

ITEM No ...6.....

REPORT TO: SCRUTINY AND AUDIT COMMITTEE - 3 DECEMBER 2025

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 339-2025

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny and Audit Committee a summary of the Internal Audit Reports finalised since the last Scrutiny and Audit Committee.

2.0 RECOMMENDATIONS

Members of the Committee are asked to note the information contained within this report.

3.0 FINANCIAL IMPLICATIONS

None.

4.0 MAIN TEXT

- 4.1. The day-to-day activity of the Internal Audit Service is primarily driven by the reviews included within the Internal Audit Plan. On completion of a specific review, a report which details the audit findings and recommendations is prepared and issued to management for a formal response and submission of management's proposed action plan to take the recommendations forward. Any follow-up work subsequently undertaken will examine the implementation of the action plan submitted by management.
- 4.2. In arriving at the overall assurance level for each audit, the assurance levels within the individual objectives do not always carry equal weighting. Findings from the audit are considered in total against the scope and risk levels to arrive at the overall assurance opinion.
- 4.3. Executive Summaries for the reviews which have been finalised in terms of paragraph 4.1 above since the last Scrutiny meeting are provided at Appendix A. The full reports are available to Elected Members on request. Reporting in Appendix A covers:

Audit	Assurance level
Section 75 Planning Obligations	Substantial Assurance
SLA's with External Bodies	Limited Assurance
GVA Purchasing	Limited Assurance

- 4.4. Internal audit recommendations are categorised as either relating to the design of the control system (Design) or compliance with the operation of the controls (Operational).

5.0 POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services, or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6.0 CONSULTATIONS

The Council Leadership Team have been consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

CATHIE WYLLIE
CHIEF INTERNAL AUDITOR

DATE: 11 NOVEMBER 2025

(i) INTERNAL AUDIT REPORT 2023/14

Client	Corporate
Subject	Section 75 Planning Obligations

Executive Summary**Conclusion****Substantial Assurance**

The Council's arrangements for managing Section 75 payments and planning obligations include well-designed systems for recording obligations and managing documents. These systems are bolstered by audit trails that enhance data security and accountability.

The key areas requiring improvement relate to monitoring financial obligations and ensuring that these are paid in line with the granted approval in a timely manner and completing the centralisation of the spreadsheets used by different services to track S75 obligations.

Not all processes have been formally documented. The existing process maps, therefore, require updating to accurately reflect current practices and to provide sufficient guidance to staff.

We assessed the process for monitoring financial obligations and ensuring that these are paid in line with the granted approval. Our sample testing of completed planning applications where payments were due identified delays in issuing invoices and notifying developers of their outstanding obligations. We found that invoices for our two samples (totalling £707,148) were either issued several years after planning permission was granted or, in some cases, not issued at all. (We accept and understand there can be reasons for this, such as timescales for developers taking action and/or certain milestones being achieved a few years down the line to trigger such payment). There was also limited clear evidence of communication or oversight between the Council and developers regarding the implementation of works or milestone completion (which we understand from discussions with management may also be impacted by level of resources and available capacity). We reviewed the spreadsheet the planning team uses to track financial obligations, and no further lengthy outstanding obligations were found.

While one case resulted in a developer dispute, there was no evidence to suggest this was directly caused by the invoicing delays. However, the delay can potentially prevent issues from being identified and addressed in a timely manner.

We noted that relevant committees receive reports related to developer contributions on an ad hoc basis, as needed, particularly for specific projects. However, there is concern that the existing ad hoc reporting system may not provide a comprehensive overview and sufficient oversight of all financial obligations, including the status and potential issues around the financial obligations.

Addressing these issues per the recommendations outlined will enhance the Council's oversight, compliance, and overall effectiveness in managing Section 75 payments and planning obligations. With new planning legislation and policies coming forward in relation to planning obligations and infrastructure requirements, there may be more planning obligations in future.

Background

Planning obligations are legal agreements (or unilateral undertakings) entered into under Section 75 of the Town and Country Planning (Scotland) Act 1997. Their purpose is to mitigate the impacts of proposed developments, in order to make them acceptable in planning terms. Most commonly, these agreements are used to restrict development or secure investment in infrastructure, where it is necessary to do so, and where a condition cannot be used.

Planning obligations differ from planning conditions, in that they are recorded on the property title and are legally binding as such, and they can be used to offset impacts of a development outside the development site itself where such matters are required as a direct result of the proposed development. Developer contributions are most likely to be sought for: education provision, road junction improvements and other off-site road works, open space improvements, green infrastructure, and public art, where they are required in accordance with the statutory development plan and supplementary guidance.

Development activity has impacts across most of the Council's wider objectives, particularly where these relate to education, economic growth, building resilient communities, and contributing to Net Zero ambitions through provision of green infrastructure. Council planning policies and development plans set out the circumstances in which obligations will be used to ensure that development is consistent with these ambitions and goals.

Dundee City Council's planning system currently holds the details of ninety (90) legal agreements relating to planning obligations imposed on approved planning applications since the year 2000. The Council is currently reviewing the Local Development Plan and the approach in relation to planning obligations may change in the future. In order to ensure that the Council realises the benefits of planning obligations, it is essential that there are appropriate processes in place to ensure that obligations are recorded, monitored, and enforced.

Scope

We have reviewed the arrangements in place for the recording, receipting, and monitoring of Section 75 payments/planning obligations from developers.

Objectives

		Action Priority			
		C	H	M	L
Confirm that all planning obligations imposed at the point of planning approval are recorded.	Comprehensive Assurance	-	-	-	1
Review the processes for monitoring and follow up of non-financial obligations to ensure that these have been fulfilled on a timely basis within the terms of the underpinning legal agreement.	Comprehensive Assurance	-	-	-	-
Review the process for monitoring financial obligations and ensuring that these are paid in line with the granted approval, and funds received are used according to the terms of the agreement.	Limited Assurance	-	1	2	-
Confirm that there are appropriate monitoring and reporting processes in place with respect to compliance with planning obligations, and a clear pathway for escalation to enforcement.	Substantial Assurance	-	-	1	-
TOTAL		-	1	3	1

Nature of Recommendations

Four of the five recommendations - including the one designated as high priority - relate to issues identified with the design of existing controls and represent instances in which the control framework requires revision to adequately address risks. The remaining recommendation relates to the operation of the control.

Key Findings

We found a number of areas of good practice:

- There are systems in place for recording planning obligations (Uniform) and storing associated documents (IDOX).
- The systems have an audit trail functionality that enhances security of data and accountability of user activities and changes.
- The completion of specific units as per legal agreements is monitored by the team so if a developer failed to notify completion to the Council, it would be identified by the monitoring processes in operation.

We have identified the following areas for improvement:

- The Section 75 process map is inadequate and requires review, update, and formal approval.
- The Sales Ledger Process Map is inadequate and requires review, updating, and formal approval.
- Developers were not always notified in advance of outstanding payments.
- Inconsistent use of spreadsheet to track financial obligations across Planning, Finance and Legal Teams.
- Reports are made to relevant committees only on an ad hoc basis relating to developer contributions, which has raised concerns around the sufficient oversight of the financial obligations.

Impact on Risk Register

The Council's Corporate and Service risk registers included the following risks relevant to this review:

- CDHL004 Legal & Regulatory Compliance (inherent 5x4, residual 5x3)
- CDPE008 Legislation / Regulation (inherent 5x4, residual 4x2)
- CDPE012 Failure to attribute impact (inherent 4x2, residual 3x2)

Failing to comply with documented processes in respect of managing planning obligations significantly reduces the effectiveness of the controls put in place to mitigate risks associated with this area.

(ii) INTERNAL AUDIT REPORT 2023/02

Client	Corporate
Subject	SLAs with External Bodies

Executive Summary**Conclusion****Limited Assurance**

The Council no longer has a formally defined and up to date process in place to ensure that the requirements of "Following the Public Pound" guidance are adhered to. However, Services have generally implemented their own processes to manage and administer existing funding relationships.

While these processes are designed to mitigate risks relating to the effectiveness of partnerships, the variation in approach means it is difficult to gain assurance that monitoring arrangements are appropriate, proportionate, and effective in any particular instance.

Background

In 1996, The Accounts Commission and Convention of Scottish Local Authorities published the Code of Guidance on Funding External Bodies and Following the Public Pound. The objective of the guidance was to ensure that funds or other resources transferred by Councils to external bodies secure "quality local authority services in the most effective, efficient and economic manner."

The Code of Guidance sets out a framework for Councils to manage relationships with external bodies where they are not straightforwardly contractual, such as arm's length bodies, and third sector bodies funded by Council grants. This includes clearly articulating the purpose of the award and defining appropriate and proportionate arrangements for financial scrutiny and measurement of performance.

The Council prepared guidance for officers and members in 2015. The guidance establishes principles for determining when a "significant funding relationship" in the terms of the Code of Guidance exists, and the appropriate basis on which to design monitoring and reporting arrangements. The Council's guidance defines as significant instances where "Council expenditure is equal to the product of at least £1 on the Council Tax. For the Council in the 2015/16 financial year this represents funding of £60,000 or greater" subject to consideration of the significance of that funding in relation to the budget of the funded body.

To ensure the efficiency and effectiveness of funding relationships, it is vital that the Council has robust controls which provide assurance over the use of funding transferred to external organisations.

Scope

Assess the extent to which the Council has adequate service level agreements in place where Council responsibilities are delivered by external bodies. To include an assessment of arrangements to ensure satisfactory service delivery and value for money.

Objectives

		Action Priority			
		C	H	M	L
The Council's internal guidance and procedures are consistent with the requirements of the Code of Guidance	Limited Assurance	-	1	-	-
Monitoring and reporting arrangements consistent with the Council's guidance have been developed and implemented	Limited Assurance	-	1	2	-
Monitoring and reporting requirements are complied with	Limited Assurance	-	-	1	-
Arrangements are in place to ensure all funding relationships which fall within the terms of the Code of Guidance have been identified and consideration has been given to the implementation of an SLA or equivalent.	Limited Assurance	-	-	-	-
TOTAL		-	2	3	-

Nature of Recommendations

Four of the five recommendations relate to the design of controls, as opposed to the operation of existing controls. This reflects that a previously implemented corporate control framework no longer appears to be in place, however we noted that there are operational controls which have been developed and implemented within Services which partially mitigate the same risks.

Key Findings

We have identified the following areas for consideration, some of which give rise to recommendations for improvement:

- The Council previously established a policy and set of guidance, reflected in the Financial Regulations, which set out oversight requirements for providing funding to external bodies. However, it is unclear if this is considered current as it was last updated in 2015.
- In the form in which it was last updated, the Council's own guidance outlines policy and processes which would comply with Following the Public Pound Guidance; however these are no longer in active use. Clarifying the status of the Guidance, and reviewing and updating it if necessary, would provide greater assurance that relevant funding relationships have been identified, and that appropriate arrangements have been implemented for their monitoring and management.

- There is no consistent process by which Services assess the nature of their funding relationships and identify those that are significant in the terms of the FPP guidance, however in general Services have implemented their own monitoring processes where funding is provided to external bodies.
- As a consequence of the lack of criteria for assessing the significance of funding provided by the Council, there is no clear relationship between the nature and scale of that funding and the nature of the monitoring processes in place. Categorising the funding relationships in place across the Council and establishing a common set of requirements for the associated processes would provide greater consistency and assurance that processes used in any particular instance are proportionate.
- Services are making use of a standard contract wording as a template for funding agreements, however it is not clear that this approach is appropriate, or that the wording itself is fit for purpose. The use of this standard wording should be reviewed where it is in place.
- The status of Guidance for Councillors and Council Officers serving as Directors or Trustees of external organisations is unclear. This formed part of the Council's guidance on funding external bodies last updated in 2015, but does not appear to have been updated since. This guidance should be reviewed and updated where required.
- The Council's Financial Regulations and the 2015 Guidance specify that reports should be presented to Committee when new funding relationships are entered into, and annually thereafter, however such reports are no longer consistently prepared and presented.

Impact on Risk Register

The (Service) risk register included, at time of audit, the following risks:

- DCC002 Effectiveness of Partnerships (inherent risk 5x3, residual risk 5x3)

A large number of Service level risk registers identify specific risks relating to issues arising from Partners or Suppliers, including Community Justice, Education, Planning & Economic Development, Roads & Transportation, Customer Services, Community Safety, Environment, and Housing & Communities. Controls related to Following the Public Pound will be of relevance to these risks where those services provide external funding within the scope of the Code of Guidance.

The overarching Corporate Risk includes “Following the Public Pound Reporting” as a control against this risk, however we have established that this is not taking place in the form described in the Council's most recent guidance or the Financial Regulations. Where risks relating to Partnerships are articulated in Service risk registers, these generally describe internal controls composed of some combination of monitoring meetings, agreed contracts and SLAs, and dedicated monitoring officers.

We have found that generally some form of monitoring process was in place for all of the organisations we reviewed, however there was considerable variation in their form. This kind of variation does not in and of itself give rise to additional risk, however the variation appears to be a consequence of the absence of two elements of Following the Public Pound reporting:

- A systematic approach to identifying and categorising funding relationships, and
- Reporting to Committee at the point at which funding relationships are created, and annual reporting of financial and performance information for relevant funding relationships.

There is therefore a risk that arrangements for the monitoring of funding relationships may not be proportionate to the funding relationship, and there is a risk of inefficiency where Services have developed and implemented bespoke processes where it may have been more appropriate to rely on processes which have already been implemented. There is some evidence that this has been recognised in some Services where contract monitoring arrangements have been repurposed to monitor relationships that are not strictly contractual.

Risk owners should consider the extent to which management have an understanding of the number and nature of funding relationships administered by their service, whether there are clear policies which articulate the monitoring approach to be taken, and whether there are potential efficiencies to be found by applying a consistent process to groups or categories of similar funding relationships.

Risk owners should also consider the extent to which their existing processes meet the standards outlined in the Financial Regulations.

(iii) INTERNAL AUDIT REPORT 2024/22

Client	City Development / Corporate Services
Subject	GVA Purchasing

Executive Summary**Conclusion****Limited Assurance**

The controls in the City Development GVA Purchasing process are not well defined and effective in comparison to the process applied to other purchasing through the Civica system. The limited functionality of the GVA system means that implementation of more sophisticated cost analysis and control approaches is likely impractical without system replacement.

We have raised a number of recommendations relating to system user access controls, segregation of duties, and approval workflows which could, in principle, be addressed within the existing systems. We have recommended approaches to management and scrutiny of repair costs to the extent that these are practical within the existing infrastructure, and considerations for the required functionality of the planned replacement of GVA.

Background

Dundee City Council uses Civica Purchase to Pay systems for the majority of purchasing activity. However, in certain areas of the organisation alternative or special purpose systems are used to administer purchasing processes such as approval of orders and authorisation of invoices. Where these are in place, the level of integration with the Council's core financial systems varies.

The Council's purchases for building repairs follow a different authorisation and approval process from conventional purchasing. Where repairs are required to Council buildings, these are recorded through the Council's Asset Management System GVA. Where an order is created to carry out the repair, the existing process creates a commitment in the financial ledger system Civica based on its estimated cost, as the full cost may not be known at the point the decision is made to carry out the work.

Invoices are subsequently reviewed and approved for payment in relation to their estimated cost and any additional work required, as opposed to by straightforward purchase order matching.

Management have requested that a review is carried out of the purchasing controls currently in place for work, which is instructed for building repairs logged through GVA, to determine their fitness for purpose and their adequacy in relation to the control processes which apply to conventional purchasing in other Council functions.

Scope

Review processes in relation to the ordering, approval, and payment for repair work to Council buildings which are administered through the GVA system and related processes.

Objectives

This review was carried out with the aim of making determinations in relation to specific operational risks and controls identified in consultation with Council Senior Management. The review:

- Documented the processes which operates within City Development for the purchase of building repair work, which fall outside the scope of conventional purchases through Civica Purchasing.
- Evaluated the controls within that process, identifying where these differ from controls which are applied to conventional purchasing activity.
- Concluded upon the extent to which these controls are adequate to support the discharge of relevant responsibilities set out within the Council's Standing Orders and other financial guidelines.
- Examined records of purchases, through a sampling approach or otherwise, to determine the extent to which those controls can be said to have operated.

Approach

The audit procedures undertaken consisted of:

- Identification and examination of relevant process and procedure documents, where these are in place
- Formal walkthrough of the purchasing process in order to document its operation
- Acquisition of listings of purchase transactions from relevant systems to identify specific transactions for audit testing
- Examination of underlying records in relation to identified transactions
- Analysis of the consistency of estimated costs with costs that are ultimately incurred

		Action Priority			
		C	H	M	L
Adequacy of controls within the GVA purchasing process, and comparison with Civica Purchase to Pay	Limited Assurance	-	1	2	1
Evaluation of the extent to which expected purchasing controls can be determined to have operated	Limited Assurance	-	1	1	-
TOTAL		-	2	3	1

Nature of Recommendations

All of the recommendations relate to issues identified with the design of existing controls and represent instances in which the control framework requires revision to adequately address risks.

Key Findings

We identified the following good practice, which relates to controls integrated into the Civica Financials system:

- Payment of invoices is carried out through Civica Financials, meaning that there is a three-way match between the purchase order, goods received note (GRN) and invoice.
- Civica automatically enforces a secondary approval process where there is a significant variance between the invoice received and the value of the purchase order.

We have identified the following areas for improvement; however we note that many of these relate to issues with the existing GVA system used for the management of building repair requests and the associated purchase orders.

The GVA system is now end-of-life and no longer supported by the original vendor. The Service recognises the need for GVA to be replaced with a more modern system, and as such our recommendations are made in the context that it may not be practical or cost-beneficial to introduce new processes where these may be addressed by functionality available in new software:

- A GVA user guide has been developed, comprising a combination of vendor documentation and procedure notes, however this is not made available to the users, and no formal system training is provided to staff.
- User access management processes are limited, and GVA does not provide functionality to support periodic review of active users and their permissions. Defining the required user roles and the associated system permissions, and keeping these under review, would provide greater assurance that access to the system is appropriately controlled.
- System limitations combined with the configuration of user permissions mean that an individual user can create and approve both the purchase request and purchase order for the same transaction, meaning that purchases made through GVA may not be subject to the same segregation of duties controls as purchases made through Civica.
- Issues with system integration introduce inconsistencies between Purchase Order records held in the GVA and Civica systems. Financial risks are largely mitigated by other controls within Civica, but the lack of consistency between the systems complicates analysis of purchasing and costs.
- The GVA system has only limited capabilities to provide management information to support cost control, and there is no consistent, objective approach to estimating costs when raising Purchase Orders. Introducing a standardised approach based on clear assumptions could enhance cost control, but the absence of functionality to support this in GVA means that without system replacement this would likely be limited in scope or impractically resource intensive.

- There is no consistent approach to reviewing invoices to confirm that payment can be released by “receipting” these in Civica, and such invoices are paid automatically without further review where they are consistent with estimated costs, although estimates may have been prepared based on incomplete information. The ability to apply meaningful scrutiny at these stages is contingent on the implementation of a more modern system capable of supporting a more sophisticated estimating approach, and as such should be considered in the context of the implementation of a revised system.

Impact on the Risk Register

The (Service) risk register included, at time of audit, the following risks:

- CDDP004 Financial (inherent risk 5x5, residual risk 4x4)
- CSCF008 Compliance (inherent risk 5x5, residual risk 5x3)
- CSCF007 Procurement - General (inherent risk 5x5, residual risk 5x3)

The internal controls identified against these risks in the Corporate and Service risk registers consist of:

- "No Purchase Order, No Pay" policy
- Centralised procurement function
- Segregation of duties
- General monitoring and reporting controls
- Procurement / Supplier controls

We have identified areas for improvement in relation to the access controls and segregation of duties in GVA purchasing process, Reconciliation of order information in GVA system and Civica system and assessment of Purchase Order values.

Risk owners should consider whether risks remain accurately scored in the light of the findings of this review.

Definitions of Levels of Assurance

Comprehensive Assurance	The system of controls is essentially sound and supports the achievement of objectives and management of risk. Controls are consistently applied. Some improvement in relatively minor areas may be identified.
Substantial Assurance	Systems of control are generally sound, however there are instances in which controls can be strengthened, or where controls have not been effectively applied giving rise to increased risk.
Limited Assurance	Some satisfactory elements of control are present; however, weaknesses exist in the system of control, and / or their application, which give rise to significant risk.
No Assurance	Minimal or no satisfactory elements of control are present. Major weaknesses or gaps exist in the system of control, and / or the implementation of established controls, resulting in areas of unmanaged risk.

Definitions of Action Priorities

Critical	Very High-risk exposure to potentially major negative impact on resources, security, records, compliance, or reputation from absence of or failure of a fundamental control. Immediate attention is required.
High	High risk exposure to potentially significant negative impact on resources, security, records, compliance, or reputation from absence of or non-compliance with a key control. Prompt attention is required.
Medium	Moderate risk exposure to potentially medium negative impact on resources, security, records, compliance or reputation from absence or non-compliance with an important supporting control, or isolated non-compliance with a key control. Attention is required within a reasonable timescale.
Low	Low risk exposure to potentially minor negative impact on resources, security, records, compliance, or reputation from absence of or non-compliance with a lower-level control, or areas without risk exposure but which are inefficient, or inconsistent with best practice . Attention is required within a reasonable timescale.

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