THE HIGHLAND COUNCIL

Committee: Audit & Scrutiny Committee

Date: 18th June 2020

Report Title: **Internal Audit Reviews and Progress Report – 16/11/19 – 11/09/20**

Report By: Corporate Audit Manager

1.   Purpose/Executive Summary

1.1   This report provides details of the final reports issued since the last meeting of this Committee in November 2019. This includes details of the work in progress and other information relevant to the operation of the Internal Audit section.

2.   Recommendations

2.1   Members are asked to:

    i.   consider the Final Reports referred to in Section 4.1 of the report, and
    ii.   note the current work of the Internal Audit Section outlined at section 5 of the report and final details of progress against the 2019/20 audit plan at **Appendix 1**

3.   Implications

3.1   Risk – the risks and any associated system or control weaknesses identified as a result of any corporate fraud investigations will be reviewed and recommendations made for improvement. This agenda item contains one such report for consideration by Members.

3.2   There are no Resource, Legal, Community (Equality, Poverty, Rural and Island), Climate Change / Carbon Clever or Gaelic implications

4. Audit Reports

4.1 There have been **7** final reports issued in this period as referred to in the tables below:

Service	Subject	Opinion
Resources & Finance	Income Systems	Substantial Assurance
Infrastructure & Environment	Local Full Fibre Networks Project	Reasonable Assurance
Infrastructure & Environment	Compliance with the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme 2018/19	Reasonable Assurance
Infrastructure & Environment	Flood Defence Capital Projects	Substantial Assurance
Infrastructure & Environment	Car Park Arrangements	Reasonable Assurance

The following reports will be considered in private by Members:

Service	Subject	Opinion
Infrastructure & Environment (was Community Services)	Establishments Investigation – Control Weaknesses	Limited Assurance
Resources & Finance	ICT Contract Management	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. Other Work and effect of Covid-19

5.1   As a result of the Covic-19 pandemic, limited audit and investigations work could be undertaken whilst the Council was operating under emergency powers and it has taken some time to get audits fully under way again. Where possible staff finished off audits that were in progress at the end of March and all volunteered for other duties to assist with the response to Covid-19. Advice has also been provided on new systems and processes required such as business grants and the humanitarian centre arrangements.

Lockdown has impacted upon the fraud investigations as no visits or face to face meetings could be undertaken. However, Police Scotland were busy during this period and required a lot of information to be provided through the Single Point of Contact arrangements. In addition, work has been undertaken on attempted and suspected fraudulent grant applications.

6.   Progress against the 2019/20 audit plan

6.1   **Appendix 1** gives details of progress against the revised plan which reflects the changes agreed by Committee on 19/09/19 in terms of reduction in planned days and deleted audits. As detailed in the column titled "Status/ comments" 3 audits were to be carried forward into the 2020/21 audit plan at the request of management. One audit was to review the operation of the new sub-contractor's framework which is now to be re-tendered. The audit of mobile and flexible working was to be undertaken in conjunction with this and would cover both Council operatives and sub-contractors. As a result, these have been put back to 2021/22. The other audit looking at ICT arrangements in schools has been removed due to the available resources within Internal Audit for the remainder of the year and the impact upon ICT Services. All other audits have been completed or carried forward into the 2020/21 plan as work in progress.

6.2   Performance information for quarters 1- 4 of 2019/20 is provided below

Category	Performance Indicator	Target	2019/20 Actuals		
			Q 1 & 2	Q3	Q4
Quality					
Client Feedback	(i) % satisfaction from individual audit engagements expressed through Client Audit Questionnaires (CAQ)	**75**	93	96	88
	(ii) % of Client Audit Questionnaires returned	**70**	100	75	50
Business Processes					
Timeliness of Final Report	(i) % of draft reports responded to by client within 20 days of issue	**85**	75	75	20*
	(ii) % of final reports issued within 10 days of receipt of management response	**90**	100	100	100

* This relates to reports issued in early March and responses were then affected by Covid-19.

Designation: Corporate Audit Manager

Date: 14th September 2020

Author: Donna Sutherland

Service	Audit Name	Scope	Priority	Revised Days	Status/ Comments
Care & Learning	Provision of Early Learning and Childcare services	Review of the arrangements for the expanded provision of Early Learning and Childcare as required by the Scottish Government.	Medium	5	Final report issued
Care & Learning	Use of the Pupil Equity Fund in Schools	Review of the use of PEF within schools to ensure that the expenditure is in accordance with the criteria set out by the Scottish Government and any local agreements.	High	5	Final report issued
Care & Learning	Review of the systems for the payment of relief and temporary Teachers	Review of the process for the submission of hours claimed using SAL6 forms to ensure that this is appropriate and that appropriate controls are exercised over such claims. Also to ensure that these are used for the correct groups of staff and cannot be used to bypass the system for the management of vacancies within the Council.	High	25	Carried forward to 2020/21
Care & Learning	Review of the arrangements for the funding to External and Third Sector Organisations	Review of the arrangements for the funding and payment to organisations across the Service to ensure this is undertaken in a consistent manner. Also that any arrangements accord with Council policies including the single grants process, procurement requirements and Following The Public Pound guidance.	Medium	25	Carried forward to 2020/21

Service	Audit Name	Scope	Priority	Revised Days	Status/ Comments
Care & Learning	Workforce Planning and Staffing Arrangements	Review of the Service's workforce planning and staffing arrangements.	Medium	28	Carried forward to 2020/21
Care & Learning	Review of ICT arrangements in Schools	Review of the controls in place for the management of network capacity and storage in schools. Also how this links with the roll out of chrome books and the ongoing technical support in place.	High	25	Audit c/f to next year at request of management. Subsequently not included in plan.
Community Services	Review of arrangements for the award of works to sub-contractors	Desktop review of the arrangements for the award of work to sub-contractors by staff within the Housing and Building Maintenance function.	Medium	20	Was to be c/f to next year at request of management. Subsequently not included in plan.
Community Services	Car Parks	Review of car park arrangements across the Council including deployment of staff, income systems and parking enforcement arrangements.	Medium	20	Final report issued
Community Services	Fleet Management arrangements	Review of the fleet management arrangements to ensure that these accord with the requirements of the Councils operator's licence. This will also include review of the Tranman system.	High	10	Carried forward to 2020/21
Community Services	Review of Mobile and Flexible Working arrangements	Review of the Total Mobile Building Maintenance system looking at the impact and new arrangements from this system and stores implications.	Medium	30	Was to be c/f to next year at request of management. Subsequently not included in plan.

Service	Audit Name	Scope	Priority	Revised Days	Status/ Comments
Corporate Resources	Pension Fund Annual Governance Assurance Statement 2018-19	Time for the provision of the Annual Governance Statement and annual Internal Audit opinion.	Core/Critical/ Commitment	1	Final report issued
Corporate Resources	HC Annual Governance Statement 2018-19	Time for the provision of the Annual Governance Statement and annual Internal Audit opinion.	Core/Critical/ Commitment	3	Completed in
Corporate Resources	Review of fraud prevention and detection arrangements	Review of arrangements to ensure that the Council has robust arrangements in place to prevent and detect any fraud and irregularities.	High	20	Carried forward to 2020/21
Corporate Resources	Audit Certificates 2019-20	Time allowance for review and certification of various grant claims.	Core/Critical/ Commitment	50	Completed
Corporate Resources	Pension Fund Investments	Review of the arrangements in place for the effective management of Pension Fund investments.	Core/Critical/ Commitment	12	Final report issued
Corporate Resources	Pension Fund Contributions	Review of the arrangements for the accurate collection of Pension Fund contributions including transfer of monies within the Fund.	Medium	15	Carried forward to 2020/21
Corporate Resources	Insurance	Review of the Council's processes for dealing with insurance claims including those financed through the Insurance Fund.	Medium	5	Final report issued
Corporate Resources	Review of financial controls	Review of the controls in place for the financial authorisation of payments. This will include consideration of authorisation levels and segregation of duties applied to key officers.	Medium	1	Final report issued

Service	Audit Name	Scope	Priority	Revised Days	Status/ Comments
Corporate Resources	Review of purchase to pay arrangements	Corporate review of the arrangements for the purchasing and payment of goods and services to ensure that appropriate controls are in place. This will also link with budgetary control arrangements and consideration of the roles and responsibilities of budget holders in approving expenditure and monitoring and control of their budgets.	High	30	Carried forward to 2020/21
Corporate Resources	Procurement	Review to establish whether the expected benefits of the Shared Service arrangement are being delivered and the arrangements in place represents Value for Money for the Council.	Core/Critical Commitment	27	Carried forward to 2020/21
Corporate Resources	Income Systems	Review of the reconciliation and different systems interfaces to ensure the completeness and accuracy of income received. Also that these processes work as efficiently as possible.	High	18	Final report issued
Corporate Resources	Financial Assessments	Review of the processes for the claiming, processing and payment of other entitlements incl. EMA, free school meals and clothing grants.	Medium	0	Final report issued

Service	Audit Name	Scope	Priority	Revised Days	Status/ Comments
Corporate Resources	Continuous Auditing Exercises	Allocation of time for continuous auditing of financial systems with aim of providing assurance that the expected controls are operating and that there is no fraudulent activity.	High	3	Final report issued
Corporate Resources	Follow Ups Allowance 2019-20	Allowance of time for action tracking of audits which are not subject to individual follow-up reviews.	Not Applicable	25	Completed
Corporate Resources	Review of absence management arrangements	Corporate review to ensure that robust arrangements are in place for the management of absence across the Council. This will include review of the timeliness and completeness of absence data produced and ensuring compliance with the relevant policies and procedures.	High	32	Final report issued
Corporate Resources	Review of Information Management arrangements	Review of the Council's Information Management arrangements to provide assurance that these are operating as expected and in accordance with the prescribed Policy Framework.	High	15	Final report issued
Corporate Resources	Cyber Security	Review of the Council's Cyber Security arrangements to ensure that these are appropriate and effective. This will also include review of the service's incidence response arrangements.	High	23	Carried forward to 2020/21
Corporate Resources	ICT Contract Management Arrangements	Review of the arrangements for the management of the ICT contract with Wipro to ensure that these are working effectively.	High	27	Final report issued

Service	Audit Name	Scope	Priority	Revised Days	Status/ Comments
Corporate Resources	Lean review - follow up	Time allocated to follow-up of improvement plan from the lean review of the internal audit processes.	Not Applicable	5	Carried forward to 2020/21
Development & Infrastructure Service	LEADER Programme 2018-19	Ensure that the obligations set out in the 2014-2020 Leader Programme Service Level Agreement (SLA) have been adhered to for project claims and verification checks.	Core/Critical/ Commitment	23	Final report issued
Development & Infrastructure Service	Review of capital projects	Review of the project management arrangements in place in respect of selected Flood Team projects. Will check that these comply relevant project governance guidance and procedures.	Medium	28	Final report issued
Development & Infrastructure Service	Review of charging and monitoring of time to projects	Examination of the systems in place for the recording, charging and monitoring of time to projects.	Medium	18	Audit cancelled as has been addressed through other review mechanisms
Development & Infrastructure Service	Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2018-19	Review of the arrangements for compliance with the Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES) and to ensure that the necessary Scheme requirements have been met.	Core/Critical/ Commitment	19	Final report issued
Development & Infrastructure Service	Collection of school meals income	Review of the arrangements for the collection of school meals income to ensure that this is operating as efficiently as possible. This will also include review of the arrangements for the effective management of debt.	Medium	25	Draft report issued

Service	Audit Name	Scope	Priority	Revised Days	Status/ Comments
Development & Infrastructure Service	Review of Local Full Fibre Network project	Review of the governance arrangements to ensure that these accord with the prescribed framework. Also review of the grant claim process and payments to suppliers to ensure that these comply with the relevant policies and procedures.	High	18	Final report issued
Total Days				**636**	

Internal Audit Final Report

Resources & Finance

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	2
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 **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 - Resources & Finance
Head of Corporate Finance and Commercialism, Resources & Finance
Finance Manager (Corporate Budgeting, Treasury & Taxation), Resources & Finance
Principal Accountant, Resources & Finance
Revenues Manager, Resources & Finance
Principal Revenues Officer, Resources & Finance
Systems and Change Manager, Resources & Finance

Report Ref:	HDB05/005
Draft Date:	21/02/20
Final Date:	17/03/20

1. Introduction

1.1 This audit examined the process of receipting and recording income due to the Council. Income is receipted via both the AXIS Income Management system and Integra Cash Management module (Integra CMS). All income is then recorded in the General Ledger in Integra. On a monthly basis, reconciliations take place between the ledger and all bank accounts receiving income.

1.2 Income is received through AXIS Paye.net (via Service Points/Centre and selected Services), Digital Forms, Allpay, Department for Work and Pensions deductions (not examined in this audit), Sales Ledger Invoices and payments into bank accounts using details from remittance slips.

1.3 A walkthrough of the Income and Recovery (I&R) daily process for checking and uploading income to the ledger was undertaken, and the Paye.net cash receipting process was outlined by Customer Services. The audit focussed on the processes for receiving income through the systems referred to in 1.2, but did not cover the processes for collecting, banking and recording income within individual establishments. The total income received for financial year 19/20 to date is £1,798,247,882 via AXIS and £8,539,075 via Integra CMS.

2. Main Findings

2.1 *There is an adequate control framework in place governing the operation of income systems.*

This objective was substantially achieved. The audit verified that there is an adequate approval process for opening and closing bank accounts.

Adequate segregation of duties exists for income systems as no one individual is involved in all stages of the process. Officers in customer service functions receipt cash and card payments. On a daily basis Income and Recovery (I&R) monitor income received via AXIS and carry out checks to verify the amount received. Reports on income received are issued to selected Services (Exchequer Support, School Meals, Brown Bin Payments and some grant income).

Process notes exist for AXIS Paye.net, Integra CMS, the I&R daily procedures and the more complex AXIS reconciliation. There are sufficient Accounts staff trained to perform and review the reconciliations should unplanned absence occur.

Financial Regulations are not up to date as Section 14 referring to Income and the associated guidance note Receipt of Income contain references to obsolete job titles. The Money Laundering Policy needs to be reviewed to ensure it is still fit for purpose (Ref M1).

2.2 *Income transactions and balances are completely and accurately recorded in the financial ledger and other major systems.*

This objective was substantially achieved. The daily AXIS processes undertaken by I&R make it possible to trace transactions through the Council's systems from receipt to ledger.

All 10 income reconciliations for October 2019 were reviewed and found to reconcile, all were checked by an independent officer. Where Accounts cannot reconcile entries, they investigate to enable income to be correctly allocated in the ledger. Evidence of this was provided during the audit.

The reconciliation of the account named Integra Cash Management Receipt (reconciling Integra CMS transactions) is the most time consuming to perform. The Accounting Technician has difficulty matching the ledger to the bank statement for some transactions if there are minor differences between the ledger and the bank statement and there is an inadequate narrative for some entries. This is particularly the case for High Life Highland (HLH) deposits. During the audit the Finance Manager (Corporate Budgeting, Treasury & Taxation) had a meeting with Accounts staff who have created a plan to ensure better data on income is supplied (Ref L1).

I&R do not monitor income receipted using Integra CMS, so the Council is relying on individual Services to have robust procedures for this income. 10 Council establishments who use CMS were contacted as part of the audit and outlined processes that ensured income was correctly recorded in CMS, banked intact and could be traced to provision of a service. The Principal Revenues Officer said it would be preferable for Services to use AXIS and Paye.net

rather than Integra CMS. This would allow for daily monitoring of transactions as opposed to the monthly reconciliation being the only independent check (Ref L2). 1 function has recently moved to using AXIS Paye.net and reported that they found the transition to be straightforward.

I&R keep a spreadsheet of all income received that they cannot allocate in the ledger. These transactions go into suspense and following investigations are then allocated to the correct ledger code. However, each year since 2001 (the earliest year on the spreadsheet) there are amounts of unidentified income which sit in suspense. These are rolled forward each year with £50,497.78 rolled forward to 2019/20. The Finance Manager said of this amount only £4,000 had yet to be correctly allocated. However, the I&R suspense spreadsheet shows amounts in excess of £4,000 dating from 2001 to 2017. It would be preferable to re-allocate unidentified income and stop rolling forward these entries (Ref M2).

In 2019/20 there were in excess of 350 entries which had to be resolved. It is time consuming for I&R to have to try and identify items which sit in suspense. One reason for this is that Services do not always inform I&R of income due to them (Ref L3). The Finance Manager (Corporate Budgeting, Treasury & Taxation) said there is a plan to use e-forms in Integra to help address this problem.

2.3   *Access to all income systems is restricted to appropriate staff and unauthorised access is prevented.*

The objective was substantially achieved. Systems and Change provided a list of Paye.net and AXIS users correct as of August 2019 and a subsequent updated list in November 2019. After enquiries users were found to have access commensurate with job title. Although access is regularly reviewed 4 users no longer require access to Paye.net at particular sites and 1 individual had left the Council but their access had not been cancelled. Replies were not received for all users, but enquiries stopped when the Principal Revenues Officer confirmed a full review of all users is due to be undertaken (see L4).

Access rights for the I&R Team and system administrators were queried with the Systems & Change Team, as they have wider access rights than other system users. This confirmed that access rights were appropriate, reports can also be run on individual user activity. Integra cash management can be accessed by all users who can input on Integra. However as monthly reconciliations take place any user who incorrectly input to CMS would be identified.

3.   Conclusion

3.1   There is a good control framework in place for income with defined procedures. There is daily monitoring of income received, monthly reconciliations and processes for querying and correcting unallocated income. This framework can be strengthened by ensuring policies are up to date, and some changes to practices should deliver efficiencies.

4.   Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
					Implementation	
					Responsible Officer	**Target Date**
M1	Medium	Financial Regulations section 14 on Income, including the guidance note Receipt of income is out of date.	Financial Regulations and associated guidance notes should be updated to reflect current roles and responsibilities.	Section 14 of the Financial Regulations and the Money Laundering Policy will be reviewed and updated accordingly.	Revenues Manager	31/03/20
		The Money Laundering Policy has not been reviewed recently.	As part of the ongoing review of Financial Regulations the Money Laundering Policy should be reviewed to ensure it is up to date and fit for purpose.			
M2	Medium	A spreadsheet is maintained containing entries held in suspense. This dates back to 2001 and contains a number of historic transactions which could not be rectified.	The historic suspense entries (anything prior to previous financial year) should be allocated to an appropriate ledger code by the Corporate Finance Team.	Outstanding entries prior to previous year will be written off at year end.	Finance Manager (Corporate Budgeting, Treasury & Taxation)	31/03/20
L1	Low	The Integra Cash Management reconciliation is time consuming to perform because it is frequently unclear what specific ledger transactions (notably provided by HLH) relate to with regard to the bank statement.	Standard narratives and improved reporting should be established to improve efficiency of the reconciliation.

The Accountancy team should consider whether it would be more efficient to set up a separate bank account for HLH miscellaneous income to be reconciled by HLH staff. | New forms and instructions will be sent to each HLH establishment. This should improve the accuracy of the data recording which will assist in reconciling differences and could form the foundation for a future e-form which would improve the efficiency in uploading the info to CMS in Integra. A review will be undertaken with HLH to ensure that for each merchant ID number there is one Integra Site Code and if both of these pieces of data are referred to when the pay in info is loaded to Integra then auto matching of the bank rec should be more successful. | Finance Manager (Corporate Budgeting, Treasury & Taxation). | 31/03/20 |

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
L2	Low	Some Services use Integra CMS rather than AXIS Paye.net which reduces the frequency of independent checking of income received.	I&R should analyse whether Services using Integra CMS can be moved to using Paye.net.	This review has been completed. High Life Highland use CMS and have their own operations including tills and card machines which are not suitable to move to PAYE.net. A small number of other users which use CMS have been identified for review which will be looked at when the Income receipting documentation is reviewed.	Revenues Manager	31/03/20
L3	Low	Services do not always inform I&R of income due which means income goes into suspense resulting in time consuming work by I&R officers to identify what part of the ledger it should be coded to.	An instruction should be issued to all Services receiving Income to provide I&R with all necessary detail of income due. I&R should monitor which Services frequently do not provide adequate information and directly address concerns to them to minimise items going to suspense.	Reminder to be issued to all Services with follow-up action already in place.	Revenues Manager	31/03/20
L4	Low	The user list for AXIS Income Management and Paye.net contained an employee who had left the Council and 4 employees who no longer needed access at specific sites.	A regular review of the AXIS Management and Paye.net system should be carried out to ensure user validity.	Existing security processes involve a 60 day no use lock out for the application, a monthly leavers check against all financial systems and an annual review for all financial systems. The annual review of systems will take place during April 2020.	Systems and Change Manager	30/04/20

Internal Audit Final Report

Infrastructure & Environment

Local Full Fibre Networks Project

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 **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:
Executive Chief Officer – Infrastructure & Environment
Executive Chief Officer – Resources & Finance
Executive Chief Officer – Governance & Performance
Head of Corporate Finance and Commercialism, Resources & Finance
Project Manager, Local Full Fibre Networks Project (Highlands and Islands Enterprise)

Report Ref:	HEE03/004
Draft Date:	29/01/20
Final Date:	06/03/20

1. Introduction

1.1 The purpose of the Local Full Fibre Network (LFFN) Project (the project) is to deliver gigabit capable network connections to 152 public sites in Fort William, Inverness, Thurso and Wick by March 2021. The total budgeted cost of the project is £7.149m and this will be funded by £4.3m from the Department for Digital Culture, Media and Sport (DCMS) LFFN challenge fund and £2.849m from Highland public partners:

- Highland Council (HC) - £1.802m
- Highlands and Islands Enterprise (HIE) - £0.018m
- NHS Highland (NHSH) - £0.553m
- Scottish Natural Heritage (SNH) - £0.038m
- University of Highlands and Islands (UHI) - £0.437m.

The audit assessed whether or not there are formal agreements in place between HC and DCMS and with partner organisations and that funds are drawn down in accordance with these agreements.

1.2 A bespoke order was signed with Capita Business Services Limited on the 31/01/19 to deliver the gigabit capable network. The audit looked at whether or not the procurement approach, and subsequent bespoke order, is in line with requirements set out by DCMS and relevant procurement guidelines.

1.3 The audit also examined the project governance and reporting arrangements in place to ensure that they are operating as expected.

2. Main Findings

2.1 *Procurement approach*

This objective was fully achieved. In order to provide assurance that local bodies act with regularity, propriety and value for money in the use of resources which are allocated to them by DCMS, projects must pass through the Building Digital UK Assurance framework. This involves specific checks being carried out at defined checkpoints during the life of the project:

- Checkpoint A – Strategic Outline/Scoping/Plan

- Checkpoint B – Ready to Deliver/Authority to Procure
- Checkpoint C – Ready to Contract
- Checkpoint D – In-life Review.

Evidence is reviewed at each checkpoint by DCMS and approval for progression to the next stage will be granted or more supporting evidence will be requested. The project successfully progressed through Checkpoints A, B and C and this has been confirmed in writing by DCMS. Where approval has been granted subject to actions or conditions, these have been complied with. DCMS has not yet initiated an 'In-Life Review', but there is ongoing dialogue with them and no issues have been highlighted.

Two procurement options were considered for delivery of the project and these were to either run a bespoke OJEU open tender exercise or raise a bespoke order under the existing 'Pathfinder North' call-off contract between HC and Capita (SWAN framework contract). Both options were considered by the Digital Infrastructure Programme Board (the board) (see 2.4) and a decision was made to use the SWAN framework. The risk of both options was clearly set out and the risks associated with the chosen option were accepted by the board. These risks are monitored as part of the project risk register which is discussed at each board meeting and appropriate mitigating actions are in place. A Senior Procurement Specialist within the Council's Commercial & Procurement Shared Service was consulted throughout the procurement process and confirmed, along with the Head of the Commercial and Procurement Shared Service, that they approved and supported the chosen procurement approach.

Prior to granting approval through Checkpoints B and C, DCMS worked with Capita to understand more about the contractual and financial side of the order, benchmarking Highland against other LFFN broadband activity they fund across the UK. The procurement option used for the project was deemed acceptable by them.

2.2 *Formal agreements with DCMS and partner organisations*

This objective was partially achieved. There is a grant agreement in place between Highland Council and DCMS. The grant agreement was signed by the Senior Responsible Officer (SRO) for HC on 20/06/19 but it has not yet been signed by DCMS, despite this being requested in late 2019. The SRO and Project Manager have stated that evidence from other UK Government funded projects has indicated that this is not uncommon as they do not always counter-sign grant agreements (See action plan ref M1). As per Schedule 2 (Grant Milestones) of the grant agreement, the first grant claim is not yet due to be submitted to the UK Government and therefore no funds have been drawn down.

There is a Memorandum of Understanding (MoU) in place between partner organisations. It sets out the payment schedule and has been signed by all partners apart from NHSH. It is currently with a central NHS legal team based in Edinburgh for review but it's return is expected imminently (See action plan ref M2).

Payments have been received from 2 out of 4 partner organisations (HIE and SNH) in line with the payment schedule set out in the MoU. An agreement has been reached with NHSH that HC will pay their capital contribution upfront and this will then be repaid over a 20 year period by means of an adjustment to the annual quantum for adult social care. The annual sum reflects the estimated loans charge incurred as a result of HC financing this capital investment (See action plan M3). In late 2019, HC and UHI signed a letter of agreement regarding the capital contribution to be made by UHI and an invoice is in the process of being issued to them.

2.3 *Payments made to supplier*

This objective was fully achieved. A payment of £1,787,250 was made to Capita in May 2019 for services delivered as part of the bespoke order. This payment was made in line with agreed project milestones 1 and 2. The next payment of £965,115 relating to project milestones 3 and 4 was due to be made by 11/12/19. However, the supplier has not yet met all of the deliverables associated with these project milestones and

therefore the payment is being withheld until the milestones are achieved.

2.4 *Governance arrangements*

This objective was substantially achieved. The project governance and reporting arrangements are in line with the requirements set out in the grant agreement, MoU and the Project Initiation Document. The project receives oversight from the board which meets every 6 weeks. Representatives from all partner organisations, including DCMS, attend meetings either in person or via conference call. There is a project manager in post who is responsible for the day to day management of the project and he provides project updates at each meeting of the board.

The project is classified by HC as self-financing as the upfront capital contribution (accrued to the 2018/19 financial year) will be offset by network savings realised during the 20 year network right of use for each of the Council sites connected. The capital expenditure was verbally agreed by the then Director of Corporate Resources who confirmed that the project could be treated as self-financing. He considered that this was acceptable as there is no guidance within the Council's Financial Regulations regarding the approval of capital expenditure for self-financing projects and what level of scrutiny is required.

The project was referred to in the capital expenditure monitoring report to EDI Committee on 16/05/19, however this was after the funds had been committed. This has meant that there was no Member approval nor ongoing scrutiny of this project as it has not been included in subsequent capital expenditure monitoring reports. This is at odds with the SALIX self-funded project which is included in these reports (See action plan ref M4).

3. Conclusion

3.1 There is a sound system of governance in place for the project, with regular oversight and scrutiny by all organisations involved, including DCMS. This should ensure that the project delivers its stated objectives within the agreed timescales and budget.

As lead partner of the project, the Council will incur the full capital cost of the project initially until partner contributions and grant

funds are received. It is therefore essential that the grant agreement and MoU are signed by all parties. In addition, there is need to ensure that a consistent approach is followed for the approval and reporting of capital projects to Committee regardless of the method of funding.

4.   Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
M1	Medium	There is a grant agreement in place between HC and DCMS relating to the project. This was signed by the SRO for HC on 20/06/19 but it has not yet been signed by DCMS, despite this being requested in late 2019.	A further request should be submitted to the DCMS to request that the grant agreement be signed by them.	The grant agreement has now been signed by DCMS and a copy is held by Highland Council.	Project Manager, Local Full Fibre Networks	Complete
M2	Medium	There is an MoU in place between the Highland partners for the project. It sets out the payment schedule for partner organisations and has been signed by all apart from NHSH.	Although it is understood that this is already in hand, the MoU should be signed by NHSH as soon as possible.	The MoU has now been signed by NHSH and a copy of the agreement, signed by all partners, is held by Highland Council.	Project Manager, Local Full Fibre Networks	Complete
M3	Medium	An agreement has been reached with NHSH that HC will pay their capital contribution upfront and this will then be repaid over a 20 year period by means of an adjustment to the annual quantum for adult social care.	(i) This arrangement should be considered as part of any review of the integrated health and social care partnership which takes place within the 20 year repayment period and; (ii) If there are any changes to the agreement whereby repayments can no longer be deducted from the annual quantum then alternative arrangements should be made for repayment of any outstanding sums due to HC.	Agreed	Head of Corporate Finance and Commercialism	As required

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
					Responsible Officer	Target Date
M4	Medium	There is no guidance within the Council's Financial Regulations regarding the approval of capital expenditure for self-financing projects and what level of scrutiny is required. As a result, the approach has been inconsistent.	A standard approach to the approval and scrutiny of all capital expenditure should be followed regardless of how these are funded. This should be detailed in the Council's planned capital strategy and the Council's Financial Regulations updated accordingly.	As reported to Council on the 05/03/2020, the Council will put forward a capital strategy and revised capital programme in financial year 2020/21. This will include detail of the approval and scrutiny process for capital expenditure. The Financial Regulations will be updated accordingly.	Head of Corporate Finance and Commercialism	31/12/20

The Highland Council
Comhairle na Gàidhealtachd

Internal Audit Final Report

Property & Housing

Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2018-19

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

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:
Chief Executive Officer, Property & Housing
Chief Executive Officer, Infrastructure & Environment
Head of Property and Facilities Management, Property & Housing
Energy & Sustainability Manager, Infrastructure & Environment
Senior Sustainability Officer (Energy), Infrastructure & Environment
External Audit

Report Ref	HEC02/003
Draft Date	21/02/20
Re-draft Date:	06/07/20
Final Date:	11/09/20

1. Introduction

1.1 The Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) is a mandatory UK wide policy aimed at reducing the level of CO_2 (carbon dioxide) emissions in large commercial and public sector organisations.

1.2 Carbon use must be reported and internally audited annually for the period 1 April to 31 March (current scheme phase 2014/15 to 2018/19 inclusive). This audit covers the final reporting year, April 2018 to March 2019 inclusive. For this period, the Council reported on 1,150 qualifying energy supply points using a total of 27,622 tCO_2 (CO_2 tonnes).

1.3 A lean review of energy billing, which included estimated readings, was completed in December 2018.

1.4 CRCEES was abolished at the end of the 2018/19 and was replaced by a single business energy tax, the existing Climate Change Levy (CCL).

2. Main Findings

2.1 *Recording, measuring and reporting of CO_2 emission output*

This objective was partially achieved as there are appropriate processes and procedures in place to record, measure, and report CO_2 emission output within the Council's responsibility.

Supply points. A sample of 15 supply sites was selected for examination to ensure that:

- they cover the whole reporting year;
- they were correctly classified as an actual or estimated supply, and
- the reported consumption figures agreed to the underlying billing data.

However, the following issues were identified:

- 3 bills containing estimated billing elements were examined. In 2 cases, the estimated billing calculation and method used to calculate consumption could not be verified. On further investigation it was established that

1 was due to a Team calculation error (see below) and the other was due to the inclusion of a duplicated bill plus an estimated amount, the calculation basis of which could not be established. (see Action Plan ref M1)

- 2 bill readings were incorrectly calculated by Team. For one, the reported CRC consumption for the site amounted to 14,449,883 KWh, compared to the actual of 13,740,697 KWh. This resulted in an overstatement of 708,186 KWh, which equates to 215 tCO_2 (£3,934) of overpurchased CRC Allowances. In this case the reported annual consumption was accurate at the time of submitting the CRC report. However, after being alerted to this issue, it transpired that the Team data was incorrectly calculated due to a software processing error. The Senior Sustainability Officer has provided assurance that this error is unique to the type of supply banding attached to street lighting and will not affect any other supplies. (see Action Plan ref M1)

- For the other, a "bug" in the Team software program resulted in a minor overstatement of 554 KWh. The error arose from double counting the estimated daily consumption when the original bill was cancelled then subsequently re-billed. (see Action Plan ref M1)

Estimated supplies. As reported in previous years, there is a lack of clarity where estimated energy usage was calculated by TEAM using the direct comparison or pro-rata methods. Whilst the estimation criteria in Team procedures were agreed by the CRC Regulator, the actual method of calculation could not be verified on audit examination. However, checking Team may not be straightforward as in some cases, Team may change the consumption data calculations. This meant the exact breakdown of the final consumption figure could not be determined in cases where this had occurred.

During 2018/19, there were 494 actual and 599 estimated electricity supplies and the consumption had been correctly

classified as set out in the scheme. Estimated supplies amounted to 17% of annual electricity consumption, with an additional cost uplift of £6,643.

The Lean review concluded that "there was no evidence available to quantify the claim that high levels of estimated electricity bills for 17/18 equates to a £320k overspend. Data sampling from profiling problematic sites indicates that we could be left with a possible underspend. However, Internal Audit were unable to determine the size or materiality of the sampled examined. The Lean review recommended that "there is a need for clarity on energy costs for electricity sites... there is a disparity between the level of consumption and the payments made." The Lean report also recommended the profiling of all estimated billing to determine where smart meters should be deployed "to improve accuracy and diffuse any potential budget shocks". Considering the number of estimated supplies, there could be significant differences between the estimated and actual electricity consumption. Therefore, not only would the data in the 2018/19 CRC report be inaccurate but there could be additional energy costs to be paid by the Council if the actual usage is more than estimated. Alternatively, if the problematic sites sampled during the review is representative of the whole population then the estimated sums paid have been higher than necessary.

Site comparison. Whilst some comparisons had been undertaken and a list of leased properties was included in the Evidence Pack, due to misunderstanding the reconciliation process, the work undertaken was insufficient as it reconciled Team data to the same data source rather than agreeing Team to a site list independent of Team. Therefore, the completeness and accuracy of the data could not be established. (see Action Plan ref M1)

Renewable energy. The data was incorrect due to a number of formula errors in the spreadsheet used to calculate consumption. As such, although relatively insignificant and immaterial to the report, the reported figure of 6 tCO_2 should have been calculated as 13 tCO_2. The renewable figure reported in the CRC Annual Report is for information only and does not form part of the calculated emissions so there is no financial impact from this error. (see Action Plan ref L1)

2.2 *Production of Carbon Reduction Commitment reports*

This objective was fully achieved as there are appropriate arrangements in place to ensure timely CRC monitoring and evaluation reports are produced. The annual report was submitted by the deadline of 19/07/19.

2.3 *CRCEES allowances*

This objective was fully achieved as the calculation of surrendered CRC allowances agreed to the CO_2 emissions stated in the 18/19 Annual Report. However, previous audit work identified that too many CRC allowances were purchased in earlier years. The surplus allowances held were more than required to cover the current report so the balance was sold to another authority on 23/07/19.

It was confirmed that records were held within the Evidence Pack to support the prior year order and payment forecasts, and the allocation, surrender and submission of CRC allowances during the current year.

3. Conclusion

3.1 For the past four years this audit received a Limited Assurance opinion. Although this has improved slightly this year, it is of concern that some of the audit findings have been raised in previous years. Furthermore, it is disappointing that the completed LEAN review did not address concerns raised in previous audits despite management assurances to the contrary. As this is the final year of CRC, no further recommendations have been necessary. Although the responsibility for administering and reporting the Climate Charge Levy (CCL) lies with the energy supplier, it is important to ensure that similar problems do not occur regarding the record keeping requirements for the onward processing of CCL records.

4.   Action Plan

					Implementation	
Ref	**Priority**	**Finding**	**Recommendation**	**Management Response**	**Responsible Officer**	**Target Date**
M1	Medium	There are concerns over the accuracy and validity of the output from the TEAM Sigma system specifically: • 2 out of 15 sites examined reported incorrect energy consumption data due to Team software processing errors. For 1, a significant difference arose between the correct amount billed and that calculated for CRC purposes. • 3 out of 15 sites had periods where TEAM had calculated estimated amounts. In 2 cases the method and basis could not be determined. It transpired that in 1 case, an unknown amount was due to a Team error (see above). The remaining involved the inclusion of a duplicated bill plus an unknown estimated amount, the calculation basis for which could not be determined. The latter issue was also reported on in the last four audit reports. The site reconciliation process undertaken was insufficient as this compared data within Team rather than to an independent source.	No further recommendations have been made as the CRC Scheme is now finished. Looking ahead, the Energy and Sustainability Team should ensure that there are reliable data systems, processes and procedures in place to meet all Climate Change Levy (CCL) record and reporting requirements. This also includes the need to ensure that if data is extracted from Team then appropriate checks are undertaken to ensure this is reliable.	The CCL will be extracted at the billing stage and requires no separate assessment. Site lists are to be held in the new property asset software (Concerto) which will have a direct link to TEAM and this will resolve any differences in operational site lists.	Energy & Sustainability Manager Head of Properties & Facilities Management, Property & Housing~~Development & Infrastructure~~	30/09/20 31/03/21

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
L1	Low	The Excel formula sheet used to total up renewable site meter emissions was incorrect. Although immaterial in value, the error led to under reporting the tCO2 amount relating to renewable site emissions.	The Energy and Sustainability Team should ensure that accurate records are maintained to record consumption figures for renewable sites.	A control centre is being set up for all renewable generation and this will hold records.	Energy & Sustainability Manager	Completed

The Highland Council
Comhairle na Gàidhealtachd

Internal Audit Final Report

Infrastructure and Environment

Review of Flood Defence Capital Projects

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	2

Distribution:
Executive Chief Officer - Infrastructure and Environment
Head of Infrastructure
Flood Team Leader
Design Team Leader

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: HEB03/002
Draft Date: 19/05/20
Final Date: 08/09/20

1. Introduction

1.1 The audit examined the project management arrangements in place for the Council's flood defence projects. The audit objectives were to review the arrangements for their conception, definition and planning/initiation; their effective and efficient delivery; and their closure and post project review.

1.2 The Project Management Governance Policy - Construction Projects, agreed in March 2019 provides a framework for the governance of flood defence projects. The most significant flood defence projects in the Council's 2019/20 Capital Programme are: Smithton & Culloden (Approved Budget: £14.9m); Caol & Lochyside (£8.9m); and River Enrick/Drumnadrochit (£3.1m). These projects were examined and followed through the project management process.

1.3 The audit involved a review of information held by the Project Manager, Project Sponsor, Project Board (Flooding Project Board), Higher Programme Management Board (Capital Programme Board) and Council committee (Environment, Development & Infrastructure Committee or Planning, Development & Infrastructure Committee).

2. Main Findings

2.1 *Conception, definition and planning/initiation*

The audit objective was substantially achieved. There was sufficient justification for all projects as demonstrated through their agreement at Council Committee meetings. Control would be enhanced through the presentation and agreement of a Full Business Case (FBC) at the Capital Programme Board (CPB) and the completion of a Gateway checklist or equivalent. (See Action Plan Ref: M1)

The project sponsor has created a Flooding Project Board (FPB) and identified appropriate officers as members. 3 (43%) officers provided evidence to confirm that they have received appropriate project management training. However, all board members had significant experience of attending project boards. (See Action Plan Ref: L1)

A construction tender for the only project at the delivery stage (Smithton & Culloden) and consultancy mini-bids (all 3 projects) had been awarded in accordance with Contract Standing Orders. Control would be enhanced through evidenced presentation of the tender reports to the CPB and the completion of a Gateway checklist or equivalent. (See Action Plan Ref: M1)

2.2 *Effective and efficient delivery*

The audit objective was substantially achieved. There was a gap in the FPB meetings between August 2017 and May 2019, when the Smithton & Culloden project was within the delivery stage. Commentaries were provided within reports to the Strategic Committee during this period, which confirmed that this project was subject to a high level of oversight and scrutiny. (See Action Plan Ref: L2)

Milestones were not formally recorded in business cases for 2 (66%) projects but the achievement of standard milestones for all 3 projects was monitored at the FPB. (See Action Plan Ref: M1)

2.3 *Closure and post project review*

The audit objective was partially achieved. As none of the projects have been completed it is not possible to assess if the closure and post project review processes are fully effective. Evidence provided did demonstrate that contractors for phases 3A/3B of the Smithton & Culloden project had been fully debriefed.

3. Conclusion

3.1 The Council has effective arrangements in place for the management of flood defence projects. Management of projects is compliant with the Project Management Governance Policy - Construction Projects but minor enhancements could be considered to further improve the project management framework and strengthen governance arrangements.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
M1	Medium	A Full Business Case (FBC) was not presented to the Capital Programme Board (CPB) nor was there a completed Gateway 1 checklist or equivalent. Project milestones were not recorded in the Outline Business Case (OBC) for 2 (66%) projects. The only completed construction tender (Smithton & Culloden) and consultancy mini-bids (all projects) had been awarded in accordance with Contract Standing Orders but tender reports had not been formally presented to CPB and a Gateway 2 checklist or equivalent completed.	The Strategic Asset Management Board (since replaced the CPB) should identify if the presentation and approval of the following is required for each flood defence project to demonstrate adherence to the Project Management Governance Policy – Construction Projects: • a Full Business Case (FBC) containing appropriate milestones; • tender reports; and • evidence of satisfactory gateway progression.	This will be raised by the Head of Infrastructure with the Strategic Asset Management Board.	Head of Infrastructure	31/10/20
L1	Low	3 (43%) members of the Flooding Project Board provided evidence to confirm that they have received appropriate project management training.	The Strategic Asset Management Board to consider if members of Project Boards (including the Flooding Project Board) are required to complete the mandatory project management training course.	It is proposed that the issue of mandatory training for Board members for construction projects be reviewed by the Strategic Asset Management Board.	Head of Infrastructure	31/10/20
L2	Low	There was a gap in the provision of project status reports and project board meetings between August 2017 and May 2019, when the Smithton & Culloden scheme was within the project delivery stage.	The Project Sponsor consider more regular Flooding Project Board meetings to demonstrate effective management of projects and enable proper scrutiny during the delivery stage of each scheme.	Project Sponsor to ensure more regular meetings of the Flooding Project Board occur at appropriate stages in project life cycle.	Project Sponsor	31/10/20

The Highland Council
Comhairle na Gàidhealtachd

Internal Audit Final Report

Infrastructure & Environment

Car Park Arrangements

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	2
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	8
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 **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 that put some of the system objectives at risk.

Distribution:
Executive Chief Officer – Infrastructure & Environment
Head of Roads and Transport, Infrastructure & Environment
Policy and Programme Manager, Infrastructure & Environment
Principal Officer – Traffic and Parking, Infrastructure & Environment

Report Ref: HCC02/002
Draft Date: 06/02/20
Final Date: 15/04/20

1. Introduction

1.1 The audit objectives were to assess arrangements for the deployment of Car Park staff; that policies and procedures accord with the relevant legislation, which operate in a consistent and efficient manner; and there are robust processes in place to ensure that all car park income due is promptly received, recorded and properly accounted.

1.2 The audit review considered the arrangements for managing the Council's existing off-street and on-street parking provision. It did not consider the progress made on the implementation of the Redesign Review of Car Parking. However, where applicable reference has been made to the findings arising from the Lean review of car park income.

1.3 In 2018/19 the Council reported total car park income of £2.64m, which included ticket sales £1.96m; permits £0.13m; contract parking £0.24m; and penalty charges of £0.31m.

2. Main Findings

2.1 *Deployment of Car Park staff*

The audit objective was partially achieved.

Currently a combination of an external security company for Lochaber and Parking Services staff for all other areas collect takings from car park machines. However, an officer from Parking Services also accompanies an officer from the security company to ensure that the machines are left in a serviceable state. This inefficiency should be addressed following the implementation of the "Lean Review for Car Parking Income" when the security company will be contracted to transfer takings from the Cash Relay Centres to the Bank only. (See Action Plan Reference: M1)

Testing when car park machines are emptied identified that one (5%) machine had been emptied too infrequently (after two months) resulting in over £1,000 being collected, whilst three (15%) other machines had been emptied fortnightly with less than £100 being collected. (See Action Plan Reference: M2)

The Council's team of Parking Enforcement Officers (PEOs) has recently been enhanced with the recruitment of 5 FTE staff (from January 2020). This now means that Parking Services has designated officers to enforce decriminalised parking in Skye, Lochaber, Caithness and Dingwall. Parking Service continues to pay overtime (£42k in 2019/20) to PEOs that provide cover for long-term sickness absence at the Multi Storey Car Park in Inverness. (See Action Plan Reference: M3)

2.2 *Policies and Procedures*

The audit objective was substantially achieved.

The introduction of Decriminalised Parking Enforcement (DPE) in October 2016 transferred responsibility for the enforcement of parking from Police Scotland to the Council. The Council has appropriate policies and procedures to fulfil this responsibility including Traffic Regulation Orders (TROs), a Parking Policy and a Parking Enforcement Statement and Protocol.

TROs are in place for all Council parking sites except for one off-street site, which meant that parking restrictions could not be enforced. Whilst the restrictions for one on-street site did agree to the Decriminalised Parking Enforcement Traffic Order, it did not agree to the Plans/Maps published on the Council's website. (See Action Plan References: L1 and L2)

PEOs receive appropriate training and guidance for them to enforce the Council's parking orders. However, one parking contravention checked had been incorrectly classified, which meant that the Parking Charge Notice (PCN) was successfully appealed. (See Action Plan Reference: M4)

Section 11 of the Parking Enforcement Protocol allows for the removal of vehicles when certain criteria is met. One of the high priority criteria is described as "persistent evaders". The audit identified three persistent evaders where vehicles had not been removed. (See Action Plan Reference: M5)

2.3 *Receipt, recording and accounting for car park income*

The audit objective was partially achieved.

Parking Services currently do not obtain a bank receipt when cash is deposited but testing confirmed that all 20 deposits had been received at the bank. (See Action Plan Reference: H1)

The Council's Service Centre receives applications and issues permits for residents and business parking zones. No central record is maintained to record the issue of these permits, which means that more than the required number of permits per address could be issued and it was not possible to confirm that all evidence of eligibility has been obtained before permits are issued. Whilst permits do bear security features they are not controlled stationery, which means they could be improperly issued. Management are currently testing a new permit system, NSL Apply, for implementation in 2020, which should address these concerns and provide enhanced information for PEOs to check for permit abuse. (See Action Plan Reference: M6)

Parking Services do not check that PCNs uploaded to Taranto, the system used for processing PCNs, are consecutively numbered. Whilst there are some compensating controls there is a risk that PCNs are not being completely recorded, paid and pursued. (See Action Plan Reference: H2)

There was insufficient evidence to confirm that Parking Services regularly review PCN cancellations to ensure that they were supported by valid reasons. Audit testing identified two (25%) PCN cancellations where, in the opinion of the Principal Officer, Traffic & Parking the Council's PCN processing provider was too lenient in approving the cancellations. (See Action Plan Reference: M7)

Appendix 4 of the Council's Parking Policy outlines how an unpaid PCN will be progressed to recover the debt: a Notice to Owner (NTO) will be issued after 28 days; a Charge Certificate (CC) after a further 28 days; and, transferred to the Sheriff Officer after a further 14 days. These were not always complied with and testing identified examples where delays occurred without explanation. In particular, 6 cases were referred to the Sheriff Officer, on average after 28 rather than the prescribed 14 days. (See Action Plan Reference: M8)

3.   Conclusion

3.1   The Council has effective arrangements in place for the management of on-street and off-street parking. Parking Services are taking steps to further improve these arrangements, most notably with the implementation of the "Lean Review for Parking Income" and a specific permit application system.

Management must take urgent action to address the immediate risks that have been identified in relation to; the banking of ticket sale income and the completeness of PCN records. However, PCNs represent only 12% of total income with the majority generated from ticket sales where assurance was obtained that this income has been received and banked in full.

4.   Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation Responsible Officer	Target Date
H1	High	Bank pay in slips are only endorsed by the cashier and not stamped using an official bank stamp. There is a risk that a patroller could take the cash for banking and initial the pay in slip to make it look like the banking has taken place. This would only be identifiable when the bank reconciliation is undertaken many weeks later.	Management must instruct and ensure that parking staff obtains a receipt for all money deposited at the bank.	This has been actioned	Principal Officer – Traffic & Parking	15/02/20
H2	High	PCNs are consecutively numbered but no reconciliations are undertaken to explain any numbering gaps in the PCNs that have been uploaded to Taranto.	Management must ensure that all fines have been paid or are being recovered by seeking explanations for any gaps in the numbering of PCNs uploaded to Taranto.	We have raised this with system provider and we are awaiting further confirmation that there are no "gaps". If the software supplier is unable to confirm that there are no gaps in the upload of PCNs to Taranto we will seek explanations for the gaps.	Principal Officer – Traffic & Parking	01/05/20
M1	Medium	The Lochaber car park machines are emptied by a security firm but a Council parking attendant continues to accompany them to ensure that machines continue to operate after leaving site.	Management should implement the outcomes of the Lean Review for Car Parking Income to reduce cash collection cost/resources.	Agreed	Principal Officer – Traffic & Parking Supported by the Business Support Operations Managers (West) and (South)	01/04/20
M2	Medium	The agreed collection frequencies are not always complied with regard to the level of income collected.	Management should review the car park machine emptying frequencies to ensure that each is emptied when the maximum holding limit is being reached.	Agreed but frequency is a result of age of machines and lack of reporting of cash within. Latest machines are digital with full remote reporting allowing us to closely monitor how full the boxes are. Resources need to be	Principal Officer – Traffic & Parking/ Parking Supervisor	01/09/20

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
				identified if early upgrade to suitable technology is to be accelerated. This will allow more efficient cash recovery maximising resources and not pulling under filled sites. It should also be borne in mind that the machine location means it may be more efficient for the officer to pull the box regardless of the content when he is nearby e.g. remoteness, travel time etc.		
M3	Medium	The long term sickness absence of Multi Storey Car Park staff is having an impact upon the delivery of the Service with PEO staff being used and/or overtime being incurred.	Management should consider employing a temporary member of staff in order to remove the need for overtime rates to be paid.	Agreed, to be discussed with HR	Principal Officer – Traffic & Parking/ Policy & Programmes Manager/ Service HR Officer	01/05/20
M4	Medium	Evidence supporting the issue of PCNs identified 1/10 where the wrong PCN Code was used, which invalidated the PCN on appeal.	Management should undertake regular evidenced reviews of PCN error rates and provide further guidance/training where concerns are identified.	Agreed, team briefing updated and regular review by supervisor. It must be recognised that in the issue of 10,000 PCNs per annum that human error is a factor. Monthly and Annual review of statistics ensure that these errors are minimised through follow up training and knowledge sharing between officers.	Parking Supervisor	01/03/20
M5	Medium	The audit identified 3 persistent offenders who have failed to pay numerous fines but no action has been taken. Parking Services could have considered alternative enforcement action (i.e. impounding vehicles) in	Management should prepare a business case, which outlines the costs and benefits of impounding vehicles (including any joint working with DVLA) as outlined in the Parking Enforcement Policy.	Agreed, business case to be presented to appropriate strategic committee in 2020 Without the ultimate sanction of vehicle uplift compliance will reduce for some drivers.	Principal Officer – Traffic & Parking ECO, Infrastructure & Environment	02/09/20

| | | | | | Implementation | |
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
		accordance with the Parking Enforcement Policy. This was because there are no facilities to remove and store vehicles.				
M6	Medium	There is scope to improve the process for the control and issue of parking permits: All completed permit applications are saved in an email folder with the evidence – a central listing is not maintained or shared – which means it is difficult to check if more than the required number of permits have been requested/issued to each address and if the omitted evidence was subsequently received. Whilst the permits have a hologram they are not controlled stationery, and are easily accessible to staff. There is a risk that staff could create a permit without it ever being detected. Testing of issued permits identified: • 6/20 had no evidence to confirm that the required supporting documentation had been received and checks undertaken before the permit had been issued • 1/20 the fee charged for a replacement permit was not in accordance with the schedule of fees • 1/20 there was no evidence to confirm that the rejected	Management should introduce a single database (NSL Apply System) to record all permits issued, including evidence that supports the validity of the application and use it to identify improper permit use.	Agreed, Final UAT actions to be completed, testing of permit system in Live environment complete. Bug Fixes to be implemented and Go LIVE date to be agreed with Service point staff.	Principal Officer – Traffic & Parking/ Customer Services Delivery Manager	01/04/20

| | | | | | Implementation | |
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
		application had been successfully appealed and if the permit had been issued.				
M7	Medium	There was little evidence to confirm that management review and monitor the number and type of PCN cancellations. Testing of PCN cancellations identified 2/8 where there was insufficient evidence to support this. The view of the Principal Officer, Traffic & Parking was that the "back office" provider was too lenient in cancelling the PCN.	Management should review of trends in the number and value of PCN cancellations. This should include sample checking of cases where appropriate to ensure that the Council's Parking Cancellation Policies are being consistently applied. Any issued identified should then be addressed with the relevant service provider.	Management do review every 6-12 months at the moment. Will review every 3 months and adjust cancellation policy appropriately with City of Edinburgh Council when required	Principal Officer – Traffic & Parking	01/04/20
M8	Medium	The timescales set out in the Parking Policy for unpaid PCNs have not been complied with, resulting in delays to the process: • 1/8 unpaid PCNs took 56 days (should be 28) to issue an NTO – no evidence on Taranto to explain the delay. • 1/6 has a CC issued after 42 days (should be 28) – no evidence on Taranto to explain the delay. • 6/6 were referred to the Sheriff Officer for a period longer than the required 14 days – 28 days on average. All PCN write-offs examined had a valid reason for the write off. However, there was no	Management must ensure that the Council's PCN debt recovery policy is consistently applied and that evidence/explanations are provided where, in exceptional cases it cannot be followed.	Currently we have the following delivery established: • 14 day discount period – additional 5 days in place to take into account postal payment delays • Minimum time for NTO to go out will be 29 days (taking into account postage day) • Minimum 33 days from NTO to CC (allowance for postage) • Minimum 21 days from CC to SO (allowance for postage) As above these are the minimum timescales and there are many reasons why these timescales may be delayed or held up. The	Principal Officer – Traffic & Parking	01/05/20

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
		evidence uploaded to Taranto to support this.		events screen in the ticket will normally explain everything that has happened on the ticket. We will endeavour to ensure the Back Office team clearly explain delays to process on the system record. We will amend the Policy to better reflect the processes and minimum timelines that actually occur. All monies that can be collected have been collected		
L1	Low	Testing of On-Street parking sites identified one site where the signage agreed to the Street Decriminalised Parking Enforcement Order 2016 but not the TRO maps recorded on the internet.	Management should review and update the TRO maps to ensure that the parking restrictions in place agree to the published TRO.	Agreed	Principal Officer – Traffic & Parking	01/06/20
L2	Low	One Off-Street parking site is not supported by a TRO as there is no signed agreement in place for the provision of Council Parking Services on the site. This means that parking contraventions are not being enforced.	Management should publish a TRO for this car park so that parking contraventions at the site can be enforced.	The roll out of Parking Charges consultations across the Council has delayed the inclusion of this site and others within the TRO. These will be rectified when the Blanket TROs Phase 1 are published in March 2020	Principal Officer – Traffic & Parking	01/07/20