

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 June 2019

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – June 2019

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued, and follow-up work completed, since the last meeting of the Committee and to provide an update on progress made against the 2018/19 annual audit plan.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from Internal Audit reports issued during the period from March 2019 to June 2019 as contained in Appendix 1;
 - ii. the findings from Internal Audit's follow-up work;
 - iii. Internal Audit's progress against the annual audit plan for 2018/19 as set out in Appendix 2.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee, final reports have been issued in respect of the following audits: Building Standards, Council Tax Recovery and Enforcement, Bank Reconciliations, Performance Indicators, Planning Enforcement and Business Grants.
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Building Standards – Reasonable Assurance
 - Council Tax Recovery and Enforcement – Reasonable Assurance

- Bank Reconciliations – Reasonable Assurance
- Performance Indicators – Moderate Assurance
- Planning Enforcement – Moderate Assurance
- Business Grants – Moderate Assurance

3.4 Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Detailed spreadsheets are maintained to monitor progress being made and this report provides a summary of the current status for six audits that were reported in 2017/18. Our findings are detailed below.

Gas Servicing and Maintenance

3.5 Internal Audit's report on Gas Servicing and Maintenance was issued in September 2017. Our follow-up review has highlighted that all nine recommendations made have been implemented.

Performance Bonds

3.6 Internal Audit's report on Performance Bonds was issued in February 2018. Our follow-up review has highlighted that all four recommendations made have been implemented.

Care at Home Payments

3.7 Internal Audit's report on Care at Home Payments was issued in June 2018. Our follow-up review has highlighted that all six recommendations made have been implemented.

Performance Indicators

3.8 Internal Audit's report on Performance Indicators was issued in June 2018. Our follow-up review has highlighted that the two recommendations made have been implemented.

Throughcare and Aftercare

3.9 Internal Audit's report on Throughcare and Aftercare was issued in June 2018. Our follow-up review has highlighted that all seven recommendations made have been implemented.

Non-Domestic Rates

3.10 Internal Audit's report on Non-Domestic Rates was issued in June 2018. Our follow-up review has highlighted that all four recommendations made have been implemented.

Progress Report 2018/19

3.11 The progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2018/19.

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	6 June 2019

EAST LOTHIAN COUNCIL – INTERNAL AUDIT BUILDING STANDARDS

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the controls in place for Building Standards income was undertaken as part of the Audit Plan for 2018/19. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Appropriate arrangements are in place to ensure compliance with relevant legislation – for statutory fees, the scale of fees and charges is in accordance with the rates set by the Scottish Government.
- Up to date procedures are in place, providing clear guidance to members of staff.
- Appropriate checking arrangements are in place for all building warrant applications received (both paper and online applications).
- The Uniform system automatically calculates the fee amount due, based on the estimated cost of works.
- Adequate arrangements are in place for the recording of all income received and for the preparation of daily income returns.
- Fee income received is accurately recorded on the Uniform system and receipts are issued to all applicants.
- Regular reconciliations of income received are carried out between the Uniform system and the Council's general ledger.
- Appropriate banking procedures are in place – all cash and cheques received are checked and prepared for banking on a daily basis.
- Design and construction discounts given are in accordance with legislation.

1.3 Areas with Scope for Improvement

- There was a lack of evidence of non-statutory fees being regularly reviewed to ensure that fees are set at an appropriate level. *Risk – failure to recover costs.*
- Currently only one member of staff is able to carry out the monthly reconciliations. *Risk – failure to undertake reconciliations in the absence of the member of staff.*
- The arrangements in place for the processing of online refunds require review – there was a lack of adequate arrangements for the checking and authorisation of online refunds, while the reasons for the refunds were not being recorded on the Uniform system. *Risk – errors and irregularities may occur and remain undetected.*
- There was a failure to ensure that all applicants were informed in writing of the amount of any refund given and the reason for the refund. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Based on our review of Building Standards income, Internal Audit can provide reasonable assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Stuart Allan
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.2	Appropriate monitoring should be carried out of invalid applications recorded on the Uniform system.	Medium	Management Systems and Administration Officer	Agreed		In place
3.3.2	Management should ensure that non-statutory fees are reviewed on a regular basis.	Medium	Management Systems and Administration Officer	Agreed		August 2019
3.4.1	Management should ensure that all cash and cheque payments received are recorded in the Payments Received sheets.	Medium	Business Support Co-ordinator	Agreed		In place
3.4.5	Management should ensure that an additional member of staff is trained in the reconciliation process.	Medium	Management Systems and Administration Officer	Agreed		December 2019
3.5.1	For all applications received, Management should ensure that the correct warrant type is recorded on the Uniform system. Appropriate action should be taken to rectify the errors identified in the calculation of refunds.	Medium Medium	Management Systems and Administration Officer Management Systems and Administration Officer	Agreed Agreed		In place In place

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.2	Management should ensure that appropriate arrangements are in place for the checking and authorisation of online refunds.	Medium	Management Systems and Administration Officer	Agreed		In place
3.5.3	Management should ensure that the reasons for all refunds made are clearly recorded on the Uniform system.	Medium	Management Systems and Administration Officer	Agreed		In place
	Management should ensure that withdrawn applications are not deleted from the Uniform system, but are marked as withdrawn and retained on the system.	Medium	Management Systems and Administration Officer	Agreed		In place
3.5.4	For all refunds made, the applicant should be advised in writing of the amount and the reason for the refund.	Medium	Management Systems and Administration Officer	Agreed		In place
3.5.5	Management should review the posting of online refunds to the general ledger, with a view to ensuring that refunds made can be clearly identified in the ledger.	Medium	Management Systems and Administration Officer	Agreed – subject to discussion with systems.		December 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.2	Management should ensure that the Uniform system is accurately updated with details of design and construction certificates.	Medium	Business Support Co-ordinator	Agreed		August 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT COUNCIL TAX – RECOVERY AND ENFORCEMENT

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Council Tax Recovery and Enforcement was undertaken as part of the Audit Plan for 2018/19. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate procedures are in place to ensure that reminder letters and final demand notices are issued promptly to taxpayers who have defaulted on their Council Tax payments.
- A clear audit trail exists on the Capita system for each stage of recovery, including details of the date recovery action was taken and the current status of the debt.
- Adequate arrangements are in place to ensure that reconciliations are carried out between the debt approved for write-off and the amounts written off on the Capita system.
- The Capita system has been correctly set up to calculate the 10% surcharge applied to debt outstanding on the summary warrant.
- The terms of agreed repayment arrangements had been confirmed to taxpayers in writing.

1.3 Areas with Scope for Improvement

- The existing Council Tax recovery procedures require to be reviewed and updated to ensure that clear guidance is provided to staff. *Risk – failure to adopt a consistent approach.*
- The current process for managing Council Tax arrears requires review – there was a lack of checking procedures in place to ensure that the status applied to debt held by the Council was valid and in some instances, review dates had not been placed on accounts where appropriate follow-up action was required. *Risk – non-collection of Council Tax arrears.*
- The monitoring arrangements in place require review – for the two months examined, there was a lack of evidence to confirm that the high level debt reports had been reviewed. *Risk – failure to recover Council Tax arrears.*
- In a number of cases, a write-off request form had not been completed and approved by the Council Tax Team Leader, prior to the debt being entered on the write-off spreadsheet. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Based on our review of Council Tax Recovery and Enforcement, Internal Audit can provide reasonable assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Andrew Steven
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that the existing Council Tax recovery procedures are reviewed and updated to provide clear guidance to staff responsible for administering Council Tax.	Medium	Council Tax Team Leader	Agreed		October 2019
3.3.3	Management should review the adequacy and effectiveness of the current arrangements in place for monitoring Council Tax debt held by the Council. Consideration should be given to introducing a flag on the Capita system to highlight when accounts with Council Tax arrears were last reviewed.	Medium Medium	Council Tax Team Leader Council Tax Team Leader	Agreed – will be incorporated as part of the service review when the Debt Management function becomes part of the Council Tax Team. Agreed – markers have recently been introduced to flag the month that accounts were last checked and review dates are now being added.		November 2019 In place
3.3.4	Management should ensure that appropriate checking procedures are in place to confirm that the status applied to Council Tax debt is valid.	Medium	Council Tax Team Leader	Agreed		November 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.4 (cont)	<p>Management should ensure that a review date is placed on Council Tax accounts where appropriate follow-up action is required.</p> <p>Management should review the current recovery process for taxpayers on Universal Credit, where changes to the award of Council Tax Reduction automatically advance the payment date and prevent the account from progressing to the next stage of recovery.</p> <p>Management should review the current practice of placing a queued for third party deduction status on debt, where an Attachment of Benefits has been set up for one year's debt, but the taxpayer is not making additional payments towards the overall debt.</p>	<p>Medium</p> <p>Medium</p> <p>Medium</p>	<p>Council Tax Team Leader</p> <p>Council Tax Team Leader</p> <p>Council Tax Team Leader</p>	<p>Agreed</p> <p>Agreed – the Council is part of the Scottish Government review of the Council Tax Reduction Scheme, which is focusing on problems with Universal Credit.</p> <p>Agreed – a review of the current practice will be carried out and of benefit entitlement to confirm if taxpayers have migrated on to Universal Credit.</p>		<p>November 2019</p> <p>Ongoing</p> <p>November 2019</p>
3.4.3	<p>Management should review the effectiveness of agreeing further repayment plans with taxpayers who have continually defaulted on agreed arrangements.</p>	Medium	Council Tax Team Leader	<p>Agreed – the effectiveness of arrangements are continually being reviewed.</p>		June 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.3 (cont)	Management should ensure that the terms of agreed repayment plans seek to clear the current year debt by the end of the financial year.	Medium	Council Tax Team Leader	Agreed		June 2019
3.5.3	Management should ensure that a write-off request form is completed for all write-offs and that the form is properly authorised by the Council Tax Team Leader prior to being entered on the write-off spreadsheet.	Medium	Council Tax Team Leader	Agreed – the procedures were changed during 2018/19, so that Debt Management Officers also complete the forms.		June 2019
	Consideration should be given to providing details on the write-off request form of all the checks that have been undertaken prior to recommending the debt for write-off.	Medium	Council Tax Team Leader	Agreed – the form will be reviewed.		July 2019
3.5.5	Management should ensure that the Department for Work and Pensions are contacted to cancel the direct deduction following a taxpayer's sequestration.	Medium	Council Tax Team Leader	Agreed		July 2019
	Management should ensure that where a taxpayer is sequestered, any credit balances on the taxpayer's old account are transferred to the new account.	Medium	Council Tax Team Leader	Agreed		July 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.6	Management should ensure that the credit balance on the deceased taxpayer's tenancy is transferred from the Orchard system to the taxpayer's account and the amount written back on.	Medium	Council Tax Team Leader / Rent Income Team Leader	Agreed		June 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
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Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT BANK RECONCILIATIONS

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls in place for Bank Reconciliations was carried out as part of the Audit Plan for 2018/19. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate arrangements are in place to ensure that bank reconciliations are performed on a monthly basis.
- A Statement of Current Working Method is in place for the preparation of bank reconciliations, in accordance with the Council's Financial Regulations.
- Adequate separation of duties exists – members of staff with responsibility for preparing bank reconciliations do not undertake cash handling duties.
- Adequate arrangements are in place to ensure that bank reconciliations are reviewed by an independent officer.
- Appropriate supporting documentation is held on file for all bank reconciliations carried out.
- Procedures are in place for identifying out of date cheques and appropriate adjusting entries are being made.

1.3 Areas with Scope for Improvement

- The existing procedures for bank reconciliations require to be reviewed and updated to ensure that clear guidance is provided to staff. *Risk – failure to adopt a consistent approach.*
- In some instances, there was a lack of a clear audit trail – the Revenues account cashbook did not contain a complete record of all transactions that had been posted in the month. *Risk – errors and irregularities may occur and remain undetected.*
- The approach adopted for preparing bank reconciliations requires review – reconciliations do not currently compare the bank balance and the cashbook balance as at the same date. *Risk – failure to identify genuine month end timing differences.*

1.4 Summary

Based on our review of Bank Reconciliations, Internal Audit can provide reasonable assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

**Andrew Steven
Senior Auditor**

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.2	Management should ensure that detailed procedures are in place outlining the key stages in the bank reconciliation process for each bank account.	Medium	Chief Operating Officer Finance / Treasury and Banking Officer	Agreed		December 2019
3.3.3	<p>Management should ensure that the daily Unmarked Statement Transaction Report provides clear explanations for all follow-up action taken and adjustments made.</p> <p>Management should review the Revenues account cashbook on Great Plains, to establish why certain transactions cannot be located in the cashbook following the bank reconciliation.</p> <p>A separate record should be maintained of the monthly transactions in the Revenues account cashbook to ensure that a clear audit trail exists.</p>	<p>Medium</p> <p>Medium</p> <p>Medium</p>	<p>Chief Operating Officer Finance / Treasury and Banking Officer</p> <p>Chief Operating Officer Finance / Treasury and Banking Officer</p> <p>Chief Operating Officer Finance / Treasury and Banking Officer</p>	<p>Agreed</p> <p>Agreed</p> <p>Agreed – an interim record will be held.</p>		<p>July 2019</p> <p>September 2019</p> <p>June 2019</p>
3.3.4	Management should review the approach currently adopted for bank reconciliations, whereby the bank balance and the cashbook balance are not being compared on the same date.	Medium	Chief Operating Officer Finance / Treasury and Banking Officer	Agreed – a review will be carried out.		Ongoing

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

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Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PERFORMANCE INDICATORS

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2018/19, a review was undertaken of the systems in place for the preparation and reporting of performance information.

Our review has focused on the Local Government Benchmarking Framework (LGBF) indicators for 2017/18, as published by the Improvement Service. The Framework covers seven service areas and for 2017/18, we reviewed four Adult Social Care indicators:

- SW1 – Home Care Costs per hour for people aged 65 or over. 2017/18 – £16.75 per hour (2016/17 – £15.93 per hour)
- SW2 – SDS (Self-Directed Support) spend on adults 18+ as a % of total social work spend on adults 18+. 2017/18 – 3.88% (2016/17 – 4.38%)
- SW3a – % of people aged 65 or over with long term care needs receiving personal care at home. 2017/18 – 63.94% (2016/17 – 63.52%)
- SW5 – Residential Care Costs per week per resident for people aged 65 or over. 2017/18 – £408 per week (2016/17 – £454 per week)

1.2 Areas where Expected Controls were Met

- The Improvement Service calculate the indicators based on information prepared by the Council, including Local Financial Returns (LFRs) and the Scottish Government quarterly monitoring survey.
- A detailed report on LGBF indicators for 2017/18 was presented to the Council's Policy and Performance Review Committee (PPRC) on 27 February 2019. Appendix 1 to the report provided a summary of the results for each indicator, including comparison to the previous year's performance, the Scottish average and the overall rank position.

1.3 Areas with Scope for Improvement

- One-off non-recurring items or changes in accounting allocations can impact on the reported figures. *Risk – lack of comparability between years.*
- For the four Adult Social Care indicators reviewed, the commentary provided in the PPRC report failed to clearly outline the reasons for changes in the indicators. *Risk – failure to provide a clear insight into the reported figures or to changes in performance.*

1.4 Summary

Based on our review of Performance Indicators, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Stuart Allan
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
5.1	Management should ensure that the report on the Council's LGBF indicators, prepared for the Council's PPRC, provides a clear commentary outlining the reasons for all changes in the reported indicators.	Medium	Group Service Manager – Planning and Performance	Agreed – Data group has been re-established to oversee indicators and targets and will provide commentary in the future.		June 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

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Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PLANNING ENFORCEMENT

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2018/19, a review was undertaken of Planning Enforcement. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The Council has appropriate arrangements in place for complying with relevant legislation in respect of the enforcement of planning control.
- The Council has a Planning Enforcement Charter in place – the Charter was updated in April 2018 and sets out the standards that the public should expect of the Council in dealing with enforcement complaints.
- A record is maintained on the Uniform system of all complaints received – each complaint is given a unique reference number and the system records the date of the complaint and details of the initial site visit undertaken.
- The Council maintains an Enforcement Register, which is available for public inspection.

1.3 Areas with Scope for Improvement

- In a number of cases, the timescales specified in the Planning Enforcement Charter, for advising complainants of the findings and of any proposed action, were not being complied with. *Risk – failure to comply with service standards.*
- In a number of cases, there was a lack of adequate information held on the Uniform system to record the actions taken for each reported breach or how the breach was resolved. *Risk – lack of a clear audit trail.*
- In a number of cases, insufficient detail was provided clearly setting out the final decision made and the reasons for the decision. *Risk – lack of a clear explanation for decisions made.*
- There was an inconsistency of approach to recording information on the Uniform system, where Enforcement Notices are issued. *Risk – lack of a clear audit trail.*

1.4 Summary

Based on our review of Planning Enforcement, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Peter Moore
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.3	Management should ensure that copies of the Planning Enforcement Charter are available in all public libraries.	Low	Service Manager – Planning	Copies of the Planning Enforcement Charter emailed to all libraries.		July 2019
3.2.2	Management should ensure that both versions of the Enforcement Register comply with the legislation.	Medium	Service Manager – Planning	Ensure that the names of the persons on whom the notice is served are available to view on the online version of the Enforcement Register.		July 2019
3.3.1	Management should ensure that the Uniform system contains a clear audit trail of the actions taken for each reported breach, together with details of how the breach was resolved.	Medium	Service Manager – Planning	Ensure that in all cases the closure section on Uniform is completed and contains information providing details of the final decision.		July 2019
3.3.2	Management should ensure that the Uniform system is updated timeously to reflect the current stage of a complaint.	Medium	Service Manager – Planning	Ensure that sufficient detail of the actions taken to resolve a complaint is entered into Uniform system.		July 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3	<p>Management should ensure that complainants reporting potential breaches are advised of the findings and of any proposed action, within the timescales specified in the Council's Service Standards.</p> <p>Management should ensure that a clear record is maintained of all actions taken to resolve a complaint.</p>	Medium	Service Manager – Planning	Ensure that Service Standards detailed within the Planning Enforcement Charter are met.		July 2019
3.4.1	Management should ensure that adequate records are maintained of actions taken following the issuing of an Enforcement Notice.	Medium	Service Manager – Planning	Ensure that Uniform system is updated accordingly with details about compliance with an Enforcement Notice.		July 2019
3.4.2	Management should ensure that a consistent approach is taken, on the Uniform system, to recording the reasons for issuing a notice or for taking other courses of action.	Medium	Service Manager – Planning	Ensure that relevant information is added to Uniform providing an explanation of the case specific reasons for serving a notice or for taking other courses of action.		July 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT BUSINESS GRANTS

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2018/19, a review was undertaken of Business Grants. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Investment and consultancy grants awarded are eligible for 40% funding from the European Regional Development Fund (ERDF) – a joint application for funding was submitted by West Lothian Council (lead partner) on behalf of East Lothian, Midlothian, City of Edinburgh and West Lothian Councils.
- Grant funding being awarded is linked to the Council's objective of Growing our Economy.
- Adequate supporting documentation is held for all funding applications received.
- Appropriate monitoring visits are being undertaken for organisations who have been awarded grant funding.
- Appropriate procedures are in place for the recommendation and authorisation of grants – in all cases an adviser recommended and a separate person approved the grant award.

1.3 Areas with Scope for Improvement

- There was a lack of clear guidance for applicants setting out the eligibility criteria for grant awards. *Risk – ineligible activities may receive funding.*
- In some cases, there was a lack of evidence being retained to demonstrate the eligibility of funding provided. *Risk – ineligible grant awards may result in the full amount of the grants being borne by the Council.*
- There was a lack of a clear audit trail of all adjustments made to funding claims. *Risk – errors may occur and remain undetected.*
- The findings from the verification and compliance audit undertaken by the Scottish Government's Internal Auditors require review. *Risk – the full cost of grant awards made may be borne by the Council.*

1.4 Summary

Based on our review of Business Grants, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Peter Moore
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.2	<p>Management should ensure that all stages in the processing of grant applications are being followed on a consistent basis.</p> <p>Management should ensure that clear guidance on the eligibility criteria for grant awards is available to applicants.</p>	Medium	Team Manager Business Development	Agreed		September 2019
3.2.1	Management should ensure that an application form is received prior to funding being awarded.	Medium	Team Manager Business Development	Agreed		September 2019
3.3.2	Management should ensure that investment grants are only made for activities which clearly meet the ERDF funding criteria.	Medium	Team Manager Business Development	Agreed		September 2019
3.3.3	Management should ensure that sufficient evidence is retained to demonstrate the eligibility of funding provided.	Medium	Team Manager Business Development	Agreed		September 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3 (cont)	Management should ensure that all conditions of the funding contract are complied with by the applicant, including obtaining quotes, prior to grant awards being made.					
3.4.2	Management should ensure that all grant objectives have been achieved.	Medium	Team Manager Business Development	Agreed		September 2019
3.5.1	Management should ensure that a clear audit trail is maintained of all adjustments made to funding claims. Management should seek to ensure that ERDF funding is received timeously.	Medium	Team Manager Business Development	Agreed		September 2019
3.6.1	Management should review the findings from the verification and compliance audit undertaken and ensure that action is taken to address the points raised.	High	Team Manager Business Development	Agreed		September 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

INTERNAL AUDIT PROGRESS REPORT 2018/19

APPENDIX 2

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
VAT	For all payments processed by the Council, we will examine the arrangements in place to ensure that VAT is correctly accounted for.	September 2018	Completed
Adult Services – Residential Care	We will review the arrangements in place for the assessment and charging of clients in residential care.	September 2018	Completed
IT Systems Access	We will review the IT access controls/access rights in place for all the Council’s main systems.	September 2018	Completed
Trade Waste Income	We will review the arrangements in place for the billing and collection of trade waste income.	November 2018	Completed
Adult Services – Payments on Schedule	We will review payments on schedule processed through the Mosaic system – our audit will focus on the arrangements in place for the recovery of credit balances.	November 2018	Completed
Adult Services – Transport	We will review the transport arrangements within Adult Services – as part of the review we will assess if the arrangements in place for securing transport are cost effective and well managed.	November 2018	Completed
Conflicts of Interest	We will examine the arrangements in place for the disclosure of potential conflicts of interest by members of staff.	November 2018	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Schools	We will review the financial arrangements operating within one school to ensure compliance with the financial procedures in place.	November 2018	Completed
NDR – Liability	We will continue our audit work on Non-Domestic Rates (NDR) – in 2018/19, we will review the arrangements in place for determining NDR liability.	February 2019	Completed
Disclosure Checks	We will review the disclosure checking arrangements in place for members of staff and volunteers working with children and/or protected adults.	February 2019	Completed
Contracts	As part of our annual review of procurement, we will examine a sample of contracts to ensure compliance with the Council's Corporate Procurement Procedures.	February 2019	Completed
Business Grants and Loans	We will review the arrangements in place for the awarding of grants and loans to businesses within East Lothian.	February 2019	Completed
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	February 2019	Completed
Planning Enforcement	We will check to ensure that planning enforcement is being carried out in accordance with legislation and Council policy.	February 2019	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Bank Reconciliations	We will check to ensure that appropriate and effective systems of control are in place for the Council's bank accounts.	June 2019	Completed
Council Tax	We will continue our audit work on Council Tax – for 2018/19, our review will focus on the procedures in place for the recovery of Council Tax arrears.	June 2019	Completed
Building Standards	We will examine the arrangements in place for the processing of applications received for building warrants, including the collection of income due to the Council.	June 2019	Completed
Creditors	We will review the procedures in place for processing supplier invoices for payment and we will check to ensure that adequate arrangements are in place for the prevention and detection of duplicate payments.	June 2019	In Progress
Following the Public Pound	We will review the monitoring arrangements in place for a sample of organisations receiving partnership funding from the Council in 2018/19.	June 2019	In Progress
Fixed Assets	We will review the systems in place for maintaining and updating the Council's Fixed Asset Register.	June 2019	Outstanding

