The Highland Council

Audit and Scrutiny Committee – 20th November 2014

Agenda Item	3
Report No	AS/25/14

Internal Audit Reviews and Progress Report – 15/09/14 to 07/11/14

Report by the Head of Audit & Risk Management

Summary

This report provides details of work in progress and other information relevant to the operation of the Internal Audit Section.

1. Final Reports

1.1 There have been ten final reports issued in this period. Whilst only the Report Summaries and relevant Action Plans are attached for consideration by Members, it should be noted that full copies of reports are available if requested.

SERVICE	SUBJECT	OPINION
Care & Learning	Children's Units	Limited
Care & Learning	School Off-site excursions	Limited
Care & Learning	Commissioning of Children's Services	Substantial
Corporate Development	Human Resource Information Security	Reasonable
Development & Infrastructure	EFF Axis 4	Reasonable
Development & Infrastructure	LEADER Programme 2013/14	Substantial
Development & Infrastructure	Uniform System	Reasonable
Development & Infrastructure	Employability Service	Substantial
Finance	Oracle Financials	Substantial
Finance	Matters Arising from the Statement of Internal Control 2013/14	Substantial

Each report contains an audit opinion based upon the work performed in respect of the subject under review. The five audit opinions are set out as follows:

(i) **Full Assurance**: There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

(ii) **Substantial Assurance**: While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

(iii) **Reasonable Assurance:** Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk**.**

(iv)   **Limited Assurance**: Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.

(v)   **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

2.   Other Work

2.1   In addition to the reports referred to in the table at section 1.1 above, the Section has been involved in a variety of other work which is summarised below:

(i)   Irregularity/ Fraud Investigations
The Section has been involved in the following irregularity/ fraud investigations:
- Income due to the Council but not banked.
- School Fund/ Devolved School Management anomalies

Some of the above investigations are ongoing. Where appropriate, once any disciplinary action has been considered and addressed, any control weaknesses identified from the audit investigation will be reported to the next available Audit & Scrutiny Committee meeting.

(ii)   Work for other organisations, Boards or Committees
Work has been undertaken on behalf of the Valuation Joint Board, High Life Highland and the Pension Fund in accordance with the Audit Plan. In addition, computer audit work has been undertaken on behalf of Western Isles Council.

(iii)   Advice, Assurance and Other Work
Work has been undertaken in respect of the following:
- Action tracking of outstanding audit actions.
- Drafting a Quality Assurance and Improvement Programme in response to the requirement within the Public Sector Internal Audit Standards. This is provided as a separate agenda item.
- Investigating an alleged breach of Contract Standing Orders.
- Undertaking a review of the procedures in place for the performance of rent reviews in respect of Nairn Common Good Fund. The management report prepared for the Chief Executive is provided as a separate agenda item.
- Attending the Project Board for the new Financial Management Information System.

(iv)   Scrutiny Working Group
At the meeting in June, it was agreed that the next topic for consideration by the Scrutiny Working Group would be around the Council's performance in managing sickness absence. Nominations for membership of the Group have been received and a meeting has been arranged for 20th November 2014 in

order to scope the objectives of the review; identify the expected outcomes and the resources required in terms of Members and officers, including audit staff. In addition the meeting will agree future meeting dates, dates to review findings and reporting dates.

3.   Staffing Resources, Vacancies and Training

3.1   The team is fully resourced and is operating with a full complement of ten staff.

4.   Progress Against the 2014/15 Plan

4.1   At the meeting in June it was reported that progress against the Annual Plan would, in future, be reported on a quarterly basis. In this regard, Members requested that monitoring reports should indicate the date that draft reports are finalised in order to establish whether these are finalised timeously.

Appendix 1 provides details of the progress with regard to quarters 1 and 2 (April to September) of the Audit Plan and shows progress against the reviews which were due to be commenced within this period. Attention is drawn to the following:

- Various reviews were brought forward from the 2013/14 Audit Plan owing to staff vacancies, particularly to deliver a restructuring of the Section.
- A revised structure was put in place from 1st September 2013 in order to deliver efficiency savings. The revised structure is less reliant on qualified staff to deliver the Audit Plan with a Trainee Auditor and an Assistant Auditor replacing two previous qualified posts. In view of this there has been an initial requirement to train staff.

As reported at the last meeting, one review (National Recruitment Portal) has been removed from the Audit Plan as a new system is being introduced which is unlikely to be in place until the end of the year.

At the last meeting, Audit Scotland reported as part of their "Report to those charged with governance on the 2013/14 audit" that they had identified a debtor balance of £1.372 million which had arisen from the erroneous inclusion of income lost on void properties within the Housing Information System. As a consequence, debtors were overstated by £1.372m and housing expenditure and other expenditure in the Housing Revenue Account were overstated by £0.400m and £0.972m respectively. In view of this the Director of Finance had requested that Internal Audit investigate the matter and brought to a future meeting of this Committee. This review has therefore been added to the Internal Audit Plan for the current financial year.

At this stage it is envisaged that the Audit Plan will largely be delivered. Some work, particularly with regard to the key financial systems, will inevitably be in progress as there is a need to undertake testing on a full year's transactions in order to ensure that this work complies with the requirements of International Auditing Standards.

5.   Implications

5.1   Resource implications are referred to within this report.

5.2   There are no Legal; Equalities; Climate Change/Carbon Clever; Risk, Gaelic and Rural implications as a direct result of this report.

Recommendation

Members are invited to consider the Final Reports referred to in Section 1.1 above, note the current work of the Internal Audit Section and note the addition of an audit of the HRA debtors' position.

Designation: Head of Audit & Risk Management

Date: 7th November 2014

Author: Nigel Rose, Head of Audit & Risk Management

Internal Audit – Summary of progress against the 2014/15 Plan

Quarter 1 to 30th June 2014

Audit		Planned timing	Terms of reference issued	Fieldwork complete	Draft report issued	Response received	Final report issued	Report to A&S
Completion of reviews brought forward from 2013/14								
Care & Learning	Inspection of Equipment in Schools	Q1					✓	Jun 14
Care & Learning	School Meals Income Collection and Monitoring	Q1					✓	Jun 14
Care & Learning	Payments to Nursery Providers	Q1					✓	Jun 14
Community Services	Grass Cutting Contract	Q1					✓	Jun 14
Community Services	School Transport	Q1					✓	Jun 14
Corporate Development/ Care & Learning	Storage of Council Records at Highland Archive Centre						✓	Jun 14
Corporate Development	Verification of Performance Indicators 12/13	Q1					✓	Jun 14
Care & Learning	School Fund – System Weaknesses	Q1					✓	Sept 14
Community Services/ Corporate Development	Business Continuity Planning Arrangements (follow up)	Q1					✓	Sept 14
Corporate Development	Corporate Governance Arrangements 13/14	Q1					✓	Sept 14
Development & Infrastructure	Contractors' Framework Agreement	Q1					✓	Sept 14
Finance	Creditor Payments	Q1					✓	Sept 14
Finance	Revenue Budgetary Control	Q1					✓	Sept 14
Finance	End User Computing	Q1					✓	Sept 14
Finance	Capital Monitoring and Budgetary Control	Q1	17/01/14	22/08/14	-	-	-	-
Finance	Oracle Financials	Q1	13/03/14	23/10/14	04/11/14	05/11/14	05/11/14	Nov 14
Chief Executive's Office	Inverness City Arts Group	Q1	24/02/14	-	-	-	-	-
Care & Learning	Commissioning of Children's Services	Q1	n/a	31/07/14	03/11/14	07/11/14	10/11/14	Nov 14
Development & Infrastructure	Uniform System	Q1	12/03/14	17/08/14	16/10/14	10/11/14	11/11/14	Nov 14
Development & Infrastructure	Employability Service	Q1	16/05/14	15/08/14	29/09/14	05/11/14	10/11/14	Nov 14
2014/15 reviews								
Finance	Housing Benefit Payments 2013/14	Q1					✓	Sept 14
Care & Learning	Children's Units	Q1	22/03/13	28/06/13	14/05/14	10/11/14	10/11/14	Nov 14
Care & Learning	School Off-site Excursions	Q1	12/09/13	05/02/14	15/07/14	03/11/14	04/11/14	Nov 14
Care & Learning	Childcare Income	Q1	13/06/14	15/09/14	29/10/14	-	-	-
Care & Learning	Highland Instrumental Unit	Q1	24/06/14	04/09/14	-	-	-	-
Care & Learning	Community Payback Orders	Q1	12/08/14	-	-	-	-	-

	Audit	Planned timing	Terms of reference issued	Fieldwork complete	Draft report issued	Response received	Final report issued	Report to A&S
Care & Learning	School Lets	Q1	02/09/14	-	-	-	-	-
Finance	Matters Arising from the Statement of Internal Control 2013/14	Q1	n/a	28/07/14	26/09/14	-	-	Nov 14
Development & Infrastructure	Asset Management	Q1	29/07/14	26/09/14	-	-	-	-
Development & Infrastructure	Pultneytown People's Project	Q1	25/06/14	-	-	-	-	-
Corporate Development/ All Services	Corporate Control of Overtime	Q1	30/07/14	-	-	-	-	-
Corporate Development	Human Resource Information Security	Q1	24/06/14	14/08/14	15/10/14	10/11/14	11/11/14	Nov 14
Care & Learning	Review of Financial Procedures in Schools	Q2	-	-	-	-	-	-
Care & Learning	Capital Contracts (Ben Wyvis School)	Q2	-	-	-	-	-	-
Community Services	Harbours – Fuel Income Procedures	Q2	05/09/14	07/11/14	-	-	-	-
Community Services	Management of Housing Voids	Q2	08/10/14	-	-	-	-	-
Corporate Development	Verification of Performance Indicators 2013/14	Q2	10/09/14	-	-	-	-	-
Corporate Development	Corporate Internet Use (follow up)	Q2	25/08/14	23/10/14	03/11/14			
Development & Infrastructure	Leader Programme	Q2	16/09/14	24/10/14	06/11/14	10/11/14	10/11/14	Nov 14
Development & Infrastructure	EFF Axis 4	Q2	10/07/14	04/08/14	12/09/14	19/09/14	01/10/14	Nov 14
Development & Infrastructure	Compliance with Carbon Reduction Commitment Energy Efficiency Scheme	Q2	18/08/14	20/10/14	05/11/14	-	-	-
Finance	Scottish Welfare Fund Payments	Q2	29/10/14	-	-	-	-	-

AUDIT REPORT SUMMARY

Report Title

Care and Learning Service – Children's Units

Report No.	Type of Audit		Issue Date	
HG12/004.bf.bf	Systems		**Draft Report**	14/05/14
			Final Report	10/11/14

1. Introduction

1.1	This audit was undertaken as part of the annual plan for 2012/13 and examined the adequacy of the major administrative and financial systems within two Children's Units and compliance with the Council's Financial Regulations, including associated guidance notes, and with the Services' Residential Child Care Procedures.

2. Review Objectives

The objectives of the review were to ensure that:

2.1 Goods and services are purchased from approved contract suppliers in accordance with approved ordering procedures.

2.2 Creditor invoices are properly authorised, processed promptly and accurately.

2.3 Allowances to Young People are properly administered in accordance with the associated guidance and accurate records are maintained.

2.4 Inventory records are maintained accurately and timeously, in accordance with Financial Regulations and associated guidance.

2.5 Imprests are administered in accordance with Financial Regulations and associated guidance.

2.6 The Unit's budget is adequately controlled and monitored, and that the budgetary position is regularly reported to all relevant parties.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

3.1 This objective was partially achieved as the PECOS orders examined contained the appropriate level of detail, were placed with approved suppliers and were appropriate for the Unit. However at one Unit, orders were not placed for milk and meat supplies. At the other Unit, orders were not placed with the recognised contract supplier for meat supplies, but this has since been addressed. A survey of all Units (7 in total) highlighted:

- One Unit requested a cheque to be raised to buy toys/ art craft materials rather than waiting for the supplier to be set up on PECOS and then raising an order.
- There was no checking of food orders being undertaken prior to authorisation at one of the Units.

Purchase cards at the Units have appropriate authorisation and separation controls in place and it was found that the expenditure and use of the cards was appropriate for charging to the Units. However, there were some issues where the purchase card procedures were not complied with:

- The ownership of 2 purchase cards was out of date as these were registered to a Unit which had closed.
- Transaction logs were not in use at one Unit and the supporting paperwork is not reviewed by the Card Officer when authorising the transactions. At a Unit where transaction logs were in use, the Card Officer did not date the transaction logs when authorising.
- 11 receipts were not held to verify expenditure including the VAT claimed; 12 receipts where VAT was claimed with no VAT invoice, and the purchase card receipt, showing

payment by purchase card and card details was not held to match all transactions to the purchase card.

3.2 This objective was partially achieved as whilst the majority of invoices were processed promptly and appropriately approved, improvements can be made to the receipting of delivery notes and retention of documents:

- Various deliveries had not been signed by the member of staff receiving the items.
- At one Unit, only 2 of the 3 delivery notes for 2 milk invoices were held. These were not kept in any a semblance of order. Meat orders were faxed to the supplier, however these were not retained. At a second Unit, there was no were no orders held to support heating oil invoices, however, where held, delivery notes matched to invoices.
- 1 invoice exceeded the 30 day target as it was paid after the invoice was re-sent. The Unit Manager did not recall receiving the invoice in the first instance.
- 1 invoice was a cheque request to re-imburse fuel. This included two VAT receipts were the VAT had not been claimed.

A review of the invoice batch records held highlighted discrepancies with Financial Regulations in that:

- 1 invoice batch for £473.34 was missing.
- 3 invoices were input into Oracle then reversed due to a problem or query. However, the batch control count had not been updated.
- On 4 occasions, invoices recorded on Oracle did not match the hard copy held.
- Statements from a newspaper supplier rather than invoices were processed for payment.
- VAT was not claimed on 2 cheque requests for eye-sight tests.

3.3 This objective was partially achieved as appropriate age-related pocket money & birthday allowances were being provided to Young People in accordance with Council guidance and these were authorised by the Unit Managers. A sample of allowances held were verified to balances on monitoring sheets. However, issues were noted with procedures and practices as follows:

- Young People's allowances have not been reviewed since September 2001.
- 2 Young People in both Units are in receipt of Education Maintenance Allowance. However, full pocket money allowances continue to be claimed. It is unclear whether this allowance should continue to be paid and if any restrictions should apply.
- There is no guidance on the process for recording and treatment of deductions of pocket money.
- There are no guidelines as to the toiletries allowance that should be paid and differences were found between the two Units visited.
- There were also differences with regard to the Christmas, birthday and clothing allowances paid as well as differences in how any remaining balances are treated.

There is also a need to improve the recording of expenditure and retention of records as information was incomplete and some receipts could not be located.

3.4 This objective was partially achieved as whilst both Units had inventories, these were incomplete, inaccurate and not up-to-date. In addition common issues included:

- Items that require more detail recorded on the inventory;
- Inventories requiring updating to include additional items located;
- Inventory items are not marked with unique identifiers.

From the survey of Units, three Units stated that they did not perform annual inventory checks and all Units stated that items are not marked with unique identifiers.

The Residential Child Care Procedures have not been followed as up to date inventories were not available for those Young People resident in the Units and these are not regularly checked.

3.5 This objective was partially achieved as imprest claims were appropriately authorised by the Unit Managers, the official imprest pad was used, and the imprest purchases were appropriate. However, the central records maintained by the Creditors Section differed from the local arrangements as:

- At one Unit, the Manager was the imprest holder, not the Depute Manager.
- One Unit was recorded as having £150, whereas it actually held £250.

Financial Regulations and the associated guidance note were not adhered to in that receipts were not always held with the imprest claims, signatures were missing from the petty cash vouchers, VAT was not recorded correctly and imprest claims had not been completed correctly. At one Unit, costs associated with young people maintaining contact with their families (bus fares, food and activities) were wrongly charged as "*Activities*" to DK9010 - School Fund.

3.6 This objective was substantially achieved as the budgetary control systems in operation at the Units are satisfactory. However, there is some scope for improvement as follows:
- The coding of expenditure at both Units was made to inappropriate subjectives.
- Charging of mobile phones for one Unit had the wrong description and applied to a Unit which has since closed.

4. Conclusion

4.1 Overall it is apparent from this audit that there is a need to ensure compliance with the administrative and financial system, in particular, the requirements of the Council's Financial Regulations, associated Guidance Notes and Residential Child Care Procedures. This should be enforced by the Service and all staff reminded of the Financial Regulations e-learning training available.

4.2 There are a total of 10 recommendations in this report classified as: 8 medium and 2 low grade recommendations. These are due to be completed by 31/01/15.

5. Audit Opinion

5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – Children's Units	HG12/004.bf.bf

The Action Plan contains **10** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	8
Minor issues that are not critical but managers should address.	Low	2
Total recommendations		**10**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	RESPONSIBLE OFFICER	TARGET DATE
3.2.1	Medium	A number of ordering issues were identified. (1) PECOS orders were not raised where appropriate for milk, and meat supplies. (2) Orders for meat products were placed with a non-contract supplier but this has since been addressed. (3) 1 Unit requested a cheque to be raised to buy toys and art craft materials from a shop that was not on PECOS. (4) No checking of food orders was being undertaken prior to authorisation at 1 Unit.	The Residential Child Care service should ensure that: (1) All Units are reminded that the Council's official ordering systems (PECOS and purchase cards) should be used for all goods and services ordered. (2) Purchasing Officers are reminded that they must use the relevant contract suppliers and contract prices. (3) The use of cheques should not be used to circumnavigate PECOS, particularly as new suppliers can be set up on the system within 1 – 2 days. (4) All orders should be checked for accuracy prior to authorisation.	Staff will be reminded of the need to comply with Financial Regulations. Discussion will take place with Internal Audit and Procurement to agree the necessary exemptions to Financial Regulations applicable to Children's Units to ensure that a domestic environment is provided for those in care.	Unit Managers Resources Manager (Children's Services)	31/12/14 31/01/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

| Care and Learning Service – Children's Units | HG12/004.bf.bf |

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	RESPONSIBLE OFFICER	TARGET DATE
					IMPLEMENTATION	
3.2.2	Medium	A number of issues with purchase cards were identified where the Purchase Card guidance had not been complied. • At Oakwood Children's Unit transaction logs were not in use for both purchase cards. At Ashton Road Children's Unit the logs were not fully completed and the Card Officer did not date them. • At Oakwood, no supporting documentation was held for 11 receipts, including 3 where VAT was deducted. The purchase card receipt was not held with all the card purchases. • 12 receipts where VAT was claimed however no VAT invoices had been retained.	The Residential Child Care service should ensure that Units using Purchase Cards comply with the requirements of the Purchase Card User Reference Guide including: • The accurate completion of purchase card transaction logs; • Appropriate paperwork detailing all purchase card transactions are maintained; • VAT regulations and guidance are followed when claiming VAT from receipts and invoices.	Managers have been reminded about these issues and further discussion will take place.	Unit Managers	31/12/14
3.3.1	Medium	A number of issues with receipting delivery notes and processing invoices were identified. (1) For both Units, delivery notes were found with no signature from the officer receiving the items. At Oakwood the delivery notes were kept in a cabinet folder but not in any semblance of order.	The Residential Child Care service should ensure that: (1) In accordance with the requirements of the Guidance note "Receipt of Goods and Services and Payments of Creditor Invoices": • All goods received should be checked against the delivery note and signed by the receipting officer. • Delivery notes should be filed in purchase order number order.	The focus of our work is the welfare of the young people and as we do not have domestic staff or cooks sometimes these issues get overlooked due to other operational reasons. These issues will be highlighted with staff.	Unit Managers	31/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – Children's Units	HG12/004.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	RESPONSIBLE OFFICER	TARGET DATE
					IMPLEMENTATION	
3.3.1 (cont'd)		(2) A cheque request included 2 VAT receipts, where the VAT had not been claimed.	(2) VAT regulations and guidance should be followed when claiming VAT from receipts and invoices.			
3.3.2	Medium	A number of issues with invoice batches were identified. (1) At Oakwood, one invoice batch was missing. (2) On 3 occasions the control count on Oracle batches had not been updated to reflect the cancellation of an invoice. (3) Non-compliance to Financial Regulations: • At Oakwood, 3 bottled water invoices recorded on Oracle did not match with the hardcopy invoices. • At Ashton Road, on 3 occasions more than 1 newspaper statement was processed as 1 invoice. • 1 invoice where the invoice number was incorrectly input into Oracle. (4) Both Units had cheque requests for eye-sight tests containing non-claimed VAT.	The Residential Child Care service should ensure that: (1) All invoices entered on Oracle should be held as set out in the Council's Retention Policy. (2) In accordance with Oracle guidance, batch control totals should be changed if an invoice is cancelled. (3) In accordance with the requirements of the Financial Regulations: • Invoices should be processed as singular items. • Statements shoud not be paid, instead the invoice should be requested and processed for payment. • Invoices should be entered onto Oracle accurately.	This appears to have been an oversight which will be discussed with the Clerical Assistant. As above.	Unit Manager	31/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – Children's Units	HG12/004.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.4.1	Medium	A number of issues with Young People allowances were identified. (1) Allowances have not been reviewed since September 2001. (2) There is limited available guidance and as a result inconsistent procedures exist between the Units. In particular: • It is unclear how EMA payments should be treated and whether the other allowances are still paid. • There was no guidance on the deduction of pocket money. • There is no guidance for toiletries allowances. • There were differences found in the monetary value, reimbursement and treatment of remaining balances for Christmas, clothing and birthday allowances.	The Residential Child Care service should ensure that: (1) Allowances are subject to annual review and any changes are then timeously notified to all Units. (2) The Residential Child Care Procedures are updated to include guidance on: • The approach to claiming clothing allowances. • The treatment of allowances that Young People should receive if receiving other forms of income (e.g. EMA). • The treatment and accounting of deductions. This also should include the level of detail required to be recorded in the documentation. • The allowance for the payment of toiletries. • The treatment any unspent allowances. • The requirement for all Units pay the agreed allowance amounts and that a standard approach is adopted across the Service.	The general opinion is that young people receive sufficient allowances but the issue of review will be discussed with the new Head of Service. It is impossible to produce a system into which young people with diverse needs and varying lengths of stay can be fitted. There will be discussion with the residential managers group as to how these anomalies might be rectified.	Resources Manager Resources Manager	31/12/14 31/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – Children's Units	HG12/004.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.4.2	Low	A number of issues with gift allowances and monitoring were identified: (1) At Ashton Road, the monitoring sheet for gifts and Clothing allowances did not require staff to initial the entries. (2) Inconsistencies exist as: • In total, 10 from 23 transactions had missing receipts. It was not clear that multiple receipts were held for 2 transactions and a receipt for £37.50 was held but not recorded on the summary sheet. • 5 occasions where insufficient detail was recorded on the toiletries sheet at Oakwood. • A toiletries receipt had been included within the clothing record at Oakwood.	(1) The monitoring sheet for gift and clothing allowances at Ashton Road Children's Unit should be updated to record the member of staff entering the adjustment. (2) The Residential Child Care service should remind all Units about the need to record expenditure of allowances accurately, such as toiletries, and that receipts are held and retained.	Discussion with staff group to tighten up procedures. As above.	Unit Managers	31/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – Children's Units	HG12/004.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.5.1	Medium	A number of issues with inventories were identified: (1) Inventories held on site were incomplete, inaccurate and not up-to-date. (2) The survey of all the Units highlighted that 3 Units did not perform annual inventory checks, and Inventory items are not marked with unique/ distinctive inventory number for reference. (3) At both Units, 2 purchased items on the inventory, however the inventory was not fully completed.	The Residential Child Care service should ensure that all Units comply with the requirements of the Council's Financial Regulation with regard to the maintenance of inventories. This includes ensuring that records are maintained in the required format, all appropriate new purchases are timeously added and items are given unique identifiers.	A member of staff in each unit will be given responsibility for maintaining inventories.	Unit Managers	31/12/14

3.5.2	Medium	A number of issues with young people's personal inventories were identified:
		• No master copies were available and inventories had not been updated.
		• The survey of the Units highlighted:
		  o Northcote Street Children's Unit only record "High risk" items on the personal inventories.
		  o 3 Units advised that regular checks are not undertaken.
			The Residential Child Care service should ensure that Residential Child Care procedures are followed, in that all Young People have inventory records and these are regularly updated.	This is institutional and not in step with modern childcare practice.
				
				High value items will be recorded.
					Unit Managers	31/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – Children's Units	HG12/004.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	RESPONSIBLE OFFICER	TARGET DATE
					IMPLEMENTATION	
3.6	Medium	There were a number of issues with the administration of imprests: (1) The central records are not in agreement with the Unit's records as: • The Depute Manager is recorded as Imprest Holder for Ashton Road, whilst it is actually the Manager. • Thor House's imprest is recorded as £150, whilst the Unit stated that they have £250.	(1) Ashton Road and Thor House Children's Units should liaise with the Creditors section to ensure that their records are in agreement with the central records.	Will be discussed at Unit Managers Meeting.	Unit Mangers	31/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – Children's Units	HG12/004.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.6 (cont'd)		(2) Minor discrepancies where the Council's procedures were not followed: • Receipts were not always held with the imprest claims. 1 pocket money petty cash voucher (PCV) had not been initialled by a member of staff at Oakwood. At Ashton Road, there were 3 receipts in which there was no PCV. • Imprest claims had not been completed correctly. • A small amount of VAT was not correctly recorded on the imprest claims. • At Ashton Road, costs associated with meetings between Young People and families ("contacts") was charged as "Activities" to DK9010 - School Fund. These costs included bus fares, food and activities. (3) In addition, there was no guidance found to direct where staff where costs associated with family contact should be charged.	(2) The Residential Child Care service should ensure that all Children's Units are aware of the Guidance Note on Petty Cash and the need to comply with its requirements, in particular: • The imprest holder must obtain a receipt for all expenditure, except in the very rare circumstances where this may be wholly impracticable; • Claims should be recorded in an approved format; • VAT regulations and guidance should be followed when claiming VAT from receipts and invoices; • Costs should be coded to the appropriate subjective which relates to expenditure incurred. (3) The Residential Child Care Procedures should be updated to provide guidance where the costs incurred with young people meeting their families should be charged.	To be discussed at Unit Managers Meeting and procedural issues with the new Head of Service.	Resources Manager and Unit Managers	31/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – Children's Units	HG12/004.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.7	Low	(1) Some minor issues were identified with the coding of expenditure where the incorrect subjective had been used and recording of information. (2) In addition, the mobile phone information for Oakwood was recorded as belonging to the previous Unit which has since been closed.	(1) The Residential Child Care service should remind the Children's Units that invoices should be charged to the appropriate subjective. (2) The Oakwood Children's Unit manager should requested the change the in mobile phone description to ensure that the records are accurate.	Unit Managers will discuss with Business Support staff.	Unit Managers	31/12/14

AUDIT REPORT SUMMARY

Report Title

Care and Learning Service – School Off-site Excursions

Report No.	Type of Audit		Issue Date	
HC13/019.bf	Systems		**Draft Report**	15/07/14
			Final Report	04/11/14

1.   Introduction

1.1	This audit was undertaken as part of the annual plan for 2013/14. The purpose of this report is to record the findings of a completed audit review in respect of the off-site excursion arrangements and use and recharging of minibuses within the sampled schools (Millburn Academy, Dingwall Academy, Inverness Royal Academy and Drummond School).

2.   Review Objectives

	The objectives of the review were to ensure that:
2.1	The policies/ guidance on off-site excursions are adhered to.
2.2	There are appropriate arrangements for the safe use of minibuses and recharging costs to voluntary organisations.

3.   Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

3.1   This objective was partially achieved as the Rectors/ Head Teachers were aware of the relevant polices and guidance. Staff were aware of the need to record details of excursions in the Evolve system which is designed for this purpose. All schools had recorded an Evolve Visit Coordinator (EVC), Visit leader and dates for the excursion.

However, there are a number of areas where the guidance has not been complied with including the failure to record all information required on Evolve. Examples of this include evidence to demonstrate the review and approval of excursions, completed risk assessments and evidence to show that visits had been evaluated. Only 1 of the schools visited had a "*School Emergency Initial Response Plan*" which is required by the guidance in order to ensure that major incidents are dealt with efficiently and effectively.

The aim of using the Evolve system is to ensure that all off-site excursions have been properly considered, planned and the necessary approvals have been obtained. Failure to complete this information means that if an incident occurred and if it cannot be demonstrated that the appropriate procedures have been followed then the Council could be found negligent.

3.2   This objective was not achieved as it was highlighted by the Rural & Community Transport Officer that the Council policy on minibus use and the associated guidance is out of date. In addition this information is held in various locations within the Council's intranet and internet sites which makes it more difficult for staff to locate. There is also no complete and accurate central list of the voluntary organisations who are authorised to use Council minibuses.

A sample of 4 school sites was selected in order to review the procedures in operation and documentation held, and to check that these were in accordance with the guidance issued. The following was noted where the processes found and/or information recorded and held could be further improved:

- The responses from the Rector/ Head Teachers and associated staff members highlighted a mixed awareness of Council policies, with reliance placed on drivers having taken and passed the minibus driver training rather than completion of Driver declaration, handover/ hand back guidance documentation.

- A variety of conditions have been set by the Council for use of minibuses by the Voluntary Sector including the need to display the section 19 small bus permit. However, schools did not always check and evidence that Section 19 permits were held by voluntary organisations before allowing use of minibuses.
- The Guidance states that *"local service management should ensure handover & hand back procedures are in place along with the necessary procedures for the recovery of hire charges".* A review of minibus booking, usage and recharging procedures found that:
  - o The system for the booking of minibuses varied between schools. At 1 school, a weekly timetable was not updated for one-off excursions. In addition, 1 school had no booking records for the school transport bus despite its use on excursions, and drivers are not being made aware of the potential insurance excess due in the event of a claim for an accident.
    At 1 school, the Rector highlighted that the school minibus was not allowed to leave the Inverness area as their breakdown cover does not include the transport of pupils and staff to home addresses. This practice is inconsistent with the other schools visited.
  - o Only 2 of the 4 schools visited completed minibus transaction logs as required. However, there were errors with the information recorded including mileage gaps between the finish of one journey and the start of the next, and 2 new logs had been started in error.
  - o The guidance states that Services are free to set their own charges, but should cover realistic costs. There is no consistent rate charged by schools and these vary between 50 to 60 pence per mile. In additional, some voluntary organisations were using the minibuses free of charge, however, due to a lack of records it could not always be verified that this was appropriate.
  - o At 1 school, the lack of a minibus log meant that quoted mileage figures used to recharge usage could not be verified. At 1 school, there was no check of the mileage usage figure prior to invoicing, which resulted in 2 organisations being incorrectly charged by small amounts. Also, any fuel purchased by a voluntary organisation, would be deducted before calculating the invoice amount by this school. The policy clearly states that voluntary organisations pay for their own fuel.
- Guidance was not followed in that:
  - o 1 minibus was being driven with no accessible first aid kit.
  - o Minibuses contained either none, 1 or multiple Council defect books. Where held, these were only partially completed and the daily checks were not recorded. Defects found during the audit had not always been recorded within the defect book.
  - o 1 minibus did not show the Section 19 permit on the windscreen of the bus.

  In addition, there was limited or no copy of the relevant Council guidance held in the minibus which the driver could refer to if necessary.

- It is a mandatory requirement that the Minibus Driver Assessment must be passed before a Council minibus is driven. The Learning & Development Section facilitates this training and maintains a continuous record of those who have attempted the assessment. The majority of driver names sampled from the schools visited agreed to the information provided by the Learning & Development Section. However, due to the lack of driver records (copies of minibus assessment cards and driver's licenses) held at schools, and the lack of complete and up to date information held by the Section (records held at point in time when individuals attempted the driver assessment and have not been updated to show individual staff movements, records do not always show full names and assessment card numbers), it could not be confirmed that all minibus drivers sampled were currently eligible to drive the minibus. There is limited evidence that records were reviewed by the Rector/ Head Teachers and that drivers were subject to the annual check as stated in the guidance.

The procedures in place at schools for the use of fuel cards did not accord with the Fuel Card User Reference Guide. In particular:

- The recording of fuel card use is inconsistent with only 1 of the 4 schools correctly

using a fuel card log. Another school had a log but this is not in the format set out in the guidance and was not always fully completed. There was also no record of review by the budget holder.
- 1 fuel card was being used by voluntary organisations, contrary to the guidance.
- 1 fuel card in use at a school was wrongly coded to another school.
- Fuel receipts did not always record an accurate mileage and/ or minibus registration which is necessary for accurate monitoring of fuel usage. The receipts were found to be held in various locations, and were not kept with the transaction logs.
- At 2 schools, there was no record of the fuel card use for the school transport minibus, which was also used for school excursions.

4.   Conclusion

4.1   This audit found that staff members were aware off-site excursion policies and the need to record details of excursions in the Evolve system. However, there are a number of areas where the guidance has not been complied with, including the failure to record all information required on Evolve; review and approval of excursions; risk assessments and evaluation of visits.

4.2   The Council policy on minibus use and the associated guidance is out of date and incomplete. With school minibuses in regular use, there is a need to ensure that this is up to date, fit for purpose and distributed to schools to ensure that policy and legislative requirements are being adhered to. The Care and Learning Service have agreed to implement a review of the Council's minibus policy and associated guidance to address this point.

4.3   As a result, there are 1 high, 2 medium and 1 low grade recommendations in this report. These are due to be completed by 31/03/15.

5.   Audit Opinion

5.1   The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – School Off-site Excursions	HC13/019.bf

The Action Plan contains **4** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	1
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	1
Total recommendations		**4**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Medium	(1) Rectors/ Head Teachers expressed concerns with workload caused by Evolve. This audit found that some of the required information is not being appropriately recorded through Evolve.	(1) The Care and Learning Service should work with Community Services and High Life Highland to update the current guidance and procedures to ensure they are fit for purpose. This should ensure that the planning process is efficient and does not cause excessive workload for staff.	Guidance and procedures will be updated and reviewed by the Care and Learning Healthy and Safety Group. Engagement with school-based staff will take place to ensure proposals are practical from a school perspective.	Head of Resources (Care & Learning Service)	31/03/15
		(2) The standard and level of information contained within Evolve with regard to the generic excursion risk assessments and completion of visit forms did not accord with that set out in the guidance. In addition, there was limited staff certification information held on Evolve and the guidance does not assist with the process to follow if the visit form is returned as not-approved following review by the either Head of Service, Area Manager or Outdoor Education.	(2) The Care and Learning Service should remind all schools of the procedures to be followed when recording the planning stage of an excursion within Evolve and the need to comply with them.	Reminder to be issued to all schools	Head of Resources (Care & Learning Service)	31/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

| Care and Learning Service – School Off-site Excursions | HC13/019.bf |

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.1.1 (con't)		(3) Rectors/ Head Teachers expressed concerns with overseas home visits and ensuring child protection measures in place and pupils with challenging behaviour.	(3) The Care and Learning Service should review and if necessary update the guidance for oversea home visits and challenging pupils.	Guidance will be updated and reviewed by the Care and Learning Healthy and Safety Group. Engagement with school-based staff will take place to ensure proposals are practical from a school perspective.	Head of Resources (Care & Learning Service)	31/03/15
3.2.1	High	The Council policy and guidance for the use of minibuses is out of date.	The Care and Learning Service should work with Community Services to ensure that the Council's policy and associated guidance is up to date, consistent and fit for purpose. The policy and guidance should be held in one place and easily accessible.	Guidance to be reviewed and updated, making appropriate links to the ongoing work of the Integrated Transport Project.	Head of Resources (Care & Learning Service) and Integrated Transport Development Officer (Community Services)	31/03/15
3.2.2	Medium	Various issues were found with the staff awareness of minibus policy and guidance, the use of minibuses by voluntary organisations and booking records. In addition, issues were found with recording minibus usage, recharging voluntary organisations, minibus inventory and driver records where the procedures in place did not accord with the guidance provided.	The Care and Learning Service have agreed to review the Council's minibus Policy and associated guidance. This review should address the points detailed above. Once this has been completed it should be distributed to all schools using minibuses and they should be instructed of the need to comply with the guidance.	Policy and guidance to be reviewed and updated, making appropriate links to the ongoing work of the Integrated Transport Project. Engagement with school-based staff will take place to ensure proposals are practical from a school perspective.	Head of Resources (Care & Learning Service) and Integrated Transport Development Officer (Community Services)	31/03/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – School Off-site Excursions	HC13/019.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.2.3	Low	(1) Various issues found with the recording of fuel card use, use by voluntary organisations and fuel receipts where the procedures in place did not accord with the Fuel Card User Reference Guide. In addition, there was no record of the fuel card use for school transport minibus, which is also used for school excursions.	(1) The Care and Learning Service should remind schools about the requirements of the Fuel Card User Reference Guide and the need to ensure that it is complied with.	Reminder to be issued to schools	Head of Resources (Care & Learning Service)	31/12/14
		(2) 1 Fuel Card (for minibus SY54WPV) was coded to "Cauldeen PS Special Class", instead of Drummond school's transport cost centre.	(2) Action should be taken to ensure that the fuel card costs are is recoded to the correct cost centre.	The bus at Drummond School now has a fuel card which is correctly coded to the school.	Head Teacher, Drummond School	Complete

AUDIT REPORT SUMMARY

Report Title

Care & Learning Service – Commissioning of Children's Services

Report No.	Type of Audit		Issue Date	
HG05/010.bf	Systems		**Draft Report**	01/09/14
			Final Report	10/11/14

1. Introduction

1.1 The purpose of this report is to record the findings of a recently completed audit review of the commissioning of children's services.

1.2 Children's Services annual budget for 2014/15 is £52.732m with an £8.676m contribution from NHS Highland giving a net annual budget of £44.056m. Commissioned services include residential care, fostering, family support, and childcare services. Each of these is provided by a number of providers.

2. Review Objectives

The objectives of the review were to ensure that:

2.1 To ensure that an appropriate commissioning plan is in place for children's services;

2.2 To establish what progress has been made against the principles set out in Audit Scotland's March 2012 publication "Commissioning Social Care" [1]with regard to children's services; and

2.3 To ensure that an appropriate plan is in place for children's services. This plan sets out the improvement priorities and the process for identifying how these will be achieved. There are appropriate arrangements for the monitoring and reporting of progress against the plan.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

3.1 This objective has not been achieved as there is no commissioning plan or formal methodology in place for children's services to ensure that the best provider is selected to secure the best outcomes. At present, there is a mixture of in-house provision and variety of external providers with assessments undertaken to identify the best options in terms of meeting users' needs and the Council's expectations.

3.2 This objective was substantially achieved using the self-assessment checklist included within the Audit Scotland report which covered both adult and children's services. At the time of the audit, two areas; commissioning strategies and improvement group plans were identified as requiring action. A significant amount of progress has been made on the latter area with all bar one of the improvement group plans now completed and included within the children's plan entitled "For Highland's Children 4" (FHC4). This was approved in August 2014 by the Education, Adult & Children's Services Committee and the Highland Strategic Commissioning Group. It should also be acknowledged that the Highland Council is a leader in this field, with the Integrating Care arrangement with NHS Highland and a pathfinder authority for Getting It Right For Every Child (GIRFEC).

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[1] Audit Scotland report Commissioning Social Care available at:
http://www.audit-scotland.gov.uk/docs/health/2012/nr_120301_social_care.pdf

| 3.3 | This objective was substantially achieved as the key documents have been completed and approved by the Council and the Highland Strategic Commissioning Group apart from one improvement group plan. Some of the performance measures within FHC4's performance management framework have been used previously, but the framework does include a number of new measures which need to be refined. |

4. Conclusion

| 4.1 | At the start of the audit, the key documents, For Highland's Children 4 and the improvement group plans had not progressed as quickly as expected. It is acknowledged that subsequent to this audit a large amount of progress was achieved in finalising these in August when they were presented to Committee and the Highland Strategic Commissioning Group for approval. However, the need remain to ensure that there are adequate systems in place in order to monitor and report on progress being achieved against the outcomes in FHC4. |
| 4.2 | There are 3 recommendations in this report; 1 is classified high priority and 2 as medium priority grades. All recommendations are to be implemented by 31/08/15. |

5. Audit Opinion

| 5.1 | The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. |

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning Service – Commissioning of Children's Services	HG05/010.bf

The Action Plan contains **3** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	1
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	0
Total recommendations		**3**

					IMPLEMENTATION	
REPORT REF.	**GRADE**	**FINDING**	**RECOMMENDATION**	**MANAGEMENT AGREED ACTION**	**RESPONSIBLE OFFICER**	**TARGET DATE**
3.1.1	High	There is no commissioning plan in place for children's services which identifies the best providers in order to secure the required outcomes.	A robust commissioning approach should be developed that is built around achieving the FHC4 outcomes, and focusing on the capability of in-house and external providers to meet these outcomes.	Develop an approach to commissioning services which is based around the outcomes articulated in FHC4. This approach will build on current good practice.	Head of Children's Services	31/08/15
3.2.2	Medium	There are a number of improvement group plans produced which support the performance management framework. However, 1 plan has not yet been prepared and made available on the website.	All improvement group plans should be completed, in particular the key fields which detail the required actions, when they are to be achieved (timescale), and by whom (lead officer).	This action is now complete. On-going monitoring required to ensure all information is accurate up to date	Children's Planning Manager	Completed
3.3.1	Medium	New performance measures are included in the plans but some of these have not yet been defined as to what information is required and how this will be collected.	For all new performance measures included in any improvement group plan, systems should be devised in order to capture the data required in order to determine whether outcomes are being achieved. All measures should be deemed to be SMART (Specific, Measureable, Achievable, Realistic and Time based).	Complete the work currently underway to ensure more refined measures are incorporated into a FHC scorecard.	Children's Planning Manager	28/02/15

AUDIT REPORT SUMMARY

Report Title

Human Resources – Information Security Audit

Report No.	**Type of Audit**		**Issue Date**	
HBB01/004	Computer	**Draft Report**	15/10/14
		Final Report	11/11/14

1. Introduction

1.1	This audit was undertaken as part of the 2014/15 Audit Plan. It reviewed the controls in place to ensure information security in human resource areas of the Council. In 2013/2014, the Council employed approximately 8,000 employees (full-time equivalent) across Council Services.
1.2	The review identified controls in place to manage security of confidential information by Council personnel to comply with legislation, business requirements and good practice. Confidential information in this review includes the Council's clients' data and commercial confidential data.
1.3	The review looked at controls during three stages – before, during and end of employment areas as defined in the Information Security standard ISO27002 section 7 – Human Resource Security.

2. Review Objectives

	The objectives of the review were to ensure that:
2.1	Prior to employment, screening checks are carried out in proportion to business requirements and responsibilities for information security are defined in the terms and conditions of employment contracts to ensure employees understand responsibilities before they start
2.2	During employment, employees are aware of their information security responsibilities through education and training, monitoring by management, and understanding of the disciplinary process which may be applied if an information security breach occurs
2.3	At changes to or at the end of employment, information security responsibilities and duties of employees that remain valid are defined, communicated and enforced.

3. Main Findings

	The main findings of the review, referenced to the above review objectives, are as follows:
3.1	The first objective was substantially achieved in the areas reviewed. Many areas of good practice were found for security of information prior to employment including- • The Council's Human Resources portal launched in July 2014 offers a single, consistent approach to managing documentation and correspondence across Council services with Business Support shared processes • At recruitment stage, the Council's microsite is within the national recruitment portal supported by COSLA which offers users a Privacy Statement regarding submissions of personal data. Unsolicited CV's are not accepted by external email; this personal data is managed through the secure online forms portal. The application forms of candidates, references and a summary of the decisions made are securely stored for six months. All other papers are securely destroyed after a decision has been made • Screening checks on applicants include corporate screening and specialist screening for specific Services in line with ISO27001 section 7.1.1. Screening checks are made at application stage, during interview stage by interviewers and also for successful applicants as 'new starts'. These include ensuring that a valid EU passport or visa is held; undertaking the appropriate level of Disclosure Scotland check and ensuring membership of the appropriate membership body, for example, General Teaching

Council Scotland for teaching posts. The recruitment microsite portal advises that pre-employment checks will be carried out as standard either before or after interview and additional checks are carried out for vacancies in respect of posts working with children, young people and vulnerable adults. ID verification checks are carried out at interview stage

- The Human Resources Business Support Hub in Dingwall was visited and found to apply the clear desk policy and minimised paper storage of personal data. From July 2014, forms processed by the Hub are stored on SharePoint in a secured area. Other paper documents are scanned and the paper copies boxed for storage by the Records Management Team

- The template Offer & Contract of Employment includes a clause on Confidential Information. The Contract template also refers to compliance to the Employee's Code of Conduct which covers confidentiality for commercial, political and personal information for the duration of the employment contract. In addition to the standard terms and conditions within the Contract of Employment, additional conditions are applied for specific specialist posts, for example membership of professional bodies such as the Scottish Social Services Council for Care and Learning officers

Two areas are recommended for improvement as follows:

- The recording of Disclosure Scotland checks are input into various spreadsheets managed by the four Business Support Human Resources Hubs and may also appear in an employee's personnel file held on SharePoint. Therefore, records are not held on one system or file, which makes corporate wide assurance reporting more complicated than it need be

- Human Resource Services define Council posts that are deemed to require Disclosure Scotland checks. There is also a plan to screen all Council officers who have access to secure email as part of new security requirements of the provider of the Public Sector Network by April 2015. However, clerical and administration officers who can view and input data into CareFirst, one of the Council's systems with personal and confidential client data, have not been confirmed as having been screened with appropriate Disclosure Scotland checks before accessing the system.

3.2 The second objective was substantially achieved in the areas reviewed. Areas of good practice were found for security of information during employment as follows-

- New employees are provided with an induction pack at the start of their employment, which provides for awareness of education and training of information security in line with ISO27002 section 7.2.2. Introduction to the Workplace guidance includes general Security arrangements and Registration/Passwords to use computerised systems

- In the first week of employment, officers are required to register for the 'Information Management' course in Online Learning as a core competency; this covers information security and Data Protection guidance

- Information Management Lead Officers have a lead role to encourage staff to complete the online training and Managers are responsible for ensuring that it is taken up

- The induction pack includes a copy the Council's Disciplinary Process to give new employees an awareness of potential consequences of violations of information security policies. This also provides a deterrent to employees in line with ISO27002 section 7.2.3

- There is a Whistle-blowing Policy and process available as an anonymous reporting channel to report any concerns, including information security violations, in line with ISO27002 section 7.2.1 (g). The Code of Conduct for Employees states that any information provided by an employee within the Council's Whistle-blowing Policy procedures will be kept confidential wherever possible.

One action relating to the low take up of Information Security training was reported in a review of Information Security which was reported to the Audit & Scrutiny Committee in March 2014. This resulted in an action for a report to the Senior Management Team which was completed on 18/06/14.

3.3 The third objective was mainly achieved in the areas reviewed. Areas of good practice during employment were found for security of information prior to termination of employment including-

- The Business Support Human Resource Teams manage forms submitted by Council Managers to ensure employees leaving have their ICT account closed and Payroll is informed
- If required for continuity of Council business only, delegated access to an ex-employees email account may be provided to a relevant manager, following ICT governance processes defined in the Acceptable Use of Council ICT
- For key financial systems, there are User Deletion Forms for reporting changes to system access, such as the Finance Systems Deletion Form
- To assist in enforcing the notification of staff changes, the access rights of system users may be periodically checked to ensure that these remain relevant. For example, this is included in the CareFirst Access Control Policy as a process.

One area is area is recommended for improvement:

- The offer and contract of employment does not cover information security breaches after an employee has left the Council. As confidentiality agreements or restrictive covenants are not used for confidentiality of information beyond termination of employment, the risk/impact of this include ex-employees being unclear regarding the length of time that information is to remain confidential and the potential of confidential data being uncontrolled after termination of employment.

4. Conclusion

4.1 Overall good practice areas were found within all three objectives in the review. Controls and assurances for Human Resource Information Security were confirmed in areas reviewed before and during employment in particular

4.2 An observational visit to one of the Business Support Human Resources Hubs confirmed good progress in the management of human resource administration processes. The four Hubs based in Wick, Fort William, Dingwall and Inverness use ICT enabled processes to provide a single consistent service across the Council. Business Support Human Resources Officers are to be offered more training for the planned changes in 2015 of the national recruitment portal software

4.3 There are 2 medium grade and 1 high grade recommendations made to further improve controls on this activity, which have been accepted by management. All the agreed actions will be completed by 28/02/15.

5. Audit Opinion

5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that while the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Human Resources – Information Security Audit	HBB01/004

The Action Plan contains 3 recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	1
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	0
Total recommendations		**3**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.1.2	Medium	Recording of Disclosure Scotland checks on employees: This is managed within several spreadsheets by different Business Support Human Resources Hubs and in employees' personnel files on SharePoint. Therefore, data is not held on one system or file for corporate reporting.	It would be useful to record dates of Disclosure Scotland checks completed in one system, such as ResourceLink, to simplify and streamline data and assist in the provision of corporate wide assurance reporting.	This is being addressed through recording DS/PVG membership to be held on ResourceLink through colleagues in CIP.	Human Resources Manager	15/12/14
3.1.3	High	Screening and assurances of confidential information: It is not confirmed that all clerical and administration officers who access and input personal and sensitive data in the CareFirst system have been screened with Disclosure Scotland checks before accessing the system.	Officers who are given access to systems containing personal and sensitive client data such as the CareFirst system should be confirmed as having undergone screening Disclosure Scotland checks to level required for the sensitivity of the data accessed.	HR Manager to review standard recruitment guidance, Disclosure checks and PSN compliance.	Human Resources Manager	28/02/15
3.3.2	Medium	Confidentiality agreements: The Council does not use confidentiality agreements or restrictive covenants for ex-employees, temporary and agency	Human Resource Manager and Legal Services to review clauses for confidentiality requirements beyond the end of employment in contracts	Human Resource Manager and Legal Services to review clauses and	Human Resources Manager/ Solicitor, Legal	31/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Human Resources – Information Security Audit	HBB01/004

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		staff beyond their time of employment. The standard Council contract has a clause stipulating confidentiality of information security only for the duration of the contract.	to confirm these meet current business requirements for Data Protection Act principles, political and commercial confidentiality.	confidentiality requirements.	Services	

AUDIT REPORT SUMMARY

Report Title

Development and Infrastructure Service: AXIS 4 – European Fisheries Funding Project

Report No.	Type of Audit		Issue Date	
HEC04/002	Systems		**Draft Report**	12/09/14
			Final Report	01/10/14

1.   Introduction

1.1   This audit was undertaken as part of the 2014/15 Audit Plan and assessed the administration of the European Fisheries Fund (EFF) Axis 4 Programme. The audit is a requirement of the Service Level Agreement (SLA) between Marine Scotland and the Council and covers the period 01/07/13 to 30/06/14.   This is the second audit of the programme.

1.2   The EFF Axis 4 Programme in Scotland is aimed at providing funding and support to local Scottish fishing communities, affected by decline, to sustainably develop these areas. Funding from the EU is centrally distributed by Marine Scotland to eligible areas. With the exception of the Inverness Settlement Development Area and part of the Highland Council area within the Cairngorms National Park the whole of the Highland Council area is eligible for this funding. The overall administration of the funding is by the Fisheries Local Action Group (FLAG).

1.3   The FLAG began to accept project applications in spring 2012, with all project applications to be decided by 30/06/14, following an extension by Marine Scotland. The programme will then run approved projects until its official close of 31/10/15. Marine Scotland awarded the FLAG an additional £124,228 in November 2013. The total value of the Highland EFF Axis 4 Programme is £715,029.

2.   Review Objectives

The objectives of the review were to ensure that:

2.1   The obligations in the Service Level Agreement have been adhered to by Council Officers.

2.2   The projects funded by the Highland EFF Axis 4 Programme comply with the requirements of the Service Level Agreement.

2.3   The agreed actions arising from the previous audit report have been satisfactorily implemented by Management.

3.   Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

3.1   This objective was substantially achieved. Similar to last year's report no irregularities have been found, a spreadsheet database has been created to record the project's claims, a separate accounting code has been set up for the programme, standard forms and guidance have been provided by Marine Scotland to be used in the project application, decision and approval processes, and as required, the Council is submitting expenditure information to Marine Scotland within 20 calendar days from the end of the quarter.

However, SLA performance targets of advising Marine Scotland of awards of grant within 2 weeks of the award being made were not met for 2 of the 4 projects examined. One confirmation was a day late, with the other over 3 months late. Also, for the only claim checked, the Highland Council had not processed the claim for reimbursement within 6 weeks of receipt and was almost 2 weeks late.

A number of SLA requirements such as setting up a Data Sharing Protocol and obtaining Marine Scotland's confirmation of Highland Council procedures could not be resolved. Marine Scotland has not responded regarding the Data Sharing Protocol and declined to

provide confirmation regarding Highland Council procedures, contrary to their own SLA.

3.2 This objective was substantially achieved. All the project files reviewed had declarations of interest recorded correctly in the FLAG minutes examined except for the Pontoon Installation at Elgol Harbour. Marine Scotland was provided with copies of project application forms and award letters, as required by the SLA.

The HEFF/012 – Lybster Heritage Trust project (Yawl Boat Shed) had a number of issues found during the audit:

- The construction costs were increased by £250 without full explanation;
- There is an error with a total on one of the claim documents. While this has not affected the claim, there should be a file note to demonstrate that this has been noted;
- The claim form front page was incomplete because the Administrative Assistant believed this section would be completed by Marine Scotland;
- A change request form was signed by the Administrative Assistant because the EFF Regional Development Officer was not in the office to physically sign the form;
- There is an issue with change request forms, claims checklists and file notes for all projects where officers are required to sign these documents but are not required to print their names, which is required for some officers to identify who has signed the form;
- Only draft minutes recording project approval were in the project files for this project and also HEFF/016 - Highland Council Harbours (Pontoon Installation - Elgol Harbour) and HEFF/017 - Mallaig Harbour Authority (Loval Slipway).

The HEFF/016 – Highland Council Harbours (Pontoon Installation - Elgol Harbour) project had an issue with the letter confirming that the project is not a statutory duty of the Council, as the officer signing the letter also signed the project application form. Also, the FLAG approving the project was chaired by a Councillor, where as the SLA rules state that *"Application for Funding under EFF Axis 4 may be received by the FLAG from the Local Authority. The application will be assessed in the usual way by the FLAG members who are not associated with that Local Authority."*

To confirm the eligibility of HEFF/017 – Mallaig Harbour Authority (Lovat Slipway) more information should be added to the project form.

3.3 This objective was substantially achieved. The majority of agreed actions arising from the previous audit report have been satisfactorily implemented including update of the Highland FLAG procedures which are used by Council staff.

However, while project files are kept in a locked cabinet, the key for the cabinet is held in a nearby unlocked drawer when not in use. Section 3.1 (above) details the issues in complying with SLA requirements for a data sharing protocol and confirmation of Highland Council procedures.

The publicity requirements provided to projects contradict the EU publicity requirements in not requiring the EU emblem on all publicity.

Also, while the recommendation from the last audit to include information from a withdrawn application in the current file of project HEFF/003 – Highland Council (Helmsdale Harbour 2013) has been complied with, from the file review during this audit it was clear that an explanation is required to be held on file to clarify the reason for its inclusion.

4. Conclusion

4.1 Overall the programme is assessing projects correctly; however, there are a number of relatively minor issues that have been found during this audit which suggest that this process could be improved. An issue during the year with the procurement of a member of staff in a project led to the project funding (£3,545) being withdrawn and this project was subsequently funded by the Council. This procurement issue had not been identified when previously processing claims. This, along with the findings of this report, suggests that staff should be reminded of the SLA requirements and further administrative, managerial and quality checks should be put in place.

4.2	Also, issues including the requirement for further information to be added to the project file showing eligibility of the Mallaig harbour project suggest staff, while supporting projects and their administrators, need to be more critical in reviewing projects to ensure compliance with the SLA, EU Regulations and relevant procedures.
4.3	The communication difficulty with Marine Scotland, particularly where they have not provided assistance to allow the Council to comply with their SLA, is disappointing.
4.4	While the audit report has been given the opinion of reasonable assurance, the findings from the audit suggest that if the above recommendations are put into place along with the suggested administrative, managerial and quality checks, then it would enable a higher level opinion to be given.
4.5	As a result, there are 5 medium grade and 2 low grade recommendations in this report, which have been accepted by management. All the agreed actions will be completed by 19/12/14.

5. Audit Opinion

5.1	The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development and Infrastructure Service: AXIS 4 – European Fisheries Funding Project	HEC04/002

The Action Plan contains **7** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	5
Minor issues that are not critical but managers should address.	Low	2
Total recommendations		**7**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Medium	Of the 4 projects in the audit's sample only 2 awards were notified to Marine Scotland within the 2 week timescale. The other 2 were 1 (HEFF/012 - Lybster Heritage Trust) and over 3 months beyond the target (HEFF/011 - Applecross Historical Society). Only one of the projects in the audit sample had submitted a claim (HEFF/012 - Lybster Heritage Trust). The target of processing claims within 6 weeks of receipt was not met and this was delayed for almost another fortnight before payment was made.	Axis 4 EFF staff should be reminded of the SLA performance requirements in Appendix B and the EFF Regional Development Officer should ensure these are complied with.	Axis 4 EFF staff will be reminded of the SLA performance requirements in Appendix B. Periodic performance checks shall be made to ensure compliance.	EFF Regional Development Officer/Admin Assistant	01/11/14
3.2.1	Medium	HEFF/012 – Lybster Heritage Trust (Yawl Boat Shed) The following issues were found during the project file review: (1) Costs Change The construction costs were increased by £250 but not fully explained in the project file.	(1) The EFF Regional Development Officer should go back to the applicant to request more information demonstrating the price change and this should be included in the project file.	Further information to be requested from the project to further explain increase to construction costs and include in project file.	EFF Regional Development Officer	01/11/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development and Infrastructure Service: AXIS 4 – European Fisheries Funding Project	HEC04/002

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.1 (cont'd)		(2) Minor issues (i) The total listed in part of the claim form states £9,652 but should be £9,552. (ii) A section of the claim form was incomplete.	(i) The EFF Regional Development Officer should add a file note explaining the error. (ii) For all files affected the EFF Regional Development Officer should: – Determine, in discussion with Marine Scotland, what parts of the form should be completed, and which parts are not applicable as they relate to another EU Axis Programme, – Add a file note clearly stating that the section was completed after the date the claim was processed, – Add a standard file note to these files with an explanation regarding the misunderstanding leading to the form being left blank.	File note to be added with explanation of error. Discussion with Marine Scotland which parts of the form should be completed to take place. File note to be added to state that the section has been completed after the date the claim was processed along with explanation regarding why this section was previously incomplete.	EFF Regional Development Officer EFF Regional Development Officer/Admin Assistant	01/11/14 19/12/14

AUDIT REPORT ACTION PLAN

Report Title	Report No.
Development and Infrastructure Service: AXIS 4 – European Fisheries Funding Project	**HEC04/002**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.2.1 (cont'd)		(iii) The Change Request Form (CRF) on file was signed by an Admin Officer instead of a Development Officer.	(iii) A file note should be added to the file, detailing the authorisation by an Administration Officer rather than a Development Officer. In future, if the EFF Regional Development Officer is not able to sign a CRF, then they should provide authorisation to the Administration Assistant by email, which should be held with the CRF confirming its authorisation.	File note to be added regarding authorisation of CRF.	EFF Regional Development Officer	01/11/14
		(iv) The change request form does not require the Council officer approving the form to print their name along with their signature, there is also the same issue for the claims checklist and file notes.	(iv) Printed names should be added to all files and the requirement to print names when signing documents should be included in guidance for staff.	Where applicable, section for printed name to be added to form templates. Requirement to print name when signing documents to be added to guidance document.	EFF Regional Development Officer	19/12/14
		(v) The minutes, recording project approval held in the project file, are draft minutes and not finalised minutes. This issue was also found in projects HEFF/016 and HEFF/017.	(v) The finalised FLAG minutes recording the project approval should be put into the relevant project files.	Finalised minutes to be added to project file.	EFF Regional Development Officer	01/11/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development and Infrastructure Service: AXIS 4 – European Fisheries Funding Project	HEC04/002

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2	Medium	HEFF/016 – Highland Council Harbours (Pontoon Installation - Elgol Harbour) (i) The letter held on file confirming that this project is not a statutory duty of the Council was signed by the Harbours Manager, who, as the application signatory, is not deemed to be independent.	(i) The EFF Regional Development Officer should request alternative assurance from the relevant Council officer independent of the project.	Alternative assurance to be requested from the relevant Council officer independent of the project.	EFF Regional Development Officer	19/12/14
		(ii) A Councillor is the chair of the FLAG and was permitted to participate in FLAG discussions regarding a Council project contrary to SLA requirements on independence.	(ii) The EFF Regional Development Officer should contact Marine Scotland regarding the authorisation of this project. For all future Highland Council projects, no Council Members should be involved in the assessment of Local Authority applications. This requirement should be reiterated to Councillors who are FLAG members.	Contact Marine Scotland regarding the authorisation of this project. FLAG to be reminded of SLA requirements when considering projects where applicant is Highland Council.	EFF Regional Development Officer	19/12/14
3.2.3	Medium	HEFF/017 – Mallaig Harbour Authority (Mallaig Shoreside Promenade) While the actions of the project are clear, more information regarding the eligibility of the project needs to be added to the file.	The EFF Regional Development Officer should provide more information on potential usage of the slipway and then link these to the measures demonstrating eligibility.	Information to be added to the file to further explain eligibility and potential usage of slipway.	EFF Regional Development Officer	19/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development and Infrastructure Service: AXIS 4 – European Fisheries Funding Project	HEC04/002

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.3.2	Low	The keys for the filing cabinets, holding project files, are kept in an unlocked draw yards away when not in use.	The cabinet keys should be taken home by an officer, or held in a locked cabinet on site overnight.	Ensure cabinet keys are held in locked cabinet on site overnight.	EFF Regional Development Officer	01/11/14
3.3.4	Medium	<u>Publicity</u> The publicity requirements sent to successful projects only asks that the EU emblem be included in all publicity 'where possible', contrary to EU regulations.	The EFF Regional Development Officer should change the guidance note and contact any organisations this would be relevant to.	Guidance documents to be updated and ensure any organisation to which the publicity requirements may be relevant to are contacted.	EFF Regional Development Officer	19/12/14
3.3.5	Low	The required feasibility proposal and quote was added to the project file as required from the last audit report; however they were not clearly identified, nor was there an explanation of the reason for its inclusion.	The documents should be more clearly identified in the project file to explain the additional information they provide.	File note to be added to explain why information from the withdrawn application has held on project file.	EFF Regional Development Officer	19/12/14

AUDIT REPORT SUMMARY

Report Title

Development & Infrastructure Service - Leader Programme 2013-14

Report No.	Type of Audit		Issue Date	
HEC04/001	Systems		**Draft Report**	06/11/14
			Final Report	10/11/14

1. Introduction

1.1 This audit was undertaken as part of the 2014/15 Audit Plan and assessed the administration of the Highland Leader Programme. The audit is a requirement of the Service Level Agreement (SLA) between the Scottish Government Rural Payments and Inspections Directorate (SGRPID) and the Council. This is the sixth required audit in accordance with EC Regulation 885/2006 and covers the period 16/10/13 to 15/10/14.

1.2 The Leader Programme is part of the Scottish Rural Development Programme (SRDP), aimed at promoting economic and community development within rural areas. Funding from the EU is centrally distributed by the SGRPID to eligible areas. With the exception of the Inverness Settlement Development Area and the Cairngorm National Park Boundary (within the Highland area), the whole of the Highland Council area is eligible for this funding.

1.3 The overall administration of the funding is by the Highland Leader Local Action Group (LAG). The LAG is divided into 11 Local Area Partnerships (LAPs) relating to the different regions of the Highlands. The LAPs have produced a business plan for the use of the funding; they also approve funding for submitted projects and assist with project development. There is also 1 strategic LAG, which sets the strategic direction and delivery of the programme, approves Highland-wide projects, and monitors and evaluates the programme.

1.4 The Highland Leader Programme was formally launched in December 2008 with an agreed closure date of March 2015. As at October 2014 there were 371 projects approved. The total value of the LEADER Programme is £16,517,428, which includes £2.33m of Community Services and Facilities funds transferred from the SRDP Rural Priorities programme.

2. Review Objectives

The objectives of the review were to ensure that:

2.1 The obligations in the Service Level Agreement have been adhered to.

2.2 Highland Leader project files are complete and contain the necessary detail required by the Scottish Government confirmation certificate.

2.3 The agreed actions arising from the previous audit report have been satisfactorily implemented by Management.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

3.1 This objective was substantially achieved as there was good compliance with the Service Level Agreement and the quarterly checks are being carried out accurately. However, irregularities and suspicions of irregularities are not always being reported within the timescale set by the SLA and the Scottish Government's Technical Guidance. The majority of the irregularities were immaterial and related to errors including: ineligible expenditure and staff time claimed at the wrong rate.

3.2 This objective was substantially achieved. This year's project file reviews examined 4 project files from a total of 371 projects. There were no fundamental issues found,

however a number of individual issues were identified. These included:

- Change request forms required for file completeness for projects 382, 450 and 421;
- The need to examine further one of the budget heading changes in project 382 to establish if an error has occurred and whether it is a compliance or financial irregularity;
- A Highland Council project (382) had written assurance on file from the applicant that the Council had no statutory obligation to provide the products and services that the project would deliver. This assurance should have been provided by another Council officer independent of the project;
- There was no detailed cost information breaking down salary costs for 1 project (289) in order to demonstrate value for money;
- There was no business plan on file for 1 revenue generating project (289);
- 1 project (289) file review did not follow up the identified deficiencies concerning additionality;
- Further information regarding match funding was required for 1 project file (450).

It is noted that the File Review process is ongoing which seeks to ensure that all Highland Leader project files are complete and contain the necessary detail required by the Scottish Government.

3.3   This objective was substantially achieved. Of the 9 individual issues raised in the 4 recommendations from the 2012/13 audit report, there are 4 outstanding issues:

- All actual and suspected irregularities were not reported as required by the Service Level Agreement and the Scottish Government Technical Guidance.
- An outstanding action to add signed case summary sheets to some of the project files reviewed in the last audit still need to be carried out.
- Further documentation needs to be found from emails to provide an audit trail for a project's cost changes.
- Full compliance of the required information systems security standard listed in EU Regulations 885/2006 has not yet been achieved, but good progress is being made.

4.   Conclusion

4.1   The audit this year has covered the necessary audit work to complete the Scottish Government's confirmation certificate and has also reviewed the file review checklist process. While minor gaps in this review process have been found, substantial assurance can be given as this process arose from project file completeness concerns raised by Internal Audit, the Scottish Government, and Audit Scotland. This process should ensure project files contain all the necessary paperwork and have been processed correctly.

4.2   As requested by the Leader team, advice from lessons learnt during this Programme will be provided separately by Internal Audit which can be taken forward into the next Leader Programme.

4.3   There are 2 recommendations in this report, 1 is classified medium and the other low grade. Both are due to be fully completed by 31st March 2015.

5.   Audit Opinion

5.1   The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development & Infrastructure Service - Leader Programme 2013-14	HEC04/001

The Action Plan contains **2** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	1
Total recommendations		**2**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.2	Low	(1) A number of change request forms are required for the following projects to explain end date changes: • Project 382 (Provision of Marina Equipment); • Project 450 (War Memorial Hall Upgrade Phase 1); • Project 421 (Renovate to Access Project).	(1) Change Request Forms should be added to the project files as necessary.	Change Request Forms should be added to the project files as necessary.	Development Officers (JW, MC)	31/03/15
		(2) For project 382 (Provision of Marina Equipment) changes in budget headings were not resolved until the final claim.	(2) The issue should be raised with the Scottish Government to ensure the delay has not created an error and/or a compliance or financial irregularity.	To raise with the Scottish Government to ensure the delay has not created an error and/or a compliance or financial irregularity.	Acting Programme Manager (LEADER Programme)	30/01/14
		(3) The declaration on the project file for project 382 (Provision of Marina Equipment), stating that the project was not a statutory obligation of the Council was signed by the application form signatory rather than an independent officer.	(3) The Director/Head of Service should be asked to provide additional assurance that the project outcomes were not a statutory obligation, which should be held on the project file.	Letter to be sought from Director/Head of Service.	Development Officer (JW)	31/03/15

AUDIT REPORT ACTION PLAN

Report Title	Report No.
Development & Infrastructure Service - Leader Programme 2013-14	**HEC04/001**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2 (cont'd)		(4) There was no detailed breakdown of £24,000 expenditure for sports coaches in the project file (289).	(4) A file note detailing the activities coaches' expenditure should be included in the Value for Money note on file.	VFM template to be added as part of ongoing file review.	Development Officer (MC)	31/03/15
		(5) There was no business plan on file for project 289 (Nairn Active), however the additional information provided during the audit regarding why the business plan was not requested should be added to the file.	(5) A file note should be added to the project file.	File note to be added as part of ongoing file review.	Development Officer (MC)	31/03/15
		(6) This finding highlighted that a sample of file reviews carried out by Development Officers should be independently reviewed in order to provide consistency and feedback.	(6) The Acting Programme Manager (LEADER Programme) should review a sample of File Review Checklists carried out by Development Officers.	Quality Assurance sampling process to be taken forward, written up, held on file and followed.	Acting Programme Manager	28/02/15
		(7) The File Review Checklist had correctly determined that additionality for project 289 (Nairn Active) had not been evidenced. However, there was no subsequent resolution.	(7) A file note should be added to the project file (289) confirming additionality.	File note to be added as part of ongoing file review.	Development Officer (MC)	31/03/15
		(8) Further information, provided during the audit, should be added to the file to better explain the match funding of project 450 (War Memorial Hall Upgrade Phase 1).	(8) The information provided during the audit should be added to the project file.	File note to be added.	Development Officer (MC)	31/03/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development & Infrastructure Service - Leader Programme 2013-14	HEC04/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.3	Medium	3 recommendations remain outstanding from the 2012/13 report: (1) All actual and suspected irregularities have not been fully reported as required by the SLA and the Technical Guidance.	(1) While the current programme is close to ending, staff should be reminded of the SLA irregularities requirements and this should be considered in the planning of the next audit.	Staff to be reminded of requirements around reporting.	Acting Programme Manager	30/11/14
		(2) Signed case-summary sheets have not been added to the project files as this is part of the file review programme.	(2) The signed case summary sheets should be added to the project files by the end of the current programme.	Signed case summary sheets added to all files.	Development Officers (MC,LW,JW)	31/03/15
		(3) Information from emails has not been collated to clarify changes in costs and provide the necessary audit trail.	(3) The Acting Leader Programme Manager should collate the emails to provide the necessary audit trail.	File note to be added to ensure audit trail completeness.	Acting Programme Manager	30/11/14
		(4) Full compliance of the required information systems security standard required by EU Regulations has not yet been achieved.	(4) The Economy & Regeneration Manager should continue to request progress on ISO 27001 and ISO 27002 with the Head of Digital Transformation.	Progress to be requested on ISO 27001 and ISO 27002 with the Head of Digital Transformation.	Economy & Regeneration Manager	31/03/15

AUDIT REPORT SUMMARY

Report Title

Development and Infrastructure – Uniform System

Report No.	Type of Audit		Issue Date	
HE05/003.bf	Computer	**Draft Report**	16/10/14
		Final Report	11/11/14

1. Introduction

1.1 The purpose of this report is to record the findings of a review of the Development and Infrastructure's Uniform System. The Uniform System is used to manage planning applications, building standards services and the corporate address gazetteer. It is supplied by the company Idox. The 'Planning Performance Framework and Quarter 4 Performance Review' reported to Committee on 14 May 2014 that 4,616 applications were processed and £2.367 million of income was received during financial year 2013/14. With regard to building standards it was stated that there were 3147 warrants decided and 2361 completion certificates processed providing an income of £1.905 million for financial year 2013/14. This gives a total income for the year of £4.272 million.

1.2 Planning applications are entered into the Scottish Planning Online website and these applications are transferred to the Council's Uniform System and Online Planning Information Website. The Council's Online Planning Information Website is also provided by Idox. There is not yet a Scottish website to enable building standards applications to be submitted online, but one is currently being planned.

1.3 The Uniform system is also used to record the payment of fees for processing both planning applications, building warrants and a number of other service fees such as copies of planning documentation, pre-planning application advice, letters of comfort, updating the corporate address gazetteer, etc. For simplicity, the remainder of this report will only make reference to the two main services, namely the processing of planning applications and building warrants.

1.4 There is currently a project to move the three Idox systems, namely Uniform, Electronic Document Records Management and the Council's Online Planning Website from the Fujitsu Data Centre to the Idox Hosted Data Centre. It is due to be complete by the end of February 2015. A significant amount of work has been put into this project by Planning staff and the move will allow the Development and Infrastructure Service to update to a later version of the Idox software.

2. Review Objectives

The objectives of the review were to ensure that:

2.1 Physical and logical access controls comply with expected best practice.

2.2 Application controls in terms of data input, interface processing, output reports, audit trail, backup, restore and business continuity are satisfactory.

2.3 License and support arrangements are in accordance with expected best practice.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

3.1 This objective was partially achieved. Although there is a formal user registration system and user roles have been set up, there is no Access Control Policy for the Uniform System. Without an Access Control Policy, there is no access control standard which can be implemented and no safeguards for system administration staff and users. In addition the

number of user access roles has increased over time and now needs to be both reviewed and updated. Although a list of current users has been produced, an up to date report of their access levels is not available. Hence a review of access levels cannot be carried out quickly and efficiently.

3.2   This objective was partially achieved.   The following expected controls are in place. Planning application data is input online by customers and checked by Planning staff whereas building warrant applications are emailed, or mailed, to an Area Planning and Building Standards Office and input by Planning staff. Interface processing is monitored and any errors actioned. Quarterly planning and building standards performance statistical reports are produced for management. Four separate electronic audit trails exist within the system. Back-ups, test restores and business continuity are all included within both the existing Fujitsu contract and new Idox hosted system contract. However three areas of concern were found.

Fee payments can be made via a variety of methods such as online via the Council's online payments site, or over the phone, or via a BACS transfer. Planning staff receive an Excel spreadsheet report of planning application and building warrant fee payments each day from the Finance Income Section. The Income Section initially allocates the payments to a suspense account and then Planning staff members have to review them, journal them to the correct ledger code and then record the payment in Uniform against the correct application. In view of this it is recommended that a more efficient process is pursued.

It was reported that the payment of fees via the Council's Online Payments Website and via the phone operates without significant problems. Conversely, the payment of fees by BACS has become a problem because some customers are failing to provide enough information to easily allocate the payment to the correct application. In the case of BACS payments if the customer does not enter an application reference number in the description field associated with the payment it can be difficult for Planning staff to allocate the payment. Unfortunately the Council cannot control what a customer enters in a BACS payment transfer description field. Although the Council's previous website had BACS payment guidance which requested that the customer email the Council with remittance advice at the same time as they make the payment, this guidance was not carried over to the new Council website. This was pointed out during the review and is to be addressed. Planning staff are to replace the term 'remittance advice' with 'payment details' as this term is thought to be clearer for customers. At the time of the review, there were 80 BACS fees received in 2013 with a value of £92,796 that were still unreconciled and 38 BACS fees received in 2014 up to 04/04/14 with a value of £16,837 which were also still unreconciled. It was reported that there have been occasions when payments have been chased up as missing when in fact they have already been paid.

In addition to the BACS payment problem, a weekly list of planning applications is produced and monitored. However, there is no report in the Uniform System which compares 'fees required' versus 'fees paid'. The lack of available payment reconciliation reports means there is no management assurance that all required fees - valued at £4.272 million in financial year 2013/14 - have been received. This implies that there is a risk that fees due to the Council are not being recovered.

There are 4 separate types of electronic audit trail within the Uniform System. They are not currently reviewed on a regular basis, nor are they managed to ensure that only the required audit information is retained.

3.3   This objective was partially achieved. A license and support agreement is in place for the existing arrangement and a license and support contract has been signed for the new hosted arrangement. However, the Uniform Service Description identifying the level of service provided by Fujitsu has not yet been finalised and signed off. Although the system will be hosted by the supplier, Fujitsu will still have some responsibility for interface controls and therefore the level of service they provide should be agreed and signed off.

4.   Conclusion

4.1   The above findings show that the Uniform is a good system to manage both planning and building standards and on the whole operates well. However a significant improvement is required with regard to the reconciliation of fees paid by BACS or bank transfer. Unfortunately, unlike payments made via the online payments site or over the phone, payments made by BACS/bank transfer cannot be directly controlled by the Council and are dependent on the customer following the guidance it provides. Since the review, this problem has been identified for other types of BACS payments such as harbour fees and license applications, so it is a payment problem which is not specific only to the Uniform System. Hence this finding has also been passed to the Head of Exchequer and the Corporate Improvement Team to make them aware of it.

4.2   In the case of Uniform, planning and building standards BACS/bank transfer payments will need to be monitored closely in future to ensure the recommended customer guidance improvements are having the desired effect. In addition, management reports need to be provided in order to give clear assurance that all expected fees are paid.

4.3   There are five recommendations in this report.   One is classified as high priority and four are classified as medium priority.   All of the recommendations are due to implemented by the end of May 2015.

5.   Audit Opinion

5.1   The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. The levels of assurance and their definitions can be found at Appendix 1.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development and Infrastructure – Uniform System	HE05/003.bf

The Action Plan contains **5** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	1
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	4
Minor issues that are not critical but managers should address.	Low	0
Total recommendations		**5**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1	Medium	<u>Access Control</u> 1) An Access Control Policy does not exist. There is, however, an overview document for permissions and logins, but it does not contain what is expected in terms of an access control policy. The users set up on the ePlanning website are not managed by ePlanning staff. 2) There is not currently a report that Planning staff can find this information out quickly by enquiry if they need to about individual users. However there is a list of active users which identifies their roles in terms of their job titles. This does not identify their user access roles though. 3) Within the system user roles have been set up. However, one of the system administrators reported there have been many user roles set up over time and these need to be	1) An Access Control Policy should be produced which covers all aspects of access to the system and its associated information. 2) The supplier should be asked whether a report of user access levels can be produced. If not the spreadsheet of users should be updated to include their access levels. 3) The user roles need to be reviewed and updated as required in accordance with the Access Control Policy.	1) Prepare Access Control Policy 2) Seek confirmation from Supplier and put in place solution. 3) Update user roles.	Performance and Systems Support Officer Performance and Systems Support Officer Performance and Systems Support Officer	31/01/15 31/01/15 31/01/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development and Infrastructure – Uniform System	HE05/003.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		sorted out using the process flows.				
3.2	High	Input – Payment of Fees There are difficulties in tracking payments because payments and their corresponding applications were sometimes received at different times. In addition online bank payments received via BACS payment can go into the suspense ledger account and then journals have to be produced to allocate them to the correct ledger code. Because the customer does not enter an application reference number with the payment it can be difficult to allocate the payment to the application.	1) The Council website should be updated with clear, easy to understand, guidance to customers as to what is required for a BACS transfer payment.	1) Guidance document to be loaded to the planning pages on the Council's internet site.	Performance and Systems Support Officer/ HQ Planning Technicians	31/12/14
			2) In addition regular customers such as builder's agents should be emailed with guidance the guidance.	2) Guidance document to be emailed to the agents – email contacts to be taken from Uniform development management and building standards.	Performance and Systems Support Officer	31/12/14
			3) Reconciliation of fees to be monitored to ensure that the additional communication is improving the payment details supplied by the customer.	3) Monitor reconciliation of fees on regular basis.	Head of Planning and Building Standards	31/01/15
			4) Management should investigate with the supplier whether it would save time and effort to automate of the update of planning and building fees as opposed to Planning staff having to re-key them. Idox software is used in	4) Further discussion with other Local Authorities to take place to see what others do regarding an automated interface for payments.	Performance and Systems Support Officer	31/03/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development and Infrastructure – Uniform System	HE05/003.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
			over 300 other local authorities therefore it is quite possible this facility has already been provided to one or more of them.			
3.3	Medium	<u>Output - Reports to Reconcile Payments versus Receipts</u> There are no reports in the Uniform System which provide assurance that all the payments that are required have been received for both planning applications and building warrants. One method to gain assurance that Planning and Building Standards fees have been received and are both complete/correct would be to review 2 reports from the Uniform System. Each report would have 4 fields. The fields are: For Planning Income Reconciliation Report: • Planning Application Ref • Date of Application • Planning Fee Required • Planning Fee Received. For Building Standards Income Reconciliation report: • Building Warrant Ref	Two reports should be produced to reconcile payments. There should be a report produced to show planning fees required versus planning fees received. Similarly there should be a report produced to show building warrant fees required versus building warrant fees received.	A specification sheet sent to Idox for preparation of 4 new access reports to be written.	Performance and Systems Support Officer	28/02/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development and Infrastructure – Uniform System	HE05/003.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		• Date of Application • Building Warrant Fee Required • Building Warrant Fee Received. In terms of selection criteria the reports would: • Need to be run for Dates of Application within the last financial year (1 April 2013 to 31 March 2014 inclusive) • Retrieve rows where the 'Fee required' does not equal the 'Fee received' as these rows would identify if there are any differences which need to be actioned.				
3.4	Medium	<u>Audit Trails</u> The system administration manual says there are 4 types of audit trail within Uniform, namely: 1) An events log for monitoring user logins 2) A general audit trail 3) A payments audit trail 4) A receipts audit trail. The audit trails are not being monitored or managed on a proactive basis in line with the supplier's guidance. The Receipts audit trail goes back to 1998 which is	1) Audit trails should be reviewed on a regular basis, e.g. quarterly, to ensure no unauthorised activity is taking place. 2) In addition, audit trails should be monitored and only retained for as long as they are required.	A working process for checking and deleting audit trail and log depending on service requirements will be prepared and implemented.	Performance and Systems Support Officer	31/05/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development and Infrastructure – Uniform System	HE05/003.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
		longer than is required and will be using up unnecessary space.				
3.5	Medium	<u>Service Description</u> A license and support agreement is in place for the existing arrangement and a contract has been signed for the new hosted arrangement. However, the Uniform Service Description has not yet been finalised and signed off. Although the system is to be hosted, Fujitsu will still have some responsibility for interface controls.	The Project Manager for the new hosted Uniform System should be asked to ensure Service Description for the hosted system is signed off.	This will be integrated into the new Hosting arrangement.	ICT Project Manager	28/02/15

AUDIT REPORT SUMMARY

Report Title

Development & Infrastructure Service – Review of Employability Service

Report No.	Type of Audit		Issue Date	
HE20/002.bf	Systems		**Draft Report**	29/09/14
			Final Report	10/11/14

1. Introduction

1.1   The purpose of this report is to record the findings of a recently completed review of the Employability Service. The audit was undertaken as part of the annual plan for 2013/14. The Employability Service assists people most distant from the labour market to be able to join the workforce. This is achieved partly by providing advisory services to enable clients to improve their skills to become more ready for employment, and partly by administering grant schemes which provide funding for local businesses to create job opportunities. Funding is also provided to community organisations providing employability and capacity building activity through the Deprived Area Fund. Some of the grant funding schemes are partly funded by the Scottish Government and the European Social Fund (ESF). The total value of grant funding provided in financial year 2013/14 in respect of the 3 schemes referred to in section 1.2(ii) below was £900,658.

2. Review Objectives

The objectives of the review were to ensure that there are appropriate controls in place for the approval, payment and monitoring of grant schemes administered by the Employability Service. In particular:

2.1   Applications are approved by the appropriate officers and in accordance with the objectives of the relevant scheme. Member approval is obtained where necessary.

2.2   Payments to external organisations in respect of the undernoted schemes comply with the prescribed funding conditions and, where applicable, are supported by reports detailing performance against targets outlined in the organisation's funding application.

- Deprived Area Funds;
- Graduate Placements;
- Create & Employ Grant Payments

2.3   Sufficient records are maintained to detail which scheme funds each client/organisation, and enable verification that payments are made from the correct scheme.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

3.1   This objective was partially achieved as applications for grants under the Create & Employ and Graduate Placement schemes were found to have been appropriately authorised. However, it was noted that 5 of the 10 Deprived Area Fund applications were wrongly approved by Ward Members. 4 of these would have been expected to be approved by the then Director of Planning & Development and Chair of the Planning, Environment & Development Committee, with the other requiring approval by the Inverness City Manager, City Leader and the Chair of Inverness Common Good Fund Grants Sub-Committee. As part of the approval process, the Director normally checks there has been consultation with Ward Members before confirming his approval. In these cases the approval of the Director was either not obtained or not recorded.

3.2   This objective was partially achieved. The 10 organisations reviewed who received funding under the Create & Employ scheme met all eligibility criteria. However, no eligibility assessments could be found for 2 of the 10 Deprived Area Fund grants reviewed, and it

was also noted that payment was not dependent on the receipt of the quarterly performance report despite this being a condition of funding. As a result there is therefore less incentive for the performance reports to be submitted timeously. 9 of the 10 placements reviewed for the Graduate Placement Scheme did not verify that the graduate was unemployed or underemployed prior to beginning the placement, which is one of the conditions, as this was overlooked in the administration process for the scheme. While evaluation documentation has been issued for each completed placement, this had not been returned for the 7 placements reviewed which had been completed (the remaining 3 placements are ongoing at the time of the audit).

3.3 This objective was substantially achieved as it was verified that robust records of planned and actual grant payments to organisations were retained for each individual scheme. However, it is considered that the introduction of an overarching record covering all schemes would further improve the level of control, and provide an easier means of checking existing clients when verifying applications.

Regular monitoring reports are produced to verify the accuracy of the coding of payments in the financial ledger. However, it was noted that 3 payments had been miscoded. While 2 of these were identified by the monitoring process and corrected, the remaining miscoding, totalling £10,125 was not corrected.

4. Conclusion

4.1 The audit found that in general there were robust processes in place for the 3 grant funding schemes reviewed. However, there are areas where the procedures could be improved in both the administration and approval of grant applications, and as a result there are 5 recommendations within this report. 2 of the recommendations are classified as medium priority, with the remaining 3 being low priority. The recommendations have been accepted by management, with agreed action due to be implemented by 30/04/15.

5. Audit Opinion

5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title   **Report No.**

Development & Infrastructure Service – Review of Employability Service	HE20/002.bf

The Action Plan contains **5** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	3
Total recommendations		**5**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.1	Medium	5 Deprived Area Fund applications were approved by Ward Members - 4 of these would have been expected to be approved by the then Director of Planning & Development and Chair of Planning Environment & Development Committee, with the other requiring approval by the Inverness City Manager, City Leader and Chair of Inverness Common Good Fund Grants Sub-Committee.	All applications should be subject to the specified approval process for the relevant scheme.	To devise and implement a standard recording process for delegated decisions for 2014-15 DAF. To include both Area Committee decisions and any delegated decision-making agreed.	Employability Team Leader	31/03/15
3.2.1	Medium	9 of the 10 Graduate Placement scheme applications checked had no evidence of checking whether the graduate was unemployed or underemployed prior to commencing their placement.	(1) The process surrounding the checking of applications should ensure that all funding criteria are met before the application is approved.	Self-reporting and recording to be introduced.	Employability Team Leader	30/11/14
		The monthly claims and supporting documentation for 1 organisation's August 2013 claim and another organisation's July & August 2013 claims for reimbursement under the Graduate Placement Programme could not be found.	(2) The relevant supporting documentation, including monthly claims, should be retained for all grant payments.	Accepted – the missing documentation relates to early starts – verification will be undertaken as part of approvals.	Project Officer/ Economy & Regeneration Manager	30/11/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development & Infrastructure Service – Review of Employability Service	HE20/002.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.1 (cont'd)		No assessment was found for 2 of the 10 Deprived Area Funding applications examined during the audit. An organisation was approved to receive £9,000 funding from the Deprived Area Fund in financial year 2013/14. A total of £9,456 was paid to the organisation during the year, however it appears that £2,400 of this related to funding due in 2012/13.		The next ESF programme will have increased obligations as Lead Agency for the Council. Therefore, before the programme begins, discussions on the retention of documentation and the processing of payments will be held with Internal Audit and Business Support to agree appropriate processes and the responsibilities of each party.	Economy & Regeneration Manager/ Head of Audit & Risk Management/ Head of Revenues & Business Support	31/03/15
			(3) All assessments for applications to the Deprived Area Fund should be retained.	Accepted. Check list to be introduced.	Employability Team Leader	30/11/14
			(4) The discrepancy in funding detailed above, should be investigated to ensure that the correct amount was paid to the organisation. If not, then this should be addressed.	Investigation continuing to ascertain correct action.	Employability Team Leader	30/11/14
			(5) Where there is a difference in the authorised amount to be paid and the actual amount paid, the reason for the difference should be recorded.	Accepted – file notes and recording to be improved.	Employability Team Leader	30/11/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development & Infrastructure Service – Review of Employability Service	HE20/002.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2	Low	Organisations receiving Deprived Area Fund grants are requested to submit quarterly performance reports along with their invoices, however if the performance reports are not submitted payment is not withheld. 7 of the 10 placements under the Graduate Placement Scheme examined were completed at the time of audit, however no response had been received to the evaluation questionnaire issued to the funded organisations.	(1) The frequency and level of detail of performance information requested should be proportionate to the level of funding and the size of the funded organisation. (2) The provision of performance information by funded organisations should be monitored to ensure that it is received as required by the conditions of the relevant scheme. Where there are regular difficulties in obtaining performance information, or concerns regarding the performance of an organisation, consideration should be given to withholding the next payment instalment until evidence of acceptable performance is provided.	To be reviewed for 2015-16 and included in approval/ claim arrangements. Accepted – as above.	Employability Team Leader Employability Team Leader	31/03/15 31/03/15
3.3.1	Low	While spreadsheets detailing each organisation being funded for 2013/14 were maintained for the individual schemes reviewed, there is no overarching record detailing all organisations funded, and allowing organisations being funded from more than one scheme to be identified.	A composite monitoring record should be introduced to assist the Employability Service to identify organisations receiving funding from more than one Highland Council grant scheme, to ensure organisations or individuals (e.g. graduates or employment placements) are not receiving funding from more than one scheme for the same placement.	Noted – MIS system to be procured and will be used in conjunction with the Council's single grants process to monitor funding applications.	Employability Team Leader	30/04/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development & Infrastructure Service – Review of Employability Service	HE20/002.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.3.2	Low	3 miscodings were identified in the payments reviewed during the audit, however 2 of these were identified by the monitoring process and corrected within the 2013/14 financial year.	(1) The officer approving the payment should continue to verify that the correct ledger code has been used as part of the approval process.	Activity established and underway	Economy and Regeneration manager	30/11/14
			(2) Regular monitoring of grant payments should continue to ensure that payments are coded against the correct budget within the financial ledger.	Quarterly checks to be introduced	Economy and Regeneration manager/ Employability Team Leader	30/11/14

AUDIT REPORT SUMMARY

Report Title

Finance Service - Oracle Financials

Report No.	Type of Audit		Issue Date	
HK07/014.bf	Computer		**Draft Report**	03/11/14
			Final Report	05/11/14

1. Introduction

1.1   The Oracle Financial Management Information System is currently used to manage the Council's income, expenditure and accounts. The Council's revenue budget of almost £564 million, and the capital budget was just over £78 million for financial year 2014/15, are controlled using this system. This system is to be replaced on 1 April 2015, by the new Integra Financial Management Information System. Therefore the findings and actions resulting from this audit will be implemented for the new system, not the existing one.

1.2   The audit was included as part of the 2013/14 Audit Plan.

2.   Review Objectives

Given the system is to be replaced in April 2015, the objectives of the review were restricted to the following areas to ensure that:

2.1   Logical access controls in terms of policy and passwords comply with expected best practice.

2.2   Application controls in terms of the update of standing data such as account codes; processing of interface data to and from the Oracle Financials System; and electronic audit trail recording are satisfactory.

2.3   The review checked the procedures for updating standing data and processing interfaces. In addition audit trail reports were run to ensure they contained the expected data.

2.4   The scope of this review did not include controls surrounding general transaction data input or the output of transaction reports.

3.   Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

3.1   This objective was mainly achieved. A draft Access Control Policy and a formal User Registration System are in place. Password complexity controls are only partially set up and enforced in that the user must enter a password that is a minimum of 6 characters long, but it does not need to contain a mixture of letters and numbers or upper and lower case letters.

3.2   This objective was fully achieved. The Finance Systems Administration Team have a well-documented procedure for setting up standing data such as account codes which ensures they need to be properly authorised. It also has good documented procedures in place for interface processing which include documented reconciliation checks and procedures for handling known errors. The sign-on audit trail of user logins and the manually configured table level audit trail showing all important user transactions are both operating as expected.

4.   Conclusion

4.1   The controls checked were mainly satisfactory and the Finance Systems Administration Team operating procedures that were examined during the review are of a good

standard. The two improvements identified, which are to be applied to the new Integra System, should assist with a successful implementation.

4.2 There are 2 recommendations in this report. Both are classified as medium priority and are due to be implemented by the start of April 2015.

5. Audit Opinion

5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Oracle Financials	HK07/014.bf

The Action Plan contains 2 recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	0
Total recommendations		**2**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.1	Medium	A draft Access Control Policy was produced in 2006, but it has not yet been completed and approved.	A new Access Control Policy should be produced when the new Integra System is introduced and it should be formally approved.	A new Access Control Policy will be produced as part of the Integra project.	Finance Manager (Corporate Budgeting, Treasury and Taxation)	01/04/15
3.2	Medium	The system only forces the user to put in a minimum of 6 characters. It does not force mixed case or a mix of numbers/special characters and letters. It does not prevent re-use of passwords. The facility to make passwords hard to guess has not been switched on.	Password complexity should be enforced when the new Integra System is introduced. It is understood there is functionality within the new system to do this.	Integra password setting allows the Council to design password complexity at corporate level and user level.	Finance Manager (Corporate Budgeting, Treasury and Taxation)	01/04/15

AUDIT REPORT SUMMARY

Report Title

Highland Council – Matters Arising from the Statement of Internal Control 2013/14

Report No.	**Type of Audit**		**Issue Date**	
HDC03/001	Systems	**Draft Report**	26/09/14
		Final Report	11/11/14

1. Introduction

1.1 In order to inform the Head of Internal Audit & Risk Management's annual Statement of Internal Control, work was undertaken to examine the systems of internal control operated within Highland Council. This consisted of:

(i) A high level review of the Highland Council's system of internal control by way of an evidence-based checklist comprising six key areas:

- Control environment.
- Identification and evaluation of risk and control objectives.
- Information and reporting.
- Control processes.
- Monitoring and corrective action.
- Assessment of whether the key controls have been applied during the year.

(ii) A review of the key controls operated within those financial systems which were not subject to a detailed audit review during the year (Creditors, Debtors, Income and Budgetary Control). The areas examined included:

- Financial procedures and guidance issued to staff;
- Segregation of duties;
- User access levels and appropriateness;
- System backups.

A sample of transactions was also selected for detailed testing to verify that the controls were operating as expected. This sample covered the Council, Pension Fund and organisations which use some or all of the Council's financial systems (Assessor's Department, NHS, High Life Highland and HITRANS).

2. Main Findings

2.1 The main finding of the review was that the systems of internal control were reliable. However there were some identified matters where action could be taken by management to improve the internal controls as follows

(i) Internal Control Checklist

No issues were identified

(ii) Review of Key controls

The key controls were found to be operating satisfactorily other than the issues noted below.

Debtors

A sample of twenty four debtor invoices was selected and issues were found where Financial Regulations had not been complied with including:

- The requirement to issue invoices within the specified timescales was not met for seven transactions. This point was also raised in a separate Debtors audit report which was issued on 10/03/14. In response, it was agreed that officers would be reminded of the need to comply with Financial Regulations and this was

addressed by the Income & Recovery Manager in February 2014. Further issues were identified from this audit as six invoices were not sufficiently detailed and eight were for regular monthly sums whereby direct debit payments could have been considered. Review of seven cancelled invoices showed that four did not contain an accurate reason for the cancellation. Two were not cross referenced to the original invoice. This was also raised in the Debtors audit report and was addressed at that time by the issue of guidance by the Service Finance Manager (Central Services).

General Ledger

From a sample of ten general ledger code amendments, one Chart of Account request form was not authorised by an appropriate individual.

Payroll

From a sample of seventeen New Starts and Leavers examined, sixteen were appropriately authorised and seventeen were processed in agreement with the completed payroll forms, although two were not submitted promptly. Lastly, for three, evidence of independent checks could not be demonstrated.

Review of sixteen fixed and temporary payroll changes identified that all were supported by the appropriate documentation where required and the changes input had been checked by an independent officer. All were authorised by an appropriate officer except for four where the signatures were illegible and could not be checked.

From a sample of six processed payroll runs, in one case, the information input was checked by the same officer; therefore segregation of duties could not be demonstrated.

3. Conclusion

This review has concluded that the Highland Council's systems of internal control were generally reliable. However, as detailed in the main findings above, there are areas where controls could be further improved. There are 3 recommendations in this report; one medium and two low priority grade classification. All recommendations are to be implemented by 31/12/14.

4. Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that Substantial Assurance can be given in that while there is a generally a sound system, there are areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Highland Council – Matters Arising from the Statement of Internal Control 2013/14	HDC03/001

The Action Plan contains **3** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	2
Total recommendations		**3**

					IMPLEMENTATION	
REPORT REF.	**GRADE**	**FINDING**	**RECOMMENDATION**	**MANAGEMENT AGREED ACTION**	**RESPONSIBLE OFFICER**	**TARGET DATE**
3.2.1	Medium	From a sample of twenty four debtor invoices examined, a number of issues were identified where the requirements of Financial Regulations had not been met: • Seven debtor invoices were not raised timeously. This point has already been addressed by management. • Six invoices did not contain enough descriptive detail. • Eight invoices were raised for regular monthly sums whereas collection via direct debit could have been considered. • One invoice included a number of low value transactions (under £10). Fourteen months had elapsed from the provision of the first supply to when the invoice was raised.	(1) The need to comply with Financial Regulations and associated guidance notes should be re-iterated to all concerned. In particular: • The importance of applying descriptions of the goods and services supplied or reason for invoicing the customer should be reinforced. • For regular monthly sums, the efficient use of direct debit collection should be considered.	An email circular was issued to remind all relevant individuals for the need to apply Financial Regulations when raising of debtor invoices. • A update to the Financial Regulation Guidance note, Issue of Debtor Accounts, is to be circulated concerning invoicing accumulated low value transactions.	Income and Recovery Manager Income and Recovery Manager	Implm'td 26/09/14 Implm'td 7/10/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Highland Council – Matters Arising from the Statement of Internal Control 2013/14	HDC03/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.1 (cont'd)		Similar issues were found with the sample of seven cancellations: • Four did not contain an accurate and appropriate reason for the cancellation. This point has already been addressed.	(2) Financial Regulations and/ or the associated guidance notes should be revised to include additional guidance on: • The requirement to cross reference replacement invoices with the cancellation (credit memo) details.	• The relevant Guidance Note section will be amended for the requirement insert credit memo details onto replacement invoices	Income and Recovery Manager	Implm'td 11/11/14
		• Two replacement invoices were not cross referenced to the original credit note/ invoice.	• The recommended timescale for invoicing accumulated low value charges.	• Clarification regarding the issue of low value invoices has been detailed in the Financial Regulation Guidance Note, Issue of Debtor Accounts.	Income and Recovery Manager	Implm'td 7/10/14
3.2.2	Low	From a sample of ten Chart of Account changes, one was not approved by a Service Finance Manager.	Chart of Accounts changes should only be accepted following receipt of an appropriately authorised request form.	The Chart of Accounts template details will be amended as follows: "Authorised by Service Finance Manager or Deputy".	Systems Administration Manager	31/12/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Highland Council – Matters Arising from the Statement of Internal Control 2013/14	HDC03/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.3	Low	From a sample of seventeen New Starts and Leavers: • evidence of independent checks could not be demonstrated for three, • one was not appropriately authorised, and • all amounts processed agreed to the SAL1 forms, however, two were not submitted promptly. From a sample of sixteen fixed and permanent payroll changes: • Three related to contractual payments whereby there is no requirement to retain supporting documentation. • Four were not supported by authorised signatories due to being illegible.	(1) Payroll staff should ensure that all necessary documentation is are retained on file to support the information processed, and checks performed, on the payroll system.	Sharepoint forms are now used to process changes etc. and are stored in a secure central library.	Payroll and Pension Manager	Completed
		One of the six payroll runs examined had been processed and checked by the same officer	(2) In respect of processed payroll runs, checking of the data input and subsequent output should be undertaken by separate payroll officers.	Processing and checking will be carried out by different officers.	Assistant Payroll Manager	Implm'td 31/10/14