NORTH AYRSHIRE COUNCIL

25 September 2018

Audit and Scrutiny Committee

Title:	**Internal Audit Reports issued**
Purpose:	To inform the Committee of the findings of Internal Audit work completed between May and August 2018.
Recommendation:	That the Committee (a) considers the outcomes from the Internal Audit work completed; and (b) challenges services where there are significant weaknesses in internal controls.

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 May and August 2018. 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 Executive Director (Finance and Corporate Support) and the relevant Executive Director and service managers on the completion of each assignment. Where appropriate, this has included an action plan detailing recommendations for improving internal control. Appendix 1 includes the executive summary and action plan from each audit.

2.3. Full copies of all Internal Audit reports are provided to all Elected Members, in confidence, through the Council's intranet site. Reports are held within the dedicated 'Members' information' area at:

http://naconnects.north-ayrshire.gov.uk/elected-members/audit-reports/audit-reports.aspx

2.4. The findings from nine separate audit assignments are detailed at Appendix 1 to this report. The key findings are as follows:

- Limited assurance could be obtained in relation to the monitoring of the Pupil Equity Fund (PEF) budget during 2017/18 due to the level of miscoding.
- Reasonable assurance was obtained with regard to compliance with social media policies and procedures, controls around Council social media accounts and social media use by employees for work and personal purposes.
- Reasonable assurance was obtained with regard to compliance with the managed Wide Area Network service and IT access to Council systems due to the high volume of generic usernames in use by IT staff.

3.   Proposals

3.1. It is proposed that the Committee (a) considers the outcomes from the Internal Audit work completed between May and August 2018; and (b) challenges services where there are significant weaknesses in internal controls.

4.   Implications

Financial:	None
Human Resources:	None
Legal:	None
Equality:	None
Children and Young People:	None
Environmental & Sustainability:	None
Key Priorities:	The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2015-2020.
Community Benefits:	None

5.   Consultation

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

Laura Friel

Laura Friel
Executive Director (Finance & Corporate Support)

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

Background Papers
None

<h1 style="text-align:center">EXECUTIVE SUMMARY
REVENUE BUDGET MONITORING – PUPIL EQUITY FUND</h1>

Background

This audit was conducted as part of the 2017/18 audit plan.

Key Objectives

The main objective of this audit was to review the revenue budget monitoring arrangements in place surrounding the Pupil Equity Fund (PEF) grant from the Scottish Government to ensure they are adequate.

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:

- Routine budget monitoring of the Pupil Equity Fund was not performed in 2017/18 due to high levels of miscodings in the ledger making reports from it inaccurate.
- In 2017/18, the miscoding of staff between mainstream school budgets and ring-fenced PEF budgets has generated significant additional work. Steps are required to ensure this issue does not continue into 2018/19. All new starts, or existing staff movements must be accurately and timeously reflected in the Council's payroll system, CHRIS.
- A break in the provision of financial support during the year exacerbated the cumulative value of the employee miscodings, as errors weren't identified, and corrected at source, until later in the financial year.

Audit Opinion

Overall, limited assurance was obtained with regard to the budget monitoring processes in 2017/18. This is because high levels of miscodings in the ledger made reports from it inaccurate, and therefore not suitable for routine budget monitoring.

Action	a
Action Description	Education and Youth Employment (E&YE) should review why so many PEF employees were miscoded in 2017/18. If necessary, an email or other instruction should be sent to all Headteachers to reiterate the need for, and process of, accurately coding staff costs. This should cover the process for both new starts, and current staff moving post. E&YE HQ should instruct Headteachers to inform them of all PEF staff appointments and changes. This will allow HQ to maintain an accurate overall staffing list covering PEF funded posts.
Risk	A lack of an accurate central record of staff makes identifying miscodings or errors more difficult. Inaccurate management information that is not suitable for decision making. Inaccurate data used for government returns.
Priority (1, 2, 3)	1
Paragraph Reference	3.17, 3.32
Assigned to	Senior Manager (Resources and Infrastructure)
Due Date	31st August 2018
Management Response	A review has taken place to investigate reasons for miscoding. The appointment of a temporary resources officer will support improved coding processes for all new starts. Monthly monitoring meetings will track any differences between planned and actual spend and will allow any outstanding miscodings to be rectified without delay. Headteachers will be reminded in writing of the correct processes to follow. They will be supported in this through their EBO and the PEF Co-ordinator.

Action	b
Action Description	Key members of the E&YE HQ team involved in supporting the PEF project should have access to Integra to allow them to access all financial information, including both orders and actual invoices.
Risk	A lack of timeous information may delay decision making, or result in decisions being based on inaccurate information.
Priority (1, 2, 3)	2
Paragraph Reference	3.27, 3.29
Assigned to	Senior Manager (Resources and Infrastructure)
Due Date	31st July 2018
Management Response	Access to Integra will be arranged with Finance for key Education HQ staff involved in supporting PEF. This will include the PEF Business Manager and PEF Co-ordinator. This will allow ad hoc reporting to be carried out by Education HQ staff to supplement the monthly reports provided by the finance officer, as part of the overall budget monitoring process.

Action	c
Action Description	PEF budgets should be split down in the ledger to reflect the intended spend profile. This would make the variance analysis information generated by the system more useful as a management tool. If the budget profiling is accurate, identifying miscodings would be much easier and this, combined with Financial Services budget monitoring template, should remove the need for Headteachers to keep their own spend records.
Risk	Integra is not being fully used as a detailed budget monitoring tool. Unnecessary additional work for Headteachers.
Priority (1, 2, 3)	2
Paragraph Reference	3.33
Assigned to	Head of Finance
Due Date	20th August 2018
Management Response	Financial Services has now issued E&YE with a detailed budget template to complete. On return this will be loaded into the financial ledger and provide the necessary ledger financial framework for which actual expenditure will be measured against. There should be no requirement for Headteachers to maintain their own spend records. Financial Services will continue to work with E&YE staff through monthly budget monitoring meetings and through issuing financial ledger reports. In terms of timescale, the detailed budget exercise across each school will be completed by the start of the new academic term in August 2018.

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.

EXECUTIVE SUMMARY
SOCIAL MEDIA

Background

This audit was conducted as part of the approved 2017/18 Internal Audit Plan and reviewed the use of Social Media by the Council.

Key Objectives

The main objectives of this audit were to ensure that:

- Previous audit recommendations have been fully implemented.
- Social media sites are set up in line with corporate policies and procedures and adequate training has been provided.
- There are appropriate controls in place to manage the North Ayrshire Council Twitter Account and access is restricted.
- Adequate access controls are in place for other social media sites and relevant information is available on the site.
- Employees' access to social media is restricted, training has been given for investigation purposes and GDPR requirements regarding consent are being adhered to.
- Adequate advice has been issued to employees for personal use of social media particularly in relation to posting information about their work and work colleagues.

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:

- Testing across a sample of social media accounts identified that it is common for users to share logons and passwords to access these accounts. A generic logon for the North Ayrshire Council Twitter account is used by 17 employees in Communications and Customer Services. The key administrator in Customer Services was not aware that the password to this account must be changed immediately after a user leaves or moves job.
- The schools have set up 177 social media accounts, of which only 29 are recorded on the digital implementation register. However, a sample of primary schools contacted confirmed that they did complete the digital engagement request form so it is unclear how many have not followed the proper guidance.

Audit Opinion

Overall, reasonable assurance was obtained with regard to compliance with social media policies and procedures, controls around Council social media accounts and social media use by employees for work and personal purposes. However, the actions arising from this audit will help to tighten this process.

ACTION PLAN
SOCIAL MEDIA

Action	a
Action Description	HR Operations, Corporate Communications and Customer Services should set up a Short-Life Working Group to review the corporate approach to Social Media and produce appropriate guidance for employees. The guidance should include: • Setting up of corporate social media sites or channels • Appropriate behaviour when using social media • Mandatory and supplementary training for employees • Consolidating the existing strategies and guidance and ensuring that they are fit-for-purpose, including the Digital Engagement Strategy, Employee Code of Conduct, Digital Strategy and GDPR The new guidance should be approved by the Executive Leadership Team and should also be subject to a review after a year.
Risk	Employees are not informed of their roles and responsibilities, reputational damage to the Council.
Priority (1, 2, 3)	2
Paragraph Reference	3.2, 3.10, 3.11, 3.12, 3.21, 3.22
Assigned to	Senior Manager (HR & OD)
Due Date	30/09/2018
Management Response	Short life working group to be set up and recommendations to be approved at ELT.

Action	b
Action Description	Corporate Communications should consult with Customer Services to review and update the social media guidelines made available to our customers ensuring they are version controlled. A link to the guidelines should also be readily available on the North Ayrshire Council website and should be available on each social media account.
Risk	Customers unable to find social media guidelines. Guidelines are possibly out of date.
Priority (1, 2, 3)	2
Paragraph Reference	3.3, 3.10
Assigned to	Senior Manager (Transformation)
Due Date	31/07/2018
Management Response	Guidelines will be updated and version control added.

Action	c
Action Description	Education and Youth Employment should carry out a review of school social media sites to identify those sites that did not follow the Digital Engagement Implementation guidance and ensure they retrospectively complete the paperwork and receive the training. For those that have been set up following the correct guidance, the Digital Engagement Register should be updated to reflect this.
Risk	Users have not received the appropriate training and therefore do not comply with the corporate guidelines.
Priority (1, 2, 3)	1
Paragraph Reference	3.5
Assigned to	IT Development Officer (EYE)
Due Date	30/09/2018
Management Response	The coordination of gathering this information is currently in progress. All schools are aware they require to return the relevant paperwork. Education have controls in place to ensure that there is compliance for every social media account in our schools, and will undertake to review this periodically.

Action	d
Action Description	Corporate Communications and Customer Services should give consideration to jointly purchasing social media software that would allow individual usernames and passwords to be set up for the council's corporate social media accounts. Consideration should also be given to rolling this out to all Council social media accounts.
Risk	Posting of inappropriate, incorrect or personal sensitive data cannot be traced to a specific user.
Priority (1, 2, 3)	2
Paragraph Reference	3.7, 3.9
Assigned to	Senior Manager (Transformation)
Due Date	31/03/2019
Management Response	Software has been purchased with a different software provider and there is sufficient licences for Communications and Customer Services. The new product will be available next quarter and it will be implemented in Customer Service before rolling out to Corporate Communications. There would be a significant cost to rolling out to all Council accounts and this is not deemed necessary at this time.

Action	e
Action Description	Corporate Communications should ensure that key administrators of the North Ayrshire Council Twitter account are reminded to change the password for the shared logon as soon as a key user leaves or moves job.
Risk	Leavers could post defamatory comments on social media.
Priority (1, 2, 3)	1
Paragraph Reference	3.8
Assigned to	Senior Communications Officer (Media and Internal Communications)
Due Date	30/06/2018
Management Response	An annual reminder will be issued to all staff who access the corporate Twitter account in Communications and Customer Services. It will remind the team to advise fellow colleagues if a team member leaves. The password will then be changed by either the team leaders in Communications or Customer Services and cascaded to the remaining Twitter team.

Action	f
Action Description	IT Services should provide each service with a list of employees with read/write access to social media to allow services to complete a one-off review resulting in the removal of users with no requirement to update social media as part of their current job role.
Risk	Employees not requiring this access could set up council social media accounts without following proper processes.
Priority (1, 2, 3)	2
Paragraph Reference	3.11, 3.12
Assigned to	n/a
Due Date	n/a
Management Response	Access to social media will be reviewed as part of the working group with the recommendation from the Head of Customer & Digital Services that restrictions on social media be removed so all employees will have access to social media.

Action	g
Action Description	Legal Services should carry out a refresher program for RIPSA training to ensure employees have carried out this training with the last 3 years.
Risk	Non-compliance with RIPSA
Priority (1, 2, 3)	2
Paragraph Reference	3.16
Assigned to	Team Leader (Litigation)
Due Date	31/03/2019
Management Response	Agreed - Independently of this audit, this action was already identified and timetabled as necessary to comply with RIPSA

Action	h
Action Description	Legal Services should give consideration to producing an online course to provide training to employees using social media for investigation purposes.
Risk	Non-compliance with RIPSA
Priority (1, 2, 3)	2
Paragraph Reference	3.17
Assigned to	Team Leader (Litigation)
Due Date	31/03/2019
Management Response	Agreed - Legal Services are currently considering this with Organisational Development.

Action	i
Action Description	Legal Services should provide advice on whether a personal social media account should be used for investigation purposes or whether a council account should be set up for this purpose. The relevant guidance should be updated to reflect the advice given, whether it be RIPSA guidance or the social media policy.
Risk	Employees using social media for investigation purposes without following the correct process.
Priority (1, 2, 3)	2
Paragraph Reference	3.18
Assigned to	Team Leader (Litigation)
Due Date	31/03/2019
Management Response	Agreed - Legal Services will research this scenario, advise services accordingly and include this in the training in action g.

Action	j
Action Description	HR Operations should review and update Section 9 of the Employee Code of Conduct in line with the current appetite for social media, taking into account General Data Protection Regulations (GDPR) and hyperlinking to the GTC for Scotland Guidance contained in the Code of Professionalism and Conduct.
Risk	Guidance may be out of date and not in line with current regulations.
Priority (1, 2, 3)	2
Paragraph Reference	3.19, 3.20
Assigned to	Senior Manager (HR & OD)
Due Date	30/09/2018
Management Response	This links to Action A above. Actions arising from Action A will impact upon this.

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.

EXECUTIVE SUMMARY
CORPORATE NETWORK CONTROLS

Background

This audit was conducted as part of the approved 2017/18 Internal Audit Plan and reviewed a range of controls within the Corporate network.

Key Objectives

The main objectives of this audit were to ensure:

- Compliance with the managed Wide Area Network (WAN) Service contract and Service Level Agreement (SLA).
- That the number of generic logons used by IT staff to access council systems is limited, used on a restricted basis and passwords for these logins are held securely.

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:

- There are a number of generic logons used by IT staff to access Council systems for support and maintenance purposes resulting in passwords being recorded and shared with key staff. Individual logons and passwords have not been set up for this purpose but should be wherever possible.

Audit Opinion

Overall, reasonable assurance was obtained with regard to compliance with the managed WAN service and IT access to Council systems. Implementing the actions noted in the audit report will help improve the controls around the IT access to Council systems.

ACTION PLAN
CORPORATE NETWORK CONTROLS

Action	a
Action Description	IT Services should carry out a periodic review of users with access to the communications rooms on each floor at Bridgegate House to ensure access is restricted to key staff only.
Risk	Unauthorised staff have access to a restricted area.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Assigned to	Team Manager (IT Infrastructure)
Due Date	15/08/2018
Management Response	On an annual basis, IT Services will obtain Kelio access reports listing staff access to the communications rooms in Bridgegate House and the Cunninghame House data centre. These will be reviewed and Kelio access will be updated as required.

Action	b
Action Description	Kelio system admin should be reminded that staff should only be added to the 'IT' profile and 'Master' profiles at Bridgegate House after authorisation has been granted by IT Services.
Risk	Unauthorised staff have access to a restricted area.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Assigned to	Team Manager (Customer Services & Business Support)
Due Date	Complete
Management Response	A process has been implemented to ensure that any requests for access are sent to Senior Manager, IT in the first instance for approval and access will only be given after approval has been granted.

Action	c
Action Description	The Corporate Server Password Spreadsheet should also be reviewed to remove old accounts, ensure a clear purpose is recorded against each entry and to classify who uses each generic username i.e. IT staff, software suppliers or Council Services.
Risk	Incomplete and out of date information and unclear who utilises the generic usernames.
Priority (1, 2, 3)	2
Paragraph Reference	3.5, 3.7, 3.9
Assigned to	Analyst Programmer
Due Date	31/08/2018
Management Response	The spreadsheet will be reviewed and updated to: • Remove old / historical accounts • Reflect the requirements of action "D" • Add and populate a purpose column for all remaining entries • Add and populate a classification column. Classifications will be "Internal / System Use"; "Administration by IT Services"; "Administration by Supplier" • The file will be reviewed on an ongoing basis by IT Services staff

Action	d
Action Description	IT Services should carry out a review of the generic usernames listed on the Corporate Server Password Spreadsheet and for those that are used by the key IT analysts on a regular basis they should investigate the possibility of changing to individual usernames and passwords. If possible, these passwords should then be changed on a regular basis in line with best practice.
Risk	Unable to trace any unauthorised or erroneous actions to a specific user.
Priority (1, 2, 3)	1
Paragraph Reference	3.6, 3.7, 3.9
Assigned to	Analyst Programmer
Due Date	31/08/2018
Management Response	A review of all credential records on the file will be undertaken. • Individual named users will be created / used instead of generic user names where possible. • Where generic users must be retained for administration purposes, IT Services will ensure there is an audit trail that identifies the individual, date, and times of each login access. • IT will investigate whether the password of each remaining generic user password can be changed without system impact. Where this is possible account passwords will be set to expire every 60 days.

Action	e
Action Description	IT Services should review the users with access to the disaster recovery network folder that holds the spreadsheets which record generic usernames and remove users that do not require access to this folder.
Risk	Unauthorised and unnecessary users have access to IT information that should be restricted to key staff.
Priority (1, 2, 3)	2
Paragraph Reference	3.10
Assigned to	Analyst Programmer
Due Date	15/08/2018
Management Response	Access to the disaster recovery network folder will be reviewed and restricted. Folder access will be reviewed on an on-going basis

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.

<p style="text-align:center">**EXECUTIVE SUMMARY**
HR/PAYROLL TRANSACTION TESTING</p>

Background

This audit was conducted as part of the approved 2017/18 Internal Audit Plan and used computer audit software to interrogate the HR/Payroll system and examined any anomalies which arose.

Key Objectives

The main objectives of this audit were to ensure:

- Overtime and salary changes are valid and properly authorised
- High mileage claims, travel and subsistence expenses and other allowances are valid and properly authorised
- Leavers last pay is correct and properly authorised
- Employee details are valid and complete

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:

- The Facilities Management Fortnightly Exceptions Form does not allow for the breakdown of the different types of overtime and the form triplicates the weekly contracted hours table, so any unused tables have not been scored out to ensure it cannot be retrospectively completed after being authorised.
- The Amendment e-form does not have a field for recording the end date.
- Two employees are receiving an allowance which has been automatically renewed each financial year with no end date recorded. The allowance was set up historically so the supporting paperwork is outwith the retention period. Although an annual data check is carried out which allows managers to confirm the accuracy of employees' salaries and allowances, HR Operations should consult with HSCP to determine if this allowance is still applicable.

Audit Opinion

Overall, reasonable assurance was obtained with regard to HR/Payroll transactions testing.

ACTION PLAN
HR/PAYROLL TRANSACTION TESTING

Action	a
Action Description	Payroll should amend timesheet forms to allow the person authorising to print and sign their name.
Risk	It is not possible to determine if approver is an authorised signatory.
Priority (1, 2, 3)	2
Paragraph Reference	3.2, 3.3, 3.17
Assigned to	Lead Adviser Payroll
Due Date	Action 1. 31 May 2018 Action 2. 30 June 2018
Management Response	Action 1. All payroll forms will be updated to include a section for the authorised signatory to print their name. Data processors will be advised not to process any time sheets which do not have the signatory name printed. Action 2. The Payroll Team will support Services to update their time sheets to include a section for the authorised signatory to print and sign their name.

Action	b
Action Description	Employees processing overtime forms should be reminded that forms should only be processed once the overtime form has been approved.
Risk	Overtime payments made for work not carried out.
Priority (1, 2, 3)	2
Paragraph Reference	3.3
Assigned to	Employee Services Manager
Due Date	Complete
Management Response	An email has been issued to all data processors to reinforce the requirement to ensure time sheets are accurately completed and approved.

Action	c
Action Description	Payroll should remind managers that contract amendments and terminations must be processed via the Employee Account.
Risk	More efficient process and ensures authorisation is granted
Priority (1, 2, 3)	2
Paragraph Reference	3.5, 3.7, 3.21, 3.22, 3.24
Assigned to	Senior Manager Employee Services & Lead Adviser Payroll
Due Date	Action 1. Complete Action 2. 31 May 2018
Management Response	Action 1. An email was issued to Services advising that amendment and termination forms submitted via paper will no longer be accepted and all changes must be submitted via the online form facility. Action 2. Paper forms utilised by KA Leisure will be updated to include a section for the authorised signatory to print their name. KA Leisure will be advised of the change and requirement to ensure accurate completion of forms.

Action	d
Action Description	Payroll should remind users to complete the latest version of the mileage and subsistence claim form to allow the approver to print and sign their name if the employee does not have access to HR21.
Risk	It is not possible to determine if approver is an authorised signatory.
Priority (1, 2, 3)	2
Paragraph Reference	3.9, 3.12
Assigned to	Senior Manager Employee Services
Due Date	Complete
Management Response	An email has been issued to all employees who submit mileage claims to advise them that failure to submit a claim on the appropriate form will result in their claim being returned unprocessed regardless if approved by their manager. Further emails have been issued to authorised signatories to reinforce it is their responsibility to ensure that the correct paperwork is completed before approving. Mileage data processors have also been advised they must reject any claims which have not been completed on the relevant form.

Action	e
Action Description	Approvers should be reminded to only approve Payroll paperwork in line with their authorised signatories' permissions.
Risk	Payments and/or amendments have not been properly authorised
Priority (1, 2, 3)	2
Paragraph Reference	3.10, 3.28
Assigned to	Senior Manager Employee Services
Due Date	Complete
Management Response	An email has been issued to Approvers to reinforce this requirement.

Action	f
Action Description	Employees should be reminded to submit mileage claim forms within the 3 month period as per the guidance.
Risk	Non-compliance with the guidance
Priority (1, 2, 3)	3
Paragraph Reference	3.11
Assigned to	Senior Manager Employee Services
Due Date	Complete
Management Response	An email has been issued to both mileage claimants and Approvers to reinforce this requirement.

Action	g
Action Description	Payroll should remind employees to complete the mileage claim form properly detailing each trip and to remind managers to ensure the form is properly completed before approving the claim.
Risk	Non-compliance with procedures
Priority (1, 2, 3)	2
Paragraph Reference	3.13
Assigned to	Senior Manager Employee Services
Due Date	Complete
Management Response	An email has been issued to both mileage claimants and Approvers to reinforce this requirement.

Action	h
Action Description	Facilities Management Fortnightly Exceptions Forms should be amended to break down the different types of overtime and approvers should be advised to score out unused tables on this form.
Risk	Additional overtime could be recorded on the form after it has been approved and errors may be made in paying the correct overtime rate.
Priority (1, 2, 3)	1
Paragraph Reference	3.18
Assigned to	Lead Adviser Payroll
Due Date	30 June 2018
Management Response	The Payroll Team will support Facilities Management to redesign the above exceptions form and standardise the completion to comply with this requirement.

Action	i
Action Description	The e-form should be amended to include a field for end date.
Risk	End date is not provided and allowance is set up without one.
Priority (1, 2, 3)	1
Paragraph Reference	3.25
Assigned to	Senior Manager Employee Services
Due Date	Complete
Management Response	No further development work is being undertaken in respect of online amendment forms, this is due to the on going procurement of a replacement HR Payroll system. This recommendation will be built into the new system, which will be live from April 2019.

Action	j
Action Description	HR Operations should consult with HSCP to determine if this allowance is still applicable.
Risk	Allowance is no long applicable but still being paid.
Priority (1, 2, 3)	1
Paragraph Reference	3.26
Assigned to	Senior Manager Employee Services & Senior Manager HR & OD
Due Date	Complete
Management Response	Action 1. An automated report has been scheduled to provide details of all market forces payments being made and sent to both the Senior Manager HR & OD and HR Team on a 6 monthly basis. Action 2. The HR Team has engaged with the employing Service to verify the on going validiaty of this payment and will do so on a 6 monthly basis going forward.

Action	k
Action Description	Discrepancies between the amendment paperwork and CHRIS system should be reviewed and appropriate action taken.
Risk	Incorrect allowance paid
Priority (1, 2, 3)	2
Paragraph Reference	3.28
Assigned to	Lead Adviser Payroll
Due Date	Complete
Management Response	A review of discrepancies has been undertaken and the importance of accurate data entry has been reinforced to the Payroll Team.

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.

EXECUTIVE SUMMARY
ACCOUNTS PAYABLE TRANSACTION TESTING

Background

This audit was conducted as part of the approved 2017/18 Internal Audit Plan and used computer audit software to interrogate the Accounts Payable system and examined any anomalies which arose.

Key Objectives

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 Services for the list of pre-payments
- high value invoices have been properly authorised
- invoices paid to employees are bona fide

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:
- Testing identified 70 duplicate supplier names only, 17 duplicate supplier names and addresses and 18 duplicate supplier names and bank account details. AP have reviewed the potential duplicate suppliers on Integra resulting in 44 suppliers being deactivated.
- In quarter 2 there were 11 duplicate invoices identified, totalling just under £14.5k, that had been picked up and rectified by AP. There were 10 duplicates totalling just under £34k that were identified by the audit which have since been reviewed by AP and action taken to recover the monies.
- In quarter 4 there were 39 duplicate invoices identified, totalling just over £95.5k, that had been picked up and rectified by AP. There were 37 duplicates, totalling just over £195k that were identified by the audit which have been reviewed by AP and action taken to recover the monies.
- There are 5 potential duplicate invoices still to be reviewed by AP, 4 of which are due to invoices not being attached to the transaction on Integra.

Audit Opinion

Overall, reasonable assurance was obtained with regard to duplicate invoices being paid. The number of duplicate invoices found has notably increased since the Integra financial management system went live. The 2018/19 Internal Audit Plan includes an Accounts Payable audit which will include a review of the controls surrounding the processing of invoices.

ACTION PLAN
ACCOUNTS PAYABLE TRANSACTION TESTING

Action	a
Action Description	Procurement should issue a reminder that invoice numbers should not be amended to allow invoices to be processed.
Risk	Duplicate invoices may be passed for payment.
Priority (1, 2, 3)	2
Paragraph Reference	3.4
Assigned to	Senior Manager (Corporate Procurement)
Due Date	Action Complete 16.05.18
Management Response	A detailed discussion has already taken place with Business Support highlighting the importance of not amending invoice numbers. Discussion has also taken place with the Heads of Service Group to highlight the issue. A communication including key requirements and hints and tips has been sent to all invoice processors

Action	b
Action Description	Procurement should investigate the missing batches.
Risk	Invoices cannot be traced, possible duplicate payments cannot be traces and breach of HMRC record retention requirements.
Priority (1, 2, 3)	2
Paragraph Reference	3.7, 3.9, 3.11
Assigned to	Senior Manager (Corporate Procurement)
Due Date	29.06.18
Management Response	Accounts Payable will undertake the following: • Investigate who processed the invoices without attaching the copy invoice. • Establish if a local copy of the invoice has been retained by making contact with the invoice processor. The need to attach the invoice scan has been included in the communication document referred to in action a.

Action	c
Action Description	Approvers should be reminded to approve within the approval limit for non-PO invoices.
Risk	Expenditure is not properly authorised.
Priority (1, 2, 3)	1
Paragraph Reference	3.9, 3.11, 3.24
Assigned to	Senior Manager (Corporate Procurement)
Due Date	Action Complete 16.05.18
Management Response	A reminder to approve within approval limits was included in the communication referred to in action a

Action	d
Action Description	AP should review the outstanding Q4 duplicates and arrange for recovery of monies paid twice.
Risk	Council has paid same invoices twice and the money has not been recovered.
Priority (1, 2, 3)	1
Paragraph Reference	3.16
Assigned to	Senior Manager (Corporate Procurement)
Due Date	Action Complete - 16.05.18
Management Response	A review has been completed and action taken to recover monies as appropriate.

Action	e
Action Description	eProcurement should remind users to attach invoices, use the new invoice stamp and to properly complete the invoice stamp.
Risk	Missing invoices and no evidence of approval for manual invoices
Priority (1, 2, 3)	2
Paragraph Reference	3.16, 3.19, 3.20, 3.22, 3.24
Assigned to	Senior Manager (Corporate Procurement)
Due Date	Action Complete 16.05.18
Management Response	The action was included in the communication referred to in action a.

Action	f
Action Description	eProcurement should remind users to carry out the appropriate checks on payments over £10,000 and ensure this report is attached to the transaction on Integra.
Risk	Errors made processing high value invoices are not picked up and no evidence to support checks are carried out.
Priority (1, 2, 3)	2
Paragraph Reference	3.9, 3.11, 3.22, 3.24
Assigned to	Senior Manager (Corporate Procurement)
Due Date	Action Complete 16.05.18
Management Response	A reminder to carry out the over £10K checks was included in the communication referred to in action a.

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.

Background

North Ayrshire Council is in the process of introducing the Parentpay system which allows parents and carers to make internet payments or pay in retail outlets which are part of the Paypoint network. Those schools not yet using Parentpay currently accept payments for school meals via the Council's website or cash payments in school using Revaluation machines to top up the pupil's account or at a till in the canteen.

At the time of writing, Parentpay has been introduced in the vast majority of Primary Schools and also at Arran High School, which is currently running a hybrid system which still allows cash payments in school.

Key Objectives

The main objectives of this audit were to ensure that there are:

- Suitable procedures in place for collecting school meal income
- Adequate controls over internet and Paypoint payments
- Adequate controls to ensure that all income received is banked and accounted for correctly

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:

- There had not been sufficient monitoring within Facilities Management to ensure that school meal income is accounted for and reflects meals served. This issue was addressed during the course of the audit.
- Parentpay have not provided files in a suitable format to allow transactions to be automatically coded to the nominal ledger, although the income has been received and manual adjustments to the ledger made. Officers are in discussion with the supplier to ensure that this is resolved.
- Sample testing of transactions paid through Parentpay found that all pupil accounts had been updated correctly.

Audit Opinion

Overall, reasonable assurance was obtained with regard to school meal income. There had not been sufficient monitoring to ensure that all sources of income were being accounted for. This issue was addressed during the course of the audit. The issue with files from Parentpay loading into the ledger needs to be resolved. Sample testing of transactions found that all had been processed correctly, notwithstanding the issue with ledger postings from Parentpay.

ACTION PLAN
SCHOOL MEAL INCOME

Action	a
Action Description	Facilities Management, in conjunction with Financial Services and IT, should work to ensure that Parentpay provide files in a suitable format to load into PARIS and thereafter the ledger.
Risk	Errors or misappropriation go undetected. Management information used for decision-making is not up-to-date.
Priority (1, 2, 3)	1
Paragraph Reference	3.7
Assigned to	Facilities Manager
Due Date	25/05/2018
Management Response	Financial Services, IT and Facilities Management are working with Parentpay to ensure that an interface IT link will automatically load data files provided by Parentpay directly to PARIS and thereafter the ledger.

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.

EXECUTIVE SUMMARY
THROUGHCARE PAYMENTS

Background

This audit was conducted as part of the 2018/19 audit plan.

Key Objectives

The main objectives of this audit were to ensure that:

- detailed procedures are available
- cash is being stored securely at all times
- the process for making care leaver payments to young people is robust
- there is a process for approving rent payments made on behalf of young people
- an audit trail exists for all purchases made under Section 29 (Children (Scotland) Act 1995)
- the process for requesting reimbursements of Section 29 spend is robust
- training incentive payments are only being made once eligibility has been confirmed

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:

- Financial Services have a back log of scanning and filing which meant it wasn't always possible to locate back up easily using their records
- The Throughcare Team has good systems in place to manage the various types of payments that they make.

Audit Opinion

Overall, reasonable assurance was obtained with regard to Financial Services role in the payment of Throughcare payments. Issues with back logs of scanning and filing made it difficult for Financial Services to locate all documentation requested by Audit.

Substantial assurance was obtained with regard to the Throughcare Team's management of the various payments they are responsible for. Minor errors were noted during audit testing, but this was reasonable based on the volume of transactions being dealt with.

ACTION PLAN
THROUGHCARE PAYMENTS

Action	a
Action Description	Financial Services should ensure that the back log of scanning and electronic filing of documentation relating to care leavers and their payments is cleared. Going forward, attempts should be made to scan and file timeously.
Risk	No evidence of the validity of payments
Priority (1, 2, 3)	2
Paragraph Reference	3.19
Assigned to	Head of Finance
Due Date	Completed
Management Response	Due to resource challenges the scanning and electronic filing of Throughcare payments was not fully up to date at the time of the audit. The backlog has now been fully cleared.

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.

EXECUTIVE SUMMARY
IT PROCUREMENT

Background

The audit was included in the 2017/18 audit plan. IT Procurement was previously audited in 2012/13.

Key Objectives

The key objectives of the audit were to ensure that:
- IT contracts were in place and compliant with the Council's standing orders
- ICT purchases are approved and monitored.
- appropriate checks are in place for purchase and implementation of hardware and software
- delivery and receipt of goods are checked for accuracy prior to payment

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:
- IT contracts are in place and the procurement process is compliant with the Council's standing orders.
- Asset registers are being maintained.
- Expenditure analysis identified 134 suppliers; the majority were low spend totals however the top ten spends accounted for 70.6% of all spend.
- There are network and authorisation controls in place to prevent unauthorised IT procurement.
- A high volume of retrospective purchase orders has been raised.

Audit Opinion

Overall, substantial assurance was obtained with regard to IT Procurement and desktop support.

ACTION PLAN
IT PROCUREMENT

Action	a
Action Description	Software licences should be centrally registered.
Risk	Retrospective spend may lead to unplanned budget overspend, unnecessary payment for licences not being used, and insufficient time to research a possible replacement.
Priority (1, 2, 3)	2
Paragraph Reference	3.14
Assigned to	Senior Manager (ICT)
Due Date	31/03/2019
Management Response	A recent software audit identified 150 different applications in place across the Council. A programme has been developed to reduce the number of applications in place through consolidation, retiring, move to the Cloud or O365. As part of the technology strategy a centralised system admin team and a contract manager will be in place within IT services. Part of the remit of this role will be to introduce and monitor a software contract register.

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.

EXECUTIVE SUMMARY
MEMBERS' ALLOWANCES AND BENEFITS

Background

This audit was conducted as part of the 2018/19 audit plan.

Key Objectives

The main objectives of this audit were to ensure that:
- Members' allowances are being paid in accordance with Scottish Government Regulations and Council procedures
- All expense reimbursements are being properly checked and authorised prior to payment

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:
- Member Services staff should be reminded that all expense forms must be signed by the Member prior to be approved as fit for payment
- All Members' expense claims covering a period of more than 3 months must be authorised by the Head of Democratic Services

Audit Opinion

Overall, substantial assurance was obtained with regard to the accuracy of the payment of Members' salaries and the procedures involved in processing expense reimbursements.

Only a few instances of the expenses procedure not being fully complied with were noted during detailed audit testing.