

**ANGUS COUNCIL**

**SCRUTINY AND AUDIT COMMITTEE – 22 JANUARY 2019**

**INTERNAL AUDIT ACTIVITY UPDATE**

**REPORT BY MARGO WILLIAMSON – CHIEF EXECUTIVE**

**ABSTRACT**

This report provides the Internal Audit Activity update on the main findings of internal audit reports issued since the date of the last Scrutiny and Audit Committee.

**1. RECOMMENDATIONS**

It is recommended that the Scrutiny and Audit Committee:-

- (i) Note the update on progress with the 2018/19 Internal Audit Plan,
- (ii) Note management's progress in implementing internal audit recommendations, and.
- (iii) Approve the amendments to the 2018/19 Internal Audit Plan as outlined in the Report.

**2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN (LOIP) AND COUNCIL PLAN**

The proposals set out in this report will contribute to the outcomes outlined in the Local Outcomes Improvement Plan, Locality Plans and Council Plan, which focus on the economy, people and place.

**3. BACKGROUND**

**Introduction**

The annual internal audit plan was ratified by the Scrutiny and Audit Committee and a progress report is submitted to each meeting of the Committee. This report outlines progress in delivering the plan.

Internal Audit issues a formal report for each review undertaken as part of the annual audit plan. Each report contains an action plan which incorporates all the recommendations made. This action plan, prepared under SMART (Specific, Measurable, Achievable, Realistic, Timed) criteria, is agreed with management who nominate persons responsible for taking forward the actions and who set their own completion date for each action. This agreed action plan forms an integral part of the final audit report and audit recommendations are ranked to indicate materiality.

As part of the on-going audit process, Internal Audit reviews the implementation of recommendations and reports the results to each meeting of the Scrutiny and Audit Committee. The latest results are included in the Update Report at **Appendix 1**.

**4. CURRENT POSITION**

Work continues within the Internal Audit team to progress the 2018/19 Internal Audit Plan agreed by this Committee in April 2018. (Report 134/18 refers). Ad hoc requests for advice are being dealt with as they arise. The focus of some items within the plan has been revised to take account of changing circumstances and ensure internal audit work remains effective. There has been some slippage in the plan, but it is expected this will be caught up in time for the annual report in June 2019.

## 5. PROPOSALS

The attached report provides Scrutiny and Audit Committee members with an update on progress with the 2018/19 Internal Audit Plan. The Committee is asked to note:

- this report.
- the progress made in implementing internal audit recommendations.

The committee is asked to approval the changes to the 2018/19 Internal Audit Plan outlined in the report.

## 6. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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**List of Appendices:**

Appendix 1 - Internal Audit Activity Update Report (attached)

# Angus Council Internal Audit



## Update Report

Scrutiny & Audit Committee

22 January 2019

Cathie Wyllie  
Service Leader – Internal Audit  
Strategic Policy, Transformation & Local Government Reform

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# Introduction

This report presents the progress of Internal Audit activity within the Council up to the 11 January 2019 and provides an update on:

- Progress with the 2018/19 Internal Audit Plan including changes to the focus of some items;
- Progress with implementing internal audit recommendations; and
- Requests approval to remove the savings targets/income generation work from the plan and to postpone post implementation reviews of iPay and Carefirst until a more appropriate point in their implementation.

## Audit Plan Progress Report

### Changes to the focus of the 2018/19 plan

We have revisited the original plan as a result of the impact of operational requirements, the impact of pace of change on planned work, and issues that have arisen during the year. In addition to the postponement of the Business Continuity work agreed at the last meeting further changes to focus, and content have been made: These are recorded in the table below.

Audits	Output	Initial Scope	Revised Scope
Savings targets/Income generation	Report	Review procedures to set, monitor and report progress with savings targets and income generation	Proposed to remove from the plan due to work already undertaken on budget setting and OD/ZBB activity at corporate and service level. Time reallocated to accommodate the changes in focus below
Change programme	Report	Review realisation of Agile savings and anticipated outcomes.	Time re-focused for a review of Change Programme Governance. Work on budgets has provided some assurance on realisation. The revised scope will review how this is managed.
On-line school payments	Report	Post-implementation review of on-line school payments.	Split into two elements Phase 1 consultancy re project management, Phase 2 review of system in operation re benefit realisation and operation. Timing of Phase 2 to be agreed once suspense account reconciliation exercise is complete – this may move to 2019/20 plan.


Audits	Output	Initial Scope	Revised Scope
Carefirst Social Work system	Report	Post-implementation review of upgraded system	Timing of implementation has changed so post-implementation review postponed. Time used to review project management and will be reported under Project Management heading.
Change Management/ Programme and project management	Report	Review of Change Management procedures, to include Project Management procedures at individual project level.	<p>The focus of this work has been revised.</p> <p><b>Change management</b> will now be covered in the review of the change programme discussed above.</p> <p><b>Project management</b> review against good practice for iPay, Resourcelink and Eclipse (CareFirst) projects. iPay and Eclipse were in initial plan as full Post Implementation Reviews. Plan to do benefit realisation elements of both once implementation has reached an appropriate point.</p> <p>Input to the project management review group will also be provided.</p>
<b>Other</b>			
Consultancy support for Change Programme & specific Member and/or management projects	Advisory	As determined by requests.	This will now include input to Lean reviews from Yellow Belts in Audit and Fraud teams if required.



## 2018/19 Internal Audit Plan – Progress update

The table below summarises progress as at the 11 January 2019. Definitions for control assurance assessments are shown on page 24.

Timings for some audits have been revised since the last progress report. This is to accommodate operational requirements in services, or to ensure the audit is undertaken at the time it will add most value. It should be noted that timings for IT Governance audits are dependent upon completion of the new tender for specialist IT audit support.

The table also includes the impact of changes explained in the previous section.


Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
<b>Corporate Governance</b>					
Corporate Governance annual review – 2018-19	June 2018	Complete	N/A	N/A	19 June 2018 (report 204/18)
New Management Structure - revised Governance Arrangements	March 2019				18 June 2019
General Data Protection Regulations (GDPR) Readiness	June 2018	Complete	Substantial		21 August 2018
Risk management	Jan./Feb. 2019	Planning			23 April 2019
Council Governance & Oversight of Arrangements with Angus Alive	April 2019				18 June 2019
Council oversight of IJB	Feb./March 2019				23 April 2019
<b>Financial Governance</b>					
Schools' Funds – Governance (follow-up)	Feb. 2019				23 April 2019
Savings targets/Income generation Proposed to remove as work on budgets provides assurance on savings and OD/ZBB and other work is looking at Income Generation	Proposed to remove from plan				

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Change programme / Agile Savings Proposed to change focus and review governance of the change programme. Agile savings will not be reviewed.	Jan. 2019	Planning			<i>5 March 2019</i>
Review of Voluntary Severance scheme	June 2018	Complete	Substantial		<i>25 September 2018</i>
On-line payments/ "Cashless Council"	Feb./March 2019				<i>23 April 2019</i>
On-line school payments – now split in to two phases. Phase 1 included in 3 project review of project management procedures. Phase 2 to be undertaken during 2019 to review operation of system.	See project management below TBC				<i>22 Jan. 2019</i>  <i>TBC</i>
BACS system	Aug. 2018	Complete	Substantial		<i>20 November 2018</i>
Data Analysis – Payroll & Accounts Payable	Continuous Auditing	On-going. Last reported Nov. 2018	Payroll - Comprehensive Accounts payable - Substantial		<i>5 March 2019</i>

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
<b>IT Governance</b>					
Carefirst Social Work system Focus changed. This project included in 3 project review of project management procedures  Phase 2 to be undertaken during 2019 to review operation of system.	See Project Management  TBC				<i>22 January 2019</i>  <i>TBC</i>



Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
IT User Access Administration – Integra (follow-up)	Feb./March 2019				<i>23 April 2019</i>
IT User Access Administration - Resourcelink	Feb. 2019				<i>23 April 2019</i>
<b>Internal Controls</b>					
Contract specification process	Feb./March 2019				<i>18 June 2019</i>
Change Management/Project Management procedures – now 2 separate audits. Change Management covered by Change Programme above.					
Project management procedures	Oct/Nov./ Dec. 2018	Complete	N/A – Consultancy project		22 January 2019
Business continuity planning and disaster recovery	Postponed until 2019/20 Audit Plan				<i>2019/20</i>
School transport	July 2018	Complete	Comprehensive		20 November 2018
Nursery/Early years expansion	July 2018	Complete	Substantial		20 November 2018
<b>Asset Management</b>					
Stocks	May 2018	Complete	Limited		25 September 2018
MEB (Formerly DERL)	Jan. 2019	In Progress			<i>5 March 2019</i>
Property Repairs Work Allocation (Schedule of Rates)	Dec. 2018/ Jan. 2019	In Progress			<i>5 March 2019</i>
Section 75 agreements	Oct. 2018	Complete	Substantial		22 January 2019

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
<b>Legislative and other compliance</b>					
LEADER	October 2018	Complete	Substantial		22 January 2019
Carbon Reduction / Climate Change Targets 2020	Feb. 2019				<i>23 April 2019</i>
IR35 (off payroll working rules)	Jan./Feb. 2019	Planning			<i>23 April 2019</i>
Procurement Reform (Scotland) Act 2014	April. 2019				<i>18 June 2019</i>
EESHH 2020 housing standards compliance	Jan. 2019	Planning			<i>5 March 2019</i>
Environmental Health, Consumer Protection and Food Safety Enforcement	Dec./Jan. 2018	In progress			<i>5 March 2019</i>
Corporate Health & Safety	Feb. 2019	Planning			<i>23 April 2019</i>
Interreg (European Funding)	Jan. 2019	Planning			<i>5 March 2019</i>
<b>Chief Executive Reports</b>					
Lochside Leisure Centre	Oct 2018	Complete	N/A	N/A	20 November 2018

## Angus Alive and Angus Health & Social Care IJB

Angus Council's Internal Audit staff have continued to work on the audit plans for both Angus Alive and Angus Health & Social Care IJB during the period covered by this update report. The third audit for 2018/19 for Angus Alive is currently in progress, and our main IJB audit assignment for 2018/19 is at draft report stage. Reports for both bodies are presented to their respective audit committees throughout the year.

## Summary findings of internal audit reviews

This section provides a summary of the material findings of internal audit reviews concluded since the last meeting. It also provides information on the number of recommendations made. Recommendations are ranked in order of importance, with level 1 being the most material. Execution of recommendations is followed up by Internal Audit and reported to this Committee.

Members are asked to consider the following summaries and provide any commentary thereon: -

- Leader
- Continuous Auditing – Payroll & Creditors/Accounts Payable
- Project Management and Governance
- Section 75 Agreements.

### Leader

LEADER (Liaison Entre Actions de Développement de l'Economie Rurale) is a European Rural Development programme funded from European and Scottish Government money and is part of the Scottish Rural Development Programme, (SRDP) aimed at promoting economic and community development within rural Angus areas.

As part of the Service Level Agreement (SLA) between the Scottish Government Agriculture, Food and Rural Communities Directorate (SGAFRC) and Angus Council, acting as Accountable Body for Angus Local Action Group (LAG), the Council is required to submit an annual confirmation certificate and report. This has to include a summary of work undertaken by the Council's Internal Audit function and details of any findings noted in determining whether compliance with the SLA requirements has been achieved.

The LEADER rural development programme funding awarded to Angus Council is £2,750,186. The programme was launched in February 2016 and grant funds need to be fully awarded by 31 December 2019 with all project claims completed by 31 December 2020.

LEADER grants awarded, claims paid and administration and animation expenditure incurred from information supplied to 15 October 2018 is per the table below:

	Number			Value		
	Period to 15/10/2017	Year to 15/10/18	Total	Period to 15/10/2017	Year to 15/10/18	Total
<b>GRANTS</b>						
Grants Awarded	15	15	30	£849,022	£877,704	<b>£1,726,726</b>
Grant Claims Paid	9	52	61	£60,038	£472,869	<b>£532,907</b>
Note per last year's report there were 17 grants awarded to 15/10/2017 but 2 were revoked and the total value for this period takes into consideration projects revoked, underspent or increased.						
<b>ADMINISTRATION AND ANIMATION CLAIMS</b>						
				Period to 31/03/2017	Period to 30/06/2018	Total
Claims Submitted and received				£45,904	£158,126	<b>£204,030</b>
Claims Submitted not received					£129,028	<b>£129,028</b>

Note the Administration and Animation Claim for the period 1 July to 30 September 2018 is currently being calculated and will be submitted by 26 October 2018.

In April 2018 the Scottish Government reviewed Angus Council's arrangements for LEADER. They assessed the Council's arrangements as "Amber" and disallowed one grant of £2,000 because the full authorisation process had not been followed exactly. Actions have been put in place to address the issues raised by the Scottish Government review. Amber status means 'Improvements are required to enhance the effectiveness of procedures. There are weaknesses in process and/or control procedures. Exposure to the weaknesses identified may be moderate and being mitigated.

The overall objective of the audit assignment was to confirm that for the year 16 October 2017 to 15 October 2018 Angus Council had undertaken the delegated function as specified in the SLA between Scottish Government and LAG.

The specific Control Objectives of the audit were to ensure that:

- The Council as Accountable Body for Angus Local Action Group is complying with the terms of the Service Level Agreement.
- Supporting evidence is held for claims paid in respect of grants awarded.
- Claims for reimbursement of eligible LAG expenditure are processed in line with procedures.

We also reviewed whether the issues raised in the monitoring report performed by Scottish Government staff in April 2018 had been addressed.

The previous year's review (16 October 2016 to 15 October 2017) highlighted four areas where improvements could be made in respect of Register of Interests for LAG members, information held on LARCs, drawdowns and administration claims made from Scottish Government. These were reviewed during this audit.

We held discussions with key staff to ensure processes and procedures are in place to comply with the SLA and are appropriate. This included a review of project files, information held on LARC's, funding paid and payments claimed.

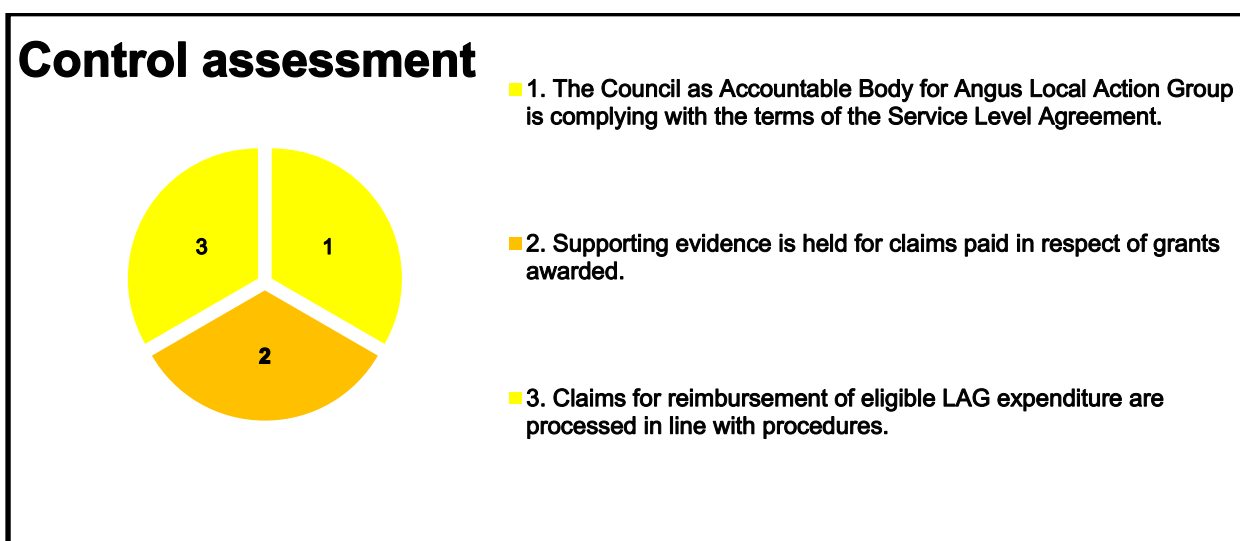
The output was a report to the Head of Service and a summary of the outcomes to the Scrutiny and Audit Committee. A copy of the report and Confirmation Certificate will be sent to the Paying Agency (Scottish Government LEADER Team) in line with guidance received from Scottish Government.

## Conclusion

The overall level of assurance given for this report is 'Substantial Assurance'

## Overall assessment of Key Controls

The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:



## Audit Recommendations summarised by Type & Priority

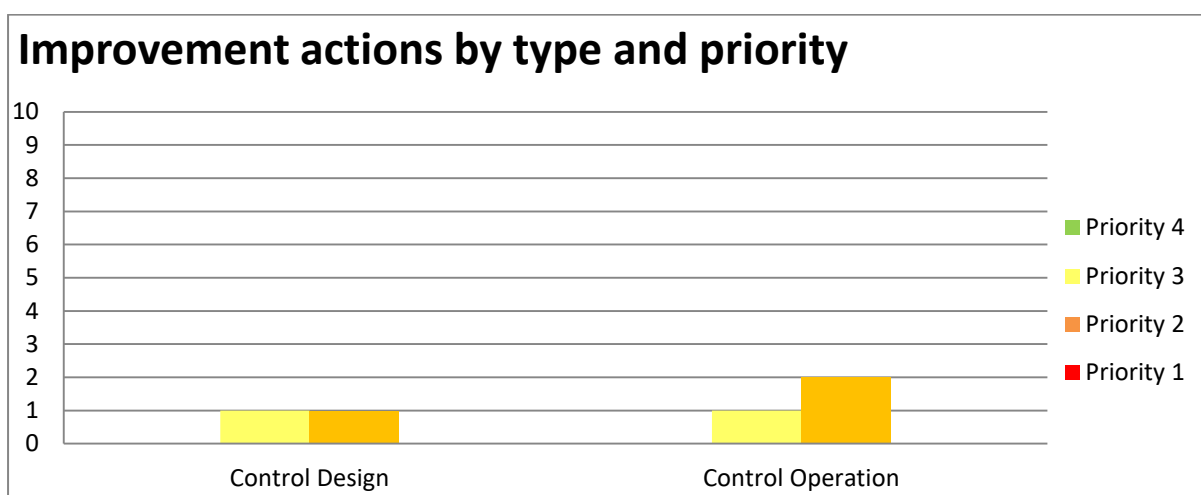


Table 4 Improvement Actions by type and priority

There are 5 recommendations in this report, 2 for control design and 3 regarding operation of controls. There are three priority 2 and two priority 3 recommendations.

## Key Findings

### Good Practice:

The areas identified in the previous audit report are still relevant with an additional area of good practice:

- LAG members are requested to review their Register of Interests forms annually.
- The actions raised in the monitoring report produced by Scottish Government staff in April 2018 have been fully addressed.

### Areas Identified for Improvement:

We have made five recommendations to address high and moderate risk exposure which are:

#### **Level 2**

- Assessor's Forms should be appropriately signed before being attached to LARC's.
- Where a fast track application results in the final award being greater than the LAG limit of £10,000 this should be reported promptly to the LAG members for them to discuss fully the application in line with procedures.

#### **Level 3**

- Users of the LARC's system should be reviewed regularly and amended promptly when someone no longer requires access.
- There should be a checklist for staff to complete for each project to ensure all forms are appropriately signed, stamped and attached to LARCs.
- Monitoring and reconciliation of drawdowns should be performed to ensure the correct amount is received into the Council's bank account.

### Wider Learning Points to be Disseminated Across the Council:

- Where processes have been documented or reviewed these should be circulated to relevant staff.

## **Continuous Auditing – Payroll & Accounts Payable**

As part of the 2018/19 annual plan, Internal Audit carries out interrogation of Payroll information as part of the Continuous Auditing Programme. We used the data analysis software, CaseWare IDEA (Interactive Data Extraction Analysis) to analyse the data.

In November 2018 we reported the overall level of assurance given as a result of our testing to November was:

- Payroll - Comprehensive Assurance.
- Creditors/accounts payable - Substantial Assurance.

# Project Management and Governance

## Background

The 2018/19 plan included post implementation reviews of:

- the new iPay system for use in schools to take on-line payments from parents for school trips, payments for subject resources, and school meals, and
- The first phase of update to the CareFirst system, updating the system used in Children & Families.

The plan also included a review of Change Management, including individual project management arrangements.

During 2018 it was agreed to refocus the work to produce a report looking at project management and governance of three projects:

- iPay
- CareFirst/Eclipse
- Resourcelink - This project deals with provision of an integrated HR/Staffing/Payroll system, maximising self-service opportunities for both managers and employees.

Post implementation reviews of iPay and Eclipse and the Change Management element in the initial plan will be covered in separate reviews.

## Project Management and Governance

The Scottish Government defines project management and project governance as follows:

**“Project Management** is the discipline of planning, organising, securing, managing, leading, and controlling resources to achieve specific goals.”

**“Governance** ensure(s) there are effective reporting arrangements from the programme or project into the higher-level corporate environment.”

## Scope

The scope of this consultancy work was to review the implementation of the three systems to identify lessons learned and good practice to be taken forward in future project implementation. The results of this review will also feed into the working group looking at project governance and management guidance.

We considered good practice identified by Scottish Government in the following areas:

- Initiation
- Planning
- Implementation
- Closure

## Overall conclusion

The review identified that there was not a consistent approach to project management.

A number of good practices and lessons learned / areas for improvement were identified from all projects. We have recommended that these be taken into consideration by the group tasked with a review of the Council's project management approach and documentation.

This review only considers traditional project management. Agile project management is also used for some implementations in the Council, and is well suited to projects that have an element of system design within them. Although the method is very different from traditional project management, proper ownership and governance are still very important for project success. The group reviewing the project management documentation should therefore:

- consider both traditional and agile project management and governance, and
- produce clear guidance on when to use each type of project management.

The Eclipse project included a significant amount of good practice in its planning and management, with a project initiation document (PID); clearly defined roles and responsibilities; a project board with good representation from stakeholders and an operational group, both of which met regularly, had papers in advance of meetings, and minutes with action points; and testing and evaluation at key stages. Some elements of that good practice were evident in the other projects reviewed, however neither of the other projects had a recognisable project steering group that met regularly and other stakeholders were involved on an as and when required basis.

The key lessons learned are noted below: -

- Monitor contract end dates and plan well in advance to allow the Council ample time to negotiate/procure the best new arrangement. Where collaboration is being explored ensure an alternative solution is also available.
- Although supplier input can be useful and is sometimes desirable, do not allow the supplier to run the procurement stage, or the project implementation, without strong steering, oversight and intervention when required from Council staff.
- Identify when a business case is required going into a project and produce a business case that evaluates options and explains the expected benefits of the project.
- Consider workstreams and their interdependencies – are they all part of one project, or multiple projects following on from each other?
- Produce a project initiation document.
- Have a project board/steering group including all stakeholders, and with clearly defined roles and responsibilities for those involved in the project. Meet regularly and have minutes that clearly identify SMART actions. The activity of the steering group will vary depending on the nature and size of the project.



- Keep an issues log/risk register which should be maintained, regularly reported to the project board and used to help manage the project.
- Undertake testing, evaluation of its effectiveness, and take corrective action where needed before proceeding further.
- Evaluate progress and consider if critical actions are outstanding at key points in the lifecycle before moving to the next stage, and particularly before signing off for “go live”. Delay progress to the next stage if necessary.
- Plan and deliver training for all involved that is timed well and evaluated, with follow up training if required.
- Governance arrangements should be in place that allow progress, or key issues to be regularly reported and reviewed by a group that can intervene to help resolve issues if required and assess the impact of any delay or change on the Council’s wider activity. The Change Board currently undertakes this role for a number of projects.

## Summary of findings

In addition to the project management lessons learned, as identified above, there are also the following items to consider: -

- Monitor contract end dates and plan well in advance to allow the Council ample time to negotiate/procure the best new arrangement. Where collaboration is being explored ensure an alternative solution is also available.
- Although supplier input can be useful and is sometimes desirable, do not allow the supplier to run the procurement stage, or the project implementation, without strong oversight and intervention when required from Council staff.
- Identify when a business case is required going into a project and produce a business case that evaluates options and explains the expected benefits of the project.
- Procurement Team should be involved at an early stage to help evaluate procurement options.

## Section 75 Agreements

### Introduction

As part of the 2018/19 annual plan, Internal Audit has completed a review of Section 75 Agreements in relation to Planning Obligations (excluding Affordable Housing obligations) agreed between Angus Council and property developers.

The audit sought to provide assurance that Section 75 agreements have been applied, collected and spent in a consistent manner and agreed timeframe.

The factual accuracy of this report has been confirmed with Kate Cowey, Service Leader – Planning and Communities; Ed Taylor, Team Leader, Development Standards; and Elaine Hughes, Service Manager – Performance.

The co-operation and assistance given by all members of staff in the course of the audit is gratefully acknowledged.

### Background & Scope

Section 75 Planning agreements (also known as Planning obligation, under Section 75 of the Town & County Planning (Scotland) Act 1997 as amended) are agreements between a property developer and the Council to make development acceptable in planning terms and ensure mitigation of the impact of development on infrastructure.

The obligations or contributions may be in-kind (either on-site or offsite) or a financial contribution. In line with national policy tests set out in Circular 3/2012, agreements must relate to the proposed development, be proportionate in scale and kind to the proposed development and be reasonable in all other respects.

The Council's Developer Contributions and Affordable Housing Supplementary Guidance document adopted in December 2016 sets out the Council's approach to Section 75 Planning agreements. (During the time of this audit the guidance document has been revised and approved by committee before being adopted.) Contributions may be sought for the following Council services:

- Open Space, biodiversity enhancements and green infrastructure, including infrastructure relating to the water environment and flood management;
- Education;
- Community Facilities;
- Waste Management Infrastructure; and
- Transport Infrastructure.

The Council also has an affordable housing requirement which seeks to secure 25% of housing as affordable in all qualifying allocated and windfall sites. The provision of

affordable housing is not a developer contribution, but may also be secured through a Section 75 agreement.

Other forms of infrastructure may also be secured through a Section 75 agreement, and these would be negotiated on a case by case basis.

The process of negotiating a Section 75 agreement begins when the Council receives a formal application for planning permission and is in the process of assessing and determining the application.

The audit reviewed the process of negotiating Section 75 Planning agreements (excluding Affordable Housing Obligations), and subsequent collection and spend of the contributions in place against the following objectives:

- Adequate controls are in place to allow legislative requirements to be adhered to in relation to developer contributions;
- Documented procedures are in place to ensure that developer contributions are calculated on a consistent basis;
- Adequate processes are in place to ensure that appropriate officers have input to the planning agreements at the appropriate time;
- The Council has effective procedures in place to monitor developer contributions and ensure collection of amounts owed by the developer/homeowner in a timely manner;
- Contributions from developers are accounted for correctly and allocated to the correct Council service/business unit.
- Adequate controls are in place to ensure that contributions received are used for the purpose defined in the relevant legal agreement, within the appropriate timescale, and appropriate procedures are in place to return unspent money within defined timescales if appropriate and required.

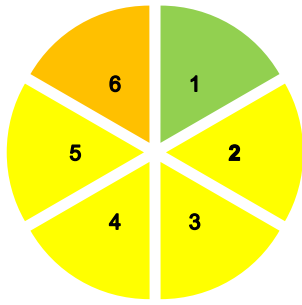
## Conclusion

The overall level of assurance given for this report is '**Substantial Assurance**'.

## Overall assessment of Key Controls

The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:

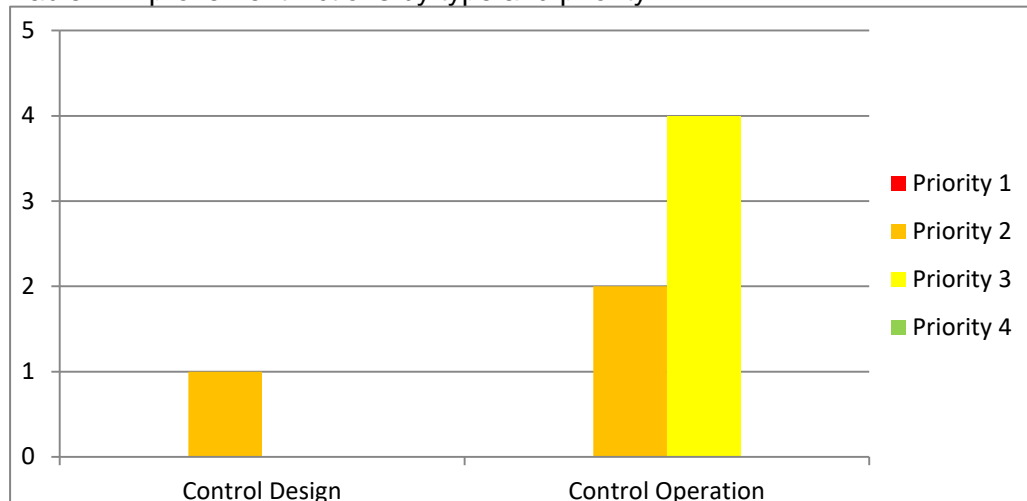
# Control assessment



- 1. Adequate controls are in place to allow legislative requirements to be adhered to in relation to developer contributions.
- 2. Documented procedures are in place to ensure that developer contributions are calculated on a consistent basis.
- 3. Adequate processes are in place to ensure that appropriate officers have input to the planning agreements at the appropriate time.
- 4. The Council has effective procedures in place to monitor developer contributions and ensure collection of amounts owed by the developer/homeowner in a timely manner.
- 5. Contributions from developers are accounted for correctly and allocated to the correct Council service/business unit.
- 6. Adequate controls are in place to ensure that contributions are used for the purpose defined in the legal agreement, within the appropriate timescale, and appropriate procedures are in place to return unspent money within defined timescales if required

## Audit Recommendations summarised by Type & Priority

Table 4 Improvement Actions by type and priority



There are three priority 2 and four priority 3 recommendations in this report, one priority 2 relates to control design, all other recommendations are regarding operation of controls.

## Key Findings

### Good Practice:

We have identified the following areas of good practice:

- Integration of the Section 75 agreement process into the Local Development Plan and associated supplementary guidance including the alignment of policies with the Scottish Government Circular 3/2012 on Planning Obligations and Good Neighbour Agreements.
- Plan and Guidance are clear in identifying the infrastructure need that arises as sites are developed. They are widely consulted upon within the Council and externally and

are currently in the process of being updated. See current committee report 332/18 to Full Council

Areas Identified for Improvement:

We have made seven recommendations to address risk exposure in this area; three priority 2 and four priority 3 recommendations have been made which are:

**Priority 2**

- Invoices should be raised rather than emailing Payment Records Sheets
- Risk registers need to reflect reputational risk of not asking for planning obligations, or having to return contributions as not committed or used by the given timeframe, and risk of committing a budget based on a contribution which will not be realised.
- A meeting of the Planning Obligations Monitoring Group (POMG) is required to establish if the group should be meeting, if it adds value, should they report their findings to Committee or CLT and, if re-establishing the group, what are the roles and responsibilities of the group members.

**Priority 3**

- Update procedure notes and review on a regular basis.
- Communicate where requested contributions do not result in actual planning obligations.
- When requesting payment, relevant services, Income Section and Finance should also be notified.
- Management should review the efficiencies of the Planning Obligations Monitoring System.

# Implementation of internal audit recommendations

## Background

The summary report is presented below in accordance with the agreed reporting schedule.

## Summary of Progress

The figures presented in the tables below have been obtained after analysis of the corporate action recording and monitoring system, “Pentana”. Work continues to be carried out on the configuration and management of the Pentana system to provide improved management information and to bring greater efficiency to the follow-up process.

The information presented below reflects the position of the 44 actions in progress at 11 January 2019 (excludes actions for Angus Alive and IJB). Chief Officers receive and review regular detailed reports on the outstanding recommendations.

- Table 1 below shows **overdue** internal audit recommendations by Directorate, year of audit and grade.
- Table 2 separately identifies recommendations which would have been overdue but have had the **original completion date extended** at the request of the Directorate.
- Table 3 details all other recommendations which are **currently in progress** (not yet reached due date).

**Table 1 – Overdue Recommendations by Directorate, year and grade  
(as at 11 Jan. 2019)**

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Grand Total
Chief Executive	2016/17	2	-	-	-	2
	2017/18	-	-	-	-	-
	2018/19	-	1	2	-	3
People	2016/17	-	1	-	-	1
	2017/18	-	-	-	-	-
	2018/19	-	1	-	-	1
Place	2016/17	-	-	-	-	-
	2017/18	-	-	-	-	-
	2018/19	-	2	1	-	3
<b>Grand Total</b>		<b>2</b>	<b>5</b>	<b>3</b>	<b>-</b>	<b>10</b>

**Table 2 – Recommendations in Progress (as at 11 January 2019)  
(Original Completion Date Extended)**

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Chief Executive	2016/17 2017/18	- -	- -	- -	- -	- -	- -
People	2016/17 2017/18	2 -	1 -	- -	- -	- -	3 -
Place	2016/17 2017/18	- 1	- 9	- 3	- -	- -	- 13
<b>Grand Total</b>		<b>3</b>	<b>10</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>16</b>

**Table 3 – Recommendations in Progress (as at 11 January 2019)**

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Not Graded	Grand Total
Chief Executive	-	-	-	-	-	-	-
People	2018/19	-	-	-	-	-	-
Place	2017/18 2018/19	- -	- 6	1 5	- 1	- 5	1 17
<b>Grand Total</b>		<b>-</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>5</b>	<b>18</b>

# Definition of Assurance Levels, Control Assessments & Recommendation Priorities

Table 1 – Level of Assurance definitions

Level of Assurance	Definition
Comprehensive Assurance	There is a sound control framework in place designed to achieve the system objectives, which should be effective in mitigating risks. Some improvements in a few, relatively minor, areas may be required, and any residual risk is either being accepted or addressed by management.
Substantial Assurance	The control framework in place is largely satisfactory, however there are a few areas where improvements could be made to current arrangements to reduce levels of risk, and/or there is some evidence that non-compliance with some controls may put some of the system objectives at risk.
Limited Assurance	Some satisfactory elements are evident within the control framework. However, some significant weaknesses have been identified which are likely to undermine the achievement of objectives, and/or the level of non-compliance with controls puts the system objectives at risk.
No Assurance	The control framework is ineffectively designed and operated. The issues identified require immediate attention to address the risks to the Council which are currently unacceptable. Significant improvements are required.

Table 2 - Control assessment definitions

Control Assessment	Definition
Red	Fundamental absence or failure of key control
Amber	Control objective not achieved – control is inadequate or ineffective
Yellow	Control objective achieved – no major weakness but scope for improvement
Green	Control objective achieved – control is adequate, effective & efficient

Table 3 - Recommendation Priority definitions

Priority	Definition
1	Recommendation concerning the absence/failure of fundamental control which is critical to the success of the system. Major weakness which significantly impairs the overall control framework. Immediate management action required. <b>Very high risk exposure.</b>
2	Recommendation concerning absence or non-compliance with key control which creates significant risks within the organisation. Substantial weakness identified. Prompt management action required. <b>High risk exposure.</b>
3	Recommendation concerning absence or non-compliance with lower level control, or an isolated instance of non-compliance with a key control. The weakness identified is not necessarily great, but controls would be strengthened and the risks reduced if it were rectified. To be addressed by management within a reasonable timescale. <b>Moderate risk exposure.</b>
4	Recommendation concerning minor issue which is not critical, but implementation would improve the system and/or strengthen controls. To be addressed by management within a reasonable timescale. <b>Limited risk exposure.</b>