
NORTH AYRSHIRE COUNCIL

08 March 2022

Audit and Scrutiny Committee

Title:	Internal Audit Reports issued
Purpose:	To inform the Committee of the findings of Internal Audit work completed between January and February 2022.
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 January and February 2022. 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 three 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
Facilities Management Overtime Controls	Limited
Procurement Card Follow Up	Reasonable
Performance Indicators	Substantial/Reasonable/Limited

2.4 The key findings are as follows:

- In respect of overtime controls within Facilities Management, a number of keying errors were identified as a result of changed notification processes due to COVID-19. It has been recommended that a longer-term solution to overtime is explored to ensure it is claimed, authorised and paid correctly. The service has now commenced this work in the form of a short life working group.
- At its meeting of 14th September 2021, the Audit & Scrutiny Committee requested additional audit work around procurement cards. The follow up of those audit actions has been carried out and the results included within this report. In summary, action has been progressed against all points raised in the original report and no further recommended improvement actions have been made. The service is exploring potential enhancements to SDOL such as automatic notifications to approvers of outstanding transactions.
- Regarding the review of performance indicators, three separate indicators were audited which resulted in three opinions being issued. One indicator attracted a limited audit opinion due to the reported figures for 2019/20 being incorrect. Procedures are being developed by the service to prevent double counting of figures in the future.

3. Proposals

3.1 It is proposed that the Committee considers the outcomes from the Internal Audit work completed between January and February 2022.

4. Implications/Socio-economic Duty

Financial

4.1 None.

Human Resources

4.2 None.

Legal

4.3 None.

Equality/Socio-economic

4.4 None.

Environmental and Sustainability

4.5 None.

Key Priorities

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

Community Wealth Building

4.7 None.

5. Consultation

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

Mark Boyd
Head of Service (Finance)

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

Background Papers

None.

FACILITIES MANAGEMENT OVERTIME CONTROLS

1 Background

- 1.1 The rules for overtime are covered in the Terms and Conditions of Employment.
- 1.2 The Mobile Facilities Officers are responsible for organising and approving overtime for the janitors, cleaners, school crossing patrollers and temporary furnished accommodation cleaners.
- 1.3 The Area Catering Officers are responsible for organising and approving overtime for the catering staff.
- 1.4 The Payroll team are responsible for keying the Facilities Management (FM) overtime to the Payroll system.
- 1.5 Pre-Covid, the employee would complete and sign the timesheet and pass it to the relevant supervisor for approving. Once approved, the timesheets would be scanned and sent to Payroll for keying to the payroll system.
- 1.6 This process had to change due to lockdown as Business Support staff, the Mobile Facilities Officers and the Area Catering Officers had to work from home and were unable to obtain and approve a physical copy of the timesheet. The additional hours worked are submitted to the supervisors and a Facilities Management (FM) overtime spreadsheet is completed to record the additional hours worked per employee. The spreadsheet is emailed to Payroll for keying to the payroll system. This form has been amended over the last 18 months and now includes the initials of the area officer checking the overtime and the overtime is broken down into hours worked week 1 and hours worked week 2.
- 1.7 In order to assess the processes both pre- and post-COVID, the audit period covered April 2019 to March 2021.
- 1.8 The total overtime paid to Facilities Management employees between 01/04/19 and 31/03/21 is £579,930. The overtime paid in 2019/20 is £409,579 and the overtime paid in 2020/21 is £170,351. The overtime paid in 2020/21 is significantly lower due to lockdown and the closure of schools.

2 Objectives and Scope

- 2.1 The main objectives of this audit were to ensure that:
 - Documented procedures are in place to cover the process of arranging, recording, approving, and paying overtime
 - Adequate controls are in place to prevent the payment of duplicate overtime, high overtime payments are legitimate and payments for working public holidays are in line with the Terms and Conditions of Employment.
 - Adequate controls are in place for arranging, recording, approving and paying overtime for all Facilities Management employees.

3 Findings

Procedures

- 3.1 Facilities Management have no documented procedures for the arrangement, recording, checking and approval of overtime. The arrangement and payment of overtime is a complex process within Facilities Management, given the high number of employees and the varying contracts that are in place, as well as the different facilities that need to be covered. In addition, requests for overtime can be for several reasons and requested from several different sources. **(action a)**
- 3.2 The Payroll Team have documented procedures for processing Facilities Management overtime. These procedures cover overtime, public holiday payments, standby hours and allowances.

Overtime Process for Janitorial Staff

- 3.3 Pre-Covid an employee working overtime would complete a Facilities Management Exceptions Form which would be signed by the employee. This would be checked by the Mobile Facilities Officer before being passed to Payroll for processing. Post-Covid, the employee might still complete a form if they have the IT access to do so. If not, they will notify the additional hours worked via email, text or WhatsApp messages. The Mobile Facilities Officers will transfer the total additional hours worked onto a FM overtime spreadsheet which is emailed to Payroll for processing instead of physically approving the form. **(action b, c)**
- 3.4 The Mobile Facilities Officers advised that janitors work overtime for a number of reasons including covering absences, Property Management and Investment (PMI) janitorial requests when contractors need access to the building, internal and external school lets and standby. Overtime relating to absences is recorded on a staff planner to record who will provide this cover. PMI requests are sent to a Facilities Management shared mailbox. These requests for overtime are recharged to PMI so a recharges spreadsheet is maintained for this. If the overtime was in relation to an external let, the janitor would ask the lessee to sign the let form and submit this with the timesheet. Sample checks would be carried out to the Letting database to ensure a let was scheduled. If the overtime was in relation to an internal let, the school would email a Facilities Management shared mailbox and the janitor at the school would be notified. A standby rota is used for covering standby.
- 3.5 Overtime is arranged in advance by the Mobile Facilities Officers and as stated above, although there are some records maintained for this, there is no official record of all overtime requests and the employee covering the request which would then be used to check when the overtime hours are provided. The officers will note arranged overtime in their diaries.
- 3.6 It was noted during the audit that the PMI janitorial requests are not being recharged on a timely basis as the most recent one covered the period April to September 2021. The auditor was advised that as of October, this will be done in a monthly process.

Overtime Process for Cleaning Staff

- 3.7 Pre-Covid an employee working overtime would complete a Facilities Management Exceptions Form which would be signed by the employee. This would be checked by

the Mobile Facilities Officer before being passed to Payroll for processing. Post-Covid, the employee might still complete a form if they have the IT access to do so. If not, they will notify the additional hours worked via email, text or WhatsApp messages. The Mobile Facilities Officers will transfer the total additional hours worked onto a FM overtime spreadsheet which is emailed to Payroll for processing instead of physically approving the form. **(action b, c)**

- 3.8** The Mobile Facilities Officers advised that overtime will only be arranged where there is a genuine need i.e. covering absences or at the request of a Head Teacher. Overtime is arranged in advance by them, so although there is no official record of overtime kept, the officers will note arranged overtime in their diaries.

Overtime Process for Catering Staff

- 3.9** Pre-Covid, an employee working overtime would complete a Facilities Management Exceptions Form which would be signed by the employee. This would be checked by the supervisor and the Area Catering Officer before being passed to Payroll for processing. Post-Covid, the employee still completes this form, but the Area Catering Officer transfers the total additional hours worked onto a FM overtime spreadsheet which is emailed to Payroll for processing instead of physically approving the form. **(action b, c)**

- 3.10** The Area Catering Officers advised that overtime will only be arranged where there is a genuine need i.e. covering absences and the Catering Supervisors know that overtime should be agreed in advance with the Area Catering Officers. There is no official record of overtime kept, the Area Catering Officers retain their own notes and on a rare occasion they receive overtime hours they are not aware of, it will be queried before approving.

Exceptions Testing

- 3.11** The auditor summarised the overtime hours and amount per employee paid between 01/04/19 and 31/03/21. The highest paid employee worked 2,032.25 overtime hours and earned an additional £32,221 during the 2-year period. There were 6 employees earning over £20,000 in overtime during this 2-year period, all of which were janitors. It was noted that there are 13 locations with more than 1 janitor. Any errors identified have been included in the summary at paragraph 3.26 below.
- 3.12** The auditor tested for potential duplicate overtime hours to the same employee for the same period and coded to the same cost centre. This resulted in 10 potential duplicate overtime payments which were passed to the service to investigate, and the service confirmed that no duplicate overtime payments were made to the same employee.
- 3.13** The auditor tested for potential duplicate overtime hours to different employees for the same period and coded to the same cost centre. This resulted in 8 potential duplicate overtime payments which were passed to the service to investigate, and the service confirmed that no duplicate overtime payments were made to different employees. This check also identified an underpayment of standby hours which has been passed to the service to rectify.
- 3.14** Employees working public holidays are paid in line with the Terms and Conditions of Employment and the employees' contract. The auditor tested a sample of 10 public

holidays and noted that 1 employee was paid a public holiday for a Saturday in February. **(action d)**

- 3.15** The auditor tested overtime payments to casual employees. There were no findings to report from this testing.

Sample Testing Overtime Payments

- 3.16** The auditor selected a sample of 15 janitorial lets and this testing was restricted to the year 2020-21. The auditor confirmed that no lets overtime was paid between 10/04/20 and 02/09/20 due to lockdown. Although external lets did not restart in 2020-21, the Mobile Facilities Officers advised that internal lets restarted in September 2020.
- 3.17** The auditor selected a sample of 5 of these lets to trace back to the request for the let. The evidence to support the lets was not provided to the auditor during the audit. **(action e)**
- 3.18** The auditor selected a sample of 10 pre-covid overtime payments to janitorial staff to check the overtime was processed and paid correctly. It was noted that the timesheets could not be found for one of the employees in the sample.
- 3.19** The auditor selected a sample of 10 post-covid overtime payments to janitorial staff to check the overtime was processed and paid correctly. It should be noted that not all overtime hours could be traced to an FM overtime spreadsheet for one of the employees in the sample. **(action c, e)**
- 3.20** The auditor was advised that not all employees have been completing timesheets since March 2020. The auditor requested a timesheet or email for the post-covid sample of janitorial staff, if such documents could easily be traced. Only 1 timesheet was provided. **(action b, c)**
- 3.21** The auditor traced a sample of 10 overtime payments to the PMI recharges spreadsheet to make sure a contractor was on site during this time. The auditor could only trace 6/10 to the PMI spreadsheet although in 2 of the 6 cases, the number of overtime hours claimed is higher than the hours a contractor was on site. This was passed to the service to investigate, and the service confirmed that all overtime payments were valid and appropriate.
- 3.22** The auditor selected a sample of 5 pre-covid overtime payments to cleaning staff to check the overtime was processed and paid correctly. One keying error was identified (see 3.27 below). **(action f)**
- 3.23** The auditor selected a sample of 5 post-covid overtime payments to cleaning staff to check the overtime was processed and paid correctly. For one of the employees, not all the overtime hours paid could be traced to an FM overtime spreadsheet. In addition, due to the restriction of the audit budget and the auditor being advised that not all employees have been completing timesheets due to lockdown, no timesheets were provided to the auditor for the sample of 5 cleaners. **(action b, c)**
- 3.24** The auditor selected a sample of 5 pre-covid overtime payments to catering staff to check the overtime was processed and paid correctly. 2 keying errors were identified (see 3.27 below). **(action f)**

- 3.25** The auditor selected a sample of 5 post-covid overtime payments to catering staff to check the overtime was processed and paid correctly. The Area Catering Officer could not trace the timesheet for one of the employees in the sample. **(action b, c)**
- 3.26** A number of errors were identified in the sample testing that have been passed to Facilities Management to investigate and rectify. The types of errors identified includes the incorrect transfer of additional hours from the timesheet to the FM overtime spreadsheet resulting in overpayments, overpayments and an underpayment due to the incorrect contracted weekly hours being recorded and not picked up by the approver or Payroll, an addition error in total additional hours not being picked up by the approver or Payroll resulting in an underpayment and the overpayment, mentioned at 3.14 above, due to additional hours incorrectly paid as a public holiday. **(action d)**
- 3.27** A number of keying errors were identified in the sample testing when the information provided to the Payroll team was keyed to the Payroll system. The errors identified have been passed to Payroll to investigate and rectify. The types of errors identified includes an underpayment due to the incorrect keying of a standby claim form, keying additional hours to the wrong code resulting in an over/underpayment. This was either due to let hours being coded to overtime and vice versa, each of which are charged at different hourly rates, or it was due to an error in calculating the additional hours to be charged at plain rate before the overtime rates are applied. **(action f)**

Conclusion to Sample Testing

- 3.28** The change in process due to Covid should have been an interim measure only and should have reverted to the previous process once approving staff were permitted to return to their place of work, if only for the purposes of the supervisors physically approving timesheets. **(action b)**
- 3.29** There is a risk of keying errors when transferring additional hours worked from a timesheet, email, text, WhatsApp message or any other form of communication being used to populate the FM overtime spreadsheet. **(action c)**
- 3.30** At the closing meeting, the Senior Manager (Facilities Management) confirmed that they will continue to complete the FM overtime spreadsheet which is sent to Payroll as this has removed the previous issue they had with timesheets being lost in the post resulting in the employee not being paid overtime which could cause financial hardship. The completion of the FM overtime spreadsheet has improved this process and the service is willing to accept the risk of keying errors. The Senior Manager agrees all employees need to return to completing timesheets in some form or method to ensure uniformity in the submissions.
- 3.31** For janitorial and cleaning staff, there can be a lack of evidence from the employee stating the days worked, the additional hours worked and the reason for the additional hours. Where no timesheet is completed, there is no signature (either physical or electronic) from the employee confirming the hours being claimed are valid and correct. **(action b)**
- 3.32** There were issues in the evidence being provided by the Mobile Facility Officers for the post Covid testing. Although evidence of additional hours worked was requested to allow a check to the FM spreadsheet, the auditor advised this should only be provided if it can be accessed easily. Given that it was not provided, it suggests that the filing structure is not set up in such a way to allow additional hours worked to be

traced to the source document. In addition, if additional hours were provided via informal means this would not be held within the Council network and there would be no access to the source document. It should be noted that there were no similar issues in the post Covid evidence provided by the Area Catering Officers. This is due to catering line managers being on site with their teams and being able to submit timesheets electronically. **(action e)**

- 3.33** The auditor had difficulty tracing overtime back to the original request for overtime to ensure the overtime payments were valid. This could simply be due a lack of proper filing for such requests. However, it has also been noted that there is no official record maintained listing all overtime requests and which employee will be covering each request. Both have resulted in a lack of audit trail when tracing a sample of transactions back to the request for overtime. **(action e)**

4 Internal Audit Opinion

- 4.1** Overall, limited assurance was obtained with regard to overtime controls. The audit identified a number of keying errors, both by Facilities Management staff and Payroll staff. The lack of timesheet being completed by the employee and the transfer of additional hours' work to the FM overtime spreadsheet has contributed to the errors made by the Facilities Management staff. In addition, the rules around the calculation of overtime in this service are complex.
- 4.2** The process for arranging, checking and approving overtime is a complex and resource intensive process, particularly in relation to the janitors. The auditor noted that the work involved in ensuring the employees are correctly paid overtime hours worked could result in undue stress being experienced by the Mobile Facilities Officers.

Definitions of Assurance Levels:

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

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

KEY FINDINGS AND ACTION PLAN

FACILITIES MANAGEMENT OVERTIME CONTROLS

Action	a
Finding	Facilities Management have no documented procedures for the arrangement, recording, checking and approval of overtime.
Action Description	Facilities Management should prepare documented procedures for the arrangement, recording, checking and approval of overtime.
Risk	Inconsistent approach by staff, possible key tasks not being carried out and lack of business continuity if staff familiar with the process are not available.
Priority (1, 2, 3)	1
Paragraph Reference	3.1
Managed by	Yvonne Baulk, Head of Service (Physical Environment)
Assigned to	Carolyn Hope, Senior Manager (Facilities Management)
Due Date	30 September 2022
Management Comment	A short life working group will be established to review the overtime processes. The group will include representatives from Facilities Management, IT, Trade Union(s) and Education and will commence in January 2022 to review the process and make recommendations to digitise this process where possible and improve the administration of it. This is a complex process and will take time to work through. Recommendations will be made for changes to the administration and management. Once implemented, formal procedure notes will be developed.

Action	b
Finding	Employees have been using a variety of means to inform their supervisor of overtime worked, which was then collated in a spreadsheet sent to Payroll. There have been a number of errors identified during the audit and some source documentation could not be provided during the course of the audit.
Action Description	Facilities Management should ensure that all employees complete a timesheet recording the overtime hours worked and ensuring the reason for the overtime is properly recorded. Once approved, the overtime spreadsheet should be completed and sent to Payroll for overtime hours to be processed and paid.
Risk	Increased risk of errors, lack of audit trail to show that overtime working has been claimed, authorised and paid correctly.
Priority (1, 2, 3)	1
Paragraph Reference	3.3, 3.7, 3.9, 3.20, 3.23, 3.25, 3.28, 3.31
Managed by	Yvonne Baulk, Head of Service (Physical Environment)
Assigned to	Carolyn Hope, Senior Manager (Facilities Management)
Due Date	30 September 2022
Management Comment	Timesheet completion stopped for cleaning staff when we went into lockdown as they have no access to electronic devices, and approvers were home working and collating submissions remotely. There is no other means for approvers to obtain timesheets unless all cleaning staff post them into Cunninghame house. This method was used in part pre-covid and caused significant issues due to missing timesheets either via the post or

	the mail room and resulted in staff not being paid. Business Support advised that due to remote working for their staff, they could not commit to date stamp and scan the timesheets for onward processing for Payroll. On balance and in the absence of any other process, the risk of non-payment via manual timesheet submission is higher than the risk of being paid incorrectly. This will be reviewed as part of the short life working group as mentioned in action a.
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Action	c
Finding	Employees have been using a variety of means to inform their supervisor of overtime worked, which was then collated in a spreadsheet sent to Payroll. There have been a number of errors identified during the audit and some source documentation could not be provided during the course of the audit.
Action Description	In the longer term, the whole process should be reviewed. The complexity of the overtime rules, the different contracts, the vast number of locations, the lack of access to IT and some employees' limited IT skills need to be considered when making changes to this process. Timesheets should be completed and approved electronically if this is possible.
Risk	Increased risk of errors, lack of audit trail to show that overtime working has been claimed, authorised and paid correctly. Duplication of effort due to additional steps in the process.
Priority (1, 2, 3)	2
Paragraph Reference	3.3, 3.7, 3.9, 3.19, 3.20, 3.23, 3.25, 3.29
Managed by	Yvonne Baulk, Head of Service (Physical Environment)
Assigned to	Michael Lacy, Operations Manager (Facilities Management)
Due Date	30 September 2022
Management Comment	A short life working group which will include representatives from Facilities Management, IT, Trade Union(s) and Education will commence in January 2022 to review the process and make recommendations to digitise this process where possible and improve the administration of it.

Action	d
Finding	A number of errors were identified in the sample testing that have been passed to Facilities Management to investigate and rectify.
Action Description	The keying errors identified should be reviewed and corrective action taken. Approvers should be reminded to ensure appropriate checks are carried out before it is passed to Payroll.
Risk	Employees are incorrectly paid overtime resulting in an overpayment or underpayment.
Priority (1, 2, 3)	1
Paragraph Reference	3.14, 3.26
Managed by	Yvonne Baulk, Head of Service (Physical Environment)
Assigned to	Carolyn Hope, Senior Manager (Facilities Management)
Due Date	31 st March 2022
Management Comment	All keying errors will be reviewed and any appropriate action taken. An email will be issued to all approvers to be reminded to thoroughly check details prior to submission.

Action	e
Finding	There were issues in the evidence being provided by the Mobile Facility Officers for the post Covid testing. The audit also highlighted a difficulty in tracing overtime back to the original request for overtime to ensure the overtime payments were valid.
Action Description	The filing structure should be reviewed to ensure that all requests for overtime can be adequately traced when checking overtime payments are valid.
Risk	Increased risk of fraudulent overtime claims due to a lack of audit trail to trace the request for overtime. Inefficient use of time tracing requests which are not filed in a manner which makes them easy to find.
Priority (1, 2, 3)	1
Paragraph Reference	3.17, 3.19, 3.32, 3.33
Managed by	Yvonne Baulk, Head of Service (Physical Environment)
Assigned to	Michael Lacy, Operations Manager (Facilities Management)
Due Date	30 September 2022
Management Comment	This will be reviewed and recommendations made from the short life working group.

Action	f
Finding	A number of keying errors were identified in the sample testing when the information provided to the Payroll team was keyed to the Payroll system. The errors identified have been passed to Payroll to investigate and rectify.
Action Description	The keying errors identified should be reviewed and corrective action taken. Payroll staff should be reminded of the process for keying Facilities Management overtime and to ensure the appropriate checks are carried out before it is keyed.
Risk	Employees are incorrectly paid overtime resulting in an overpayment or underpayment.
Priority (1, 2, 3)	1
Paragraph Reference	3.22, 3.24, 3.27
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	Jackie Hamilton, Senior Manager (Employee Services)
Due Date	31 March 2022
Management Comment	<p>Action has been taken to correct errors identified.</p> <p>A review of the team's current procedures has been undertaken and procedure documents are being refreshed to ensure instructions are explicit and responsibilities are clearly defined within them. The team members were be retrained on the revised procedure.</p>

Priority Key used in Action Plan

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

PROCUREMENT CARD FOLLOW UP

1 Background

- 1.1 Internal Audit presented a report to the Audit & Scrutiny Committee on Procurement Cards in September 2021.
- 1.2 A follow-up on the management actions proposed during this Audit has been undertaken to ensure they have been carried out.

2 Objectives and Scope

- 2.1 This follow-up was undertaken to ensure that sufficient steps have been taken to mitigate all risks and weaknesses highlighted in the August 2021 audit report.

3 Findings

- 3.1 Audit sent a survey to 30 cardholders, 26 of which responded.
- 3.2 Findings were as follows:-
- All confirmed they had received training prior to being given their procurement card
 - All confirmed they were storing both their card and PIN securely
 - 1 member of staff was unaware of the requirement to use the Council's Amazon Corporate Business Account when buying from Amazon
 - 1 member of staff didn't know they weren't allowed to use Paypal/Worldpay.

Action a from August 2021 audit report:-

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

	on an ongoing basis with non-completion of the course resulting in a delay in new Pcards being issued to users.
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3.4 The findings from following up this action were as follows:

Training

3.5 Prior to March 2020 procurement card training was carried out face-to-face in a classroom type setting.

3.6 In response to the need to socially distance, 2 modules have recently been added to iLearn (the Council's online learning portal) – one for cardholders and one for those approving card purchases.

3.7 The appropriate module must be completed before a new procurement card will be issued. In addition, these modules are used for refresher training.

3.8 The Head of Finance issued an email in September 2021 to all procurement card users reminding them of their responsibilities and also highlighting the requirement for refresher training to be completed prior to cards being renewed.

3.9 A further reminder email of the need to complete refresher training was sent to all card users in January 2022.

Transaction Limits

3.10 eProcurement has confirmed that transaction and monthly spending limits are assigned to each user within SDOL. This means that cardholders cannot overspend.

Action b from August 2021 audit report:-

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

3.12 The findings from following up this action were as follows:-

- 3.13** eProcurement decided not to implement Power BI reports due to them being deemed as too time consuming for the level of benefit they would provide.
- 3.14** During this follow-up, Audit and eProcurement discussed alternative approaches that would provide useful information but not be too labour intensive. Going forward eProcurement have agreed to analyse non-contracted spend made via procurement cards on a quarterly basis.
- 3.15** Any concerns rising from this analysis will be raised with the cardholder.

Action c from August 2021 audit report:-

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

- 3.17** The findings from following up this action were as follows:
- 3.18** eProcurement emailed all procurement card users in August 2021 reminding them that:-
- WorldPay and Paypal must not be used
 - Amazon and eBay should only be used in exceptional circumstances, and only after seeking pre-approval from eProcurement.

Amazon purchases

- 3.19** In order to improve the pre-approval process for Amazon orders, eProcurement set up an Amazon Centralised Business Account in October 2021. This means that whenever a cardholder adds an item to their Amazon basket, they can't complete the transaction until eProcurement approve the purchase.
- 3.20** Whilst this gives eProcurement control over items being purchased via Amazon, it only works if cardholders 'join' the business account group.

- 3.21** A review of all 'non-business account' Amazon spend between October and December 2021 has been undertaken and eProcurement staff are contacting all relevant cardholders to remind them of the new rules for Amazon purchases. This exercise should be completed by the end of January 2022.

eBay purchases

- 3.22** eProcurement provided Audit with a list of all eBay purchases made via procurement card between 3rd August and 3rd November 2021.
- 3.23** There had only been 5 transactions during this period – 2 of which had been pre-approved.
- 3.24** eProcurement have agreed to contact the 3 cardholders who hadn't sought pre-approval to remind them of the correct procedure. The low volume and value of these transactions means that there is not a significant risk arising from use of eBay.

Action d from August 2021 audit report:-

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

- 3.26** The findings from following up this action were as follows:
- 3.27** eProcurement have recently created an escalation report showing outstanding transactions, split down by Directorate.

- 3.28** The report will be run quarterly and passed to each Directorate for action.
- 3.29** Audit obtained copies of the reports as at 6th September 2021 and at 10th December 2021 in order to assess whether any improvement in the number of outstanding transactions since the introduction of the escalation reports.
- 3.30** The table below shows the number and value of outstanding transactions as each of the above dates:-

3.31

Directorate	As at 6/9/21		As at 10/12/21	
	Number of outstanding transactions	Value of outstanding transactions	Number of outstanding transactions	Value of outstanding transactions
Chief Executive's	96	£42,091.05	134	£61,664.03
Economy & Communities	194	£14,037.24	315	£30,733.63
Education	319	£32,526.23	290	£25,867.55
HSCP	363	£28,641.32	534	£39,247.72
Place	372	£58,646.89	343	£54,918.33
TOTAL	1,344	£175,942.73	1,616	£212,431.26

- 3.32** The above indicates that despite staff being reminded of the need to adhere to Procurement Card guidance, there is still an issue with transactions being approved timeously. In the last quarter, the total number of outstanding transactions for the Council overall has increased.
- 3.33** Transactions can either be outstanding because they are awaiting review (carried out by cardholder) and/or awaiting approval (carried out by approver). Further analysis of the outstanding transactions as at 10/12/21 highlighted that 68% of the transactions were outstanding due to approvers not completing their part of the overall process. The remaining 32% of transactions required both review and approval.
- 3.34** Approvers do not currently get notification of transactions awaiting approval. However eProcurement are testing a process that will allow emails to be targeted to approvers who have outstanding transactions. These emails will be sent in addition to the general reminder emails that are sent to all cardholders and approvers.

4 Internal Audit Opinion

- 4.1** Overall, reasonable assurance was obtained with regard to the procurement card processes.
- 4.2** The increase in outstanding transactions highlighted by this report is an issue for Services to take action on. Staff should be reviewing and approving all card transactions timeously. eProcurement has introduced reports to further support Services in doing this and are also working to improve the notification process.

Definitions of Assurance Levels:

Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
None	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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

PERFORMANCE INDICATORS

1 Background

- 1.1 Performance Indicators are used to:
- monitor the Council's progress towards its key targets
 - benchmark the Council's performance against other Scottish Councils
- 1.2 In order to provide useful information for management, the PIs must be calculated accurately and consistently from year to year.
- 1.3 Audit selected 3 PIs for detailed testing – 2 from the Council Plan, and 1 from the Local Government Benchmarking Framework (LGBF). The PIs tested were:-
- CP_12 Percentage of learning disability service users accessing employment support activities (Council Plan)
 - CP_14_Percentage of households in fuel poverty (Council Plan)
 - SOL_ECDEV01 Percentage of Unemployed People Assisted into Work from Council Operated / Funded Employability Programmes (LGBF)
- 1.4 Detailed testing was based on the most recent PI outcomes reported, as at 27th October 21.

2 Objectives and Scope

- 2.1 The objective of this audit was to ensure:-
- Services have procedures in place to ensure the accurate and consistent calculation of Council Plan PIs
 - PI calculations are accurate

3 Findings

- 3.1 The Council has a 'Performance Indicator Report' template that should be completed for all PIs.
- 3.2 This report contain information such as:-
- The purpose of the PI
 - Targets 2020 – 2023
 - High level information on how the PI should be calculated
 - Responsible officers
- 3.3 A Performance Indicator Report was available for all 3 PIs selected for detailed testing.

PI CP_12

Percentage of learning disability service users accessing employment support activities

General Information

- 3.4 This is a Council Plan PI and is reported on quarterly, with the most recent figures available being for quarter 2 2021/22.

Procedures

- 3.5 The Service does not have detailed procedures on the calculation of this PI. **(action point a)**

PI calculation and evidence

- 3.6 The Service was able to provide spreadsheets showing (as at the 30th September 21):-
- the number of learning disability service users being supported by Learning Disability Social Work Team's job coaches (either directly or via linking up with an external supplier)
 - the total number of individuals being supported by the Learning Disability Social Work Team
- 3.7 Audit were able to use information from the above spreadsheets to confirm the accuracy of the quarter 2 2021/22 PI calculation.
- 3.8 During discussions with the Service, it was highlighted that the above PI is not necessarily the most useful measure of the work being undertaken by the job coaches within the Learning Disability Social Work Team. The Service has agreed to identify alternative PI(s) for consideration when the Council Plan is being updated in May 22. **(action point b)**

PI CP_14

Percentage of households in fuel poverty

General Information

- 3.9 This is a Council Plan annual PI, with the most recent figure available being for 2020/21.
- 3.10 The Council doesn't directly contribute to this PI.
- 3.11 This PI is lifted directly from the Scottish House Condition Survey (SHCS).
- 3.12 The SHCS consists of an interview with householders and a physical inspection (by surveyors) of the dwelling they occupy. This provides a picture of Scotland's occupied housing stock. Results from interviews and surveys are then extrapolated out, based on a number of factors and using a number of models.
- 3.13 Audit obtained a copy of the most recent published SHCS report (published in February 2019 and based on the analysis of 2016-2018 local authority data) and confirmed the figures quoted in the Council's annual PI to it.

PI SOL_ECDEV01

Percentage of Unemployed People Assisted into Work from Council Operated / Funded Employability Programmes

General Information

- 3.14 This is an annual LGBF PI, with the most recent figure available at the time of audit testing being for 2019/20.

- 3.15 The Council doesn't directly calculate this PI.
- 3.16 The Improvement Service use information submitted by the Council to SLAED (Scottish Local Authorities Economic Development Group) to calculate it.
- 3.17 Council Officers use the published LGBF figure to update council records.
- 3.18 Audit have focussed on auditing the figure submitted to SLAED in 19/20 – which was 604 unemployed individuals supported into permanent employment.

Procedures

- 3.19 The Service does not have detailed procedures on the calculation of this PI. **(action point a)**

PI calculation and evidence

- 3.20 Audit identified double counting when reviewing the method of calculating the figure for the SLAED return.
- 3.21 Based on the evidence available in the supporting documents provided by the Service, Audit estimates that the 19/20 figure should have been 452 as opposed to the reported 604.
- 3.22 The Service has recently submitted 20/21 figures to SLAED. The submitted template and supporting documentation were reviewed by Audit. No evidence of double counting was noted.
- 3.23 From 2021/22 the Service has indicated that all employment support is recorded on YETI (a management information system). This is a streamlining of the previous process which involved engagements being recorded in different ways, depending on who was delivering the support. It was during the consolidation of the data from these multiple sources that double counting occurred in 19/20. **(action point a)**
- 3.24 Errors in the figures reported to SLAED have a knock-on effect on the figures calculated by The Improvement Service for LGBF, meaning these will also be incorrect. **(action point c)**

4 Internal Audit Opinion

- 4.1 Reasonable assurance was obtained with regard to the calculation of PI CP_12. Procedures will help to minimise the risk of errors or inconsistencies in the calculation process.
- 4.2 Substantial assurance was obtained with regard to the calculation of PI CP_14.
- 4.3 Limited assurance was obtained with regard the calculation of PI SOL_ECDEV01. Whilst the Service has indicated that a new recording process is in place which should eliminate the opportunity for double counting, this only started in 2021/22 and therefore annual figures based on this new recording process are not yet available for detailed auditing.

Definitions of Assurance Levels:

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

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

KEY FINDINGS AND ACTION PLAN PERFORMANCE INDICATORS

Action	a(1)
Finding	There are no written procedures detailing the methodology for the calculation of PI CP_12.
Action Description	Written procedures on the calculation of PIs should be produced.
Risk	Inaccurate and/or inconsistent PI figures being published due to errors in calculations; business continuity implications
Priority (1, 2, 3)	1
Paragraph Reference	3.5
Managed by	Thelma Bowers, Head of Mental Health
Assigned to	Dominic Jarrett (Development Manager, HSCP)
Due Date	30 June 2022
Management Comment	<p>Service leads are working with the HSCP performance team to review PI data recording processes and procedures.</p> <p>For the current PI the information is logged off-system on a spreadsheet. We will improve this in alignment with the improvement action recommended in this report with data system development and centralisation of data collation where appropriate and applicable to do so – this will be undertaken in alignment with the identification of new PI's and measures moving forward.</p>

Action	a(2)
Finding	There are no written procedures detailing the methodology for the calculation of PI SOL_ECDEV01. Double counting was identified in SOL_ECDEV01.
Action Description	Written procedures on the calculation of PIs should be produced.
Risk	Inaccurate and/or inconsistent PI figures being published due to errors in calculations; business continuity implications
Priority (1, 2, 3)	1
Paragraph Reference	3.19; 3.23
Managed by	Caitriona McAuley, Head of Economic Development and Regeneration
Assigned to	Laura Neill (Senior Manager, Employability and Skills)
Due Date	28 th February 2022
Management Comment	Written procedures on calculating PIs to be generated by the Economic Development & Regeneration Compliance Team to ensure a consistent approach is used for all reports.

Action	b
Finding	The current PI might not provide the most useful information to the public and Council Officers.
Action Description	HSCP to identify more useful PIs to be considered for inclusion in the upcoming Council Plan update.
Risk	The public and managers are missing out on more useful information due to the current PIs
Priority (1, 2, 3)	2
Paragraph Reference	3.8
Managed by	Thelma Bowers, Head of Mental Health
Assigned to	Dominic Jarrett (Development Manager, HSCP)
Due Date	30 June 2022
Management Comment	The HSCP are currently developing a new Strategic plan and in alignment with this, service leads are reviewing more appropriate measures to reflect Transformation activity that has been undertaken within Learning Disabilities services in regard to the key strategic ambition for the Employability agenda and the new Day opportunities model at Trindlemoss.

Action	c
Finding	PI reported to SLAED for 19/20 is incorrect. As a result, PIs calculated for LGBF, which rely on the SLAED information, will also be incorrect.
Action Description	Service should seek advice on correcting the error – whether revised figures should be submitted or whether it is sufficient to explain the movement in results when the 2021/22 figures are submitted.
Risk	Factually inaccurate information in the public domain; statistics available to management for decision making and benchmarking are inaccurate.
Priority (1, 2, 3)	1
Paragraph Reference	3.24
Managed by	Caitriona McAuley, Head of Economic Development and Regeneration
Assigned to	Laura Neill (Senior Manager, Employability and Skills)
Due Date	28 th February 2022
Management Comment	The Service will update SLAED and provide accurate, amended figures for 2019/20.

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.