For interfaces to Purchase Ledger, there were separate procedure notes for –

- Concerto to Integra to Concerto v2
- Clothing grants
- EMA Interface Instructions
- SWIFT Interface Instructions
- Council Tax and Rates
- Foster Carer interface instructions
- Purchase Card interface
- Guidance for the Daily PECOS Interface to Integra

There were also procedures on Construction Industry Scheme and payments to suppliers or sub-contractors.

Strength of Internal Controls:

Strong

**Control Objective:** To ensure that budget monitoring is at a level that allows budget holders to identify anomalous payments to suppliers at an early stage.

**Internal Audit Comments:** It was reported that monitoring revenue expenditure carried out was unlikely to identify the value of transactions that were involved in the DCC fraud case. The fraud carried out at DCC was carried out using a large number of small value transactions in service areas where variances were expected to occur. It is noted that the Council has controls in place for higher value transactions of £50k and £75k.

Whilst the Audit Scotland report on the DCC case recommended that budget monitoring should be at a level that would allow budget holders to identify anomalous payments at an early stage, the payment profile for the Council shows the majority of supplier payments are under £5000 and there are very many of these. Therefore the Council's controls for identifying anomalous payments lie elsewhere in the payment process, for example controls found in the first objective above.

During the audit there was consideration underway of the use of new pre-emptive

## Internal Audit Report

monitoring of invoices prior to their payment. Although this was mainly to identify potential duplicates, it might also assist in identifying other anomalous invoices in advance of payment.

The Council's insurance cover in the event of fraud occurring has a £5,000 excess on each claim.

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 Finance System Team and the IT Business Applications Team during this audit.

### Feedback

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

### Distribution

This report has been distributed to:

K Reid, Chief Executive

J Valentine, Depute Chief Executive (Chief Operating Officer)

L Simpson, Head of Legal and Governance Services

S Mackenzie, Head of Finance

A Taylor, Head of Corporate IT and Revenues

S Walker, Chief Accountant

J Cockburn, Finance & Governance Manager



## Internal Audit Report

C Robertson, Central Services Manager  
F Crofts, Finance & Resources Manager  
A O'Brien, Corporate Services Manager  
L Law, Financial Systems Team Leader  
D Adams, IT Service Manager  
D Turner, IT Team Leader (Business Applications)  
Committee Services  
External Audit

### Authorisation

The auditor for this assignment was N Duncan. The supervising auditor was M Morrison.

This report is authorised for issue:

---

Jacqueline Clark  
Chief Internal Auditor  
Date: 19 December 2018

## Appendix 1: Summary of Action Points

| No. | Action Point                                                            | Risk/Importance |
|-----|-------------------------------------------------------------------------|-----------------|
| 1   | <a href="#">System Administration duties and privileged access</a>      | Medium          |
| 2   | <a href="#">Supplier amendment e-form</a>                               | Medium          |
| 3   | <a href="#">Interfaces and batch runs</a>                               | Low             |
| 4   | <a href="#">In-house legacy application and IT support</a>              | Medium          |
| 5   | <a href="#">Monitoring larger payments and changes to bank accounts</a> | High            |

## Appendix 2: Action Plan

### Action Point 1 - System Administration duties and privileged access

System administrators within the FS Team require and have high level access to carry out their work. Integra high level access allows users with system administrator privileges to change standing data including supplier bank account data. These changes are reported in the audit tables of the financial management information system.

As there is a small FS Team, some officers have system administrators' access across more than one system that invoices are processed through. Integra logs changes to bank account data fields.

Controls in place for separation of duties include not only audit logs but also dual access; no one single administrator has high level access.

Reports run during the review confirmed that usernames logged as having changed supplier bank accounts in integra Live were all authorised to carry out this task.

As a result of the high level access it may be possible to process a transaction through the payments process and although this would be highlighted in the logs there is benefit in introducing an additional control check.

### Management Action Plan

An alert will be created where changes to supplier details are processed by unauthorised officers and this will be sent to Central Services Manager and the Financial Systems Team Leader in real time.

|                                     |                                      |
|-------------------------------------|--------------------------------------|
| Risk/Importance:                    | Medium                               |
| Responsible Officer:                | L Law, Financial Systems Team Leader |
| Lead Service:                       | Corporate & Democratic Services      |
| Date for Completion (Month / Year): | January 2019                         |
| Required Evidence of Completion:    | Evidence of report generation        |

### Auditor's Comments

Satisfactory

## Action Point 2 - Supplier Amendment 'e-form'

The new supplier amendment e-form is currently being designed and therefore yet to be tested. This new form is expected to go live early in 2019 and provides more control checks to payments to suppliers.

### Management Action Plan

Once the new e-form has gone live in 2019 and sufficient data is available, the FS Team will review the form and processes to confirm it is reducing manual processes and improving security.

|                                     |                                      |
|-------------------------------------|--------------------------------------|
| Risk/Importance:                    | Medium                               |
| Responsible Officer:                | L Law, Financial Systems Team Leader |
| Lead Service:                       | Corporate & Democratic Services      |
| Date for Completion (Month / Year): | March 2019                           |
| Required Evidence of Completion:    | Outcome from the review              |

### Auditor's Comments

Satisfactory

### Action Point 3 - Interfaces and positive assurance of batch runs

Of the six interfaces to Integra Purchase Ledger, three interfaces report back to Services that batch input has been run successfully with no errors. The other three interfaces (for Northgate, SWIFT & SEEMiS (clothing grants)) do not get reports back to Services from the FS Team that batch input has been successful as they have not requested this positive assurance.

IT processing good practice includes providing validation reports and positive assurance that batch processing has been successful.

Risks of not providing this positive assurance include potential lack of evidence to confirm batches are successful.

### Management Action Plan

The Service will contact the three Services who do not get reports back to be advised that they will receive positive assurance that batches have run successfully in future runs.

|                                     |                                        |
|-------------------------------------|----------------------------------------|
| Risk/Importance:                    | Low                                    |
| Responsible Officer:                | L Law, Finance Systems Team Leader     |
| Lead Service:                       | Corporate & Democratic Services        |
| Date for Completion (Month / Year): | February 2019                          |
| Required Evidence of Completion:    | Reports provided to the three Services |

### Auditor's Comments

Satisfactory

## Action Point 4 - In-house legacy application and IT support

A review of Council IT developed in-house applications found a system called Bank Reconciliation, developed many years ago and still used on a regular basis by the Central Services Manager for day to day work. IT Business Applications Team officers were not aware of the use of this application, as support for this was provided by a software engineer in the IT Transformation Team. Procedure notes were not available and an IT engineer reported it may not be compatible with the planned rollout of Windows 10.

It would be an operational loss if this system support was not available until an alternative product was sourced. Also there may be a risk that other old systems not compatible with Windows 10 are still used by Finance officers. There is benefit in undertaking a review of all applications to ensure they are supported and documented.

### Management Action Plan

The IT Teams will review the old in house application for Bank Reconciliation that has no documented procedures and may be at risk with rollout of Windows 10.

Any other legacy applications will be reviewed for continued support by Business Applications IT Team.

|                                     |                                                  |
|-------------------------------------|--------------------------------------------------|
| Risk/Importance:                    | Medium                                           |
| Responsible Officer:                | D Turner, IT Team Leader (Business Applications) |
| Lead Service:                       | Corporate & Democratic Services                  |
| Date for Completion (Month / Year): |                                                  |
| Required Evidence of Completion:    | Outcome from review                              |

### Auditor's Comments

Satisfactory

### Action Point 5: Monitoring larger payments and changes to bank accounts

Supplier payments at /above the value of £50,000 are specifically reported and reviewed against the date of latest bank account change for that supplier. This control is checked before any payment is made. As there are an increasing number of supplier payment frauds being attempted, local authorities are alerted to risks and the Council's bank has provided guidance to Finance officers in this regard. There is no commensurate control to ensure that payments below this threshold are monitored to the same degree. Following a review of the Council's payments which found that 94% of payments were less than £5,000 the FS Team are reviewing the threshold level for monitoring payments against changes to bank accounts.

### Management Action Plan

The FS Team review of the threshold level for monitoring payments against changes to bank accounts will take into account the increasing number of supplier payment frauds being attempted.

|                                     |                                    |
|-------------------------------------|------------------------------------|
| Risk/Importance:                    | High                               |
| Responsible Officer:                | L Law, Finance Systems Team Leader |
| Lead Service:                       | Corporate & Democratic Services    |
| Date for Completion (Month / Year): | March 2019                         |
| Required Evidence of Completion:    | Outcome of review                  |

### Auditor's Comments

Satisfactory





## Internal Audit Report



Internal Audit Report  
Corporate and Democratic Services  
Payroll  
18-15  
December 2018

Final Report  
(Report No. 19/29)

Legal and Governance  
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)

The Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

### Background and Introduction

This assignment forms part of the Internal Audit plan for 2018/19, presented to Audit Committee on 27<sup>th</sup> June 2018. Audit testing was carried out in September and October 2018.

The Council’s Payroll function makes salary payments to all Council employees and elected members in accordance with agreed salary structures, terms of employment, and working hours, making deductions for pensions (including additional voluntary contributions), statutory deductions and wages arrestment, as applicable, and other deductions, as instructed.

### Scope and Limitations

In order to arrive at an opinion on the achievement of the control objectives, the audit included interviews with the officers in Corporate and Democratic Services Human Resources Division, specifically the Employment & Payroll Services and HR Systems teams. The audit concentrated on the efficient operation of the payroll system, in line with the indicative scope.

The review consisted of interviews with relevant staff and testing to confirm the proper operation of expected controls. It covered both General and Teachers payrolls.

The audit was limited to the testing of controls, therefore re-performance of the calculation of salary, deduction for tax, National Insurance, or Superannuation, or other deductions was not carried out.

Whilst the audit included ensuring that a certified Service Establishment Annual Reconciliation had been provided to the HR Systems team, detailed testing of work carried out by Services was not undertaken.

### Control Objectives and Opinions

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

|                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Control Objective 1: To ensure that the payment of employee salaries, including temporary variations and deductions, are timely, accurate and authorised. |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                   |
|-----------------------------------------------------------------------------------|
| Internal Audit Comments: There are satisfactory controls operating to ensure that |
|-----------------------------------------------------------------------------------|

## Internal Audit Report

the payment of employee salaries, including temporary variations and deductions, are timely, accurate and authorised.

There are procedure documents for the ResourceLink Payroll IT system that all Employee & Payroll Services staff have access to and there is a formal timetable for both the General and Teachers payrolls.

There is segregation of duties between the recruitment and payroll functions.

Audit testing provided evidence that each change, both permanent and temporary, had supporting documentation and the change had been checked by a payroll officer independent from the one who processed the change.

|                                |        |
|--------------------------------|--------|
| Strength of Internal Controls: | Strong |
|--------------------------------|--------|

Control Objective 2: To ensure that the adequacy of controls in respect of bona fide new employees and leavers are appropriately and adequately authorised and input promptly to the payroll system

Internal Audit Comments: There are satisfactory controls operating to ensure that bona fide new employees and leavers are appropriately and adequately authorised and input promptly to the payroll system.

There are procedure documents regarding the input and checking of new start and leaver data entered in the payroll system and officers interviewed demonstrated a good knowledge of these.

Audit testing provided evidence that new start and leavers data entered was supported by appropriately authorised documentation.

There were instances where there was a delay in leaver dates being submitted by line managers through MyView when officers left the Council, resulting in overpayments. In addition it was noted that there were instances where current employees had been overpaid as a result of delays in completion of the relevant paperwork. There is a process in place to ensure these amounts are recovered, however there would be benefit in reminding all line managers of the relevant procedures to be followed when an officer leaves the Council's employment.

|                                |                   |
|--------------------------------|-------------------|
| Strength of Internal Controls: | Moderately Strong |
|--------------------------------|-------------------|

Control Objective 3: To ensure that managers are receiving accurate reports on the employees for whom they have responsibility.

Internal Audit Comments: In the majority of cases managers are receiving accurate reports on the employees for whom they have responsibility. As a result of ongoing re-structuring of services, some officers reporting lines have changed, but in some cases the associated budgets have not been transferred to reflect the new structure and consequently ResourceLink/ MyView has not been amended.

Although Services are aware of this, it may mean that managers are not necessarily receiving accurate reports for all the officers for which they have

## Internal Audit Report

|                                                                                                    |                   |
|----------------------------------------------------------------------------------------------------|-------------------|
| responsibility. It is therefore possible that a leaver or change is not being processed timeously. |                   |
| 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 lists an issue identified during the audit, which would benefit from attention, but is considered to be out-with the scope. This will also be monitored via the follow up arrangements.

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 Employment Services Team officers during this audit.

### Feedback

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

### Distribution

This report has been distributed to:

K Reid, Chief Executive

J Valentine, Depute Chief Executive (Chief Operating Officer)

S MacKenzie, Head of Finance

K Donaldson, Corporate H R Manager

E Sturgeon, HR Manager

C Tully, HR Team Leader

V Iwanio, HR Team Leader

## Internal Audit Report

L Simpson, Head of Legal & Governance Services

Committee Services

External Audit

### Authorisation

The auditor for this assignment was Mark Stewart. The supervising auditor was Moira Morrison.

This report is authorised for issue:

---

Jacqueline Clark  
Chief Internal Auditor  
Date: 18 December, 2018

## Appendix 1: Summary of Action Points

| No. | Action Point                  | Risk/Importance |
|-----|-------------------------------|-----------------|
| 1   | Reporting structure – Budgets | Medium          |
| 2   | Overpayments                  | Medium          |
| 3   | Reporting Structure - MyView  | Low             |

## Appendix 2: Action Plan

### Action Point 1 - Reporting Structure - Budgets

As a consequence of ongoing changes in the Council structure, reporting lines for some officers have been changed in the current financial year. However, the associated budget has yet to be transferred to reflect these changes. As a consequence of this, the ResourceLink / MyView system has not been updated to reflect these changes and managers may not be receiving accurate reports for all the officers for which they have responsibility.

### Suggested Management Action Plan

1. Services are required to confirm reporting arrangements to the MyView Team to ensure that the system is updated and that reporting arrangements for managers are accurate.
2. Services budgets will be transferred to reflect the current operational reporting.

|                                     |                                                                                                        |
|-------------------------------------|--------------------------------------------------------------------------------------------------------|
| Risk/Importance:                    | Medium                                                                                                 |
| Responsible Officer:                | S Walker, Chief Accountant                                                                             |
| Lead Service:                       | Corporate and Democratic Services                                                                      |
| Date for Completion (Month / Year): | February 2019                                                                                          |
| Required Evidence of Completion:    | All changes of budgets, teams and individuals that accurately reflect the structure from 01 April 2019 |

### Auditor's Comments

Satisfactory

## Action Point 2 - Overpayments

Testing revealed that, of the 449 employees who left a post in the 6 month period to September, there were 8 where the line manager delayed the completion of the MyView leaver process, which resulted in an overpayment. In addition it was noted that there were 23 current employees who had been overpaid as a result of delays in completion of the relevant paperwork.

Although there is a process in place to ensure these overpayments are recovered, there would be benefit in reminding all line managers of the relevant procedures to be followed when an officer leaves the Council's employment.

## Suggested Management Action Plan

Line Managers will be reminded by Executive Directors of the need to follow the relevant procedures when an officer leaves Council employment. In addition, managers should be reminded of the requirement to inform Payroll promptly of any other relevant changes. The HR Manager will produce a communication for Executive Directors to cascade to all line managers.

|                                     |                                   |
|-------------------------------------|-----------------------------------|
| Risk/Importance:                    | Medium                            |
| Responsible Officer:                | E Sturgeon, HR Manager            |
| Lead Service:                       | Corporate and Democratic Services |
| Date for Completion (Month / Year): | January 2019                      |
| Required Evidence of Completion:    | Copy of the communication         |

## Auditor's Comments

Satisfactory



## Appendix 3: Action Plan

### Action Point 3 - Reporting Structure – ResourceLink/ MyView

As a consequence of ResourceLink/ MyView being different in some cases from the current operational structure (see Action Point 1), it is possible that reports generated for managers (e.g. sickness absence reports) may not reflect all staff for whom they have responsibility.

### Suggested Management Action Plan

Subject to each Service Financial Controller providing detailed information on the current operational structures to the HR Systems team by 28.02.19 (Action Point 1), the ResourceLink / MyView system will be updated to reflect these changes. This will ensure that future reports that are generated for managers will be accurate.

|                                     |                                                                                          |
|-------------------------------------|------------------------------------------------------------------------------------------|
| Risk/Importance:                    | Low                                                                                      |
| Responsible Officer:                | E Sturgeon, HR Manager                                                                   |
| Lead Service:                       | Corporate and Democratic Services                                                        |
| Date for Completion (Month / Year): | April 2019                                                                               |
| Required Evidence of Completion:    | Management Reports accurately reflect the Council's operational structure in April 2019. |

### Auditor's Comments

Satisfactory



Internal Audit Report



Internal Audit Report  
Housing & Environment  
LEADER  
18-19  
November 2018

Final Report  
(Report No. 19/30)

Legal and Governance  
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)

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 2018/19, which was presented to the Audit Committee on 27 June 2018. 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. Internal Audit have carried out three previous assignments in respect of LEADER ([Report 16/310](#), [Report 17/57](#) and [Report 17/386](#) refers) in which we have undertaken audit and consultancy work.

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 Housing & Environment’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).

The LEADER LAG is an unincorporated body whose membership includes representatives from 21 public and voluntary bodies in the RPK area including the Council. It has accepted approximately £3.8 million of funding from Europe and the Scottish Government for the period to December 2020.

As lead partner the Council has signed a Service Level Agreement (SLA) with the Scottish Government in August 2015. The purpose of the agreement is to define the obligations, duties and accountabilities of both parties in regard to the Scotland Rural Development Programme. Included within Annex A of the agreement is the undertaking that the Council will provide internal audit coverage of the functions undertaken on behalf of the Scottish Government, and will submit as part of an annual report, confirmation there has been compliance with applicable Regulations.

The agreement further states that if the Scottish Government faces disallowance of the EU contribution as a result of the Council failing to observe any requirements of the agreement, that the Council will recompense it.

The Scottish Government has issued guidance on the internal audit work required. It states that internal audit should review the systems in place to deliver LEADER as well as the financial processes to ensure they meet Regulatory requirements. It should assess compliance with the SLA and conduct a review of a selection of LEADER projects. In accordance with this requirement an Internal audit was carried out in 2017 in respect of the period to 15 October 2017 ([Report 17/386](#) refers).

## Internal Audit Report

This report is the result of our audit work for 2017-18 and covers the period 16 October 2017 to 15 October 2018. At the time of testing the total number of applications was 77 of which 37 had been approved by the LAG. This audit includes a review of the following listed projects that are being supported by the 2014-2020 programme and 4 projects were reviewed. The projects were:-

| No | Organisation                      | Project Name                           | Award (£) |
|----|-----------------------------------|----------------------------------------|-----------|
| 1  | Atholl Baptist Centre Ltd         | Atholl Centre Conference Facilities    | 30,000    |
| 2  | Perth & Kinross Countryside Trust | Cateran's Common Wealth                | 41,761    |
| 3  | Crieff Food Company               | The Opening of the Crieff Food Company | 30,000    |
| 4  | Comrie Development Trust          | Cuttybraggan Camp Development Project  | 43,396    |

In addition, two projects which were reviewed at the previous audit and are now complete were subject to a further review.

### Scope and Limitations

The Service Level Agreement refers to the requirement to comply with all EU regulatory requirements but in particular 1306/2013, 907/2014, 259/2008, 1305/2013 and 1303/2013. The Scottish Government has issued guidance which is based on the Regulations. Internal audit have limited their assurance to compliance with that guidance and the service level agreement.

### 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 Regulatory requirements are met by reviewing the systems in place to deliver LEADER as well as the financial processes

Audit Comments: Testing confirmed that there are systems in place to deliver LEADER.

There is evidence that the LAG is leading on the delivery of the LDS in supporting the priority projects which will deliver the key elements of the strategy. As set out in the business plan the LAG is monitoring the programme, which was confirmed when reviewing projects. Testing confirmed that there are regular LAG meetings with project assessments being carried out and decisions being minuted. Minutes confirm that meetings are quorate and there is appropriate membership from both private and public bodies.

Financial returns are sent to the Scottish Government requesting reimbursement

## Internal Audit Report

for administrative and animation costs. Review confirmed that these payments were subject to internal supervisory checks with adequate segregation of duties and supporting documentation. The payments were appropriately recorded in the Council's financial records and a reconciliation has been carried out between the Council's general ledger and the claims. The claims had not been submitted in accordance with the timetable outlined in the SLA and at the time of the audit, the claims for the period from 1 October 2017 had only recently been submitted for payment. Claims for the period 1 October to 31 May 2018 were subsequently received from the Scottish Government.

Although payments had been issued to applicants, there have been delays in submitting some of the claims to the Scottish Government due to functionality issues with the Local Actions Rural Communities System (LARCS). The service advises that these will be submitted over the next six months. There is therefore scope to review procedures to ensure that claims are uploaded on to LARCS timeously so that drawdowns from Scottish Government for paid grants can be processed in order that the Council is repaid the money it has disbursed.

Strength of Internal Controls:

Moderate

**Control Objective:** Assess compliance with the SLA and conduct a review of a selection of LEADER projects

**Audit Comments:** The Business Plan has been updated and these changes have been approved by the Scottish Government. The Business plan will continue to be updated and refreshed to reflect current processes. A current register of interests of LAG members is maintained, a data sharing agreement is in place with the Scottish Government, as is a user access control policy. It has been recognised that LEADER will follow any changes to Council processes as a result of GDPR requirements.

A review of 4 Leader projects was undertaken which confirmed that appropriate records have been maintained. This included completed signed application forms for all sampled projects in accordance with the guidance. LAG members review applications and complete project assessments. There was evidence that projects were appropriately discussed at LAG meetings including updates on budgets and projects and decisions being made by the majority of the quorate board of the LAG. LAG meetings are held on a regular basis.

There is evidence of financial scrutiny of project claims in respect of expenditure eligibility, match funding and supporting documentation.

Of the 6 projects that were subject to review in last year's audit, 5 are now complete 2 of which claims have been submitted and received from the Scottish Government and the remaining 3 claims are awaiting advice from the Scottish Government on how best to upload to LARCS.

Audit undertook a review of 2 of these completed files to provide assurance that appropriate processes are being followed prior to the claim being submitted.

There is scope to streamline processes for managing records relating to individual projects to ensure that all information is readily accessible however this will take

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|                                                                                                          |                   |
|----------------------------------------------------------------------------------------------------------|-------------------|
| time due to ongoing backcapture for early projects and limited permissions available to the LEADER Team. |                   |
| Strength of Internal Controls:                                                                           | Moderately Strong |

### Management Action and Follow-Up

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

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

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

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

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

### Acknowledgements

Internal Audit acknowledges with thanks the co-operation of the PK LEADER staff during this audit.

### Feedback

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

### Distribution

This report has been distributed to:

K Reid, Chief Executive

J Valentine, Depute Chief Executive

B Renton, Executive Director (Housing & Environment)

K McNamara, Depute Director (Housing & Environment)

D Littlejohn, Head of Planning and Development

S Mackenzie, Head of Finance

S Merone, Investment Manager

F McGowan, Investment Team Leader

S Rice-Jones, LEADER Co-ordinator

L Simpson, Head of Legal and Governance Services

External Audit

## Authorisation

The auditor for this assignment was M Morrison. The supervising auditor was J Clark

This report is authorised for issue:

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Jacqueline Clark  
Chief Internal Auditor  
Date: 12 November 2018



Appendix 1: Summary of Action Points

| No. | Action Point                                        | Risk/Importance |
|-----|-----------------------------------------------------|-----------------|
| 1   | <a href="#">Submission of claims</a>                | High            |
| 2   | <a href="#">Administration and Animation claims</a> | Medium          |
| 3   | <a href="#">Record Management</a>                   | Medium          |

## Appendix 2: Action Plan

### Action Point 1. Submission of claims

There have been delays in the submission of claims due to the level of applications and the ongoing functionality issues with LARCS. Drawdowns from the Scottish Government for paid grants should be processed timeously in order that the Council is repaid the money it has paid out to projects.

### Management Action Plan

The Service is working as a matter of priority to process drawdowns from the Scottish Government and expect to have completed processing the backlog of claims by April 2019.

|                                     |                                   |
|-------------------------------------|-----------------------------------|
| Risk/Importance:                    | High                              |
| Responsible Officer:                | S Rice-Jones, LEADER Co-ordinator |
| Lead Service:                       | Housing & Environment             |
| Date for Completion (Month / Year): | April 2019                        |
| Required Evidence of Completion:    | Drawdowns submitted               |

### Auditor's Comments

Satisfactory

## Action Point 2. Administration and Animation claims

The administration and animation claims had not been submitted in accordance with the timetable outlined in the SLA. The claims for the period from 1 October 2017 had only recently been submitted for re-imbursement. Claims for the period 1 October to 31 May 2018 were subsequently received from the Scottish Government.

Administration claims should be made in line with the SLA deadlines which were quarterly. The Service has chosen to drawdown monthly now. There is benefit therefore in ensuring measures are put in place to meet these deadlines. This would also maximise cashflow for the Council.

### Management Action Plan

The Service will ensure measures are put in place to meet SLA deadlines. Procedures will be updated to reflect these changes.

|                                     |                              |
|-------------------------------------|------------------------------|
| Risk/Importance:                    | Medium                       |
| Responsible Officer:                | S Merone, Investment Manager |
| Lead Service:                       | Housing & Environment        |
| Date for Completion (Month / Year): | Completed                    |
| Required Evidence of Completion:    | Copy of updated procedures   |

### Auditor's Comments

Satisfactory

### Action Point 3. Record Management

There is scope to review the way in which records are held to support progress with each of the projects. According to guidance all information should be held on LARCs, however this has not been possible given the level of applications that have been received and the ongoing difficulties experienced uploading information on to LARCs.

#### Management Action Plan

The Service has advised that it will ensure that all available information is centrally held and uploaded to LARCs where possible on an ongoing basis.

|                                     |                                             |
|-------------------------------------|---------------------------------------------|
| Risk/Importance:                    | Medium                                      |
| Responsible Officer:                | S Rice-Jones, LEADER Co-ordinator           |
| Lead Service:                       | Housing & Environment                       |
| Date for Completion (Month / Year): | April 2019                                  |
| Required Evidence of Completion:    | Status update on projects uploaded to LARCS |

#### Auditor's Comments

Satisfactory