

REPORT TO THE AUDIT COMMITTEE – 1 JULY 2021

REGISTER OF BREACHES OF FINANCIAL REGULATIONS

1. Reason for Report / Summary

- 1.1 This report provides the Committee with an update on the register of breaches of financial regulations.

2. Recommendation

The Committee is recommended to:

- 2.1 Review, discuss and comment on the issues raised within this report and the attached appendices.**

3. Purpose and Decision Making Route

3.1 Purpose

- 3.1.1 Financial Regulations require that Internal Audit report on breaches of Financial Regulations to the Audit Committee on a regular basis. A register of breaches of Financial Regulations is maintained by the Chief Internal Auditor.

3.2 Decision Making Route

- 3.2.1 The update on the register of breaches of Financial Regulations detailed below has not previously been considered by this, or another Committee.

4. Discussion

- 4.1 The Committee last considered the Register of Breaches of Financial Regulations on 2 July 2020 when data for the last three months of 2019/20 was reported. This report brings the register up to the end of March 2021.

- 4.2 As always, caution is required in analysing the data presented as some of the breaches of Financial Regulations carry a greater risk to the organisation than others. For example, a failure to let a multi-million-pound contract in accordance with procurement law would be recorded as a single breach, as would a failure to provide an update on progress with implementing an agreed recommendation that had received the lowest grading of importance in an Internal Audit report. The risks to the organisation are clearly very different and need to be considered when scrutinising the data presented. For this reason, the charts are split between procurement and non-procurement related breaches. However, within each category, there will be varying levels of proportionality in relation to risk to the organisation of the reported breach.

4.3 It should also be noted that whilst the charts show the number of breaches of Financial Regulations identified by, or notified to, Internal Audit, the numbers themselves will be dependent on the areas of work undertaken. These are not the same each year and, therefore, the charts will not necessarily reflect a true like-for-like comparison between years.

4.4 85 breaches of Financial Regulations have been added to the Register in 2020/21 as follows:

Services	No PO	Other Procurement Related Breach	Other FR Breach	Total
Business Services / OCE	3	1	4	8
Education and Children's Services	5	2	46	53
Health and Social Care Partnership	1	1	2	4
Infrastructure Services	10	6	4	20
Total	19	10	56	85

4.5 The recorded breaches other than failure to raise a Purchase Order relate to:

Other Procurement Related Breaches

No contract reference not recorded in purchase orders (treated as one breach per Service)	4
Failure to subject supplies to tender.	2
Head of Finance not furnished with list of authorised signatories for raising purchase orders.	3
Contract not recorded in Contracts Register	1

Other Financial Regulation Breaches

Write off of debt without approval from Head of Finance	1
Not recording awarded grants in Council's Grants Register.	23
Not complying with the Council's Follow the Public Pound procedure.	20
Not segregating duties of collecting income and monitoring income due to the Council.	1
Not responding in full to draft Internal Audit reports within one month	11

4.6 The total for 2020/21 is 85 compared to 185 breaches reported for 2019/20. As stated above, caution is required when comparing the number of breaches as the data sets are not tested each year. The decrease can be

attributed to the Procurement and Timesheets annual audits for 2020/21, which have yet to be concluded.

- 4.7 The incidence of retrospective purchase orders is identified on an annual basis in an audit relating to procurement compliance. In this instance, data is comparable between years as all available data is analysed to produce the figures. The data is shown on the first page of Appendix A to this report and shows a general increase in the number of retrospective orders.

5. Council Priorities, Implications and Risk

- 5.1 The work of Internal Audit covers all of the Council's Priorities. It aims to provide assurance over the adequacy and effectiveness of the Council's framework of governance, risk management and control, which underpin the delivery of all priorities.

- 5.2 The table below shows whether risks and implications apply if the recommendation is agreed.

Subject	Yes	No	N/A
Financial		x	
Staffing		x	
Equalities		x	
Fairer Scotland Duty		x	
Town Centre First		x	
Sustainability		x	
Children and Young People's Rights and Wellbeing		x	

- 5.3 An equality impact assessment is not required because the reason for this report is for Committee to discuss and comment on the register of breaches of Financial Regulations and there will be no differential impact, as a result of this report, on people with protected characteristics.
- 5.4 There are no staffing or financial implications arising directly from this report.
- 5.5 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

6. Scheme of Governance

- 6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report. Any comments made have been incorporated within the report and they are satisfied that the report complies with the Scheme of Governance and relevant legislation.

- 6.2 The Committee is able to discuss this item in terms of Sections G.1.1.d and G.1.4 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for Internal Audit matters and reviewing the activities of Internal Audit.

CHIEF INTERNAL AUDITOR

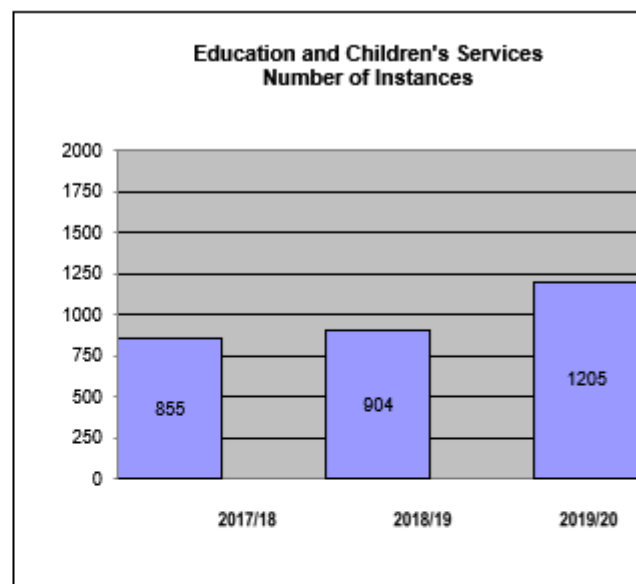
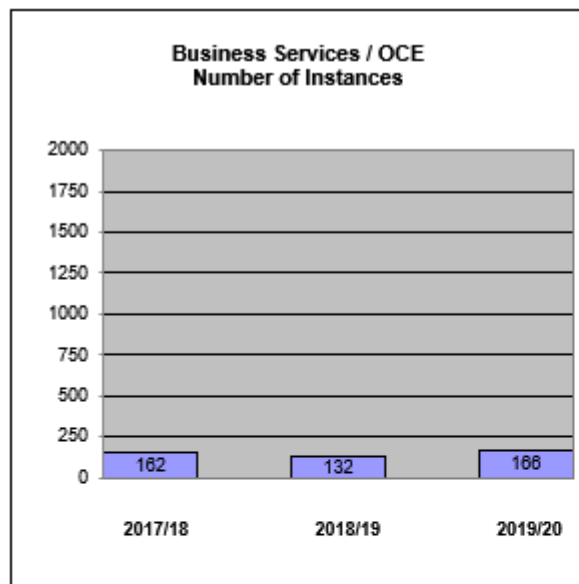
Report prepared by Colin Harvey, Chief Internal Auditor (Interim).
14 June 2021.

List of Appendices:

Appendix A - Register of Breaches

APPENDIX A- REGISTER OF BREACHES OF FINANCIAL REGULATIONS

RETROSPECTIVE PURCHASE ORDERS BY SERVICE

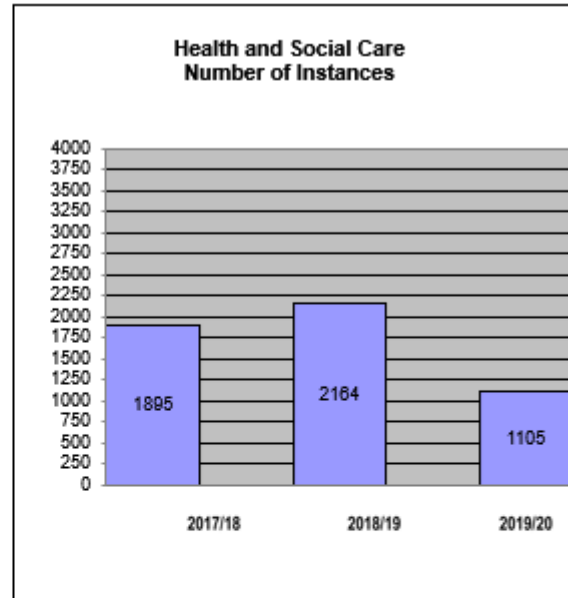
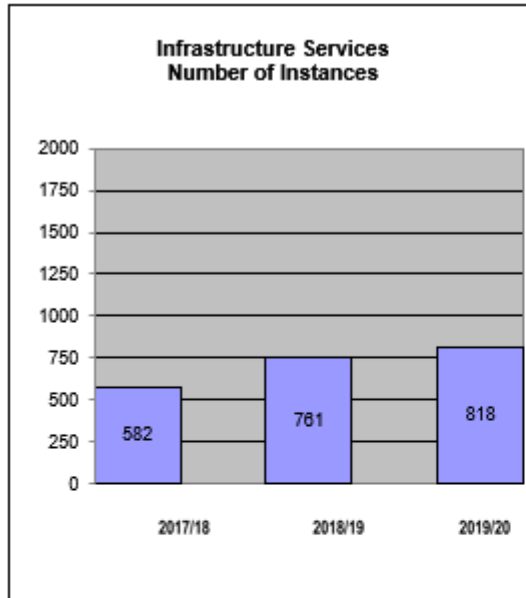


SERVICE AREA	2018/19	2019/20	2020/21
CHIEF EXEC (see Note 1)	58	50	28
FINANCE	26	15	34
LEGAL & PEOPLE	17	20	19
ICT	7	11	16
PROPERTY	54	36	69
TOTALS	162	132	166

SERVICE AREA	2018/19	2019/20	2020/21
EDUCATION	378	368	672
CLD	68	55	53
LIBRARIES & HERITAGE	10	10	1
PHYSICAL ACTIVITY	55	45	51
CATERING	0	38	28
CHILDRENS SERVICES	344	388	400
TOTALS	855	904	1205

Note 1 - Includes Area Managers, Members Services, and Community Councils

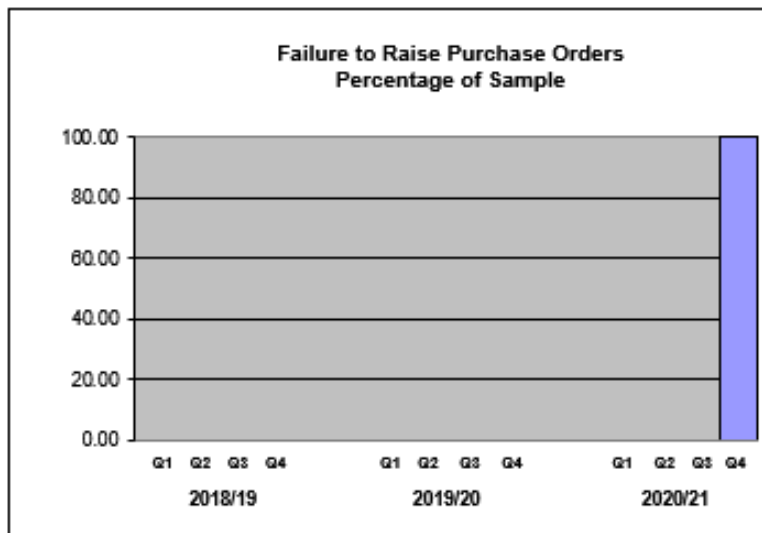
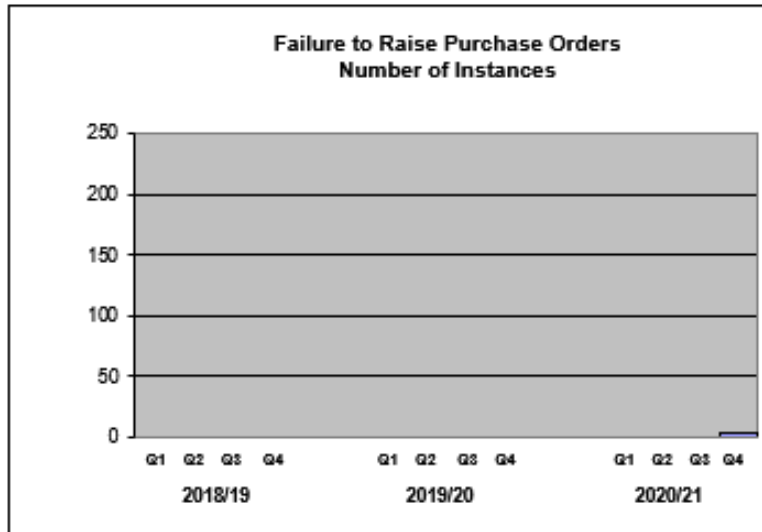
RETROSPECTIVE PURCHASE ORDERS BY SERVICE



SERVICE AREA	2018/19	2019/20	2020/21
HOUSING	336	524	506
TRANSPORTATION	55	49	53
ENV SERVICES	66	72	74
PLANNING	20	16	42
ECONOMIC DEV	36	7	15
OUTDOOR	0	26	44
QUARRIES	0	0	3
ROADS	69	67	81
TOTALS	582	761	818

SERVICE AREA	2018/19	2019/20	2020/21
ADULT SOCIAL	1895	2164	1105
TOTALS	1895	2164	1105

**BUSINESS SERVICES
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**

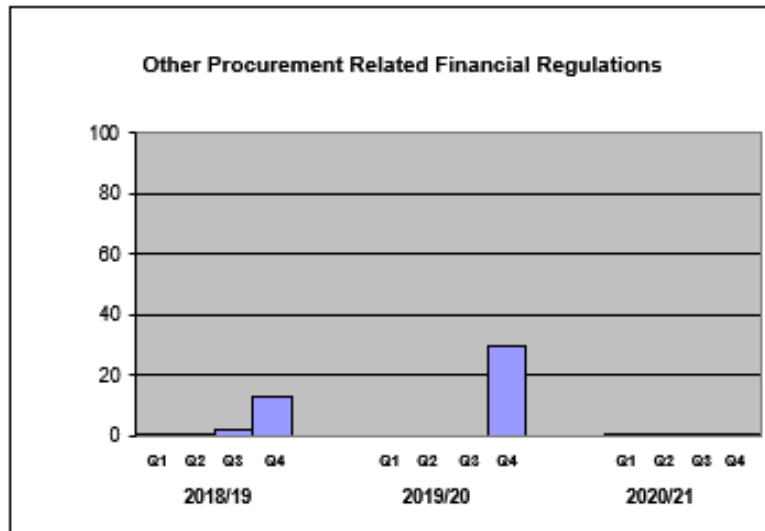


DATA

Year	Sample Size	No order raised	Notified by Service
2018/19	0	0	2
2019/20	0	0	0
2020/21	3	3	0

**NOTE: EXCLUDES INSTANCES IDENTIFIED IN CROSS-SERVICE
PROCUREMENT COMPLIANCE REPORTS**

**BUSINESS SERVICES
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**



Includes:

Contract continued without retendering or extension of current contract
(2018/19 – ICT 1)

Failing to issue purchase orders in accordance with an exemption from the Head of Finance **(2018/19 – Property and Facilities Management (P&FM) 1)**

Contract extension without required Committee approval **(2018/19 – C&PS 1)**

No system in place for designating officers as Procuring Officers **(2018/19 – C&PS 1)**

No Shared Service Register in place **(2018/19 – C&PS 1)**

Contract Register not updated **(2018/19 – ICT 3, Legal and People 2, Finance 1, 2019/20 – Finance 1)**

No Procurement Business Case **(2018/19 – ICT 1, 2019/20 – Legal & People 2, P&FM 1, Finance 3, C&PSS 4)**

No Committee approval, either through a Procurement Plan or separate report
(2019/20 – C&PSS 3)

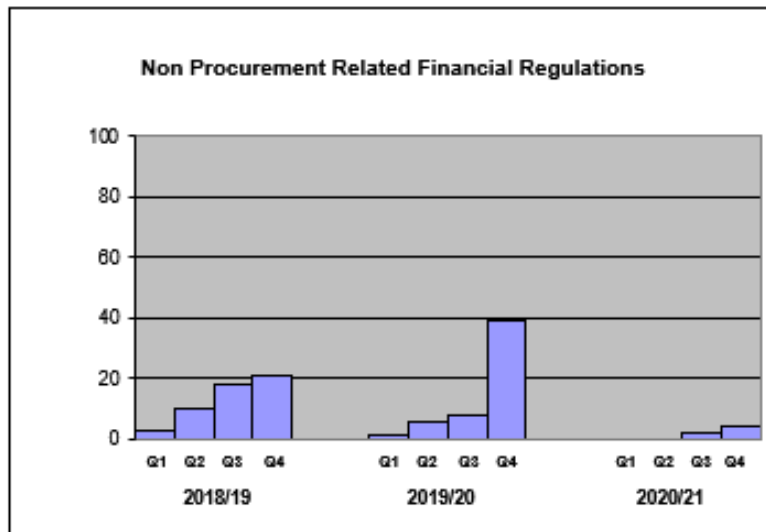
Tender process commenced before approval of Procurement Plan by Committee
(2019/20 – ICT 1)

Framework Agreement not recorded in Contracts Register System
(2019/20 – C&PSS 5)

No Award Report **(2019/20 – Legal & People 3, Finance 3, ICT 1, C&PSS 4)**

Contract reference details not included in purchase orders **(2020/21 – General 1)**

**BUSINESS SERVICES
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**



Includes:

Not responding in required timescale to draft Internal Audit reports.

(2018/19 – Finance 6, Legal & People 1, C&PS 2, P&FM 3)

2019/20 – Legal & People 5, Finance 4, ICT 2, C&PS 1; 2020/21 – Finance 1,

2020/21 – P&FM 1)

Not providing updates regarding progress with implementing agreed Internal Audit recommendations in time for inclusion in Committee reports.

(2018/19 – C&PS 2)

Inventory of moveable equipment not being maintained

(2018/19 – ICT 1)

Temporary Employee Contracts extended by officers who did not have the delegated authority to do so **(2018/19 – Various 5)**

Timesheets approved by officers who did not have the delegated authority to do so **(2018/19 – Property and Facilities Management 1)**

Travel and Subsistence claims approved by officers who did not have the delegated authority to do so **(2019/20 – 5)**

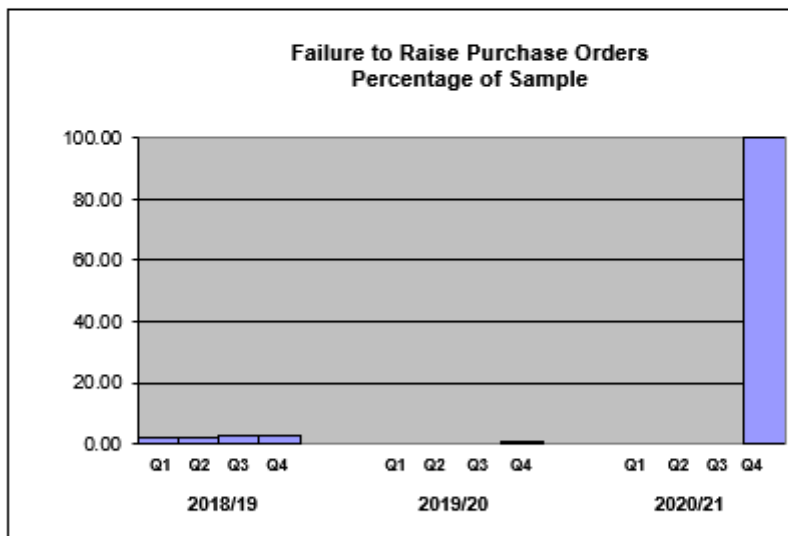
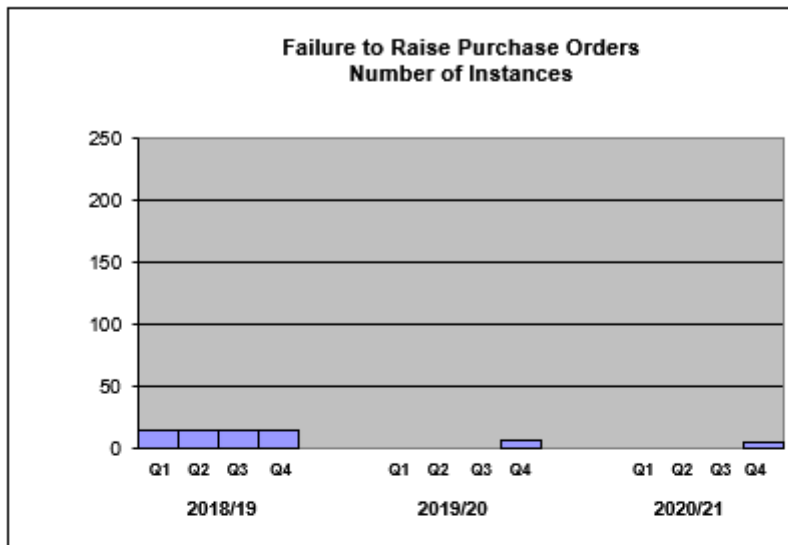
Charges being raised outwith Corporate Debtors System without approval from Head of Finance **(2019/20 – Legal and People 1)**

Appointment of consultants contrary to requirements of Financial Regulations **(2019/20 – 21)**

Write-off of debts without approval from Head of Finance **(2020/21 – Finance 1)**

Not segregating duties of collecting income and monitoring income due to the Council **(2020/21 – P&FM 1)**

**EDUCATION & CHILDREN'S SERVICES
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**

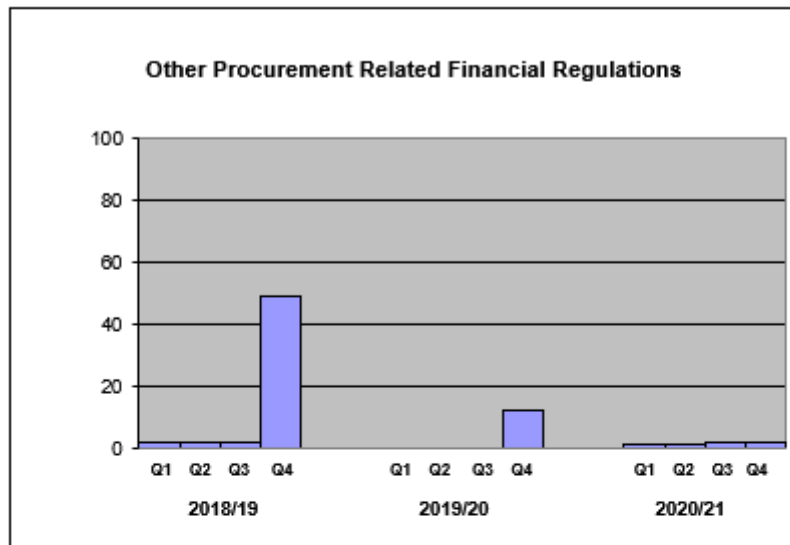


DATA

Year	Sample Size	No order raised	Notified by Service
2018/19	625	15	0
2019/20	851	6	0
2020/21	5	5	0

NOTE: EXCLUDES INSTANCES IDENTIFIED IN CROSS-SERVICE PROCUREMENT COMPLIANCE REPORTS

**EDUCATION & CHILDREN'S SERVICES
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**



Includes:

No Business Case in place for contracts between £10,000 and £50,000
(2018/19 - Primary Schools 14, Leisure 15, Education 1)

Payments to suppliers over procurement threshold with no tendering
(2018/19 - School Catering 2, Primary Schools 10)

No contract reference number recorded on purchase orders over £10,000
(2018/19 - Primary Schools 5)

Contract Register not updated **(2018/19 - Education 2, 2019/20 - Education 2)**

Failure to use contract supplier **(2019/20 - Schools 1)**

No Procurement Approval Form **(2019/20 - Education 1, Schools 2)**

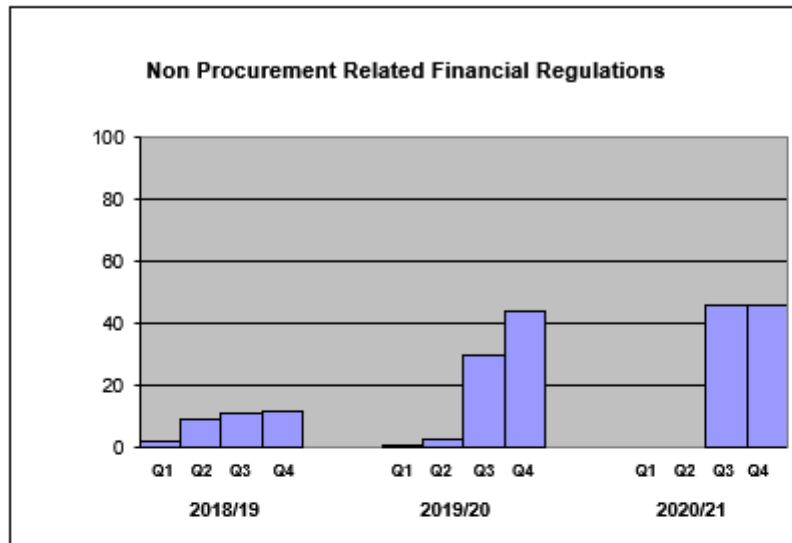
No Award Report **(2019/20 - Education 1, LLA 1, Schools 2)**

Call-offs from Framework Agreement not recorded in Contracts Register
(2019/20 - Education 2)

Contract over £50,000 not recorded in Contracts Register **(2020/21 - Education 1)**

Contract reference details not included in purchase orders **(2020/21 - General 1)**

**EDUCATION & CHILDREN'S SERVICES
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**



Includes:

Timesheets authorised by person without delegated authority.
(2018/19 - 7, 2019/20 - 11)

Not providing updates regarding progress with implementing agreed Internal Audit recommendations in time for inclusion in Committee reports.
(2018/19 - Resources & Performance 2)

Not responding in required timescale to draft Internal Audit reports.
2018/19 - Lifelong Learning & Leisure 2, 2019/20 Children's SW - 1,
2019/20 - General 2, LLA 1, 2020/21 - LLA 2, Children's Services 1)

Not raising accounts through corporate debtors system (2018/19 - Catering - 1)

Travel and Subsistence claims approved by officers who did not have the delegated authority to do so (2019/20 - 1)

Write-off of debts without approval from Head of Finance
(Music Tuition - 2019/20 - 1)

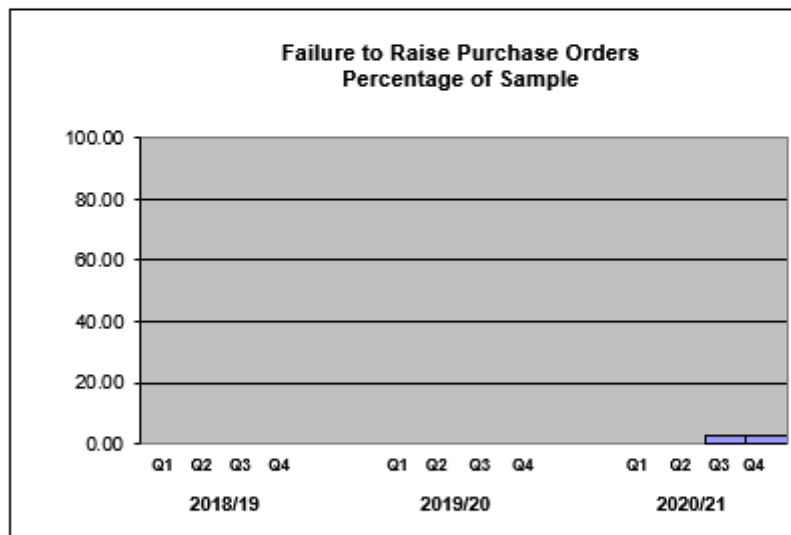
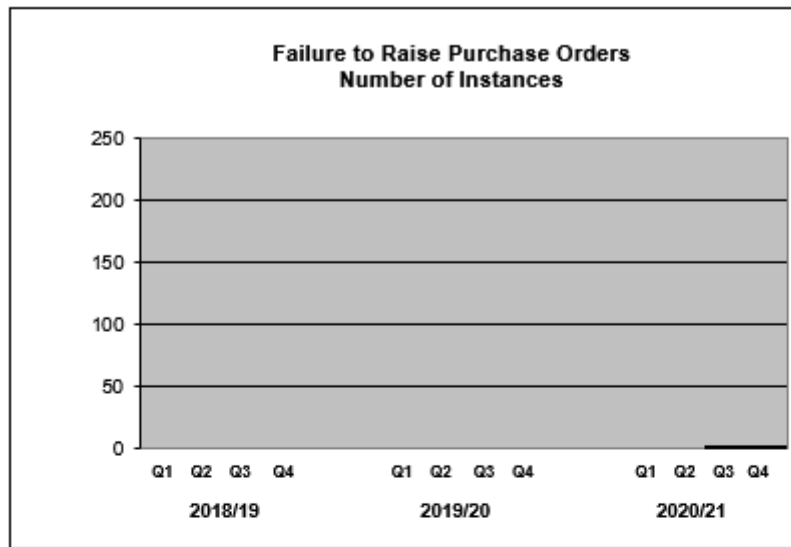
Failure to notify Head of HR&OD without delay of leavers (2019/20 - 26)

Timesheet not signed as authorised (2019/20 - 1)

Not recording awarded grants in Council's Grants Register (2020/21 - LLA 23)

Not complying with the Council's Follow the Public Pound procedure. (2020/21 - LLA 20)

**HEALTH & SOCIAL CARE PARTNERSHIP
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**

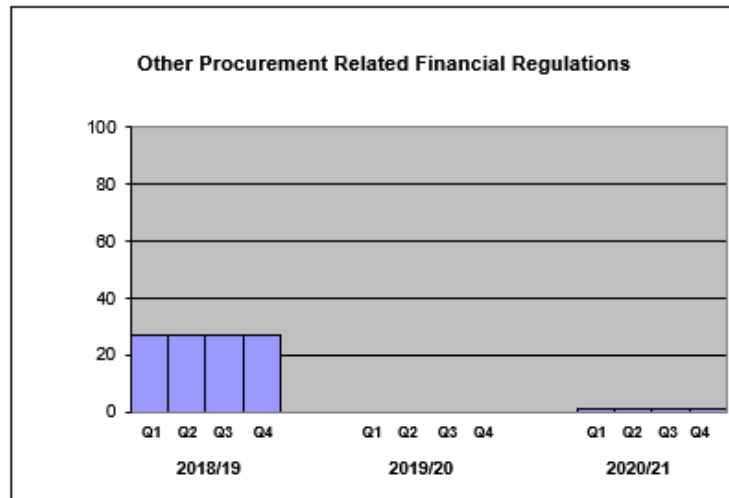


DATA

Year	Sample Size	No order raised	Notified by Service
2018/19	0	0	0
2019/20	0	0	0
2020/21	40	1	0

**NOTE: EXCLUDES INSTANCES IDENTIFIED IN CROSS-SERVICE
PROCUREMENT COMPLIANCE REPORTS**

**HEALTH & SOCIAL CARE PARTNERSHIP
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**

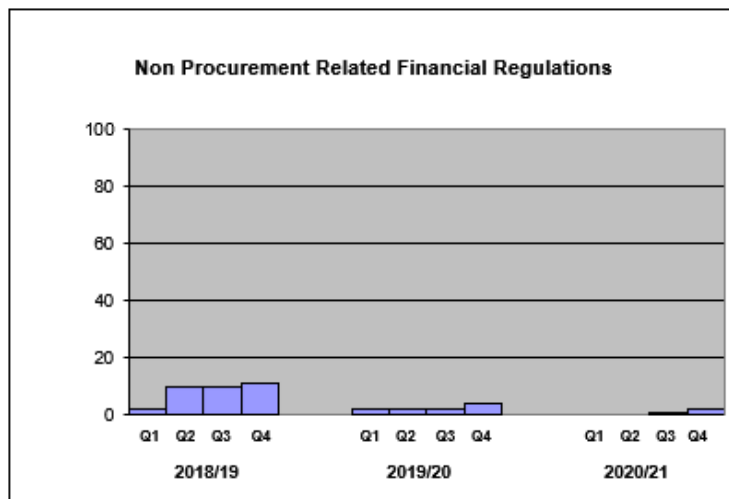


Includes:

Payments to suppliers over procurement threshold with no tendering
(2018/19 - Joint Equipment Store 27)

Contract reference details not included in purchase orders (2020/21 - General 1)

**HEALTH & SOCIAL CARE PARTNERSHIP
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**



Includes:

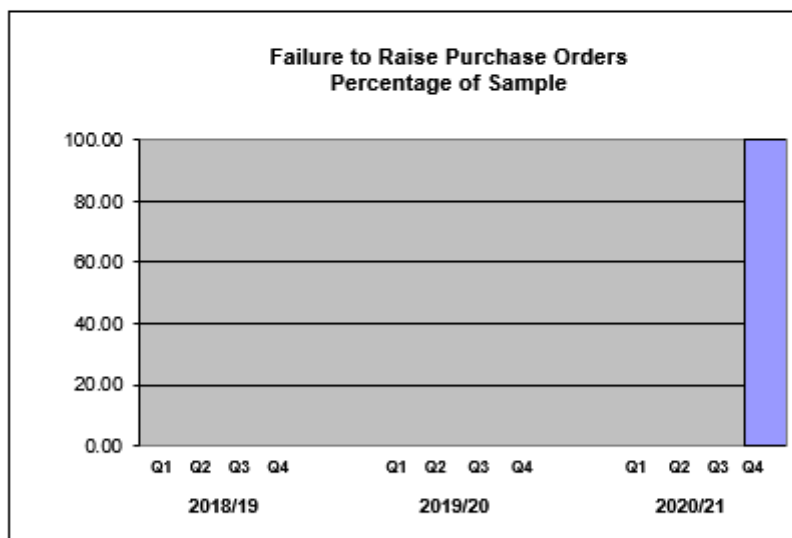
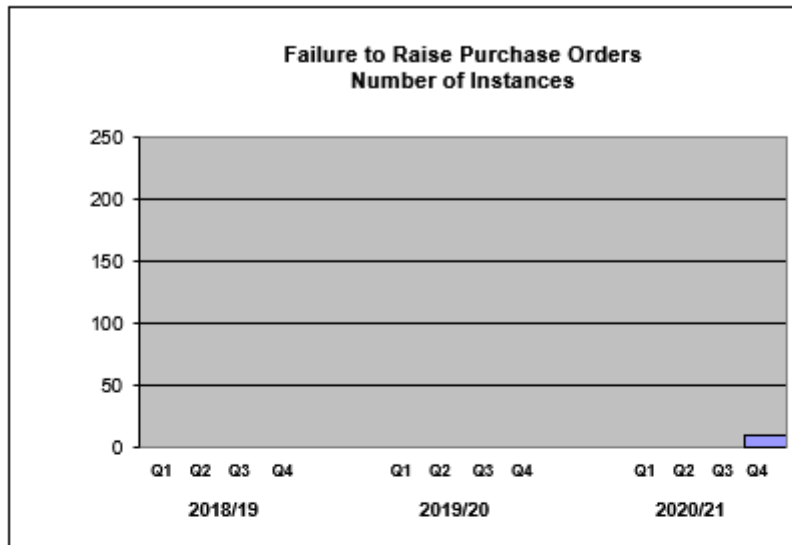
Timesheets authorised by person without delegated authority.
(2018/19 - 7, 2019/20 - 2)

Not responding in required timescale to draft Internal Audit reports.
(2018/19 H&SCP 1, 2019/20 Very Sheltered Housing 1, 2020/21 - H&SCP 2)

Not providing updates regarding progress with implementing agreed Internal Audit recommendations in time for inclusion in Committee reports.
(2018/19 - Home Care 1, Day Care 2)

Late banking of income (2019/20 - Very Sheltered Housing 1)

**INFRASTRUCTURE SERVICES
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**

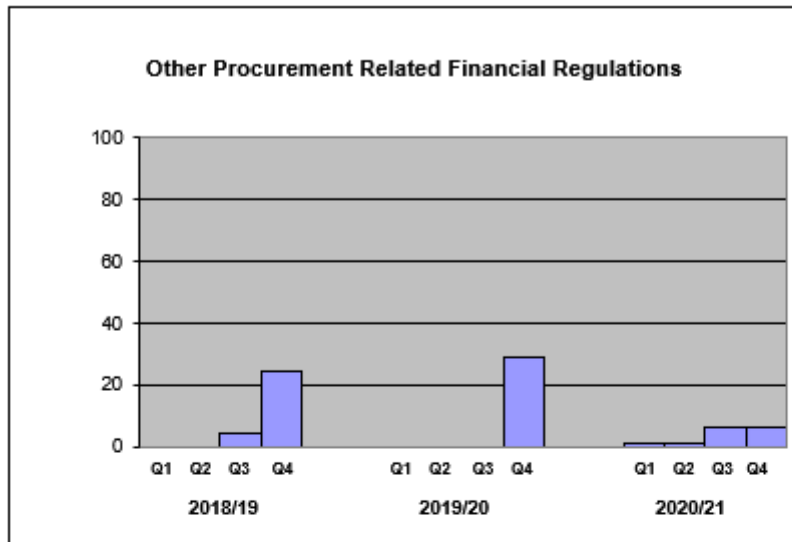


DATA

Year	Sample Size	No order raised	Notified by Service
2018/19	0	0	0
2019/20	0	0	0
2020/21	10	10	0

**NOTE: EXCLUDES INSTANCES IDENTIFIED IN CROSS-SERVICE
PROCUREMENT COMPLIANCE REPORTS**

**INFRASTRUCTURE SERVICES
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**



Includes:

Failure to get 4 written quotes for contracts between £10,000 and £60,000 or approval from Head of Procurement. **(2018/19 - R,L&WS 1, P&BS 1)**

Failure to update Contracts Register **(2018/19 - R,L&WS 4, Fleet 4, P&BS 1, Transportation 2)**

Failure to expose requirements to tender **(2018/19 - R,L&WS - 2, 2020/21 - R,L&WS 2)**

No Procurement Business Case **(2018/19 - Fleet 5, ED&PS 1, Transportation 1, R,L&WS 2)**

No Committee approval, either through a Procurement plan or separate report **(2019/20 - Transportation 3)**

No Procurement Approval Form **(2019/20 - Transportation 7, RL&WS 1)**

No Award Report **(2019/20 - Transportation 8, RL&WS 1, ED&PS 2)**

Award Report completed retrospectively **(2019/20 - Transportation 1)**

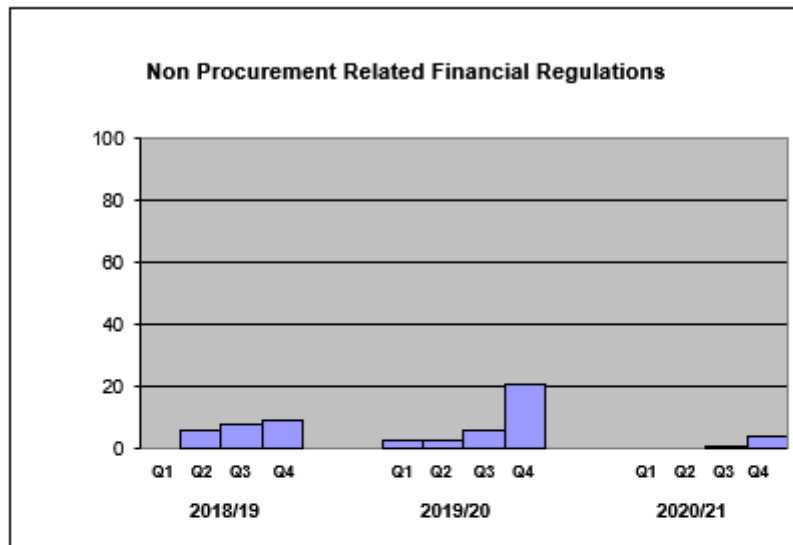
No approval sought from Head of C&PSS re direct award below £50,000 **(2019/20 - ED&PS 1)**

Call-offs from Framework Agreement not recored in Contracts Register **(2019/20 - Transportation 5)**

Contract reference details not included in purchase orders **(2020/21 - General 1)**

Head of Finance not furnished with list of authorised signatories for raising purchase orders. **(2020/21 - Fleet 3)**

**INFRASTRUCTURE SERVICES
BREACHES OF FINANCIAL REGULATIONS
CUMULATIVE BY QUARTER**



Includes:

Not responding in required timescale to draft Internal Audit report.

(2018/19 - RL&WS 1, Housing 1, Infrastructure Services 1,

2019/20 - Housing 2, Transportation 1, RL&WS 3; 2020/21 - Housing 1)

2020/21 - Fleet 1, Roads 1, ED&PS 1)

Temporary Employee Contracts extended by officers who did not have the delegated authority to do so **(2018/19 - Various 3)**

Timesheets approved by officers who did not have the delegated authority to do so **(2018/19 - Various 3, 2019/20 - Various 7)**

Failure to value stock in an appropriate manner **(2019/20 - Housing - 1)**

Not providing updates regarding progress with implementing agreed Internal Audit recommendations in time for inclusion in Committee reports. **(2019/20 - RL&WS 1)**

Appointment of Consultants not in compliance with Financial Regulations **(2019/20 - General 6)**