

The Highland Council

Audit and Scrutiny Committee – 2nd March 2017

Agenda Item	4
Report No	AS/2/17

Internal Audit Reviews and Progress Report – 12/11/16 to 20/02/17

Report by the Corporate Audit Manager

Summary

This report provides details of the final reports issued since the previous meeting of this Committee; work in progress and other information relevant to the operation of the Internal Audit section.

1. Audit Reports

1.1 Final Reports

There have been 2 final reports issued in this period as referred to below:

SERVICE	SUBJECT	OPINION
Corporate Development	Transformation Savings Programme	Reasonable
Corporate Development	Common Good Funds – Rental Income	Reasonable

Each report contains an audit opinion based upon the work performed in respect of the subject under review. The five audit opinions are set out as follows:

- (i) **Full Assurance:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- (ii) **Substantial Assurance:** While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iii) **Reasonable Assurance:** Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iv) **Limited Assurance:** Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
- (v) **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

2. Other Work

- 2.1 In addition to the reports referred to in the table at section 1.1 above, the Section has been involved in a variety of other work which is summarised overleaf.

(i) Work for other Boards, Committees or Organisations

Audits have been undertaken on behalf of the Valuation Joint Board and High Life Highland. In addition, ICT audit work has been undertaken for Perth & Kinross Council as part of a shared service agreement.

(ii) Certification of grant claims

Work has been undertaken for HITRANS for the SPARA 2020 project.

(iii) Corporate Fraud activity

The corporate fraud work includes the on-going commitment as the Single Point of Contact in liaising with the DWP's Single Fraud Investigation Service and dealing with requests for information under the Data Protection Act from other organisations such as Police Scotland. In addition to the on-going investigations into cases of suspected tenancy fraud and Council Tax Reduction, time has been expended providing information for upcoming court cases.

(iv) External Assessment against the Public Sector Internal Audit Standards (PSIAS)

Following the site visit in November, further work has been undertaken providing responses to queries and additional information/ documentation requested. The report from this Assessment is provided as a separate agenda item.

(v) Integrating Care

A review of the governance arrangements was undertaken and found to be satisfactory and in accordance with the Scottish Government's Integrated Resources Advisory Group guidance.

(vi) Continuous auditing

A programme of continuous auditing using Computer Assisted Audit Techniques and system assurance reports has been developed in order to review the controls within the Debtors and Creditors systems. This information will be used to inform the annual Statement of Internal Control.

3. Progress Against the 2016/17 Plan

- 3.1 The audit reviews that are in progress and which will be the subject of a future report to this Committee are shown in the table at **Appendix 2**.

4. Performance Information

Performance for 2016/17 Quarters 1 – 3 is provided in the tables below.

4.1 Internal Audit:

Category	Performance Indicator	Target	2016/17 Actuals			
			Q1	Q2	Q3	Q4
Quality						
Client Feedback	(i) % satisfaction from individual audit engagements expressed through Client Audit Questionnaires (CAQ)	90	80	80	79	-
	(ii) % of Client Audit Questionnaires returned	70	86	100	80	-
Business Processes						
Timeliness of Final Report	(iii) % of draft reports responded to by client within 20 days of issue	85	38	50	80	-
	(iv) % of final reports issued within 10 days of receipt of management response	90	89	100	100	-

There are 2 indicators where performance is less than the target:

- (i) The client satisfaction rate has remained consistent but is still below target. Work will be undertaken to review the areas which have attracted lower scores in order to establish if there are any particular patterns and if so, action will be taken to address these.
- (ii) The time taken to respond to draft reports shows a marked improvement and only 1 was late. However, this report required responses from a number of different officers across Council Services.

In addition, the CIPFA 2015/16 information has recently been published which shows the following information for Highland Council compared to the Scottish Average:

Cost - Cost of Internal Audit per £million of net expenditure £845 compared to the Scottish Average of £1,048 and we are ranked 10th.

Efficiency - Adherence to Audit Plan achieved 104.4% against planned time, the Scottish Average is 94.4% and we are ranked 5th.

Fuller details of the annual performance will be provided in the Annual Report which will be presented to the June Committee meeting.

4.2 Corporate Fraud:

The table overleaf gives details of the number and types of fraud which have been completed in each quarter. In considering this information, the following should be noted:

- Results mean that fraud was established and in the case of tenancy fraud, the property has been recovered.
- Closed cases are where no fraud was established which could be due to lack of evidence or in some cases, malicious allegations have been made.

Fraud Type	No. of results/ closed				Total results/ closed
	Q1	Q2	Q3	Q4	
Tenancy	9/14	7/11	4/7	-	20/32
Council Tax Reduction (CTR)	1/9	0/5	0/0	-	1/14
CTR & Tenancy	0/3	0/2	0/4	-	0/9
Total	13/26	7/18	4/11		21/55

5. Implications

- 5.1 There are no Resource; Legal; Equalities; Climate Change/Carbon Clever; Risk, Gaelic and Rural implications as a direct result of this report.

Recommendation

The Committee is invited to consider the Final Reports referred to in Section 1.1 above and note the current work of the Internal Audit Section.

Designation: Corporate Audit Manager

Date: 21st February 2017

Author: Donna Sutherland, Corporate Audit Manager

Internal Audit –Work in Progress

SERVICE	SUBJECT	PROGRESS
Care & Learning	Commissioning of Throughcare and Aftercare Services	Fieldwork in progress
Care & Learning	Review of Financial Procedures operated in Schools	Fieldwork complete
Care & Learning	Commissioned HLH Services	TOR issued
Care & Learning/ Corporate Development	Network Capacity Management in Schools	Draft report in progress
Care & Learning/ Development & Infrastructure	Cromarty Primary School	Draft report in progress
Care & Learning/ Development & Infrastructure	Repairs and Maintenance in Schools	Being planned
Corporate Development	Review of ICT projects	Being planned
Community Services	Review of the arrangements for the procurement and payment of Homeless services	Fieldwork complete
Community Services	Review of Burials and Cremations	Fieldwork complete
Community Services	Roads Maintenance – condition surveys	Fieldwork complete
Community Services	Housing Information System	Fieldwork in progress
Community Services/ Development & Infrastructure Service	Replacement Heating Systems	Being planned
Development & Infrastructure	Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2015-16	Draft report in progress
Development & Infrastructure	Planning and Building Control fees and charges	Fieldwork in progress



**INTERNAL AUDIT
FINAL REPORT**

CORPORATE DEVELOPMENT SERVICE

TRANSFORMATION SAVINGS PROGRAMME

AUTHOR

Internal Audit
Finance Service

DISTRIBUTION

Depute Chief Executive/ Director of Corporate Development
Director of Finance
Director of Development and Infrastructure
Head of People and Transformation, Corporate Development
Service
Head of Digital Transformation, Corporate Development
Service
Head of Corporate Finance, Finance Service
Principal Project Manager, Corporate Development Service

REF: HBD01/003.bf

DRAFT DATE: 14/12/16
FINAL DATE: 20/02/17

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1. INTRODUCTION

The Transformational Savings Programme (TSP) comprises of a range of projects with a target to achieve efficiency savings of £18.932m for the period 2015/16 – 2018/19. It aimed to build on the successes of the Corporate Improvement Project 2 (CIP2) which ran from 2013/14 – 2014/15 and achieved savings of £5.28m. There are currently 34 projects which fall broadly in to the following themes:

- Business Improvement
- Commercialism & Income Generation
- Localism
- Procurement
- Shared Services
- Resource Management
- Property
- Other Efficiency Initiatives.

The projects were approved at a meeting of The Highland Council on 18/12/14 along with a number of Service specific savings measures.

The TSP is supported by the Corporate Improvement Team (CIT), Corporate Development Service.

In the first year (2015/16), the Programme delivered 2.659m savings, and in the latest update report provided to the Resources Committee on 08/02/17, it was stated that the overall remaining savings target for TSP projects/savings to be delivered is £13.004m, and from this £10.911m is on target.

The following table summarises the year on year savings on target for the remainder of the Programme, highlighting savings in exception, and savings previously approved to be removed from TSP by Committee as requiring alternative action.

Year	Revised Targets £m	On Target £m	In Exception £m	Approved for Removal* £m
16/17	5.024	4.578	0.446	0.432
17/18	3.524	2.877	0.647	
18/19	4.456	3.456	1.000	3.077
Total	13.004	10.911	2.093	3.509

* Savings approved to be removed from TSP by Committee as requiring alternative action:

16/17 Catering = £0.052m

16/17 Shared Services - Business Support = £0.100m

16/17 Shared Services - Learning & Development = £0.025m

16/17 Shared Services - Health & Safety = £0.025m

16/17 Shared Services - Finance Computer Audit = £0.010m

16/17 Shared Services - Trading Standards = £0.040m

16/17 Shared Services - Legal & Democratic Services = £0.040m

16/17 Shared Services - Building Standards = £0.040m

16/17 Revenues Shared Services = £0.100m

18/19 Fort William Office Review (shortfall) = £0.027m

18/19 Waste Disposal - Anaerobic Digestion: £0.200m

18/19 Community Development / Health Improvement = £0.050m

18/19 Waste Disposal - Energy from Waste = £2.800m.

2. REVIEW OBJECTIVES

The objectives of the review were to ensure that:

- (i) Savings have been selected using a structured and consistent approach which has resulted in the setting of deliverable targets.
- (ii) The status of each project is regularly monitored and progress is reported through the appropriate channels.
- (iii) Where it is identified that a savings target is not deliverable, prompt remedial action is taken or alternative savings measures are identified.

3. SCOPE, METHOD & COVERAGE

The audit reviewed the TSP, including arrangements for the projects to meet the agreed efficiency and service improvement targets. In particular it looked at how projects were selected for inclusion, how progress to plan for each project was monitored and reported and whether or not prompt remedial action was taken where a project had been identified as being non-deliverable.

A sample of 6 TSP projects was selected for review as part of the audit:

- IG10 – Support for Council Renewable Project
- PIM16 – Transport Programme
- PIM20 and 1 – Digital First
- WCG6 – Employability
- WPP4-5-SSJV9 – Shared Services – Health & Safety
- WPP4-SSJV8 – Shared Services – Legal & Democratic Services.

4. MAIN FINDINGS

The main findings of the review, referenced to the above review objectives, are as follows:

4.1 Project selection

This objective was partially achieved as the TSP projects were assessed and selected in a structured and consistent manner. The Council agreed the key areas for review in December 2013 and from January 2014 the Corporate Improvement Programme (CIP) Board developed the approach and delivery of the programme. Projects were assessed by means of a 3 stage process whereby standard assessment templates were completed for each project and a budget consultation exercise was carried out. This resulted in 42 TSP projects being included in a package of budget saving proposals put before Council for approval in December 2014. TSP projects were also discussed at regular ELT budget planning meetings or as part of the ELT Weekly Business Meetings

A timeline of key events has been provided at Appendix 1.

- 4.1.1 Whilst all of the sampled projects had passed through the standard selection process, the assessment templates examined contained varying levels of detail. In particular those relating to Shared Services contained fairly minimal information. However, at the time of assessment and selection of the range of shared service projects, it was highlighted that although these were areas that could be supported by Highland Council, they were being put forward prior to entering into discussions with potential partner organisations. Therefore at this stage there may have been limited information available to the Project Owner for entry onto the assessment templates. With projects such as this where they are selected for their potential rather on the basis of a solid plan of delivery, there is an accepted risk that they may not be delivered. Subsequently 7 out of 11 shared service projects have now stopped with alternative savings to be identified.

Not all stage 1 and stage 2 assessment templates could be examined as some had been lost during the transfer of files between CIT SharePoint sites and could not be sourced from the relevant Project Owner. And for some of those examined, not all of the mandatory fields had been completed. However, all stage 3 final assessment templates were available as these formed part of the budget savings proposals put before Council in December 2014 and for these, all mandatory fields had been completed.

4.1.2 As part of the project assessment process, a scoring exercise was carried out in August 2014 by the CIT alongside the Head of Corporate Finance and the results presented to the ELT. Projects were scored using the following criteria:

- Ability to identify and realise cash savings
- Staffing effort
- Investment scoring
- Sensitivity to impact of change
- Deliverability of change.

A Value/ Difficulty Matrix was prepared which ranked the projects as follows:

- 13 High Value, Lower Difficulty projects = £8.187m
- 15 High Value, Higher Difficulty projects = £13.358m
- 11 Low Value, Lower Difficulty projects = £0.389m
- 11 Low Value, Higher Difficulty projects = £0.517m.

The conclusion of the assessment was that there was a significant risk of being unable to deliver all 28 of the high value projects by the end of the budgetary period in 2019 if all low value projects were retained. The risk being that limited resources would be expended for relatively small gain at the expense of projects with a higher return. It was stated that all resource inputs; ICT, Procurement, Personnel, Performance and development effort, would require to be geared up and appropriately prioritised in order to support the significant programme of work.

Risks to the deliverability of each individual project had been identified and provided as part of the budget saving proposals presented to Council in December 2014. The Revenue Budget and Council Tax 2015/16 report acknowledged the risk that the implementation and delivery of savings totalling £17.909m for 2015/16, which included £3.535m TSP savings, would present a significant challenge for the Council. However, the overall risk of non-delivery of TSP savings targets for the full 4 year lifespan of the project, as identified above, could have been more clearly stated at this time. Programme progress and status is reported to subsequent Resources Committee meetings and this does give some indication of the current risk to deliverability of the TSP savings targets.

4.2 Project monitoring

This objective was fully achieved as there is a sound system of project governance in place whereby projects are monitored and progress reported regularly through the appropriate channels. A report to the Resources Committee on 27/05/15 set out the arrangements for managing the TSP as follows:

- **Portfolio Management** – Members of the ELT would be assigned portfolios of projects and would be accountable for the delivery of these projects to meet the savings outputs agreed by the Council.
- **Project Lead** – Each project would have an identified Project Lead who would be responsible for the day to day management of the project and for reporting progress to the relevant Portfolio Manager.
- **Scrutiny** – The CIP Manager would meet with each Project Lead on a monthly basis to assess progress against plan. The output of these meetings would

then form a monthly report to the Transformational Programme Board (members of the ELT) which would be chaired by the Chief Executive.

- **Project Governance** – All projects would be governed by the Transformational Programme Board (TPB) and a joint report by the Depute Chief Executive and Director of Finance would be presented to the Resources Committee quarterly to enable Members to scrutinise and monitor progress with the delivery of the TSP.

A Portfolio Holder and Project Lead had been assigned to each of the projects sampled and monthly review meetings were held between the CIP Manager/ CIP Project Manager and the Portfolio Holder/ Project Lead. At these meetings, the status of each project had been determined:

- **Red** – Project is delayed, over budget or outwith quality criteria. Immediate action including up to executive leadership action required – recovery will take extra ordinary effort.
- **Amber** – Project may be at risk if issues are not addressed, however situation is recoverable with specific management actions.
- **Yellow** – Project has some issues that need watching but no immediate action is required to remain on track in terms of delivering savings.
- **Green** – Everything is, as should be.

The outcome of these meetings then formed the basis of a monthly progress report which was presented to the TPB.

- 4.2.1 Quarterly update reports had been prepared by the Depute Chief Executive/ Director of Corporate Development and presented to the Resources Committee. These reports are circulated to the Director of Finance and the Head of Corporate Finance for review and comment prior to finalisation to ensure consistency between TSP and Corporate Revenue Monitoring reporting. However, although the Director of Finance does have formal input into the quarterly update reports, this is not clearly stated on the reports presented to Resources Committee.

Corporate Revenue Monitoring Reports, which are prepared by the Director of Finance and presented to the Committee, provide information relating to budget savings. The information provided relates to the total approved budget savings for 2016/17 of £34.9m, of which the TSP accounts for £5.456m. As well as a specific Budget Savings Section within the report with general commentary on the current financials year's budget savings, more detailed information is provided on:

- A breakdown of Unallocated Corporate Savings
- Analysis of all service budget savings by RAYG ranking
- Corporate and transformation savings with Red or Amber rated elements
- Service specific savings proposals ranked Red or Amber.

More detailed information relating to Service specific budget savings are reported to the relevant Strategic Committee.

4.3 Remedial action taken for non-deliverable savings targets

This objective was partially achieved. There is a sound system of project scrutiny and governance in place as described in section 4.2 above which allows for the timely identification of those projects where remedial action may be required.

Prompt remedial action had been taken for 4 out of 6 sampled projects where it had been identified that savings would not be deliverable.

- **Support for Council Renewable Project (IG10)**

The status of this project was reported as Amber at a meeting of the TPB on the 16/09/15 and then Red on the 15/10/15. It was decided to assign a Trouble Shooter (selected from a pre-determined list of Council Officers not connected with the project) to review the project to "question process and

action, challenge assumptions and opinions and assist in finding a way to allow the project sponsor to secure the target income". A report prepared by the Trouble Shooter was presented to the next meeting of the TPB on the 20/11/15 and it was decided to progress with the alternative initiatives suggested within the report.

- ***Transport Programme (PIM16)***

The status of this project was reported as Red at a meeting of the TPB on the 15/10/15. A recommendation was made to re-profile 2015/16 and 2016/17 savings and this was approved by the Resources Committee on 25/11/15. The project status was subsequently reported as Red at a meeting of the TPB on 25/01/16 and a further change to the savings profile recommended which was agreed by the Resources Committee on 24/02/16.

- ***Digital First (PIM1 and 20)***

The status of this project was reported as Amber at a meeting of the TPB on the 18/11/15. A recommendation was made to re-profile 2015/16 and 2016/17 savings and this was approved by Resources Committee on 24/02/16.

- ***Share Support Services – Legal & Democratic Services (WPP4-SSJV8)***

The status of this project was reported as Amber at a meeting of the TPB on the 25/01/16. Between then and May 2016 opportunities with other Councils continued to be explored but to no avail. At a meeting of the TPB on 27/06/16 the project status was reported as Red and it was decided to stop the project and move related savings to unallocated corporate savings and identify an alternative saving.

4.3.1 For 2 out of the 4 sampled projects, remedial action was taken less promptly following the project status being reported as Red.

- ***Employability (WCG6)***

The status of this project was reported as Amber at a meeting of the TPB on the 25/05/15 and then Red on the 18/06/15. It was concluded that the current initiative would not provide the transformation savings proposed and it was recommended that an alternative approach should be scoped and investigated. The alternative approach continued to be progressed from then until July 2016 when it was recommended that an alternative saving from the Development & Infrastructure Service be found with the immediate focus on covering the 2016/17 £0.150m saving. At the Resources Committee on 23/11/16, it was agreed to revise how this saving was being reported, and the Savings Board of 28/11/16 agreed that for future reporting, the initiative will be to reduce employability activity. This revised position was reported to the Resources Committee on 08/02/17.

- ***Shared Services – Health & Safety (WPP4-5-SSJV9)***

The status of this project was first reported as Amber at a meeting of the TPB on the 25/05/15 and then Red on the 16/09/15. Between then and January 2016, shared service opportunities continued to be explored with potential partners. At a meeting of the TPB on the 25/01/16 it was recommended that an alternative saving should be found. A presentation was then given to the TPB on the 27/06/16 by a member of the CIT regarding the context of all TSP shared service projects, highlighting considerations to be accounted for in making decisions on the continued validity of these projects. It was subsequently decided to stop all shared service projects with a Red status and move related savings of £0.190m to unallocated corporate savings and identify alternative savings.

- 4.3.2 The 'Corporate Improvement Programme – Closure Report' presented to the Resources Committee on 27/05/15 stated that *"Where appropriate, savings shortfalls will be carried forward to the new TSP. It is also important that the lessons learned around these areas are applied to the new programme and that robust challenge is put in place where key milestones are not being met. The reporting and governance structure supporting the new TSP aims to provide this."*

Lessons have been learnt from the CIP2 and applied to the TSP. A more structured approach to implementation of projects is taken with the monitoring of the achievement of key milestones. Where an alternative savings measure is required, a business case is prepared to ensure that adequate detail is provided in order to facilitate sound decision-making. Three such business cases were presented to the TPB by the CIP Manager on the 30/05/16.

At the end of financial year 2014/15, £0.846m of CIP2 savings had not been allocated to Service budgets (£2.135m savings achieved). Out of this total, £0.774m was offset against unallocated budget and the remaining £0.072m was carried forward to the TSP in 2015/16. At the end of financial year 2015/16, £1.165m of TSP savings had not been allocated to Service budgets and was carried forward to 2016/17 savings targets (£2.659m savings achieved). One of the lessons learnt from the CIP2 was that savings should be allocated to Service budgets as early as possible in the financial year to minimise shortfalls at year end. In financial year 2016/17 there has been a concerted effort made to do this with £4.855m out of a total savings target of £5.024m allocated to Service budgets as at 16/02/17. Discussions are ongoing between the Head of Corporate Finance and Service Directors with regards to the allocation of the remainder.

Out of the £1.165m of TSP savings carried forward from 2015/16 to 2016/17, Member approval had only been sought to transfer £0.705m by means of re-profiling savings targets for various projects. Therefore a consistent approach was not taken when approving the transfer of non-deliverable savings from one financial year to the next.

5. CONCLUSION

The TSP has and will continue to make a significant contribution to the achievement of Council budget savings targets. Projects are transformational in nature and therefore drive changes within Council Services which are necessary in order to achieve improved efficiency and therefore cut costs. In order to support this programme of change there is a sound system of project governance in place whereby projects are monitored and progress reported regularly through the appropriate channels. However, despite rigorous monthly scrutiny, remedial action is not always taken promptly where it has been identified that a saving is not deliverable and this could negatively impact on the achievement of savings targets within the specified timescale. As a result of this, the audit opinion of Reasonable Assurance (see 6 below) has been given.

Whilst there is a robust system of project monitoring and reporting in place, there is the opportunity to further build on this solid foundation by ensuring that a consistent approach is taken when approving the re-profiling of savings targets between financial years. This should include the reporting to Members of the year-end position and the level of savings which have not been delivered and therefore transferred to future years.

As a result of the audit, 1 high grade, 3 medium grade and 1 low grade recommendations have been made. All of these have been accepted by management with the agreement that they will be built into processes moving forward.

6. AUDIT OPINION

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

7. ACTION PLAN

The Action Plan contains 5 recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	1
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	3
Minor issues that are not critical but managers should address.	Low	1
Total recommendations		5

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.1.1	Medium	For some of the stage 1 and stage 2 assessment templates examined, not all of the mandatory fields had been completed.	Where standard templates are used to assess future savings proposals, all mandatory fields should be completed in order to provide an adequate level of detail to allow for an informed assessment to be made.	Reinforce to Services the requirement for consistent application of prevailing Project Management Policy regarding the use of business cases to support project assessment and selection going forward.	Head of Digital Transformation and Head of People & Transformation	Ongoing
4.1.2	Medium	As part of budget saving proposals presented to Council in December 2014, risks to deliverability of individual projects and the overall 2015/16 budget savings package were stated. However, the overall risk of non-delivery of TSP savings for the full 4 year lifespan of the project could have been more clearly stated at this time.	During the approval process for future savings programmes, the perceived risk of non-delivery of the overall programme, not just individual projects, should be clearly stated.	An overall assessment of programme risk will be reported as part of the approval process for future savings programmes and will continue to be reported as part of the TSP Quarterly update reports presented to Resources Committee.	Principal Project Manager	Ongoing
4.2.1	Low	As per agreed TSP project governance arrangements, the Director of Finance does have formal input into quarterly update reports but this is not made clear on the reports presented to Resources	TSP Quarterly update reports presented to Resources Committee should reflect the fact that formal input is provided by the Director of Finance.	For the avoidance of doubt, TSP Quarterly update reports presented to Resources Committee will include statement that report has been	Principal Project Manager	With effect from 14/06/17 and ongoing

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		Committee.		produced in conjunction with Director of Finance.		thereafter
4.3.1	High	<p>For 2 out of the 6 sampled projects, prompt remedial action was not taken following the reporting of a Red project status:</p> <ul style="list-style-type: none"> - Employability (WCG6) - Shared Services – Health & Safety (WPP4-5SSJV9). 	<p>From the time when a project status is first reported as Red to Resources Committee, appropriate remedial action should be recommended to the next available Resources Committee. That is either:</p> <ul style="list-style-type: none"> - Re-profiling of savings target - Alternative saving identified - Transfer to unallocated savings (alternative saving to be identified). <p>If no remedial action is taken then an appropriate explanation should be provided.</p>	Savings Board minutes to include explanation if the Board have agreed no specific remedial action is to be taken and this information will also be included within the TSP Quarterly update reports presented to Resources Committee.	Principal Project Manager	With effect from 14/06/17 and ongoing thereafter
4.3.2	Medium	Out of the £1.165m of TSP savings carried forward from 2015/16 to 2016/17, approval had only been sought at Resources Committee to transfer £0.705m by means of re-profiling savings targets for various projects.	<p>(i) A consistent approach should be taken to the approval of the transfer of TSP savings between financial years.</p> <p>(ii) The year-end position, including actual savings achieved and those transferred to future years, should be reported to Members at the end of each financial year for the life of the TSP.</p>	Ensure transparent and complete reporting to Committee of the year end processes on any elements of TSP savings to be rolled forward as part of the 4 year programme.	Director of Finance	30/06/17

Appendix 1

Date	Event
19/12/13	A report to Council set out the key areas for review and also specific transformational initiatives which had been identified by the Executive Leadership Team (ELT) as areas where potential savings could be made.
17/01/14	<p>The Corporate Improvement Programme (CIP) Board met to discuss the approach to identifying a programme of efficiencies commencing in 2015/16 as a follow up to the CIP2. A number of ideas for potential savings had been identified through:</p> <ul style="list-style-type: none"> - ELT meetings held late in 2013 - CIT ideas generation - CIT looked at what had been done in other Councils in Scotland and England (Fife, Cumbria, Hampshire and Suffolk).
13/02/14	<p>At a meeting of the CIP Board, potential savings ideas were scored and assessed using the following criteria:</p> <ul style="list-style-type: none"> - Financial Impact - Customer and Council Impact - Deliverability.
Late Feb. 2014	A review of the potential savings ideas was carried out at the Administration Leader's Meeting.
13/03/14	<p>A report to Council stated that since the report on the 19/12/13 which set out the key areas for review and transformation initiatives identified by the ELT, further work had taken place to consider some of the specific proposals underlying those savings themes. A high level appraisal process had been undertaken to identify those proposals which may have greatest merit and require further investigation and discussion. The proposals were split into 7 themes:</p> <ul style="list-style-type: none"> - Process Improvement and Modernisation - Bringing Things Together - Income Generation - Working with Community Groups - Working with Public and/or Private Partners - Waste Disposal - Procurement.
17/03/14	At a meeting of the CIP Board each project was assigned to a Project Owner (a member of the ELT) and the standard assessment template for the next stage of project assessment was agreed.
28/03/14 – 16/05/14	<p>Completion of stage 1 project assessment templates by Project Owners. Information gathered at this stage:</p> <ul style="list-style-type: none"> - Financial Impact of Proposal: Net Savings/Income - Generation of Financial Impact (how the change or idea is turned into net cashable savings) - Customer Impact - Council Impact - Staff Impact - Equality Impact Assessment - Deliverability - Risks - Assumptions.

Date	Event
21/05/14	An assessment of stage 1 project assessment templates was carried out at a meeting of the ELT.
Mid May – end June 2014	Stage 1 Budget Consultation – this involved public consultation events to consider budget themes and some more detailed proposals.
27/06/14 – 31/07/14	<p>Completion of stage 2 project assessment templates by Project Owners. The information gathered at this stage built on that gathered as part of the stage 1 assessment and captured further information on the following areas:</p> <ul style="list-style-type: none"> – Approach to Saving – Savings per year and total (Gross) – Investments Required – Development Effort.
14/08/14	Independent project scoring activity carried out by the CIT alongside the Head of Corporate Finance and presented to the ELT. The presentation sought to bring definition to the list of projects, to suggest how each project might be considered/ viewed in relation to the whole. The need to undertake a profiling of this sort had been identified at an earlier ELT meeting.
Mid Sept. – early Nov. 2014	Stage 2 Budget Consultation – developed largely from the consultation responses received during stage 1 and had a greater focus on detailed budget proposals.
31/10/14	Completion of stage 3 project assessment templates by Project Owners. These templates were to form part of a package of budget savings measures which were to be put before Council 18/12/14.
18/12/14	42 TSP projects were included in a package of budget saving proposals put before Council. These were considered by Members and approved accordingly.

**INTERNAL AUDIT
FINAL REPORT**

CORPORATE DEVELOPMENT SERVICE

COMMON GOOD FUNDS - RENTAL INCOME

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DISTRIBUTION

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Property Systems Administrator, Development & Infrastructure
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Head of Corporate Finance, Finance Service
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1. INTRODUCTION

This audit examined the systems in place for collecting rental income due on chargeable assets for the Common Good Funds managed by the Highland Council. This audit was undertaken as part of the 2015/16 audit plan and was included following concerns raised by Members that the correct rental sums were not being charged and collected for all Council owned and managed sites. This followed 2 reports issued in 2014/15 which showed that the Council had not collected correct rental sums for 2 particular sites belonging to Common Good Funds; Lochloy Caravan Park owned by Nairn Common Good Fund and the Grant Street Park site owned by Inverness Common Good Fund.

This report looks solely at rental income for Common Good Fund owned sites. A separate audit (HEE03/001, reported to Audit and Scrutiny Committee 24/11/16) was conducted to examine the rental income systems for Council owned assets. The Council manages 10 Common Good Funds, 8 of which charge rent on non-moveable assets. It was confirmed with the Ward Manager that Granttown and Kingussie Common Good Funds do not collect rental income and so these were excluded from the audit review.

The 2016/17 rental income budgets for the Common Good Funds are as follows:

Common Good Fund	(£)
Inverness	2,078,000
Nairn	85,000
Dingwall	38,200
Fortrose & Rosemarkie	12,265
Cromarty	4,840
Dornoch	21,530
Tain	6,805
Invergordon	3,300
Total	2,249,940

2. REVIEW OBJECTIVES

The objectives of the review were to ensure that:

- (i) All chargeable properties and assets belonging to the different Common Good Funds have been identified and accurate details are held of the property/asset owner.
- (ii) There are clear responsibilities and consistent processes in place for all Common Good Funds which mean that correct rental sums are charged. Rent reviews are undertaken in accordance with the relevant agreement and increases are correctly applied. Commercial rents are charged unless it has been agreed by the relevant Committee/ previous Authority that this should be reduced.
- (iii) Rental income is charged for the use of all Common Good Fund assets and properties. Where the decision has been made to waive or reduce these charges then records are held to demonstrate that the appropriate authority was obtained and this is in accordance with the Common Good Fund policy.

3. SCOPE, METHOD AND COVERAGE

The audit examined the current arrangements for collecting rent and applying rent reviews for all Common Good Funds managed by the Highland Council. All other aspects of Common Good Fund income, expenditure and management were excluded from this review. Enquiries were made with the Ward Managers

responsible for managing the various Common Good Funds. For Inverness Common Good Fund enquiries were also made with the Industrial and Investment Property Team who manage the commercial tenancies.

4. MAIN FINDINGS

The main findings of the review, referenced to the above review objectives, are as follows:

4.1 Asset Lists

This objective was substantially achieved as there are lists of chargeable assets for all Common Good Funds held by the relevant Officers who are responsible for ensuring they are up to date.

Inverness Common Good Fund is considerably larger than all the other Funds in terms of assets owned and income received and so different arrangements are in place. The Industrial and Investment Property Team manage the Fund's commercially tenanted properties, details of which are stored on the K2 Property Database. In addition, a spreadsheet is maintained listing all chargeable assets and the expected rental income for the forthcoming year. This is then used to check for any rent reviews due. The spreadsheet also provides the basis of the six-monthly report to Members of the City of Inverness Area Committee, showing details of new lets and changes to rent amounts charged as a result of recent rent reviews. It is acknowledged that due to the size of the Inverness Common Good Fund asset portfolio, holding 2 records (K2 and the monitoring sheet) is necessary for the reasons outlined above.

Outwith Inverness, local records are held by Ward Managers. In addition to the locally held lists, there are 2 centrally held lists of assets consisting of:

- Information on the K2 property system which was prepared using the information from an exercise undertaken in 2010 to identify and map all assets.
- An Asset Register listing all Common Good Fund assets (moveable and non moveable) which is used by Finance staff to provide the detail on the Common Good Fund Investment Properties for inclusion in the Annual Accounts. The Asset Register should be the same as those records held by Property as this is where the information is taken from each year.

4.1.1 A comparison of the information held by Ward Managers, K2 and the Asset Register showed these were in agreement except for the following discrepancies:

- The Asset Register did not list any Dornoch Common Good Fund assets. However, the colour coded map showed sites belonging to the Fund consisting of the Caravan Park, Golf Club, Coastguard and Pumping Stations, the Historylinks Museum, Dornoch Firth fish nettings and a small site where a garage has been built.
- The Asset Register did not include the East Church Hall belonging to Cromarty Common Good Fund.
- The former townhouse and back court in Dingwall are shown on the local list as "general fund" rather than "Common Good". Also the details of the responsible High Life Highland Manager for this site are out of date on K2.
- The sports field next to Victoria Hall, Cromarty is no longer considered as belonging to the Common Good but is still recorded as such on K2. The Ward Manager stated the legal opinion had now clarified this and the records are to be updated accordingly.

4.1.2 Due to the historic complexity of Common Good Fund legal titles, changes to ownership can and do occur so all lists will have revisions made from time to time. It is the responsibility of the appropriate Ward Manager to ensure that updates to

the asset register and K2 are made as and when required. However, 1 Ward Manager stated they could not access K2 and had to inform the Property Systems Administrator of any updates.

Whilst there are relatively few discrepancies between the 2 lists and local records were well organised, there is a duplication of effort in maintaining different sets of the same information for Common Good Funds outwith Inverness.

4.2 Income and Rent Reviews

This objective was substantially achieved as the majority of income due is collected as expected. However, during the audit it was found that not all income was being collected as expected. As a result of the audit, approximately £28,800 of income due was identified (this equates to less than 0.5% of the annual income received). This is for sites where, due to errors, a lower amount than required was being charged. These errors have now been corrected and the audit acknowledges the work undertaken by officers to rectify these matters.

The following arrangements operate in the individual areas:

4.2.1 Inverness

The Industrial and Investment Property Team are responsible for administering rents on a set list of sites comprising of: the Carse and Longman Industrial Estates (101 sites), the Victorian Market Hall (38 sites), and 9 miscellaneous properties across Inverness.

Rental income is collected by invoices raised by Business Support staff or by Direct Debit payments. Integra cost centre reports were examined to check that the expected income had been received in accordance with the information recorded on their spreadsheet. There were no issues with the majority of sites, where the correct sums were charged and received. A number of differences were explained by rent reviews which had been undertaken and which, as per normal commercial property practice, resulted in backdated payments being made.

Where differences still occurred, a sample consisting of 4 Market Hall sites, 16 Industrial Estate sites and 3 miscellaneous properties was examined further. These were satisfactorily explained by the Lettings Administrator except for the following where the correct rental sums were not charged for 6 sites:

- For 4 of the industrial sites rent reviews had been conducted but the subsequent instructions to adjust Direct Debits had not been issued to the Finance Service's Income & Recovery Team. Consequently the income collected remained at pre-review levels. During the audit these errors were addressed; the Direct Debits were adjusted to post-review levels and any income shortfalls from the months between review and adjustment are to be collected from the tenants as back-rent. For these 4 sites £20,400 will be collected in back rent.
- At 1 site the tenant had been under charged by £400 per month for 21 months leaving £8,400 of rent uncollected. This was only discovered as a result of the audit enquiries. In this case the tenant rents multiple sites, and their Direct Debit should have been increased when they rented an additional site but this did not occur. The Industrial and Investment Team stated that they considered the adjustment had been made after issuing the appropriate instructions to the Income & Recovery Team. This has been rectified and the tenant has now agreed to pay the undercharged amount over a 12 month period.
- For the final site the tenant was overcharged for a period 7 months. Payment is made by Direct Debit and the monthly charge was to be increased following a rent review. This review took some time to complete which resulted in 11 months of backdated rent being due. The Direct Debit was temporarily adjusted to cover this but was not reduced once this had been paid resulting in

the tenant being overcharged £15,342.46. This has since been refunded. In this case, it was the tenant who identified the overcharge and notified Council officers accordingly.

The key concern highlighted by these errors is that the rental administration systems of Inverness Common Good Fund sites did not fully identify the discrepancies between the expected rental income and the amounts received, despite the process outlined at section 4.1.

It was acknowledged by the Industrial and Investment team that they need to work closer with Finance Service to ensure that the correct rental sums are being charged and collected for all sites. It was stated that the K2 System was originally implemented for Corporate Property Asset Management and Property Maintenance (following a CIPFA audit recommendation). However, the system does not currently link to Capita Integra to enable monitoring of rental income from direct debits, etc. so this information is not visible in K2 making monitoring rental changes challenging. Officers stated that either the new K2 database has to be improved or an alternative monitoring system put in place.

Due to time constraints, it was not possible to check that rent was being collected in accordance with the leases.

A sample of 21 invoices issued were examined to ensure that these were paid on time and that any outstanding were followed up on a timely basis. 12 of these were paid after the due date with reminder letters issued where appropriate. While debtor processes have been followed it is clear that income is not being collected timeously as expected.

There are a small number of Inverness Common Good Fund sites that are not managed by the Industrial and Investment Team. 1 is an undeveloped site and 2 are community assets (playpark and clock tower) and no rent is charged. For the other 3 sites (listed below) it was unclear whether any rent was due or being collected.

- Waterloo Bowling Club car park
- Various Lock ups at 6 Lotland Street
- The Eddie MacGillivray Hall, Riverside Street, Inverness.

The Inverness City Area Manager is currently investigating the status of these sites to establish whether rental income is or should be collected and who is responsible for monitoring this.

4.2.2 Nairn

The Ward Manager provided the local list of Common Good Fund assets which clearly shows the expected income, method of payment and the income cost centres. This was checked against cost centre reports to ensure that income was collected as expected.

This was the case with 1 exception where a tenant rents 2 sites and payment is made by Direct Debit. However, the payment covered just 1 site. In this case, the Direct Debit payment instruction had been sent to the Income and Recovery Team but this was not actioned and 6 months of income (£300) was not collected. As this was a Council error, it was agreed by Members to waive 3 months of the missing income and an invoice will be issued for the balance due. From June 2016 the tenant has been paying for both sites.

Of the 19 invoices raised for rented sites, 14 were paid after the due date. However, debtor processes were followed and the Ward Manager was aware of the late payment of invoices.

An exercise is being undertaken to match all titles with leases and ensure there is a clear agreement on ownership of sites. This has identified 3 sites which currently

charge rent that may be owned by the Council rather than the Common Good Fund and the Ward Manager is investigating if any income is due to the Council. To date, extensive work has been undertaken to ensure assets have been identified and correctly charged for and this is reassuring given the previous problem with the failure to apply rent reviews for the Caravan Park site.

4.2.3 Cromarty, Dingwall, Fortrose & Rosemarkie

These 3 Funds are managed by the same Ward Manager. Rental income is charged by invoice for 2 sites in Cromarty, 4 in Dingwall and 5 in Fortrose & Rosemarkie. Cost centre reports were examined to verify income had been collected as expected. The only issue was the late payment of 3 invoices. However, the debtor processes were followed and the Ward Manager was aware of late payments. 1 invoice covering sites in Cromarty, Dingwall, Invergordon and Tain was paid significantly after the due date.

Examination of copies of the leases showed that rent was charged in accordance with the lease terms.

4.2.4 Dornoch

There are 7 sites where rent is charged and the Ward Manager provided a list of the expected annual charges which are invoiced. The amount of income collected in 2015/16 agreed with the amounts provided by the Ward Manager, with 1 exception where the sum invoiced, and paid, was £50 less than the annual charge. The correct sum was invoiced for in 2016/17.

The main income source is the Caravan Park which is invoiced on a six-monthly basis for £10,200. 2 invoices were raised in 2015/16 for equal amounts but the income was allocated to different cost centres.

Leases for 3 of the sites were obtained and this showed that the rent was charged in accordance with the terms of the leases and rent reviews have taken place where required. However, the leases for the other 4 sites could not be located. The Ward Manager stated that to his knowledge these had never been held locally but will work with officers in Legal and Property Services to locate them.

4.2.5 Tain

Tain Common Good Fund has 6 sites where rent is charged. The decision was made to charge a rental below market value for one of the occupied properties as this was considered preferable to leaving the property vacant. Local Members were consulted on this although the Ward Manager stated that in future approval from the Area Committee would be sought on decisions to charge below market rates. However, as detailed at section 4.3 below, there is presently no policy for the waiving or reduction of rent.

Rental payments had been made correctly in accordance with lease terms.

4.2.6 Invergordon

The Town Hall is the only Common Good Fund asset but no lease could be found. This situation was reported to the Ross & Cromarty Area Committee on 03/04/07 when it was stated that the property was leased by the then Education, Culture and Sport Service. The Service paid an annual rental and it was recommended that this sum be reviewed from May 2008. Despite the absence of a lease, reviews appear to take place at 5 year intervals with the last review undertaken in 2014.

4.2.7 The Common Good Fund Policy

The present Common Good Fund Policy was approved by the Resources Committee on 09/10/10. Section 14 of the Policy states that: "*Rental/ lease*

income, which is derived from Common Good Fund investment properties is monitored and administered by the Housing and Property Service.” The Policy has not been updated to show the change of Service responsibilities and does not reflect the current practice of Ward Managers being responsible for administering rental income out with the Inverness area.

4.3 Rent Waivers and Reductions

This objective was not achieved as the the Common Good Fund Policy has no provision for the waving or reduction of rent. The current policy states *“The policy adopted by Common Good Funds for setting rents and leases follows the policy as implemented by the Council. Rent increases will be set in accordance with the current market conditions.”* However, as detailed in the recent audit report on rental income (reference HEE03/001.bf) there is no Council policy for rent waivers or reductions. In response to this report, it has been agreed that a policy will be produced by 31/03/17.

Enquiries identified the following instances where rent is not charged for the use of Common Good Fund assets. Many of these appear to be historic arrangements continued from the previous District Councils with limited documentation available to explain their rationale.

4.3.1 Inverness

In response to a query from a Member, the audit examined the annual rental income received by Inverness Common Good Fund for land north of the A9 specifically: the former tip, salt storage area and the Travelling Peoples’ site. Enquiries were made with the Inverness City Area Manager and the Head of Corporate Governance and the following was established:

- 2 sections of the land are rented by separate tenants for annual amounts of £30,000 and £17,500 respectively (the latter is for the salt storage area). These are managed as commercial sites by the Industrial and Investment Team and there are no concerns about the rent collection for these sections of land.
- No rent is paid for the Travelling People’s site. A memorandum from 1987 suggests that in 1983 the former Inverness District Council established the current arrangement whereby a grant is made from the Common Good Fund to the Council’s Housing Revenue Account to provide a site for Travelling People. In effect this means that the site is provided rent free. Although the arrangement is one of long-standing and was agreed by the then Trustees of Inverness Common Good Fund it is questioned if this arrangement continues to be an appropriate use of the Common Good Fund.
- No rent is paid for the former tip which is occupied by the Council and was used as a landfill facility until March 2003. A joint venture to use the site was proposed in 2001 but was not taken forward. The site is currently undeveloped, but the Council was required to undertake a restoration programme after the ceasing to use the site for landfill.

The Inverness City Area Manager stated that the site had been used in this manner since the 1950s but despite investigations no formal details of any decision making regarding the arrangement between the Inverness Common Good Fund and the relevant Council body have been found. The Inverness City Area Manager and Head of Corporate Governance are continuing to investigate this matter.

4.3.2 Dingwall, Fortrose & Rosemarkie

No rent is collected for Jubilee Park but the site is used and maintained on behalf of the Common Good Fund by the Highland Football Academy. This was agreed in a formal minute of agreement dated 17/07/03 and is in place until 2024.

An unofficial arrangement exists for the Cromartie Car Park in Dingwall which is let to the Council, and used by the public, but no rental amount is paid. Instead, the Council is responsible for maintaining this car park and the Fairy Glen Car Park in Rosemarkie. The Ward Manager stated that these are historic agreements which recognised that if the Council invested funds to improve assets then no rental sums would be charged.

4.3.3 Dornoch

An agreement has been in place since 1980 to charge a nominal sum of £1 per annum for a building at Dornoch Beach Car Park, however, no copy of the lease was provided. In practice no income is charged as the cost of collection is higher than the income sum.

4.3.4 Tain

Charges are made occasionally when the Links are used by commercial organisations. There is no formal guidance on what sum should be charged so the Ward Manager sought advice on the charges levied by the Inverness and Nairn Common Good Funds. As a result £250 was collected in 2015/16 for a 1 day event.

5. CONCLUSION

It is acknowledged that considerable work has been undertaken by Officers to correctly identify and record assets for all Common Good Funds managed by the Highland Council. The majority of local records were well administered but some minor discrepancies were found between the different lists of assets. This has also highlighted that there is currently a duplication of records and there is scope to use the K2 system to record all necessary information, however improvements are required to the system to allow this to occur. This action has been agreed in respect of the previous audit report on rental income and the new corporate arrangements agreed should also include Common Good Fund assets as well as Council assets.

The majority of rental income is being collected as expected with processes in place to ensure this collected according to lease terms. However, a number of errors were found in the rental income sums charged which shows that the monitoring of income received is not sufficiently thorough to identify these errors. Whilst it is recognised that these errors have been corrected it is a particular concern that some were only discovered during the audit process. Also a large number of the invoices issued were not paid on time and consideration needs to be given to a more effective method of income collection and this could form part of the move towards the new corporate arrangements. These errors in the income collection process and delays in paying debtor invoices are the reason for the audit opinion detailed at section 6 below.

A number of the Common Good Fund arrangements are a result of historic practice/ agreements but many of these are not formally documented. In May 2016, the Council agreed to establish a fixed-term post of Common Good Fund Officer to support the management of the various Funds. An appointment was made to this post in January 2017 and once this officer is in place there is the opportunity for them to assist in addressing the issues identified in this report.

A total of 3 recommendations have been made consisting of 1 high and 2 medium grades. These have multiple parts and as a result a total of 12 actions have been agreed with the relevant offices across the Services. The final management agreed actions are due to be completed by 31/12/17.

6. AUDIT OPINION

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

7. ACTION PLAN

The Action Plan contains **3** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	1
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	0
Total recommendations		3

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.1.1 – 4.1.2	Medium	Discrepancies were found when comparing the Central Asset Register and the information recorded on the K2 property system. The K2 Database has limited financial information which forces the IIP team to keep back up records. The K2 System is not linked to the database used by the income team and therefore it is difficult to monitor rental payments. In addition, some areas maintain a further local set of records which means that duplicate or triplicate sets of records are maintained.	The various discrepancies identified from this audit should be addressed. The K2 system should be developed and improved and used as the single central record of all Common Good Fund assets. This information should then be kept accurate and up to date, with all relevant Ward Managers being given the appropriate access.	K2 will become the sole record of non-Inverness Common Good Fund assets with access and training provided where required.	Property Systems Administrator working with Ward Managers, Accountant and Estates Team, D&I.	30/04/17

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.2.1-4.2.7	High	<p>The audit identified several concerns regarding the process for income collection and rent reviews across the various Common Good Funds:</p> <p>Inverness:</p> <p>(1) For 4 sites where rent reviews took place the instructions to adjust Direct Debits were not issued. These have since been addressed.</p>	<p>(1) The monitoring spreadsheet should be reviewed to ensure all sites are charged the correct rental sums and records updated where required</p> <p>(2) As part of a wider review of the Direct Debit process, confirmation should be provided to the Industrial and Investment team and budget holder that these have been set up/ amended as requested.</p>	<p>The monitoring spreadsheet will be reviewed as recommended and confirmation that correct sums are charged will be presented to the next City of Inverness Committee. The Industrial and Investment team will meet monthly with the Finance Service to ensure that income is collected timeously.</p> <p>Income & Recovery have set up spreadsheets to enable easier tracking of changes. We have started to confirm to the Services that changes have been made.</p>	Property Manager (Estates)	19/06/17
		<p>(2) 2 tenants were charged incorrect sums following rent reviews as the Direct Debits were not adjusted accordingly. As a result, 1 tenant was undercharged £8,400 and the other was overcharged £15,342.</p>			Principal Revenues Officer	Complete

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.2.1-4.2.7 (cont'd)		(3) There are sites not managed by the Industrial and Investment team and it was unclear whether rent is and/ or should be charged for these sites.	(3) An update should be provided to the City of Inverness Committee listing all sites not managed by the Industrial and Investment team, confirming rental amounts charged, including nominal or waived charges.	An update will be provided confirming rental amounts charged.	Inverness City Area Manager	19/06/17
		Nairn: (4) 1 Direct Debit payment to the Nairn Common Good Fund was not set up as required by Income & Recovery leading to a minor loss of income.	(4) See (2) above. In addition, for all Common Good Funds the budget monitoring process should identify any discrepancies as they arise. The appropriate corrective action should then be undertaken.	As part of the budget monitoring process, it will be checked that confirmation has been received that any new or changed Direct Debits have been actioned by Income & Recovery.	All Ward Managers	Ongoing
		Dornoch: (5) The incorrect amount was invoiced for one site. In addition, the income for the Caravan Park was coded to different cost centres.	(5) Officers should ensure that the correct amount is invoiced for and collected each year and this is based upon of the listing of expected charges. Income for the Caravan Park should be coded to a single cost centre.	Correct sums will be charged in future years with Ward Managers checking invoices. Income for Caravan Park will be coded to a single cost centre.	Temporary Ward Manager (East Sutherland and Edderton)	Ongoing
		(6) Leases for 4 assets belonging to the Fund were not held on file and so it could not be established that the correct rent sums were being charged and rent reviews were correctly applied.	(6) The 4 leases should be located to ensure rent is collected in accordance with the lease terms.	A search of legal files will be conducted to locate the leases.	Temporary Ward Manager (East Sutherland and Edderton) working with officers in Legal and Property Services	30/04/17

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.2.1-4.2.7 (cont'd)		(7) The Common Good Fund Policy has not been updated to reflect the changes arising from Service restructuring and the role of Ward Managers in the administering rental income outside of Inverness area. In addition the Policy does not prescribe the circumstances when rent can be set below market value.	(7) The Common Good Fund Policy should be reviewed to ensure that this reflects the current Service and management arrangements for Common Good matters.	Review the Common Good Fund Policy to ensure it reflects current operating practices.	Inverness City Area Manager with support from other officers where required	31/12/17

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.3.1-4.3.4	Medium	<p>It is acknowledged that a number of rent waivers are historic in nature and were agreed by previous District Councils. However, the following queries have arisen:</p> <p>(1) No rent is charged for the Travelling People's site and former tip on land which belongs to Inverness Common Good Fund. The legitimacy of the rationale behind the Travelling People's site is questioned. Also the original agreement relating to the former tip could not be located.</p> <p>(2) No formal agreements are in place for 2 car parks owned by Dingwall and Fortrose/Rosemarkie Common Good Funds whereby these are provided free of charge for public use and the Council maintains them.</p> <p>(3) There is an agreement in place to charge a nominal sum for use of Dornoch Beach Car Park but no copy of the lease could be provided to confirm this arrangement.</p>	<p>(1) The enquires underway by the Inverness City Manager and the Head of Corporate Governance should form a formal review of the current arrangements in order to establish the correct legal position. Thereafter this should be reported to the City of Inverness and Area Committee for Member consultation and approval.</p> <p>(2) These arrangements should be regularised within formal agreements and prescribe the expected maintenance undertaken by the Council.</p> <p>(3) A search should be conducted to locate this lease to ensure that the terms are complied with.</p>	<p>A report will be provided as per the recommendation.</p> <p>Formal agreements will be drawn up.</p> <p>A search of files will be conducted to locate the lease.</p>	<p>Inverness City Area Manager with assistance from Head of Corporate Governance</p> <p>Ward Manager (Black Isle, Dingwall and Seaforth)</p> <p>Temporary Ward Manager (East Sutherland and Edderton) working with officers in Legal and Property Services</p>	<p>14/09/17</p> <p>15/08/17</p> <p>30/04/17</p>

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.3.1-4.3.4 (cont'd)		(4) There is no official guidance on the setting of rents for temporary use of Tain Links by commercial organisations.	(4) As stated at 4.2.1-4.2.7 (7), the Common Good Fund Policy should be updated. This should include guidance on charging rent for temporary use of Common Good sites by commercial organisations.	Common Good Fund Policy to be updated.	Inverness City Area Manager with support from other officers where required	31/12/17