Agenda Item	3
Report No	AS/18/18

HIGHLAND COUNCIL

Committee: Audit & Scrutiny Committee

Date: 29th November 2018

Report Title: **Internal Audit Reviews and Progress Report – 08/09/18 – 16/11/18**

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 of the report
     ii. note the current work of the Internal Audit Section outlined at section 4 and the performance information provided at section 5.

3. Audit Reports

3.1 There have been 3 final reports issued in this period as referred to below:

Service	Subject	Opinion
Development & Infrastructure	Leader Programme 2017-18	Full Assurance
Community Services	Housing Information System	Substantial Assurance
All Services	Rental Income (follow-up)	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) 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 period.

(ii) Corporate Fraud activity and investigations

Work on cases of suspected housing tenancy fraud is an on-going matter throughout the year with 4 houses recovered during quarter 2.

Allegations of theft from were made by a member of the public regarding theft of items from an establishment. Initial investigations have identified that there may be substance to the claims made and these are being pursued with the assistance of

other Council officers.

The investigation into concerns in the administration of a school fund has been completed. This did not identify any irregularities but there were a number of issues which requires to be addressed by officers and a report has been sent to management for action.

(iii) National Fraud Initiative (NFI)

The 2018/19 NFI National Exercise has commenced and officers are involved in co-ordinating the submission of the appropriate data sets (including payroll, pensions, creditors, housing and benefits information) to the NFI website for the subsequent data matching exercises. The data matches for investigation are expected to be released on 31/01/19.

In addition, the Council's results from the 2016/17 exercise have recently been received from Audit Scotland for verification. This information will be collated and reported to Committee in March next year.

(iv) Other work

The LEAN review of the Internal Audit process is now complete and details, including the improvement plan are reported in a separate agenda item.

5. Performance information

5.1 2018/19 Audit Plan
Progress against the plan is provided at **Appendix 1**. This gives full details for quarters 1 and 2 plus the position up to 16/11/18 for quarter 3.

5.2 Performance information for quarters 1 and 2 of 2018/19 is provided below.

Category	Performance Indicator	Target	2018/19 Actuals			
			Q1	Q2	Q3	Q4
Quality						
Client Feedback	(i) % satisfaction from individual audit engagements expressed through Client Audit Questionnaires (CAQ)	**75**	91	80	-	-
	(ii) % of Client Audit Questionnaires returned	**70**	100	100	-	-
Business Processes						
Timeliness of Final Report	(iii) % of draft reports responded to by client within 20 days of issue	**85**	100	29	-	-
	(iv) % of final reports issued within 10 days of receipt of management response	**90**	100	86	-	-

There were some delays in obtaining a timely response to audit reports with 5 being delayed. However, 4 of these were just over the deadline for response and the fifth was the subject of negotiation with the Service before the final report was agreed.

The issue of 1 final report was delayed due to the final response being received after the relevant Auditor was on annual leave.

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 November 2018

Author: Donna Sutherland

Background Papers:

Internal Audit – progress against 2018/19 audit plan

Service	Audit Ref and Name	Priority	Planned Days	Status by Quarter			
				Qtr 1	Qtr 2	Qtr 3 (as at 16/11)	Qtr 4
Care & Learning	HAA01/001 - Provision of Early Learning and Childcare services	Medium	20	Being planned	In progress	In progress	
Care & Learning	HAA03/001.bf - Review of the administration and payments in respect of Fostering, Adoption and Kinship Care	Medium		DR issued	**FR issued**		
Care & Learning	HAA05/001.bf.bf - Commissioning of Throughcare and Aftercare services	High	1	**FR issued**			
Care & Learning	HAB01/011.bf - Review of School Funds	High		In progress	**FR issued**		
Care & Learning	HAB01/015 - Controls over network capacity and storage in Schools	High		Not started	Not started	Not started	
Care & Learning	HAB01/016 - Use of the Pupil Equity Fund in Schools	High	25	Not started	Being planned	Being planned	
Care & Learning	HAD06/004 - Workforce Planning and Staffing Arrangements	Medium	30	Not started	Not started	Being planned	
Care & Learning	HAE01/001 - Review of Additional Support for Learning	High	25	Not started	Not started	Not started	
Chief Executive's Office	HBC03/002 - Licensing	Medium	15	Not started	Being planned	Being planned	
Community Services	HCA03/003 - Review of the arrangements for the procurement and payment of Homeless services - follow up	Low	12	TOR issued	In progress	Being drafted	
Community Services	HCB01/001 - Co-mingled Dry Recyclate Contract	High	25	Deleted from Plan, approved by ASC on 14/06.			
Community Services	HCC02/001 - Car Parks	Medium	20	Not started	Not started	Being planned	
Community Services	HCC03/005 - Fleet Management arrangements	High	25	Not started	TOR issued	TOR issued	
Community Services	HCC04/002 - Review of Street Lighting and Communications	Medium	25	Not started	Being planned	In progress	

Service	Audit Ref and Name	Priority	Planned Days	Status by Quarter			
				Qtr 1	Qtr 2	Qtr 3 (as at 16/11)	Qtr 4
Community Services	HCC07/001.bf - Winter Maintenance	High		In progress	Being drafted	Being drafted	
Community Services	HCD01/003 - Review of Mobile and Flexible Working arrangements	Medium	30	Not started	Not started	Not started	
Corporate Resources	HBA01/007.bf.bf - Review of ICT projects	Core/ Critical/ Commitment	3	DR issued	**FR issued**		
Corporate Resources	HDA05/001.bf - Review of VAT arrangements	High		In progress	Being drafted	Being drafted	
Corporate Resources	HDA06/002.bf - Review of self-serve payroll processes	High	6	In progress	In progress	In progress	
Corporate Resources	HDA09/002.bf - Review of IT controls surrounding payments to creditors	Core/ Critical/ Commitment		DR issued	**FR issued**		
Corporate Resources	HDA11/001 - Insurance	Medium	20	Not started	Being planned	In progress	
Corporate Resources	HDA14/002 - Review of financial controls	Medium	20	Not started	Being planned	In progress	
Corporate Resources	HDA16/001 - Commercial and Procurement Services	Core/ Critical/ Commitment	30	Not started	Not started	Not started	
Corporate Resources	HDB03/004 - Housing Benefit Payments 2017-18	Core/ Critical/ Commitment	25	In progress	**Completed**		
Corporate Resources	HDB03/005 - DWP Housing Benefit Review - Performance Measurement exercise	Core/ Critical/ Commitment	10	**Completed**			
Corporate Resources	HDB05/004.bf - Income Systems	High	30	Not started	Being planned	Being planned	
Corporate Resources	HDB10/001 - Financial Assessments	Medium	25	Not started	Being planned	In progress	
Corporate Resources	HDB11/001 - Review of compliance with corporate complaints procedure	High	20	Not started	Not started	Not started	
Corporate Resources	HDC03/005 - HC Governance Assurance Statement 2017-18	Core/ Critical/ Commitment	25	**Completed**			
Corporate Resources	HDC06/026 - Review of fraud prevention and detection arrangements	High	25	Not started	Not started	Not started	

Service	Audit Ref and Name	Priority	Planned Days	Status by Quarter			
				Qtr 1	Qtr 2	Qtr 3 (as at 16/11)	Qtr 4
Corporate Resources	HDD01/004.bf - Use of Purchase Cards	Core/ Critical/ Commitment		In Progress	**FR issued**		
Corporate Resources	HDD04/001 - Review of Information Management arrangements	High	20	Not started	Not started	Not started	
Corporate Resources	HDD04/002 - Cyber Security	High	25	Not started	Not started	Not started	
Corporate Resources	HDD04/003 - ICT Contract Management Arrangements	High	30	Not started	Not started	Not started	
Development & Infrastructure	HEA05/005 - LEADER Programme 2017-18	Core/ Critical/ Commitment	28	Not started	In progress	**FR issued**	
Development & Infrastructure	HEA05/006 - Review of EU funded schemes	High	25	Not started	Not started	Not started	
Development & Infrastructure	HEB03/001 - Review of capital projects	Low	30	Not started	Not started	Not started	
Development & Infrastructure	HEC02/001 - Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2017-18	Core/ Critical/ Commitment	20	Not started	TOR issued	Not started	
Development & Infrastructure	HEC06/001 - Cleaning	Medium	25	Not started	Not started	Not started	
Development & Infrastructure	HED02/005.bf - Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2016-17	Core/ Critical/ Commitment	6	In progress	**FR issued**		
Development & Infrastructure	HED05/001 - Housing Grants	Medium	20	Not started	Not started	Not started	
Development & Infrastructure	HED06/001 - Inverness Townscape Heritage Project	Medium	20	Not started	In progress	DR issued	
Development & Infrastructure	HEE02/001.bf - Affordable housing	Medium	8	In progress	**FR issued**		
Development & Infrastructure	HEE03/002.bf - Rental Income - follow up	Medium	3	In progress	Being drafted	**FR issued**	
Development & Infrastructure	HEE03/003 - City and Region Deal	High	20	Not started	Being planned	In progress	
Development & Infrastructure	HEE04/001.bf - Developer's Contributions	Medium		**FR issued**			

Service	Audit Ref and Name	Priority	Planned Days	Status by Quarter			
				Qtr 1	Qtr 2	Qtr 3 (as at 16/11)	Qtr 4
Development & Infrastructure	HEE03/004 - Review of Local Full Fibre Network project	High	20	Unplanned audit, addition approved by ASC on 20/09		Not started	

Key:
TOR – Terms of Reference
DR – Draft audit report
FR – Final audit report

The Highland Council
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Internal Audit Final Report

DEVELOPMENT & INFRASTRUCTURE SERVICE

LEADER PROGRAMME 2017-18

1. Introduction

1.1 This was the third audit assessing the administration of the 2014-2020 Highland LEADER Programme which is valued at £8.8m. The audit is a requirement of the Service Level Agreement (SLA) between the Scottish Government Rural Payments and Inspections Directorate (SGRPID) and the Highland Council, and covers the period 16/10/17 to 15/10/18.

1.2 The LEADER Programme is part of the Scottish Rural Development Programme, aimed at promoting economic and community development within rural areas. Funding from the EU is centrally distributed by the SGRPID to eligible areas.

1.3 This is the third year where projects and administration claims were processed online on the Local Actions in Rural Communities System (LARCS).

2. Main Findings

2.1 *Adherence to the 2014 – 2020 Programme SLA*

The audit objective was substantially achieved. 7 projects started since October 2017 were reviewed, and the 7 projects reviewed last year revisited, to ensure the obligations set out in the 2014-2020 LEADER Programme SLA had been adhered to for project claims and verification checks. 1 quarterly administration claim was also reviewed to ensure it complied with the funding rules (EU Regulation 907/2014) and the Administration Claims Manual (post- SLA signing).

The projects reviewed were at various stages of approval and payment, and meet the SLA obligations and underpinning legislation. The only minor issues identified were:

(i) For 1 project where 3 set of accounts were required, as the LEADER grant exceeded £35,000, only 2 sets had been obtained and uploaded onto LARCS.

(ii) On another project the current proof of insurance cover was missing. This had been provided at the application stage, but is also required to cover the period up to the final grant payment. This proof was subsequently obtained during the audit. It should be noted that this was one of the earlier projects before the Scottish Government clarified this requirement. Proof of current insurance has been added to the final grant payment checklist, and therefore this issue should not recur in the future.

The 2018 quarter 1 claim was reviewed and 160 of the 237 transactions tested. All transactions reviewed had evidence that they were defrayed, and that all had been stamped "Highland LEADER Programme EC Funding Paid". Where the transaction was an Internal Recharge (28 transactions) this was adequately supported and where an invoice included VAT (44 transactions) VAT had been excluded from the amount claimed from LEADER. All transactions met the SLA eligibility criteria. This is a significant improvement on last year's audit finding.

2.2 *Follow up of previous management agreed actions*

The management agreed actions from the 2016-17 audit were reviewed and all have been fully implemented.

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. The minor issues identified at 2.1 do not impact upon this opinion.

An action plan is provided at section 4 detailing the recommendations for improvement together with the management response. This contains a total of **1** recommendation 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	0

4. Action Plan

Priority	Finding	Recommendation	Management Response	Implementation Responsible Officer	Target Date
Medium	For one reviewed project where 3 set of accounts were required, only 2 had been obtained and uploaded onto LARCS. For another project proof of current insurance had not been provided at the point where final payment was made.	LEADER officers should be ensure that: (i) The correct number of sets of accounts are uploaded into LARCS; and (ii) Proof of ongoing insurance cover is obtained for projects up to the date of the final grant payment.	i) A reminder will be circulated to the team to ensure that everyone is aware of this requirement. ii) Section added to the claims checklist to ensure that this is checked prior to payment of final claim.	Programme Manager	21/11/18

Internal Audit Final Report

Community Services

Housing Information System

1. Introduction

1.1 This audit reviewed security controls for the Housing Information System [HIS] which is used to manage Housing information for Highland Council and also for the wider Highland Housing Register [HHR], shared with five other main Housing Partners in Highland.

1.2 The value of house rents due in 2017/18 to the Housing Revenue Account was £48.8 million across over 14,000 properties.

2. Main Findings

2.1 *Physical and logical access controls to the system*

This audit objective was fully achieved. Controls in place include a User Access Control Policy which is regularly reviewed. The HHR Partnership Agreement sets out responsibilities of all Partners for sharing information between each other. This takes into account data protection principles and consent by applicants to share their personal data. Third party access for change is reviewed on a six-monthly basis with ad-hoc changes made when required.

User registration and regular checks are carried out by the Community Services Systems Development [CSSD] Team to ensure users still require the access they have been given. User permissions are set up by Job Role and business areas. Authentication controls vary by user type to comply with security requirements of Public Services Network [PSN]. Larger Partner organisations use a virtual private network [VPN] tunnel and have a Windows NT login to access the HIS live server. Other Partners use two authentication and Cisco Anyconnect for login to strengthen security.

2.2 *Controls over data input*

This second objective was substantially achieved. HIS has 'pick-lists' for input into fields where suitable and some fields require specific responses before an application can progress. Input such as property address creation can only be undertaken by CSSD staff who have high level system administrator access to all levels, and reports are run to reconcile property data against the Corporate Address Gazateer (CAG) as an accuracy check.

A number of duplicate person records have been created in the past despite substantial training information being available to all users. In addition it could not be established if all HIS users had completed the required training modules associated with their job roles.

The duplicate records cannot be deleted as this would affect other data tables in the database. However, Business Objects reports are produced which allows a daily sample of newly created persons for potential duplicates to be checked. The risk is low as this does not affect the processing of allocations as there is a validation in place at point of offering a tenancy. Also HIS data such as potential duplicate tenancies, outstanding Right To Buy applications etc. is subjected to cross-reference by the National Fraud Intiative run by the Cabinet Office. That allows for a national approach to detect false claims within and with other Local Authorities.

Data input includes applications for tenancies on the HHR which requires proof of a person's identity. This includes, either passport, driving licence, birth certificates or national identity card. This evidence is mandatory at the allocations stage.

2.3 *Interface processing*

The third objective was fully achieved as reports of batch jobs run in HIS by the job scheduler are monitored by the CSSD Team. Any batch run errors are identified and

remedial action taken, including notification of users. In practice, this has rarely occurred.

2.4 *Output reports and business requirements*

The fourth audit objective was fully achieved. Monthly HIS reports are run and shared with HHR Housing Partners. Controls on accuracy and security of HIS data output is dependent on users' compliance to Council policies and procedures. Audit detail is available to monitor by the CSSD Team and Manager as required.

2.5 *System utilisation is maximised for efficiency and performance*

This audit objective was substantially achieved as the system is shared with HHR Partners for managing applications for tenancies. The system costs and administration as a result are shared with Partners on a percentage basis. However, there is no Service Description for HIS with Service Level Agreement detail for the System Owner to refer to. Therefore, it cannot be confirmed that maximum use is being made of the contracted service and costs minimised.

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 whilst 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.

There is confidence in system service through years of using the same supplier, with a dedicated user group and

online forum for administrators to manage queries. New functionality has recently been provided to comply with the requirements of the new Data Protection Act which came into effect on 25/05/18. Procedures will need to be put in place to address any requests from customers who apply one of the new Act's principles and "wish to be forgotten".

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	0
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
Medium	Substantial user training is available in the Help function within HIS, on the intranet and within MyOnline Learning and reminders by email alert.	(i) The CSSD Team should review the online training within "My Online Training" and match course content to each user group's needs in HIS. This should assist in managing training uptake.	The current training videos (116 off) are grouped by module, e.g. Allocations, Rents, Repairs etc. It would be helpful to match training requirements by job type, e.g. Clerical Assistant, Service Point Officer to pinpoint the videos required for particular job types.	Service Improvement Manager	30/11/18
	Some users have a variety of job roles, for example HC Business Support staff. Therefore they have larger training requirements to fulfil Line Managers confirm that staff have completed the online training when requesting new HIS accounts for members of their team through the 'User Management' process. If online training is not completed there is a risk that data processing may not comply with HIS standards.	(ii) The Team should obtain confirmation from the Learning and Development Team as to how many users have completed training and highlight to area managers any particular issues where take up has been low.	The request for confirming the number of users that have completed HIS training via My Online Learning is now underway. A quarterly report will be requested from the 'My Online Learning' systems administrators to facilitate a data match with line managers request for HIS access and actual training completions. Results will be sent to area managers for visibility and action if required. This addition step will be incorporated into the current User Management procedures.		

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
Medium	There is no current Service Description for HIS to refer to for the System Owner which creates difficulties in understanding if the system is providing value for money and that the maximum benefits are being utilised.	ICT Services should review the current Service Level Agreement for HIS with the System Owner and ensure a copy is available to them.	As with all 'Managed Services' the SLA's are all bound into one overall contract with Wipro. This query is focussed on having clear costings from ICT on the Annual Service charges for the HIS. ICT have worked with the Service to re-instate the Service Description for the HIS. Now complete. Version 3.0 Housing Service Description.	Service Improvement Manager & ICT Services	Complete
Low	Person records are retained indefinitely in HIS. Whilst this determines retention times in practical terms, at the time of the audit it did not comply with the new Data Protection legislation principle 'the right to be forgotten'. This has now been addressed and new functionality has been developed by the supplier to conform with this principle. This was implemented on 19/09/18.	The CSSD Team should monitor the progress of planned added functionality to HIS by the software supplier to comply with new Data Protection legislation requirements.	Systems team to respond to direct requests from customers requesting the 'right to be forgotten'. Procedures to be put in place to ensure that such requests to be captured/ managed in our CRM system (same as FOI requests) to ensure customer requests have a full history and are managed efficiently.	Service Improvement Manager	30/11/18

The Highland Council
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Internal Audit Final Report

All Services

Rental Income- Follow Up

Distribution:
All Service Directors

Care and Learning: Head of Resources

Community Services:
Head of Performance and Resources, Transport and Logistics Manager, Harbours Manager, Lighting and Communications Manager

Development and Infrastructure:
Head of Development and Regeneration, Head of Property & FM Services, Property Manager (Estates), Estate Strategy Manager, Corporate Property Asset Manager, Project Officer (Facilities)

Highlife Highland: Principal Estates Manager

External Audit

Report Ref:	HEE03/002.bf
Draft Date:	27/09/18
Final Date:	19/11/18

1. Introduction

1.1 A report on Rental Income for all Council owned assets (HEE03/001) was issued on 15/11/16. This report had the opinion of limited assurance, as it identified a number of concerns in relation to the Council's management and collection of rental income.

1.2 This follow up audit examined work undertaken to address the recommendations from the previous report. Enquiries were made with all Services to check that all assets have been identified and for these assets, income is collected as stipulated in leases or formal agreements. Rents from Common Good Fund assets and Council Housing were excluded from this audit.

2. Main Findings

2.1 *All chargeable properties and assets belonging to the Council have been identified and accurate details are held of the property/asset owner.*

The correct rental sums are charged. Rent reviews are undertaken in accordance with the relevant agreement and increases are correctly applied. Commercial rents are charged unless it has been agreed by the relevant Committee/ previous Authority that this should be reduced.

These 2 objectives were partially achieved. Since the last audit some progress has been made in identifying assets, assigning responsibility and ensuring correct sums are charged and collected. However some concerns remain.

There is still no comprehensive up to date list of all Council owned assets. Individual Services have lists of the assets they administer and the property system (K2) has a list of assets which are leased out. Comparisons between these showed there were numerous inaccuracies on the K2 list.

The current position of individual Services and their work undertaken to implement their management agreed actions from the previous audit is briefly summarised below.

Care and Learning

In the previous audit no definitive asset list or income schedule was held. The following work has been undertaken to address this.

Former Janitorial Properties: a Project Officer has worked with Legal Services to update the status of these 81 sites. Income due has been collected except where prevented by ongoing legal matters.

Community Learning and Leisure (CLL): A SharePoint site is in place which lists 25 sites. The audit identified a site where the tenant was not billed. This was as a result of the responsible officer leaving and not handing over this responsibility. A Project Officer has now ensured income due from 2016/17 (£8,985) has been collected.

Highlife Highland manage 17 sites, income details were provided for 2017/18. Responsibility for rent reviews remains with the Council's Estates Team and there are no concerns.

K2 lists a large number of sites charging comparatively small sums (less than £100 per annum). Some of these sites were due to be transferred to other Services and work by the Estates Team to identify and update details for these sites is ongoing.

Since February 2018 the Care and Learning Estates Function has transferred to Development and Infrastructure so responsibility for the CLL sites listed

above, ensuring rental income is collected, now sits with this Service.

Community Services

Harbours: Details of all sites were provided and the majority of previously agreed actions were completed. The Harbours Manager confirmed site details had been added to K2 and debts pursued with tenants. Not all rent reviews have taken place but the Harbours Team are working with Estates to achieve this.

Telecommunication Masts: The Lighting and Communications Manager stated that not all income from 2017/18 income had been collected but as the Council was moving to new agreements with the companies who use the masts these outstanding amounts are being pursued. A management company has been employed to assist with the legal issues for the new agreements and it is expected that any rental income outstanding will be collected.

Depots: The 3 shared depots had rents reviewed where required. A dedicated officer is now responsible for administering these sites so previous concerns have been addressed.

Other Community Services: The Head of Performance and Resources has created a spreadsheet for sites which is updated as new information is provided. Several smaller sites (mainly garages and small units) were queried with the Transport and Logistics Manager and Head of Performance and Resources who are checking to see that rental amounts are up to date. There are concerns these sites may not have had recent rent reviews.

Corporate Resources

There is only 1 site; a tourist information centre. Income is collected as required, responsibilities for this

transferred to a new officer since the last audit so there are no concerns.

Development and Infrastructure

Industrial and Investment (I&I) Properties and Housing Revenue Account shops which are managed by the I&I team. All sites were reviewed by an officer from Business Support to ensure correct sums are being charged. Ongoing monitoring of new and amended Direct Debits takes place and the work undertaken has addressed previous audit concerns.

Community and Countryside Properties: The spreadsheet of 15 sites was updated by the appropriate officer. Income was found for all but 2 sites which are being investigated by the Project Officer, Facilities.

Accommodation Account sites. There are 9 of these. Income was collected as required although the audit identified 1 site which is rented but there was no income for 2017/18. The Service investigated this, income had not been collected since August 2016. The Service have now issued an invoice for the uncollected income (£2,500) and set up a Direct Debit going forward.

2.2 *Rental income is charged for the use of all Council assets and properties. Where the decision has been made to waive or reduce these charges then records are held to demonstrate that the appropriate authority was obtained and this is in accordance with Council policy*

This objective was partially achieved. A new Council Policy *"Disposals of land interests at less than the best consideration that can reasonably be obtained"* was agreed by the Environment, Development and Infrastructure Committee on 17/05/18. The Policy covers procedures for leasing assets at below market value, including nominal amounts.

However, no assurance can be given that the Council has identified all assets which charge less than market value. Individual Services have assets where nominal amounts are charged. The list of sites in K2 includes those leased for nominal amounts but as detailed at section 2.1, the accuracy and completeness of K2 is questioned.

A report to the Council in September 2017 recommended that "*Property functions (except Housing Maintenance) and budgets be the responsibility for the Development and Infrastructure Service".* This should include rental income from properties. Although some Estates Officers have been transferred to the Service a restructure is currently taking place so the current plans have not been fully developed.

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.

Since the last audit significant work has been undertaken by Services to identify chargeable assets and address the management agreed actions. However, this work has not been completed and there is still no comprehensive list of chargeable assets. Without this the Council cannot ensure that it is collecting all income due, and cannot fulfil its obligations under the Community Empowerment Act.

Specific instances of income not being collected were identified within Services, these are now being addressed by officers but raise concerns that had the audit not taken place not all income would have been collected on the Council's chargeable assets.

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	There is still no comprehensive list of chargeable assets for the entire Council, including a definitive list of properties rented at below market value.	All Services should review their asset portfolios to ensure all chargeable assets have been identified.	The relevant officers confirmed they had completed this action for their Section although work is ongoing in Services to identify details of historic sites and ensure details are up to date.	See Management Response	Ongoing
High	The audit identified numerous inaccuracies on the K2 property system with regard to the information held about leases of Council properties to tenants, this includes inaccuracies on which Service is responsible for certain sites.	The details on K2 pertaining to all leases between the Council and tenants should be brought up to date ahead of plans to transfer this data to the proposed new property system.	The following officers confirmed they had completed this action for their Section: Property Manager Estates Harbours Manager Project Officer (for C&L Properties although investigation of lower value sites is ongoing)	See Management Response	Complete
			The Head of Performance and Resources provided an update on progress investigating Community Services sites listed on K2 but acknowledged ongoing work is required to fully investigate all sites.	Head of Performance and Resources	Ongoing
		As part of the move to D&I as a single responsible Service a review of K2 should be undertaken, with	Works are ongoing to ensuring that all Council Sites /Building records	Head of Property & FM	Ongoing

Priority	Finding	Recommendation	Management Response	Implementation	
				Responsible Officer	Target Date
		D&I working with all Services to ensure details are up to date.	are included in K2		
Medium	The audit identified a number of instances in different Services where rental income was not collected for particular sites as no responsible officer had been identified. Specifically:	Individual Services should ensure these specific matters are examined with tenants charged correctly and a responsible officer appointed to ensure rent is collected in future years.			
	• Smaller depots/Garages (to determine who is responsible and whether reviews are needed)		Head of Performance and Resources confirmed income has been collected for these sites and is liaising with Surveyors to check if rent reviews are required. Reviews will take place if necessary.	Head of Performance and Resources	30/11/18
	• 2 Community and Countryside Properties (to determine if all income from previous years has been collected)		Project Officer Facilities and Accountant confirmed income had been received.	Project Officer, Facilities	Complete
	• Telecommunication Masts (not all 17/18 income collected although this is acknowledged as complex ongoing work)		Lighting and Communications Manager confirmed that income largely collected, any outstanding amounts to be collected by end of November 18.	Lighting and Communications Manager	30/11/18

Priority	Finding	Recommendation	Management Response	Implementation Responsible Officer	Target Date
Medium	Actions from the previous audit have not been fully completed specifically:				
	Not all Harbours sites have had rent reviews undertaken.	A revised date should be provided for all Harbours sites to have been reviewed.	Confirmed that reviews will be concluded by end of 2018.	Harbours Manager	31/12/18
	There are proposals to make Development and Infrastructure the single Service responsible for rental income but these have not been fully developed.	A revised date should be provided for establishing a central unit responsible for rental income. As part of this a review should take place to clearly set out all roles and responsibilities.	Roles & Responsibilities for the Council team responsible for all rental income will be defined and allocated.	Director of D&I	30/04/19