

Agenda Item	4
Report No	AS/20/22

## THE HIGHLAND COUNCIL

**Committee:** Audit & Scrutiny Committee

**Date:** 30<sup>th</sup> November 2022

**Report Title:** Internal Audit Reviews and Progress Report –09/09/22 – 15/11/22

**Report By:** Strategic Lead (Corporate Audit & Performance)

### 1. Purpose/Executive Summary

- 1.1 This report provides details of the work undertaken by the Internal Audit section since the last report to Committee in September 2022.

### 2. Recommendations

- 2.1 Members are asked to note the current work of the Internal Audit Section outlined at section 5 of the report and progress against the 2022/23 audit plan in section 6.

### 3. Implications

- 3.1 Risk – the risks and any associated system or control weaknesses identified as a result of audit work or corporate fraud investigations will be reviewed and recommendations made for improvement.
- 3.2 There are no Legal, Resources Community (Equality, Poverty, Rural and Island), Climate Change / Carbon Clever or Gaelic implications.

#### 4. Audit Reports

4.1 There have been 2 final reports issued during this period as detailed in the table below:

Service Directorate	Subject	Opinion
Resources & Finance	Review of COVID Welfare Support Services	Full Assurance
Performance & Governance/ Resources & Finance	Payment of Members Expenses	Substantial 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.

#### 5. Other Work

5.1 The Section has been involved in a variety of other work which is summarised below:

(i) Audits for other Boards, Committees or Organisations

Audit work has been undertaken for the Assessor, Pension Fund and High Life Highland during this period. The results of this work will be reported to the appropriate Boards/ Committees.

(ii) Corporate Fraud, Whistleblowing concerns and other investigations activity

The Single Point of Contact (SPOC) work is an ongoing commitment providing information to Police Scotland and the Department of Work and Pensions.

An investigation into misuse of a blue badge is nearing completion and this will be reported to the Procurator Fiscal. The other main investigation during this period originated from a whistleblowing report of suspected fraudulent activity. This is still an active investigation so no further information can be provided at this stage. However, once the investigations have been completed including any associated disciplinary/ legal action where relevant, the system weaknesses reports will be provided to Committee to scrutinise. In addition, Members will note that the annual report relating to whistleblowing concerns is provided elsewhere on the agenda.

#### 6. Progress against the 2022/23 audit plan

6.1 Progress against the audit plan is shown in the [Gantt chart](#). This contains details are provided of all planned audits and any additions resulting from unplanned audits or investigations. In respect of investigations this information is added at the point that the system weaknesses draft report is issued as investigations may be complex and can be time consuming to complete.

The chart shows the dates that the key stages of each audit was completed except where the audit has rolled forward from last year and they occurred before 04/04/22, however, any stages after this date are shown.

6.2 Performance information for quarters 1 & 2 is provided below.

Category	Performance Indicator	Target	2022/23 Actuals			
			Qtr 1	Qtr 2	Qtr 3	Qtr 4
Quality						
Client Feedback	(i) % satisfaction from individual audit engagements expressed through Client Audit Questionnaires (CAQ)	<b>75</b>	79	80	n/a	n/a
	(ii) % of Client Audit Questionnaires returned	<b>70</b>	100	86	n/a	n/a
Business Processes						
Timeliness of Final Report	(i) % of draft reports responded to by client within 20 days of issue	<b>85</b>	0*	14	n/a	n/a
	(ii) % of final reports issued within 10 days of receipt of management response	<b>90</b>	100	86	n/a	n/a

Quarter 1 shows that there were issues with receiving timely responses to draft audit reports. As reported to the September Committee meeting, in order to improve this, outstanding audit responses were added to the agenda of the weekly Performance Governance Board in August. Since this date, improvement has been noted but this will continue to be monitored and escalated if necessary. Furthermore, the Chief Executive has reiterated the importance of Services fully engaging with the audit team.

\* This relates to 1 report during the Quarter.

Designation: Strategic Lead (Corporate Audit & Performance)

Date: 16<sup>th</sup> November 2022

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## APPENDIX 1



### Internal Audit Final Report

Resources and Finance

Review of COVID Welfare Support Services

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	0
Minor issues that are not critical but managers should address.	Low	0

#### Distribution:

Executive Chief Officer for Communities and Place  
Interim Head of Revenues and Business Support, Resources and Finance  
Business Development & Support Manager, Resources and Finance  
Business Support Operations Manager, Resources and Finance

#### Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **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.

**Report Ref:** HCP20/001  
**Draft Date:** 29/09/2022  
**Final Date:** 30/09/2022

## 1. Introduction

1.1 The objective of the review was to ensure that the provision of COVID welfare support services (COVID Support) is effective by considering:

- COVID Support is only provided in line with the guidance; and
- COVID Support payments are paid on time once all available information is received and in accordance with the rates agreed.

1.2 The audit assessed the arrangements for providing the Council's COVID Support in 2021/22. A sample of payments were tested to ensure that effective processes have been followed for the provision of COVID Support in accordance with the Scottish Government's guidance, Council policy and its Financial Regulations.

1.3 The review extended to the following COVID Support schemes:

<b>COVID Support Scheme</b>	<b>2021/22 £000s</b>
Free School Meals Holidays (SG Scheme)	882
Fuel Poverty (Council Scheme)	1,128
Fuel Support Fund (Council Scheme)	2,774
Family Pandemic Payments (SG Scheme)	2,612
Low Income Pandemic Payments (SG Scheme)	2,541
<b>Total</b>	<b>9,937</b>

## 2. Main Findings

2.1 *COVID welfare support services*

This objective was fully achieved. Testing confirmed that COVID Support was provided to households listed on the Council's Seemis (School Management) or Northgate (Revenues & Benefits) systems that met the eligibility criteria (Free School Meals or Council Tax Reduction/Exemption) at the agreed date.

The Fuel Poverty Scheme was originally set up to provide support to households experiencing fuel insecurities that were also in receipt of CTR (Council Tax Reduction). The Head of Revenues and Business Support was able to exercise discretion and make an award in other

circumstances, which resulted in support being provided to any household experiencing fuel insecurities. Each applicant had to self-declare on an on-line form that they were either entitled to CTR or were suffering fuel insecurities. Management decided that the collection, review and verification of evidence was not required as this would not have been cost effective in the time available and given that each individual payment was £60. The scheme closed in May 2021. The subsequent Fuel Support Fund was based upon household CTR or council tax exemption with the demonstration of fuel insecurity not being part of the eligibility criteria.

Households in receipt of recurring COVID Support (Free School Meals Holidays and Family Pandemic) were regularly reminded of the scheme conditions and the requirement to contact the Council if they were no longer entitled. In addition, officers were provided with sufficient training and guidance for them to assess if households were eligible for COVID Support.

2.2 *COVID welfare support payments*

This objective was fully achieved. The Revenues and Business Support Team developed a system (involving unique PIN numbers and check digits) to ensure that only valid households provided bank details to receive COVID Support payments. Testing confirmed that all payments were to a bank account in the householder's name.

Each COVID Support payment run was subject to segregation of duties and senior management review. Testing confirmed that COVID Support payments were made promptly (before the recommended payment date) and to the agreed financial value.

The likelihood of households receiving duplicate support payments was mitigated by the Team only extracting source data from Council systems once before each payment run. Audit testing confirmed for a sample of households that each received a maximum of one payment by Scheme type per cycle.

## 3. Conclusion

3.1 The Council has effective systems and procedures for providing COVID Support. The audit has not identified any recommendations that are needed to improve the control environment.

## APPENDIX 2



### Internal Audit Final Report

Performance & Governance/  
Finance & Resources

Payment of Members' Expenses

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	2

**Distribution:**

Executive Chief Officer for Performance & Governance  
Head of Corporate Finance & Commercialism, Resources & Finance  
Policy Manager, Performance & Governance

**Audit Opinion**

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **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.

**Report Ref:** HRF11/002  
**Draft Date:** 17/10/22  
**Final Date:** 18/11/22

## 1. Introduction

1.1 The audit review examined the processes and procedures for the payment of Members' expenses. The objectives were to ensure that:

- Member expenses are claimed and paid in accordance with government regulations and local guidance.
- The new online claim system (introduced at the beginning of the 2021/22 financial year) is working effectively to process Member expenses accurately, completely and promptly.

1.2 The audit covered Members' expenses claimed and paid in 2021/22 (see table below). The value of expenses claimed during 2021/22 is lower than previous years (£182,784 in 2019/20) as most Council meetings were held remotely due to Covid restrictions. The scope of testing was limited to a review of information held in the payments system – ResourceLink – as more detailed information in the claims system – MyView – was not accessible – see section 2.2.

1.3 A sample of expense payments were tested to ensure that they were supported by a valid claim that has been properly completed, contained appropriate supporting evidence and had been approved in accordance with the Local Government (Allowances and Expenses) (Scotland) Regulations 2007. The sample of payments was selected from the following:

Payment Type	Total Value £
Mileage	16,919
Other Travel	410
All Other Expenses	21,165
<b>Total</b>	<b>38,494</b>

## 2. Main Findings

2.1 *Member expenses are claimed and paid in accordance with government regulations and local guidance*

The audit objective was substantially achieved. The Members' Remuneration and Expenses Guidance document is effective in informing Members of their entitlement to claim travel and subsistence expenses. The Council's guidance reflects the Local Government (Allowances and Expenses) (Scotland) Regulations 2007 in stating that Members are encouraged but not required to provide VAT fuel receipts with their mileage expense claims. However, the provision of VAT fuel receipts from Members would allow the Council to reclaim more VAT and thus reduce its expenditure. (See Action Plan Reference: L1)

All subsistence payments sampled were supported with appropriate evidence to confirm that the expense had been claimed in accordance with the guidance. However, it was not possible to validate the sample of travel claims as journey descriptions are not recorded on ResourceLink. (See Action Plan Reference: M2). However, a description is provided on MyView.

It was identified that 1 (4%) expense tested was claimed and paid more than 90 days after the expense had been incurred, which is outside of the agreed timeframe. (See Action Plan Reference: L2)

2.2 *The new online claim system is working effectively to process Member expenses accurately, completely and promptly*

The audit objective was substantially achieved. The training material for online expense claims is highly detailed and user friendly, which should assist Members in the use of the online claim system.

It was identified through audit testing that there is no confirmation declaration at the time of submission on the online system. The inclusion of a declaration is used to confirm that the claimed expenses have been necessarily incurred for Council business. (See Action Plan Reference: M1)

It was identified that once an expense claim has been processed for payment, the designated reviewing officers can no longer view

that claim and others previously processed in the MyView system. Without the functionality to review previous claims there is a small risk that an expense may be claimed more than once. This issue was identified when the new claim system was introduced at the beginning of the 2021/22 financial year and the Financial Systems Team are liaising with the software provider to find a solution. (See Action Plan Reference: M2)

### **3. Conclusion**

- 3.1 The Council has a broadly effective system in place for the payment of Members' expenses. To be fully effective there needs to be a full audit trail of claims information so that all expenses can be verified for accuracy and completeness.



#### 4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
M1	Medium	When submitting an online expense claim there is no declaration for the Member to confirm that the expenses claimed have been necessarily incurred on Council business. The previous paper claim form, used prior to the online system, included a Member declaration.	Management should include a declaration as part of the claim process so that Members have to confirm the expenses claimed have been necessarily incurred on Council business.	Submitting and approving expenses claims should only be for Council business. Management will engage with colleagues to look at how this recommendation could be implemented.	Head of Corporate Finance	31/03/23
M2	Medium	Once an expense claim has been processed and approved, a reviewing officer is unable to see historical claims through the MyView system, therefore there is an absence of a proper audit trail of what has been claimed. This issue was noted at the time the new claim system was implemented and the Finance Systems & Change Team are currently in discussions with the software provider to find a fix for this issue.  A sample of 19 expense claims was analysed using ResourceLink. 16 of the 19 expense claims that were analysed included mileage claims. None of the mileage claims included a description of the journey or had an attached VAT fuel receipt that was viewable through ResourceLink.	Management should ensure that a software solution can be implemented to enable the designated Officers to view Members' historical expense claims. This should also enable the authorising Officer to be identified.	Significant progress has been made on implementing a technical solution to enable access to historical expense claims.  All milage claims do have a description on MyView.	Head of Corporate Finance	Complete

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
L1	Low	The Council's guidance reflects the Local Government (Allowances and Expenses) (Scotland) Regulations 2007 in stating that Members are encouraged but not required to provide VAT fuel receipts with their mileage expense claims. However, the provision of VAT fuel receipts from Members would allow the Council to reclaim more VAT and thus reduce its expenditure.	Management should encourage Members to include VAT fuel receipts as this provides a saving for the Council.	Management will encourage members, wherever possible to provide VAT fuel receipts.	Head of Corporate Finance	On-going
L2	Low	A sample of 19 expense claims consisting of 30 expense lines was analysed. 1 (4%) expense line was claimed outside of the agreed 90 days. This expense line consisted of 2 months, (April and May) of broadband costs, which were claimed for on 09/08/21.	Management should instruct Members that expense claims must be submitted within 90-days of the expense being incurred.	Management will remind members as part of ongoing engagement.	Head of Corporate Finance	On-going