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# NORTH AYRSHIRE COUNCIL

17 November 2020

## Audit and Scrutiny Committee

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<b>Title:</b>	<b>Internal Audit Reports issued</b>
<b>Purpose:</b>	To inform the Committee of the findings of Internal Audit work completed during September and October 2020.
<b>Recommendation:</b>	That the Committee considers the outcomes from the Internal Audit work completed.

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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 Internal Audit work completed during September and October 2020. 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 8 separate audit assignments are detailed at Appendix 1 to this report and the levels of assurance for each are noted in the table below:

<b>Audit Title</b>	<b>Assurance Level</b>
Fuel Controls	Reasonable (Streetscene) Substantial (Transport)
Accounts Payable Transaction testing	Reasonable
Community Investment Fund	Substantial
Financial Intervention Orders	Substantial
Roads Procurement	Substantial
Payroll Transaction testing	Substantial
Fostering, Adoption and Kinship Carer payments	Substantial
Planning Application and Building Warrant income	Substantial

- 2.4 Some improvements were identified to the controls around the issue of fuel within the Streetscene service but otherwise there are no significant findings to bring to the Committee's attention. This is a positive position and it should also be noted that substantial assurance was obtained from most of the audit work concluded during the period.

### **3. Proposals**

- 3.1 It is proposed that the Committee considers the outcomes from the Internal Audit work completed during September and October 2020.

### **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 Finance**

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

## **Background Papers**

None.

## **FUEL CONTROLS**

### **1 Background**

- 1.1 An audit of the fuel controls within Transport was last undertaken in 2017/18 – during which no significant issues were identified.
- 1.2 No sites were physically visited during this audit due to Covid 19 restrictions.

### **2 Objectives and Scope**

- 2.1 The objectives of this audit were to ensure:-
  - Transport have sufficient procedures in place to prevent the theft of fuel
  - Streetscene are mitigating the risks arising from holding fuel in jerry cans

### **3 Findings**

#### **TRANSPORT**

- 3.1 Council vehicles are refuelled via:-
  - Fuel bunkers (available at 5 depots), or
  - Fuel cards (which are used at petrol stations)

#### **Fuel Bunkers**

- 3.2 Fortress is the fuel management system used to record the drawing of fuel from all bunkers.
- 3.3 The pumps will only dispense fuel if a fuel key is used.
- 3.4 The need for a fuel key acts as a strong control over the theft of fuel. The issuing of fuel keys is controlled, each key is allocated specifically to a vehicle, and every time a driver refuels, they must enter details such as mileage, vehicle registration and their initials thereby creating a detailed record of every fuel issue.
- 3.5 A master key is available at each depot, which can be used when a driver doesn't have a fuel key for the vehicle they are driving (e.g. the vehicle is an external hire vehicle). In order to mitigate the risk of this key being misused, Transport have in place a process that makes the supervisor on duty responsible for the holding and issuing of the master key. The supervisor records every issue of the key on a 'manual fill sheet' on which they also notes details such as fleet number, vehicle registration, litres drawn, mileage, driver name and signature, department, date – again ensuring a detailed record of all such fuel issues is being kept.
- 3.6 In order to confirm that master key procedures are being followed, Audit selected a monthly Fortress report for one of the depots and compared the number of master key transactions per the report to the manual fill list. No issues were noted.
- 3.7 Monthly tank dips are taken and compared to the expected fuel level as per Fortress. This gives assurances that all fuel issues are being accurately recorded, and allows any issues with the software, pump or theft to be timeously identified.

- 3.8** All bunker fuel is recharged monthly. The process of having to allocate every fuel issue recorded on Fortress to a cost centre means a level of scrutiny over transactions is happening every month. Experienced staff are likely to identify any anomalies during this process. In addition, Services should be checking their recharges and identifying any unexpected charges which may have resulted from error or misuse.

### **Fuel Cards**

- 3.9** Fuel cards are issued for vehicles that are located too far from a bunker, or for vehicles that use unleaded petrol (as the Council has no unleaded bunker fuel). In addition, bearer cards are issued to managers who need to draw unleaded fuel for equipment (such as lawnmowers etc).
- 3.10** Cards (other than bearer cards) are issued for a specific vehicle, so each time the card is used, it appears against the vehicle registration on the billing. As an additional check, cashiers at petrol stations input the vehicle registration of the vehicle refuelling into their payment system, which also appears on the billing information. This should give assurance that cards are only being used to refuel the vehicle that they were issued against.
- 3.11** Instances of cashiers not entering the correct vehicle registration or not entering any registration at all were noted during a review of the fuel card bills. Transport staff review all instances of the 2 vehicle registrations not matching as part of the process of calculating the recharge journal.

### **STREETSCENE**

#### **Risk**

- 3.12** Streetscene have a detailed risk assessment in place which identifies, and sets out the steps taken to mitigate, the risks of storing and dispensing fuel from fuel containers.
- 3.13** Management were also able to provide a copy of the COSHH (The Control of Substances Hazardous to Health) assessment for the same process.

#### **Issuing of fuel**

- 3.14** Streetscene use fuel cards (issued by Transport) to buy fuel from petrol stations. However, this audit highlighted the fact that there is no record of the issuing of fuel from the Streetscene store to the team members. **(action point a)**
- 3.15** It was also noted that there is no formal record to show who holds keys to the fuel store. Streetscene have agreed to create a keyholder register immediately. **(action point b)**

## 4 Internal Audit Opinion

- 4.1** Overall, substantial assurance was obtained with regard to the processes within Transport to prevent the theft of fuel.
- 4.2** Overall, reasonable assurance was obtained with regard to Streetscene's processes for storing fuel. Streetscene have considered the risk of holding fuel in containers and have given assurance that they have taken steps to mitigate risks as much as possible. The introduction of both a register to record the issuing of fuel from stores, and a keyholder register, will further improve their internal controls.

### Definitions of Assurance Levels:

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

<b>Action</b>	a
<b>Finding</b>	The issuing of fuel from fuel stores is not recorded.
<b>Action Description</b>	A procedure to record the issuing of fuel from fuel stores should be put in place.
<b>Risk</b>	Theft or misuse of Council fuel goes unidentified due to inadequate record keeping
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.14
<b>Managed by</b>	David Hammond, Head of Service (Commercial)
<b>Assigned to</b>	Mark McNeil, Operations Manager (Streetscene)
<b>Due Date</b>	Completed
<b>Management Comment</b>	A register has been drafted and issued to appropriate members of staff to record fuel distributed.

<b>Action</b>	b
<b>Finding</b>	There is no formal record of who holds keys for the fuel stores.
<b>Action Description</b>	<p>A keyholder register should be created which lists all staff who hold keys for the fuel store.</p> <p>Each member of staff on the register should be asked to confirm where keys are kept during the working day and overnight (ie are they kept on their person during the working day, are they taken offsite when not at work etc).</p> <p>Keyholders should sign the register as confirmation that its details are accurate.</p>
<b>Risk</b>	The lack of a formal record showing who has authority to access fuel stores could cause an issue should a loss occur – both in terms of hampering the ensuing investigation and also invalidating insurance cover.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.15
<b>Managed by</b>	David Hammond, Head of Service (Commercial)
<b>Assigned to</b>	Mark McNeil, Operations Manager (Streetscene)
<b>Due Date</b>	Completed
<b>Management Comment</b>	Area management will ensure all members of staff issued with a fuel storage key sign and date the master register.

### 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.

## ACCOUNTS PAYABLE TRANSACTION TESTING Q2

### 1 Background

- 1.1 This audit used computer audit software called IDEA (Interactive Data Extraction and Analysis) to interrogate the Accounts Payable (AP) System and examined any anomalies which arose.
- 1.2 There were 4,935 active Trade Suppliers (for processing payments to standard suppliers, individuals and social services) and 550 Sundry Suppliers (for processing one-off sundry payments) on Integra as at 01/07/20. Accounts Payable advised that since the last audit they have introduced a new process to deactivate suppliers that have not been paid in the previous 18 months which is why the number of suppliers is smaller than previous audits. This exercise is carried out on a quarterly basis.
- 1.3 There were 43,175 invoices paid to trade and sundry suppliers during the period of the audit totalling just over £128.5 million.

### 2 Objectives and Scope

- 2.1 The main objectives of this audit were to ensure that:
  - duplicate suppliers are identified and de-activated to minimise the risk of duplicate invoices being paid.
  - duplicate invoices have not gone undetected.
  - advance payments have been reported to Financial Management for the list of pre-payments at financial year-end.
  - high value invoices have been properly authorised.
  - invoices paid to employees are bona fide.
- 2.2 The audit was carried out in quarter 2 and the audit period was 1<sup>st</sup> January 2020 to 30<sup>th</sup> June 2020. This audit will be carried out again in quarter 4.

### 3 Findings

#### Supplier Tests

- 3.1 Testing was carried out to identify duplicate trade suppliers on the system. Testing identified 40 duplicate suppliers either by supplier name or bank details. These were passed to the AP team to review and deactivate as appropriate. **(Action a)**
- 3.2 Testing also highlighted 279 active suppliers with no bank details recorded on Integra. These were passed to the AP team for information purposes.

#### Invoice Tests

- 3.3 The auditor tested for duplicate invoices for payments to suppliers and identified 183 possible duplicates that were investigated further. This confirmed that 57 were not duplicates and a further 106 were duplicates but had already been identified and action taken by the AP team. This testing therefore identified 20 potential duplicate invoices totalling £28,984.89, which have not already been identified by AP. The potential

duplicates have been passed to the AP team to check and arrange recovery. **(Action b)**

- 3.4** Testing identified a further payment error. There were 2 sundry payment requests for £2,500 each paid to the same organisation. The auditor noted that the payee details on the sundry payment request did not agree to the supplier paid via Integra and the bank details on the sundry payment request did not match the supporting evidence of bank details. The approver confirmed that the 2 payments of £2,500 were paid to the wrong organisation in error and they will work to rectify this immediately. The sundry payment requests were keyed by the Accounts Payable team and checks were not carried out to ensure the bank details agreed to the supporting evidence of bank details. The Senior Payments Officer has reminded the team to check evidence of bank details agrees to bank details on sundry payment requests before processing.
- 3.5** There were 219 records with a payment date more than 1 year after the invoice date. Testing was carried out on a sample of 10 and in 6 cases the correct invoice date was keyed (one of which was almost 6 years prior to payment). The other 4 had the dates wrongly keyed. From the received dates, it would appear that the delays are mostly in the suppliers issuing the invoices rather than the Council paying them. Financial Management confirmed that there are no VAT implications when paying invoices more than 1 year old.

#### **Advance Payment Tests**

- 3.6** The auditor tested for round sum amounts over £20,000 to help identify any advance payments. There were 22 invoices found meeting this criterion and 7 were passed to Financial Management to confirm the correct action had been taken. Financial Management confirmed that in most cases the invoices have been dealt with correctly in 19/20. They also advised there is no material impact therefore no further adjustment to the 2019/20 accounts is warranted.

#### **High Value Payments**

- 3.7** The auditor selected a sample of 25 invoices over £10,000 to check the invoices were approved by an authorised signatory, were approved within the approval limit and an independent check had been carried out. In 5/25 cases there was no 'payments over £10k' report attached so there is no evidence an independent check was carried out. In 4 of these cases the invoice was keyed by HSCP and in 1 case it was keyed by the Accounts Payable Team. The AP team then provided evidence the reports were produced.
- 3.8** All invoices were approved by an authorised signatory, however, in 2 cases the invoice values were above their approval limit. The approvers were 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.

#### **Creditors to Payroll Data Match**

- 3.9** Testing was carried out to match employee bank details to trade and sundry supplier bank details to identify creditor payments made to employees. There were no matches found in this test.

## 4 Internal Audit Opinion

- 4.1 Overall, reasonable assurance was obtained with regard to the controls around the processing of invoices, in particular to preventing duplicate invoices being processed.

### Definitions of Assurance Levels:

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

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

## KEY FINDINGS AND ACTION PLAN

### ACCOUNTS PAYABLE TRANSACTION TESTING Q2

<b>Action</b>	a
<b>Finding</b>	Testing identified 40 duplicate suppliers either by supplier name or bank details.
<b>Action Description</b>	Procurement should review the list of duplicate suppliers and de-activate suppliers as appropriate.
<b>Risk</b>	Duplicate invoices may be paid to the same supplier via different supplier numbers.
<b>Priority (1, 2, 3)</b>	1
<b>Paragraph Reference</b>	3.1
<b>Managed by</b>	Mark Boyd, Head of Service (Finance)
<b>Assigned to</b>	Anne Lyndon, Senior Manager (Procurement)
<b>Due Date</b>	Complete
<b>Management Comment</b>	The Accounts Payable team have reviewed the list of 40 possible duplicates and found 10 to be genuine duplicate records. These 10 supplier records have now been de-activated on Integra.

Action	b		
Finding	Testing identified 20 potential duplicate invoices totalling £28,984.89, which have not already been identified by AP.		
Action Description	AP should review the potential duplicate invoices and arrange for recovery of monies paid twice.		
Risk	The Council has paid the same invoice twice and the money has not been recovered.		
Priority (1, 2, 3)	1		
Paragraph Reference	3.3		
Managed by	Mark Boyd, Head of Service (Finance)		
Assigned to	Anne Lyndon, Senior Manager (Procurement)		
Due Date	31.12.20		
Management Comment	The Accounts Payable team will work with Service teams, as required, to identify genuine duplicate payments and recover money from suppliers. The team investigate from the highest to lowest duplicate invoice. Status update at 2 <sup>nd</sup> Sept 20:		
	Possible duplicate invoices	No. of transactions	Value
	Not Duplicated	1	£4,867.52
	Duplicated - money returned	2	£9,245.36
	Duplicated - credit on supplier account	9	£12,767.84
	Still being investigated	8	£2,095.17

#### 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.

## COMMUNITY INVESTMENT FUND

### 1 Background

- 1.1 In its budget of 1<sup>st</sup> March 2017, the Council created a Community Investment Fund (CIF) to support the development of the Locality Partnership model by providing localities with the opportunity to identify and invest in specific local priorities. The total fund amount was £3.162m, of which £2.6m was allocated across the Locality Partnerships on a population basis.
- 1.2 A Cabinet report on 29<sup>th</sup> August 2017 laid out the eligibility criteria for grants from the fund and the application process. Ideas and proposals for projects are initially discussed by members of the Locality Partnership. They are then reviewed by and recommendations provided by Community Empowerment staff, the CIF architect or project manager and Council and Community Planning Partnership (CPP) officers, in discussion with Elected Members, locality representatives and CPP partners. The projects are then formally considered by the Locality Partnership for recommendation to the Council's Cabinet. The Cabinet then consider each grant application for deployment of funds.

### 2 Objectives and Scope

- 2.1 The main objectives of the audit were to ensure that:
- all organisations which are awarded a grant from the fund are eligible according to the criteria of the fund and award processes are followed.
  - adequate monitoring of individual grants and the fund as a whole is taking place

### 3 Findings

#### Awarding of grants

- 3.1 The below table shows the funds allocated to projects and spent by each Locality Partnership as at 31<sup>st</sup> July 2020.

	Total budget	Total allocated to projects	% allocated	No of approved proposals	Paid
Irvine	754,000	204,604	27	4	159,422
Kilwinning	286,000	76,190	27	2	76,190
3 Towns	598,000	292,912	49	5	192,912
Garnock Valley	390,000	156,500	40	5	86,500
North Coast	468,000	303,840	65	5	60,446
Arran	104,000	0	0	0	0
Other expenditure	562,000	0	0	0	0
Total	3,162,000	1,034,046	33	21	575,470

- 3.2 Cabinet and Locality Partnership papers were reviewed to ensure that all the projects had been approved as per the procedure described at 1.2. All projects had been approved at Cabinet. 3 projects were identified where it wasn't clear from the Locality Partnership minutes that they had been approved. On discussion with the Service, this

was considered to be an issue with the minute-taking rather than any issue with the projects not being approved by the Locality Partnerships. **(Action a)**

- 3.3** Review of the applications found that all approved proposals did fulfil the stated aims of the fund. Evidence was not available that officers had checked the financial viability and insurance arrangements of all the projects. However, an assessment template for use by officers had been introduced in recent months which does include a check of financial viability, but not specifically the insurance requirements. **(Action b)**

### **Monitoring of grants**

- 3.4** The grants are monitored by officers within Community Empowerment and by the Locality Partnerships. A periodic monitoring report was also presented to the Council's Cabinet on 29<sup>th</sup> October 2019. It was identified that there was one project, approved in May 2019, where no monitoring report had been submitted to the relevant Locality Partnership. The Senior Manager (Community Empowerment) was aware of this issue – a monitoring report had been due to be presented to the quarterly meeting in October 2019 but had not been submitted before the meetings paused due to the Covid-19 outbreak. She is expecting a monitoring report to be presented to the Locality Partnership at its first virtual meeting in September 2020. She is aware, through contact with the organisation in question, that the project is progressing.
- 3.5** The Community Empowerment team have a close working relationship with the Locality Partnerships and regular contact with the community and third sector organisations which put forward proposals for the funding. This means that they have a good awareness of how the projects are progressing and any barriers they may face to achieving their stated outcomes. Where appropriate, the team and the Locality Partnerships provide advice and support to help these organisations overcome such barriers and also ensure that the projects will meet the aims of the fund.

## **4 Internal Audit Opinion**

- 4.1** Overall, substantial assurance was obtained with regard to awarding and monitoring of Community Investment Fund grants.

### Definitions of Assurance Levels:

<b>Substantial</b>	The framework of governance, risk management and control is adequate and effective.
<b>Reasonable</b>	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
<b>Limited</b>	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
<b>None</b>	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 COMMUNITY INVESTMENT FUND

<b>Action</b>	a
<b>Finding</b>	Decisions made by Locality Partnerships to allocate funding to projects were not always clearly recorded in the minutes.
<b>Action Description</b>	Community Empowerment should remind minute-takers for Locality Partnerships to ensure that key decisions, such as allocation of CIF funding to projects, are clearly recorded in the minutes.
<b>Risk</b>	It is unclear that funding has been allocated and the project can proceed. There is no evidence of this decision and it is subject to dispute.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.2
<b>Managed by</b>	Rhona Arthur, Interim Head of Service (Connected Communities)
<b>Assigned to</b>	Angela Morrell, Senior Manager (Community Empowerment)
<b>Due Date</b>	Completed
<b>Management Comment</b>	Discussions have taken place within Locality Partnership lead officers meeting. All minutes will be checked by Lead officers, senior officer and the chairs, to ensure minutes accurately reflect the decisions made. Decisions tracker will be added as a standing item on the agenda for the meetings of the Locality Partnerships, to ensure that all decisions are reflected in the minutes. Discussions have taken place with committee services and guidance has been issued on the role of the officers, including the minute taker, to support this action. This has been very useful in light of the introduction of the digital platforms for the meetings.

<b>Action</b>	b
<b>Finding</b>	There was no record of officers checking that organisations had sufficient public liability and employers' liability insurance, as required for the funding.
<b>Action Description</b>	Community Empowerment should amend the officers' checklist template to include a check of insurance arrangements.
<b>Risk</b>	Organisations which do not have sufficient insurance for the projects are granted funding, which would be a breach of the terms of the fund. In the event of any claims against the projects, disputes may arise, a claim is made against the Council as the funder of the activity or there is reputational damage to the Council as a result of such an event.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.3
<b>Managed by</b>	Rhona Arthur, Interim Head of Service (Connected Communities)
<b>Assigned to</b>	Angela Morrell, Senior Manager (Community Empowerment)
<b>Due Date</b>	Completed
<b>Management Comment</b>	The Officers' checklist has been amended to include the check of public liability and employer's liability insurance.

### 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.

# FINANCIAL INTERVENTION ORDERS

## 1 Background

- 1.1 The Adults with Incapacity (Scotland) Act 2000 introduced a system for safeguarding the welfare and managing the finances and property of adults (age 16 and over) who lack capacity to act or make some or all decisions for themselves because of mental disorder or inability to communicate due to a physical condition. It allows other people to make decisions on behalf of these adults, subject to safeguards. The main groups to benefit include people with dementia, people with a learning disability, people with an acquired brain injury or severe and chronic mental illness, and people with a severe sensory impairment.
- 1.2 Power of attorney is a means by which individuals, whilst they have capacity, can grant someone they trust powers to act as their continuing (financial) and/or welfare attorney. One or more persons can be appointed. A continuing (financial) power of attorney continues or commences (where specified) on the granter's loss of capacity. A welfare power of attorney only comes into effect in the event of the granter's loss of capacity. All powers of attorney under the Act must be registered with the Office of the Public Guardian.
- 1.3 Financial Intervention Orders allows the person appointed to do certain one-off things such as signing legal documents or to sell the adult's house or sign forms agreeing where someone can live.
- 1.4 Corporate Appointees are often local authorities and provide an Appointeeship service when a suitable family member or friend is unavailable or unable to take over the daily money management services of the person in need of an appointee. Corporate Appointees need to be approved by the Department for Work and Pensions (DWP) as the appointee is responsible for receiving benefit payments on behalf of the individual they are representing.
- 1.5 Access to Funds allows the Council to apply for authority to access and manage the funds belonging to an incapable adult.

## 2 Objectives and Scope

- 2.1 The main objectives of this audit were to: -
  - ensure that there is awareness of the legislative background and good governance arrangements are established for Financial Intervention Orders and Corporate Appointeeship
  - ensure procedures for Financial Intervention Orders (FIO's) have been rewritten and, in the case of Corporate Appointeeship (CA's), have been completed;
  - confirm that the procedures meet with current Scottish Government legislation.
  - ensure client information is recorded and filed securely and that relevant backup of information is available at all times.
  - ensure Financial Intervention Orders have been correctly obtained and granted and are operated within the conditions of the order
  - ensure that Corporate Appointeeship has been correctly obtained and granted and meet the conditions of the order

### **3 Findings**

#### **Legislation and Guidance**

- 3.1** There have been no changes to the legislation relating to Financial Intervention Orders and Power of Attorney since this subject was last audited in 2017.
- 3.2** A practice guidance titled “Adults with Incapacity Act for Social Workers and Social Work Assistants” provides comprehensive guidance for practitioners. This was last updated in April 2019, with the planned review for April 2020 postponed.
- 3.3** The Office of the Public Guardian (Scotland) and Scottish Courts Service have issued comprehensive guidance on their dedicated web sites.
- 3.4** Once appointed by the court, an embossed Office of the Public Guardian signed certificate and a schedule of conditions are issued, along with the invoice raised by the Court. The issue of certificates has been surpassed by the Coronavirus (Scotland) Act 2020 which empowers the court to issue their instructions via email. There is evidence that there are some administration issues relating to these documents which would risk them becoming ‘incompetent’. **(See action a)**

#### **Security of Information**

- 3.5** There are three Financial Intervention Officers currently working with 96 clients.
- 3.6** The client register is recorded on the index log, which is maintained on Microsoft Excel, recording key client information, including type of order date and length, start and end date.
- 3.7** Each client is registered on CareFirst and has a unique identifier. Paper records containing the Court Mandate, client financial information, correspondence, Social Work report and Minutes are maintained in individual client folders. Verbal assurance was provided that only the three people working for the team had access to them.

#### **Financial Intervention Orders**

- 3.8** Interventions are required to fulfil three principles on behalf of the individual: benefit, least restrictive option and take account of the wishes of the person. These are assessed and presented to the Sherriff Court. The Council is legally represented, and orders are issued to a named person.
- 3.9** Sample testing confirmed that the log accurately reflected payments made to the court.
- 3.10** Review of the files confirmed that they are competent and that they are being operated within the conditions set by the court.

#### **Corporate Appointeeship**

- 3.11** All files reviewed had the appropriate DWP paperwork completed and evidenced review to maximise the benefit to the individual.

## **Access to Funds**

- 3.12** A file review confirmed that the appropriate paperwork and financial records were in place to benefit the individual.

## **4 Internal Audit Opinion**

- 4.1** Overall, substantial assurance was obtained with regard to the administration of Financial Intervention Orders and Corporate Appointeeships.
- 4.2** There is evidence in the files reviewed that the principles of the Act are being successfully addressed, especially for the benefit of the person being represented.

### **Definitions of Assurance Levels:**

<b>Substantial</b>	The framework of governance, risk management and control is adequate and effective.
<b>Reasonable</b>	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
<b>Limited</b>	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
<b>None</b>	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 FINANCIAL INTERVENTION ORDERS

<b>Action</b>	a
<b>Finding</b>	With the change to Courts issuing documents via email there is a reported increase in errors being made.
<b>Action Description</b>	HSCP should record and inform Legal Services where these issues occur. In the event that this continues unrectified by the courts, contact should be made with the court to amend their records and if necessary, reissue documents.
<b>Risk</b>	That the Council acts without the authority of the Court.
<b>Priority (1, 2, 3)</b>	1
<b>Paragraph Reference</b>	3.4
<b>Managed by</b>	Caroline Cameron, Chief Finance and Transformation Officer
<b>Assigned to</b>	Eleanor Currie, Principal Manager (Finance)
<b>Due Date</b>	31 March 2021
<b>Management Comment</b>	The FIOs will monitor the errors and report these to Legal Services as and when they occur. Legal Services will be asked to contact the court to rectify this.

### 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.

## **ROADS PROCUREMENT**

### **1 Background**

- 1.1** In 2017/18, a previous audit of Roads Procurement gave substantial assurance and made no significant recommendations for improvement.
- 1.2** The period tested in this audit included both financial years 2018/19 and 2019/20, when invoices paid equalled £11.184m and £8.767m respectively. The period tested was prior to the COVID19 lockdown, therefore assurances provided are for these two years. The Service confirmed that the authorisation process is presently electronically completed.

### **2 Objectives and Scope**

- 2.1** The key 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 in respect of payment, 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.

### **3 Findings**

#### **Roads Expenditure**

- 3.1** In the period audited there 6,368 invoice transactions from 289 suppliers at a total value of £19,953,252.39. The sample selected included 6 suppliers who accounted for £12m of the total submitting 2,740 invoices.
- 3.2** Duplicate value testing identified 321 invoices as possible duplicates; however, sample testing confirmed that none of these were duplicate payments.

#### **Procedures**

- 3.3** There have been no major changes to the procurement procedures since 2018.
- 3.4** Most works are allocated through the Road Minor Works Framework using an online procurement system called Transparent Road Infrastructure Procurement Software (TRIPS). This system is shared by all three Ayrshire Councils, along with Falkirk and West Lothian.
- 3.5** The majority of staff have completed training on the Council's Financial Regulations and Codes of Financial Practice. When collating the information, the service identified new starts who have not yet completed this training and have placed them on the waiting list to attend.

- 3.6** Contracts are submitted via anonymous bids on TRIPS and the successful bidder is identified once the bid is progressed to award status. Site audits are completed for each works contract and recorded on the system, thereafter contractor performance results are available to all the Councils using the Framework.
- 3.7** In the event of an emergency a local supplier with experience of the required type of work will be contacted for immediate action.
- 3.8** For works under £1,000 not covered by the framework a quote is sought from a local company.

#### **Expenditure on Sub Contractors**

- 3.9** All invoices sampled had been properly processed and authorised although the administration process was incomplete in some instances. **(action a)**

#### **Other Purchases**

- 3.10** Over the two financial years, there were 150 transactions worth £10,077.25. All were properly authorised for payment.

### **4 Internal Audit Opinion**

- 4.1** Overall, substantial assurance was obtained with regard to controls around roads procurement.

#### **Definitions of Assurance Levels:**

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

<b>Action</b>	a
<b>Finding</b>	The administration process is incomplete on some of the invoices sampled and in one instance the over 10k report was not uploaded to Integra.
<b>Action Description</b>	Staff are reminded to complete all information within the grid stamp so that a robust evidence trail is maintained for payment of invoices.
<b>Risk</b>	Individual authorisation limits may be exceeded and in the provision of services for external funders due to an incomplete audit trail the Council will have to fund from its own budgets.
<b>Priority (1, 2, 3)</b>	1
<b>Paragraph Reference</b>	3.9
<b>Managed by</b>	David Hammond, Head of Service (Commercial)
<b>Assigned to</b>	Diane McDermott, Team Leader (Customer Services)
<b>Due Date</b>	Complete
<b>Management Comment</b>	The administration process is undertaken by Business Support on behalf of the Roads Service. Discussions have taken place with Business Support to ensure that administrative staff complete all fields on the invoice stamp correctly i.e. initials/name in box to say it has been checked for accuracy and agreed for payment. The missing 10K report has been uploaded to Integra.

### 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.

## **PAYROLL TRANSACTION TESTING Q1**

### **1 Background**

- 1.1 This audit used computer audit software called IDEA (Interactive Data Extraction and Analysis) to interrogate the HR/Payroll system and examined any anomalies which arose.
- 1.2 The Employee Account is used to access and complete internal online forms for contract amendments and terminations.
- 1.3 Mileage, travel and subsistence claims can either be submitted via the completion of a manual claim form, which is then physically authorised, or electronically via the system called HR21, which allows the claim form to be electronically completed and approved.
- 1.4 The Payroll system has a screen called Authorised Signatories which records what the employee is authorised to approve.

### **2 Objectives and Scope**

- 2.1 The main objectives of this audit were to ensure that:
  - High overtime payments are valid and properly authorised.
  - Employees' last pay is correct, properly authorised and has not resulted in an overpayment.
  - Salary amendments are valid and authorised.
  - High mileage claims are in line with the Terms and Conditions of Employment, are valid and authorised.
  - Travel and subsistence expenses are in line with the Terms and Conditions of Employment, are valid and authorised.
  - Employee details are valid and complete.
  - Allowances and deductions are in line with the Terms and Conditions of Employment, are valid and properly authorised.
- 2.2 This testing covered the period 1<sup>st</sup> April 2019 to 29<sup>th</sup> February 2020.

### **3 Findings**

#### **High Overtime Payments**

- 3.1 A sample of 10 high overtime payments was selected for audit testing. It was found that 3 janitors were incorrectly paid standby overtime and the errors have been rectified by Payroll.
- 3.2 One of the Building Services standby timesheets was not approved by a supervisor. Building Services has advised that the admin team will double check timesheets are approved before processing.

- 3.3** The auditor tested employees working an average of more than 48 hours per week over a 6-month period. This highlighted employees with extremely high weekly base hours which were queried with Payroll. Payroll explained there was a system glitch, so the base hours were incorrect, and this was rectified with a system upgrade.

### **Leavers Last Pay**

- 3.4** A sample of 20 payments made to employees after they left was selected for audit testing. It was found that one of the termination forms was approved by someone who is not an authorised signatory. The employee was advised of this during the audit.
- 3.5** In 4 cases an overpayment had been made but this had been picked up and rectified by Payroll and there were 9 cases of late paperwork.
- 3.6** There was a casual employee who received 4 payments after they left, and this was queried with Education. The employee was on the supply list after a fixed term contract ended but the employee did not return the supply pack to be included on the supply list for school session 2019-20. In line with policy, HR terminated the employee from the supply list and this process removed details from the SEEMIS supply booking system. However, the Early Years Centre engaged this employee for supply work in the nursery even though the employee was no longer on the supply list and did not use the supply booking system for this purpose. **(action a)**
- 3.7** The auditor tested for employees who left and restarted to ensure there was no overlaps in payments. There were no findings to report from this testing.
- 3.8** The auditor tested employees who started and left within 21 days to ensure they were not overpaid. One employee had their salary recalled so a potential overpayment was prevented.

### **Salary Amendments**

- 3.9** A sample of 10 salary amendments was selected for audit testing. There were 3 cases of late paperwork but no other findings to report.

### **High Mileage Claims**

- 3.10** A sample of 10 high mileage claims was selected for further audit testing. 5 had been processed via HR 21 and 5 had been manually completed. Due to Payroll staff working from home, it was decided to restrict the sample to the 5 keyed via HR21. It was noted that 4/5 claims were not submitted within the 3-month period in line with the policy.
- 3.11** Testing identified a duplicate claim and a claim where the employee did not deduct the home to work mileage for a trip to Carlisle. The employee confirmed they overclaimed 237 miles so an overpayment of £106 is due to be repaid by the employee. This was passed to Payroll to recover.

## Travel and Subsistence Expenses

- 3.12** A sample of 10 travel and subsistence expenses was selected for further audit testing. 5 had been processed via HR 21 and 5 had been manually completed. Due to Payroll staff working from home it was decided to restrict the sample to the 5 keyed via HR21. Also, the auditor did not request copy receipts due to most employees working from home. It was noted that 1/5 claims were not submitted within the 3-month period in line with the policy.

## Employee Details

- 3.13** Various tests were carried out on employee details and there were no findings to report from this testing.

## Allowances and Deductions

- 3.14** A sample of 10 deductions was selected for further audit testing. There were no findings to report from this testing.

## 4 Internal Audit Opinion

- 4.1** Overall, substantial assurance was obtained with regard to Payroll transactions testing.

### Definitions of Assurance Levels:

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

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

## KEY FINDINGS AND ACTION PLAN PAYROLL TRANSACTION TESTING Q1

<b>Action</b>	a
<b>Finding</b>	An employee was removed from the supply list. However, an Early Years Centre engaged this employee for supply work in the nursery even though the employee was no longer on the supply list. The Centre did not use the supply booking system.
<b>Action Description</b>	Education should send a reminder to all Education establishments to ensure the correct policy and procedure is followed for utilising supply staff and only staff on the supply list should be engaged.
<b>Risk</b>	Work carried out by a non-Council employee. Employee has not completed the necessary pre-employment checks.
<b>Priority (1, 2, 3)</b>	1
<b>Paragraph Reference</b>	3.6
<b>Managed by</b>	Andrew McClelland, Head of Service (Education)
<b>Assigned to</b>	Carole Devoy, Education Resources Manager
<b>Due Date</b>	Complete
<b>Management Comment</b>	Communication sent to all Head Teachers and Heads of Centre on 31 August 2020 to confirm supply booking processes and to reiterate that temporary staff should not be engaged unless through the supply booking process.

### 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.

## **FOSTER, ADOPTION AND KINSHIP CARE PAYMENTS**

### **1 Background**

- 1.1 The Health and Social Care Partnership (HSCP) pay allowances to a number of carers of young people within North Ayrshire. This audit has focussed on payments to foster, kinship and adoptive carers.

### **2 Objectives and Scope**

- 2.1 The objective of this audit was to ensure that: -
- payments to foster, kinship and adoptive carers are being accurately calculated
  - overpayments are being accurately calculated and monitored
  - access to sensitive data is being restricted to those who need it for work purposes

### **3 Findings**

#### **Payment Calculation**

- 3.1 Audit testing was tailored to reflect the fact that the foster, kinship and adoption schemes have slightly different criteria and therefore present slightly different risks.
- 3.2 Foster placements tend to be shorter and can stop with little notice. Testing of foster payments concentrated on admission/discharge dates, ensuring that payments have been accurately calculated and adjusted timeously to prevent overpayments occurring.
- 3.3 Adoption placements tend to be permanent and therefore the miscalculation of allowances due to errors in admissions/discharge dates is not a significant risk. However, there are a number of different rates at which adoption allowance can be paid at. In addition, the rates are dependent upon the child's age. Audit testing therefore concentrated on ensuring the correct rate for the child's age had been used when calculating allowance rates.
- 3.4 Kinship payments are means tested and therefore audit testing concentrated on ensuring financial assessments were available to confirm payment rates.
- 3.5 There were no issues to note from Audit testing.

#### **Overpayments**

- 3.6 Foster, Kinship and Adoption allowances are paid in advance. Overpayments can therefore occur when a placement breaks down unexpectedly, or a carer's benefits change (applicable for kinship allowances) and they don't notify the Council timeously.
- 3.7 Overpayments are recouped either via invoice or by taking deductions from future allowance payments. Unpaid invoices are dealt with by Debt Recovery and Legal. Amendments to future allowances are applied and monitored by HSCP Finance.

- 3.8** Audit reviewed the spreadsheet used by the Service to record and monitor overpayments and ensured, for a sample of overpayments, that paperwork existed to confirm the overpayment amount and that the overpayment calculation was accurate.
- 3.9** Audit testing found the overpayment spreadsheet to be accurate for 20/21 overpayments, with the Service continuing to work on updating the information for debts prior to this financial year.
- 3.10** No issues to note were identified during audit testing of overpayment calculations.

#### **Data Security**

- 3.11** HSCP Finance have confirmed to Audit that access to the Child Care electronic folders is tightly restricted to those who need it for their day-to-day job.

### **4 Internal Audit Opinion**

- 4.1** Overall, substantial assurance was obtained with regards the procedures to ensure the accuracy of carer allowance payments.

#### **Definitions of Assurance Levels:**

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

## **PLANNING APPLICATION AND BUILDING WARRANT INCOME**

### **1 Background**

- 1.1 This is the first time this area has been reviewed by Internal Audit.

### **2 Objectives and Scope**

- 2.1 To ensure that all planning application and building warrant income due to the Council is being collected, and the risk of bad debt is being minimised.

### **3 Findings**

- 3.1 Both planning and building warrant fees must be paid at the time of submitting the application, and this is clearly stated on the Council's website.
- 3.2 This requirement for payment in advance is the safest possible approach for the Council in terms of minimising the risk of bad debt.
- 3.3 Uniform is used to record all planning and building warrant applications, with there being specific fields used to record payment details. Reports can be run from the system which clearly show whether fees have been received, whether refunds have been issued and whether advertising fees (relevant for planning applications only) have been paid.
- 3.4 The system flags when a fee is outstanding and both Planning and Building Control have confirmed that they check the application status on Uniform before issuing a decision – to ensure that all payments have been received.
- 3.5 The requirement for application fees to be paid in advance, plus the added security of Services having the ability to delay issuing a decision if fees have not been received (which is particularly useful for planning advertising fees, which aren't paid at the time of application, but are instead requested during the application assessment process), means that there should be no scope for bad debts to arise.

### **4 Internal Audit Opinion**

- 4.1 Overall, substantial assurance was obtained with regard to the processes surrounding the collection of planning and building warrant application income.
- 4.2 Payment in advance and detailed fee recording ensures risk to the Council of lost income and bad debts are minimised.