THE HIGHLAND COUNCIL

Committee: **Audit & Scrutiny Committee**

Date: **25th November 2021**

Report Title: **Internal Audit Reviews and Progress Report – 04/09/21 – 11/11/21**

Report By: **Corporate Audit Manager**

1.   Purpose/Executive Summary

1.1   This report provides details of the work undertaken by the Internal Audit section since the last report to Committee in September 2021.

2.   Recommendations

2.1   Members are asked to note the current work of the Internal Audit Section outlined at section 5 of the report and progress against the 2021/22 audit plan in section 6.

3.   Implications

3.1   Risk – the risks and any associated system or control weaknesses identified as a result of audit work or corporate fraud investigations will be reviewed and recommendations made for improvement.

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

4. Audit Reports

4.1 There have been **3** final reports issued during this period as detailed in the table below:

Service Directorate	Subject	Opinion
Resources & Finance/ Property & Housing	Procurement: Off contract spend and reporting	Reasonable Assurance
Performance & Governance	Compliance with Data Protection Legislation	Substantial Assurance
Infrastructure, Environment & Economy	Leader Programme 2020-21	Full Assurance

Each report contains an audit opinion based upon the work performed in respect of the subject under review. The five audit opinions are set out as follows:

(i) **Full Assurance**: There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

(ii) **Substantial Assurance**: While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

(iii) **Reasonable Assurance:** Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk**.**

(iv) **Limited Assurance**: Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.

(v) **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

5. Other Work

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

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

Audit work has been undertaken for High Life Highland during this period and this will be reported to their Finance and Audit Committee.

(ii) <u>Corporate Fraud 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.

The last update report referred to 2 new investigations into missing money. One of these has been completed and the necessary witness statements are being obtained in order to report this matter to the Procurator Fiscal.   The other investigation is still ongoing. During this period a new investigation commenced into the misuse of a Council asset for personal gain. Work also continues into the investigation into 2 whistleblowing concerns.

No further information can be provided in respect of the above ongoing fraud and

whistleblowing investigations. However, at the appropriate time further details will be provided particularly where system weaknesses and/ or areas for improvement are identified then these will be addressed in an audit report which can be scrutinised by the Committee. In addition, an annual report on whistleblowing will be provided to the June 2022 Committee meeting.

6. Progress against the 2021/22 audit plan

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

The chart shows the dates that the key stages of each audit was completed except where the audit has rolled forward from last year and they occurred before 04/04/21, however, any stages after this date are shown.

6.2 Interviews took place last month for the Trainee Auditor post. A preferred candidate has been identified and the necessary processes are being followed in order to agree a start date, hopefully before Christmas. On the assumption that this will be achieved then this will not impact upon the audit plan.

6.3 Performance information for quarter 2 is provided below. As reported to the last Committee meeting the absence of any final reports meant that there was no performance information or quarter 1.

Category	Performance Indicator	Target	2021/21 Actuals			
			Qtr 1	Qtr 2	Qtr 3	Qtr 4
Quality						
Client Feedback	(i) % satisfaction from individual audit engagements expressed through Client Audit Questionnaires (CAQ)	**75**	0	91	n/a	n/a
	(ii) % of Client Audit Questionnaires returned	**70**	0	100	n/a	n/a
Business Processes						
Timeliness of Final Report	(i) % of draft reports responded to by client within 20 days of issue	**85**	0	75	n/a	n/a
	(ii) % of final reports issued within 10 days of receipt of management response	**90**	0	100	n/a	n/a

Designation: Corporate Audit Manager

Date: 11th November 2021

Author: Donna Sutherland

The Highland Council
Comhairle na Gàidhealtachd

Internal Audit Final Report

Resources and Finance/ Property and Housing
Procurement: Off contract spend and reporting

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	4
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	0

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, Resources and Finance
Executive Chief Officer, Housing and Property
Head of Commercial and Procurement Shared Service
Head of Corporate Finance and Commercialism, Resources and Finance
Head of Revenues and Customer Services, Resources and Finance
Strategic Commercial Manager, Commercial and Procurement Shared Service
Strategic Procurement Manager, Commercial and Procurement Shared Service
External Audit

Report Ref: HDA16/003.bf
Draft Date: 15/10/21
Final Date: 11/11/21

1. Introduction

1.1 Procurement of goods, services and works for the Highland Council must be undertaken in accordance with the Council's Contract Standing Orders (CSOs). These specify the thresholds above which quotations and tenders should be obtained. CSOs require a contract register be maintained to comply with the Procurement Reform (Scotland) Act 2014.

1.2 The current contracts register was updated in August 2021. There is a project taking place entitled Transformation Programme: Procurement & Contract Management which aims to improve procurement practices and ascertain whether new contracts can and should be set up.

1.3 The register was analysed to assess its completeness. Enquires were made with the Commercial and Procurement Shared Service (C&PSS) to see if the project will deliver improvements in particular identifying and reducing off contract spend. From procurement data, spend between April 2020 and July 2021 totalled £470.2m across 5,233 suppliers, 26.16% of this was classified as off contract.

2. Main Findings

2.1 *The Contracts Register is accurate, complete and up to date and is maintained using a robust process.*

This objective was partially achieved. The register has recently been updated and comparisons with the previous version showed improvements, notably the removal of many expired contracts. C&PSS confirmed there are processes to investigate if expired contracts need a new procurement exercise and provided an example of an "extension pipeline" (a spreadsheet used to track upcoming procurement exercises and savings work). The register details are downloaded from Public Contracts Scotland (PCS) which should be used for all quotes and tenders. Checks showed data from PCS does feed into the register. Additionally C&PSS update the register manually to include any information missing from PCS.

Some gaps and errors were identified (see Action Plan reference H2) specifically:

- Contract amounts were missing from 45 (out of 226) contract lines. However, all but 9 of these relate to national frameworks which the Council is able to use but may not use in practice.
- 12 capital projects awarded in 2021 had award notices published on PCS but no details of these were on the register.
- Details of some national frameworks the Council uses were on the register but specific suppliers being used and the contract amounts were not shown in 2 cases.
- A number of service level agreements for amounts above procurement thresholds notably ICT software arrangements are missing from the register (full details were not provided).

C&PSS have developed a contract compliance report which breaks down all spend from the last 18 months by supplier, cost centre, amount and date and classifies spend as off contract if the suppliers are not listed on the register. Data from this was used to contact 15 Services whose suppliers are not on the register but spend was above procurement thresholds.

4 Services did not reply, 11 said they had contracts or service level agreements in place and 3 of these said they had used PCS or national frameworks to procure. However, some of the agreements are longstanding and have not been properly procured in recent years (see Action Plan reference H1).

There are plans to move to a new style of contracts register to align Highland Council with the 2 other authorities in the C&PSS. This new register should be an improvement with more data fields available for better analysis (for example where valid exemptions from CSOs have been obtained for non-competitive contracts- there is currently no central record of these). However, the new register will not be derived by automatic download from PCS and will require manual updates from officers with Delegated Procurement Authority (DPA) and C&PSS. A process for maintaining this new version of the register has been created but it will rely on Services working with C&PSS to provide the correct information.

2.2 *The Procurement Transformation Project plans will lead to sustainable, measurable improvements. In particular this will ensure there are appropriate arrangements in place to monitor off contract spend to establish this is for valid reasons. If not, then the appropriate corrective action will be undertaken with Directorates.*

This objective was broadly achieved although the Procurement Transformation Project is yet to conclude. The project should result in improvements both to monitoring off contract spend and moving some spend to a more competitive and contractual status.

There are plans for 2 C&PSS analysts to use the contract compliance report to correct any gaps in the register and then systematically examine off contract spend to identify new contracts required. Once concluded there should be extensive evidence of data analysis and Service engagement (via surveys and correspondence) plus quantifiable savings proposals and plans for new contracts to be set up.

The project should result in revised CSOs, a clear set of roles and responsibilities for the Council and C&PSS, and more regular detailed reporting. There are plans to produce a Procurement Strategy and Annual Procurement Report and update Service Work Plans which are a requirement of CSOs. Key Performance Indicators have been developed and will be reported to Executive Leadership Team (ELT). This will allow for high level monitoring of both off contract spend and new contracts set up and the resultant savings. In future compliance reporting will be issued to ELT on a quarterly basis but it is not clear if this will be also issued to managers outwith ELT. (See Action Plan reference M1).

It has been unclear to date how adherence to the CSOs was monitored and enforced, and existing escalation arrangements are rarely used for example no breaches of CSOs have been reported to the Corporate Audit and Performance Manager. The planned revision of the CSOs will clearly set out an escalation procedure for DPAs. A process on reporting on procurement compliance to ELT quarterly is also planned within the project timeline. (See Action Plan reference H3).

A significant amount of off contract expenditure takes place in building repairs and small works, sometimes referred to as Trades Services (£17.3m was estimated to have been spent in 2019/20). There are plans to go out to tender and set up a new framework as outlined in the "Commodity Profile and Sourcing Strategy for the provision of a building repairs and small works framework – 2020" but to date no decision has been made on the final format of the tender or a date for delivering this (See Action Plan reference H4).

Accurate analysis of expenditure is not always straightforward as this is reliant upon accurate ledger coding and it cannot be assumed that supplier expenditure is for items related to the contract(s) in place. This limitation is not exclusive to Highland Council. One mitigating factor will be the project assigning contract owners to higher spending contracts who will monitor spend assigned to their contracts for accuracy. However this will only apply to certain strategic/critical contracts. There are presently system limitations within Integra which prevents the effective tracking of all spend against contract amounts.

3. Conclusion

3.1 Work has been done to update the contracts register and establish the off contract spend position but some work remains to be done to complete this exercise. The Procurement Transformation project should result in improvements. But this will depend on Services engaging with C&PSS now and on an ongoing basis, ensuring there are adequate resources dedicated to analyse and maintain the contracts register, and regular reports which include details of off contract spend and measures taken to reduce this. Good data analysis, improved reporting and revised governance documents will only be effective if compliance is monitored and enforced.

The outcomes of the project will be subject to a subsequent audit. Once the project has concluded there should be sufficient evidence to assess whether it has achieved its aims and addressed this highly important corporate risk.

4. **Action Plan**

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
H1	High	Off contract spend accounts for a significant amount of expenditure. There is a risk the Council is not fulfilling legal obligations to procure for amounts above specified thresholds, value for money may not be achieved and the Council could be open to challenge over its choice of suppliers. In response to the audit queries as to reasons for this expenditure, replies from the sampled Services established that significant amounts of spend are either not on contract or covered by an agreement which did not go through the recognised procurement processes. Some Services did state that they had followed the recognised processes so there is scope to recognise this in the register. Details of the responses have been passed to C&PSS for action as necessary.	a) Services must make C&PSS aware of any agreements or contracts in place and any areas of off contract expenditure to enable C&PSS to assess if they can be moved to contractual position. (This will involve Services and C&PSS working together: a risk-based approach should be taken starting with areas of highest expenditure.) b) C&PSS' ongoing communication with Services should include identifying whether Services fully understand CSOs and if there are underlying reasons, they struggle to comply with them, reporting to ELT as required to drive corporate improvement with compliance. Services need to understand that compliance with CSOs is mandatory.	a) To facilitate Services' compliance C&PSS agree the recommendation, there are plans within the Transformation project plan for C&PSS analysts to use the contract compliance report to work with Services on gaps/identify compliance improvement activity. A process on reporting on procurement compliance to ELT quarterly is also planned within the project timeline. Within each quarter period any Service with off contract spend of more than 20% will be contacted to conduct a detailed review with outcomes reported in the next quarter report. b) C&PSS Agreed, the timeline for the planned review of the CSOs includes timings for communication on the revision to Services. A review of guidance/processes is also planned which will include having detailed process maps available which will include a change to the DPA (Delegated Procurement Authority) process to ensure compliance is explicit when any officer is completing the training and DPA form.	Strategic Commercial Manager/ Strategic Procurement Manager (Category Management) Strategic Commercial Manager/ Strategic Procurement Manager (Category Management)	31/12/21 31/03/22

Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
					Implementation	
					Responsible Officer	**Target Date**
			c) This message (including distribution of this audit report to a wider audience) needs to be communicated to all Executive Chief Officers, Heads of Service and Delegated Procurers by C&PSS, and with the expectation that this will be shared widely within teams.	c) To facilitate Services compliance C&PSS agree that a communication will be issued to all ECOs, HOS, Service Managers and DPAs detailing key messages from the audit report and outlining responsibilities for Services.	Strategic Commercial Manager/ Strategic Procurement Manager (Category Management)	31/12/21
H2	High	The contracts register contains inaccuracies and has missing information so CSOs requirements and procurement legislation are not fully complied with.	Procurement should address any inaccuracies to the contracts register. This will require Services providing information of all agreements currently in place as detailed at H1 above.	Agreed, there are plans within the Transformation project plan for C&PSS analysts to use the contract compliance report to work with Services on gaps/identify compliance improvement activity.	Strategic Commercial Manager/ Strategic Procurement Manager (Category Management)	31/12/21
H3	High	Current escalation processes for reporting non-compliance with CSOs are not utilised and there is a risk the project will not achieve its aims unless proper enforcement measures are developed.	An enhanced escalation process should be developed and circulated to Executive Leadership Team (ELT) and all DPAs and used by C&PSS to address any issues with non-compliance. It is important C&PSS works with Services so a "traffic light" process could be developed to in the first place to work with Services before reporting sustained non-compliance higher. Any serious breaches of CSOs should be reported to the Corporate Audit and Performance Manager.	Agreed, the planned revision of the CSOs will clearly set out an escalation procedure for Delegated Procurers (DPAs), a process on reporting on procurement compliance to ELT quarterly is also planned within the project timeline. A review of guidance/processes is also planned which will include having detailed process maps available.	Strategic Commercial Manager/ Strategic Procurement Manager (Category Management)	31/03/22

Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
					Implementation	
H4	High	The Building Repair & Small Works commodity and profiling Strategy proposes new framework options and plans to tender but no decision has been made on the final tender or a date for implementing this. Until a decision is made spend on these services is considered out of contract and therefore there are risks of: • not compliant with procurement regulations • inconsistency in pricing • missing out on savings and lack of Value for Money • potential supplier challenge as award criteria not clear or consistent • lack of contractual terms and conditions; for example on quality.	A final decision should be made on the new framework and tender arrangements for Building Repair and Small Works (Trades Services). Given the value of expenditure this should be addressed as soon as possible in order to ensure that the arrangements in place are compliance with procurement regulations.	Tender documents are in final development with the Service and C&PSS. The completion of procurement processes for phase 1 and 2 of the 3 Tranches identified* and agreements to be in place by December 2022. * 1. Framework – Tranche 1 – Joinery/ Electrical/ Plumbing – Reactive/ Emergency/ low value jobs under £5,000 to be completed in 10 days and under 2. Framework – Tranche 2 – All remaining trades – Reactive/ Emergency/ low value jobs under £5,000 to be completed in 10 days and under 3. Dynamic Purchasing System – Tranche 3 – All trades – Non-Reactive jobs where value for money is considered achievable through further competitive tendering.	ECO Property & Housing	31/12/22 for phases (Tranches) 1 and 2 30/06/23 for phase (Tranche) 3
M1	Medium	There are plans to share the compliance report with ELT on a quarterly basis, but it is not clear if this information will be cascaded to other managers.	Clarification on ongoing compliance reporting details should be included in the CSO's specifying who will receive what information and what they are expected to do with it.	Agreed, the planned revision of the CSOs will clearly set out a process on reporting on procurement compliance to ELT quarterly and expectations around cascading to team members.	Strategic Commercial Manager / Strategic Procurement Manager (Category Management)	31/03/22

Internal Audit Final Report

Performance and Governance

Compliance with Data Protection Legislation

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

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 audit assessed the Council's compliance with Data Protection Legislation. The Data Protection Act 2018 (DPA 2018) and the UK General Data Protection Regulations (UK GDPR) governs how UK organisations collect, handle and protect personal data. The audit review covered the period April 2020 to July 2021.

1.2 The objectives were to establish the effectiveness of the Council's: governance and oversight procedures; awareness, training and communication processes; and arrangements for the processing and sharing of personal data including the investigation of data breaches.

2. Main Findings

2.1 *Governance and oversight procedures*

This objective was substantially achieved. The Council has a Data Protection Policy (the Policy) which reflects DPA 2018. However, the Policy refers to the EU GDPR and not the UK GDPR. Some of the supporting policies, namely: Information Management Strategy (2016), Information Management Policy (2016) and Records Management Policy (2016) have not been updated to reflect DPA 2018 and other Council changes (e.g. committee and officer titles). *(*See Action Plan ref: L1)

The role of the Information Management Governance Board (IMGB) is "to identify priorities for the implementation of information management improvements and support delivery within services". During the review period the IMGB Board met 4 times with the last meeting being on 08/02/21. Meeting minutes demonstrated a need to identify Information Management Lead Officers (IMLO) from each Service to support the IMGB. A previous internal audit review of Information Management arrangements (Report Ref: HDD04/001 dated 06/09/2019) recommended that the IMGB be relaunched following the identification of appropriate members. (See Action Plan ref: M1)

2.2 *Awareness, training and communication processes*

This objective was substantially achieved. The Council's Data Protection Intranet site contains many articles on the subject including the rights of data subjects and the reporting of data breaches. However, only two related corporate emails have been issued since the previous internal audit review. The first email (17/01/20) concerned the completion of Information Management (IM) training whilst the second (26/03/20) related to guidance on the use of the Blind Carbon Copy (BCC) email field and the gathering and sharing of personal information. (See Action Plan ref: M2)

The previous internal audit review identified that 19% of employees had completed the mandatory IM training and it was recommended that line managers should ensure that their staff complete the training. During the review period 20% of all relevant employees had completed the IM training. This is a relatively low figure because training is only a mandatory requirement for new employees and for existing employees when a data protection concern has been identified. The Council has recently launched a new learning management system to replace the My Online Learning platform. The new system should provide improved information on the completion of training courses, which should be used to monitor and report upon the completion of mandatory IM training. (See Action Plan ref: M2)

2.3 *Processing and sharing of personal data and investigation of data protection breaches*

This objective was partially achieved. The Corporate Information Asset Register (CIAR) was created in 2014 to record processing activities for all of the Council's information assets. In 2019 it was identified that the upkeep of the CIAR was paused due to a lack of resources. The previous audit recommendation "that a review of the CIAR would be carried out to identify the resources required to maintain it and the findings reported to the IMGB" has not been implemented. (See Action Plan ref: M1)

The Council's Data Sharing Policy is not supplemented with guidance to assist managers with their data sharing decisions *(*See Action Plan ref: L1). The Information Commissioner's Office (ICO) states that "it is good practice to have written data sharing agreements (DSA) when controllers share personal data." The Council has a DSA register but it has not been updated since it

was created (31/01/17). 7 (39%) of the existing entries were not fully completed and there may be some DSAs that haven't been registered. (See Action Plan ref: M1)

Privacy notices are used to inform data subjects about the purposes their personal data will be used for. From a sample of online applications, two - asbestos disposal and a Section 50 Planning Application - did not contain an appropriate privacy notice. (See Action Plan ref L2).

During the review period there were 9 data breaches. Of these 7 were minor but 2 required reporting to the ICO. One reported incident (09/10/20) involved a School emailing parents without using the BCC field. Prior to the review period, a number of BCC incidents occured at the beginning of lockdown prompting the issue of a corporate email on 26/03/2020. (see Section 2.2 above) The other reported incident (09/09/20) involved an officer sharing too much personal information. This officer was required to re-take the IM training course. (See Action Plan ref: M2)

3.   Conclusion

3.1   The Council has good arrangements for complying with data protection legislation. To become fully effective IMLOs from each Service are required to support the IMGB and outstanding IMGB actions (i.e. maintenance of data processing and sharing registers) should be addressed. Additionally, the new learning management system should be utilised to record, monitor and report upon the completion of Information Management training.

4.   Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
					Implementation	
M1	Medium	Attendance at IMGB meetings was not well represented. A review of Board minutes revealed the need to identify Information Lead Officers (IMLOs) from across all Council Services and to gain support for the IMGB. The Council's Corporate Information Asset Register (CIAR) has not been maintained since 2019. The register of external Data Sharing Agreements (DSAs) has not been maintained since its creation in 2017.	Management should re-launch the Information Management Governance Board and ensure that: • regular meetings take place; • its membership includes Information Management Lead Officers (IMLO) from each Service; and • it considers the need for and resources required to maintain the CIAR and DSA register.	A report has been prepared for ELT with the aim of re-launching the IMGB with representatives from each of the current services. An Information Governance Team is being created to take forward this agenda. Posts have been created to carry out the tasks identified and are currently being recruited	ECO Performance & Governance Freedom of Information & Data Protection Manager (FOI & DP Manager)	31/01/22 31/12/21
M2	Medium	A review of training records identified that 20% of staff had completed the Information Management online training course during the review period. Since the previous review, two Corporate wide emails were issued to communicate matters concerning Data protection across the Council.	Management should make it a mandatory requirement for all employees (new and existing) to complete the IM training each year. Managers should allocate training to staff and monitor completion Compliance should be recorded and monitored. Regular corporate emails, web-based flash screens, or articles within Staff Newsletters should be used to maintain an ongoing awareness of data protection amongst staff.	IM training will be on the IMGB agenda and the SIRO will ensure that the need to complete the IM training is again raised with ELT The IM Module will be reviewed as part of the work of the Information Governance Team. This will be one of the tasks of the Information Governance Team.	ECO Performance & Governance FOI & DP Manager FOI & DP Manager	31/01/22 30/06/22 30/06/22

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
L1	Low	The Council's Data Protection Policy refers to EU GDPR, which no longer applies following Brexit. The Council's Information Management Strategy, Information Management Policy and Records Management Policy does not reflect the structure of the Council. The latter policy does not reflect DPA 2018. There is no guidance to assist managers in making data sharing decisions.	Management should review and update the following: • Data Protection Policy to reflect UK GDPR requirements; • Information Management Strategy and Policy, Records Management Policy to reflect DPA 2018 and other Council changes, where applicable; and • Data Sharing Policy to include supporting guidance and the ICO's Data Sharing Code of Practice of June 2021.	These Policies will be reviewed by the IMGB. Data sharing is covered by the Data Protection policy which will be updated to take account of the new statutory code.	ECO Performance & Governance	30/09/22
L2	Low	2 online application forms did not contain an appropriate privacy notice.	Services should ensure that appropriate Privacy Notices are provided alongside online "Request a Service" application forms.	Action has been taken to revise the outdated planning application form at the time of writing. The old form will be removed and replaced by a new online form imminently.	Performance & Systems Change Team Leader Senor Waste Manager, Communities & Place	Complete 30/11/21

Internal Audit Final Report

Infrastructure, Economy & Environment Service

LEADER Programme 2020-21

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 **Full Assurance** can be given in that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

Distribution:
Executive Chief Officer – Infrastructure, Economy & Environment
Head of Planning and Environment, Infrastructure, Economy & Environment
Programme Manager, Infrastructure, Economy & Environment

Report Ref: HIE18/001
Draft Date: 03/11/21
Final Date: 08/11/21

1. Introduction

1.1 This was the sixth and final audit assessing the administration of the 2014-2020 Highland LEADER Programme. The programme is part of the Scottish Rural Development Programme, aimed at promoting economic and community development within rural areas. Funding from the EU is centrally distributed by the SGRPID to eligible areas.

1.2 A total of 120 projects have been funded and, including admin and animation costs, the total value of LEADER allocation from the Scottish Government to December 2021 is £9.12m.

1.3 The audit is a requirement of the Service Level Agreement (SLA) between the Scottish Government Rural Payments and Inspections Directorate (SGRPID) and the Highland Council and covers the period 16/10/20 to 15/10/21.

1.4 All project and administration claims are processed online on the Local Actions in Rural Communities System (LARCS).

2. Main Findings

2.1 *Adherence to the 2014 – 2020 Programme SLA*

The audit objective was substantially achieved. A sample of 5 projects and 1 administration claim were reviewed to ensure that the obligations set out in the SLA had been adhered to.

All projects reviewed met the SLA obligations and underpinning legislation. The only minor issues identified were:

(i) For 1 project an authorised Prepayment Checklist had not been uploaded to LARCs for 1 claim due to lockdown and subsequent office access restrictions. This has now been located in the office and uploaded to LARCs (See action plan M1).

(ii) For 1 project:
- The Business Reference Number (BRN) on LARCs did not match the BRN linked to the bank account from which payments are made (see action plan L1).

- There was not a copy of the applicant's current constitution or articles and memorandum on LARCs. It was thought that this was included within the annual report, which is on LARCs but, although some of the information required is in there, it does not cover it all (uploaded to LARCs following audit query).

- The amount of LEADER funding had increased but there was not a copy of the signed revised Offer of Grant letter on LARCs (uploaded to LARCs following audit query).

The administration claim for period 01/03/21 to 31/03/21 was reviewed and 50 out of the 172 transactions were examined. All of the sampled transactions:

- were agreed to the financial ledger;
- met the eligibility criteria;
- were accompanied by adequate supporting evidence;
- had evidence that they were defrayed. i.e. had been paid and
- where invoices included VAT, this had been excluded from the amount claimed.

2.2 *Follow up of previous management agreed actions*

This objective was fully achieved. The management agreed actions from the 2019-20 audit had been fully implemented prior to the final report being issued on the 12/11/20.

2.3 *Programme closure*

This objective was fully achieved. The funding programme was originally due to end on the 31/12/20 but due to the COVID-19 pandemic, a 3 month extension to the 31/03/21 was granted. Although all remaining live projects in the Highland area were due to complete by the 31/01/21, there was a concern that some projects may be vulnerable to either latent delays from previous COVID-19 restrictions or from future restrictions that may be imposed. Subsequently, a further extension to the 31/12/21 was granted by the Scottish Government.

There are currently 10 live projects with a total of £293,958 still to be claimed. However, it is expected that all of these projects

will be completed and formally closed within the programme timeframe.

3.   Conclusion

3.1   The issues identified as part of the audit are minor in nature and relate to the need to ensure the completeness of information recorded on LARCS. These do not impact on the eligibility of the projects and associated costs. Therefore, the Council fulfils its obligations under the 2014-2020 LEADER Programme SLA and complies with the underpinning legislation.

3.2   All projects are due to be completed prior to the extended funding programme end date of 31/12/21 and therefore all requirements relating to the end of the funding programme should be met.

4. **Action Plan**

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
					Responsible Officer	Target Date
M1	Medium	For 1 project a Prepayment Checklist had not been uploaded to LARCs for 1 claim due to lockdown and subsequent office access restrictions.	Prior to the end of the funding programme, a review of all projects that might be affected by this, should be carried out to ensure that the required paperwork is uploaded to LARCs.	A full file review will be carried out on all live and closed projects on LARCS to ensure that all paperwork and a full audit trail is in place.	Programme Manager	30/11/21
L1	Low	For 1 project (11/P00135) the BRN on LARCs did not match the BRN linked to the bank account from which payments are made.	The BRN should be updated on LARCs.	LARCs has been updated to reflect the correct BRN.	Programme Manager	Complete