NORTH AYRSHIRE COUNCIL

19 January 2022

Audit and Scrutiny Committee

Title:	**Internal Audit Reports issued**
Purpose:	To inform the Committee of the findings of Internal Audit work completed between November and December 2021.
Recommendation:	That the Committee considers the outcomes from the Internal Audit work completed.

1. Executive Summary

1.1 The Council's local Code of Corporate Governance requires effective arrangements to be put in place for the objective review of risk management and internal control. Internal Audit is an important element in this framework as it reviews internal controls and offers Elected Members and officers an objective and independent appraisal of how effectively resources are being managed.

1.2 The remit of the Audit and Scrutiny Committee includes the monitoring of Internal Audit activity. The submission and consideration of regular reports assists the Committee in fulfilling this remit.

2. Background

2.1 This report provides information on Internal Audit work completed between November and December 2021. Internal control reviews have been completed in respect of the areas detailed in Appendix 1 to this report. The aim of these reviews is to provide assurance that the internal control framework within the areas examined is appropriate and operating effectively.

2.2 The findings from each audit assignment have been notified in writing to the Chief Executive, the Section 95 Officer and the relevant Executive Director and Head of Service on the completion of each assignment. Where appropriate, this has included an action plan with recommendations for improving internal control. Appendix 1 includes the report and action plan from each audit.

2.3 The findings from five separate audit assignments are detailed at Appendix 1 to this report and the levels of assurance for each are noted in the table below:

Audit Title	Assurance Level
Payroll Transaction Testing	Reasonable
Procurement of Educational Supplies	Reasonable/Limited
Benefits	Substantial
CCTV in Council Buildings and Vehicles	Limited
Accounts Payable Transaction Testing	Reasonable

2.4 The key findings are as follows:

- For spend across pupil equity funding, central budgets and procurement card spend, analysis identified some suppliers which are not included on the Contract Register. Furthermore, descriptions provided against some procurement card transactions were sometimes insufficient to allow the procurement theme to be identified and analysed. Other issues identified relating to procurement cards such as sharing of card details, timely review of transactions, online purchasing and training were addressed in the previous Procurement Card audit. These actions are in the process of being implemented and Internal Audit are carrying out a full follow up of the findings to assess implementation.
- For CCTV in council buildings and vehicles there is a general recognition across the Council that CCTV images are personal data that require protection, however there is a requirement to harmonise practices across the Council to ensure a consistent approach to recording, storing and accessing CCTV images. Work has already commenced in the form of a cross service working group to take forward issues relating to CCTV.

3.   Proposals

3.1 It is proposed that the Committee considers the outcomes from the Internal Audit work completed between November and December 2021.

4.   Implications/Socio-economic Duty

Financial

4.1 None.

Human Resources

4.2 None.

Legal

4.3 None.

Equality/Socio-economic

4.4　None.

Environmental and Sustainability

4.5　None.

Key Priorities

4.6　The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2019-2024.

Community Wealth Building

4.7　None.

5.　Consultation

5.1　The relevant Services are consulted on Internal Audit findings during each audit assignment.

Mark Boyd
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Insurance),** on **01294-324524**.

Background Papers
None.

PAYROLL TRANSACTION TESTING Q1

1 Background

1.1 This audit was conducted as part of the approved 2021/22 Internal Audit Plan and used computer audit software to interrogate the HR/Payroll system and examined any anomalies which arose.

1.2 Audit software called IDEA (Interactive Data Extraction and Analysis) has been used to carry out this testing.

1.3 The Employee Account is used to access and complete internal online forms for contract amendments and terminations.

1.4 Mileage, travel and subsistence claims can either be submitted via the completion of a manual claim form, which is then physically authorised, or electronically via the system called HR21, which allows the claim form to be electronically completed and approved.

1.5 The Payroll system has a screen called Authorised Signatories which records what the employee is authorised to approve.

1.6 Some changes to the process had to be made due to COVID-19 with employees working from home and not being able to obtain physical signatures.

2 Objectives and Scope

2.1 The main objectives of this audit were to ensure that:
- High overtime payments are valid and properly authorised.
- Employees working over 48 hours per week have signed the Working Time Regulations Opt-Out Form.
- Employees' last pay is correct, properly authorised and has not resulted in an overpayment.
- Salary amendments are valid and authorised.
- High mileage claims are in line with the Terms and Conditions of Employment, are valid and authorised.
- Travel and subsistence expenses are in line with the Terms and Conditions of Employment, are valid and authorised.
- Employee details are valid and complete.
- Allowances and deductions are in line with the Terms and Conditions of Employment, are valid and properly authorised.

2.2 This testing covered the period 1st October 2020 to 31st March 2021.

3 Findings

High Overtime Payments

3.1 A sample of 10 high overtime payments were selected to ensure the payments agreed to approved paperwork. There were 5 out of 10 overtime forms where the reason for the overtime was not recorded.

Working Time Regulations

3.2   The auditor tested for employees who are either contracted to work 48+ hours per week or have an average of 48+ hours per week as per the period 01/10/20 to 31/03/21 including overtime. There were 71 employees meeting these criteria and it should be noted that 59% work in Physical Environment and 34% work in Commercial Services. The auditor selected a sample of 20 to ask the service for evidence the employee has agreed to be excluded from the 48-hour weekly limit as per the Councils Terms and Conditions of Employment. The sample included employees from Roads, Building Services and Facilities Management. This testing identified 11 employees with no opt out form recorded in their personal file and 9 employees with no opt out recorded on the HR/Payroll system. All these employees work within the Physical Environment service. **(action a)**

3.3   HR confirmed there is an HR guide called Working Time Regulations which documents the process to ensure staff opt out and this is properly recorded on the HR/Payroll system. Not all senior managers are aware of this guide. During the audit, HR advised they will incorporate a report into a Workforce Info Power BI to share with managers to identify multi-post employees. Managers should then liaise with the employees to determine whether the opt-out process is appropriate. This will improve the management of this process. **(action b)**

Leavers Last Pay

3.4   The auditor selected a sample of 15 leavers to ensure the employee's last pay is correct, the termination form has been received on a timely basis and was approved by an authorised signatory. The following was identified and rectified during the audit:
- 9 leavers forms were submitted after the leaving date.
- 9 employees were overpaid, and this was rectified by Payroll. The overpayments ranged from 3 days to 77 days.

3.5   There were 4 employees who left within 30 days of starting with the Council and their last pay was also checked to ensure it was correct. This testing identified 1 employee that was paid 4 weekly pays but never started. One employee was overpaid 22 days. In both cases, the overpayment was recovered. It was also found that an employee was overpaid £302.67 and Payroll will arrange for an account to be sent to the employee. In addition, 3 out of 4 leavers forms were submitted after the leavers date.

Salary Amendments

3.6   The auditor selected a sample of 10 amendment forms. It was noted that 3 of the amendment forms for HSCP employees were received after the effective date. There were no other findings to note.

Travel and Subsistence Expenses

3.7   The auditor selected a sample of 10 high mileage payments to check to the mileage claim form. It was noted that 1 claim form was not submitted within the 3-month period and 1 claim form was not properly approved. The claim form was sent to Payroll by the claimant and the approver's name was typed on the claim form so there is no evidence the approver approved the claim form. **(action c)**

3.8   The auditor selected a sample of 5 fares and subsistence payments to check to the claim form. There were no findings to note from this testing.

Employee Details

3.9 Various tests were carried out on employee details and the only finding to note were in relation to 4 employees with duplicate records. Payroll advised the duplicate record had never been set up with a pay type and were still recorded as expected to start. The duplicate records have since been deleted.

Allowances and Deductions

3.10 The auditor selected a sample of 5 allowances to ensure the allowances are in line with the Terms and Conditions of Employment and agreed to approved paperwork. There were no findings to report from this testing.

3.11 The auditor selected a sample of 5 pay advance deductions to ensure these deductions have been made in line with the pay advance procedure for new employees. There were no findings to report from this testing.

4 Internal Audit Opinion

4.1 Overall, reasonable assurance was obtained with regard to the processing of Payroll transactions, but it should be noted there were a high number of overpayments made to employees who continued to be paid after they left the Council.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

NB The level of assurance given is at the discretion of Internal Audit.

KEY FINDINGS AND ACTION PLAN
PAYROLL TRANSACTION TESTING Q1

Action	a
Finding	There are 11 employees with no opt out form recorded in their personal file and 9 employees with no opt out recorded on the Payroll system for employees working 48+ hours per week. All these employees work within the Physical Environment service.
Action Description	Employees should be asked to complete the opt out form and the forms should be passed to Employee Services to key to the HR/Payroll system.
Risk	Awarding compensation if an employee makes a claim against the Council. Non-compliance with legal requirements.
Priority (1, 2, 3)	2
Paragraph Reference	3.2
Managed by	Yvonne Baulk, Head of Service (Physical Environment)
Assigned to	Carolyn Hope, Senior Manager Facilities Management
Due Date	30th November 2021
Management Comment	It was unclear that the Service was to manage and retain this information due to a previous instruction however this has now been clarified. All staff have been contacted who work >48 hours and forms have been passed to Business Support for logging on Chris and their personnel file. Due to the service having no administrative support, this part of the process will remain with Business Support.

Action	b
Finding	HR confirmed there is an HR guide called Working Time Regulations which documents the process to ensure staff opt out and this is properly recorded on the HR/Payroll system. Not all senior managers are aware of this guide. During the audit, HR advised they will incorporate a report into a Workforce Info Power BI to share with managers to identify multi-post employees. Managers should then liaise with the employees to determine whether the opt-out process is appropriate.
Action Description	HR should re-issue the HR guide to managers to ensure the correct process is being followed. HR will incorporate data in relation to multiple posts into a Workforce Info Power BI to share with managers to assist this process.
Risk	Awarding compensation if an employee makes a claim against the Council. Non-compliance with legal requirements.
Priority (1, 2, 3)	2
Paragraph Reference	3.3
Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Jackie Smillie, Senior Manager HR&OD
Due Date	December 2021
Management Comment	HR will issue the guidance as above and liaise with the GIS/Analytics team to facilitate the inclusion of the multi post detail in the Workforce Info Power BI.

Action	c

Finding	It was noted that 1 mileage claim form was not properly approved. The claim form was sent to Payroll by the claimant and the approvers name was typed on the claim form so there is no evidence the approver approved the claim form.
Action Description	Payroll staff should be reminded to check there is a physical signature for an approver or an email from the approver before processing a mileage claim form.
Risk	Mileage has not been properly authorised.
Priority (1, 2, 3)	2
Paragraph Reference	3.7
Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Jackie Hamilton, Senior Manager Employee Services
Due Date	Complete
Management Comment	An email has been issued to the Payroll Team reminding them of the importance to ensure that the mileage form has been appropriately approved and to check that the submission of the mileage claim via a form and not via HR21 the self-service system is the correct submission route.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

PROCUREMENT OF EDUCATIONAL SUPPLIES

1 Background

1.1 Education has a wide procurement remit, providing a safe learning and nurturing environment for pupils. The audit analysed spend in the following areas: Pupil Equity Funding (PEF), procurement cards, and central spend on the Integra Accounts Payable system.

1.2 To allow an overview of spend prior to and during COVID-19 restrictions audit testing was carried out on procurement card transactions in the period April 2018 through to March 2021. Spend analysis was completed using Microsoft Power Pivot. Due to the large amount of data reviewed, most analysis was carried out in calendar rather than financial years.

1.3 Integra spend was analysed for the financial years 2019/20, 2020/21 and the current year to period three.

2 Objectives and Scope

2.1 The main objectives of the audit were to ensure that:
- The service is complying with procurement procedures
- Procurement cards are being used in compliance with procedures
- PEF and other spend is appropriate

3 Findings

3.1 Procurement guidance is provided by the Procurement team and is current. PEF and central funding guidance provided to staff is current and complete.

3.2 A random sample of invoices confirmed that procurement procedures had been followed and invoices were authorised appropriately. IT equipment was purchased centrally through the IT department.

3.3 Analysis of the top ten suppliers by spend amount for each type of spend identified 3 suppliers who were common to all of three procurement types analysed. Another 8 suppliers were common to both Procurement card and PEF spend. Of these, 6 suppliers were not on the Contract Register. **(Action a)**

Procurement Cards

3.4 Procurement cards was subject to a recent audit. The actions from that audit will have an impact on Education staff with regards to training and spend of on-line transactions.

3.5 For the period audited, there were 10,695 transactions at a value of £1,139,470. Education staff provide a transaction description. These descriptions are vague and proper spend analysis is difficult. To enable this, 23 spend themes were identified and each transaction was allocated accordingly. Nurture and pupil wellbeing (£196,726.42, 1,791 transactions), teaching equipment and specific subject teaching aids (£252,324.19, 2,059), IT software and hardware along with equipment (£143,202.24, 945) accounted for the majority of procurement card spend. There were 329 transactions totalling £47,365.23, where the description was insufficient to be allocated to a procurement theme. **(Action b)**

3.6 An analysis of Covid related spend patterns identified that both postage and Health and Safety expenditure, as might be expected, increased by more than double the average annual spend during the lockdown period.

3.7 The common issues relating to procurement card use are late authorisation of purchases, sharing of card details, and items purchased in error. Procurement services are currently reviewing both the escalation process for late authorisation and reviewing of online spend as a result of the recent audit review.

PEF Spend

3.8 In June 2020, the Scottish Government made a PEF offer to the Council of £4,297,771 for 2020/21 and £4,412,149 for 2021/22, £8,709,920 in total. Annexed in this document was a list of the schools and their grant allocation. Schools create a plan for how they will use the funding to close the poverty related attainment gap. These plans are reviewed by the Head of Education and other senior managers. Head Teachers share information on successful strategies.

3.9 In financial year 2019/20, PEF spend totalled £4,001,634 and in 2020/21 £4,732,193. In both periods two thirds of spend was staff related and the remaining third supporting attainment through purchase of equipment, learning materials and wellbeing support. The main change was the decrease in furniture spend for nurture rooms and stationery, due to home learning, over the two periods analysed. Education submits regular performance reports to the Scottish Government as part of the grant service level agreement.

3.10 Audit reviewed the Impact Survey Report from Auchenharvie Academy for the year 2019/20 and the supporting budget analysis. There were three streams identified within the report, closing the attainment gap in literacy and numeracy in S1 to S3, family learning, and developing Scotland's workforce. Detailed descriptions of what had been planned were given and successful outcomes were identified.

Central Procurement

3.11 Over the three-year period analysed, central spend on Integra transactions was £56,142,329 to 1,055 suppliers. During the Covid period, this reduced in correlation to increased procurement card spend and the lockdown period.

3.12 Main areas of spend reviewed included nursery service provision, social care and health support, transport and equipment purchases. From the sample tested no issues were identified.

4 Internal Audit Opinion

4.1 Overall, reasonable assurance was obtained regarding the procurement of educational supplies from PEF and central Integra spend. Limited assurance was obtained regarding procurement card spend.

4.2 Procurement card improvements through the recording of purchase descriptions would make future analysis of spend easier, reducing the risk that contract items are purchased online at the wrong price.

4.3 Education made full use of the PEF funding available.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

NB The level of assurance given is at the discretion of Internal Audit.

KEY FINDINGS AND ACTION PLAN

Procurement of Educational Supplies

Action	a
Finding	Top ten supplier spend analysis identified suppliers not on the Contracts Register.
Action Description	Education review the suppliers identified in the analysis and, if required, have them added to the contract register.
Risk	Best value is not achieved and items are purchased off contract. Breach of the Standing Orders relating to Contracts.
Priority (1, 2, 3)	1
Paragraph Reference	3.3
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Lynn Taylor, Senior Manager (Resources and Infrastructure)
Due Date	31 March 2022
Management Comment	Education will work with CPU colleagues to review the top ten suppliers identified and where appropriate add them to the Contracts Register. A communication by Education will be issued to advise establishments of any new suppliers added.

Action	b
Finding	The analysis of procurement card spend is difficult due to vague description text.
Action Description	A standardised description methodology is adopted which will enable spend analysis as an ongoing process.
Risk	Fraudulent spend is not identified, contract items are not purchased at the correct price and management overview of spend is impractical and uninformative.
Priority (1, 2, 3)	1
Paragraph Reference	3.4
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Lynn Taylor, Senior Manager (Resources and Infrastructure)
Due Date	31 March 2022
Management Comment	Education and CPU colleagues will develop standardised text and methodology for describing purchases on procurement cards. Once agreed Education will communicate to establishments for use.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

BENEFITS

1 Background

1.1 There are a number of benefits and grants available to North Ayrshire residents who are suffering financial hardship.

1.2 This audit has focussed on the following:-
- Council Tax Reduction Scheme (CTRS)
- Discretionary Housing Payments (DHP)
- Scottish Welfare Fund awards (SWF)

2 Objectives and Scope

2.1 The objectives of this audit were to ensure:-
- Applications for support from the above 3 schemes are being assessed accurately and timeously
- The Council is accurately and timeously updating records for changes to claimant's circumstances.

3 Findings

Council Tax Reduction Scheme (CTRS)

3.1 The CTRS helps people on a lower income to pay for some, or all, of their council tax.

3.2 Eligibility for CTRS is means tested.

3.3 Northgate (the software system use by the Council's Revenue and Benefits Teams) is used to calculate and administer council tax reductions. The applicant's income is entered into Northgate and the system then assesses whether the applicant is eligible for a council tax reduction.

3.4 Inputting the correct income information is key to an accurate assessment being made, therefore audit testing focussed on ensuring:-
- The correct income information had been entered into Northgate
- The correct start date for the claim had been used.

Accuracy Testing

3.5 A sample of 10 new applications were reviewed in detail. No issues were noted.

3.6 Changes in personal circumstances can impact on an individual's eligibility for a council tax reduction.

3.7 Audit tested a sample of 10 'change of circumstances' processed to ensure:-
- Revised income information had been correctly entered into Northgate
- The amendment had been started from the correct date.

3.8 No issues were noted during detailed testing.

<u>Processing times</u>

3.9 The Council reports to the Scottish Government on the number of days taken to process a change. In 2020/2021 it took an average of 19 days to process a new claim and 5 days to process a change of circumstance.

3.10 The Service has very recently (September 2021) automated the process of inputting income information for those claiming Universal Credits. The Service hopes that over time, this could result in 40-50% of cases being processed automatically.

Discretionary Housing Payments (DHP)

3.11 The intention of the DHP scheme is to mitigate hardship in situations where normal Housing Benefit or Housing costs paid via Universal Credit do not cover all of an individual's rent liability.

3.12 There are 2 main categories of application:-
- Social Sector Size Criteria (often known as the bedroom tax). This is to cover any shortfall in housing benefits paid as a result of 'the bedroom tax'.
- Financial hardship. Applicants experiencing short term financial hardship due to personal circumstances.

3.13 The majority of claims to the Council are under the social sector size criteria. Once confirmed as eligible payment will continue indefinitely, until a change of circumstances makes the claimant ineligible.

3.14 Payments for financial hardship are at the discretion of the Council.

<u>Accuracy Testing</u>

3.15 Audit selected a sample of 10 new DHP awards and:-

<u>For social sector size criteria claims</u>
- Ensured an application form, or notification from Housing Officer has been received
- Agreed the start date of the payment to the application form

<u>For other DHP claims</u>
- Ensured an application form has been received
- Ensured an income and expenditure analysis form had been completed by the applicant
- ensured a DHP Assessment Award form has been completed by the awarding officer, detailing the logic behind their award decision
- reviewed letter sent to tenant confirming that a payment has been awarded, the period during which it will be paid

3.16 No issues were noted during detailed testing.

3.17 If a change in circumstance affects a claimant's eligibility for DHP, Benefits staff need to manually calculate the adjustment required in Northgate to offset the previous award.

3.18 Audit selected a sample of 10 changes of circumstances processed and ensured:-
- Supporting documentation to confirm the change was available
- The manually calculated adjustment was correct.

3.19 No issues were noted during testing.

Processing times

3.20 During detailed audit testing, the auditor also reviewed the length of time between receiving an application or change of circumstance notification and the processing date to ensure all claims are being dealt with timeously.

3.21 18 out of the 20 cases reviewed had been processed within 1 month of being notified. Of the 2 remaining cases, 1 took just over a month (36 days) whilst the final case took nearly 3 months.

Scottish Welfare Fund (SWF)

3.22 The SWF scheme can provide:-
- Crisis grants – to help individuals who have suffered a disaster or emergency
- Community care grants – to help individuals establish or maintain a home.

3.23 The Scottish Government has issued detailed guidance on how to operate the scheme, however the Council still has discretion on when to make an award. The Council's decision is based on an assessment of the severity of need of the applicant.

3.24 COVID-19 Self Isolation Support Grants are also administered via SWF.

Accuracy Testing

3.25 The Council does not have any written procedures on how to administer or record SWF grants. **(action point a)**

3.26 A sample of 5 crisis, 5 community care and 5 Covid-19 isolation grants were reviewed to ensure:-

- applications and applicant declarations are being kept
- evidence to support applications is being obtained
- the decision-making process is recorded
- for crisis grants – staff have considered how many previous awards have been made in the last 12-month period (Scottish Government guidance says that no more than 3 awards should be made in a 12-month rolling period except in exceptional circumstances.

3.27 No issues were noted during detailed testing.

Processing times

3.28 The Council submits quarterly statistics to the Scottish Government on various elements of the SWF grant process.

3.29 Audit reviewed the processing time for SWF grants to ensure that the Scottish Government timeframes were being achieved.

3.30 Quarterly figures published by the Scottish Government for financial year 20/21 confirm that the Council processed 99% of all claims within the prescribed timeframes. The Scottish Government had not published quarter 1 figures for 21/22 at the time of this audit.

4   Internal Audit Opinion

4.1 Overall, substantial assurance was obtained with regard the Council's processing and recording of Council Tax Reduction Scheme, Discretionary Housing Payment and Scottish Welfare fund applications.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

NB The level of assurance given is at the discretion of Internal Audit.

KEY FINDINGS AND ACTION PLAN
BENEFITS

Action	a
Finding	The Council has no written procedures regarding the administration or recording of SWF grants.
Action Description	Written procedures covering all aspects of the SWF grant process should be produced.
Risk	Errors or inconsistencies in the grant assessment or recording process; reputational damage if the Council is not able to demonstrate a clear and consistent decision-making process.
Priority (1, 2, 3)	2
Paragraph Reference	3.25
Managed by	Fiona Walker, Head of Service (People & ICT)
Assigned to	Jillian Campbell (Interim Senior Manager – Customer Services)
Due Date	31 January 2022
Management Comment	Written procedures will be prepared and implemented.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

CCTV IN COUNCIL BUILDINGS AND VEHICLES

1   Background

1.1   CCTV images are classed as personal data and are therefore subject to the requirements of the Data Protection Act (DPA) and General Data Protection Regulation (GDPR).

1.2   As the data owner, the Council is responsible for ensuring all CCTV images are being treated in accordance with the above legislation.

2   Objectives and Scope

2.1   The objective of this audit was to:-
- Ensure CCTV cameras and systems are being recognised as Council assets.
- Confirm all Data Protection Act requirements for CCTV images are being adhered to.

3   Findings

3.1   The Council has an Information Asset Register (IAR) which is used to record all the Council's information assets, the risk associated with holding and processing such assets along with any measures taken to mitigate the risks.   CCTV images meet the definition of an information asset and should therefore be recorded on the Register.

3.2   Each Service is responsible for updating the IAR for all information assets within their control.

3.3   Audit reviewed the IAR and found the only CCTV systems listed were:-

       Commercial
- CCTV/ANPR system for waste disposal/recycling/transfer sites
- CCTV system in refuse collection vehicles
- CCTV system at Shewalton Waste Transfer Station

       Physical Environment
- Public Spaces CCTV system

       Connected Communities
- CCTV in Dreghorn, Irvine, Saltcoats, Bourtreehill and Stevenston libraries
- Harbour Arts Centre
- Eglinton Park
- Ardeer Neighbourhood Centre

3.4   PMI and Transport provided Audit with details of all CCTV systems they have installed in council buildings and vehicles. By comparing these lists to the IAR, it was clear that not all Services have recorded their CCTV systems in the IAR. **(action point a)**

3.5   Furthermore, there is no CCTV replacement programme in place. **(action point b)**

3.6   In order to assess how Services are addressing data protection requirements for CCTV, Audit requested that each Head of Service complete a questionnaire for every CCTV system within their remit.

3.7   The questionnaire covered the following:-

- In order to ensure the Council is holding the minimum amount of personal data possible, services were asked if they regularly evaluate the need for CCTV (as there may be a less invasive way to obtain the same result) and how long they are keeping CCTV back-ups for (to ensure these are being destroyed as soon as they are not required).

- The Council is legally obliged to undertake Data Protection Impact Assessments (DPIAs) for any new, or changes to current processes that involve collecting personal information. Services were asked to confirm they had completed DPIAs when introducing new or amending current CCTV systems.

- Services were asked to confirm that steps are being taken to ensure the security of CCTV systems and data – both in terms of physical steps such as keeping systems and back-ups in secured locations and also electronic steps such as limiting access to the software via passwords.

- Whilst staff should be aware of their general responsibilities for data protection and have undertaken the Council's annual GDPR refresher training, there is no Council-wide guidance on legal obligations or best practice when operating a CCTV system. Services are therefore responsible for creating their own guidance for staff. Services were asked to confirm whether such guidance is available.

- The public have a right to know their image is being captured. Services were asked to confirm they are displaying notices in prominent locations that confirm that CCTV recording is being undertaken, that North Ayrshire Council is the owner of the CCTV system and giving a method of contacting the Council should a member of the public wish to raise a query or complaint.

3.8   Based on the questionnaires returned, the following key issues were highlighted:-

- There are many instances within the Council where multiple Services have an element of responsibility for a single CCTV system.

- Services have taken different approaches to managing CCTV systems and data. Some services are using the Council's 'Public Space CCTV and Concierge Services Code of Practice' as a guide, some have drafted their own procedures, whilst others have no written guidance for staff.

- Services are not always clear when a DPIA is required.

- Signage needs to be reviewed at all sites to ensure it is adequate.

3.9   Services need to know exactly what role they play in the overall management of the CCTV system, and the corresponding responsibilities this imposes upon them. This is particularly important in situations where multiple services share a location covered by a single CCTV system. A Council-wide approach would reduce the risk of data breaches. **(action point c)**

3.10 It should be noted that during audit testing it became apparent that services use other systems that record the public, such as body cameras and dashboard cameras. Although these were outwith the scope of the audit, these recordings should be treated in the same way as CCTV recordings i.e. recorded on the Council's IAR, and treated in accordance with data protection requirements. **(action points a and c)**

3.11 The Council had already identified a gap in the requirement for greater CCTV governance which resulted in a 'CCTV Surveillance in North Ayrshire' report to the Executive Leadership Team on 22 September 2021. Following this, a decision was taken to create a cross-service working group to take forward the work in this area.

4 Internal Audit Opinion

4.1 Overall, limited assurance was obtained with regard to the Council's current approach to CCTV systems within council buildings and vehicles.

4.2 Whilst services are, in general, recognising CCTV images as data that requires protection, the variance in approach increases the risk of failures in compliance with relevant legislation.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

NB The level of assurance given is at the discretion of Internal Audit.

KEY FINDINGS AND ACTION PLAN
CCTV IN COUNCIL BUILDINGS AND VEHICLES

Action	a
Finding	Services are holding CCTV assets and details in different ways, with some services opting to use the Council's Information Asset Register (IAR) to record CCTV assets. However, the information is incomplete.
Action Description	There is a need to explore the system options available with a view to creating a suitable Council-wide register of all CCTV systems. This register should hold details such as location of assets, technical specification of cameras and software, who is responsible for the maintenance of the asset, who is responsible for data protection.
Risk	The Council is unaware of where information assets are within the Council, and their associated risks; the Council is unaware of the quality of its CCTV infrastructure; existing maintenance contracts may not cover the full CCTV network; lack of ownership of Council assets.
Priority (1, 2, 3)	2
Paragraph Reference	3.4, 3.10
Managed by	Aileen Craig – Head of Service (Democratic)
Assigned to	Aileen Craig – Head of Service (Democratic) Russell McCutcheon – Executive Director (Place) Caroline Cameron – Executive Director (Health & Social Care) Caroline Amos – Executive Director (Interim) (Communities)
Due Date	31 March 2022
Management Comment	A cross service working group has been established to take forward issues relating to CCTV across the Council. This includes undertaking an inventory of all CCTV assets in place to ensure that they are all recorded. The group has already met, and a full inventory review is in the process of compilation. Once the inventory is assessed in conjunction with the current asset register, further steps will be undertaken as necessary, to ensure that a comprehensive register of all CCTV assets is in place with processes for regular updating and review.

Action	b
Finding	Audit were advised that there are various capital budgets in place covering vehicles and property lifecycle investment. However, there is no formal replacement programme for CCTV equipment.
Action Description	A minimum technical standard for CCTV systems should be set for the Council. A Council-wide audit of CCTV inventory should be carried out to assess compliance of CCTV assets against the standards, which will give an indication of the level of capital investment required to bring the Council's CCTV systems up to an appropriate standard and form the basis of a bid for capital.

An approval process should be introduced to ensure new CCTV purchases meet the requirements of the standards. |
Risk	Substandard systems that aren't fit for the intended purpose. CCTV footage is not available or not usable when required.
Priority (1, 2, 3)	2
Paragraph Reference	3.5
Managed by	Aileen Craig – Head of Service (Democratic)
Assigned to	Mark Boyd – Head of Service (Finance)
Russell McCutcheon – Executive Director (Place)
Due Date	30 June 2022
Management Comment	Financial provision already exists across a range of capital budgets including property lifecycle maintenance, transport replacement and the recently approved £7m capital budget to support key infrastructure investment.

The CCTV replacement programme will be informed through the work of the cross service working group and will include an assessment of minimum standards / technical specification and supported by an appropriate investment approval process. Any investment requirement will subsequently be programmed into these existing budgets with the specific financial allocations agreed between the Executive Director of Place and the Head of Finance. |

Action	c
Finding	While some services have developed their own processes and policies on CCTV, there is no Council-wide guidance available to Services on responsibilities and obligations when operating a CCTV system.
	In order to ensure consistency across the Council, a Council-wide approach should be taken towards CCTV. The Council should have a policy that clearly states the responsibility of the data owner. This policy should include:- • The requirement to regularly review CCTV systems in order to confirm they are necessary • The need to complete DPIA's for all new or upgraded CCTV systems • The need to ensure the security of CCTV systems and back ups • The need to train and provide detailed guidance to staff on data protection • The need to display appropriate signage to make the public aware of the fact that CCTV recording is being undertaken.
Risk	Inconsistent approach across Services; higher risk of data protection breaches.
Priority (1, 2, 3)	1
Paragraph Reference	3.9, 3.10
Managed by	Aileen Craig – Head of Service (Democratic)
Assigned to	Lauren Lewis – Senior Manager (Information Governance)
Due Date	31 March 2022
Management Comment	Work has commenced on consolidation of CCTV policies across the Council into a single policy and will be in place by March 2022. Advice will be sought from the Cyber Security Architect on the necessary provisions for security and back up.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

ACCOUNTS PAYABLE TRANSACTION TESTING Q2

1   Background

1.1   This audit used computer audit software called IDEA (Interactive Data Extraction and Analysis) to interrogate the Accounts Payable (AP) System and examined any anomalies which arose.

1.2   There were 4,593 active Trade Suppliers (for processing payments to standard suppliers, individuals, and social services) and 537 Sundry Suppliers (for processing one-off sundry payments) on Integra as at 16/08/21.

1.3   There were 46,012 invoices paid to trade and sundry suppliers during the period of the audit totalling just over £162 million.

2   Objectives and Scope

2.1   The main objectives of this audit were to ensure that:
- duplicate suppliers are identified and de-activated to minimise the risk of duplicate invoices being paid.
- duplicate invoices have not gone undetected.
- advance payments have been reported to Financial Management for the list of pre-payments at financial year-end.
- high value invoices have been properly authorised.
- invoices paid to employees are bona fide.

2.2   The audit period was 1ˢᵗ January 2021 to 30ᵗʰ June 2021. This audit will be carried out again in quarter 4.

3   Findings

Supplier Tests

3.1   Testing was carried out to identify duplicate trade suppliers on the system. Testing identified 48 duplicate suppliers either by supplier name or bank details. These were passed to the AP team to review and deactivate as appropriate. **(Action a)**

3.2   Testing also highlighted 51 active suppliers with no bank details recorded on Integra. These were passed to the AP team for information purposes.

3.3   There were 240 new suppliers set up between 01/01/21 and 30/06/21. An e-form is completed for new suppliers and the bank details are verified before the new supplier process is completed on Integra. The AP team provided the auditor with a report listing all new supplier e-form requests for this period which included the name of the person who verified the bank details. It was noted that in a number of cases the information recorded is the first name only. The full name and job title of the person verifying the bank details is not being recorded to provide a full audit trail. **(Action b)**

Invoice Tests

3.4   The auditor tested for duplicate invoices for payments to suppliers and identified 186 possible duplicates that were investigated further. This confirmed that 68 were duplicates but had already been identified and action taken by the AP team. This testing therefore identified 13 potential duplicate invoices totalling £4,203.01, which have not already been identified by the AP team. The potential duplicates have been passed to the AP team to check and arrange recovery. **(Action c)**

3.5   The auditor noted an overlap in payment period for 53 HSCP payments which was queried with the Service. The Service advised these are Direct Payments which are paid 4 weekly and Integra populates the processing date as the period start date in the narrative field, but this is not the correct start date. As a result, there were no overlaps in payment periods. **(Action d)**

3.6   Testing identified a further payment error by the AP team. An invoice from Hub South West Scotland for the amount of £724,194.73 was paid to Hub South West Largs in error. The AP team contacted the hub, and it was agreed for the monies to be transferred to the correct account by CHAPS payment. However, the invoice was processed again on Integra to pay the correct supplier. This was detected when the payments over £10k report was checked and this payment was reversed. The internal control checks did pick up this error before the money was paid out.

3.7   There were 353 records with a payment date more than 1 year after the invoice date. Testing was carried out on a sample of 10 and in 5 cases the correct invoice date was keyed and there was a significant delay in the payment of the invoice. The other 5 had the dates wrongly keyed. From the received dates, 3 out of the 5 delays were in the suppliers issuing the invoices rather than the Council paying them but in 2 of the 5 cases it related to a delay in the Council paying them.   Financial Management confirmed that there are no VAT implications when paying invoices more than 1 year old.

Advance Payment Tests

3.8   The auditor tested for round sum amounts over £20,000 to help identify any advance payments. There were 37 invoices found meeting this criterion and 23 were passed to Financial Management to confirm the correct action had been taken ahead of the annual accounts being closed. Financial Management reviewed them and identified the majority had been posted correctly and took corrective action to those that had not.

High Value Payment Tests

3.9   The auditor selected a sample of 30 invoices over £10,000 to check the invoices were approved by an authorised signatory, were approved within the approval limit and an independent check had been carried out. Although there were no specific findings to note, the auditor did find a mix of scanned signatures and emails being used to provide invoice approval for non-PO invoices. The use of scanned signatures should stop being used as an approval method as it is possible they are accessed without authority and used to get payments made without proper authorisation. **(Action e)**

3.10   Changes to the invoice approval process were made when employees started working from home. The auditor was advised by the AP team that an approval email was required if the service could not attach a scanned signature to an invoice. The use of

email authorisation should be an interim solution until the council can progress with the move to electronic invoice approval for non-PO invoices. **(Action f)**

Creditors to Payroll Data Match

3.11   The auditor tested for employees who have been paid via Integra. When the supplier bank details from the Integra system were initially matched to the employee bank details from the Payroll system, no matches were found. Further investigation showed that when the employee bank details were extracted in a Payroll report, an extra zero has been added to the end of each bank account number. Once the extra zero was removed, matches were identified. This anomaly has been passed to the Chris admin team to investigate.

3.12   There were 27 supplier bank details matching an employee's bank details. All invoices paid to these suppliers were checked and the majority were in relation to kinship/fostering/adoption payments. There were a very small number of other payments to an employee's bank account which were for genuine business services provided and therefore no issues were identified.

4   Internal Audit Opinion

4.1   Overall, reasonable assurance was obtained with regard to the controls around the processing of invoices, in particular to preventing duplicate invoices being processed as the number of potential duplicates identified is relatively low.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

NB The level of assurance given is at the discretion of Internal Audit.

KEY FINDINGS AND ACTION PLAN
ACCOUNTS PAYABLE TRANSACTION TESTING Q2

Action	a
Finding	Testing was carried out to identify duplicate trade suppliers on the system. Testing identified 48 duplicate suppliers either by supplier name or bank details. These were passed to the AP team to review and deactivate as appropriate.
Action Description	Procurement should review the list of duplicate suppliers and de-activate suppliers as appropriate.
Risk	Duplicate invoices may be paid to the same supplier via different supplier numbers.
Priority (1, 2, 3)	1
Paragraph Reference	3.1
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Suzanne Quinn, Senior Manager (Procurement)
Due Date	31/01/22
Management Comment	The Accounts Payable team will deactivate the 48 suppliers where appropriate or advise Internal Audit of the reason why both suppliers need to remain active by the end of January 2022.

Action	b
Finding	In a number of cases only the first name of the person verifying the bank details for a new supplier is recorded by the AP team. The full name and job title of the person verifying the bank details is not always being recorded.
Action Description	The AP team should be advised to record the full name and job title of the person verifying the bank details when setting up a new supplier.
Risk	Lack of a proper audit trail.
Priority (1, 2, 3)	2
Paragraph Reference	3.3
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Suzanne Quinn, Senior Manager (Procurement)
Due Date	Complete
Management Comment	The Accounts Payable team were notified on 30/11/21 that the full name of the person verifying bank details must be recorded.

Action	c
Finding	Testing identified 12 potential duplicate invoices totalling £3,978.24, which have not already been identified by the AP team.
Action Description	AP should review the potential duplicate invoices and arrange for recovery of monies paid twice.
Risk	The Council has paid the same invoice twice and the money has not been recovered.
Priority (1, 2, 3)	1
Paragraph Reference	3.4
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Suzanne Quinn, Senior Manager (Procurement)
Due Date	31/01/22

Management Comment	The Accounts Payable Team will investigate the 12 potential duplicate invoices by 31/01/22 and recover where appropriate or notify Internal Audit why duplicate payment is legitimate. Recovery of funds can take several months.

Action	d
Finding	The auditor noted an overlap in payment period for 53 HSCP payments which was queried with the Service. The Service advised these are Direct Payments which are paid 4 weekly and Integra populates the processing date as the period start date in the narrative field, but this is not the correct start date. As a result, there were no overlaps in payment periods.
Action Description	Procurement should investigate if the correct payment dates can be recorded in the narrative field for Direct Payments instead of defaulting to the processing date.
Risk	Inaccurate information recorded.
Priority (1, 2, 3)	3
Paragraph Reference	3.5
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Suzanne Quinn, Senior Manager (Procurement)
Due Date	Complete
Management Comment	This has already been resolved with HSCP. Correct dates will be input in future.

Action	e
Finding	The auditor did find a mix of scanned signatures and emails being used to provide invoice approval for non-PO invoices.
Action Description	Procurement should issue guidance to all Services advising that an email from an authorised signatory is the preferred approval method for non-PO invoices and scanned signatures should no longer be used.
Risk	Lack of evidence for approval by an authorised signatory. Scanned signatures are accessed without authority and used to get payments made without appropriate authorisation.
Priority (1, 2, 3)	1
Paragraph Reference	3.9
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Suzanne Quinn, Senior Manager (Procurement)
Due Date	Complete
Management Comment	An email has been issued to all appropriate staff advising if scanned signatures are used for approval, the authorised signatory must be cc'd into the approval email.

Action	f
Finding	Changes to the invoice approval process were made due to employees having to work from home. The auditor was advised by the AP team that an approval email was required if the service could not attach a scanned signature to an invoice. The use of email authorisation should be an interim solution until the council can progress with the move to electronic invoice approval for non-PO invoices.

Action Description	The AP team should progress with the move to electronic invoice approval for non-PO invoices.
Risk	Invoices may be paid without proper approval from an authorised signatory or above their approval limit.
Priority (1, 2, 3)	3
Paragraph Reference	3.10
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Suzanne Quinn, Senior Manager (Procurement)
Due Date	31/03/22 (for investigation of 10% non-PO payments)
Management Comment	Implementing electronic invoice approval (EIA) is not suitable at this time, as it will not be straightforward, due to the issues of capturing the hierarchy of all approvers/budget holders (this information is not readily available). In the future we will consider; interfacing other non-Integra systems that raise purchase orders (PO), maximising e-invoicing and maximising the no PO no pay approach then tackling the remaining invoices suitable for EIA. Approximately 40% of POs are raised through Integra and 50% are raised through non-integra systems. The remaining 10% of invoices will need to be investigated/analysed to ascertain if EIA is appropriate (i.e., EIA will not be appropriate for foster payments, grants, expenses, etc.). This element will be investigated by 31st March 2022.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.