

Agenda Item	4
Report No	AS/5/18

HIGHLAND COUNCIL

Committee: Audit & Scrutiny Committee

Date: 14 June 2018

Report Title: **Internal Audit Reviews and Progress Report – 16/03/18 – 06/06/18**

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. approve the deletion of the audit of recycling from the 2017/18 Audit Plan
- iii. note the current work of the Internal Audit Section.

3. Audit Reports

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

Service	Subject	Opinion
Development & Infrastructure Service	Developers Contributions	Reasonable Assurance
Care & Learning Service	Commissioning of Throughcare and Aftercare Services	Reasonable 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 Valuation Joint Board, Pension Fund, Hitrans and Perth and Kinross Council. This also includes providing the Annual Governance Statements required for the different sets of Annual Accounts that Council staff are responsible for preparing.

(ii) Certification of grant claims

Work was undertaken in respect of the Highlands and Islands Transport Partnership grant claims for Smart Peripheral and Remote Airports (SPARA) 2020 and the Green Passenger Transport in Rural Areas (G-PaTRA) projects, and the Northern Periphery and Artic Programme (NPA) Lighthouse project during this quarter.

(iii) Corporate Fraud activity and investigations

As advised to the last Committee, the majority of time has been spent investigating the allegation of misuse of staff resources, plant, materials and equipment. This investigation is nearing completion and interviews are planned later this month for the

two members of staff who have been suspended. As this is a disciplinary matter no further information can be given at this stage.

(iv) Other work

As detailed elsewhere on the agenda, in conjunction with Police Scotland we hosted a course on 03 – 04/05/18 on the subject of preventing Serious and Organised Crime against the Council. This was attended by the majority of staff from the Section and work is planned to take forward a number of actions to improve the Council’s resilience in preventing fraud.

The LEAN review of the Internal Audit process is now substantially complete. In addition the Section’s audit management system is currently being upgraded and it is expected that this will also provide further efficiencies in processes including the production of performance information for a variety of audiences including Committee.

Advice has been given to the LEADER Programme team on various issues for different project applications.

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

5.1 The final position showing progress against the 2017/18 audit plan is provided at **Appendix 1**.

5.2 Performance information for quarters 1 – 4 of 2017/18 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	90
	(ii) % of Client Audit Questionnaires returned	70	100	100	50	67
Business Processes						
Timeliness of Final Report	(iii) % of draft reports responded to by client within 20 days of issue	85	50	100	80	50
	(iv) % of final reports issued within 10 days of receipt of management response	90	100	100	100	100

There were delays in obtaining responses to 2 audit reports, however, it should be noted that the first was only 1 day late and the second report involved meetings and discussions with the Service to agree the action plan.

5.3 Progress in quarter1 of the 2017/18 plan will be reported to the next Committee meeting. In addition, since the plan was approved by Committee on 28/03/18 it has been agreed that Grant Thornton will undertake the audit of the recycling contract. Therefore, this will be deleted from the audit plan.

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: 6th June 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
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	Being drafted
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	Audit c/f to next year
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	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	Being drafted
Corporate Resources	HDB05/004 - Income Systems	High	30	Not started	Not started	Not started	Audit c/f to next year
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	FR issued

Key:

DR – Draft audit report

FR – Final audit report



Internal Audit Final Report

Development & Infrastructure Service

Developer Contributions

Distribution:

Director of Development & Infrastructure
Head of Planning & Environment, Development & Infrastructure Service
Head of Development & Regeneration, Development & Infrastructure Service
Director of Corporate Resources
Head of Corporate Finance, Corporate Resources Service
Head of Corporate Governance, Corporate Resources Service

Report Ref: HEE04/001
Draft Date: 13/04/18
Final Date: 08/05/18

1. Introduction

- 1.1 Policy 31 of the Highland Council's Highland-wide Local Development Plan (HwLDP) states that where a development proposal creates a need for new or improved public services, facilities or infrastructure, the Council will seek a reasonable contribution from the developer in cash or kind towards these additional costs or requirements. Payments can either be made up front by developers or can be secured by means of a Section 75 (S75) legal agreement.
- 1.2 The audit assessed the methodology used for calculating developer contributions and how planning applications are assessed in order to determine the contribution required. It also examined the processes in place to ensure that contributions are received from developers, are monitored on an ongoing basis and ultimately used for the purpose in which they were intended.
- 1.3 In early 2017, the Head of Planning & Environment initiated an end-to-end review of the Council's approach to the setting, collection and monitoring of developer contributions. The audit took into account the changes that were made to processes as a result of this review.

2. Main Findings

2.1 *Determination of contribution required*

This objective was partially achieved. The Developer Contribution Supplementary Guidance (DCSG) was adopted in March 2013 and sets out the:

- Process undertaken by the Council to calculate infrastructure requirements for development proposals
- Criteria used to calculate mitigation requirements, including developer contributions, to support new development.

A sample of 3 major housing development planning applications was examined and, in all cases, consultation had been sought with the relevant specialist teams and the resulting developer contribution had been determined in accordance with the guidance provided. However, evidence of the consultation responses and the resulting contribution requirements were not always saved on the Idox Uniform case management system. In 1 case a contribution rate for secondary and nursery education had been negotiated with the developer. However, the planning application had been processed just before the introduction of new school build rates (see 2.3) which should remove the need for negotiated rates going forward.

The document entitled 'Planning Applications and Developer Contributions Guidance Note (the Guidance)' sets out the process for case officers to follow on receipt of an application which is likely to trigger the requirement for a developer contribution. It ensures that adequate checks are carried out by a Team Leader/Area Manager throughout the application process.

2.2 *Monitoring of developer contributions*

This objective was partially achieved. As a result of the review at 1.3 it was recognised that a standard approach to the monitoring of developer contributions was required. The Guidance has resulted in a number of improvements being made to the way in which developer contributions are set out in S75 legal agreements and then monitored to ensure that payment is received timeously. Training has also been given to all case officers.

A sample of 3 planning applications was examined to assess whether or not payments had been made by the developer within the timescales specified in the S75 agreement. For 2 of these, payments had not been made within the specified timescales:

- Within 30 days of each completion of 5 residential units within the development
- Within 4 weeks or date of issue of Building Warrant Completion notice in respect of every 10 units thereafter.

The above payments had not been index linked in line with guidance but this has now been resolved in one case. Also, in one of the cases, the payments made by the developer did not match the number of completed properties within the development.

The review identified that historically payment dates differed for S75 agreements and this was not practical for the Council or the developer. It was agreed that payment dates should be standardised and new S75 agreements are now due 6 monthly on the 1 April and 1 October each year. For existing S75 agreements, agreement has been sought with developers to move towards these payment dates and this is now the case for the 2 cases above.

A record of all developer contributions is kept on a master spreadsheet which details funds received to date and funds due for each planning obligation. For the planning applications sampled, all financial transactions were recorded accurately on this spreadsheet and agreed to the financial ledger.

Monitoring spreadsheets have been created for the 'Top Ten' most complex housing developments in progress. Their purpose is to create a consistent approach to the monitoring and invoicing of developer contributions. Only 2 out of the 3 sampled developments related to housing and whilst a monitoring spreadsheet had been created for both developments, these were not being used by the case officer to monitor contributions. However, it is noted that these spreadsheets are intended as an interim solution as the longer term aim is to use a module within

the Uniform system to monitor developer contributions going forward.

The Service has recently received authorisation to recruit a Developer Contributions Officer who would assume responsibility for monitoring contributions for all developments rather than this resting with the case officers.

2.3 *Contributions received are adequate and are used for intended purpose*

This objective was fully achieved. A review of the DCSG was undertaken by the Service to ensure that the methodology was up to date and accurately reflected the cost of providing the services and infrastructure required to support new developments. The Draft was then published for consultation in January 2018 and will be adopted later this year.

The review determined there was no need for widespread changes across the guidance but did identify a number of key updates to the current methodology. The audit reviewed these changes and concluded that they are based on the results of appropriate and relevant studies and therefore should ensure that the methodology more accurately reflects the cost of providing the services and infrastructure required.

One of the key changes is an update to the overall approach for schools where classroom extensions or new schools are required. The Draft proposes applying new school build rates (applied to schools in the Inverness Associated Schools Groups' from August 2017) where there is a clear need for a new school as a result of development. As part of the audit, the Council's new build rate for primary schools was benchmarked against other Scottish local authorities. From the information available, it was concluded that the Council's new rate per

pupil is in line with those set by other Scottish local authorities.

Spend is monitored by the Developer Contributions Action Group (formerly Developer Contributions Working Group) which meets quarterly. The group focusses on monitoring policy relating to developer contributions and spend on particular projects to ensure that projects are progressing and that actions are followed up.

A sample of 3 planning applications was examined in order to confirm that contributions received from developers had been used for their intended purpose. All of the sampled projects had been adequately monitored by the Action Group. In 2 cases the funds have not yet been spent but are earmarked to be used for the appropriate projects. For the third, the project was front funded by borrowing and the funds are drawn down annually in order to reduce the borrowing costs for that year.

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.

Following the Service review of processes, major improvements have been made to the way in which developer contributions are monitored and collected and this is to be commended. Although some of the revised processes have yet to fully bed in, the recruitment of a

Developer Contribution Officer will allow further progress to be made.

Proposed changes to the DCSG should ensure that future contributions received by the Council accurately reflect the cost of providing the required infrastructure.

An action plan is provided at section 4 detailing the recommendations for improvement together with the management response. This contains a total of **3** 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	0

4. Action Plan

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
High	<p>For the sampled planning applications:</p> <ul style="list-style-type: none"> - Not all of the payments made by developers had been index linked as per the documented guidance. This has now been resolved with the developer in 1 case - In one case the payments made by the developer did not match the number of completed properties within the development. 	<p>(i) For the sampled case where payments have not been index linked and do not equate to the number of completions, this matter should be resolved with the developer.</p> <p>(ii) Effective procedures should be put in place to ensure that future payments requested from developers are accurately index linked.</p>	<p>(i) This matter is being raised with the developer and a new invoice will be issued to capture the index linked payments.</p> <p>(ii) The newly appointed Developer Contributions Officer will be fully trained in the index linking procedure and will be responsible for ensuring that all invoices are correctly index linked going forward.</p>	<p>Area Planning Manager (North)</p> <p>Head of Planning & Environment</p>	<p>30/06/18</p> <p>30/06/18</p>
Medium	<p>For the sampled planning applications a monitoring spreadsheet had been created where relevant, but these were not being used by case officers to monitor contributions. It is acknowledged that the spreadsheets are an interim solution until the process moves to the Uniform system.</p>	<p>Action should be taken to move this process to Uniform as soon as possible and during the audit the Head of Planning & Environment stated his aim to have this in place by September 2018.</p> <p>In the interim, the spreadsheets should be used to monitor contributions for these major developments to ensure that the correct payments are received within specified timescales.</p>	<p>The Service is now implementing the Development Monitoring Module in UNIFORM. A project team has been set up and the project will be delivered by September 2018.</p> <p>In the interim, the Developer Contributions Officer will be responsible for ensuring that a consistent approach is in place for the monitoring of completions.</p>	<p>Head of Planning & Environment</p>	<p>31/10/18</p>
Medium	<p>For the sampled planning applications, evidence of the consultation responses from specialist teams and the resulting contribution requirement were not always saved on the Idox Uniform case management system.</p>	<p>Relevant guidance should be prepared as appropriate and then circulated to officers to ensure that key information relating to developer contributions, such as consultation responses, is saved on the Uniform system.</p>	<p>Additional Guidance will be prepared and circulated to officers to ensure that information is stored in the UNIFORM system.</p>	<p>Head of Planning & Environment</p>	<p>30/06/18</p>

Internal Audit Final Report

Care and Learning Service

Commissioning of Throughcare and Aftercare Services

Distribution:

Director of Care & Learning
Head of Children's Services, Care & Learning Service
Resource Manager, Care & Learning Service

Report Ref: HAA05/001

Draft Date: 17/10/17

Final Date: 07/06/18

1. Introduction

1.1 The Children (Scotland) Act 1995 and the Children and Young People (Scotland) Act 2014, requires the Council to provide Throughcare and Aftercare support to care experienced young people. The Council has commissioned a number of external organisations to provide this service (hereafter referred to as Providers) entering into formal Service Level Agreements (SLAs) with 5 Providers. A total of £1,394,339 was paid to these Providers in 2016/17.

1.2 The audit established the arrangements for commissioning services and the SLAs between the Council and Providers were obtained to verify that payments were made in accordance with specified rates. Enquiries were made with NHS Highland's Contracts team to confirm how the monitoring process operates.

As well as SLAs there are agreements with smaller Providers (typically individuals or families) who provide supported accommodation to young people. The process for selecting these Providers was not examined as part of the audit as the Resource Manager, Looked After Children & Child Protection (referred to as the Resource Manager) stated that selection depended on individual young people's needs. However, a sample of payments to smaller Providers was checked to ensure these adhered to prescribed spending limits.

2. Main Findings

2.1 *Process for Commissioning Throughcare and Aftercare services*

This audit objective was substantially achieved as there are processes in place for commissioning services. Under part b of the Public Contracts (Scotland) Regulations 2012, services have been commissioned via direct award and this was the case for all Providers who currently have

SLAs. This guidance was updated in 2016 but still contains provision for direct award of services.

However, as part of a wider review of Care and Learning contracts the open tendering process is used where possible. This consideration includes any new services required and any SLA that is due for renewal. As part of this audit a new residential service commissioned via the open tendering process was examined and had followed the Council's Procurement process. Such an approach means the Service can demonstrate that value for money is achieved and that the expected support services are provided.

2.2 *Payments made to Service Providers*

This objective was partially achieved as the payments to Providers for 2016/17 and 2017/18 (to date) were broadly in accordance with rates specified in the SLAs.

However, the following issues were identified with the process for the payments to Providers:

For one Provider additional funding was agreed as the Children Scotland (2014) Act extended the age young people can access support. Additional funding of £44,000 was received from the Scottish Government for this purpose. However, £55,000 was actually paid and this amount added as an annual variation to the SLA. The basis of this additional £11,000 could not be established.

This Provider also invoiced the Council for £5,000 for costs associated with a music group working with young people. However, contrary to Financial Regulations, this invoice was paid on 01/03/17 but referred to services to be delivered in 2017/18.

Another Provider invoices the Council for accommodation provided. It was noted that the correct process for the payment of invoices was not followed after the Provider

stated than an invoice for £5,793.96 had been paid twice and another invoice for £6,966.58 had not been paid. Instead of requesting a credit note for the duplicate payment and paying the outstanding invoice, the outstanding balance of £1,172.62 was paid.

The sums paid for financial support were agreed by the then Housing and Social Work Committee in 2008. A sample of 9 payments made to smaller Providers were examined which showed that:

- 4 were made in accordance with agreed rates.
- 3 were in accordance with individual agreements established between each Provider and the Service. However, the basis of these is unclear as contrary to the agreed rates, the sums paid are in excess of the maximum housing benefit rates.
- The 2 other payments included basic living allowance costs (all in agreement with set rates) and additional support costs. However, no records of additional support costs are held for individual care experienced young people, therefore it could not be established if the maximum permitted amounts have been exceeded.

A further sample of 38 payments was examined, 4 of these were, by error, not entered on the Care First System.

One provider, in addition to the spot purchase of accommodation, is also paid in advance for support services. The NHS Contracts Team supplied a list of support hours provided in 2016/17. However, it could not be evidenced that the Service reconciles this to invoices from the Provider. While there is provision in the SLA to reclaim unused hours it is questioned why the services provided are not invoiced retrospectively.

2.3 *Monitoring of Service Providers*

This objective was substantially achieved as there is a process in place to ensure contracts and SLAs are monitored. Each contract/ SLA contains a section setting out the monitoring process and Providers supply the Council and NHS Contracts Team with requisite contract monitoring information including quantitative and qualitative data. Regular meetings take place between the Council, NHS Contracts and Providers with SLAs.

However, after reviewing this information provided it is questioned whether sufficient information is provided to ensure that value for money is achieved from Providers. The Head of Children's Services advised that a review of the Service is being conducted, with a greater emphasis on Providers measuring performance through clear outputs. This will ensure sufficient information is provided to enable proper scrutiny of Providers to take place.

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.

Whilst there are processes in place to commission Providers and monitor their performance, there is scope to review the services provided. The audit highlighted some concerns about how additional funding has been approved. A review of the service provides the opportunity to examine all current contracts, particularly

what is being paid to Providers, how their performance is monitored to ensure that the required objectives are being met and that this provides Best Value. The audit acknowledges that a review of funding for preventative services commissioned for Children is now underway as part of the Council's re-design which will address many of the issues identified above.

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

4. Action Plan

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
High	Whilst historically Providers have been commissioned via direct award, it is questioned whether best value is achieved unless open tendering is undertaken. In addition, as noted further below, the present contract monitoring process does not demonstrate this or that the services provided are delivering the Council's required outputs.	This weakness has been recognised by the Head of Children's Services who has supported a review of commissioning arrangements through the Council's redesign process. The findings and recommendations from the review should then be actioned.	The Redesign process has enabled a comprehensive review of commissioning arrangements. Further clarification will be agreed with the Contracts team regarding the monitoring information required for each SLA/contract.	Head of Service Designated Managers for each SLA/contract	June 18 for Redesign Board 31/03/19
High	<p>An additional payment of £55,000. was paid to a Provider, despite the funding available being £44,000. In addition, this payment amount was added to the SLA as a variation resulting in this amount being paid annually.</p> <p>This Provider was also paid a sum of £5,450; £5,000 being an advance payment for a service that has yet to be delivered. The contract monitoring process did not identify or discuss this sum.</p> <p>One Provider is paid for accommodation based on spot purchase but is paid a fixed amount quarterly in advance for support services. In addition, it could not be established whether there was any reconciliation between the services supplied to that paid for.</p>	<p>The contract monitoring process should include details of all payments made to Providers in order that the services being provided for these amounts can be discussed.</p> <p>The Head of Children's Services should investigate why additional sums were paid to this Provider and take the appropriate remedial action.</p> <p>As part of the above mentioned review this agreement should be re-examined when the SLA is due for renewal to ensure that Providers only receive payment for the actual services supplied. A consistent payment method should be used for all Providers.</p>	<p>This was discussed with the provider but the contract variation is legally binding. Further review of the contract is ongoing to ensure best value.</p> <p>The funding was offered as match-funding for a grant application, however this was not discussed in advance. It will be resolved via the Redesign review of SLAs.</p> <p>The contract and invoicing arrangements will be reviewed prior to any renewal of the contract.</p>	<p>Head of Service</p> <p>Head of Service</p> <p>Resource Manager</p>	<p>Complete</p> <p>Complete</p> <p>30/08/18</p>

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
Medium	Contract monitoring information is provided in accordance with SLAs but the information provided is not always sufficient nor scrutinised to ensure value for money from Providers is achieved.	Clear targets based on measurable outcomes should be requested from Providers so that they demonstrate they provide the required services and value for money to the Council.	This will be re-inforced to all Designated managers and will be further enhanced through the Redesign process.	Head of Service	31/03/19
Medium	Issues with the payment of invoices to a Provider was identified where the process followed did not accord with the requirements of the Council's Financial Regulations. 4 errors were made where payments didn't go through CareFirst system as required.	A written procedures document should be created to cover administrative and financial processes, including (but not limited to): <ul style="list-style-type: none"> • Processing payments • Consistent narratives for invoices entered on CareFirst • What payments should and should not be processed through CareFirst. 	This is a complex area with payments being made to individual young people across Scotland, via a third party provider. Errors are regrettable but small in number. The process will be reviewed to minimise future errors.	Resource Manager	31/08/18