NORTH AYRSHIRE COUNCIL

14 September 2021

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 2021.
Recommendation:	That the Committee considers the outcomes from the Internal Audit work completed.

1. Executive Summary

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

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

2. Background

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

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

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

Audit Title	**Assurance Level**
IJB Governance	Substantial
Supply Teachers	Reasonable
Sustainability	Substantial
Temporary Posts and Contracts	Creation of posts: Substantial Management of Posts and Contracts: Limited
Waste Management	Substantial
Sustainability Payments to Care Providers	Substantial
Aids and Adaptations	Limited
Procurement Cards	Limited

2.4 The key findings are as follows:

- Within the temporary posts and contracts review, 139 temporary posts were found to have passed their end date, meaning that services had not formally confirmed that they had the budget to pay for the employees in post. Furthermore, 528 contracts had expired and hadn't been extended, even though the employees were still working for the Council in these posts.
- For aids and adaptations, the checks carried out highlighted that the follow up process had not always been properly recorded. In some cases where the follow-up was properly requested and recorded, there was a significant delay between the job completion and the follow-up being carried out. There is a risk that clients' aids or adaptations might not have been checked promptly to ensure they meet the client's needs, and the clients may be struggling to manage the new equipment.
- Procurement card transactions should be reviewed and approved within 28 days. There are currently considerable delays in this process being completed, resulting in budget lines not being timeously updated. Procurement emails the individual which does not always quickly resolve the issue. Furthermore, online purchases do not indicate where items are being delivered from and analysis of procurement trends is difficult. Although limited assurance, no fraudulent activity around the use of procurement cards was found during the course of the audit.

3. Proposals

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

4. Implications/Socio-economic Duty

Financial

4.1 None.

Human Resources

4.2 None.

Legal

4.3 None.

Equality/Socio-economic

4.4 None.

Environmental and Sustainability

4.5 None.

Key Priorities

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

Community Wealth Building

4.7 None.

5. Consultation

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

Mark Boyd
Head of Service (Finance)

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

Background Papers
None.

IJB GOVERNANCE

1 Background

1.1 This audit was undertaken as part of the Audit Plan of the IJB Performance and Audit Committee. Governance arrangements for the Health and Social Care Partnership (HSCP) were previously audited in 2016, a year after establishment of the partnership.

2 Objectives and Scope

2.1 The main objectives of the audit were to ensure that:

- roles and responsibilities are clearly defined and communicated in order to enable good governance and strong accountability
- arrangements support effective decision making
- suitable challenge, scrutiny and review processes are in place to aid decision making and improvement
- engagement with stakeholders supports real accountability.

3 Findings

Roles and Responsibilities

3.1 Roles and responsibilities of IJB members and key officers are outlined in the Standing Orders and Scheme of Delegation. These documents are both publicly available documents. The Standing Orders were reviewed in 2019 but the Scheme of Delegation has not been updated since 2015. It contains several financial limits and references to legislation and it therefore seems appropriate that it should be reviewed. **(Action a)**

3.2 The Standing Orders include a section on Codes of Conduct and Conflicts of Interest at Section 7, describing the process for declarations of interest at IJB meetings. This section also states that IJB members shall subscribe to and comply with the Standards in Public Life - Code of Conduct for Devolved Public Bodies, published by the Standards Commission Scotland.

3.3 A register of interests is published on the HSCP website, but the most recent declaration is dated August 2019. The Team Manager - Governance stated that they hadn't updated the declarations in 2020 due to pressures of the pandemic, but that they were in the process of sending out the register to board members for completion and return at the time of writing.

Effective Decision Making

3.4 The decision-making mechanisms of the IJB are defined in the Integration Scheme, Standing Orders and the Scheme of Delegation. There is a Governance Map, which illustrates some of the mechanisms and inter-relationships. However, the map has not been revised since the establishment of the HSCP in 2015 and the subgroups shown do not match those currently in operation, therefore the Governance Map requires to be updated or withdrawn if no longer required. **(Action b)**

3.5 Agendas and minutes from IJB meetings are published on North Ayrshire Council's website. It can be seen from these agendas and minutes that the decisions of the IJB are supported by reports prepared by officers from the relevant professional background and officers attend the meetings to answer any questions that the board members may have.

3.6 Terms of Reference and minutes from the Performance and Audit Committee, Strategic Planning Group, Clinical Care and Governance Group, Staff Partnership Forum and Transformation Board were reviewed. The agenda items for these groups were appropriate to the remits laid out in the Terms of Reference. The Terms of Reference for the Transformation Board mentions several officers who no longer work for the HSCP and requires to be updated. The Interim S95 Officer stated that a revised Terms of Reference will be taken to a future meeting.

Scrutiny and Review Processes

3.7 The IJB's Performance and Audit Committee fulfils the roles of audit and scrutiny functions.

3.8 The HSCP provides information on financial and performance monitoring to the Council, which is reported to the Council's Cabinet and Audit and Scrutiny Committee. The HSCP also provides regular reports to the NHS Risk Committee, NHS Performance Governance Committee and NHS Staff Governance Committee.

3.9 The IJB's risk register was reviewed by the IJB on 18th March 2021. This was done with reference to the Risk Management Strategy which was approved by the IJB on 27th June 2019.

Engagement with Stakeholders

3.10 The HSCP undertakes a wide variety of consultation and feedback activities to obtain the views of stakeholders. There is a Participation and Engagement Strategy, which is being updated during the current financial year. Locality Partnership Forums have been established and provide an important mechanism for engaging with local communities.

3.11 Consultation information on the HSCP website had not been updated since 2019, but several consultation exercises had taken place since. The website was updated during the course of the audit.

3.12 As per the Standing Orders, IJB meetings would normally be open to the press and public and this was the case up until March 2020. The meetings are also webcast live and the webcasts are archived on the Council's website, allowing the public to view the meetings live or in retrospect. Webcasting of IJB meetings was approved by the IJB in June 2019. Although the meetings have been online meetings since June 2020 due to the Covid-19 pandemic, the meetings have continued to be webcast.

4 Internal Audit Opinion

4.1 Overall, substantial assurance was obtained with regard to the governance arrangements for the Integration Joint Board.

Definitions of Assurance Levels:

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

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

KEY FINDINGS AND ACTION PLAN
IJB GOVERNANCE

Action	a
Finding	The Scheme of Delegation has not been updated since 2015.
Action Description	The HSCP should consider reviewing the Scheme of Delegation to ensure it remains up-to-date.
Risk	Legislation referred to has been superseded or new legislation enacted since the last review is not taken into account. Financial limits included in the scheme lead to sub-optimal processes due to price inflation and other changes over time.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Managed by	Caroline Cameron, Director (HSCP), Andrew Fraser, Head of Service (Democratic Services)
Assigned to	Aileen Craig, Senior Manager (Legal Services) & Ruth Wilson, Team Manager (Legal Services)
Due Date	24-12-21
Management Comment	It would be best to align this with the Council's Scheme of Delegation to Officers, which also contains these delegations to the Director of the HSCP. This will be reviewed as part of the annual review of the Council's Governance documents

Action	b
Finding	The Governance Map has not been updated since 2015 and the subgroups shown do not match those currently in operation.
Action Description	The HSCP should update the Governance Map or withdraw it if it is no longer required.
Risk	Public information regarding the governance arrangements of the HSCP is inaccurate.
Priority (1, 2, 3)	3
Paragraph Reference	3.4
Managed by	Caroline Cameron, Director (HSCP)
Assigned to	Karen Andrews, Team Manager - Governance
Due Date	30-6-21
Management Comment	The governance map will be updated and aligned with the lead partnership governance arrangements in relation to mental health.

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.

SUPPLY TEACHERS

1 Background

1.1 Supply teachers are recruited to join the supply bank as casual employees throughout the academic year. Supply teachers from the supply bank can be engaged on a short-term (1-2 days) or fixed term (up to 8 weeks) appointment. Long-term appointments within a school, lasting over 8 weeks are classed as temporary posts and appointed through a separate recruitment process.

1.2 The SEEMIS Click and Go module which is currently used for booking supply teachers is to be withdrawn in June 2021. North Ayrshire Council is participating in a Scotland-wide exercise to procure a new booking system, via Scotland Excel.

2 Objectives and Scope

2.1 The main objectives of the audit were to ensure that:

- sufficient checks are undertaken before adding staff to the supply bank register
- supply staff are being booked in accordance with procedures
- supply staff are being paid accurately

3 Findings

Supply Bank Register

3.1 There is currently no up-to-date written procedure for adding supply teachers to the bank register. Education Resources intend to produce new procedure manuals, once they have procured a system to replace the supply booking functionality currently used in SEEMIS. **(Action a)**

3.2 A sample of 10 teachers added to the supply bank in August 2020 was tested to ensure that General Teaching Council (GTC) registration, Protecting Vulnerable Groups (PVG) checks and contracts issued were recorded in the CHRIS HR and Payroll system. The HR Resourcing team provided copies of identity documents, references and proof of previous salary. Proof of previous salary was only provided for 2 of the sample teachers. This means that the teachers will by default be appointed to salary spine point 1 if they have full GTC registration or spine point 0 if they are a probationer teacher. Education Resources stated that there are often corrections to spine points, including underpayments, required at a later date when it becomes apparent that a proof of previous salary should have been provided. All other evidence was provided. **(Action b)**

3.3 It was identified that one teacher was initially appointed to spine point 0 but this was changed to spine point 1 because the registration information from the GTC had been slow coming through. One of the teachers with a proof of previous salary was put onto an obsolete spine point, because her previous employer had stated that this was her salary on the form. These errors were both corrected and neither teacher had undertaken any supply work, so they hadn't been paid at the incorrect spine point. The HR Resourcing team gave assurance that these errors would have been picked up during routine checks.

Booking of Supply Teachers

3.4 A report was extracted from CHRIS showing teachers who had been paid for fixed or short-term supply work and a sample was selected of 6 fixed-term and 7 short-term engagements of teachers who were on a casual contract at the time (to exclude permanent or temporary teachers working additional hours). A second report provided details of teachers on temporary contracts and teachers who were on the supply bank register prior to that were identified. A sample of 7 teachers was selected from this report.

3.5 The auditor contacted the Education Business Officers (EBOs) for the relevant school clusters and asked whether the teachers had been booked out through SEEMIS. The long-term engagements do not require to be booked out through SEEMIS because they are appointed through a separate recruitment process, but in fact 1 short-term and 1 long-term appointment were the only sample items which had been booked through SEEMIS. Although the EBO's weren't asked for a reason why the teachers weren't booked in the system, several provided reasons which included technical problems with the system, the teacher was already booked out on another appointment, the school office weren't informed of additional days or that staff had forgotten to book them out. **(Action a) (Action c)**

3.6 A recent Payroll Transaction Testing audit identified a supply Early Years Worker who was not engaged following the correct procedures. This resulted in an audit action which was followed up during the period of this audit. Education Resources supplied a copy of the e-mail sent by the Head of Service on 4th September 2020 to Head Teachers, in order to fulfil the audit action. This made it very clear that it was an audit finding of a serious breach and that supply staff must be booked through SEEMIS. **(Action c)**

Payment of Supply Teachers

3.7 The short-and fixed-term appointments are paid by timesheet for hours worked. The long-term appointments are autopaid as per the contracted hours for the post.

3.8 12/13 fixed and short-term supply teachers were paid at the correct rate. The 13th had initially been underpaid but this had been corrected by Payroll and the shortfall had been paid.

3.9 12/13 of these teachers had been correctly paid for the hours in the timesheets. One teacher had been double-paid for 28 hours. 2 of the employee's timesheets had been submitted twice by the school, as the first time the e-mail had not been copied into the Headteacher, but Payroll had input the timesheets from both e-mails. This was corrected during the course of the audit.

3.10 Of the 21 timesheets for these 13 teachers, 1 timesheet had not been copied into any authorised signatory. Payroll officers were reminded during the course of the audit to ensure that all timesheets are copied into an authorised signatory before they are input to CHRIS.

3.11 For the 7 long-term appointments, copies of contracts and payroll amendment forms were obtained. The start and end date of the appointments and the number of weekly hours in CHRIS, in the contracts and in the amendment forms matched for all the appointments. All the amendment forms were authorised by an authorised signatory.

3.12 For 5/7 the rate of pay in CHRIS, the contract and the amendment matched. In 2 cases there was a mismatch. In both cases the CHRIS amendment form stated spine point 1 but in one case the contract stated spine point 1 but the employee was being paid at spine point 5. A subsequent CHRIS amendment form was identified describing the change to spine point 5 as a correction. In the other case the contract and the CHRIS salary screen both stated spine point 2. A subsequent CHRIS amendment form was identified showing that the employee had received an increment. **(Action b)**

3.13 Confirmation was received from either the EBOs or the Education Resourcing team that all the 7 long-term appointments had been subject to interview.

4 Internal Audit Opinion

4.1 Overall, reasonable assurance was obtained with regard to recruitment and payment of supply teachers.

Definitions of Assurance Levels:

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

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

KEY FINDINGS AND ACTION PLAN
SUPPLY TEACHERS

Action	a
Finding	There is currently no up-to-date written procedure for adding supply teachers to the bank register or booking out teachers on SEEMIS.
Action Description	Education should ensure that written procedures for recruiting and engaging supply teachers are produced when the replacement system for SEEMIS Click and Go has been procured.
Risk	Inputting errors. Inconsistent use of the system. Lack of business continuity if staff members familiar with the system are unavailable.
Priority (1, 2, 3)	2
Paragraph Reference	3.1, 3.5
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Carole Devoy, Education Resources Manager
Due Date	31.12.21
Management Comment	The existing SEEMIS supply booking system is being retired in June 2021. The Council is currently in the process of procuring a replacement booking system and will develop written procedures for recruiting and engaging supply teachers when a new system is procured. The due date of 31.12.21 is based upon successful procurement and implementation of a system prior to this date.

Action	b
Finding	Proof of previous salary was only provided for 2/10 of the sample of teachers newly added to the bank register. For 2/7 long-term appointments in the sample test, they were initially set up on the default spine point and the spine point required to be amended.
Action Description	HR Resourcing should review the communications sent to new supply teachers to emphasise the requirement for the previous salary forms and ensure that it is followed up where it hasn't been returned.
Risk	Supply teachers are incorrectly set up at the default spine point and this requires to be corrected, requiring additional administrative work. Teachers are underpaid.
Priority (1, 2, 3)	2
Paragraph Reference	3.2, 3.12
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	Jackie Hamilton, Senior Manager Employee Services
Due Date	Complete
Management Comment	The Resourcing Team's supply procedure and email templates on Talentlink have been updated to reflect a new step to chase up the confirmation of salary form when this has not been returned with the recruitment pack. Resourcing Team have been briefed on changes to procedure.

Action	c
Finding	Only 1/13 short and fixed-term appointments in the sample had been booked through SEEMIS, despite a reminder sent by the Head of Service in response to a previous audit action.
Action Description	Schools and EBOs should be reminded to ensure that short and fixed-term supply teachers are booked through SEEMIS. Consideration should be given to what management information and checks can be put in place when the new system is implemented.
Risk	Supply teachers who are not on the bank register could be appointed, meaning that they may not have undergone the appropriate checks. The teachers would appear to be still available to other schools who are seeking to engage a supply teacher.
Priority (1, 2, 3)	1
Paragraph Reference	3.5, 3.6
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Carole Devoy, Education Resources Manager
Due Date	31.12.21
Management Comment	An immediate reminder will be issued to schools and EBOs to ensure that supply teachers are appropriately booked through the existing SEEMIS supply booking system. The functionality of the replacement booking system will be reviewed to assess any additional measures that can be taken.

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.

SUSTAINABILITY

1 Background

1.1 North Ayrshire Council has set itself the ambitious target of being carbon neutral by 2030.

2 Objectives and Scope

2.1 The objective of this audit was to ensure that the Council: -

- Has robust processes in place for monitoring and reporting on the Scottish Government's carbon reduction targets,
- Has detailed plans, and a robust monitoring framework, in place to support the achievement of the 2030 carbon neutral target.

3 Findings

Scottish Government Targets

3.1 The Scottish Government requires councils to complete a 'Climate Change Reporting Duties Return' (CCRD) each year.

3.2 This return requires the Council to provide details on its consumption of various resources - such as electricity, water, fuel, landfill space, biomass products. These consumption figures are then converted using a predefined calculation into a carbon emission figure.

3.3 Internal Audit reviewed the sources of the consumption data to ensure that accurate figures are being reported. All data sources were found to be robust.

3.4 Quarterly reports from the Council's performance management software (Pentana) keep Cabinet updated on progress towards sustainability targets.

2030 Target

3.5 An updated version of the Council's Environmental Sustainability and Climate Change Strategy (ESCCS) covering the period 2021-2023 was approved by Cabinet in May 2021.

3.6 This strategy was written with the 2030 target in mind.

3.7 In terms of monitoring progress towards the target, the approval of the new strategy will result in:-

- the creation of a Climate Change Steering Group. This group will have decision making powers and have representation on planning committees, partnership meetings etc to ensure greater awareness and reporting of the sustainability agenda
- the development of a detailed implementation plan supporting the Net Zero Carbon Roadmap, including targets, timescales and CO2 reduction.
- progress against the Roadmap being reported quarterly to the Executive Leadership Team.

4 Internal Audit Opinion

4.1 Overall, substantial assurance was obtained with regards the Council's processes for monitoring progress towards key sustainability targets.

4.2 It is clear that detailed planning on how to achieve future targets is being undertaken. Obtaining 'buy-in' from all services is key if the ambitious 2030 target is to be met. The new Steering Group should help to raise and maintain the profile of the sustainability agenda, and in doing so, ensure its consideration in all business decisions.

Definitions of Assurance Levels:

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

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

EMPLOYEE SERVICES – TEMPORARY POSTS AND CONTRACTS

1 Background

1.1 Temporary posts and contracts provide services with an efficient way to supplement their workforce when additional manpower is only required for a fixed period of time.

2 Objectives and Scope

2.1 The objective of this audit was to ensure that:-

- Temporary posts are being properly authorised prior to their creation
- Temporary posts and contracts are being actively managed, particularly as they approach their end date

3 Findings

Creation of Temporary Posts

3.1 Services can request the creation of a temporary post either via:-

- A Temporary Requisition Form (if the new post is for less than 23 months and is the same as an existing post)
- A Structure Change Authorisation form (if the above is not appropriate)

3.2 A Temporary Requisition Form must be authorised by both the Head of Service and the Service Accountant. A Structural Change Authorisation Form must be authorised by the Head of Service, Head of Finance, Head of People & ICT and the Chief Executive.

3.3 Audit selected a sample of 12 newly created temporary posts and confirmed the appropriate authorisation had been acquired. No issues were noted during testing.

Management of Temporary Posts

3.4 When requesting a temporary post, Services must confirm they have the budget available to fund the post to its end date.

3.5 Services must then either take steps to end the post on this date, or request the post be extended (which requires confirmation from the Service Accountant that the budget is available to fund this).

3.6 Employee Services provide a monthly list of all temporary posts, including their end date, to Services to assist with post management.

3.7 A review of all current temporary posts (as per the report for May 21) highlighted that 139 of these have passed their end date. This means there are 139 posts where Services have not formally confirmed they have the budget to pay for the employees in post. **(action point a)**

3.8 The following table highlights the composition of the 139 posts, in terms of the Directorate and the calendar year in which the post should have ended.

3.9

Service	Year the post was due to end	Number of posts
Children, Families & Justice	2021	1
Commercial	2021	16
Connected Communities	2021	2
Education	2021	46
Health & Community Care	2021	8
Health & Community Care	2020	58
Health & Community Care	2019	1
People & ICT	2021	6
Physical Environment	2021	1
TOTAL		**139**

Management of Temporary Contracts

3.10 Each Service within the Council is responsible for managing the temporary contracts of its own staff.

3.11 Employee Services provide a monthly list of all temporary contracts, including their end date, to assist Services with this process.

3.12 Services can extend temporary contracts by instructing Resourcing to issue a contract extension to the employee.

3.13 A review of all existing temporary contracts (as per the report for May 21) found 528 contracts that had expired and hadn't been extended, even though the employees are still working for the Council in these posts. These 528 employees have out of date contracts. **(action point b)**

3.14 The following table highlights the composition of the 528 posts, in terms of the Directorate and the calendar year in which contract was due to end.

3.15

Directorate	Year the contract was due to end	Number of posts
Children, Families & Justice	2021	19
Children, Families & Justice	2020	2
Commercial	2021	32
Commercial	2020	2
Connected Communities	2021	6
Connected Communities	2020	3
Democratic	2021	2
Education	2021	160
Education	2020	3
Health & Community Care	2021	87
Health & Community Care	2020	20
Health & Community Care	2019	18
Health & Community Care	2018	12
Health & Community Care	2017	21
Health & Community Care	2016	6
Health & Community Care	2015	6
Health & Community Care	2013	1
Mental Health	2021	2
People & ICT	2021	5
Physical Environment	2021	79
Physical Environment	2020	42
TOTAL		**528**

4 Internal Audit Opinion

4.1 Overall, substantial assurance was obtained with regard to the process for creating temporary posts.

4.2 However, limited assurance was obtained with regard the management of temporary posts and contracts. It is clear from the tables noted at 3.9 and 3.15 above that Services are not always fulfilling their responsibility to manage their own temporary posts and contracts. The introduction of an escalation process will give Employee Services a route to highlight to each Head of Service instances of missed deadlines.

Definitions of Assurance Levels:

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

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

KEY FINDINGS AND ACTION PLAN
EMPLOYEE SERVICES – TEMPORARY POSTS AND CONTRACTS

Action	a
Finding	Temporary posts are not always being extended even though the post is still in use
Action Description	Employee Services to implement an escalation process which will highlight all posts that are 2 months past their end date to the relevant Head of Service. Services should be reminded of their responsibility for ensuring all temporary posts approaching their end date are considered and extended if necessary.
Risk	Financial risk as services have not confirmed they have the budget to pay for the post
Priority (1, 2, 3)	1
Paragraph Reference	3.5
Managed by	Fiona Walker, Head of People & ICT
Assigned to	Jackie Hamilton, Senior Manager Employee Services
Due Date	Action 1 – Completed Action 2 – 31/3/22
Management Comment	Action 1 – An email will be issued to Directors and Heads of Service advising of the audit findings and requesting that they ensure their managers respond in a timely matter to requests seeking confirmation if a temporary post should cease or be extended Action 2 – Explore the development of an automated report to Heads of Service highlighting posts which expired 3 months prior (3 months allows for processing time of data on both the Service and Resourcing side).

Action	b
Finding	Temporary contracts are not always being extended, even when the employee continues to work for the Council
Action Description	Employee Services to implement an escalation process which will highlight all contracts that are 2 months past their end date to the relevant Head of Service. Services should be reminded of their responsibility for ensuring all temporary contracts approaching their end date are considered and extended if necessary.
Risk	Legal implications arising from employees not having up to date contracts, some temporary employees may be entitled to a permanent contract (dependent upon on meeting certain criteria)
Priority (1, 2, 3)	1
Paragraph Reference	3.9
Managed by	Fiona Walker, Head of People & ICT
Assigned to	Jackie Hamilton, Senior Manager Employee Services
Due Date	Action 1 – Complete Action 2 – 31/3/22
Management Comment	Action 1 – An email will be issued to Directors and Heads of Service advising of the audit findings and requesting that they ensure their managers respond in a timely matter to requests seeking confirmation if a temporary contract should cease or be extended Action 2 – Explore the development of an automated report to Heads of Service highlighting temporary contracts which expired 3 months prior (3 months allows for processing time of data on both the Service and Resourcing side).

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.

WASTE MANAGEMENT

1 Background

1.1 The Scottish Government aims to make Scotland a zero-waste society with a circular economy. This means maximising the population's demand on primary resources and maximising the reuse, recycling, and recovery of resources, rather than treating them as waste.

1.2 The Council has a responsibility to contribute to achieving this national goal by maximising the amount of recycling and reuse within North Ayrshire. The Council does this by offering kerbside recycling schemes for residents and commercial properties, and through Household Waste Recycling Centres (HWRCs) which are designed to allow residents to split waste into specific recyclable streams. SEPA records for 2019 record North Ayrshire generating 77.44k tonnes of waste, of this 10.77k (16.62%) is diverted from landfill, 44.73 tonnes (27.03%) landfilled and 44.69K (56.34%) is recycled

1.3 There is wide coverage within North Ayrshire with 4 Household Waste Recycling Centres and 22 mixed recycling bank locations. The landfill site is located in Shewalton.

1.4 The current targets are to:

- reduce total waste arising in Scotland by 15% against 2011 levels
- reduce food waste by 33% against 2013 levels
- recycle 70% of remaining waste
- Send no more than 5% of remaining waste to landfill

2 Objectives and Scope

2.1 The main objectives of this audit were to:

- ensure that contracts relating to recycling are being managed in accordance with Council Standing Orders
- ensure that reports received from the contractor are reviewed, their accuracy is assessed and that they provide adequate backup to support invoices and transactions
- ensure that invoices are accurate and controls are in place such that checks are robust
- ensure that waste management performance is properly recorded, and that information is being used to achieve Scottish Government 2025 targets

3 Findings

Management of Contracts

3.1 The treatment and disposal of assorted waste was issued as a mini competition on the Scotland Excel Dynamic Purchasing System for Recyclable and Residual Waste in February 2021. This was broken down into 11 lots. Audit testing confirmed that this process complied with the standing orders on Contracts.

Contractor reporting

3.2 Management information recorded on spreadsheets is complex. Using the Microsoft Excel analysis tool Inquire, a detailed check was performed on these spreadsheets to identify any anomalies in formulas. Testing identified some changed formulas; however, investigation confirmed that these reflected the commencement of a contract mid period and the apportionment of charges on another.

Invoicing

3.3 Testing on a sample of 12 invoices confirmed accuracy, verified to spreadsheet records held by the service, that they had been reviewed and authorised, and timeously paid within the council's payment target.

Achieving targets

3.4 To achieve the Scottish Government's zero waste to landfill targets, North Ayrshire Council along with 4 other local authorities have contracted Viridor to build and manage the Clyde Valley residual waste project located in Bargeddie, North Lanarkshire. This waste is transferred to Viridor's Dunbar Energy Recovery Facility to generate low carbon electricity. During the financial year 20/21 (April to February) over 24,000 tonnes was diverted from landfill in this manner.

3.5 With the introduction of purple plastic and glass recycling bins, there was an increase from 2018 to 2019 of over 500 stage 1 complaints, reflecting the difficulties in introducing waste reduction schemes and personal impact. This has now settled down.

3.6 The Recycling Improvement Fund will allow local authorities to apply for part of the £70 million available for improvements in recycling in their area. North Ayrshire Council has raised an expression of interest.

3.7 July 2022 will see the introduction of the Deposit and Refund scheme, managed by Circularity Scotland. This will encourage the return of cans and bottles via restaurants and shops.

4 Internal Audit Opinion

4.1 Overall, substantial assurance was obtained with regard to the management, of contracts, recording of performance and achievement of reducing waste in line with Central Government policy.

Definitions of Assurance Levels:

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

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

SUSTAINABILITY PAYMENTS TO CARE PROVIDERS

1 Background

1.1 The Scottish Government has made sustainability funding available to support care providers who have been directly financially impacted by Covid.

1.2 The Council is responsible for administering this scheme on behalf of the Government.

2 Objectives and Scope

2.1 The objective of this audit was to ensure that:-

- All claims from care providers are being reviewed and assessed against COSLA/Scottish Government guidance
- sufficient evidence of the review process is being retained

3 Findings

3.1 There are 2 main areas being funded under this scheme:-

- under occupancy in care homes directly due to Covid
- additional costs being incurred by all social care providers as a result of Covid

3.2 COSLA guidance makes it clear that this funding is to be accessed only once providers have exhausted all national and business grants available to them and have also reduced all business costs as much as possible.

Under Occupancy in Care Homes

3.3 Care homes are able to claim support for under occupancy only if this is a direct result of Covid.

3.4 The % of under occupancy that can be reclaimed has varied throughout the year, in line with changes to the COSLA/Scottish Government guidance.

3.5 Under occupancy levels are assessed in comparison to average occupancy during January to March 20 (i.e. pre Covid).

3.6 A detailed occupancy calculation spreadsheet is being maintained, which calculates the movement from the baseline for each provider, and the under occupancy payment due, on a month by month basis.

3.7 For a sample of 5 care homes, Audit:-

- confirmed the baseline occupancy figures per the spreadsheet to the original provider submission
- agreed the calculation of under occupancy and payment due (ensuring the correct % has been used)
- reviewed the correspondence with the care provider confirming the amount of funding to be provided.

3.8 Whilst reviewing the monthly occupancy figures for the sample 5 care homes, several instances of occupancy figures not tying back to the total number of beds in the home were noted. Whilst these errors didn't affect the level of payment due to the provider, there is a risk that they could have.

3.9 As a result of this finding, the Service agreed to review all occupancy figures since the scheme began and whilst further errors were identified, none of these had any financial implication for either the care homes or the Council.

3.10 The Service added check totals to the spreadsheet to ensure any future errors were timeously identified.

Other costs incurred by Social Care Providers

3.11 Care providers can claim support for additional costs that have been incurred due to Covid, with guidance quoting increased staffing costs, sickness costs, PPE and infection control as examples of reasonable costs.

3.12 Whilst the guidance gives some examples of additional costs, there is an element of interpretation and judgement required. Council Officers can seek advice and opinions from other councils via the Chief Finance Officers network, or from COSLA.

3.13 The team that manage the claims meet weekly to discuss all ongoing claims. This helps to ensure a consistency in the approach to claims. A tracker of the key decisions taken at the meeting is maintained.

3.14 A sample of claims from social care providers was selected for detailed testing (with the sample covering claims that had been paid in full, part paid and rejected). A review of the evidence to justify the Council's decision was undertaken.

3.15 During the review it was clear that each case had been considered in detail prior to a decision being made, with evidence of:-

- providers being asked for more evidence of expenditure
- providers being asked to provide copies of management accounts to allow the team to assess whether financial hardship was evident
- providers being asked in for meetings with the team to clarify claims
- reasonableness checks being undertaken by comparing claims to the prices that the Council can secure services for

3.16 All claims are followed up with a letter from the Council setting out the original claim and explaining what elements the Council is willing to fund, with explanations given for any areas of the claim rejected.

3.17 No issues were noted during testing.

4 Internal Audit Opinion

4.1 Overall, substantial assurance was obtained with regard to the Council's handling of sustainability claims from social care providers.

4.2 Processes are in place to ensure consistency in the treatment of claims. Evidence of detailed reviews being undertaken prior to accepting a claim was available for review.

Definitions of Assurance Levels:

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

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

AIDS AND ADAPTATIONS

1 Background

1.1 Through the Health and Social Care Partnership (HSCP), the Council assists adults living with illness, disability or frailty to maintain their independence, by offering equipment and adaptations which allow them to continue living in their own homes.

1.2 On receipt of a referral, screening and triage will be carried out and if a need is identified, the referral will be allocated to the appropriate team. An Occupational Therapist (OT) will assess the service user and complete an OT specialist request form via the CareFirst system detailing the aids or adaptations required. A senior OT will approve the OT specialist request forms.

1.3 Jobs relating to Council tenants will either be carried out by Building Services or an external supplier. If the job is allocated to Building Services, a job is raised on the Building Services URM system.

1.4 Owner occupiers and private tenants can apply for financial assistance for aids and adaptations. Grants for Improvement/Repair are given by Local Authorities under a framework set out in the Housing (Scotland) Act 2006. This process requires the applicant to submit 3 quotes to the Council, which will be checked to ensure that the proposal meets their needs. Approval to progress the application will be granted by a Senior OT.

2 Objectives and Scope

2.1 The main objectives of this audit were to ensure that:

- Detailed procedures exist for the Aids and Adaptations process
- Adequate controls are in place for the assessing and awarding of aids and adaptation jobs for council tenants. In particular, to ensure that the work and payment is properly approved and follow-ups are carried out on a timely basis.
- Adequate controls are in place for the grant application process for homeowners and private tenants. In particular, to ensure that all paperwork is completed and retained, the work and payment is properly approved and follow-ups are carried out on a timely basis.
- Appropriate budget monitoring is in place and procurement rules are being followed when appointing contractors to carry out adaptations on behalf of the Council.

2.2 The period covered by the audit is 1st April 2020 to 31st March 2021.

3 Findings

Aids and Adaptations Process for Council Tenants

3.1 The admin team are currently working on standard operating procedures to cover the full process for Council tenants and those completed during the audit were provided to the auditor for review. **(action a)**

3.2 The admin team are required to update the budget monitoring spreadsheet, an operational access database and the CareFirst system at each stage of this process for all council tenant jobs. All serve a different purpose. This is very time consuming for staff and increases the risk of keying errors being made. In addition, the access database is not supported by IT Services. **(action b)**

3.3 Building Services provided a report from the URM system of all completed and invoiced Aids and Adaptations jobs from 01/04/20 to 31/03/21. This report highlighted that 28% of the jobs were invoiced over a month after the completion date. In addition, 26% of jobs were completed more than 30 days after being logged on the URM system and 15% were completed more than 100 days after being logged.

3.4 There were 346 completed jobs on the main budget monitoring spreadsheet for 2020-21 and 1,024 open jobs on this spreadsheet. Some of the open jobs dated back to 2017. During the audit, the Admin Assistant advised that the team has started to monitor the Building Services Work in Progress report which will allow them to be more pro-active in chasing up outstanding jobs. In addition, receiving the completed jobs report will allow the jobs on the spreadsheet to be closed off sooner. Some of the delay can be explained by the restrictions put in place during lockdown.

3.5 The auditor selected a sample of 10 jobs. The checks carried out on the follow-up process highlighted that in 5/10 cases the follow up process had not been properly recorded on CareFirst and in 4 of these cases there is no evidence of when the follow-up was carried out. In 3/5 cases where the follow-up was properly requested and recorded on CareFirst, there was a significant delay between the job completion and the follow-up being carried out. **(action c)**

3.6 There were 3 cases where the price on the referral or quote is lower than the price charged when the job is keyed to the Building Services URM system. **(action d)**

3.7 In addition, there were 2 cases with a major delay between the specialist request form being completed and the job being completed (16 months and 15 months).

Aids and Adaptations Process for Owner Occupiers/Private Tenants

3.8 The auditor reviewed the grants budget monitoring spreadsheet for 2020-21 which contained 343 referrals for a grant application and there were 169 forms with an applicant that had not progressed to the next stage. The Clerical Officer advised there is currently no process in place to chase up this paperwork or to close it off if it is no longer required. **(action e)**

3.9 The auditor selected a sample of 10 grants marked as complete and paid, to test all relevant paperwork was completed, proper approval was obtained, a follow-up was carried out on a timely basis and CareFirst was updated in line with the Grants Standard Operating Procedure. This testing highlighted the following:

- There were 4 instances where the relevant observation had not been added to CareFirst.
- There were 4 instances where there was no evidence on CareFirst that a management decision activity was added and received confirming the quotes received from the applicant were approved by the Senior Occupational Therapist.
- There were 7 instances where a CareFirst activity was not added to request that follow up is undertaken by an Occupational Therapist; however, in all cases, post inspection paperwork was completed by the Occupational Therapist and this

completed paperwork was recorded as an observation on CareFirst by the Clerical Assistant.

- There was only 1 case in the sample that included an increase in price from the original quote and there was no evidence this price variation was recorded and approved on CareFirst. The Clerical Officer advised it would not have progressed without the Senior Occupational Therapist approving the higher price and it must have been approved via email.

(action f)

3.10 The auditor tested a sample of 10 transactions from the Improvement Grants Integra general ledger code and found there is an adequate audit trail to allow the payment to be traced back to the grant application using the grant reference. It should be noted that there were 2 sundry payment requests approved by the Development Manager that were above their approval limit of £10,000 (the values were £10,490 and £13,810). The Development Manager was contacted during the audit and advised they should only approve within their agreed limit and if the limit needs to be amended this needs to be agreed by their Head of Service.

3.11 The auditor selected a sample of 10 transactions from the Improvement Grants general ledger code to ensure each transaction could be traced to the 2020-21 grants monitoring spreadsheet. In 5/10 cases the transaction could not be traced to this spreadsheet. They were traced to the 2019-20 grants monitoring spreadsheet, but admin advised any jobs not complete at year end should be carried forward to the new year's spreadsheet. **(action g)**

Budget Monitoring and Procurement Rules

3.12 Weekly budget meetings are held to discuss the relevant budgets and decide what work can progress. There is currently no reconciliation between the general ledger and the budget monitoring spreadsheets maintained by the admin team. Admin advised they will start doing monthly reconciliations to the ledger for all budget monitoring spreadsheets.

3.13 There is a feeder between the Building Services URM system and Integra to recharge aids and adaptations jobs to the correct ledger code. The feeder is set to consolidate the total per finance code so each individual transaction cannot be traced to Integra, making a reconciliation difficult. For the Aids and Adaptations Building Services reconciliation to be carried out, the team should consult with Building Services to set up the correct reports from the URM system to assist with this reconciliation. **(action h)**

3.14 The auditor reviewed the Integra approval plans for purchase orders relating to all requisition points used by the Independent Living Services team. This check identified 2 employees that have left the Council and 1 employee that has moved jobs. This has been passed to the HSCP service representative and the Development Officer to rectify. **(action i)**

4 Internal Audit Opinion

4.1 Overall, limited assurance was obtained with regard to the aids and adaptations process. An area of concern is the delay in a follow-up being carried out and the lack of evidence that a follow-up has been carried out.

Definitions of Assurance Levels:

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

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

KEY FINDINGS AND ACTION PLAN
AIDS AND ADAPTATIONS

Action	a
Finding	The admin team are currently working on standard operating procedures to cover the full process for Council tenants and those completed during the audit were provided to the auditor for review.
Action Description	The admin team should ensure that all areas of this process are documented in standard operating procedures and issued to all relevant members of the team.
Risk	Inconsistent approach by staff, possible key tasks not being carried out and lack of business continuity if staff familiar with the process are not available.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Managed by	David Thomson, Head of Service (Health & Community Care)
Assigned to	Lynn Kirkland, Business Development Officer
Due Date	31 December 2021
Management Comment	The team are aware of the importance of this, and currently working through standard operating procedures to cover all areas of this process. These will be disseminated to the full team once complete.

Action	b
Finding	The admin team are required to update the budget monitoring spreadsheet, an operational access database and the CareFirst system at each stage of this process for all council tenant jobs. In addition, the access database is not supported by IT Services.
Action Description	The team should liaise with the Transformation team to streamline this part of the process and reduce the number of times the same information must be keyed.
Risk	Inefficient use of staff time and increased risk of keying errors.
Priority (1, 2, 3)	2
Paragraph Reference	3.2
Managed by	David Thomson, Head of Service (Health & Community Care)
Assigned to	Lynn Kirkland, Business Development Officer
Due Date	31 December 2021
Management Comment	This issue is being addressed through the work with the transformation team. This to be a key change of process to avoid incorrect spend taking place and to assist with reducing under / over projection. If use of spreadsheet to continue, consistency of use between staff will be key; making the spreadsheet tamper proof in terms of data input and deletion and training regards Pivots etc may help. Use of access database and interface with other systems is being reviewed as part of the transformation team work.

Action	c
Finding	The checks carried out on the follow-up process highlighted that in 5/10 cases the follow up process had not been properly recorded on CareFirst and in 4 of these cases there is no evidence of when the follow-up was carried out. In 3/5 cases where the follow-up was properly requested and recorded on CareFirst, there was a significant delay between the job completion and the follow-up being carried out.
Action Description	Staff should be reminded to request follow-up via a CareFirst activity, the OT should be reminded to record the outcome of the follow-up on CareFirst and there should be monitoring to ensure follow-up is carried out in a timely manner.
Risk	Clients aids or adaptations have not been checked to ensure they meet the client's needs, and the clients may be struggling to manage the new equipment.
Priority (1, 2, 3)	1
Paragraph Reference	3.5
Managed by	David Thomson, Head of Service (Health & Community Care)
Assigned to	Alan Rew/Elaine Dodds/Nicola Dowse, Senior Occupational Therapists
Due Date	31/ 10/2021
Management Comment	Staff will be reminded via all staff email, and individually via supervision of need for follow up process to be followed, and for such contact to be documented within Carefirst in line with local and professional standards.

Action	d
Finding	There were 3 cases where the price on the referral or quote is lower than the price charged when the job is keyed to the Building Services URM system.
Action Description	The admin team should query the reason for the price difference before the job progresses.
Risk	Unauthorised financial expenditure.
Priority (1, 2, 3)	2
Paragraph Reference	3.6
Managed by	David Thomson, Head of Service (Health & Community Care)
Assigned to	Lynn Kirkland, Business Development Officer
Due Date	31/10/2021
Management Comment	Adaptation's admin team are no longer approving quotes that exceed the original quote. Adaptations Team will work jointly with building services colleagues to agree standard operating procedure to enable appropriate authorisations and minimise duplication and inefficiency

Action	e
Finding	There were 169 forms with the applicant that had not progressed to the next stage.
Action Description	Consideration should be given to implementing a process to chase up applications sent out, to determine if the application should be progressed or closed off as no longer required.
Risk	A client is continuing to struggle without the aids or adaptations required to maintain their independence.
Priority (1, 2, 3)	2
Paragraph Reference	3.8
Managed by	David Thomson, Head of Service (Health & Community Care)
Assigned to	Lynn Kirkland, Business Development Officer; and Alan Rew, Senior Occupational Therapist
Due Date	31/10/2021
Management Comment	It is worth highlighting that the legislation details that clients have a year to complete works once approved. We will, however, consider potential for alternative process and support with this part of process, including role of 3rd sector. We will review and update admin processes to cleanse lists and keep up to date.

Action	f
Finding	The auditor selected a sample of 10 grants marked as complete and paid. This testing highlighted several instances where CareFirst was not updated in line with the Grants Standard Operating Procedure, particularly in relation to no evidence of a management decision for the review of quotes to allow the job to progress.
Action Description	Relevant staff should be reminded to update CareFirst with observations and activities in line with the Grants Standard Operating Procedure.
Risk	Lack of evidence on CareFirst for approval of quotes to allow the job to progress.
Priority (1, 2, 3)	2
Paragraph Reference	3.9
Managed by	David Thomson, Head of Service (Health & Community Care)
Assigned to	Alistair Reid, AHP Senior Manager
Due Date	31/10/2021
Management Comment	Senior OT staff responsible for approvals and documentation of these will be reminded via supervision of need for agreed process to be followed, and for such contact to be documented within Carefirst in line with local and professional standards.

Action	g
Finding	The auditor selected a sample of 10 transactions from the Improvement Grants general ledger code to ensure each transaction could be traced to the 2020-21 grants monitoring spreadsheet. In 5/10 cases the transaction could not be traced to this spreadsheet.
Action Description	Admin staff should be reminded that any jobs not complete and paid at year end should be carried forward to the new year's grants monitoring spreadsheet.
Risk	Inaccurate figures for budget monitoring.
Priority (1, 2, 3)	3
Paragraph Reference	3.11
Managed by	David Thomson, Head of Service (Health & Community Care)
Assigned to	Lynn Kirkland, Business Development Officer
Due Date	31/10/2021
Management Comment	Plan now in place with SOP to support a consistent approach to this. This is being progressed via Transformation team work.

Action	h
Finding	There is a feeder between the Building Services URM system and Integra to recharge aids and adaptations jobs to the correct ledger code. The feeder is set to consolidate the total per finance code so each individual transaction cannot be traced to Integra, making a reconciliation difficult.
Action Description	For the Aids and Adaptations Building Services reconciliation to be carried out, the team should consult with Building Services to set up the correct reports from the URM system to assist with this reconciliation.
Risk	Lack of audit trail for Integra transaction.
Priority (1, 2, 3)	3
Paragraph Reference	3.13
Managed by	David Thomson, Head of Service (Health & Community Care)
Assigned to	Lynn Kirkland, Business Development Officer
Due Date	31/10/2021
Management Comment	Team will work jointly with building services colleagues to agree standard operating procedure to request correct reports as outlined above.

Action	i
Finding	The auditor reviewed the Integra approval plans for purchase orders relating to all requisition points used by the Independent Living Services team. This check identified 2 employees that have left the Council and 1 employee that has moved jobs.
Action Description	The approval plan should be updated.
Risk	Delays in purchase orders being approved. Inappropriate approval of purchase orders by someone who no longer works in the team.
Priority (1, 2, 3)	2
Paragraph Reference	3.14
Managed by	David Thomson, Head of Service (Health & Community Care)
Assigned to	Lynn Kirkland, Business Development Officer; and Lorraine Dyet, Team Manager HCC – Comm Care Serv
Due Date	Complete
Management Comment	Review completed of personnel and approval limits across the various budgets, to ensure the appropriate approvals of purchase orders.

Priority Key used in Action Plan

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

PROCUREMENT CARDS

1 Background

1.1 North Ayrshire Council uses purchase cards provided by the Royal Bank of Scotland. All transactions are recorded via the bank's transaction system, Smart Data Online (SDOL). The cardholder, approver and card controller all have access to SDOL, where they should review and approve their expenditure as well as providing an appropriate description.

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

2 Objectives and Scope

2.1 The main objectives of the audit were to ensure that:

- Procurement cards are being used in compliance with procedures
- Adequate controls are in place to prevent invoices being paid via procurement card, and ensure card transactions are within set limits, only valid Council purchases are made and on contract spend via card is agreed and monitored

3 Findings

3.1 The procedures and guidance documentation have been recently updated, reflecting previous audit advice.

3.2 There are 375 cardholders, 92 of whom are imprest holders. Procurement have realigned credit limits to standard amounts and identified accounts to be closed.

3.3 Training is carried out online; from 2016, 153 people have completed the approver course and 47 have completed the cardholder course. Audit selected a random sample of ten procurement card holders of which only four responded. Survey responses revealed that three of these card holders did not know their single and monthly transaction limits. **(Action a)**

3.4 Analysis of online purchases indicated deliveries from all over the world highlighting the fact that when purchasing online, there is often no indication of the origin of the items being purchased. Amazon purchases in 2021 have increased in number from 2019 by 8,000 transactions with a total value of £516,007. **(Action b)**

3.5 Procurement guidance state that procurement cards must not be used for transactions made over the internet through intermediary payment agencies such as PayPal, WorldPay, or similar payment organisations. Crown Commercial Service has recognised there are serious implications regarding the use of such payment intermediaries. Audit analysis of PayPal transactions have averaged £14k each year from 2018, in the first 4 months of 2021 there had been 52 transactions valued at £14,666. **(Action c)**

3.6 Procurement card statements for the 6-month period 28th April 2020 to 28th October 2020 totalled £3,220,110. Each statement is paid by Direct Debit at the beginning of the next month. Finance reconcile statements and complete monthly journals to the relevant budget. Procurement card purchases are not matched to the relevant budget till this process is completed. The Corporate Procurement team email individuals to expediate review time. Analysis of time taken to review and authorise transactions identified that over £200k is late in being reviewed and authorised. **(Action d)**

3.7 Procurement card spend averaged £5.5m for the financial periods 2018/19 and 2019/20. During the COVID 19 period 2020/21, spend reduced by £1m. Place usually accounts for 60% of spend; however, in the last financial year both Chief Executive's and Health & Social Care Partnership have incurred increased expenditure.

3.8 There were 7,693 cash transactions totalling £504,241. Where cash has been withdrawn from a bank cash machine, a cash advance fee is charged. There were 1,601 cash withdrawals incurring a cash advance fee of £14,419.

3.9 The audit period included COVID 19 spend, and 536 related purchases were identified with a value of £286,957.

4 Internal Audit Opinion

4.1 Overall, limited assurance was obtained with regard to controls around procurement cards. No fraud was found during audit testing; however, the actions identified will help tighten controls around procurement cards and empower procurement to ensure compliance with procedures.

4.2 Spend and compliance with the procedures lies with the services; using data analytics will help Corporate Procurement to track noncompliance and provide a reporting tool that will provide consistency of information and enhance value for money purchasing.

Definitions of Assurance Levels:

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

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

KEY FINDINGS AND ACTION PLAN
PROCUREMENT CARDS

Action	a
Finding	Online training is available, many procurement cards holders have completed their training in previously held face-to-face sessions. Evidence obtained during the audit showed that there was a lack of awareness of limits for single and monthly transactions.
Action Description	Refresher training/guidance should be put in place for all employees for every three years, this will ensure that there is evidence of awareness.
Risk	Employees are unaware of procedural changes or have developed working practices which put the council at financial, contractual, or reputational risk.
Priority (1, 2, 3)	2
Paragraph Reference	3.3
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Anne Lyndon, Senior Manager (Corporate Procurement)
Due Date	31/12/21
Management Comment	This should be a mandatory course for all Pcard holders/approvers and should be administered by HR, as with other mandatory courses. A questionnaire document will be issued to all Pcard holders/users to assess their current training status and those who have not completed the appropriate on-line training course requested to do so as soon as possible. This process will be completed prior to the issue of new cards on an ongoing basis with non-completion of the course resulting in a delay in new Pcards being issued to users.

Action	b
Finding	Online purchases do not indicate where items are being delivered from and analysis of procurement trends is difficult.
Action Description	Procurement should make use of Power suite analysis tools available on Microsoft Excel (PowerPivot and Power BI) to identify and monitor procurement trends and track online spend.
Risk	There is no overview of items purchased and value for money is not achieved. The council's carbon footprint is not managed. Ethical procurement practices are not followed, and the council is subject to reputational damage. The ease of procuring items online increases the risk that on contract items are purchased.
Priority (1, 2, 3)	1
Paragraph Reference	3.4
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Anne Lyndon, Senior Manager (Corporate Procurement)
Due Date	30.12.21
Management Comment	eProcurement will work with IT to develop some Power BI reports to help identify procurement trends and track online spend patterns.

Action	c
Finding	Purchases made on unsafe sites.
Action Description	Using reporting tools procurement should track online transactions and notify users where these are with unsafe third-party suppliers. Where these transactions have been made with procurement authorisation, then a register is held of what the transaction, location and card details have been used. In the event that these accounts are used without authority, appropriate action is taken.
Risk	Council loses control of its data and is unaware where it is stored. The card details are not protected and could be used or sold on. Refunds cannot be completed.
Priority (1, 2, 3)	3
Paragraph Reference	3.5
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Anne Lyndon, Senior Manager (Corporate Procurement)
Due Date	30.12.21
Management Comment	eProcurement will issue a reminder to all Pcard users that payments are not permitted to PayPal and Worldpay. The reminder will also state that purchasing from Amazon and eBay is only permitted in exceptional circumstances and must be pre-approved from Procurement. Procurement will monitor the usage quarterly and report to Senior Managers for review and action.

Action	d
Finding	Transactions should be reviewed and approved within 28 days. There are currently considerable delays in this process being completed resulting in budget lines not being timeously updated. Procurement emails the individual which does not always quickly resolve the issue.
Action Description	Corporate Procurement should ensure that there is an escalation process in place for transactions which have not been approved and approved within the set timescales and monitor to ensure that this is being followed. Each service should provide an escalation contact who has sufficient authority to resolve the issue and respond. If the status of a transaction is a refund or incomplete order this should be recorded and tracked
Risk	Budget lines are not updated in time and over/underspends are not identified. Transactions are not recorded in the correct time period. Fraudulent activities remain undetected for long periods of time.
Priority (1, 2, 3)	1
Paragraph Reference	3.6
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Anne Lyndon, Senior Manager (Corporate Procurement)
Due Date	31.09.21 to develop report and send first report to Senior Managers.
Management Comment	eProcurement will develop an escalation report for Senior Managers to review and action outstanding transactions. The report will be provided quarterly and any individuals who persistently do not reconcile transaction timeously may potentially have their PCard withdrawn.

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.