

# Governance, Risk, and Best Value Committee

10.00am, Tuesday, 3 December 2019

## Internal Audit Update Report: 1 April to 31 October 2019

Item number

Executive/routine

Wards

Council Commitments

### 1. Recommendations

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- 1.1 It is recommended that Committee notes:
- 1.1.1 the outcomes of completed audits;
  - 1.1.2 progress with the delivery of the 2019/20 Internal Audit (IA) plan and the carried forward 2018/19 audits; and
  - 1.1.3 key IA priorities and ongoing areas of focus.

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# Report

## Internal Audit Update Report: 1 April to 31 October 2019

### 2. Executive Summary

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- 2.1 One audit (the Transfer of the Management of Development Funding Grant) has been completed, with an overall 'effective' (green) outcome, and 34 of the 56 audits to be completed in the 2019 / 20 plan year are currently in progress.
- 2.2 Engagement with CGI in relation to the technology reviews included in the 2019 / 20 annual plan is ongoing, with the reviews scheduled for completion between January and March 2020.
- 2.3 Key IA priorities for the next quarter include focus on completion of the 2019/20 IA plan; preparation of the 2020/21 IA annual plan; ongoing follow-up of open findings; ongoing development of new IA team members; further development and application of data analytics to support plan delivery; and delivery of training for both new Governance, Risk and Best Value Committee and Edinburgh Integration Joint Board elected members.

### 3. Background

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- 3.1 Internal Audit is required to deliver an annual plan of work which is scoped using a risk-based assessment of the Council's activities. Additional reviews are added to the plan where considered necessary to address any emerging risks and issues identified during the year, subject to approval from the Governance, Risk, and Best Value Committee (GRBV).
- 3.2 The IA Charter that was approved by the Governance, Risk and Best Value Committee in March 2019 notes that Internal Audit reserves the right to raise findings on areas that have not been specifically included in the annual plan where significant or systemic control gaps are evident. Where this methodology is applied, the outcomes are described as 'findings only' reports.
- 3.3 The Charter also included a refresh of the overall assessment ratings applied to IA reports and also used to as the basis of the IA annual opinion. The revised ratings are: effective (green); some improvement required (amber); significant improvement required (red); and inadequate (black). Definitions supporting the ratings are included at Appendix 4 of the IA Charter and as an appendix to each final IA report.

- 3.4 The 2019/20 IA plan approved by GRBV in March 2019 included 50 audits. This was subsequently increased to 52 audits in August 2019, when the Committee approved the addition of reviews of the Transfer of the Management Development Funds (at the request of the Scottish Government) and review of the financial processes supporting the Edinburgh and South East Scotland City Region Deal.
- 3.5 IA progress and copies of completed reports are presented to GRBV quarterly for their review and scrutiny.
- 3.6 All audits performed for the Lothian Pension Fund (LPF) are subject to separate scrutiny by the Pension Audit Sub-Committee and the Pensions Committee.
- 3.7 Audits performed for the Edinburgh Integration Joint Board (EIJB) are presented to the EIJB Audit and Risk Committee for scrutiny, with any reports that are relevant to the Council subsequently referred to the GRBV Committee.
- 3.8 Audits performed for the City of Edinburgh Council (the Council) that are relevant to the EIJB will be recommended for referral to the EIJB Audit and Risk Committee by the GRBV Committee.
- 3.9 All audits performed for other arms length external organisations are reported to the relevant management teams and audit and risk committees of those organisations.

## **4. Main report**

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### **2018/19 Plan delivery progress**

- 4.1 As noted above, the 2019/20 IA annual plan was increased to 52 audits in August 2019. Additionally, a further three audits that were not completed in the 2018/19 plan year (Payroll; Looked After and Accommodated Children (St Katherine's); and Building Standards Follow-up) were carried forward, and one 'findings only review' (Drivers) has been added to the plan, giving a total of 56 audits to be completed in the 2019/20 annual plan year.
- 4.2 Of the 56 audits to be completed in the 2019/20 plan year, 17 (5 specialist and 12 generalist) will be delivered by PwC, and the planned review of Risk Management will be performed by Scott Moncrieff, leaving a total of 38 audits to be completed by the IA team.
- 4.3 The Risk Management audit will be carried out by Scott Moncrieff, given the independence challenges associated with IA directly auditing the Head of Legal and Risk who performs the Chief Risk Officer role.
- 4.4 A total of seven technology audits are included in the IA plan to provide assurance in relation to ongoing management of the Council's technology risks, that will involve reviewing the control environment, governance, and risk management arrangements operated by the Council's technology partner CGI. Engagement with CGI in relation to these reviews is ongoing and it is expected that they will be completed between January and March 2020. Further detail on the reviews to be completed is included at Appendix 2.

- 4.5 A full reconciliation of the 2019/20 IA plan is included at Appendix 1 and an analysis of progress with delivery of the audits to be completed to support the 2019/20 IA annual opinion is included at Appendix 2. This highlights that:
- 4.5.1 one audit (the Transfer of the Management of Development Funding Grant) is complete with an overall 'effective' (green) outcome. The final report detailing the outcomes of this review is included at Appendix 3;
  - 4.5.2 three draft reports have been issued to management;
  - 4.5.3 two draft reports are currently being prepared;
  - 4.5.4 11 audits are currently in fieldwork;
  - 4.5.5 18 audits are currently in planning, with nine of these to be delivered by PwC; and
  - 4.5.6 21 audits have not yet started and, of these, seven will be delivered by PwC and one by Scott Moncrieff.

#### **Internal Audit Key Performance Indicators**

- 4.6 The IA journey map and key performance indicators was approved by both the Corporate Leadership Team (CLT) and the Committee in January 2019 and are designed to support timely and effective delivery of the annual IA plan. The key performance indicators (KPIs) specify expected delivery timeframes for both the IA team and management at all stages of the audit process.
- 4.7 A dashboard detailing performance against KPIs for both IA and management has been prepared and is regularly presented to the CLT for review and discussion.

#### **Progress with Internal Audit key priorities**

- 4.8 Whilst we have experienced further turnover at auditor level within the team, gaps were backfilled by contractors who have now been recruited to the vacant posts, and the IA team is currently fully resourced
- 4.9 A TeamCentral post-implementation review has been performed and feedback on use of the system has been favourable. The IA team continues to provide guidance to all new system users following issue of final audit reports.
- 4.10 Time sheet recording and reporting has been implemented enabling us to track and report on time spent on both audit delivery and follow-up activities.

#### **Ongoing areas of focus**

- 4.11 Ongoing areas of focus for Internal Audit include:
- 4.11.1 delivery of the 2019/20 IA plan and annual opinion;
  - 4.11.2 preparation for the 2020/21 IA annual plan;
  - 4.11.3 ongoing development of new IA team members;
  - 4.11.4 consideration of extension of the existing co-source arrangements;

- 4.11.5 procurement of external services to support completion of an external IA quality assessment review in 2020/21 in line with Public Sector Internal Audit Standards (PSIAS) requirements for completion of an external quality review every five years;
- 4.11.6 ongoing development and application of data analytics to support plan delivery;
- 4.11.7 review of the latest version of the IA system to determine whether this can more effectively support delivery of the IA plan and other governance and assurance activities (for example, risk management). The software provider has advised that the current version of the system will remain supported until circa 2023;
- 4.11.8 delivery of training for both new GRBV and EIJB committee members;
- 4.11.9 ongoing quarterly Council wide training has still to be scheduled; and
- 4.11.10 development and launch of IA pages on the refreshed intranet (the Orb).

## **5. Next Steps**

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- 5.1 IA will continue to monitor progress with plan delivery and the other activities noted at 4.10 above.

## **6. Financial impact**

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- 6.1 There are no direct financial impacts arising from this report, although failure to close IA findings raised and address the associated risks in a timely manner may have some inherent financial impact.

## **7. Stakeholder/Community Impact**

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- 7.1 IA findings are raised as a result of control gaps or deficiencies identified during audits. If agreed management actions are not implemented to support closure of Internal Audit findings, the Council will be exposed to the risks set out in the relevant IA reports.

## **8. Background reading/external references**

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- 8.1 [IA 2019/20 annual plan](#)
- 8.2 [IA Charter](#)
- 8.3 [Public Sector Internal Audit Standards](#)

## **9. Appendices**

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Appendix 1 2019/20 IA Annual Plan Reconciliation

Appendix 2 Summary of 2019/20 IA Plan Progress

Appendix 3 Final Report - Transfer of the Management of Development Funding Grant

## Appendix 1 – 2019/20 IA Annual Plan Reconciliation

Reconciliation		Comments
<b>Total number of reviews in 19/20 IA Plan</b>	<b>50</b>	<b>Approved by GRBV March 2019</b>
Add - Reviews carried forward from 2018/19	3	Payroll; Looked After and Accommodated Children (St Katherine's); Building Standards Follow-up
Add - Reviews added in 2019/20	2	Transfer of the Management of Development Funding Grant and City Deal
Add – Findings only review	1	Drivers
Less - Reviews removed from the plan	-	
<b>Total reviews to be delivered to support 2019/20 IA opinion</b>	<b>56</b>	<b>Refer Appendix 2 below for further detail</b>

## Appendix 2 – Summary of 2019/20 IA Plan Progress as at 31 October 2019

Audit Review			
Completed		Report Rating	Presented to Committee
1.	Transfer of the Management of Development Funding Grant	Effective	December 2019
<b>Total reports completed</b>		<b>1</b>	
<b>Draft Reports Issued to Management</b>		<b>Expected Completion</b>	
2.	Building Standards Follow-up b/f 2018/19	November 2019	
3.	*CGI Sub Contract Management		
4.	Drivers – Findings Only Report		
<b>Total draft reports issued to management</b>		<b>3</b>	
<b>Draft Reports Being Prepared</b>		<b>Expected Completion</b>	
5.	LPF - Charles River Project	November 2019	
6.	Housebuilding and Local Development Plan (PwC)		
<b>Total reports being prepared</b>		<b>2</b>	
<b>Fieldwork</b>		<b>Expected Completion</b>	
7.	Edinburgh Tram Extension	Ongoing agile project reviews	
8.	Enterprise Resource Planning System Implementation		
9.	Port Facilities Security Plan	November 2019	
10.	Health and Safety – Tree Management	November 2019	
11.	*CGI Partnership Management and Governance	November 2019	
12.	Social Media	November 2019	
13.	Policy Management Framework	November 2019	
14.	Schools Admissions and Inclusion	November 2019	
15.	Payroll b/f 2018/19	November 2019	
16.	Budget Setting and Management	December 2019	
17.	Looked After and Accommodated Children (St Katherine's) b/f 2018/19	January 2019	
<b>Total reviews in progress</b>		<b>11</b>	
<b>Planning</b>		<b>Expected Completion</b>	
18.	Protection of Vulnerable Groups and Disclosures	January 2020	
19.	Customer Experience	March 2020	
20.	Health and Social Care Localities	December 2020	
21.	Models and Coding	December 2020	

<b>Audit Review</b>		
<b>Planning</b>		<b>Expected Completion</b>
22.	City Deal	December 2020
23.	Validation	January 2020
24.	EIJB Transformation Framework	January 2020
25.	Repairs and Maintenance	March 2020
26.	Health and Safety - Lone working	February 2020
27.	Community Intervention (PwC)	March 2020
28.	Implementation of Assurance Actions and Linkage to Annual Governance Statement (PwC)	March 2020
29.	Internal Council Companies / Significant Trading Operations (STOs) (PwC)	March 2020
30.	Brexit Impacts – Supply Chain Management (PwC)	March 2020
31.	*Unsupported Technology (Shadow IT) (PwC Specialist)	March 2020
32.	*Digital Services – Resilience (PwC Specialist)	March 2020
33.	*CGI Change Management - c/f 2018/19 (PwC Specialist)	March 2020
34.	*Digital Services - Incident Management and Helpdesks (PwC Specialist)	March 2020
35.	*Digital Services - Direct Access and Mobile Device Mgt (PwC Specialist)	March 2020
<b>Total reviews at planning stage</b>		<b>18</b>
<b>Not yet started</b>		<b>Expected Completion</b>
36.	Health and Safety – Managing Aggressive Behaviour	January 2020
37.	Records Management – FOIs	February 2020
38.	Performance Management Information (PwC)	March 2020
39.	Prevention Services	March 2020
40.	Universal Credit and Enhanced / Intensive Housing Benefit (PwC)	March 2020
41.	Building Standards Follow-Up 2019/20	March 2020
42.	Care Homes Follow Up	April 2020
43.	Payroll - continuous monitoring 2019/20	April 2020
44.	EIJB Recommendations from external bodies	March 2020
45.	EIJB Strategic Planning – Capital and Workforce Planning	March 2020
46.	LPF - Custodian Services	March 2020
47.	Parking and Traffic (PwC)	March 2020
48.	Registration Services (PwC)	March 2020
49.	Major Project review (PwC)	March 2020
50.	Major Project review (PwC)	March 2020
51.	Major Project review (PwC)	March 2020
52.	Risk Management (Scott Moncrieff – Specialist Review)	March 2020

<b>Audit Review</b>		
<b>Not yet started</b>		<b>Expected Completion</b>
53.	LPF Pensions Entitlement	March 2020
54.	SEStran	February 2020
55.	Tattoo	March 2020
56.	Lothian Valuation Joint Board	March 2020
<b>Total reviews not yet started</b>		<b>21</b>

\* reviews where support is required from CGI

## Appendix 3

# *The City of Edinburgh Council* Internal Audit

## Transfer of the Management Development Funds Grant

Place

Final Report

14 October 2019

PL1906

**Effective**

The control environment and governance and risk management frameworks have been adequately designed and are operating effectively, providing assurance that risks are being effectively managed, and the Council's objectives should be achieved.

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2019/20 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2019. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there is a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

# 1. Background and Scope

## Background

The Council receives an annual development funding grant from the Scottish Government for the Affordable Housing Supply Programme (AHSP). The purpose of the funding is to provide assistance for housing under section 92 of the Housing (Scotland) Act 2001.

T MDF grant funding received in 2018/19 totalled £53.164M and was paid in monthly instalments following receipt of draw down requests from the Council. The terms of the grant offer specify that the Council must manage the AHSP, and disbursement of the grant in accordance with the grant procedures issued by the Scottish Ministers, and the procedures set out in the Council's Local Housing Strategy.

The 2018/19 grant was spent in full and resulted in the completion of 690 affordable housing units against a target of 805. 968 units were approved for funding, against a target of 1,029, and 1,119 sites starting during the year, exceeding the target of 1,000. Regular meetings are held between the Scottish Government and the Housing Development Team to discuss the progress made against the target set by the Scottish Government.

Failure to comply with the terms of the Grant Offer Letter could be termed as a breach of terms and may result in Scottish Ministers "withholding such present or future amount of grant and / or clawback such amount of grant as they reasonably consider appropriate and proportionate with regard to the breach".

The Scottish Government's HARP system was introduced in quarter three of 2017/18 and is now used to manage allocation of funding to the respective registered social landlords.

The Scottish Government's Offer of Grant for the management of development funding states that 'The Council will include the management of Development Funding in its annual Internal Audit plan and will submit a report to the Scottish Ministers on Internal Audit coverage from 1 April 2018 to 31 March 2019.

The 2018/19 IA review included the use of the HARP system and concluded that effective controls were established and operating effectively to support the ongoing management and allocation of development funding, with only three low rated findings raised.

Following submission of the final Internal Audit report to the Scottish Government, it was discussed that (based on the associated risks) there may not be a requirement for an annual review of the management of development funding, and that the Government would advise re an appropriate cycle (for example, every three years) for completion. Consequently, the review was not included in the 2019/20 Internal Audit plan approved by GRBV in March 2019.

The Scottish Government then advised (April 2019) that they would require the review to be completed by July 2019. This review has been added to the 2019/20 Internal Audit plan approved by the Governance, Risk and Best Value Committee in March 2019 at the request of the Scottish Government.

## Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established to ensure the development funding grant is managed and disbursed in line with Scottish Government requirements.

Testing was performed across the period 1 April 2018 to 31 March 2019.

## **Limitations of Scope**

During the course of our review, it was established that three areas could not be tested. These areas and the supporting rationale are detailed below:

### **1. Grant Offer Letter Conditions**

The 2017/18 Grant Letter Conditions were reviewed as part of the 2018/19 audit, and it was agreed that following the introduction of the HARP system, some of the Scottish Government clauses within the grant offer letter (i.e. tables 1 – 5), would ‘merit review and update’ as HARP does not have the reporting functionality to enable the Housing and Development Team to produce the required management information to confirm that these Grant Award Letter requirements have been achieved.

We obtained evidence confirming that the Housing and Development Team had raised this with the Scottish Government at a meeting on 9 August 2018. However, management has advised that the Scottish Government has not updated the 2019/20 award letter to reflect these changes. Consequently, we have been unable to confirm whether the requirements specified in relation to tables 1 – 5 in the Scottish Government’s grant offer letter have been achieved.

Internal Audit will engage with the Scottish Government to confirm that this testing will not be performed in future unless clauses in the grant offer letter are reviewed and refreshed.

### **2. Allocation of Grant Funds**

The Scottish Government monitors the allocation of grant funds across the social housing categories by agreeing the initial allocation and meeting with CEC Officers to agree subsequent changes to the programme. The Scottish Government confirmed (as part of last year’s review) that this monitoring control and process is in place, however, this has not been tested by Internal Audit as part of the 2019/20 review.

### **3. HARP Council User Access List**

As part of the validation of agreed management actions within the previous year’s audit review, it was agreed that an annual review of the ‘HARP Council user access list’ would be completed annually in September with the next review due to be completed in September 2019, therefore, we were not able to test this control at this time. It was agreed with the Housing Operations Manager that the date of review of the HARP Council user access list would be brought forward next year to become aligned with the required testing of the 2019/20 award grant.

## **Reporting Date**

Our audit work concluded on 4 July 2019 and our findings and opinion are based on the conclusion of our work as at that date.

## 2. Executive summary

Total number of findings: 3

Summary of findings raised	
Medium	1. Customer Payment Authorisation Process
Low	2. Grant Payment Authorisation
Low	3. Scheme of Delegation

### Opinion

#### Effective

Our review confirmed that the control environment and governance and risk management frameworks established to support the ongoing management and allocation of development funding received from the Scottish Government have been adequately designed and are operating effectively, and (as highlighted in our 2018/19 review) the introduction of the HARP system has significantly enhanced the operational control framework.

However, whilst no significant control gaps have been identified, our review highlighted one moderate weakness in relation to key person dependency, within the Customer Payment Authorisation Process, which could potentially impact the Council's ability to generate monthly payments to Registered Social Landlords and draw down grant funding from the Scottish Government in the event of any unplanned absence.

This key person dependency concern had been identified and highlighted to management in the 2018/19 review, and management confirmed that this would be addressed. Consequently, this was not raised as a formal Internal Audit finding. During the current review, we established that this had not been addressed and this has now been raised as a medium rated finding.

In addition, we identified some minor weaknesses in the design and operating effectiveness of the controls established to evidence the approval of grant payments, and the use of a scheme of delegation 'Proper Officer' letter in the Place directorate that does not reflect current roles and responsibilities.

During the course of our review, we identified some areas where testing could not be performed. These are detailed in 'Limitations of Scope' at section 1, however, we do not believe that these exclusions would significantly impact our overall opinion.

Consequently, one Medium; and two Low rated findings have been raised.

Our detailed findings and recommendations are laid out at Section 3 below.

#### Areas of good practice

The following areas of good practice were identified:

- All prior year Internal Audit findings raised have been effectively implemented and sustained. The only exception to this is the review of HARP system user access profiles, which is not due for completion until September 2019, as detailed in our limitations of scope;
- The 2018/19 grant award was fully allocated;

- Due to the success of the programme, additional funding was received during the year from the Scottish Government;
- There were no breaches of the terms of the funding requirements identified from minutes of the joint meetings Council's Housing and Development Team;
- Good working relationships between the Council's Housing and Development Team and the Scottish Government were evident, with regular meetings held to review programme progress; and
- There is also regular ongoing engagement between the Council and Registered Social Landlords (RSLs), at both strategic and operational levels.

### **Management Response**

It is management's opinion that the council has a strong and well deserved reputation for the strength of the TMDF programme, the depth of the pipeline, and the management of risk.

Key person dependency has been an issue since the Council initiated the TMDF process in 2004 and has not resulted in any payment issues. When the key person dependency issue was raised as a finding in the current Internal Audit review, it was addressed immediately with an additional two members of the Payments team provided with access to the system and trained (circa 30 minutes training time) on how to authorise the payment run. Access rights and training delivery was completed as soon as the next available end of month payment run was due, circa one to two weeks after the finding was raised at the end of June 2019.

Indeed, strong performance on the housing programme is supported by the strength of the administration of the grant programme. This is reflected in the additional funding received each year from the Scottish Government, where the Council has secured an additional £21.2 million in grant funding over the last two years (an additional 25% funding). Additionally, the Government has increased the 2019/20 resource planning assumptions by £3.1m at the beginning of 2019/20 on the basis of the strength of the delivery of the programme.

# 3. Detailed findings

## 1. Customer Payment Authorisation Process

Medium

The Transactions Team Manager within Banking and Payment Services is responsible for the completion of the Transfer of the Management Development Funding Grant (TMDF) payment run on a monthly basis.

Our review highlighted that the Transactions Team Manager is the only person within the Banking and Payment Services team who has access to the HARP system and also the knowledge and authority to authorise and process payments (up to £60k) to Registered Social Landlords (RSLs). Any payments over £60k must be authorised by a Senior Officer within Finance.

Additionally, the end to end payment process within the Banking and Payment Services team is not documented.

It was also established that the Resources Corporate Finance team depends on completion of the payment run to allow them to draw-down funds from the Scottish Government.

### Risk

Delay in payments to Registered Social Landlords (RSLs) and draw-downs from Scottish Government if there were unplanned or extended absences.

### 1.1 Recommendation – Documentation of the payment authorisation process

The 'end to end' payment authorisation process performed by the Banking and Payment Services team should be documented, and regularly reviewed to ensure that documentation is updated to reflect any process changes.

### Agreed Management Action

Banking and Payments Services team have prepared an end to end process that will be reviewed and updated in conjunction with any system and process changes.

**Owner:** Stephen Moir, Executive Director of Resources

**Contributors:** Nicola Harvey, Head of Customer & Digital Services; Neil Jamieson, Customer Senior Manager; Sheila Haig, Customer Manager; Catherine Smith, Transactions Team Manager, Banking and Payment Services; Julie Rosano, Executive Assistant; Layla Smith, Business Manager.

**Implementation Date:**

30 August 2019

### 1.2 Recommendation - Key person dependency

- Capacity and skills within Banking and Payment Services should be reviewed to identify team members who would be able to complete the monthly payment run process;
- Full training on the 'end to end' payment process including access to the HARP system should be provided; and
- Responsibilities for completion of the monthly payment run should be rotated between the team members identified to ensure that their knowledge of the process remains up to date and relevant.

### Agreed Management Action

Two Banking and Payments Services Transactions Officers will be trained on the authorisation of payments and have already been given user access to HARP.

Responsibility for payment authorisation will be rotated between trained team members on a monthly basis.

**Owner:** Stephen Moir, Executive Director of Resources

**Contributors:** Nicola Harvey, Head of Customer & Digital Services; Neil Jamieson, Customer Senior Manager; Sheila Haig, Customer Manager; Catherine Smith, Transactions Team Manager, Banking and Payment Services; Julie Rosano, Executive Assistant; Layla Smith, Business Manager.

**Implementation Date:**

30 November 2019

## 2. Grant Payment Authorisation

Low

Under the Council's Scheme of Delegation, the Operations Manager, Enabling and Partnership can approve payment claims up to £1m. Therefore, for any payments under £1m, Housing Development Officers email the details of the relevant payment claim to the Operations Manager for approval i.e. the project name, reference number and claim amount.

Approval is granted via a responding email and the authorisation for payments is granted and recorded on the HARP system by the Housing Development Officer to note that the claim is 'authorised on behalf of the Operations Manager'. However, the authorising email is not retained to support the authorisation of the payment claim.

There are compensating controls built into the HARP system, for example an audit trail lists all authorisations made; there are annual and total grant restrictions that cannot be exceeded; and there is only the option to accept or reject a claim with no option to alter the claim amount submitted by the Registered Social Landlord.

In addition, the Transactions Team Manager, checks the supporting documentation as part of the payment process and the Scottish Government complete spot checks on claims submitted within the system.

### Risks

Lack of evidence of the payment claims of up to £1m being approved by relevant Senior responsible officer.

### 2.1 Recommendation - Retention of Authorising Emails

Approval emails should be retained in a secure location and in compliance with records management retention periods to evidence that the relevant approval has been granted in line with applicable delegated authorities.

### Agreed Management Action

Management have agreed to set up a folder to retain authorising emails in a central location.

#### Owner:

Paul Lawrence, Executive Director of Place

#### Contributors:

Michael Thain, Head of Place Development; Elaine Scott, Housing and Development Manager; Lisa Mallon, Operations Manager Enabling and Partnerships; Alastair Ranyard, Senior Development Officer; Alison Coburn, Operations Manager; Rona Guild, Resource Officer; Sandra Harrison, Executive Assistant.

#### Implementation Date:

30 August 2019

### 3. Scheme of Delegation

Low

The Council's Scheme of delegation in the Place Directorate covers the authority to approve grant offers and payments to Registered Social landlords, and to sign documentation as a 'Proper Officer'.

The delegation provided by the Executive Director of Place specifies that the authority levels will remain applicable so long as the individuals remain in the specified roles.

Review of the Scheme of Delegation letter held within our audit files (dated 27.01.17) against the Register of Proper Officers and Sub-Delegation held by the Council's Governance Manager established that the roles and responsibilities of the Head of Place Development requires to be updated.

#### Risks

The Head of Place Development does not have the 'authority to approve' under the Councils Scheme of Delegation until the correct roles and responsibilities have been documented.

#### 3.1 Recommendation - Scheme of Delegation Letter

The roles and responsibilities of the Head of Place Development should be reviewed, and an updated Scheme of Delegation letter should be issued.

#### Agreed Management Action

Operations Manager will liaise with Housing and Development Manager to consider whether Head of Place Development requires delegated authority for the TMDF process.

#### Owner:

Paul Lawrence, Executive Director of Place

#### Contributors:

Michael Thain, Head of Place Development; Elaine Scott, Housing and Development Manager; Lisa Mallon, Operations Manager Enabling and Partnerships; Alastair Ranyard, Senior Development Officer; Alison Coburn, Operations Manager; Rona Guild, Resource Officer; Sandra Harrison, Executive Assistant.

#### Implementation Date:

30 August 2019

#### 3.2 Recommendation - Proper Officer Register

The Council's Register of Proper Officers and Sub-Delegation record should be updated to reflect the current roles and responsibilities of the Head of Place Development.

#### Agreed Management Action

Place scheme of delegation is currently being reviewed and the 'Proper Officer' Register will be updated to reflect current roles and responsibilities.

#### Owner:

Paul Lawrence, Executive Director of Place

#### Implementation Date:

31 December 2019

**Contributors:**

Michael Thain, Head of Place Development; Elaine Scott, Housing and Development Manager; Lisa Mallon, Operations Manager Enabling and Partnerships; Alastair Ranyard, Senior Development Officer; Alison Coburn, Operations Manager; Rona Guild, Resource Officer; Sandra Harrison, Executive Assistant.

# Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
<b>Critical</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on the operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation of the organisation which could threaten its future viability.</li> </ul>
<b>High</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation of the organisation.</li> </ul>
<b>Medium</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation of the organisation.</li> </ul>
<b>Low</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

# Appendix 2 - Areas of Audit Focus

## Grant Payment

- Draw down notices and supporting evidence are reviewed and approved prior to submission to the Scottish Government.
- Where funding has not been fully utilised, the underspend is less than 10% of the amount drawn and is agreed between parties.

## Application of Grant

- Funding has been allocated across each programme category and designated areas as specified in tables 1 and 2 of the offer letter; and
- There is a clear definition of general needs; particular needs; and intermediate rent in the Housing for rent category, and these are consistently applied.
- The Council has consistently applied SG definitions to the projects within the AHSP to ensure there is a clear audit trail of application of funds.
- The Council has approved projects for provision of 1,029 units in total across programme category; area type and designated area as specified in table 3 of the offer letter.
- The Council has completed a total of 805 units across the allocations specified in table 4 of the offer letter.
- The Council has started a total of 1,000 units across the allocations specified in table 5 of the offer letter.

## Programme Management

- Where funding has been used to cover administrative costs, permission has been obtained from the Scottish Ministers.
- The Council has worked in partnership with registered social landlords to develop and implement effective strategies for local areas, consistent with the Council's Local Housing strategy.
- Recognition of SG funding is included on signage at development sites.

## Monitoring

- Expenditure on the programme has not exceeded the allocation provided by the SG; and
- Any carry forward of expenditure into 2019/20 does not exceed the 2018/19 Resource Planning Assumption of £41.269M.
- Additional funding of £10M has not been included in any carry forward amounts.

## Breaches

- Confirm whether there is a process in place to establish and escalate breaches of the terms of the funding requirements;
- Establish whether there have been any breaches in the current year and confirm that they have been reported to the SG; and

- If any breaches have occurred and been reported, confirm that SG remedial actions have been effectively implemented.

### **Systems**

- Confirm that all projects are recorded and maintained on the SG RESOURCE or HARP system; and
- Confirm that HARP user access rights appropriate to ensure sufficient segregation of duties in relation to payments.

### **Follow-Up**

- Confirm that all management actions supporting closure of findings raised from the prior year review have been effectively implemented and sustained.