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## NORTH AYRSHIRE COUNCIL

27 March 2018

### Audit and Scrutiny Committee

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**Title:** Internal Audit Reports issued

**Purpose:** To inform the Committee of the findings of Internal Audit work completed between 1 January and 28 February 2018.

**Recommendation:** That the Committee (a) considers the outcomes from the Internal Audit work carried out; and (b) challenges services where there are significant weaknesses in internal controls.

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#### 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 the Internal Audit reports published between 1 January and 28 February 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 five separate audit assignments are detailed at Appendix 1 to this report. The key findings are as follows:

- Limited assurance was obtained with regard to the controls around the BACS payments process, with a number of urgent actions being identified for Finance and Corporate Support to ensure that system users only have the access they require to carry out their job roles.
- An audit of key controls within all of the Council's secondary schools obtained substantial assurance at three of the schools and reasonable assurance at the other six; each of these six schools had some controls identified for improvement.
- A review of procurement processes within Roads identified a significant improvement in controls since the previous audit in this area in 2015.

### 3. Proposals

3.1 It is proposed that the Committee (a) considers the outcomes from the Internal Audit work carried out during the period; and (b) challenges services where there are significant weaknesses in internal controls.

### 4. Implications

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

## 5. Consultation

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



Laura Friel  
Executive Director (Finance and Corporate Support)

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

### **Background Papers**

N/A

**EXECUTIVE SUMMARY  
CONTROLS AROUND BACS PAYMENTS**

**Background**

Integra is the new financial management system that went live in June 2017. As a result of a significant fraud in another Scottish local authority, a review of the controls around BACS payments was requested to be carried out.

**Key Objectives**

The main objectives of this audit were to:

- Review the controls around BACS payments from all relevant source systems and provide assurance that the Council is not exposed to a risk of fraud due to internal control weaknesses.
- Ensure that adequate segregation is in place for each system between those who can create suppliers and add or amend bank details, those who can process payments and those who can transfer BACS files.

**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:

- Access to the screens used to process the accounts payable payment run, key trade supplier bank details and key sundry supplier bank details is not restricted to only those staff involved in this process.
- Spreadsheets containing bank details for income paid by direct debit are being emailed without the proper security and protection.
- Four Business Support staff have unrestricted access to one of the main servers.
- Generic usernames and passwords are being used by the four Business Support staff to transfer BACS files from the Council servers to the BACS system.
- The process to automatically reconcile the general income bank account on Integra is not working and has not been working since Integra went live, therefore potential missing lodgements and cash differences are not being identified in a timely manner.

**Audit Opinion**

Overall, limited assurance was obtained with regard to the controls around the BACS payments process.

Access controls identified in this audit should be addressed as a matter of urgency to ensure users only have access required to carry out their job roles.

**ACTION PLAN  
CONTROLS AROUND BACS PAYMENTS**

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| <b>Action</b>              | a   |
| <b>Action Description</b>  | Access to the payment run screens should be reviewed to ensure it is restricted to a small number of key users.   |
| <b>Risk</b>                | Users' access has not been restricted to the job role so users could carry out unauthorised activities.   |
| <b>Priority (1, 2, 3)</b>  | 1   |
| <b>Paragraph Reference</b> | 3.1   |
| <b>Assigned to</b>         | Senior Manager (Corporate Procurement)<br>Senior Manager (Revenues and Benefits)  |
| <b>Due Date</b>            | Complete (Finance)<br>Complete (C&DS)   |
| <b>Management Response</b> | The users have been reviewed and limited as requested. (Finance).<br><br>Finance System Admin have completed a review of user access and relevant changes have been made to screens in order to restrict access accordingly. (C&DS) |

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| <b>Action</b>              | b   |
| <b>Action Description</b>  | Finance should liaise with Capita to tighten the access controls for the BACS system used by Capita to process Accounts Payable BACS files. |
| <b>Risk</b>                | Unable to trace any unauthorised or erroneous actions to a specific Capita user.  |
| <b>Priority (1, 2, 3)</b>  | 1   |
| <b>Paragraph Reference</b> | 3.2   |
| <b>Assigned to</b>         | Senior Manager (Revenues and Benefits)  |
| <b>Due Date</b>            | Complete.   |
| <b>Management Response</b> | A letter has been issued to Capita highlighting this matter.  |

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| <b>Action</b>              | c   |
| <b>Action Description</b>  | Application of the leavers' process should be reviewed and updated to ensure users are deactivated from the system as soon as they leave.   |
| <b>Risk</b>                | The system is not secure as leavers still have access.  |
| <b>Priority (1, 2, 3)</b>  | 2   |
| <b>Paragraph Reference</b> | 3.4   |
| <b>Assigned to</b>         | Senior Manager (Corporate Procurement)<br>Senior Manager Revenues and Benefits  |
| <b>Due Date</b>            | Complete (Finance)<br>Complete (C&DS)   |
| <b>Management Response</b> | The existing IT Leavers form has been reviewed by the eProcurement Team and it has been confirmed that it has already been updated to include Integra. (Finance)<br><br>A process is already in place where system administration are emailed by services when a person leaves the Council or changes |

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|  | jobs and Integra is updated. A message has been added to the Integra noticeboard to remind line managers to inform system administration every time a person leaves the Council or changes job. A review of Integra users will be carried out quarterly to ensure our records are completely up to date. (C&DS) |
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| <b>Action</b>              | d  |
| <b>Action Description</b>  | Access to trade suppliers' bank details screen should be reviewed to ensure it is restricted to a small number of key users.   |
| <b>Risk</b>                | Users' access has not been restricted to the job role so users could carry out unauthorised activities.  |
| <b>Priority (1, 2, 3)</b>  | 1  |
| <b>Paragraph Reference</b> | 3.7  |
| <b>Assigned to</b>         | Senior Manager (Corporate Procurement)<br>Senior Manager Revenues and Benefits   |
| <b>Due Date</b>            | Complete (Finance)<br>Complete (C&DS)  |
| <b>Management Response</b> | Procurement have reviewed the list of 9 users within the AP and APO teams and confirm that all 9 users should retain access. (Finance)<br><br>Finance System Admin have completed a review of user access and relevant changes have been made to screens in order to restrict access accordingly. (C&DS) |

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| <b>Action</b>              | e  |
| <b>Action Description</b>  | Users within Procurement should be reminded to use the diary functionality when checking bank details and supplier request forms and verification paperwork should be attached to the supplier to provide a full audit trail.  |
| <b>Risk</b>                | No evidence the check has been carried out and no supporting paperwork for the changes made.   |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.8  |
| <b>Assigned to</b>         | Senior Manager (Corporate Procurement)   |
| <b>Due Date</b>            | Complete   |
| <b>Management Response</b> | A new supplier request form was developed and rolled out during Q4 2017. The new process is used for requests to add or change bank details – the process is very clear that if the verification paperwork is not attached then the form is returned to the requestor. In addition an email communication reminding users within Procurement to use diary notes was sent 8 <sup>th</sup> Jan 18. |

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| <b>Action</b>              | f   |
| <b>Action Description</b>  | The Check Sundry Transaction Bank Details report should be amended to show who keyed the sundry supplier invoice. |
| <b>Risk</b>                | More efficient than the user checking the system for this information.  |
| <b>Priority (1, 2, 3)</b>  | 3   |
| <b>Paragraph Reference</b> | 3.9   |
| <b>Assigned to</b>         | Senior Manager (Corporate Procurement)  |
| <b>Due Date</b>            | 28/02/18  |
| <b>Management Response</b> | A new report will be developed that identifies who keyed the sundry payment invoice.                              |

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| <b>Action</b>              | g  |
| <b>Action Description</b>  | Access to the screen used to process sundry supplier invoices should be reviewed and restricted to a small number of key users.  |
| <b>Risk</b>                | Users' access has not been restricted to the job role so users could carry out unauthorised activities.  |
| <b>Priority (1, 2, 3)</b>  | 1  |
| <b>Paragraph Reference</b> | 3.10   |
| <b>Assigned to</b>         | Senior Manager (Corporate Procurement)<br>Senior Manager (Revenues and Benefits)   |
| <b>Due Date</b>            | Complete (Corporate Procurement)<br>Complete (Revenues and Benefits)   |
| <b>Management Response</b> | <p>There are only 3 individuals within the Council that currently process Sundry Supplier Invoices, these 3 people are within the Accounts Payable Team. Individuals within the System Admin Team will also need access. An email has been sent (12/01) to System Admin asking for all non-essential individuals to have access to the Sundry Supplier Screens removed. (Procurement)</p> <p>Finance System Admin have completed a review of user access and relevant changes have been made to screens in order to restrict access accordingly. (Revenues and Benefits)</p> |

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| <b>Action</b>              | h  |
| <b>Action Description</b>  | The AP team should be reminded to use the diary entry functionality when checking sundry supplier bank details and to ensure that the person carrying out the check is different from the person keying the details. |
| <b>Risk</b>                | No evidence the check has been carried out.  |
| <b>Priority (1, 2, 3)</b>  | 3  |
| <b>Paragraph Reference</b> | 3.11   |
| <b>Assigned to</b>         | Senior Manager (Corporate Procurement)   |
| <b>Due Date</b>            | Complete   |
| <b>Management Response</b> | An email communication reminding the AP team to use diary notes and to ensure a segregation of duties when checking the bank details was sent on 8 <sup>th</sup> Jan 18.   |

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| <b>Action</b>              | i  |
| <b>Action Description</b>  | Finance System admin should provide Business Support with the number of records in the Council Tax file and they should check the reports saved in their network folder on a daily basis to ensure the file has been sent, to reconcile the figures and to ensure errors are passed to the relevant person to rectify. |
| <b>Risk</b>                | Missing records are not being identified and errors are not being dealt with.  |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.16   |
| <b>Assigned to</b>         | Senior Manager Revenues and Benefits   |
| <b>Due Date</b>            | Complete (C&DS)  |
| <b>Management Response</b> | This process has now been implemented. (C&DS)  |

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| <b>Action</b>              | j   |
| <b>Action Description</b>  | Advice should be sought from IT Services for securely sending direct debit income spreadsheets showing the users bank details. Bank detail cells should be protected to ensure they cannot be changed during transmission.        |
| <b>Risk</b>                | Bank details could be accidentally or deliberately changed and sensitive data is sent insecurely.   |
| <b>Priority (1, 2, 3)</b>  | 1   |
| <b>Paragraph Reference</b> | 3.18  |
| <b>Assigned to</b>         | Senior Manager (Financial Services)   |
| <b>Due Date</b>            | 31/01/18  |
| <b>Management Response</b> | Procedures to be updated to ensure that all bank details are password protected prior to transmission. The DD income spreadsheets and bank details info will be password protected and so additional IT security is not required. |

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| <b>Action</b>              | k   |
| <b>Action Description</b>  | Consideration should be given to the person maintaining the direct debit income spreadsheets completing the BACS transmission form and getting it authorised by an appropriate member of staff before sending directly to Business Support. |
| <b>Risk</b>                | Current process is more time consuming and has no added value.  |
| <b>Priority (1, 2, 3)</b>  | 3   |
| <b>Paragraph Reference</b> | 3.19  |
| <b>Assigned to</b>         | Senior Manager (Financial Services)   |
| <b>Due Date</b>            | 31/01/18  |
| <b>Management Response</b> | Procedures to be updated to send BACS files directly to Business Support with copies to Treasury for information  |

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| <b>Action</b>              | l  |
| <b>Action Description</b>  | Business Support should be reminded to complete the totals checked by section of the form for all BACS files sent.   |
| <b>Risk</b>                | The wrong file could be sent in error if check not carried out and no audit trail if the check has been carried out. |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.20   |
| <b>Assigned to</b>         | Team Manager (Customer Services and Business Support)  |
| <b>Due Date</b>            | Complete   |
| <b>Management Response</b> | Process has been re-iterated to all staff and Team Leader will carry out regular spot checks.                        |

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| <b>Action</b>              | m1  |
| <b>Action Description</b>  | Written procedures should be produced for Services to follow and written procedures for Business Support should be further developed.   |
| <b>Risk</b>                | Inconsistent and incomplete approach by Services and lack of business continuity if key staff were not available.   |
| <b>Priority (1, 2, 3)</b>  | 2   |
| <b>Paragraph Reference</b> | 3.21  |
| <b>Assigned to</b>         | Senior Manager (Financial Services)   |
| <b>Due Date</b>            | 31/03/18  |
| <b>Management Response</b> | A generic BACS sending procedure will be jointly developed, for both income and payments, to ensure that a single approach is used across all teams involved with sending BACS. |

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| <b>Action</b>              | m2  |
| <b>Action Description</b>  | Written procedures should be produced for Services to follow and written procedures for Business Support should be further developed. |
| <b>Risk</b>                | Inconsistent and incomplete approach by Services and lack of business continuity if key staff were not available.                     |
| <b>Priority (1, 2, 3)</b>  | 2   |
| <b>Paragraph Reference</b> | 3.16, 3.21  |
| <b>Assigned to</b>         | Team Manager (Customer Services and Business Support)   |
| <b>Due Date</b>            | Complete  |
| <b>Management Response</b> | Current Business Support procedure manual to be reviewed and updated before being created and stored electronically.                  |

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| <b>Action</b>              | n  |
| <b>Action Description</b>  | IT Services should review the access Business Support have to the application servers and restrict this access to only those tasks related to the BACS process.  |
| <b>Risk</b>                | Unauthorised actions could deliberately or accidentally be carried out by the user.  |
| <b>Priority (1, 2, 3)</b>  | 1  |
| <b>Paragraph Reference</b> | 3.24   |
| <b>Assigned to</b>         | IT Manager   |
| <b>Due Date</b>            | 09/02/2018   |
| <b>Management Response</b> | <p>In order to restrict access, IT Services have created a new secure server and a copy of all BACS files will be sent to this server ready to be processed by the BACS team. Each person tasked with processing BACS files will have an individual logon to this server and will only get access to those files required.</p> <p>In order to complete this action work is underway to change jobs in a number of systems (IWORLD, NDR and CHRIS) and rewrite the BACS scripts. This will then be fully tested before a handover is completed.</p> |

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| <b>Action</b>              | o   |
| <b>Action Description</b>  | Individual usernames and passwords should be allocated to Business Support users for transferring BACS files from the server to the network drive.  |
| <b>Risk</b>                | Unable to trace any unauthorised or erroneous actions to a specific user.   |
| <b>Priority (1, 2, 3)</b>  | 1   |
| <b>Paragraph Reference</b> | 3.25  |
| <b>Assigned to</b>         | IT Manager  |
| <b>Due Date</b>            | 09/02/2018  |
| <b>Management Response</b> | Individual accounts have been created for Business Support staff on the existing UNIX application servers. These accounts have been generated based on who has access to the BACS network folder. The list of users has to be verified with Business Support before ensuring documentation is updated to reflect individual accounts which should then be used going forward. Once this is complete the generic account will be disabled. |

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| <b>Action</b>              | p1   |
| <b>Action Description</b>  | The Accounts Payable and Education Maintenance Allowances BACS files should also be reconciled to the BACS reports in the cashiers' folder.                |
| <b>Risk</b>                | Control total differences are not highlighted in a timely manner.  |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.28   |
| <b>Assigned to</b>         | Senior Manager (Corporate Procurement)   |
| <b>Due Date</b>            | 28/02/18   |
| <b>Management Response</b> | A new process and filing structure will be implemented to ensure that Account Payable BACS files are reconciled to the BACS reports in the cashiers folder |

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| <b>Action</b>              | p2   |
| <b>Action Description</b>  | The Accounts Payable and Education Maintenance Allowances BACS files should also be reconciled to the BACS reports in the cashiers' folder.          |
| <b>Risk</b>                | Control total differences are not highlighted in a timely manner.  |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.28   |
| <b>Assigned to</b>         | Team Manager (Customer Services and Business Support)  |
| <b>Due Date</b>            | Complete   |
| <b>Management Response</b> | Business Support have implemented new process to check the cashiers' folder to ensure the BACS files reconcile with the Education Maintenance files. |

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| <b>Action</b>              | q  |
| <b>Action Description</b>  | Resources should be allocated as a matter of urgency to allow the general income bank reconciliation process within Integra to be brought up to date and going forward to allow this reconciliation to be carried out in a timely manner. Any system issues with this process should be reported to Capita as a high priority. |
| <b>Risk</b>                | Fraudulent activity is not being highlighted in a timely manner.   |
| <b>Priority (1, 2, 3)</b>  | 1  |
| <b>Paragraph Reference</b> | 3.30   |
| <b>Assigned to</b>         | Senior Manager (Financial Services)  |
| <b>Due Date</b>            | 31/03/18   |
| <b>Management Response</b> | Additional resources will be allocated and staff priorities realigned to ensure that all bank reconciliations are completed on a monthly basis.  |

### Priority Key used in Action Plan

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

# EXECUTIVE SUMMARY SECONDARY SCHOOLS

## Background

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

The audit was performed by requiring each school to complete a self-assessment questionnaire, which was reviewed and then followed up as part of detailed on site testing.

## Key Objectives

The objective of this audit was to review financial controls within the Council's secondary schools.

The questionnaire and detailed testing were designed to gain assurance that:-

- Staff are aware of all relevant Council governance procedures.
- All cash is being held securely and is being properly managed.
- Cash withdrawals made via the Procurement Card are being used for appropriate types of expenditure, and all transactions are being properly recorded.
- A full audit trail exists for all school fund income and expenditure transactions.
- Income from school meals is being securely stored prior to banking.
- Accurate inventory records are being kept.
- Pupil Equity Funding (PEF) is being spent appropriately.

## 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:-

- Arran High School need to ensure that cash is stored in a locked safe at all times
- Kilwinning Academy must remind staff that cash should always be counted prior to being accepted and receipted
- A number of schools need to ensure that regular cash counts are being performed to ensure physical cash balances match financial records.

## Audit Opinion

Overall, substantial assurance was obtained with regard to the financial controls in place at Garnock, Greenwood and Largs secondary schools.

Reasonable assurance was obtained at Ardrossan, Arran, Auchendarvie, Irvine Royal, Kilwinning and St Matthew's secondary schools. These schools have financial controls in place, although each had some areas which could be improved to strengthen these controls further.

## ACTION PLAN SECONDARY SCHOOLS

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| <b>Action</b>              | a   |
| <b>Action Description</b>  | Insurance limits for all safes in secondary schools must be agreed with the Council's insurers. |
| <b>Risk</b>                | Cash in excess of insured limits is not covered in the event of loss or theft.                  |
| <b>Priority (1, 2, 3)</b>  | 2   |
| <b>Paragraph Reference</b> | 1.13  |
| <b>Assigned to</b>         | Senior Manager (Resources and Infrastructure)   |
| <b>Due Date</b>            | 1 March 2018  |
| <b>Management Response</b> | Provide limits for safes and agree with the Council's Insurers.                                 |

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| <b>Action</b>              | b1   |
| <b>Action Description</b>  | All Head Teachers/Acting Head Teachers should attend the Council's training course covering Financial Regulations and Standing Orders Relating to Contracts. |
| <b>Risk</b>                | A lack of awareness of these procedures may result in unacceptable financial transactions being entered into, which could put the Council at risk.           |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.1  |
| <b>Assigned to</b>         | Head Teacher   |
| <b>Due Date</b>            | 20 Sept 2018   |
| <b>Management Response</b> | Ardrossan Academy - The Head Teacher is booked onto the appropriate training course.   |

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| <b>Action</b>              | b2   |
| <b>Action Description</b>  | All Head Teachers/Acting Head Teachers should attend the Council's training course covering Financial Regulations and Standing Orders Relating to Contracts. |
| <b>Risk</b>                | A lack of awareness of these procedures may result in unacceptable financial transactions being entered into, which could put the Council at risk.           |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.9  |
| <b>Assigned to</b>         | Head Teacher   |
| <b>Due Date</b>            | 20 Sept 2018   |
| <b>Management Response</b> | Garnock Academy - The Head Teacher is booked onto the appropriate training course.   |

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| <b>Action</b>              | c   |
| <b>Action Description</b>  | Cash should be stored in a locked safe at all times   |
| <b>Risk</b>                | The risk of theft is increased by cash not being stored securely at all times.  |
| <b>Priority (1, 2, 3)</b>  | 1   |
| <b>Paragraph Reference</b> | 3.4   |
| <b>Assigned to</b>         | Education Business Officer (Arran High)   |
| <b>Due Date</b>            | Completed   |
| <b>Management Response</b> | Arran High - process changed immediately following Internal Audit visit. All cash now held in office safe overnight, with only school fund and lunch money imprest being held in locked cupboard during the school day. |

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| <b>Action</b>              | d   |
| <b>Action Description</b>  | Cash should always be counted prior to being accepted and receipted by office staff   |
| <b>Risk</b>                | Incorrect amount is recorded.   |
| <b>Priority (1, 2, 3)</b>  | 1   |
| <b>Paragraph Reference</b> | 3.14  |
| <b>Assigned to</b>         | Education Business Officer (Kilwinning Academy)/ Education Assistant  |
| <b>Due Date</b>            | Completed   |
| <b>Management Response</b> | Kilwinning Academy - since our audit, cash received is counted at point of transfer. Large cash deposits will be signed for by person depositing cash, and person receiving, and secured until counting can take place. Amount will be entered and person depositing cash will be informed. |

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| <b>Action</b>              | e  |
| <b>Action Description</b>  | Regular cash counts should be performed to ensure physical cash balances match the financial records.  |
| <b>Risk</b>                | Cash overs or unders are not identified timeously.   |
| <b>Priority (1, 2, 3)</b>  | 1  |
| <b>Paragraph Reference</b> | 3.19   |
| <b>Assigned to</b>         | Head Teacher   |
| <b>Due Date</b>            | Completed  |
| <b>Management Response</b> | St Matthews Academy - individual spreadsheets are now kept and updated each time cash is received or given out for both ties and school meals. The spread sheet balances are checked against the physical cash balance in the relevant tin each time a transaction takes place. At the end of each week a further reconciliation between the spreadsheet balances and the physical cash takes place and is noted on the spreadsheet. Each transaction includes the name of the office staff member conducting the transaction. |

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| <b>Action</b>              | f  |
| <b>Action Description</b>  | Staff must record who hands each bank bag over to G4S.   |
| <b>Risk</b>                | Full audit trail of cash movements isn't available.  |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.19   |
| <b>Assigned to</b>         | Head Teacher   |
| <b>Due Date</b>            | Completed  |
| <b>Management Response</b> | St Matthews Academy - the log book now includes the signature of the office staff member who passes the bank bags to G4S, thus completing the audit trail of cash movements. |

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|----------------------------|--|
| <b>Action</b>              | g  |
| <b>Action Description</b>  | Spreadsheets must be uploaded onto the Procurement Card system (SDOL) as evidence of how cash withdrawals via the procurement card have been spent.                        |
| <b>Risk</b>                | Purchases are being approved without the approver having a detailed breakdown of the spend.  |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.1  |
| <b>Assigned to</b>         | Head Teacher/ Education Business Officer (Ardrossan Academy)   |
| <b>Due Date</b>            | Completed  |
| <b>Management Response</b> | Ardrossan Academy - spreadsheets and petty cash vouchers are currently issued to Head Teacher to sign/approve all cash expenditure. Spreadsheets will be loaded into SDOL. |

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| <b>Action</b>              | h  |
| <b>Action Description</b>  | Approvers must ensure that cash expenditure is appropriate by reviewing the spreadsheet uploaded onto the Procurement Card system (SDOL).  |
| <b>Risk</b>                | Inappropriate use of Council funds; procurement rules are circumvented.  |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.14   |
| <b>Assigned to</b>         | Education Business Officer (Kilwinning Academy)/ Head Teacher  |
| <b>Due Date</b>            | Completed  |
| <b>Management Response</b> | Kilwinning Academy - The Head Teacher and Education Business Officer diary a time on the 28 <sup>th</sup> of each month (or closest date) to ensure expenditure has been coded correctly and dates for imprest claims are checked. |

|                            |  |
|----------------------------|--|
| <b>Action</b>              | i1   |
| <b>Action Description</b>  | School fund records must be reconciled to the bank statement monthly – either using software, or manually.                       |
| <b>Risk</b>                | Errors are not identified timeously.   |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.1  |
| <b>Assigned to</b>         | Education Business Officer (Ardrossan Academy)   |
| <b>Due Date</b>            | Completed  |
| <b>Management Response</b> | Ardrossan Academy - school fund records are now fully up to date and will continue to be reconciled monthly using Carn Software. |

|                            |  |
|----------------------------|--|
| <b>Action</b>              | i2   |
| <b>Action Description</b>  | School fund records must be reconciled to the bank statement monthly – either using software, or manually.   |
| <b>Risk</b>                | Errors are not identified timeously.   |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.12   |
| <b>Assigned to</b>         | Head Teacher   |
| <b>Due Date</b>            | Completed  |
| <b>Management Response</b> | Irvine Royal Academy - due to staff sickness the normal process for school fund reconciliation was not able to be adhered to. As soon as the fund's Year End account was audited and returned, office staff were able to record expenditure and record on Carn Software. |

|                            |   |
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| <b>Action</b>              | i3  |
| <b>Action Description</b>  | School fund records must be reconciled to the bank statement monthly – either using software, or manually.  |
| <b>Risk</b>                | Errors are not identified timeously.  |
| <b>Priority (1, 2, 3)</b>  | 2   |
| <b>Paragraph Reference</b> | 3.14  |
| <b>Assigned to</b>         | Education Assistant (Kilwinning Academy)  |
| <b>Due Date</b>            | Completed   |
| <b>Management Response</b> | Kilwinning Academy - normal practice in Kilwinning was to reconcile fund to bank statement every month. This was problematic from Aug 17 to Oct 17 due to several delays in closing off previous years fund, moving software from one to PC to another (software licence only covers one PC) and due to staff remits changing the person working on school fund had to be trained. Fund is now reconciled on a monthly basis. |

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| <b>Action</b>              | j  |
| <b>Action Description</b>  | A paperwork trail must exist for all withdrawals from the school fund.<br>This should include details such as who is requesting the cash/cheque, the reason for the withdrawal and have some form of back up attached.   |
| <b>Risk</b>                | Inappropriate items could be paid for using school fund cash.  |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.6  |
| <b>Assigned to</b>         | Education Business Officer (Auchenharvie Academy) /<br>Education Assistant (Auchenharvie Academy)  |
| <b>Due Date</b>            | Completed  |
| <b>Management Response</b> | Auchenharvie Academy - since being audited we have implemented a withdrawal slip for each request. Withdrawal slips are now signed by person requesting funds, the fund treasurer and the fund secretary in line with the school fund constitution. A reminder has been issued to all staff to ensure that no withdrawal will be authorised without a receipt. In addition the points noted during the audit have been addressed: Keyholder registers for each cash tin completed; cash meal float updated, additional cash tin purchased and income book signed at time of deposit. |

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| <b>Action</b>              | k1   |
| <b>Action Description</b>  | Inventory records must be kept up to date  |
| <b>Risk</b>                | Loss or theft of Council property is not easily identified.                                |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.1  |
| <b>Assigned to</b>         | Education Business Officer   |
| <b>Due Date</b>            | 16 April 2018  |
| <b>Management Response</b> | Ardrossan Academy - furniture inventory will be updated by Easter and annually thereafter. |

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| <b>Action</b>              | k2  |
| <b>Action Description</b>  | Inventory records must be kept up to date   |
| <b>Risk</b>                | Loss or theft of Council property is not easily identified.   |
| <b>Priority (1, 2, 3)</b>  | 2   |
| <b>Paragraph Reference</b> | 3.4   |
| <b>Assigned to</b>         | Depute Head Teacher   |
| <b>Due Date</b>            | Completed   |
| <b>Management Response</b> | Arran High - inventory records fully reviewed in weeks following Internal Audit visit. Will be updated as an ongoing task, Depute Head Teacher has confirmed that a further review will be completed at the end of March. |

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| <b>Action</b>              | k3   |
| <b>Action Description</b>  | Inventory records must be kept up to date  |
| <b>Risk</b>                | Loss or theft of Council property is not easily identified.  |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.14   |
| <b>Assigned to</b>         | Education Assistant/ ICT Technician  |
| <b>Due Date</b>            | 31 March 2018  |
| <b>Management Response</b> | Kilwinning Academy - due to staff changes this requires updating. We have implemented a new system where departments themselves continually update a database held on a central network. |

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| <b>Action</b>              | l   |
| <b>Action Description</b>  | Separate inventory records must be created for assets purchased using school fund money.<br><br>Consideration should be given to arranging insurance for such assets as these wouldn't be covered via the Council's insurance policy.   |
| <b>Risk</b>                | Loss or theft of school fund assets is not easily identified.<br><br>This risk is not being mitigated via an insurance policy.  |
| <b>Priority (1, 2, 3)</b>  | 2   |
| <b>Paragraph Reference</b> | 3.4   |
| <b>Assigned to</b>         | Education Business Officer (Arran High)   |
| <b>Due Date</b>            | Completed   |
| <b>Management Response</b> | Arran High - It has come to light since the completion of the audit that the assets discussed during the internal audit visit were not purchased using school fund money. They belong to the Arran High School Mountain Bike Club, who has been registered as a charity, and is funded predominantly by grants. The club is currently obtaining quotes for trails that they are building, so will include this equipment. |

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| <b>Action</b>              | m  |
| <b>Action Description</b>  | Furniture and fittings inventory records need to be expanded to give greater detail.   |
| <b>Risk</b>                | Loss or theft of Council property is not easily identified.  |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.12   |
| <b>Assigned to</b>         | Education Business Officer (Auchenharvie Academy), Education Assistant (Auchenharvie Academy)  |
| <b>Due Date</b>            | 29 June 2018   |
| <b>Management Response</b> | Irvine Royal Academy - the information held centrally is of large items of furniture in each of the rooms in the school. Departments may well have more detailed inventories for their own areas but the Depute Head Teacher with responsibility for health and safety does not have a copy of this information. We will ask Principal Teacher's to complete a more detailed inventory and store it in a central location for the summer term. |

### Priority Key used in Action Plan

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

## **EXECUTIVE SUMMARY**

### **HSCP COMPLAINTS HANDLING PROCEDURE**

#### **Background**

This audit was undertaken as part of the Audit Plan of the Integration Joint Board (IJB) Performance and Audit Committee. The audit relates to complaints handling by the IJB and also Health and Social Care Partnership (HSCP) complaints which follow the Council's complaints procedure (rather than those handled under NHS procedures, which are outside the scope of the audit).

The IJB has its own Complaints Handling Procedure for complaints specifically relating to policies, decisions and administration in relation to the decision making process of North Ayrshire IJB. Other complaints about the activities of the HSCP will be handled under one of the partner organisations' existing procedures. As at 1<sup>st</sup> April 2017, the HSCP introduced a new 2-stage Complaints Handling Procedure for Social Work Complaints, bringing them into line with the corporate procedure for the Council. Previously there was a separate 3-stage procedure for Social Work Complaints. If a complainant is dissatisfied with the handling of their complaint, they can refer it to the Scottish Public Services Ombudsman (SPSO).

#### **Key Objectives**

The main objectives of this audit were to:

- Obtain background information and ensure required procedures are in place
- Ensure that there are adequate arrangements in place to disseminate procedures to staff and service users
- Ensure that there are adequate arrangements in place to record complaints and their outcomes
- Ensure that there are appropriate arrangements to give managers and board members oversight of complaints handling and ensure that lessons are learnt from complaints

#### **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:

- Complaints statistics should be presented to the Health and Care Governance Group and thereafter the IJB, but this has not yet been done due to changes in group membership and cancelled meetings of the Health and Care Governance Group
- Lessons learnt from complaints are not always recorded centrally in the Lagan system, although they are generally disseminated within the affected teams
- Around 20% of complaints recorded in the period April-September 2017 were not resolved within the set timescales.

#### **Audit Opinion**

Overall, reasonable assurance was obtained with regard to complaints handling in the Health and Social Care Partnership. Around 20% of the complaints received by the HSCP during the first 6 months of 2017/18 were not resolved within the set timescales. Lessons learnt from complaints are generally disseminated well within the teams immediately affected but they are not always being recorded centrally which would allow other parts of the partnership to benefit from any relevant learning points.

**ACTION PLAN**  
**HSCP COMPLAINTS HANDLING PROCEDURE**

|                            |   |
|----------------------------|---|
| <b>Action</b>              | a   |
| <b>Action Description</b>  | The HSCP should ensure that complaints statistics are presented to the Health and Care Governance Group and thereafter the IJB on at least a 6-monthly basis  |
| <b>Risk</b>                | Lack of oversight of complaints from the IJB. Board members are unaware of issues affecting the service received by users of partnership services   |
| <b>Priority (1, 2, 3)</b>  | 1   |
| <b>Paragraph Reference</b> | 3.10  |
| <b>Assigned to</b>         | Team Manager (Governance)   |
| <b>Due Date</b>            | Complete  |
| <b>Management Response</b> | It has been agreed to produce complaints statistics on a quarterly basis to the Health and Care Governance Group. The Health and Care Governance Group will produce a flash report for the IJB which will include complaints. |

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| <b>Action</b>              | b   |
| <b>Action Description</b>  | The HSCP should remind managers to record lessons learnt from complaints in Lagan   |
| <b>Risk</b>                | Lessons learnt are not disseminated more widely than the team immediately involved in the complaint. Management information on the effectiveness of the process is not captured         |
| <b>Priority (1, 2, 3)</b>  | 2   |
| <b>Paragraph Reference</b> | 3.13  |
| <b>Assigned to</b>         | Governance Officer  |
| <b>Due Date</b>            | Complete  |
| <b>Management Response</b> | Governance Officer has emailed all managers / investigating officers to remind them that outcomes and improvement plans arising from investigated complaints must be recorded on Lagan. |

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| <b>Action</b>              | c  |
| <b>Action Description</b>  | The HSCP should consider presenting any action plans arising from complaints to the PSMT   |
| <b>Risk</b>                | Managers are not aware of actions arising from complaints. Opportunity for cross-service learning is missed. Action plans are not fully implemented. |
| <b>Priority (1, 2, 3)</b>  | 3  |
| <b>Paragraph Reference</b> | 3.14   |
| <b>Assigned to</b>         | Governance Officer   |
| <b>Due Date</b>            | Complete   |
| <b>Management Response</b> | Any Action plans arising from complaints will be circulated across all areas of Service.   |

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|----------------------------|--|
| <b>Action</b>              | d  |
| <b>Action Description</b>  | The HSCP should remind officers to apply for an extension for a Stage 1 or Stage 2 complaint where it is anticipated the complaint will not be resolved within the set timescale   |
| <b>Risk</b>                | Complainants are not receiving the level of service they are entitled to. Criticism from the SPSO if the complaint is eventually referred to them.   |
| <b>Priority (1, 2, 3)</b>  | 1  |
| <b>Paragraph Reference</b> | 3.16   |
| <b>Assigned to</b>         | Governance Officer   |
| <b>Due Date</b>            | Complete   |
| <b>Management Response</b> | Governance Officer has emailed all managers / investigating officers reminding them of the process, whereby extensions to complaints at both Stage 1 and 2 are possible, if the final response is going to be delayed, and that approval for extensions must be requested from the Director. |

### Priority Key used in Action Plan

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

# **EXECUTIVE SUMMARY ROADS PROCUREMENT**

## **Background**

An audit of Roads' Use of Contractors was undertaken in 2015/16. The Corporate Fraud Team also undertook an investigation relating to procurement processes in Roads in the same year. These both led to a number of improvement actions being recommended.

## **Key Objectives**

The main objectives of this audit were to:

- Extract and analyse details of Roads expenditure on contractors and other supplies
- Ensure that procedures are in place so that contracts are awarded in accordance with the Council's Standing Orders relating to Contracts, represent best value for money and include sufficient separation of duties
- Ensure that controls with respect to payments, performance monitoring and segregation of duties are being applied when using sub-contractors
- Ensure that purchases other than sub-contractors are appropriate and the Council is only paying for goods and services that are ordered and received.

## **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 finding is as follows:

- Testing identified a payment which had been made on a payment request rather than a VAT invoice which would have prevented the Council from claiming back £2,889 of VAT.

## **Audit Opinion**

Overall, substantial assurance was obtained with regard to procurement processes in Roads.

There has been a significant improvement in controls with regards to procurement in Roads since the last audit.

## ACTION PLAN ROADS PROCUREMENT

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|----------------------------|---|
| <b>Action</b>              | a   |
| <b>Action Description</b>  | Roads management should remind their employees to ensure that they obtain a valid VAT invoice wherever applicable. If advice is required regarding VAT issues, Financial Services should be contacted.  |
| <b>Risk</b>                | The Council is unable to reclaim VAT on the expenditure.  |
| <b>Priority (1, 2, 3)</b>  | 2   |
| <b>Paragraph Reference</b> | 3.7   |
| <b>Assigned to</b>         | Team Manager – Structures, Flooding & Design  |
| <b>Due Date</b>            | Complete  |
| <b>Management Response</b> | This was an isolated incident where an invoice submitted wasn't a valid VAT invoice. Roads employees and appropriate Business Support employees have been reminded of the need to ensure a VAT invoice has been obtained when authorising and administering payments. |

### Priority Key used in Action Plan

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

## **EXECUTIVE SUMMARY PLACING REQUESTS**

### **Background**

The school placing request process makes provision for parents who are unsuccessful in a placing request to lodge an appeal against the decision. This appeal is heard by the Education Appeals Committee. The process and timescales which must be followed are governed by statute.

In 2014 there was a failure in the appeals process and a special investigation identified some process weaknesses and recommendations to correct these.

### **Key Objectives**

The main objectives of this audit were to ensure that:

- policies and procedures meet prescribed legal requirements
- Information regarding placement numbers is timeously and accurately identified
- Guidance provided supports an informed decision making process
- The Appeals Committee process is robust
- Appellants are informed of decisions and their rights

### **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:

- Policies and procedures were in place and a timetable for completion of the registration process allowed time for management decisions to be made.
- School class sizes are published annually by the Scottish Government and trends were identified in some, but not all school handbooks available online. Trend analysis identifying changes in housing and birth spikes is undertaken but should be reported to committee, to allow long term plans to be formulated.
- Guidance to parents and carers on the appeals process is clear and concise.
- The Appeals Committee process is robust.
- Appellants were informed of their rights at all stages of the placement process.

### **Audit Opinion**

Overall, substantial assurance was obtained with regard to the administration of placing requests.

Guidance to parents and carers in relation to the appeals process is comprehensive and easy to understand.

The majority of requests were resolved prior to implementing the appeals process.

## ACTION PLAN PLACING REQUESTS

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|----------------------------|--|
| <b>Action</b>              | a  |
| <b>Action Description</b>  | Update links to placing requests forms on the Council's internet site.   |
| <b>Risk</b>                | Applicants will be less able to complete placing requests timeously  |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.1  |
| <b>Assigned to</b>         | Administrative Officer Education and Youth Employment  |
| <b>Due Date</b>            | Completed.   |
| <b>Management Response</b> | The website information was reviewed and updated following the pre-meeting with the auditor. The team's Annual Checklist has also been updated to include a 3 monthly check of website data. |

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| <b>Action</b>              | b  |
| <b>Action Description</b>  | Regular reports showing trend changes in local population such as housing developments and birth rates should be provided to assist long term decision making.   |
| <b>Risk</b>                | <p>Long term trend changes in local population are not recognised timeously and management are unaware of resource implications.</p> <p>Schools do not have sufficient capacity to meet their catchment area population, incur extra expense adapting to greater numbers and the recruitment of more teachers.</p>   |
| <b>Priority (1, 2, 3)</b>  | 2  |
| <b>Paragraph Reference</b> | 3.11   |
| <b>Assigned to</b>         | Senior Manager (Property and Infrastructure)   |
| <b>Due Date</b>            | 30 September 2018  |
| <b>Management Response</b> | <p>Education and Youth Employment are continuously assessing the learning estate to ensure fit for purpose learning environments for our children and young people. This work is ongoing with other internal and external services. Education and Youth Employment work with colleagues in Property Management and Investment to report on the condition of the School Estate. This <b>Core Fact</b> on condition is part of a suite of <b>Core Facts</b> for which data is collected annually as part of the performance management regime for the School Estate Strategy.</p> <p>A main condition included in this suite of Core Fact is Capacity – one of the major challenges for local authorities in managing their school estate is to match the evolving demand for space to deliver education and other services, with supply. This core fact focuses on one major aspect of sufficiency: pupil places. An assessment of sufficiency provides a means for the local authority to determine which of its schools are under or over-occupied by looking at physical space available and type of use. This, along with data on local pupil projections, helps us to achieve sufficiency or occupancy objectives in the short to medium term and plan for the long term. The primary aim of a sufficiency</p> |

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|  | <p>assessment is to offer an objective and consistent method of identifying any surplus or deficit of pupil places in relation to current and projected future demand.</p> <p>This Core Facts information is collected on the extent, condition and sufficiency of the school estate. Information is used at both national and local level to inform targets, spending decisions, support monitoring and evaluation of progress over time and support assessments of value for money. The results are included in the December education statistics compendia published by the Scottish Government. EYE will make arrangements to report this data to Elected Members in September each year, ahead of the Scottish Government publishing.</p> |
|--|--|

### Priority Key used in Action Plan

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