

Agenda Item	4
Report No	AS/1/18

HIGHLAND COUNCIL

Committee: Audit & Scrutiny Committee

Date: 28th March 2018

Report Title: **Internal Audit Reviews and Progress Report – 15/11/17 – 16/03/18**

Report By: Corporate Audit Manager

1. Purpose/Executive Summary

1.1 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.

2. Recommendations

2.1 The Committee is asked to:

- i. consider the Final Reports referred to in Section 3.1 to the report;
- ii. note the current work of the Internal Audit Section outlined at section 4, and progress against the plan and the performance information provided at section 5.

3. Audit Reports

3.1 There have been 6 final reports issued in this period as referred to below:

Service	Subject	Opinion
Care & Learning Service	PPP Schools Contracts – Review of Value for Money Arrangements	Substantial Assurance
Care & Learning Service	Out of Hours Social Work Service	Reasonable Assurance
Development & Infrastructure Service	Investigation into Missing School Meals Income at a Primary School	Limited Assurance
Community Services	Delivery of the Scottish Housing Quality Standard Programme within the HRA Capital Programme	Substantial Assurance
Community Services	Review of the Control of Overtime within Community Services	Reasonable Assurance
Development & Infrastructure Service	European Maritime and Fisheries Fund 2016/17	Full Assurance

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.

4. Other Work

4.1 In addition to the reports referred to at section 3.1 above, the Section has been involved in a variety of other work which is summarised below:

(i) Work for other Boards, Committees or Organisations

Audit work has been undertaken on behalf of the Pension Fund and for High Life Highland. In addition, the second planned ICT audit for Perth and Kinross Council is in progress.

(ii) Certification of grant claims

Work was undertaken for the Smart Peripheral and Remote Airports (SPARA) 2020 and the Northern Periphery and Arctic Programme (NPA) Lighthouse projects during this quarter.

(iii) Corporate Fraud activity and investigations

The main activity during this quarter has been investigating the allegation of misuse of staff resources, plant, materials and equipment. This has resulted in staff suspensions and a formal investigation under the Council's Disciplinary Policy has commenced. As a result no further information can be provided to Committee at this time.

In additions to the investigations detailed above 1 council house was recovered during quarter 3 with an associated Council Tax Reduction overpayment of £271.

An investigation into missing school meals income was undertaken (this is in addition to report ref HAD02/001) in response to concerns that a member of the Catering Staff in a primary school had been inflating the uptake of free school meals to enable the number of paid meals to be fraudulently reduced. Analysis of the weekly catering returns identified the number of free school meals recorded exceeded eligibility by 315 meals (£724.50). However, this figure is predicated upon maximum uptake and no pupil absences, therefore it is considered that the actual missing income figure is higher. When invited for interview to discuss the missing income, the responsible member of staff tendered their resignation

Following receipt of a report considered by Dundee City Council's (DCC) Scrutiny Committee on 13/12/17, a review of the IT controls surrounding the payments to creditors was undertaken. This DCC report provided details of a serious fraud by an ex ICT Officer who embezzled £1.065m from the Council and identified six areas of weakness that allowed this fraud to be perpetrated. A link to this report can be found at: <https://www.dundee.gov.uk/reports/agendas/scr131217ag.pdf>.

Given the significant sum involved it was agreed with the Depute Chief Executive/ Director of Corporate Services that it would be prudent to undertake an audit review to ensure that a similar problem could not occur in Highland. This work has been completed and this provides assurance that the Council's controls are more robust. However, there is still some scope for improvement and these will be addressed in the report which is being drafted.

(iv) Other work

The Corporate Audit Manager is a member of the team working on the Redesign review of Trade Services. In addition, the Manager is working with Police Scotland to host a course in HQ on 03 – 04/05/18 on the subject of preventing Serious and Organised Crime against the Council. This course was previously hosted by North Lanarkshire Council on behalf of Councils in the West of Scotland. This course will cover the "North" and will be open to all nearby Councils. In addition, invitations will be extended to the Council's Community Planning Partners and any interested Members.

A LEAN review of the Internal Audit process is currently being undertaken within the Section. This is being led by the Corporate Performance Manager and an Auditor both trained in the Lean methodology and supported by 2 of the Internal Audit Staff to form the Lean Review Team.

5. Progress against the 2017/18 audit plan and performance information

- 5.1 Details of progress against the 2017/18 audit plan (as at 16/03/18) are provided at **Appendix 1**. Following the annual audit planning meetings held with Directors, it was agreed that the following audits would be carried forward to the 2018/19 audit plan:

- Review of mobile and flexible working – progress has stalled on this at the moment partly as a result of the absence of the Project Manager and so this has not been rolled out as expected.
- Review of Information Management Arrangements – an “information governance health check” has recently been undertaken by Zurich and this duplicates a number of areas that the audit would have examined. Progress in addressing Zurich’s recommendations will be examined as part of next year’s planned audit.
- The review of fraud counter measures has been delayed due to ongoing investigation work. This will be examined next year and this will also take account of any recommendations arising from the course being undertaken in conjunction with Police Scotland.

All other audit activity which is shown as not started will commence before the year end and will be carried forward for completion early in the new financial year.

5.2 Performance information for quarters 1 - 3 is provided below.

Category	Performance Indicator	Target	2017/18 Actuals			
			Q1	Q2	Q3	Q4
Quality						
Client Feedback	(i) % satisfaction from individual audit engagements expressed through Client Audit Questionnaires (CAQ)	75	74	86	94	-
	(ii) % of Client Audit Questionnaires returned	70	100	100	50	-
Business Processes						
Timeliness of Final Report	(iii) % of draft reports responded to by client within 20 days of issue	85	50	100	80	-
	(iv) % of final reports issued within 10 days of receipt of management response	90	100	100	100	-

The response to one report was received 24 days after the issue which is over the target, however, this required a response from more than one Service.

6. Implications

- 6.1 Resources, Legal, Equality, Climate Change/Carbon Clever, Rurality and Gaelic – there are no further implications from this report. Any implications arising from audit reports are detailed within the individual reports.
- 6.2 Risk – the risks and any associated system or control weaknesses identified as a result of any corporate fraud investigations will be reviewed and recommendations made for improvement.

Designation: Corporate Audit Manager

Date: 19th March 2018

Author: Donna Sutherland

Background Papers:

Internal Audit – progress against 2017/18 audit plan

Service	Audit Ref and Name	Priority	Planned Days	Status by Quarter			
				Qtr 1	Qtr 2	Qtr 3	Qtr 4 (to 09/03/18)
Care & Learning	HAA03/001 - Review of the administration and payments in respect of Fostering, Adoption and Kinship Care	Medium	30	Being planned	In progress	In progress	In progress
Care & Learning	HAB01/008.bf - Review of Financial Procedures operated in Schools	Core/ Critical/ Commitment	3	FR issued			
Care & Learning	HAB01/009.bf - Network Capacity Management in Schools	Core/ Critical/ Commitment	1	Completed			
Care & Learning	HAB01/011 - Schools	High	30	Not started	Being planned	In progress	In progress
Care & Learning	HAB01/01 – Schools – Use of Systems	High	30	Not started	Not started	Not started	Not started
Care & Learning	HAC02/001.bf - Commissioned HLH Services	High	5	DR issued	FR issued		
Care & Learning	HAB03/001 - Review of PPP arrangements	Medium	30	Not started	In progress	In progress	FR issued
Care & Learning	HAC06/002 - Out of Hours Service	High	20	Being planned	In progress	DR issued	FR issued
Care & Learning	HAD02/002.bf - Catering	High	18	In progress	In progress	In progress	Completed
Community Services	HCA02/004.bf - Replacement heating systems	High	13	In progress	In progress	DR issued	FR issued
Community Services	HCC03/004 - Fleet Management arrangements	High	35	Not started	Not started	Not started	Not started
Community Services	HCC07/001 - Winter Maintenance	High	30	Not started	Not started	Not started	In progress
Community Services	HCD01/002 - Review of Mobile and Flexible Working arrangements	Medium	25	Not started	Not started	Not started	Audit c/f to next year
Community Services	HCD06/001.bf - Review of the control of overtime within Community Services	High	10	In progress	In progress	In progress	FR issued
Community Services	HCD07/001.bf - Review of Burials and Cremations	High	1	In progress	FR issued		

Service	Audit Ref and Name	Priority	Planned Days	Status by Quarter			
				Qtr 1	Qtr 2	Qtr 3	Qtr 4
Corporate Resources	HDA02/003 - Review of the use of Integra	High	20	Not started	Not started	Not started	Not started
Corporate Resources	HBA01/007.bf - Review of ICT projects	Core/ Critical/ Commitment	19	Not started	Not started	In progress	In progress
Corporate Resources	HBA01/011 - Review of Information Management arrangements	Core/ Critical/ Commitment	30	Not started	Not started	Not started	Audit c/f to next year
Corporate Resources	HBA01/012 - ICT Assurances	Core/ Critical/ Commitment	15	In progress	Completed		
Corporate Resources	HBB04/002 - Compliance with Health, Safety & Well-being policies and procedures	High	25	Not started	Not started	Not started	
Corporate Resources	HBC03/001 - Licensing	Medium	25	Not started	Audit c/f to next year		
Corporate Resources	HDA05/001 - Review of VAT arrangements	High	15	Not started	Not started	Being planned	In progress
Corporate Resources	HDA06/002 - Review of self-serve payroll processes	High	15	Not started	Not started	Not started	In progress
Corporate Resources	HDA08/009 - Pension Fund Statement of Internal Control 2016-17	Core/ Critical/ Commitment	10	Completed			
Corporate Resources	HDA08/010 - Pension Fund Payments	Core/ Critical/ Commitment	15	Not started	Being planned	In progress	In progress
Corporate Resources	HDB05/004 - Income Systems	High	30	Not started	Not started	Not started	Not started
Corporate Resources	HDC03/004 - Statement of Internal Control 2016-17	Core/ Critical/ Commitment	25	Completed			
Corporate Resources	HDC06/011.bf - Review of Counter Fraud Arrangements	High	14	Not started	Not started	Not started	Audit c/f to next year
Development & Infrastructure	HEA01/001.bf - Planning and Building Control fees and charges	Medium	1	FR issued			
Development & Infrastructure	HEA05/003 - LEADER Programme 2016-17	Core/ Critical/ Commitment	30	Not started	In progress	FR issued	
Development & Infrastructure	HED02/003.bf - Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2015-16	Core/ Critical/ Commitment	1	FR issued			

Service	Audit Ref and Name	Priority	Planned Days	Status by Quarter			
				Qtr 1	Qtr 2	Qtr 3	Qtr 4
Development & Infrastructure	HED02/005 - Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2016-17	Core/ Critical/ Commitment	20	Not started	In progress	In progress	In progress
Development & Infrastructure	HED01/004.bf - Cromarty Primary School	High	1	In progress	In progress	FR issued	
Development & Infrastructure	HED02/006 - Renewable Heat Incentive Income Scheme - follow up	Medium	10	Not started	In progress	FR issued	
Development & Infrastructure	HED04/004.bf - Repairs and Maintenance in Schools	High	28	In progress	FR issued		
Development & Infrastructure	HEE02/001 - Affordable housing	Medium	30	Not started	Being planned	In progress	In progress
Development & Infrastructure	HEE03/002 - Rental Income - follow up	Medium	10	Not started	In progress	In progress	In progress
Development & Infrastructure	HEE04/001 - Developer's Contributions	Medium	20	Not started	Not started	In progress	In progress

Key:

DR – Draft audit report

FR – Final audit report

Internal Audit Final Report

Care & Learning Service

PPP Schools Contracts – Review of Value for Money Arrangements

Distribution:

Director of Care & Learning
Head of Resources, Care & Learning Service
Depute Chief Executive/ Director of Corporate Resources
Finance Manager (Partnerships & JV), Corporate Resources Service
Director of Development & Infrastructure
Head of Property & Facilities Management, Development & Infrastructure Service
PPP Projects Officer, Development & Infrastructure Service

Report Ref: HAB03/001
Draft Date: 21/12/17
Final Date: 07/02/18

1. Introduction

- 1.1 The Council procured 15 schools by means of 2 separate Public Private Partnerships (PPP) projects in 2001 and 2006 (referred to as PPP1 and PPP2 respectively). Under each contract, the private sector partner is responsible for the financing, design, build and operation of the schools for which the Council pays an annual unitary charge. The total annual charge for both projects in 2016/17 was £25.435m.
- 1.2 The audit looked at whether or not value for money analysis had been carried out as part of the project evaluation process for both PPP projects prior to finalisation of the project agreements.
- 1.3 In 2014 a review of both PPP contracts was undertaken by independent external financial advisors. The resulting report was published in December 2014 and it identified a number of areas in which cost savings could be made. The delivery of these cost savings was dependent on reaching agreement with the respective private sector partners on amendments that would require to be made to the Contractual Documentation and Financial Model for each project. The audit examined these areas and assessed the resulting actions taken by the Council and whether or not budget savings, agreed by Council in December 2014, had been achieved.

2. Main Findings

2.1 *Value for money considered as part of initial project appraisal and contract reviewed*

This objective was fully achieved. Value for money analysis was carried out as part of the Full Business Case for both PPP projects by external financial advisors and in accordance with all relevant guidelines. As part of this process, a Public Sector Comparator (PSC) was calculated

which represented the cost to the Council of providing a similar level of service using traditional non-PPP procurement, including an assessment of the value of risks transferred to the private sector. In both cases the PPP option offered the Council better value for money than the PSC.

In the case of PPP1 the cost advantage was narrow. However, at the time, local authorities were being steered down the PPP route by the then Scottish Executive with funding for school estate modernisation projects made available under the Level Playing Field Support Scheme.

The 2014 review of both contracts broadly stated that potential savings could be made by:

- Changes to the current project requirements through utilisation of the change/ variation mechanism within the existing project documentation or,
- Terminating the projects and replacing the existing arrangements.

All of the savings proposals reported were considered in detail by Council officers and formal negotiations held with the PPP providers and facilities management (FM) contractors. See section 2.2 for details of resulting budget savings.

2.2 *PPP budget savings and ongoing monitoring of costs*

This objective was partially achieved. Budget savings of £1.7m over 2 years were agreed as part of the budget setting process at a meeting of the Highland Council on 18/12/14. It was intended that the bulk of this would be generated from either re-financing or extending the duration of the PPP contracts, or from the Council buying-out the contracts.

Although the agreed budget savings were based on the findings of the independent contract review carried out in

2014, officers could not provide a breakdown of how the £1.7m figure had been calculated from the various savings proposals identified by the review. The budget saving proposal template stated that the saving would be particularly challenging to deliver due to the complex nature of the contracts and the requirement to obtain agreement from all relevant parties. Progress was monitored throughout 2015/16 as part of the Care & Learning Revenue Budget Monitoring process and the savings were subsequently reported as non-deliverable in February 2016:

- Re-financing/ extend payment terms – this option was explored for both PPP contracts but was not financially viable
- Buy-out – confirmation was received from the Scottish Government in November 2015 that they could not support such a proposal due to restrictions around supported borrowing.

PPP budget savings were subsequently removed as a saving and included as an unavoidable budget pressure as part of the 2016/17 budget setting process.

Although the intended savings were undeliverable, other areas of potential cost savings continued to be explored and a revised PPP2 commercial agreement was signed in August 2016. The revised agreement resulted in:

- A one-off FM cost saving of £320k in 2016/17
- Further FM cost savings of £100k per annum, indexed from 2016/17 onwards
- Circa £100k saving in 2016/17 and per annum thereafter as a result of reduced insurance premiums
- Resolution of a number of ongoing contractual matters resulting in reduced risk to the Council.

Monthly performance reporting and liaison meetings/conference calls attended by Council officers, PPP providers and FM contractors, ensure that there is

regular dialogue amongst all parties relating to costs and the identification of cost saving opportunities. Also, the Redesign of the Highland Council Board is currently examining a potential PPP related budget saving through reducing the contracted level of Flexible Use Hours on PPP2 to more reasonably reflect current demand levels for use of the facilities outwith school hours.

Both PPP project agreements set out the requirement for the FM contractor to undertake a benchmarking exercise every 5 years, at their own cost, to assess whether or not services continue to provide value for money. Benchmarking is carried out on the 'Benchmark Services' which are defined in the contract; cleaning for PPP1 and PPP2, and security for PPP1 only. However, the first PPP1 benchmarking exercise in 2007 identified an anomaly in that there is no specific security provision within PPP1 schools. As a result security costs are not separately identified in the financial model and it was therefore agreed with the FM contractor that only cleaning services would be benchmarked. There have also been difficulties in finding similar projects for comparison and this has led to the removal of the requirement from the PPP2 project agreement. Benchmarking exercises carried out for the PPP1 project saw cleaning costs increase by 6% (£8,800) in 2007. Following a similar exercise in 2012, which took almost a year to finalise, it was agreed that there would be no change in costs. Therefore, the value in undertaking this is questioned.

3. Audit Opinion

- 3.1 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 **Substantial Assurance** can be given in that while there is 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.

The Council has done everything it can to ensure that the PPP schools contracts provide value for money at both the project appraisal stage and more recently by means of an independent project review. There are also mechanisms in place to ensure that efficiencies and cost saving opportunities are considered on an ongoing basis. Whilst benchmarking is carried out for the PPP1 project, the effectiveness and efficiency of this exercise as a means of assessing value for money is limited.

An action plan is provided at section 4 detailing the recommendations for improvement together with the management response. This contains a total of **2** recommendations comprising of the following:

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	
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	

4. Action Plan

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
Medium	<p>For PPP1, the effectiveness and efficiency of the benchmarking exercise as a means of assessing value for money is limited due to:</p> <ul style="list-style-type: none"> - Difficulties in identifying similar projects for comparison - Only cleaning costs are included - It is time consuming to complete in relation to the level of potential cost savings and can also lead to an increase in costs. 	<p>The value of current PPP1 benchmarking arrangements should be questioned and discussions held with the relevant parties with a view to removing this from the PPP1 Project Agreement (as with PPP2).</p>	Agreed	Finance Manager (Partnerships & JV) and PPP Projects Officer	31/08/18
Medium	<p>(i) Budget savings of £1.7m over 2 years were agreed on 18/12/14 as part of the budget setting process. The successful delivery of these savings was dependent on reaching agreement with all relevant external parties and therefore the budget saving proposal template stated that the saving would be particularly challenging to deliver.</p> <p>(ii) Although the agreed budget savings were based on the findings of the independent contract review carried out in 2014, officers could not provide a breakdown of how the £1.7m figure had been calculated from the various savings proposals identified by the review.</p>	<p>Where further PPP related budget savings are considered:</p> <p>(i) These should be investigated with all external parties to ensure that they are realistic and achievable prior to formal recommendation</p> <p>(ii) Greater detail should be provided on the budget template regarding the composition of the saving.</p>	Agreed	Depute Chief Executive/ Director of Corporate Resources, Director of Development & Infrastructure and Director of Care & Learning	Ongoing

Internal Audit Final Report

Care & Learning Service

Out of Hours Social Work Service

Distribution:

Director of Care & Learning
Head of Children's Services, Care & Learning Service
Team Manager (Social Work Out of Hours Team), Care & Learning Service

Report Ref: HAC06/002
Draft Date: 10/11/17
Final Date: 21/11/17

1. Introduction

- 1.1 The Council is required to provide an out of hours service to meet statutory duties with regards to mental health, vulnerable adults, child protection and to deal with other vulnerable people in crisis. An out of hours social work service (the Service) is operated between 5pm and 9am Monday to Friday and at weekends and over public holidays. The Service comprises 6 (5 FT and 1 PT) members of staff, including a Team Leader, and is based in Inverness.

The audit examined the work undertaken by the Service between 01/01/17 and 30/06/17 to assess these arrangements to ensure that the Council is able to meet all relevant statutory obligations throughout the Highland Council area.

- 1.2 Health and social care services for children and adults were integrated in the Highlands in April 2012. A lead agency model is operated with children's social care services delivered by Highland Council and adult social care delivered by NHS Highland. However the Council provides an out of hours service for both. The audit looked at the arrangements in place for this, including the call handling service provided by the NHS Highland Hub Response Centre on behalf of the out of hours service.

2. Main Findings

- 2.1 *Social Worker/Mental Health Officer availability*

This objective was partially achieved. There is an effective rota system in place which ensures that there are 2 social workers available (1 office based and 1 on call) to respond to social work related matters out of hours.

However, during the 6 month period examined, there was not a Mental Health Officer (MHO) on duty for 22 out of 237 shifts. Only MHOs are permitted to undertake a number of statutory duties such as detaining a person under the Mental Health (Care & Treatment) (Scotland) Act 2003. The Team Manager stated that there generally isn't high demand for MHO services out of hours and the lack of cover has not created significant problems in the past.

Although the Service is based in Inverness, they are able to provide an effective emergency social work service throughout the Highland Council area. 97% of issues dealt with by the Service between 01/01/17 and 30/06/17 could be resolved over the telephone or delayed until the following day, with only a small number requiring attendance of the on-call social worker in person. For the 5 cases examined where attendance was required, the Service worked closely with Police Scotland until the on-call social worker could attend and all were within a maximum 1 hours' drive from Inverness.

- 2.2 *Service information and call handling*

This objective was partially achieved. The contact details for the Service are on the Council website and are relatively easy to find. Although no other promotion of the Service is done, daytime social work teams ensure that the phone number is included on their out of hours answering service message and the contact number is widely known amongst other relevant agencies such as Police Scotland and NHS Highland.

However, there is very little information on the Council website regarding what the Service does and the information that is provided may be confusing to users. An examination of other Scottish Council's websites was carried out and whilst 19 other Councils provide a similar level of information to Highland Council, 9 provide more

expansive information regarding the out of hours social work services within a specific section on their website.

Since 2011, calls to the Service have been handled by the NHS Highland Hub Response Centre (the Hub). This should be covered by a service level agreement with NHS Highland but this has not been done. The arrangement was expected to deliver a number of benefits; to provide a more effective call handling service and efficient response to the public, more seamless joint working between the Council and NHS Highland and to free up out of hours social work staff from more routine call handling duties. £75k was transferred to NHS Highland in June 2012 for call handling and it is understood that this sum is added to the funding provided to NHS Highland for Adult Social Care on a recurring basis.

However, only very limited call screening takes place and all calls, other than those where the caller has called the wrong number, are passed to the Service. Basic information regarding the call should be entered onto the case management system (CareFirst) by NHS Hub Controllers but as only 23 out of 41 Controllers have licences for the system, this does not always happen. It was not possible to analyse a sample of calls taken by the Hub, and therefore assess performance, as there is no way to distinguish between those calls and calls taken by the Service directly.

2.3 *Adult social care – effective use of Council resources*

This objective was partially achieved as The Highland Council NHS Highland Partnership Agreement (March 2012) and associated Integration Scheme (March 2016) states that the Council retains responsibility for the delivery of a pan Highland out of hours service for both adult and child social care and sets out the statutory functions which are delegated to the Service. During the 6 month period reviewed, the Service logged 4,600

actions, 1,292 (28%) related to children's social care and 3,308 (72%) to adult social care. All actions carried out during this period fell within the remit of the Service as set out in the aforementioned agreements.

More than half (57%) of the adult social care actions carried out in this period related to Care at Home, mainly arranging cover for home visits where there is unplanned absence of the carer. Whilst these actions do fall within the remit of the Service, it could be argued that the performance of these duties by highly skilled and experienced social workers is not the most efficient use of their time and may detract from other urgent social care issues. However, it should be noted that an increasing level of home care services are being contracted out to private providers and therefore this may become less of an issue as time goes on.

The Team Manager stated that this workload is manageable as long as the CM2000 scheduling system is used by all NHS Highland areas. However, it is not currently used by the West area and this makes it more time consuming and challenging for the Service to re-schedule home care visits where necessary. NHS Highland have confirmed that work is ongoing to move the West area over to CM2000 and this should go live within a matter of weeks from the date of this report.

3. **Audit Opinion**

3.1 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.

There are appropriate arrangements in place to ensure that the Council provides an adequate out of hours social work service for both children's and adult social care. However there is scope to explore potential efficiencies in the areas of call handling and the Care at Home support services provided.

An action plan is provided at section 4 detailing the recommendations for improvement together with the management response. This contains a total of **4** recommendations comprising of the following:

Description	Priority	No.
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	1

4. Action Plan

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
High	<p>There are no clear arrangements in place with NHS Highland for call handling by the Hub and therefore it is not possible to assess the service provided or establish whether or not it represents value for money (£75k per annum):</p> <ul style="list-style-type: none"> - There is no SLA in place - Only very limited screening of calls takes place by controllers - Only 23 out of 41 controllers have CareFirst licences - A record is not kept by the Service of calls received by them directly and those passed to them from the Hub. 	<p>(i) A review of call handling should be carried out and this should include consideration of:</p> <ul style="list-style-type: none"> - The current level of service provided - The desired level of service - Issues relating to CareFirst access - The current annual payment amount. <p>(ii) An agreement should be reached with NHS Highland on the level of service to be provided, along with associated annual charge, and an SLA drawn up.</p> <p>(iii) The Service should record the source of each call received i.e. either directly or via the Hub, and performance against the SLA should be monitored on a regular basis.</p>	Agreed.	Emergency Services Co-ordinator	28/02/18
				Head of Children's Services	30/04/18
				Emergency Services Co-ordinator	30/04/18
Medium	57% of adult social care actions carried out by the Service between 01/01/17 and 30/06/17 related to Care at Home services. Whilst within the remit of the Service it could be argued that it is not the best use of Social Worker's time and may detract from other urgent social care issues.	(i) Discussions should be held with NHS Highland regarding the out of hours cover provided for the Care at Home service to identify areas in which the involvement of the Service could be reduced or made more efficient.	These discussions already take place but the audit provides a further basis for discussion.	Emergency Services Co-ordinator	Ongoing

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
	NHS Highland West area does not currently use the CM2000 system for Care at Home visit scheduling which makes the rescheduling of home visits more time consuming for the Service.	(ii) The situation with regards to the implementation of CM2000 in the NHS Highland West area should be monitored to ensure that it is introduced within reasonable timescales.	As above.		
Medium	During the 6 month period examined, there was not an MHO on duty for 22 out of 237 shifts.	An assessment should be made of the risks of not having an MHO on duty for all shifts. If the risk is found to be intolerable then the rota should be amended.	The current arrangements have been effective and represent the optimum which can be achieved. There are no quick solutions to the availability of an MHO as this requires extensive training. Contingency plans should be set out in the SLA.	Emergency Services Co-ordinator/Head of Children's Services	30/04/18
Low	There is little information on the Council website regarding what the Service does and the information that is provided may be confusing to users. As a result, the Service may receive unnecessary calls.	The information on the website should be updated to provide greater clarity on what the Service does and the hours of operation. Examples of good practice can be found on the following Council websites: <ul style="list-style-type: none"> - Aberdeen City - East Lothian - South Lanarkshire - West Lothian. 	The website will be updated.	Emergency Services Co-ordinator	31/12/17

Internal Audit Final Report

Development & Infrastructure Service

Investigation into Missing School Meals Income at a Primary School

Distribution:

Director of Care & Learning
Director of Development & Infrastructure
Head of Resources, Care & Learning
Head of Property Services, Development & Infrastructure
Catering Services Manager, Development & Infrastructure
Principal Resources Officer, Development & Infrastructure
External Audit

Report Ref: HAD02/001.bf
Draft Date: 02/03/17
Final Date: 06/04/17

1. Introduction

1.1 Internal audit were notified by the Catering Manager of missing school meals income at a primary school on 04/11/15. The missing income was identified during a routine reconciliation of school meal returns against the Council's Integra financial ledger, and an investigation was carried out by Internal Audit. The investigation identified that a total of £2,055 of school meal income had not been received in the Council's bank account. In addition, 18 instances, with a total value of £4,588, were identified where contrary to Financial Regulations, there was a delay in income being banked. The irregularity report issued to management on 09/03/16 concluded that the most probable explanation was that the Cook had misappropriated the missing income, and that the delayed bankings arose from the money being removed for personal use and subsequently replaced and banked at a later date. The Cook was dismissed at a disciplinary hearing on 19/09/16, but was reinstated after her appeal was upheld by the Appeals Committee on 24/11/16. The case was reported to the Procurator Fiscal in May 2016. A not proven verdict was returned following a trial on 05/02/18. It should be noted that the payment option for this school is for parents to pay by cash or cheque.

1.2 At the time of this investigation Catering was part of the Care and Learning Service, on 03/04/17 this moved to the new Property and Facilities Team within the Development and Infrastructure Service.

2. Main Findings

2.1 Review the *processes in place for the collection, banking and monitoring of school meals income and assess*

whether these contributed to the missing income or a delay in identifying the problem.

The missing income was identified during the income reconciliation process carried out by staff within Catering HQ in late October/early November 2015. The reconciliation compares a report from the Saffron school meals system on expected income to income received in the Council's financial ledger. The reconciliation covers the full school year from August to August as delays in income banked at Post Offices showing in the ledger (can take up to 3 weeks) make monthly reconciliations difficult. If the reconciliation was carried out more regularly the missing income could have been detected sooner. This may have allowed CCTV footage from the Quick Deposit Drop Box within the bank to be requested, as this is held for one month. Had this been available it would have confirmed whether the Cook had deposited the income at the bank as she had stated when interviewed or provided evidence to the contrary.

The reconciliation also identified that there were 7 occasions where 2 pay-in slips were completed for the same week. On 5 of these instances, 1 pay-in appeared in the ledger promptly but there was a delay in the second pay-in appearing in the ledger. In the remaining 2 instances, the pay-ins were banked on the same date but the bankings took place at least 3 weeks after the income was collected.

The issues in relation to the debtor invoices and the change to preparing 2 pay-ins per week should have been identified and addressed as they arose, as the weekly returns are received in Catering HQ who are also responsible for raising debtor invoices. This could have provided an opportunity to remind the Cook of the

expected procedures, and would have highlighted that monitoring of school meal returns submitted by the Cook was carried out.

The Catering Service has developed a School Meals Financial Procedures Manual, and hold annual workshops with Cooks where training is provided on the requirements of the manual. Each Cook is provided with a copy of the Manual to take back to their school. It is clear that this guidance was not followed at the school in question despite the Cook attending the training workshop and being aware of the Manual. Furthermore, the Cook's failure to adhere to the guidance was not identified by supervisory staff during visits to the school.

The banking process should be completed by the Quick Deposit bag being dropped in the Quick Deposit drop box within the branch. However, this does not provide any verification that the banking has taken place as pay-in documentation is not stamped by bank staff. Cooks were therefore instructed to bank over the counter at Clydesdale Bank branches. However, Clydesdale Bank staff told Cooks that they must bank using the Quick Deposit system. Confirmation was then provided by Income & Recovery that this was part of the Council's agreement with the bank, therefore Cooks have reverted back to using the Quick Deposit system. However, the separate monitoring now carried out on income banked using the Quick Deposit system should ensure that any discrepancies are identified timeously.

3. Audit Opinion

3.1 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 **Limited Assurance** can be given in that 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.

The audit investigation has identified a need for more regular reconciliations to identify discrepancies between expected income and income actually banked in order that any discrepancies can be investigated and addressed at an early stage. This is particularly important where school meals income is paid by cash or cheque due to the risk of misappropriation. Internal controls would also be improved by greater scrutiny during supervisory visits to canteens, and of the weekly returns submitted by Cooks to identify any changes to the expected income collection, recording and banking practices.

An action plan is provided at section 4 detailing the recommendations for improvement together with the management response. This contains a total of **4** recommendations comprising of the following:

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	2
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

3 of the actions have been accepted by management and have been completed. The remaining action is a medium priority action in respect of uncleared cheques submitted by the Cook. An explanation of why the Service will not implement the recommendation is included in the action plan.

4. Action Plan

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
High	Performing reconciliations between the financial ledger and school meals returns on an annual basis led to a delay in identifying the missing income.	Reconciliations should be carried out more frequently e.g. on a termly basis for schools which still receive cash payments as these are higher risk. This will enable any issues to be identified and addressed promptly. Furthermore, reconciliations for schools using the Quick Deposit drop boxes should be prioritised.	All schools still receive cash payments for school meals. Changes in procedures in Post Offices mean that deposit information is received in the ledger much more quickly now, and this enables speedier identification of any issues. Deposits made by Quick Deposit boxes are now monitored separately, and any amount not present in Integra is investigated as quickly as possible.	Principal Resources Officer	Completed
Medium	The primary school changed from preparing 1 pay-in slip per week to 2 pay-in slips per week. During the same period there were delays in some income being banked.	Any changes to documentation submitted along with school meal returns, such as changing to completing 2 pay-in slips, should be raised with the school and the Supervisor to establish the reason for the change. Where necessary, corrective action should be taken to ensure that the correct process is followed.	Reports on counterfoils submitted and their values will be run as part of month end reconciliation processes, and any anomalies can be investigated.	Principal Resources Officer	Completed

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
Medium	Debtor invoices were raised for school meal income owed by the Cook. This was due to the Cook removing cash income and substituting personal cheques which were subsequently "bounced" by her bank.	Where debtor invoices require to be raised for income owed by a Cook, the Cook should be asked for an explanation and reminded that this is not permitted and is contrary to the Council's Financial Regulations.	These cheques were submitted as payment for school meals, made by a parent with pupils in the school. There was no reason to think this was any different to any other uncleared cheque submitted for school meals. In such cases, Finance provide Catering with the name of the account holder and the school which the cheque relates to; Catering then find from SEEMIS which child is linked to the parent (account holder), and the address details, and invoice accordingly.	N/A	N/A

Internal Audit Final Report

Community Services

Delivery of the Scottish Housing Quality Standard Programme within the HRA Capital Programme

Distribution:

Director of Community Services
Director of Development & Infrastructure
Head of Housing & Building Maintenance, Community Services
Head of Property & Facilities Management, Development & Infrastructure
Energy & Sustainability Manager, Development & Infrastructure
Finance Manager, Community Services and Development & Infrastructure
Programme Manager, Development & Infrastructure
Housing Policy & Investment Manager, Community Services
Grant Thornton (for information purposes)

Report Ref: HCA02/004
Draft Date: 09/11/17
Final Date: 15/12/17
Revised Final Date: 05/02/18

1. Introduction

- 1.1 Scottish Local Authorities were required to meet the Scottish Quality Housing Standard (SHQS), the Scottish Government's principal measure of housing quality, by 31/03/15. The programme started on 01/04/07 and covered a set of five broad housing improvement criteria including energy efficiency. This part of the programme commenced in 2012 and included elements such as insulation, hot and cold water and heating systems, the latter being the main focus of this report. At the start of the programme, it was estimated that it would cost £40million¹ to address the energy efficiency standard. The actual cost of the SHQS programme was £159million, £95million related to energy efficiency, of which, £78million related to replacement heating systems.
- 1.2 In 2007, the Council held 14,107¹ properties and 9,029¹ failed the energy efficiency rating target; the National Heating Energy Rating (NHER). In 2011, this changed to a less stringent measurement basis under the Standard Assessment Procedure (SAP). Each property was measured against SAP 2005. Approved SAP energy efficiency rating guidance for every type of heating fuel was published within two document releases by the Building Research Establishment: SAP 2005 and SAP 2009. In May 2011, the Scottish Government issued SHQS guidance and a conversion table to show the threshold required to achieve a "pass" under both SAP 2005 and SAP 2009.

2. Main Findings

- 2.1 *Assessment of minimum required resources*

¹ Housing and Social Work, 2007 SHQS Delivery Plan.

This audit objective was partially achieved as the SHQS programme was delivered, but a small number of implementation issues delayed this until April 2016.

The programme was funded through Housing Revenue Account (HRA) capital funds. Despite the number of properties requiring energy efficiency works falling during the programme, the costs to the HRA increased significantly.

Although corrected by management in 2011, reliance on an inaccurate initial stock condition survey, which was based on a data cloning exercise, resulted in delays at the start of the programme.

Whilst the wider programme was delivered, the process for identifying the work required and the associated cost of the heading systems was flawed. Throughout the programme, the SAP 2005 criteria was used even though this was replaced by SAP 2009 in October 2010. This increased the minimum SAP energy rating for 4 out of 6 types of heating fuel used meaning that fuels that passed the earlier rating could fail SAP 2009.

In August 2011, the Energy & Sustainability team undertook a considerable amount of work to evaluate Council housing stock against SAP 2005. This was documented within the "Meeting the SAP Target" internal report which stated that 5,228 properties failed the criteria with the cost to achieve compliance estimated at £22million. The report included an outline of proposed projects that could be undertaken to meet the minimum standards with the least cost input. The report included budget costs for this work based on market prices at the time and compared costs of previous similar projects. The project development, revisions to failed property numbers and final solutions selected, along with the delivery mechanism, changed the scope of the projects and this had a significant impact on the final cost of the works.

The revised Standard Delivery Plan was reported to the then Finance, Housing & Social Work Committee, being £36.590 million and 7,041 respectively.

2.2 *Governance arrangements*

This audit objective was substantially achieved as the majority of governance controls have been addressed by management. A monthly Capital Monitoring Meeting was in place throughout the SHQS Programme and this was succeeded by a HRA Board which was formally established in 2015 whereby regular monthly cross Service monitoring meetings and programme reports, including procurement matters, were held. However, by the time the Board was formed, the SHQS programme was practically complete.

Prior to the HRA Board, there was a lack of retained evidence to demonstrate that procurement decisions were made to ensure the Council achieved Best Value. Most activities took place towards 31/03/15, whereby every procurement option was used.

Lastly, many SHQS related documents were held in different Service files and folders within different server locations.

2.3 *Reporting to Committee*

This audit objective was fully achieved as progress with implementation of the SHQS programme was regularly and timeously reported to Committee.

2.4 *Legislative and regulatory requirements*

This audit objective was fully achieved as the Council complied with the regulatory requirement to deliver the SHQS programme. Also, the Council submitted the annual SHQS returns (the Annual Charter Return) to the Scottish Housing Regulator.

2.5 *Governance of changes*

This audit objective was fully achieved as there were robust controls in place once the Board was established. Furthermore, new Capital Programme Management Procedures, as approved by the HRA Board in July 2015, were introduced to provide guidance concerning governance, monitoring arrangements and remits for the HRA capital programme.

2.6 *Lessons Learned*

This audit objective was fully achieved as a review of delivery of the programme including the lessons learned was reported to the then Community Services Committee on 03/11/16. This covered a range of areas including the use of untested renewable technologies, tenant satisfaction, governance, prioritisation and targeting of capital investment, and an Internal Audit assessment of project management. This report provides a comprehensive and honest assessment of the problems incurred.

Any outstanding issues from the SHQS programme will be addressed though the Scottish Government's new Energy Efficiency Standard for Social Housing and SAP 2009 will be applied.

3. **Audit Opinion**

3.1 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 **Substantial Assurance** can be given in that while there is generally a sound system, there are 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.

It is acknowledged that implementing SHQS was an enormous programme for the Council to deliver. Although there were incidences of governance and oversight weaknesses during the early stages, these were addressed by management during the programme. In addition, the subsequent lessons learned review fully assessed the problems encountered with the programme. As a result, no other major concerns were identified during this audit.

An action plan is provided at section 4 detailing the recommendations for improvement together with the management response. This contains **2** recommendations comprising of the following:

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	1

4. Action Plan

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
Medium	<p>Time and resources were spent preparing the "Meeting the SAP" modelling report, which was commissioned to identify potential energy works. Cost information did not reasonably reflect the likely cost estimates required for delivering the programme. Also this was based on SAP 2005 rather than the SAP 2009 criteria.</p> <p>Furthermore, the data in the modelling report did not correlate to that reported within the SHQS Delivery Plan to the then Finance, Housing & Social Committee. The effort involved in producing this information is questioned given that the report data was not reproduced for any other purpose.</p>	<p>In future, officers should ensure that best use is made of the information contained within commissioned reports. To avoid duplication of effort, prior to the project initiation stage, officers from all relevant teams should join together to produce a detailed analysis of the report information; this should link with the intended project scope in terms of project delivery, viability and cost.</p> <p>There should also be a consistent approach to the compilation and reporting of information both internally and to Committee.</p>	<p>Significant progress has been made on this issue since the SHQS Programme was completed. Prior to all project initiations, staff from Community Services and Development & Infrastructure now meet on a frequent basis and use up-to-date information to enable them to estimate project scope, deliverability and costs. As well as improving the prospects of projects being delivered on time and budget, this enhanced project initiation stage has allowed staff to report as accurately as possible to Committee on proposed projects.</p>	Housing Policy and Investment Manager	Completed
Low	<p>Many files and folders connected to the SHQS programme were held and located within many different locations. This meant that these could not be easily and quickly located during the audit.</p>	<p>In line with the Council's November 2015 Project Management Governance Policy, relevant Project Managers should be delegated with the task of being responsible for document storage and retention for each individual project/programme file.</p>	<p>The Council is in the process of rolling out the IT refresh which will bring various improved systems making communications and information flow easier and more efficient. In conjunction with this, the Property team have procured use of Viewpoint which is a collaborative platform for the storage and sharing of project documentation. Use is being initiated at present with training and usage expected to increase gradually.</p>	Programme Manager	30/04/18

Internal Audit Final Report

Community Services

Review of the control of overtime within Community Services

Distribution:

Director of Community Services
Head of Environmental and Amenity Services, Community Services
Head of Roads and Transport, Community Services

Report Ref: HCD06/001
Draft Date: 21/12/17
Final Date: 20/03/18

1. Introduction

- 1.1 This audit reviewed the system for the control of overtime within Community Services to ensure that this is in accordance with the relevant policies and procedures; it is monitored; and that it was necessary. The Roads and Transport, and Environmental and Amenity Services Sections were selected as these have incurred the highest levels of overtime. The budget and actual costs of overtime within the Service are as follows:

Year	Budget	Actual	Variance
2016/17	£2.819m	£3.175m	£0.365m
2017/18 (to February)	£2.687m	£3.223m	£0.536m

Whilst the 2017/18 budget was reduced, actual expenditure for 2017/18 will be significantly higher than budgeted due mainly to the nature of the current winter weather.

- 1.2 In order to determine if there were any patterns in overtime incurred and the reasons for these, 1,013 worksheets from 75 operatives were analysed over a 3 month period where the highest amount of overtime had been worked.

2. Main Findings

- 2.1 *There are effective arrangements in place for the monitoring of overtime payments*

This audit objective was partially achieved as, whilst there is monthly monitoring of overtime, some managers were unaware that overtime reports can be provided by operative in the system.

The current method of recording time on worksheets means that time worked is split between regular and overtime hours. However, overtime cannot be reported on an activity/task basis. Given the current and foreseeable pressure on budgets and the need to identify and make savings, the ability to identify which activities generate overtime is paramount.

Where overtime was attributed to winter maintenance, this was cross checked to the forecasts and daily treatment plans to ensure gritting was justified. In Skye & Raasay, this could not be established as other tasks (putting out salt heaps, cleaning and maintaining gritters and the haulage of salt) are also allocated to the gritting activity.

- 2.2 *There are appropriate controls in place to ensure that overtime incurred is as a result of an established need and not historic practice.*

The audit objective was partially achieved as the review of worksheets highlighted a number of issues. These have all been documented in an Action Plan and passed to the Community Services Senior Management Team to investigate and where applicable seek solutions. Findings are classed in 3 broad groupings dependent on the difficulty of implementing solutions:

Historic practices & vacancies

7 operatives across different functions and Areas had regular patterns of overtime. Reasons given would indicate that this is as a result of historical practice rather than an established operational need for overtime. Changes in practice could help reduce or remove overtime working.

There were also 2 operatives who had regular high levels of overtime. These were as a result of vacancies within those teams and should reduce once vacancies are filled.

The level of overtime on these occurrences is considered to have relatively straight forward solutions that could be implemented in a relatively short period of time.

Service policy & practical considerations

Overtime of 11 operatives was as a result of meeting either policy obligations such as burials and cremations, ensuring that operatives are available for the entire time a facility is open such as landfill sites and waste transfer stations, or when they were transporting skip waste. In these cases, a change in Service policy could remove the

need for overtime working but needs to be balanced against the pressing need for service delivery.

Geographical considerations and demand-led services

21 operatives had incurred significant amounts of overtime. This was due to:

- 6 operatives manning recycling centres due to opening times with 9 of the 21 centres open 7 days a week, and all but one are open at least 1 day during the weekend. Changing working patterns and/ or opening times could result in reduced levels of overtime;
- 13 operatives on refuse collection rounds as many are at over-capacity and can only be completed by incurring overtime. Work on route optimisation will reduce this dependency; and
- 2 operatives on coated production at Sconser Quarry as this is demand-led by external customers and the process requires a fixed time to complete.

2.3 *All overtime worked complies with the requirements of the Highland Council Overtime Policy.*

The third audit objective was partially achieved as, while all overtime was approved prior to it being worked and paid at the appropriate rate dependent on an employee's grade, not all worksheets had been signed by the employee and subsequently authorised.

55 (5%) of worksheets had not been signed by the employee. Half of these related to staff based at Sconser Quarry where claims are submitted electronically as no printing facilities are available for manual forms.

More significant was that 205 (20%) of worksheets had not been authorised, largely due to a mis-understanding between 2 staff as to who was actually authorising the worksheets or in one case the Foreman had authorised 22 of his own worksheets.

It should also be noted that 15 (1%) of worksheets had been neither signed nor authorised but still were processed. The implication of worksheets not signed nor

authorised is that it may lead to overtime being paid that has not been worked.

3. Audit Opinion

3.1 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.

An action plan is provided at section 4 detailing the recommendations for improvement together with the management response. This contains a total of **5** recommendations comprising of the following:

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	4
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	0

4. Action Plan

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
High	Overtime cannot be matched to activities due to the way time is recorded on the worksheets.	The format and layout of worksheets should be reviewed to ensure that all overtime can be matched to specific activities. This will enable management to monitor those activities which incur overtime and then take corrective action as necessary.	Worksheets are amended to show which specific activities actually incurred overtime.	Finance Manager (Community Services/ Development & Infrastructure Service)	30/09/18
High	11 operatives overtime was considered to have arisen in order to meet existing Service policies or service provision for: <ul style="list-style-type: none"> • Interments & Crematorium; • Seater Landfill site; and • Skip Service. 	Senior management should either review and, where appropriate, amend existing policies or find solutions to reduce the current levels of overtime.	Burials and cremations incur overtime for operational reasons associated with Saturday working and completion of crematorium work. There are no plans to change this; indeed the Service is under pressure to be more flexible in its approach in these areas of service delivery. The operations at Seater and the Skip Service transfer of material to Transfer Stations will be reviewed as part of the wider review of Waste Services.	Head of Environmental & Amenity Services	30/11/18
High	7 operatives overtime was considered to have arisen as a result of historic practices rather than operational need.	(i) Management should investigate each case further and implement solutions to reduce or remove the need for overtime.	Each case will be investigated and stopped if there is no operational need.	Head of Environmental & Amenity Services, Head of Roads & Transport	30/04/18
	2 other operatives had high levels of overtime due to the level of vacancies within the teams.	(ii) Management should ensure vacancies are filled as quickly as possible or examine alternative options to incurring overtime payments.	Completed	-	-

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
Medium	Worksheets had not been completed in accordance with the Overtime Policy in that:				
	55 worksheets had not been signed by the operative; and	(i) All operatives should be reminded that worksheets must be signed. In the case of Sconser quarry, appropriate arrangements should be agreed and implemented in order that it can be verified that the worksheets have been completed by individual operatives.	Arrangements will be made to ensure all staff are made aware that worksheets must be signed. Arrangements will be put in place at Sconser Quarry so that it can be verified that worksheets have been completed by individual operatives.	Head of Environmental & Amenity Services, Head of Roads & Transport Head of Roads & Transport	30/04/18 30/04/18
	205 worksheets had not been authorised.	(ii) All managers should be reminded that worksheets must be authorised.	Arrangements will be made to ensure all staff are made aware that worksheets must be authorised.	Head of Environmental & Amenity Services, Head of Roads & Transport	30/04/18
		(iii) Business Support should be reminded not to process worksheets unless these have been signed by the operative and then authorised by an appropriate officer. Where an operative is on annual or sick leave, then appropriate arrangements should be agreed for the completion and authorisation of worksheets.	Business Support will be reminded not to process worksheets unless they have been properly signed and authorised. Arrangements will be made to ensure that worksheets are completed in advance for planned leave and completed for operatives on sickness absence, but in all cases authorised by a suitable officer.	Head of Environmental & Amenity Services, Head of Roads and Transport	30/04/18



Internal Audit Final Report

Development & Infrastructure Service

European Maritime and Fisheries Fund 2016-17

Distribution:

Director of Development & Infrastructure
Head of Planning & Environment, Development & Infrastructure
Environment Manager, Development & Infrastructure
Highland & Moray FLAG Co-ordinator, Development & Infrastructure

Report Ref: HEA05/004

Final Date: 21/11/17

1. Introduction

1.1 This was the first review of the Community-Led Local Development programme under the European Maritime and Fisheries Fund (EMFF) 2014-2020, which is valued at £1.006m. Highland and Moray Councils entered into a partnership for the administration of this and the Highland & Moray FLAG was formed in March 2016. The main role of the FLAG is to:

- Agree a Local Development Strategy to determine where funding should be directed
- Raise awareness of funding opportunities to local communities
- Consider applications for funding that match the criteria set out within the Local Development Strategy. These applications are then sent to Marine Scotland, the designated Intermediate Body for Scotland, who will decide whether to approve and fund the applications.

1.2 This audit was undertaken at the request of management who sought independent confirmation that the FLAG is meeting its framework agreement obligations. This was done by examining the following 5 projects which have been approved by Marine Scotland:

Project ref.	Project name	Approved EMFF amount £
SCO1484	Modernisation and enhancement of harbour	97,538.53
SCO1517	Ice Quay pontoons	73,383.75
SCO1744	New dredging equipment and pontoon upgrade	75,000.00
SCO1886	Development of oyster farm	9,331.66
SCO1896	Boat cradle and winch	9,220.50

2. Main Findings

2.1 Compliance with the framework agreement

The audit objective was fully achieved as a review of the 5 projects approved by Marine Scotland found that:

- Project eligibility had been assessed against the FLAG's Local Development Strategy Priorities at the expression of interest, the application (e-system), and approval stages of the application process;
- A completed and signed application form for each project was held;
- The technical & eligibility checks were completed and signed, and key documentary had been provided where required such as VAT registration, accounts and cash flow statements; and the required procurement rules had been followed;
- The FLAG decision making process was followed in that meetings were minuted, quorate, there was no more than 49% public sector representation on members voting, and interests were declared; and
- 4 of the projects have had grant claims. These had been checked by the FLAG Development Officer to invoices and bank statements to show expenditure had been defrayed.

3. Audit Opinion

3.1 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 **Full Assurance** can be given in that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.