Agenda Item	4
Report No	AC/08/24

HIGHLAND COUNCIL

Committee: Audit Committee

Date: 21 March 2024

Report Title: Internal Audit Reviews and Progress Report – 16/11/23 – 27/02/24

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 November 2023.

2. Recommendations

2.1 Members are asked to:

   i. Consider the Final Reports referred to in Section 4.1 of the report.
   ii. Approve the deletion of two audits from the audit plan as set out in section 5.2.
   iii. Note the current work of the Internal Audit Section outlined at sections 5 and 6, and the status of work in progress detailed at Appendix 1.

3. Implications

3.1 <u>Resources</u> – as detailed in section 5.2 there has been a reduction in the available resources due to a vacant post within the team since December.

3.2 <u>Risk</u> - 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.

3.3 There are no Legal, Climate Change / Carbon Clever, Community (Equality, Poverty, Rural and Island), Health and Safety or Gaelic implications.

4. Internal Audit Reports

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

Service Directorate	Subject	Opinion
Education & Learning	ICT Arrangements in Schools	Substantial Assurance
Education & Learning Service	Review of Financial Procedures in Schools	Reasonable Assurance
Communities & Place	Waste Management Income Systems	Substantial Assurance
Performance and Governance	Verification of Statutory Performance Indicators (SPIs)	Substantial Assurance
Property and Housing	Corporate Landlord Model	Limited 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. Internal Audit work in progress

5.1 Details of the current audits in progress and their status is provided at **Appendix 1**. The 2023/24 Internal Audit Plan was approved at the September Committee meeting. Reflecting the recent plan approval, a substantive proportion of the work is currently in progress with a view to reporting to the June 2024 Audit Committee.

5.2 A member of the Internal Audit team left in early December for position with another organisation and this post has since been held vacant. It has now been agreed that this post will be deleted as part of the Service's budget savings for 2024/25. This has resulted in less resources available to complete the audit plan than anticipated. The planned audit work undertaken will be prioritised to ensure that those with the highest risk ratings are completed first. Two audits have been proposed for deletion from the audit plan: the Community Regeneration Fund and Gaelic Language Plan. In both

cases, it was established from management that the timing wasn't right for these audits. Therefore, both audits will be considered for inclusion in the 2024/25 audit plan.

6.   Other Work

6.1   The Section has been involved in a variety of other work during the period which is summarised below:

(i) <u>Audits for other Boards, Committees and Organisations</u>

Audit work is being undertaken during this period for the Valuation Joint Board and for High Life Highland which will be reported to the respective Committees in due course.

(ii) <u>Corporate Fraud, Whistleblowing concerns and other investigations activity</u>

The Single Point of Contact (SPOC) work is an ongoing commitment providing information to Police Scotland and the Department of Work and Pensions. This work assists the Police in investigating potential crimes and in making our communities safer. An allowance of time for these commitments is made within the Audit Plan each year.

Ongoing activities include:

- An investigation which resulted from a whistleblowing report is completed and an investigation report is being drafted for issue to management.
- Investigation of specific cases of overpayments from Payroll.
- Carrying out Tenancy Fraud Investigations.
- Investigation and reporting of matches from the National Fraud Initiative 2022 exercise.

Where active fraud and whistleblowing investigations are in progress, no further information can be provided in order to prevent these being compromised. 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.

Designation: Strategic Lead (Corporate Audit & Performance)

Date: 27 February 2024

Author: Jason Thurlbeck, Corporate Audit Manager

Background Papers: N/A

Appendices: Appendix 1 - Internal Audits in progress

Appendix 1 - Internal Audits in progress

Service	Audit Subject	Priority	Planned Days	Current Status	Planned Committee Reporting Date
Communities & Place	HCP22/001 - Efficiency of debt recovery arrangements	Medium/High	20	Planning Complete and TOR issued. Currently on hold due to Finance system implementation and will restart in June.	September 2024
Communities & Place/ Performance & Governance	HCP15/001 - Common Good Fund Asset Registers	Medium/High	30	Fieldwork in progress	June 2024
Deputy Chief Executive	HDX03/004 - IT asset registers	Medium/High	20	Fieldwork in progress	June 2024
Deputy Chief Executive	HDX03/003 - Procurement of ICT cloud hosted systems	Medium/High	20	Fieldwork in progress	June 2024
Education & Learning	HEL02/001 - Review of financial arrangements in Primary Schools	Medium/ High	30	Planning underway	TBD
Health & Social Care	HSC08/001 - Justice Service	Medium	25	Planning underway	TBD
Infrastructure, Environment & Economy	HIE04/002 - Review of roads maintenance	High	28	Fieldwork in progress	June 2024
Infrastructure, Environment & Economy	HIE18/004 - Community Regeneration Fund	Medium/High	25	To be deleted from plan	n/a
Infrastructure, Environment & Economy	HIE06/002 - In-house bus operation income systems	Medium	25	Substantially complete	June 2024
Performance & Governance	HPG15/001 - Gaelic Language Plan	Medium	15	To be deleted from plan	n/a
Performance & Governance	HPG13/002 - Business Continuity Planning	Medium/High	30	Fieldwork in progress	June 2024
Property & Housing	HPH11/003 - Cessation of utility costs	Medium	20	Fieldwork in progress	June 2024

Service	Audit Subject	Priority	Planned Days	Current Status	Planned Committee Reporting Date
Resources & Finance	HRF12/002 - Review of payroll control environment	High	30	Substantially complete	June 2024
Resources & Finance	HRF30/006 - Workforce planning arrangements	High	30	Fieldwork in progress	June 2024
Resources & Finance	HRF04/001 - Cheque control arrangements	High	20	Substantially complete	June 2024
Resources & Finance	HRF40/005 - Procurement arrangements and governance	High	30	Fieldwork in progress	June 2024
Resources & Finance	HRF33/004 - Review of Health and Safety arrangements	Medium/High	20	Fieldwork in progress	June 2024

Internal Audit Final Report

Education & Learning

ICT Arrangements in Schools

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	4
Minor issues that are not critical but managers should address.	Low	1

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.

1. Introduction

1.1 The objectives of the review were to ensure that:

1. Schools were managing the use of printing to minimise the costs incurred;

2. Processes to manage the distribution of Chromebooks within schools were efficient and effective with robust procedures in place to identify and record reasons for damage to Chromebooks.

1.2 The audit reviewed the use of printing within schools as currently there are significant differences in pro-rata print volumes across schools. The average cost for the period reviewed was 1.5p per page for black & white and 5.5p per page for colour. The total volume over 21/22 & 22/23 was 45.5m pages at a cost of £918,780. As part of the audit a sample of 15 schools were contacted, focussing on the schools with the highest and lowest print volumes. The audit sought to identify what was driving the high use in some schools and ascertain if there was best practice from the low usage schools that could be shared in terms of what they do to minimise printing. Microsoft Teams meetings were held with 11 of these schools.

1.3 The audit also looked at the allocation of Chromebooks within schools and the processes around dealing with damaged devices. Each school gets a centrally provided allocation of Chromebooks based on the school roll, but schools are responsible for managing the allocation of those devices to pupils. The budget report to Highland Council on 02/03/23 has a budget saving of £150K for reduction in Chromebook breakages. It stated that the current annual cost of Chromebook repairs and replacements at that time was c. £600K. Costs for damage have been recharged to Education Service since 01/04/23 as part of this saving. Damaged Chromebooks are reported to ICT Services and they repair/replace them in-house. The audit sought to identify any good practice around the allocation of devices within schools and, if possible, to try to quantify the hidden admin costs in terms of time spent on administering the allocation of devices. The audit also looked to identify the reasons for damage, particularly at schools where there is a high level of damage while identifying any good practice from schools with low damage levels which could be shared. Teams meetings were held with 17 of the 20 schools contacted for this part of the audit.

2. Main Findings

2.1 *Management of Printing*

This objective was substantially achieved. 6 of the 11 schools who responded reported that they received monthly reports on printing. Of the 5 who don't receive these, 1 PPP2 school receives quarterly reports, 1 only gets full costings at year end and the remaining 3 were not aware of any reporting around this area. There were varying levels of scrutiny in those schools that do receive reports – some schools monitored print levels closely, whereas others only looked in detail if usage spiked as it was a relatively small cost for their school (See Action M1).

The main drivers of printing were either related to delivery of the curriculum or to communications with either staff or parents. However, some schools were using other methods as detailed below to reduce their levels of printing (See Action M2):

- Trying to use pupil's work for displays rather than printing.

- Using e-profiles to avoid bulky folders with prints going home or printing school reports etc.

- Most worksheets now on Google classroom.

- Parent announcements and correspondence are done electronically using Google Forms to minimise printing.

Parental consent forms for school trips, confirmation/update of emergency contact details are currently done using printed forms as a signature is required from the parent/guardian. The Council does not currently have a corporate solution for obtaining online signatures or approval (See action L1).

2.2 *Management of Chromebooks*

This objective was substantially achieved. All schools contacted maintained a record of Chromebooks managed by the school, generally in Excel. As a minimum, the record detailed the pupil

name and Asset number. In Primary schools where Chromebooks were not allocated on a 1:1 basis across the school the record detailed the class that those devices were allocated to.

Responsibility for management of Chromebooks sat with varying posts in the schools contacted and at 2 of the Primary Schools had been delegated to the Clerical Assistant (See Action M3).

The main methods used to minimise damage in the schools contacted are detailed below:

- Reminders to pupils to use the protective covers provided with the device.
- Chromebook agreements are used to highlight expectations around care of devices to pupils and parents/guardians. All schools contacted had regular reminders to pupils around need for care in using Chromebooks.
- Loss of chargers was an issue in almost all schools.
- 1 Primary School didn't let any pupils take Chromebooks home, and another only lets P5-P7 take them home 1 weekend per month with all other classes not taking them home. 2 secondary schools have restrictions on taking them home for pupils who have previously damaged devices. A general message reported by school staff was that almost all damage occurs at home (or in transit) rather than at school, although most schools felt this was due to carelessness (damaged in school bag, liquids being spilled on the device etc) rather than malicious damage.

Other initiatives used to try to reduce damage which may be worth sharing across all schools included:

- Logging issues around damage on the school behaviour management processes (demerits etc).
- Digital leaders within the school running assemblies reinforcing the expectations around care for Chromebooks.
- Pupils were advised to keep Chromebooks with them or in lockers.
- Regular checks as part of registration to verify that each pupil has their Chromebook and that it is working properly.

- Asking staff to look out for cracked screens and damaged keyboards.
- Having in person meetings with parents in cases of frequent damage rather than corresponding by letter/e-mail.

It is understood that staff from Education and ICT will be working jointly with secondary schools to develop practices that can minimise the levels of damaged Chromebooks. The initiatives above should be useful in developing good practice across all schools (See Action M4).

3. Conclusion

3.1 The audit involved contact with a number of schools of varying sizes across Primary, Secondary and Joint Campus schools. We found that the ability to access data on print usage varied, as did the level of scrutiny applied where data was available. However, the audit also confirmed that the main driver of print use related to delivery of the curriculum, and that some schools had adopted good practice to utilise electronic alternatives to printing wherever possible.

The audit confirmed that while responsibility for managing the administration of Chromebooks differed between schools, there was an appropriate record of allocation in each school contacted. Again, the audit highlighted areas of good practice developed by schools to try to minimise damage to Chromebooks.

It is important that the good practice highlighted across both elements of this audit are shared and implemented across all schools.

The audit contains 5 recommendations, 4 Medium Priority and 1 Low Priority.

The findings highlighted in this report will also be used to inform the Head Teacher induction programme being carried out with any newly appointed Head Teachers and Acting Head Teachers.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
M1	Medium	Standardised data/reporting was not provided to enable all schools to monitor and control printing volumes and costs on a regular basis.	All schools should be able to access data on printing volumes and costs. Ideally, this would also enable them to monitor against a quota/budget and to compare their volumes/costs to other schools.	Monthly data on printing and copying is available for all managed printers. This should be made available to all schools. To be actioned when all schools are on the new cloud printing solution.	ICT Operations Manager (Service)	31/08/24
		Where schools did have access to print data there were varying levels of scrutiny.	Requirements around monitoring and managing print quotas/budgets should be communicated to Head Teachers to ensure accountability.	A reminder will be sent out to all Head Teachers of their responsibility to monitor and manage printing and copying. This will be followed up with a comparison report on print usage covering a similar time period based on figures provided by ICT Services.	Head of Support Services, Education & Learning/ Head of ICT & Digital Transformation	31/12/24
M2	Medium	While the reasons for printing were either related to delivery of the curriculum or to communications with either staff or parents, some schools had found alternative methods of delivering these electronically.	Where effective electronic alternatives have been identified by schools, these should be shared and implemented across all schools to reduce the need for printing.	A reminder will be sent out that good practice should be identified and shared across ASGs with a view to reducing the amount of printing.	Head of Support Services, Education & Learning	29/02/24
M3	Medium	Responsibility for managing the administration of Chromebooks sat with varying posts in the schools contacted and at 2 of the Primary Schools had been delegated to the Clerical Assistant.	While it may be appropriate for Clerical Assistants to be involved in the administration of Chromebooks, they should not be made solely responsible for this task. Responsibility for the management of Chromebooks in Schools should rest with appropriate senior school staff.	A reminder will be sent out to all Head Teachers of their responsibility for the administration of Chromebooks.	Head of Support Services, Education & Learning	29/02/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
M4	Medium	A number of initiatives were highlighted by the audit where schools had developed methods of reducing damage to Chromebooks. It is understood that staff from Education and ICT will be working jointly with secondary schools to develop practices that can minimise the levels of damaged Chromebooks.	The Service should develop and implement consistent practices that seek to minimise the levels of damage to Chromebooks across all Schools.	Good practice should be shared centrally across all schools. Also, breakage figures for all schools should be shared so that Head Teachers can see how they compare to other schools. Analysis of breakages will inform decisions on models of devices purchased and protective cases, i.e., aiming to get a balance between devices that are more robust and value for money.	Head of Support Services, Education & Learning ICT Operations Manager (Service)	31/01/24 30/06/24
L1	Low	Parental consent forms for school trips, confirmation/ update of emergency contact details etc are currently done using paper copies as a signature is required from the parent/guardian. The Council does not currently have a corporate solution for obtaining online signatures.	The Education & Learning Service should consider whether physical signatures are required from parents/guardians for pupil consent forms, or whether an electronic equivalent could be introduced to reduce the use of printed forms.	A review of consent form process will be carried out by Education and Learning Service to see whether electronic signatures are acceptable as an alternative to physical signatures. ICT Services will investigate the potential for a corporate electronic signature system, recognising that this will need to be reviewed for value for money compared to physical signatures before a final decision is made.	Head of Support Services, Education & Learning Head of ICT & Digital	30/06/24 30/06/24

Internal Audit Final Report

Education & Learning Service

Review of Financial Procedures in Schools

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	7
Minor issues that are not critical but managers should address.	Low	0

Audit Opinion

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

Distribution:
ECO, Education & Learning
Head of Corporate Finance and Commercialism, Resources & Finance
Head of Commercial & Procurement Service
Head of Support Services, Education & Learning, Education & Learning
Service Finance Manager, Resources & Finance
Head Teachers for 4 secondary schools, Education & Learning
Strategic Commercial Manager and Procurement Officer, Commercial & Procurement Service

Report Ref: HEL03/001
Draft Date: 18/01/24
Final Date: 27/02/24

1. Introduction

1.1 Visits were made to 4 secondary schools to assess compliance with financial procedures outlined in the Council's Financial Regulations and Devolved Schools Management (DSM) Manual. Additionally particular attention was given to all sums of cash held in the schools.

1.2 Transactions from 22/23 and 23/24 were examined. The total DSM budget for Highland Council Schools for 23/24 is £167,000,000. In Highland there are 29 secondary, 166 primary and 3 special schools (this excludes closed and mothballed schools).

2. Main Findings

2.1 *Appropriate arrangements for the control and monitoring of the school's budget*

This objective was substantially achieved as there were processes in place to monitor and control budgets and regular contact with the School Financial Support Officers to discuss budgets and any areas of concern.

Schools were permitted to carry forward either a 3% budget deficit or a 5% budget surplus. All of the visited schools had budget surpluses less than 5% in 22/23. Across the estate only 3 schools had a deficit greater than 3%.

The DSM Manual was updated in June 2023 but its staffing calculations do not include Business Support Officers, 2 of the visited schools had these officers performing school administration. The current Manual was not available on the staff intranet or schoolshub SharePoint site (See Action Plan M1).

2.2 *Established procedures complied with for the purchase and payment of goods and services*

This objective was partially achieved. There was adequate segregation of duties at all visited schools and the majority of spending was appropriate with invoices being paid timeously in almost all cases. However, contrary to Financial Regulations, a large number of invoices had been paid which had no supporting official orders i.e. were paid without a purchase order.

3 of the schools used purchase cards. Spending was appropriate and receipts held for expenditure although in 2 cases VAT had not been correctly treated on the financial ledger (so the school had paid the full cost of the purchase rather than the ex-VAT amount) and there were examples found of purchases which should have been made via official purchase orders. (See Action Plan M2).

There were instances of schools not using contract suppliers for items where there was a contract in place.

2.3 *Appropriate controls in place for the use and administration of imprests*

This objective was substantially achieved as the imprest system was overall operating satisfactorily, with receipts held for purchases, appropriate spend and at 3 schools cash was held securely. A few practices contrary to Financial Regulations were identified (see Action Plan M4)

- 2 schools' imprests did not reconcile to their authorised amount, showing slight surpluses. For 1 of these schools' imprest, the claim money was paid into the school fund account, but the imprest was topped up with rounded amounts rather than the exact amount of the claim.
- 1 School frequently made purchases over £25 (primarily because the school office does not have a purchase card)
- There were purchases at 3 schools which should have been made by other means (fuel, staff hospitality, maintenance items)
- 1 school's safe key was not held securely.

1 school had its imprest claims paid into their school fund account. This is permitted by Financial Regulations and reduces the need for the Council to issue cheques which are a comparatively expensive method of payment. There is an opportunity to adopt this practice more widely. (See Action Plan M5).

2.4 *Accurate and complete inventories maintained*

This objective was not achieved as only 1 school had an inventory and this had not been comprehensively updated for several years. Schools continue not to comply with the inventory requirements of Financial Regulations, despite this having been reported in 3 previous audits of school financial procedures, and management agreeing that the appropriate actions would be undertaken.

Without comprehensive asset records it would be difficult to compile an accurate insurance claim in the event of major damage to a school (for example in a fire). Furthermore, without comprehensive asset records it is more difficult to evidence a systematic approach to ensuring that all equipment within schools had been identified and subject to appropriate safety inspection.

1 school is to move into a new building so needs to create a procedure for disposing of items that will not be moved to the new building, with an agreement with Finance on how any money raised from sales of disposed items is to be treated. (See Action Plan M6)

2.5 *Appropriate controls in place for the administration of the School Fund*

This objective was partially achieved. The visited schools were able to account for all income and expenditure which in the majority of cases was appropriate.

However, contrary to Financial Regulations, 106 school funds (45% of the total) had still not submitted their previous year's accounts (covering 2022/23) to Service Finance Team. This should have been done by the end of the October 2023 holidays. From 2021/22, 57 funds had still not been submitted and 14 others still had outstanding queries to be resolved by the Education Service Finance Team. (1 of which was 1 of the visited schools).

Only 64 School Fund Accounts had "The Highland Council" in their bank account name. This has been highlighted in previous audits of school financial procedures.

The following practices, contrary to Financial Regulations and best practice in the associated Instruction note, were identified at visited schools:

1. Paying out expenditure from the income at 2 schools (i.e. not banking intact).
2. Lack of receipts for 3 of 27 sampled purchases at 1 school.
3. 1 school used the fund to pay salary for a temporary member of staff (due to error the deadline for submitting the relevant form to payroll was missed).
4. 2 schools banked income infrequently, leading to excessive amounts of money left on the premises overnight.
5. Categorising large amounts of expenditure as "miscellaneous" at 1 school.
6. 3 schools didn't use the official end of year accounts declarations.
7. Running bank balances were not on 1 school's fund spreadsheet.
8. Insufficient evidence of the Head Teachers reviewing bank statements or reconciliations on a regular basis at 3 schools.
9. The expenditure vouchers did not show authorisation at 2 schools and 1 school did not have actual signatures using "pp" instead. There were examples of other types of authorisation e.g. an email approving payment be made but there was inconsistency in records held.
10. 2 schools had discrepancies between their ledgers and bank statements and the persons auditing the accounts did not identify these.

These findings are of concern (See Action Plan M7). The above practices present the risk of fraud and misappropriation. Adhering to the current controls reduces this risk.

Banking practices are changing. Schools increasingly use online banking for their school funds but some concerns arose from this:

- To administer the account and speak to the bank to resolve problems, school office staff who administer the funds have become cheque signatories which is contrary to Financial Regulations. At 2 of the visited schools these officers can make payments online without anyone else approving the transaction.

- At 1 school, 2 users are needed to make a payment but the Administration and Clerical Assistant used the Head and Depute Head Teachers bank logins in order to do this.

The concern is that there is a lack of proper segregation of duties which increases the risk of fraud, no one individual should be involved in all stages of a transaction. But current guidance on controls does not address changing banking practices.

1 school used a card payment machine provided by a pupil, for ad-hoc donations but there was a risk to personal data if these machines are obtained from informal sources. There was no corporate position on whether such machines can be used by schools. (See Action Plan M7)

£802 was held in 1 school's safe in a number of cash boxes and tins and envelopes, this did not form part of the school fund, and there was inadequate record keeping for it. Cash was found to be held outwith the school office at 2 other schools, at 1 school this should have been deposited at the school office. There is a risk that any money held outwith the school fund and office will not be administered correctly, with an associated lack of accountability for such sums. (See Action plan M7)

3.   Conclusion

3.1   The visited schools had diligent administrative staff who ensured most financial procedures operated as expected. However, the audit identified a number of instances of non-compliance with Financial Regulations. This is a concern because schools should be aware of these. Furthermore **3** previous school audits had reported similar findings with recommendations to address these, so it was evident that the previously agreed management actions had not been fully implemented or resulted in the expected improvement in control and management of risk. Not adhering to existing controls increases the risk of fraud. All schools need to be aware of the findings from this audit and work with the Education & Learning and Finance Services to ensure compliance with controls (See Action Plan H1).

4.   Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
				Implementation		
H1	High	There is a concern that 3 previous audits have reported similar findings with recommendations to address these so it is evident that the previously agreed management actions have not been fully implemented in schools.	The findings of this audit should be shared with all schools. For all the recommendations and areas of concern identified in this audit and previous audits the Finance and Education Services should ensure there is a robust mechanism in place for following up with schools to ensure the required actions are effectively implemented. The Education Service should report to the Education Committee on the findings of their follow up to show whether compliance has improved.	The audit report will be shared at Area Manager Education meetings and circulated to all Secondary Head Teachers and Administrative Assistants. Larger Primary schools will also receive a copy.	Head of Support Services, Education & Learning	30/06/24
				Schools will be sent periodic reminders of the need to comply with Financial Regulations.	Head of Support Services, Education & Learning	30/06/24
				Induction training (for Head Teachers will be reviewed to ensure it covers all aspects of financial administration).	Head of Support Services, Education & Learning	30/06/24
				The school finance support officers will compile a list of checks to be undertaken by schools to ensure they are complying with the provisions of DSM and Financial Regulations; this will be a standing item at meetings held between Finance and individual schools.	Service Finance Manager, Resources & Finance	30/06/24
				At a future Education Committee within a financial and performance paper, an update will be provided on the actions, inducing an indication of the number of schools that have been given advice, guidance and support in terms of the recommendations of this report	Head of Support Services, Education & Learning/Service Finance Manager, Resources & Finance	30/11/24

					Implementation	
					Responsible Officer	**Target Date**
Ref	**Priority**	**Finding**	**Recommendation**	**Management Response**		
				and adhering to the council's financial regulations overall.		
M1	Medium	The DSM Manual was updated in June 2023 but its staffing calculations do not include Business Support Officers, 2 of the visited schools had these officers performing school administration.	The DSM Manual should be updated to show all school office staff posts and entitlements.	There had been requests from two Head Teachers to vary the support staff posts to meet the needs of the school. As part of Head Teacher empowerment and in the spirt of DSM, it was agreed that this could be facilitated if the costs did not exceed their budget entitlement for support staff.	Head of Support Services, Education & Learning	Complete
		An up to date version of the DSM Manual is not available on the staff intranet or schoolshub SharePoint site.	The current version of the DSM Manual should be made available to schools via the intranet and schoolshub SharePoint site.	The current version of the DSM Manual will be uploaded to the intranet and schoolshub SharePoint site.	Head of Support Services, Education & Learning	Complete
M2	Medium	A large number of invoices are paid without official purchase orders contrary to requirements of the Financial Regulations.	Schools should be instructed to comply with Section 22 Financial Regulations and the associated instruction notes covering receipt of goods and payment of creditor invoices.	Instructions will be issued to schools. The service has worked closely with Learning and Development to ensure that there is bespoke training for Head Teachers and support staff as part of the rollout of the new financial system. This will be delivered before the implementation of the new financial system on 1 April. On-going training will be available for new staff as they are recruited.	As above H1 Head of Support Services, Education & Learning	 31/03/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
		VAT was not treated correctly on 2 purchase card transactions. Purchases were made via purchase card instead of using official purchase orders and contract suppliers.	Schools should be instructed on correctly treating VAT as outlined in Section 9 of the purchase card manual and that cards should be used when it is not possible to order via the official ordering system using contract suppliers.	The Finance Service have reviewed purchase card administration and will be carrying out random audits of card spend to see that cards are being used correctly as per the purchase card manual.	Service Finance Manager, Resources & Finance	31/03/24 and ongoing
M3	Medium	Schools do not always use approved suppliers who have been procured under framework agreements or are on the contracts register.	Schools should comply with Financial Regulations and Contract Standing Orders using contract suppliers where applicable.	As for H1 schools will be reminded of responsibilities. Schools should be using approved suppliers but need to balance this against delivering best value especially when schools have limited resources.	Service Finance Manager, Resources & Finance	30/06/24
			Procurement should liaise with the Schoolshub Education Team to promote contracts schools should be using.	C&PSS will arrange to have a link to Procurement Intranet Page on the Education Hub (School Office Resource Page) to improve visibility/access to information on contracts and suppliers.	Strategic Commercial Manager, Commercial & Procurement Service	31/03/24
				A communication will be issued to all Head Teachers and School Office Staff, a bulletin will be posted on the Highland Headlines Newsfeed to highlight this change.	Strategic Commercial Manager, Commercial & Procurement Service	31/03/24
M4	Medium	The audit identified some practices with imprests that were contrary to Financial Regulations where schools were not:	The visited schools should ensure compliance with Financial Regulations.	In accordance with the actions set out in H1 schools will be sent periodic reminders of the need to comply with Financial Regulations, the report will be shared as set out, training to be	Head of Support Services, Education & Learning	30/06/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
		1. Performing regular reconciliations and promptly resolving discrepancies 2. Replenishing imprests by the full amount of the claim 3. Limiting purchases to items less than £25 4. Only using when other methods of purchase were not possible 5. Ensuring all keys were held securely with appropriate access restrictions	All schools should be instructed on their responsibility to adhere to sections 15.2 and 25 of Financial Regulations and associated Instruction notes.	provided and compliance checks to be undertaken.		
M5	Medium	1 school had imprest claims paid into their school fund reducing the need for the Council to issue cheques.	All schools should be informed of this process to reduce the number of Council imprest cheques issued. If schools do move to this process they need to ensure they operate the imprest in accordance with Financial Regulations in particular ensuring that imprests are replenished in full each time a claim is made.	This would be considered on an exception basis.	Service Finance Manager, Resources & Finance	Completed
M6	Medium	3 of the 4 visited schools do not have an inventory and the other school had not updated its inventory recently.	Schools should be instructed to comply with Section 19 of Financial Regulations and the associated Instruction notes.	An instruction on this would not be effective. A corporate approach is needed. All schools (including PPP contract schools) need to use consistent systems to record items. Education will speak to the Property and Housing Service to see what systems are used across the Council estate to record assets and a decision will be made on	Head of Support Services, Education & Learning	30/06/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
				what systems and processes will be used for schools to create and maintain inventories.		
		1 school is to move into a new building but does not have an inventory.	This school needs to compile an inventory (as per recommendation above covering all schools) but also create a procedure for disposing of items that will not be moved to the new building, creating a written agreement with the Service Finance Team on how any money raised from sales of disposed items is to be treated. Such a procedure and agreement should be in place for any school moving to new buildings.	Finance will work with the school to implement the recommendation in line with Financial Regulations.	Service Finance Manager, Resources & Finance	30/06/24
M7	Medium	A number of concerns relating to school funds were identified:				
		106 school funds have not submitted the previous year's accounts and from the year before 57 were still to be submitted and 11 had unresolved queries.	School fund accounts should be submitted for review and any queries resolved. In future the Corporate Audit Manager should be informed of any irregularities/concerns or non-submissions of school fund accounts.	Instructions will be issued to schools as outlined in H1, school fund compliance checks will be part of standing item referred to H1.	Head of Support Services, Education & Learning with support from Service Finance Manager, Resources & Finance	31/12/24
		There were instances in the visited schools of Financial Regulations not being followed for school fund administration.	The visited schools should address any areas of non compliance with the Financial Regulations. All schools should comply with their responsibilities under Section 33 of Financial Regulations and the associated Instruction note on school funds.	School finance support to undertake a review of who has and hasn't complied with Section 33 of Financial Regulations and the associated Instruction note on school funds.	Service Finance Manager, Resources & Finance	31/12/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
		Changing banking practices particularly increased use of online banking had resulted in some practices contrary to Financial Regulations. The Instruction Note on School Funds had some out of date job titles, key controls were not written as essential and do not link to other areas of Financial Regulations.	The Service Finance Team should review the Instruction Note on school funds to: • Decide if the stipulations on who can be a cheque signatory should be amended to take into account changing bank practices. If an amendment is made there need to satisfactory controls covering segregation of duties as required by Financial Regulations. • Make it clearer what the expected controls are for use of online banking • Update job titles • Strengthen key controls using "must" rather than "should" • Link to other relevant section of Financial Regulations to assist schools.	Finance will review current practice and ensure instruction note is updated and reissued to schools.	Service Finance Manager, Resources & Finance	31/12/24
		1 school used a card reader that had been obtained informally there were concerns about data privacy and security and there was not a corporate position on whether these devices could be used.	The opportunities, benefits and risks surrounding the introduction of card readers should be assessed and reviewed, if applicable moving to a single corporately agreed solution. A corporate decision should be made on whether schools can purchase and use card readers for people making payments into school funds. If such machines are permitted guidance will need to be developed with the support of	Head of Support Services, Education & Learning to discuss and agree with ECO for Education & Learning and Head of Corporate Finance and Commercialism if this should be available to all, if not the current card reader should be removed.	Head of Support Services, Education & Learning	30/06/24

Ref	Priority	Finding	Recommendation	Management Response	Implementation Responsible Officer	Target Date
			ICT Services to ensure secure use.			
		Cash was being held outwith the school fund and in some cases outwith the school office without the office staff knowledge.	Any cash held outwith school funds and the imprest needs to be brought to the attention of the school office. No money should be held outwith the school office and safe. Any exceptions need to be brought to the attention of the school office. This should be reflected in formal procedures and instructions.	Agreed-schools to be instructed as part of the actions set out in H1 (i.e. schools will be sent periodic reminders of the need to comply with Financial Regulations, the report will be shared as set out, training to be provided and compliance checks to be undertaken)	Head of Support Services, Education & Learning	30/06/24
			An exercise should be conducted in all schools to identify any cash held outwith the school office and safe, document this and bank or move the money into the office. Measures should be taken to ensure that there are no future occurrences of what has been identified in this audit concerning sums of cash held improperly.	Agreed – schools should undertake this exercise and will be instructed to do in conjunction with the communique issued as per H1. To be included in the list of checks referred to at H1.	Head of Support Services, Education & Learning with assistance from Service Finance Manager, Resource & Finance	30/06/24

The Highland Council
Comhairle na Gàidhealtachd

Internal Audit Final Report

Communities & Place

Waste Management Income Systems

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	2

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.

Distribution:
Executive Chief Officer for Communities & Place
Strategic Lead (Waste Management), Communities & Place
Principal Waste Management Officer, Communities & Place

Report Ref: HCP05/002
Draft Date: 14/12/2023
Final Date: 19/01/2024

1. Introduction

1.1 This audit covered the arrangements for the collection of income for Council waste management services in 2022/23.

1.2 The scope of the review extended to chargeable waste management services including commercial waste collections, garden waste permits, bulky waste and new bin purchases.

1.3 A sample of transactions were tested to ensure that both domestic and commercial customers have been correctly charged and have promptly paid for waste management services with income being effectively monitored (including debt recovery and service suspension, where necessary). Income received for waste management services in 2022/23 is set out in the table below:

Income Category	£000s
Commercial Waste	4,013
Garden Waste	1,284
Bulky/Special Uplifts	164
Bin Purchases	157
Total	**5,618**

2. Main Findings

2.1 *Customers were correctly charged and paid for domestic waste management services.*

This audit objective was substantially achieved. A sample of 30 transactions, covering garden waste permits, bulky waste collections and new bin orders, were tested to ensure the customer was charged the correct published fee and that service was not provided until payment had been received. Of the transactions sampled, no issues or discrepancies were identified. It was identified that when a customer signs up to receive garden waste collections, they are not offered the opportunity to sign a Direct Debit mandate or a continuous payment authority for their garden waste permit which means additional resources are required to process annual payments. The Waste Management Team has, as reported to the Communities and Place Committee, sought to digitalise the waste permit application process but this will not be completed until 2024/25 "due to other greater Council-wide ICT/digital transformation priorities".

Procedure documentation for the verification of genuine garden waste permit holders was reviewed and found to be satisfactory. The Waste Management Team carry out ride-along spot checks where they will, dependent on workload, accompany the waste operatives to monitor the refuse collections and identify any issues on their routes. However, there is no record kept of the spot-checks carried out or of any issues that were identified. (See action plan reference: L1)

2.2 *Customers were correctly charged and paid for commercial waste management services.*

This audit objective was substantially achieved. A sample of 42 commercial waste collections were tested to ensure that there was a waste collection contract in place and that payment for each was up to date. Checks were also carried out to ensure that where payment had not been received, waste collection services had been halted. Of the 42 collections tested, all had collection contracts in place and payments were up to date.

The Council's Commercial Collection and Recycling Policy (section 10) states that: "… 'household waste' for which a charge for collection *may* be made, is defined as including waste from: (i) Residential Hostels and Homes; (ii) Waste from self-catering holiday businesses; and (iii) Waste from Charity-occupied premises wholly or mainly used for charitable purposes". However, the Council does levy a charge for all waste collections from these premises. (See action plan reference: L2)

The Waste Management Team carry out spot-checks of commercial waste collections to ensure operatives are only collecting from valid refuse containers that have a commercial waste permit attached. These spot-checks are not documented. (See action plan reference: L1)

3. Conclusion

3.1 The Council has effective measures in place for the collection of income from waste management services. Their effectiveness could be further improved through the implementation of the audit recommendations in section 4.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
L1	Low	The Waste Management Team carry out ride-along spot checks where they will accompany the waste operatives on their routes to monitor all types of refuse collections and identify any issues that may be present.	Management should keep a record of when spot checks are carried out and by whom. A record should also be kept of any issues identified during the spot checks and what corrective action was taken. This could also identify if there are any recurring issues with individual customers.	Record keeping will be introduced as part of routine monitoring after the new service has been introduced	Principal Waste Management Officer, Communities & Place	31/12/2024
L2	Low	The Council's Commercial Collection and Recycling Policy (2020/21 Version) states that: "Under the Environmental Protection Act 1990 and the Controlled Waste Regulations 1992, 'household waste' for which a charge for collection may be made, is defined as including waste from: (i) Residential Hostels and Homes; (ii) Waste from self-catering holiday businesses; and (iii) Waste from Charity-occupied premises wholly or mainly used for charitable purposes". It was identified that the Council does levy a waste collection charge from these premises with the only exceptions being from "places of worship and community halls" (in accordance with the legislation).	Management should revise the Council's Commercial Collection and Recycling Policy to clearly state its approach to waste collection charging.	The Policy will be revised as recommended	Strategic Lead (Waste Management), Communities & Place	31/10/2024

Internal Audit Final Report

Performance and Governance

Verification of Statutory Performance Indicators (SPIs)

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	4
Minor issues that are not critical but managers should address.	Low	0

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.

1. Introduction

1.1 The Council's SPIs are locally determined and are drawn from local performance indicators (LPI) and the Local Government Benchmarking Framework (LGBF) indicators used in the Council's Corporate Plan. The Council's Annual Report 2021/22- Statutory Performance Indicators, Benchmarking and Best Value (the Annual Report) was published in March 2023 and included performance data for 92 SPIs and 28 KPIs.

1.2 The objectives of the review were to ensure that:
- the collection, recording and review of SPIs was in accordance with the Council's Internal Guide to Statutory Performance Indicators (the Internal Guide) and the Audit Scotland SPI Directions; and
- the Council's SPIs were completely and accurately published within the statutory deadline.

1.3 The audit examined a sample of SPIs from the Annual Report to ensure that these were prepared in accordance with the requirements of the Internal Guide/SPI Directions and agreed to source data/systems.

2. Main Findings

2.1 *Collection, recording and review of SPIs.*

The Internal Guide (dated August 2022) was revised for the production of the 2021/22 SPIs but has not been updated for the 2022/23 nor the 2023/24 SPIs. Additionally, there is no specific SPI training available on the corporate learning platform – Traineasy. Testing identified that 6 (60%) SPI Lead Officers had received appropriate SPI training and 4 (40%) SPI Lead Officers had access to the Internal Guide. (See Action Plan Reference: M1)

The Internal Guide states that each SPI Lead Officer must draw up individual SPI procedures. Testing identified that 8 (80%) SPI Lead Officers had procedures, which detailed how their SPI was calculated. (See Action Plan Reference: M2)

In order to maintain the completeness and accuracy of SPI data, SPI Lead Officers should provide an explanation on a variance form when the current SPI figure varies by (+/- 10%) from the previous year. 15 (100%) variances tested were supported by a completed form containing an appropriate explanation.

The Internal Guide states that the SPI Lead Officer and Calculating Officer must be different individuals. PRMS (Performance and Risk Management System) is the preferred method for submitting SPIs, however, there was no evidence within PRMS to confirm that each SPI entered by the SPI Calculating Officer was checked by the SPI Lead Officer. Testing identified 2 (20%) SPIs where the SPI Lead Officer and Calculating Officer was the same individual. (See Action Plan Reference: M3)

2.2 *Publication of SPIs.*

The Corporate Performance Team (the Team) will validate SPIs through comparison with data held by the Improvement Service, Scottish Government and within other national reports. The Team will also undertake annual spot checks to confirm that SPIs have been calculated in accordance with the Internal Guide/SPI Direction. Testing identified that robust spot checks had been undertaken in the previous 5 years.

The Internal Guide broadly outlines the duties of the Team. However, there was no written procedural documentation to demonstrate how the Team carried out these duties to ensure that the Council's SPIs are complete, accurate and published within the statutory deadlines. (See Action Plan Reference: M4)

Testing demonstrated that 15 (100%) SPIs published in the Annual Report fully agreed to PRMS with 5 (33%) being entered by the SPI Lead Officer or SPI Calculating Officer. Of the 10 (67%) not fully recorded by the SPI Lead/Calculating Officer:
- 5 (33%) agreed to emailed SPI Lead/Calculating Officer returns but were recorded by the Team due to reasons of expediency, access rights or understanding of PRMS; and
- 5 (33%) were recorded by the Team because SPI elements (numerator/denominator) had to be taken from statistics/returns used across a number of SPIs or from financial information that is provided to the Team.

3. Conclusion

3.1 The Council had broadly effective systems and procedures for the collection, recording, review and publication of its SPIs. These arrangements could be improved through the implementation of the audit recommendations in section 4.

4. Action Plan

					Implementation	
Ref	**Priority**	**Finding**	**Recommendation**	**Management Response**	**Responsible Officer**	**Target Date**
M1	Medium	6 (60%) SPI Lead Officers considered that they had received appropriate SPI training and 4 (40%) SPI Lead Officers had the latest version of the Internal Guide.	Management should ensure that all SPI Lead Officers and SPI Calculating Officers receive appropriate training and have access to the latest copy of the Internal Guide.	The internal SPI guidance will be updated to reflect current staff structures, roles and responsibilities. The new guidance will be circulated to SPI Lead Officers and Calculating Officers with the opportunity for face-to-face training.	Performance and Information Governance Manager	31/08/2024
				An online training module will be developed	Performance and Information Governance Manager	31/12/2024
M2	Medium	8 (80%) SPI Lead Officers had appropriate policies and procedures to detail how their SPIs were calculated.	Management should ensure that all Services maintain procedures which outline how their SPIs are calculated and what systems/reports are used.	This requirement will be highlighted in the new guidance and training. SPI Lead Officers will be asked to confirm that procedures are in place when submitting data to PRMS	Performance and Information Governance Manager	31/08/2024
M3	Medium	The Corporate Performance Team did not receive confirmation from both the SPI Calculating Officer and SPI Lead Officer to demonstrate that each SPI has been prepared in accordance with the Internal Guide/SPI Direction.	Management should ensure that there are effective mechanisms to demonstrate that all SPIs meet the required data quality standards.	This requirement will be highlighted in the new guidance and training. SPI Lead Officers will be asked to confirm that procedures are in place when submitting data to PRMS	Performance and Information Governance Manager	31/08/2024
M4	Medium	The Corporate Performance Team did not have written procedures to fully document how they fulfil their duties in relation to the review, collation and publication of SPIs.	Management should prepare appropriate procedures to record how the Corporate Performance Team fulfils its SPI duties.	The Corporate Performance Team will document its procedures and publish these on the intranet.	Performance and Information Governance Manager	31/12/2024

Internal Audit Final Report

Property and Housing

Corporate Landlord Model

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	3
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	6
Minor issues that are not critical, but managers should address.	Low	4

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 **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

1. Introduction

1.1 In August 2020, the Housing & Property Committee agreed that the operational management, maintenance of, and investment in the Council's non-HRA properties should move from being the responsibility of individual Services to a new corporate landlord model led by the Property & Housing Service (PH Services).

1.2 The objective of the review was to assess progress on the implementation of the corporate landlord model in terms of: -

- Property asset information;
- Transfer of property, budgets and staff; and
- Realisation of benefits.

1.3 The audit involved the assessment of the controls and the testing of information primarily held on Concerto – the Council's corporate asset management system. The audit did not consider the management, maintenance, and investment in HRA properties.

2. Main Findings

2.1 *Property Asset Information*

This audit objective was partially achieved. Key information (including property age, some repairs expenditure and limited backlog maintenance costs) was recorded on Concerto. To completely fulfil the corporate landlord function additional information (including all backlog maintenance based on condition surveys, inspection/testing data, all historic repairs expenditure and energy consumption/running costs) needs to be included to ensure that property decision making is better informed, more accurate and reliable. (See Action Plan Reference: H1)

Initially the condition survey programme was risk-based with depots and workshops identified as requiring urgent action. Further phases are now area-based this approach was reasonable given the logistics of travelling across the Highlands.

Since the more comprehensive condition survey programme (based on the Scottish Government's (SG)Core-Facts) was started in April 2022 only phases 1, 2a, 2b and 2c (95 properties) have been completed, reported, and uploaded to Concerto. This represents only 13% of the Council property assets (738) and at this rate it may take 8 years for all assets to be fully surveyed. (See Action Plan Reference: M1)

Most property decision making was being focussed on those properties that were vacant. Properties identified as vacant were recorded as unallocated on Concerto. Whilst service users and/or maintenance officers may report those buildings that are vacant or about to become vacant PH Services were not routinely informed and did not check occupancy. For a sample of 10 properties being marketed for sale/letting:

- 1 (10%) was correctly categorised as Non-Operational - Vacant Property – Unoccupied on the Concerto system: and
- 9 (90%) were not correctly categorised as they were still recorded as being in use – this included 3 properties, which were being marketed for sale. (See Action Plan Reference: M2)

The Service and sub-occupant was recorded on Concerto for each property, which shows that they were allocated to a Council service. Use/utilisation surveys were not routinely undertaken to confirm that properties were being fully utilised and whether there was the potential to maximise the use of fewer properties within the Council's estate. (See Action Plan Reference: M3)

No KPIs were being used to identify the costs/use of properties, to facilitate comparisons and to make future decision on their continued operation. The classification of properties following condition surveys currently forms the basis for property decision making. (See Action Plan Reference: H1)

2.2 *Transfer of Property, Budgets and Staff*

This audit objective was partially achieved. Included within the Council's non-HRA repairs and maintenance expenditure of £10,895k (2022/23) is £322k for devolved school management (DSM) repairs and maintenance. With these DSM budgets "the school is responsible for day-to-day repairs to the property which must have first call on this allocation but where resources permit, schools may allocate monies to small scale internal improvements, including internal decoration, curtains and floor coverings." Examples of repairs demonstrated that schools were not prioritising their DSM budget spend on day-to-day repairs (which could result in future more expensive maintenance costs

arising) in favour of other internal decoration expenditure. (See Action Plan Reference: M4)

An Integra analysis identified 246 cost centres (including DSM Schools) with property repairs and maintenance expenditure where PH Services were not the budget holder. Of the 19 cost centres with > £10k of expenditure:

- 7 (£120k) for DSM Schools where orders were raised by PHS.
- 5 (£190k) where orders raised by PHS.
- 4 (£94k) were not property-related – Miscoding.
- 2 (£50k) where orders were not raised by PHS; and
- 1 (£70k) were property-related - TEC time for inspections, testing and alarm calls. (See Action Plan Reference: L1)

The Estates Team, currently within the Infrastructure Environment & Economy Service manages the industrial units and markets the rent/sale of Council property. The Estates Team continues to report to the Head of Development & Regeneration and not PH Services, which as identified by the finding at M2, above means that timely information is not received on the status of corporate properties. (See Action Plan Reference: M5)

After initial reporting to the Housing & Property Committee (August 2020, December 2020, and March 2021) there had been no further reports on the status of the corporate landlord function. (See Action Plan Reference: L2)

2.3 *Realisation of Benefits*

This audit objective was partially achieved. The Terms of Reference for the Housing & Property Committee requires it "to manage and maintain property that other Committees no longer require and only after the request of that other Committee." Additionally, both the Economy & Infrastructure Terms of Reference and Scheme of Delegation confers powers on its officers to manage Council property. (See Action Plan Reference: L3)

No information was provided on non-HRA property decisions (disposals or purchases) to confirm that they were being led by PH Services. (See Action Plan Reference: L4)

For 7 properties (excluding depots) subject to a recent condition survey the priority 1 (urgent/immediate) repair works amounted to £130k. Although based on a very limited sample and whilst acknowledging that a more accurate calculation will be possible when more condition surveys are completed, if extrapolated over the whole existing portfolio (738 properties) the Council would require a maintenance budget per annum of £13.7m. The Council has a budget of £6m (2023/24) for maintaining its 738 properties, which may not be sufficient to provide a "statutory compliance and emergency repair" service. (See Action Plan Reference: H2)

PH Services manage inspection and testing contracts to ensure that each Council building complies with the appropriate statutory, regulatory, and corporate health and safety standards. PH Services provided limited evidence to demonstrate that a systematic approach was in place to confirm that all the required inspections had been identified, planned, and promptly carried out for each property. The Executive Chief Officer for Property & Housing had acknowledged concerns about the timely identification of all Council properties (e.g. depots and workshops) and the need to determine and resource property inspections. (See Action Plan Reference: H3)

An internal audit report (HDA16/003 Procurement: Off contract spend) recommended a new framework and tender arrangements for Building Repair and Small Works (Trades Services). Following the meeting of the Redesign Board on 5 December 2023 this recommendation is now being taken forward.

The Strategic Property Board (SPB) last met on 1 March 2023. It was originally anticipated that the SPB would meet fortnightly. (See Action Plan Reference: M6)

3.   Conclusion

3.1   The audit has identified that the corporate landlord model has not been fully implemented. The corporate landlord is recognised as key to the provision of "Safe and Effective Property" for the staff that provide and the local community that use Council services (Corporate Risk CR9).The Council should determine whether the corporate landlord concept is still fit for purpose, and if so, should it be implemented using the current model or if a change in approach is needed. Improving the transparency, availability and oversight of property management information could further enhance property decision making, ensuring it is aligned with strategic priorities, better informed, more timely, accurate and aids best use of Council property assets and resources.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
H1	High	Key information (including property age, some repairs expenditure and limited backlog maintenance costs) was recorded on the Concerto system. To completely fulfil the corporate landlord function additional information (including updated backlog maintenance based on condition surveys, inspection/testing data, all historic repairs expenditure and energy consumption/running costs) needs to be included to ensure that property decision making is better informed, more accurate and reliable. Additionally, there were other modules within Concerto (including asset utilisation, property performance and estate management) that should be used to manage the Council's properties.	A project plan and timetable should be devised and appropriately resourced to ensure that all necessary property asset information to fulfil the corporate landlord data function is collected, recorded, and maintained on the Concerto system.	An appropriate project plan, in conjunction with other Council Services, to develop the additional property asset information-modules within the Corporate Property Database (Concerto), will be prepared, appropriately resourced, and actioned to capture and maintain key information to fulfil the corporate landlord function/Single Property Service.	Head of Property & FM	30/09/2024
H2	High	For 7 properties (excluding depots) subject to a recent condition survey the priority 1 (urgent/immediate) repair works amounted to £130k. Although based on a very limited sample and whilst acknowledging that a more accurate calculation will be possible when more condition surveys are completed, if extrapolated over the whole portfolio (738 properties) the Council would require a maintenance budget per annum of £13.7m. The Council has a budget of £6m (2023/24) for	Management should continue to highlight the risks associated with the Council being unable to provide safe and effective property and determine contingency plans for critical property that is unsafe or unable to be used.	The Property Management Team will continue to report and highlight the risks in relation to the condition of various properties across the Councils General Fund Estate. The most recent report on Property Assets to the Highland Council on 14th December - sections 4.7 and 4.8 brought these issues to the attention of the Committee. Contingency Plans will be developed for properties that in the future are designated as	ECO Housing & Property	Each H&P Committee Cycle

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
		maintaining its 738 properties, which may not be sufficient to provide a "statutory compliance and emergency repair" service.		being unsafe and these will be monitored via the Monthly Property Compliance Board. Budget Pressure bids have also been submitted to secure additional funding to enable statutory compliance checks to be completed. The Corporate Risk Register will also be kept up to date with the level of Property Risk.		
H3	High	PH Services manage inspection and testing contracts to ensure that each Council building complies with the appropriate statutory, regulatory, and corporate health and safety standards. There was a lack of evidence via the Corporate Landlord Model that demonstrated a systematic approach being in place to confirm that all the required inspections had been identified, planned, and promptly carried out for each property. The Executive Chief Officer Housing and Property had acknowledged concerns about the timely identification of all council properties (e.g., depots and workshops) and the need to determine and resource property inspections.	Management must prepare a programme to demonstrate that the Council's assets will be properly maintained consistently in compliance with corporate standards and with health and safety requirements. Additionally, records should be maintained to confirm that properties are being inspected in accordance with the programme/ standards.	The ongoing survey programme of the Councils General Fund Property estate will identify any council owned properties that are not currently included in the Councils Property database. These properties will be added onto the Councils service contract lists to ensure that they are maintained to industry standards within available, approved budgets. Records on works carried out will also be maintained within the Corporate Property Database.	ECO Housing & Property	31/05/2024
M1	Medium	Since the more comprehensive condition survey programme (based on the SG's Core-Facts) was started in April 2022 only phases 1, 2a, 2b and 2c (95 properties) have been completed, reported, and uploaded to Concerto. This represents only 13% of Council assets (738) and at	Management should (from a value for money and operational effectiveness perspective) identify additional surveying resources to establish the future costs and investment returns available from its corporate property assets.	A Business Case for the creation of an inhouse Building and Engineering Condition Survey Team is currently being prepared for consideration by the Corporate Management Team. If approved then an inhouse	ECO Housing & Property	30/09/2024

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
		this rate it may take 8 years for all assets to be fully surveyed.		surveying team will be developed and deployed accordingly.		
M2	Medium	Most property decision making was being focussed on those properties that were vacant. Properties identified as vacant were recorded as unallocated on Concerto. Whilst service users and/or maintenance officers may report those buildings that are vacant or about to become vacant PH Services were not routinely informed and did not check occupancy. (A procedure "Instruction Note – Vacant Properties – was appended to Financial Regulations") For a sample of 10 properties being marketed for sale/letting: • 1 (10%) was correctly categorised as Non-Operational - Vacant Property – Unoccupied on the Concerto system (item 7); and • 9 (90%) were not correctly categorised as they were still recorded as being in use – this included 3 properties, which were being marketed for sale.	Management should review, revise and re-issue the procedure for the identification, reporting and recording of unallocated, unused, or vacant properties.	The Void Property Management procedure is currently being reviewed and once complete will be adopted by Council Staff involved in the management of Void General Fund properties.	Head of Property & FM	30/09/2024
M3	Medium	The Service and sub-occupant is recorded on Concerto for each property, which shows that they are allocated to Services. Use/utilisation surveys are not routinely undertaken to confirm that properties are being fully utilised by Services and whether there is the potential to maximise the use of fewer properties within the Council's estate.	Management should promptly implement a programme of utilisation surveys to ensure that its assets are being used to their full potential and underutilised assets are re-purposed.	As part of the Redesign of our Assets project space utilization surveys will be carried out to determine the availability of underused space in our properties. These surveys and analysis will support the local co-location of Council Teams and other public/private sector organisations.	ECO Housing & Property	30/03/2025

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
M4	Medium	Included within the Councils non-HRA repairs and maintenance expenditure of £10,895k (2022/23) is £322k for devolved school management (DSM) repairs and maintenance. With these DSM budgets "the school is responsible for day-to-day repairs to the property which must have first call on this allocation but where resources permit, schools may allocate monies to small scale internal improvements, including internal decoration, curtains and floor coverings." There is a concern amongst corporate property staff that schools are not properly spending their DSM budget on day-to-day repairs (which could result in future more expensive maintenance costs arising) and prefer to spend money on internal decoration etc because they are not property experts.	Management should consider whether the existence of devolved repairs and maintenance budgets is consistent with the underlying principle of the Corporate Landlord models where there is an expectation that all budgets and maintenance of all council owned and occupied buildings are centrally co-ordinated.	Discussions around the future of Devolved School Management (DSM) Repair Budgets is currently underway with a view to transferring all property related repairs budgets to the new Single Property Service. This revised process would also provide a saving in that internal recharging of DSM repairs to schools would cease as Property Services would become the budget holder.	ECO Housing & Property	30/09/2024
M5	Medium	The Estates Team manages the industrial units and markets the rent/sale of Council property. The Estates Team continues to report to the Head of Development & Regeneration and not PH Services, which may mean that the Corporate Landlord does not receive timely information on the status of corporate properties. • 20 (100%) had an allocated maintenance officer or an allocated (cover) maintenance officer recorded on Concerto that	Management should ensure that the Corporate Landlord receives accurate and timely information on corporate property so that fully effective property management decisions can be made.	Once the review of the Council's Management Structure is concluded the ECO appointed to manage Property Assets will ensure that the information relative to the Commercial Investment Estate is included and managed from within the Property Concerto database.	ECO Housing & Property	30/03/2025

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
		was employed by the Property & Facilities Management Service; and • 6 (30%) had an allocated management officer (Premises Officer/FM Team Leader/Other) recorded on Concerto that was employed by the Property & Facilities Management Service.				
M6	Medium	The Strategic Property Board last met on the 8.2.23 and 1.3.23. Minutes of 8.2.23 were available. The minutes of the 1.3.23 SPB will be approved when it next meets in September. It was anticipated that the SPB would meet fortnightly.	Management should prepare and communicate a term of reference for the Strategic Property Board, which defines its role, membership, and reporting arrangements to ensure that it supports the delivery of the corporate landlord function.	The preparation of an updated Terms of Reference for the Strategic Property Board is currently underway and will be circulated to Board Members for comment and approval by the end of March 2024.	Head of Property & FM	30/03/2024
L1	Low	An Integra analysis identified 246 cost centres (including DSM Schools) with expenditure recorded against the BA prefix (Description: Repairs, Alterations & Maintenance of Buildings) where Property Service were not the budget holder of the 19 cost centres with > £10k of expenditure: • 7 cost centres/expense heads (£120k) were DSM repairs and maintenance budget allocation where most/all works orders raised by Property Services; • 5 cost centres/expense heads (£190k) Property Services not budget holder but most/all works orders raised by Property Services.	Financial Management review cost centres to identify if services have been properly coding expenditure to the repairs and maintenance expense head and if there is potential to transfer budget to the corporate landlord.	It is essential that separate budgets held by other Council Services for property repairs and maintenance are reviewed and transferred over to Property Service as soon as possible. The introduction of the new Council wide Corporate Financial software in Q1 24/25 (CiA Financials Project), will assist Services in identifying any miscellaneous property codes as well as providing support to transfer such budgets over to the Property & FM Service.	ECO Housing & Property	30/09/2024

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
		• 4 cost centres/expense heads (£94k) were Not Property Related – Miscoding; • 2 cost centres/expense heads (£50k) Property Services not budget holder and works orders NOT raised by Property Services; and • 1 cost centres/expense heads (£70k) Property Services not budget holder but appears to relate to TEC time in relation to inspections, testing and alarm call outs.				
L2	Low	After reporting on the introduction of the corporate landlord function to the Housing & Property Committee in August 2020, December 2020, and March 2021 there has been no further reporting on its implementation.	Management should submit more regular reports to Housing & Property Committee so that members have full oversight, is assured that corporate assets are being properly managed, and the benefits of the corporate landlord model are being delivered.	Reports on the performance of the new Single Property Service in particular how property assets are being managed will be reported to all future Housing & Property Committees.	ECO Housing & Property	30/08/2024
L3	Low	The Terms of Reference for the Housing & Property Committee only require it to: "manage and maintain property that other Committees no longer require and only after the request of that other Committee." Additionally, both the Economy & Infrastructure Terms of Reference and the Scheme of Delegation to Officers continue to confer powers and duties on them to manage Council property.	Management should revise for Council decision the scheme of delegation to fully reflect the role of the Housing & Property Committee as corporate landlord in the management of the Council's property. Additionally, the scheme of delegation should be revised to clarify the role of other Committee and Officers in the management of property.	The Management structure of the Highland Council is currently under review and once concluded the Scheme of Delegation will also be reviewed and updated, as necessary. The ECO responsible for Property will be delegated to manage Council Property Assets.	ECO Housing & Property	30/09/2024

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
L4	Low	No information was provided by Legal Service to identify if non-HRA property decisions (disposals or purchases) were led or involved PH Services (as the Corporate Landlord), which may mean that the property portfolio may not be best meeting the Council's needs.	Management should define the role and responsibilities of the Corporate Landlord in the purchase, transfer, and disposal of property. The requirement to involve the Corporate Landlord in all property decision making should be communicated to all involved parties.	The re-engagement of Council Service reps attending the Strategic Property Board will ensure that all properties being considered for sale or disposal will be fully discussed by the Strategic Property Board prior to any recommendations for sale or disposal being made.	ECO Housing & Property	30/09/2024