NORTH AYRSHIRE COUNCIL

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 July 2019.
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 July 2019. Internal control reviews have been completed in respect of the areas detailed in Appendix 1 to this report. The aim of these reviews is to provide assurance that the internal control framework within the areas examined is appropriate and operating effectively.

2.2   The findings from each audit assignment have been notified in writing to the Chief Executive, the Executive Director (Finance and Corporate Support) and the relevant Executive Director and service managers on the completion of each assignment. Where appropriate, this has included an action plan detailing recommendations for improving internal control. Appendix 1 includes the executive summary and action plan from each audit.

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

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

2.4 The findings from seven 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
Community-Based Support	Limited
IJB Lead Partnership Arrangements	Reasonable
Sale of Council Land and Property	Reasonable
Building Services Stores Controls	Reasonable
Cyber Resilience	Substantial
Procurement and Performance Management of Term Contracts	Substantial
Regeneration	Substantial

2.5 The key findings are as follows:

- Limited assurance was obtained around the arrangements for community-based support services. The processes and current controls are not fit for purpose and the Health and Social Care Partnership requires to undertake a full review.
- An audit of Lead Partnership arrangements carried out for the North Ayrshire Integration Joint Board obtained reasonable assurance. Actions in relation to directions, risk sharing, and fair share methodology require to be progressed and supplementary guidance for the Integration Scheme requires to be prepared once these actions are completed.

3. Proposals

3.1 It is proposed that the Committee considers the outcomes from the Internal Audit work completed between May and July 2019.

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.

Laura Friel
Executive Director (Finance and Corporate Support)

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

Background Papers
None.

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EXECUTIVE SUMMARY
COMMUNITY BASED SUPPORT

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Background

This audit was conducted as part of the approved 2018/19 Internal Audit Plan and reviewed the controls in relation to Community Based Support, with a particular focus on the use of the CM2000 system.

Key Objectives

The main objectives of this audit were to ensure that:

- Adequate processes are in place within Community Based Support Older People for approving and recording service requests, and payments are only made for services that have been provided.
- Proper contract management and monitoring process are in place for the Care at Home framework.
- Adequate processes are in place within Community Based Support Adult Services for approving and recording service requests, and payments are only made for services that have been provided.
- Adequate processes are in place within Community Based Support Children Services for approving and recording service requests, and payments are only made for services that have been provided.

Key Findings and Actions

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

- The same service user information within Care at Home is currently being keyed 5 times including on 2 Microsoft Access databases which are unsupported and unreliable platforms which are no longer fit for purpose. This duplication can lead to keying errors which may lead to errors within the invoice reconciliation process. The CareFirst system and the CM2000 system should be fully utilised to remove such duplication.
- In 7/10 cases the invoice charge for Care at Home services was less than the planned service and although this type of variation is recorded as part of the invoice reconciliation process, a decrease in the planned service is not reported back to the Care at Home Managers resulting in a risk that service users are not receiving full packages of care.
- The service user information within Children and Families with Disabilities is being recorded on a spreadsheet. HSCP Finance and the Children and Families Disabilities Team could not provide evidence to support the community package being approved. The community packages and the supporting approval paperwork should be recorded and saved on the CareFirst system to reduce the risk of overcharging or service users not receiving full packages of care and to provide evidence of package approval.
- There are 3 providers with a spend of more than £50,000 being used within Adults and Children Services for which there is no contract in place. In addition, none of the contracts queried as part of the audit were on the Contract Register. There is a lack of proper procurement in this area.

Audit Opinion

Limited assurance was obtained around the arrangements for community-based support services. The processes and current controls are not fit for purpose and the Partnership requires to undertake a full review.

ACTION PLAN
COMMUNITY BASED SUPPORT

Action	a
Action Description	HSCP should investigate a different way to reconcile the invoice to remove the need for the Care at Home Flexi Services database, preferably looking at a solution to use the CM2000 system for the reconciliation process.
Risk	Keying errors can result in the wrong information being reconciled to the invoice. Inefficient use of staff time keying the same information more than once.
Priority (1, 2, 3)	1
Paragraph Reference	3.3, 3.8
Assigned to	Senior Manager (Community Health and Care)
Due Date	31st March 2020
Management Response	The partnership will explore options to use the functionality in CM2000 to remove duplication of effort and the scope for error, this will require putting service user agreements onto Care First for older people.

Action	b
Action Description	The Care at Home Managers (CAHM) should be routinely reviewing service users whose care is consistently less than the planned level of service and taking appropriate action.
Risk	Service user is not receiving the evaluated level of care identified or the level of care should be reduced to free up budget to accommodate those on the waiting lists. Inaccurate financial projections.
Priority (1, 2, 3)	1
Paragraph Reference	3.6,3.8
Assigned to	Senior Manager (Community Health and Care)
Due Date	30th September 2019
Management Response	A process has been introduced in the partnership for other service user groups (e.g. LD) where finance highlight variations in assessment and the care provided. A similar exception report process will be introduced for Care at Home services to ensure managers are aware of the variations to inform ongoing reviews.

Action	c
Action Description	HSCP staff in Older People Services and Adult Services should be reminded to produce, check, scan and attach the payments over £10,000 report to ensure the payment has been made to the correct supplier.
Risk	Payments over £10,000 are made in error to the wrong supplier.
Priority (1, 2, 3)	3
Paragraph Reference	3.7, 3.14
Assigned to	Finance Team Manager
Due Date	31st July 2019
Management Response	A reminder will be issued to the appropriate staff to ensure payments are processed in line with the agreed procedures.

Action	d
Action Description	Care at Home Managers should be reminded to ensure that service request paperwork is properly completed before authorising.
Risk	Missing information.
Priority (1, 2, 3)	3
Paragraph Reference	3.8
Assigned to	Senior Manager (Community Health and Care)
Due Date	31st July 2019
Management Response	This was an isolated case with only 1 of the cases in the sample not containing the required information, a reminder will be issued to Care at Home Managers to reinforce the importance of fully completing the paperwork.

Action	e
Action Description	HSCP should consult with Procurement to ensure that contracts are in place for all care at home service providers.
Risk	Breach of Standing Orders. Failure to obtain value for money. HSCP does not have adequate protection in the event of a dispute with the provider.
Priority (1, 2, 3)	1
Paragraph Reference	3.9
Assigned to	Senior Manager (Community Health and Care)
Due Date	30th September 2019
Management Response	When the Care at Home Framework started in July 2018 it was acknowledged that there were providers not on the framework but providing care to service users, these providers were providing the service prior to the new contract and service users were given the option to stay with their existing provider or move to a provider on the framework. As a result there are some providers being used who are not on the framework, it would go against the principles of SDS for the partnership to insist service users move provider. In addition, under SDS service users can choose the option to direct their own support which may include through providers not on the framework. The service will liaise with Procurement colleagues to identify any actions required to ensure, that where required, there are appropriate agreements in place with providers.

Action	f

Action Description	Procurement should ensure that contracts with HSCP providers for Community Based Services in Older People Services, Adult Services and Children with Disabilities are recorded on the Contract Register.
Risk	Breach of legislation. Breach of standing orders.
Priority (1, 2, 3)	2
Paragraph Reference	3.9, 3.11, 3.18
Assigned to	Senior Manager (Corporate Procurement)
Due Date	30th June 2019
Management Response	The contract register will be reviewed and updated as required to ensure all HSCP contracts are documented correctly.

Action	g
Action Description	The Team Manager should ensure that the Care at Home Manager is set up as an authorised signatory if they should have such a role.
Risk	Invoices are not being appropriately authorised.
Priority (1, 2, 3)	2
Paragraph Reference	3.10
Assigned to	Senior Manager (Community Health and Care)
Due Date	31st July 2019
Management Response	The service will review authorised signatories and ensure those signing off payments have the appropriate delegations.

Action	h
Action Description	HSCP should consult with Procurement to ensure that contracts are in place for all providers of community packages in Adult Services.
Risk	Breach of Standing Orders. Failure to obtain value for money. HSCP does not have adequate protection in the event of a dispute with the provider.
Priority (1, 2, 3)	1
Paragraph Reference	3.11
Assigned to	Head of Service (Mental Health and LD)
Due Date	31st January 2020
Management Response	The service is aware of the issues with the contracts for Adult Community Packages. There is a tender process underway to put in place a framework for these services, this includes the requirement for providers to use the CM2000 system (or equivalent) and a standard rate, this will ensure the contractual arrangements for the services are in line with those for Care at Home. The framework contract is planned to go live in January 2020.

Action	i

Action Description	Adult Services should consult with Procurement to negotiate with Providers to agree the inclusion of care worker timesheets with the invoice to show the actual hours provided in the short term and to work towards a framework that ensures providers use CM2000 or a booking system that interfaces with CM2000.
Risk	The partnership is being overcharged for services provided. Service users are not receiving the approved level of care.
Priority (1, 2, 3)	2
Paragraph Reference	3.13
Assigned to	Head of Service (Mental Health and LD)
Due Date	31st January 2020
Management Response	There is a tender process underway to put in place a framework for these services, this includes the requirement for providers to use the CM2000 system (or equivalent) and a standard rate, this will ensure that invoices match the hours of care provided. In the meantime, providers will be required to include details of the hours of care on invoices, it is not practical or appropriate to ask providers to provide care worker timesheets.

Action	j
Action Description	The new process for completing a Non-Residential Service Request form, which has been implemented in the Mental Health and Learning Disabilities teams, should also be implemented in the Physical Disabilities team.
Risk	Incomplete information. Increased risk of error.
Priority (1, 2, 3)	2
Paragraph Reference	3.15, 3.16
Assigned to	Senior Manager (Community Health and Care)
Due Date	31st December 2019
Management Response	The service will explore how to replicate the process for MH and LD services for Physical Disabilities and how the functionality in Care First can support this.

Action	k

Action Description	HSCP Finance and the Children and Families Disabilities Team should consult with Procurement to negotiate with Providers to agree the inclusion of care worker timesheets with the invoice to show the actual hours provided in the short term and to work towards a framework that ensures providers use CM2000 or a booking system that interfaces with CM2000.
Risk	The Partnership is being overcharged for services provided. Service users are not receiving the approved level of care.
Priority (1, 2, 3)	2
Paragraph Reference	3.20
Assigned to	Finance Team Manager
Due Date	30th April 2020
Management Response	A Business Improvement Officer post is in the process of being recruited to develop current process within Children and Families Disabilities community support, this will include reviewing providers and current contracts. Providers will be contacted and advised to ensure actual hours are included on the invoice as a minimum.

Action	I
Action Description	Written procedures should be agreed and implemented between the Children and Families Disabilities Team and HSCP Finance to ensure that all necessary paperwork from the Resource Allocation Form (RAF) is provided to HSCP Admin for the invoice checking process.
Risk	The Partnership is being overcharged for community packages
Priority (1, 2, 3)	1
Paragraph Reference	3.21
Assigned to	Finance Team Manager
Due Date	31st August 2019
Management Response	Currently the admin at the CDIS team are scanning and sending RAF forms by email. Accountant has commenced review of current process with CDIS, new Business Improvement Officer post will assist with this work to ensure new, improved processes and procedures for all involved.

Action	m

Action Description	Staff within HSCP Finance should be reminded that non-PO invoices should not be processed on Integra without being approved.
Risk	Unauthorised expenditure is incurred
Priority (1, 2, 3)	1
Paragraph Reference	3.22
Assigned to	Finance Team Manager
Due Date	Complete
Management Response	All invoices for CDIS are non-PO, the approval for the care packages is on the RAF form. The establishment list details of the service approved. On receipt of invoices the team should stamp and approve invoice only if the service matches or is less than the establishment list. If service not on establishment list or greater in value the invoice then needs to be passed to the Budget Holder for approval. This has been reiterated to the Finance Team

Action	n
Action Description	In the short term, a network folder should be set up to store all paperwork to ensure relevant members of the HSCP Finance team have access to the approved community package paperwork to ensure the invoices are correct before processing for payment.
Risk	The Partnership is being overcharged for community packages or the service user is not receiving the level of care agreed at the Resource Allocation Form group.
Priority (1, 2, 3)	1
Paragraph Reference	3.24
Assigned to	Finance Team Manager
Due Date	30th June 2019
Management Response	All RAF paperwork is now being sent to HSCP Children's Finance email and saved in the relevant folder set up for the child, this can be accessed by all Children's Finance staff. A review of the Establishment list has been undertaken over the last couple of months to ensure the care package information is accurate as per approved. This can be accessed by all Finance team staff. The establishment list is shared file with Finance having access to input and amend, and CDIS team read only access. Review will be undertaken to ensure correct persons have access.

Action	o
Action Description	In the longer term, community packages should be recorded on CareFirst and electronically approved or at the very least, the approval paperwork should be scanned and attached on CareFirst.
Risk	The Partnership is being overcharged for community packages or the service user is not receiving the agreed level of care.
Priority (1, 2, 3)	2
Paragraph Reference	3.19, 3.24
Assigned to	Finance Team Manager
Due Date	30th April 2020
Management Response	Business Improvement Officer to be recruited to lead on this improvement.

Priority Key used in Action Plan

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

EXECUTIVE SUMMARY
IJB LEAD PARTNERSHIP ARRANGEMENTS

Background

This audit was undertaken in parallel with audits of lead partnership arrangements at East Ayrshire Integration Joint Board (IJB) and NHS Ayrshire and Arran (internal audit service provided by Grant Thornton UK LLP).

At the time of integration of health and social care in Ayrshire, it was agreed that each partnership would lead on different Ayrshire-wide areas of health and social care. Under this arrangement, East Partnership leads on primary care services, North Partnership leads on mental health services and child immunisation programmes, child health administration and community infant feeding service and South Partnership leads on technology enabled care (TEC), joint equipment store, falls prevention and sensory impairment.

In Deloitte's annual external audit report on the North Ayrshire IJB, there was a recommendation to review reporting arrangements in relation to lead partnership arrangements, in order to ensure that complete and consistent information is provided to Board members to allow them to fulfil their governance responsibilities effectively. This was accepted with a series of proposed actions (including this audit). Similar recommendations were made to South and East Ayrshire IJBs and all were accepted.

Key Objectives

The main objectives of this audit were to:
- Ascertain and evaluate the information reported to NAIJB on lead partnership responsibilities, focussing on performance and budget information
- Establish whether information provided to East and South Ayrshire IJB's and NHS Ayrshire and Arran in relation to lead partnership responsibilities is adequate to ensure appropriate governance and oversight
- Review NAIJB's progress against the audit action from Deloitte's annual report
- Consider other aspects of the governance arrangements for lead partnership responsibilities.

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:
- Directions are not being completed consistently in reports to the IJB
- Risk sharing arrangements have not been progressed as agreed with Deloitte
- Fair Share methodology has not been progressed as agreed with Deloitte
- The Integration Scheme does not give clear guidance regarding all aspects of lead partnership arrangements

Audit Opinion

Overall, reasonable assurance was obtained with regard to governance of lead partnership responsibilities. Actions agreed with Deloitte in relation to directions, risk sharing, and fair share methodology require to be progressed and supplementary guidance for the Integration Scheme requires to be prepared once these actions are completed.

ACTION PLAN
IJB LEAD PARTNERSHIP ARRANGEMENTS

Action	a
Action Description	Managers should ensure that the templates for Directions are completed consistently when preparing reports to the IJB
Risk	Lack of clarity and incomplete information provided to partner organisations who are providing services on the IJB's behalf. Failure to comply with Scottish Government recommendations for best practice.
Priority (1, 2, 3)	2
Paragraph Reference	3.3
Assigned to	Governance Team Manager
Due Date	30th June 2019
Management Response	Noted that the Directions are not being used consistently and appropriately in all cases, the guidance and template will be re-issued with the report template as a reminder. Governance team will ensure compliance when reports are submitted.

Action	b
Action Description	HSCP Management should develop regular performance reports for lead partnership responsibilities to be reported to the Performance and Audit Committee and shared across the 3 Ayrshire partnerships
Risk	Partnerships do not have adequate oversight of the performance of the services they are commissioning, and the outcomes received by their residents.
Priority (1, 2, 3)	1
Paragraph Reference	3.9
Assigned to	Performance and Information Systems Manager
Due Date	31st December 2019
Management Response	The North HSCP will develop a report for Lead Partnership Mental Health Services in the first instance, this will incorporate operational and financial performance, change programmes and any recovery plans. This approach will be shared with East and South with a view to requesting similar information for other lead partnership service.

Action	c

Action Description	HSCP Management should work with officers from East and South Ayrshire HSCPs to progress the risk sharing arrangements at the earliest opportunity
Risk	Appropriate risk sharing arrangements are not agreed when the risks arise. There is no agreed methodology for sharing over- or underspends on lead partnership responsibilities between the partnerships. Dispute between the partnerships. Failure to complete the action plan agreed with Deloitte.
Priority (1, 2, 3)	1
Paragraph Reference	3.14
Assigned to	Chief Finance and Transformation Officer
Due Date	30th September 2019
Management Response	Risk sharing arrangements for 2018-19 were agreed relatively late in the financial year through discussion at Ayrshire Finance Leads, thereafter SPOG and the NHS Chief Executive. This approach does not assist with financial planning and the development of any financial recovery plans. This will be progressed through the Ayrshire Finance leads to ensure we have a clear documented protocol/agreement in place to supplement the Integration Scheme.

Action	d
Action Description	HSCP Management should work with officers from East and South Ayrshire HSCP's to progress the fair share methodology at the earliest opportunity, including developing detailed Directions with commissioning plans
Risk	The methodology used is not seen to reflect the ability of each partnership to influence spending in a given area and the benefit derived from it. Dispute between the partnerships. Failure to complete the action plan agreed with Deloitte. IJBs are not directly influencing services they're commissioning
Priority (1, 2, 3)	1
Paragraph Reference	3.16
Assigned to	Chief Officer, Health and Social Care Partnership
Due Date	31st March 2020
Management Response	Scottish Government currently supporting work pan-Ayrshire to develop an approach to commissioning for lead partnership service and unscheduled care (acute set-aside budget). This work will be supported by Ayrshire Finance Leads and SPOG. Initial areas being explored are Primary Care and Acute unscheduled care activity. The North Partnership will also progress commissioning plans and Directions for lead partnership Mental Health services.

Action	e

Action Description	Once the fair share methodology and risk sharing arrangements are agreed, protocols should be developed to supplement the Integration Scheme, in order to reflect the new arrangements and ensure that the provisions are practical and give adequate guidance in regard of lead partnership arrangements. These should include operational performance, financial performance and development of recovery plans
Risk	The Integration Scheme does not give adequate or practical guidance on how lead partnership arrangements should operate, including how costs and risks should be shared.
Priority (1, 2, 3)	1
Paragraph Reference	3.18, 3.19
Assigned to	Chief Officer, Health and Social Care Partnership
Due Date	31st March 2020
Management Response	As above, an approach will be developed pan-Ayrshire. Any work to develop commissioning plans and Directions will be supported with clear, agreed protocols/agreements.

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.

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EXECUTIVE SUMMARY
SALE OF COUNCIL LAND AND PROPERTY

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Background

Property Management & Investment is responsible for the effective asset management of the Council's housing and non-housing property assets and for ensuring the property assets are maintained in a condition that is compliant with all legislative requirements.

Legislation is provided through the Housing Scotland Act 1987 and The Disposal of Land by Local Authorities (Scotland) Regulations 2010. It is a legal requirement that local authorities sell land for the best consideration that can reasonably be obtained although legislation recognises that there may be circumstances where the Local Authority consider it appropriate to dispose of land at below the best consideration.

Key Objectives

Review the sale of land and buildings by the Council to ensure that:
- assets are properly registered, and a clear process is in place to authorise sales
- the sales process is transparent and open
- sound financial controls are in place to minimise the risk of fraud or error
- the full financial consequences are assessed appropriately before major financial decisions are taken or commitments are entered into

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:
- assets are uniquely registered on the K2 Tribal Property Management System
- assets no longer required by a Council Service are independently assessed for use by another Service before being marketed by the Council
- all property is marketed on the open market
- segregation of duties controls ensure independent assessments are made at each stage of the sales process
- all correspondence is recorded on K2 Tribal Property Management System but from a sample reviewed there is considerable duplication, some filing against the wrong record and key documentation is difficult to trace
- where the full consideration was not achieved legislative procedures had been complied with

Audit Opinion

Overall, reasonable assurance was obtained regarding the sale of Council land and property.

The introduction of checklists and separate filing of key documentation would ensure compliance with the requirements of The Disposal of Land by Local Authorities (Scotland) Regulations 2010.

ACTION PLAN
SALE OF COUNCIL LAND AND PROPERTY

Action	a
Action Description	A unique checklist using the general guidance notes issued with the Disposal of Land by Local Authorities (Scotland) regulations 2010, finessed to demonstrate compliance with the Council's procedures, should be established and used for each asset sale. This should record any special conditions attached to the sale.
Risk	There is no audit trail of sale process Lack of business continuity Non-compliance with legislation and council processes Incomplete record keeping
Priority (1, 2, 3)	2
Paragraph Reference	3.12
Assigned to	Team Manager (Estates)
Due Date	31st July 2019
Management Response	A checklist has been prepared to append the Capital Receipt Schedule. The necessary fields will be put in place.

Action	b
Action Description	K2 records should be specific with sub folders to reduce duplication of records and clearly identify key documentation.
Risk	Key documentation is not readily identifiable Reduce the risk of duplication and saving file space Commercial interests may be accidently released to third parties Documentation is retained outwith Council's planned retention periods
Priority (1, 2, 3)	1
Paragraph Reference	3.13 and 3.14
Assigned to	Team Manager (Estates)
Due Date	31st August 2019
Management Response	The principle is accepted, and suitable sub folders will be agreed and introduced on a case by case basis as file becomes active. Opportunity for improved admin support to be investigated as this would assist in enhanced record keeping.

Action	c
Action Description	Integra records should be completed with unique descriptions that readily identify all costs and income relating to an asset.
Risk	Lack of transparency of associated costs leads to a lack of information to make an informed decision Time consuming to obtain an audit trail
Priority (1, 2, 3)	2
Paragraph Reference	3.15
Assigned to	Team Manager (Estates)
Due Date	31st July 2019
Management Response	Property specific Integra numbers to be included on checklist in action A so that costs can be identified.

EXECUTIVE SUMMARY

BUILDING SERVICES STORES CONTROLS

Background

This audit was conducted as part of the 2018/19 Audit Plan. Previous audit work on stores management was carried out in 2013/14.

Procurement had been subject to an audit in 2017/18 so was omitted from testing.

Key Objectives

The main objectives of this audit were to ensure that:
- stock is managed in accordance with the Financial Regulations and that measures to prevent fraud and error are in place
- stock records are accurate and up-to-date and that adequate measures are in place to prevent theft and fraud and procedures are being followed correctly

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:
- Annual year end stock takes are carried out, supplemented by cyclical stock checks. All items will have been checked at least once during the Financial Year.
- Procedures are current, and segregation of duty controls are in place for ordering and authorising purchase of stock
- Stock movement is recorded on a dedicated stock system; however, this is heavily supplemented by manual paperwork requests and locally created spreadsheets and databases.
- Stock is securely stored
- The overall security of the yard is vulnerable due to poor lines of sight from the offices
- Invoices are promptly paid

Audit Opinion

Overall, reasonable assurance was obtained regarding the management and distribution of stock in Building Services

The dedicated management system requires to be augmented by manual forms, local spreadsheets and databases which is an inefficient duplication of workflow.

ACTION PLAN
BUILDING SERVICES STORES CONTROLS

Action	a
Action Description	Ensure cyclical stock counts include randomly selected vehicles.
Risk	Stock issued for jobs not used is not reassigned to the store for reallocation. Incomplete jobs are not properly recorded, and additional core stock is purchased.
Priority (1, 2, 3)	1
Paragraph Reference	3.4 and 3.18
Assigned to	Senior Officer Physical Environment
Due Date	31/03/2020
Management Response	Van imprest cyclical stock counts are scheduled by the stores team over the year @ 4 vans per month to complete all imprest vans by March 2020. Toolbox talk was provided to all stores staff on 30/04/19, regarding completion of returns documentation and system transactions prior to transferring materials onto stock storage location.

Action	b
Action Description	Consult with the software supplier URM on a complete process to replace information currently recorded on Excel spreadsheets and Access databases
Risk	Spreadsheet and databases are subject to errors which if undetected could lead to misinformed management decisions
Priority (1, 2, 3)	2
Paragraph Reference	3.9 and 3.10
Assigned to	Senior Officer Physical Environment
Due Date	31/07/2019
Management Response	URM system development is now 90% complete, ready for live trials over the next few months. We are only able to provide 80% coverage of the materials request tracking process, due to the complexity of the Non-housing materials requests (direct purchase etc).

Priority Key used in Action Plan

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

EXECUTIVE SUMMARY
CYBER RESILIENCE

Background and Key Objectives

This audit was conducted as part of the approved 2018/19 Internal Audit Plan. The main objective of the audit was to ensure that the Council has met the requirements of the Scottish Government Cyber Security Action Plan to help protect against cyber threats.

Key Findings and Actions

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

- The Council provided the Scottish Government with written confirmation that key actions 2 to 7 have been met, including achieving Cyber Essentials Plus certification.
- The Cyber Essentials Plus accreditation excludes the Education network and IT Services should obtain clarification from the Scottish Government as to how the Council can provide the required assurance for the Education network with regards to the 5 critical controls in line with the Scottish Government Cyber Security Action Plan.
- Although there are 'Guidelines for Reporting IT and Cyber Security Incidents' for employees to follow, IT Services has no documented cyber incident response plan ensuring it aligns with central incident reporting and coordination mechanisms as required by the Scottish Government Cyber Security Action Plan.

Audit Opinion

Overall, substantial assurance was obtained with regard to the Council meeting the requirements of the Scottish Government Cyber Security Action Plan to help protect against cyber threats. There are plans to progress this once the Scottish Government produces the Cyber Resilience Framework later this year.

<h1 style="text-align:center">ACTION PLAN
CYBER RESILIENCE</h1>

Action	a
Action Description	IT Services should obtain clarification from the Scottish Government as to how the Council can provide the required assurance for the Education network with regards to the 5 critical controls.
Risk	Independent assurance on the Education network has not been demonstrated.
Priority (1, 2, 3)	2
Paragraph Reference	3.6
Assigned to	ICT & Cyber Security Architect
Due Date	30 September 2019
Management Response	Clarification will be sought from the Scottish Government's Cyber Resilience Unit as to appropriate forms of independent assurance of the five critical controls which are currently in place for the Education network.

Action	b
Action Description	IT Services should develop a cyber incident response plan, ensuring it aligns with central incident reporting and coordination mechanisms, as advised by the Scottish Government.
Risk	Lack of a documented process when dealing with a cyber security incident may delay the containment and recovery of such an incident.
Priority (1, 2, 3)	2
Paragraph Reference	3.9
Assigned to	ICT & Cyber Security Architect
Due Date	31 January 2020
Management Response	IT Services will develop a Cyber Security Incident Policy which will include specific response plans for common forms of cyber-attack the Council is most likely to experience. It will also align with the reporting requirements of the Scottish Government's Public Sector Central Cyber Incident Notification and Co-ordination Policy, and those of other UK authorities such as the National Cyber Security Centre (NCSC) and the Information Commissioner's Officer (ICO).

Priority Key used in Action Plan

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

EXECUTIVE SUMMARY
PROCUREMENT AND PERFORMANCE MANAGEMENT OF TERM CONTRACTS

Background

Measured Term Contracts (MTCs) are used when a regular programme of works is to be undertaken by a single contractor. They are generally used for minor works or for maintenance. The audit focussed on MTCs in Property Management and Investment.

Key Objectives

The main objectives of this audit were to ensure that:
- selection processes comply with the Standing Orders relating to Contracts and relevant legislation.
- individual jobs are requisitioned, authorised and paid for correctly.
- adequate contract monitoring arrangements are in place.
- contract variations have been properly authorised.

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:
- Officers managing Housing contracts were not obtaining insurance certificates from contractors on renewal.
- Officers managing non-Housing contracts were not obtaining trade body certifications from contractors on renewal but agreed to commence this during the course of the audit.
- A small number of immaterial errors were identified during sample testing of invoices.
- 17 domestic gas inspections were not completed in the last year of the contract. Although this equates to less than 1% of properties, this is still classed as a failure by the Scottish Housing Regulator. Some of these failures may have been attributable to issues with lack of administrative resources and communication between Business Support and PMI.

Audit Opinion

Overall, substantial assurance was obtained with regard to procurement and performance monitoring of measured term contracts in Property Management and Investment (PMI).

ACTION PLAN
PROCUREMENT AND PERFORMANCE MANAGEMENT OF TERM CONTRACTS

Action	a
Action Description	Property Management and Investment should ensure that they obtain insurance certificates from contractors after each renewal date.
Risk	Contractors do not have adequate insurance as stipulated in the contracts with the Council. In the event of an incident, a dispute arises, or the Council becomes liable for costs which should have been covered by the Contractor's insurance.
Priority (1, 2, 3)	2
Paragraph Reference	3.7
Assigned to	Senior Manager (Property Management and Investment)
Due Date	30 July 2019
Management Response	A process will be put in place to ensure contractor's insurance certificates which expire during the currency of a contract are renewed. A database of expiry dates will be maintained, and reminder letters will be issued to contractors at relevant times.

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.

<div align="center">**EXECUTIVE SUMMARY**
REGENERATION</div>

Background

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

Key Objectives

The main objectives of this audit were to ensure that:
- Robust reporting processes are in place to keep Senior Management and Cabinet informed of the progress of projects
- An in-depth review of the risks surrounding a new project is undertaken at the initial planning stage
- Risk monitoring and management is an ongoing priority throughout each project
- Good financial management processes are in place for monitoring project spend against budget

Key Findings and Actions

No significant recommendations have been made as a result of this audit.

Regeneration projects normally span several financial years, rely on funding from a number of external sources and vary significantly in design. This combination of factors means all regeneration projects contain an element of risk. However, throughout this audit, the Regeneration Team were able to evidence the steps they have taken to mitigate risk as much as possible.

Audit Opinion

Overall, substantial assurance was obtained with regard the methods being applied by the Regeneration Team to mitigate risk as far as possible.

ACTION PLAN
REGENERATION

Action	a
Action Description	Economy & Communities should review the budget monitoring spreadsheet to ensure all formulae are correct, and to add a reconciliation of actual spend to Integra. Consideration should be given to creating a budget monitoring template spreadsheet which could be used for every project.
Risk	Inaccurate financial information used in decision making
Priority (1, 2, 3)	2
Paragraph Reference	3.45
Assigned to	Senior Manager, Regeneration
Due Date	Complete
Management Response	A budget monitoring spreadsheet has been produced for the new financial year which reflects the comments of the audit action.

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.