

The Highland Council

Audit and Scrutiny Committee – 26th March 2015

Agenda Item	3
Report No	AS/1/15

Internal Audit Reviews and Progress Report – 08/11/2015 to 13/03/2015

Report by the Head of Audit & Risk Management

Summary

This report provides details of the final reports issued since the previous meeting of this Committee; work in progress and other information relevant to the operation of the Internal Audit Section.

1. Final Reports

- 1.1 There have been seven 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	Childcare Income	Reasonable
Care & Learning	Highland Instrumental Unit – Income Systems	Reasonable
Corporate Development	Corporate Governance Arrangements 2013/14	Full
Corporate Development	Corporate Internet Use (follow up)	Reasonable
Development & Infrastructure	Compliance with Carbon Reduction Commitment Energy Efficiency Scheme 2013/14	Substantial
Finance	Capital Monitoring & Budgetary Control	Substantial
Finance/Corporate Development	Payments through the Service Centre	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
- School Fund 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 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.
- Attending the Project Board for the new Financial Management Information System as a member of the Board.
- Attending the Information Management Governance Board as the representative from the Finance Service.

(iv) Scrutiny Working Group

Since the previous meeting in November, the Scrutiny Working Group has met on four occasions to take forward a review of the Council's performance in managing sickness absence. Further reference to this review is provided at agenda item 9.

3. Staffing Resources, Vacancies and Training

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

An Assistant Auditor recently attended a one day course in value for money/ performance auditing, organised by the Scottish Local Authorities Chief Internal Auditors Group.

4. Progress Against the 2014/15 Plan

4.1 Appendix 1 provides details of the progress with regard to quarters 1 to 3 (April to December) 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. However, appointments to this structure were not completed until May 2014. 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.

During the course of the year the following amendments have been made:

Audit & Scrutiny Meeting	Amendment
September 2014	Review of the National Recruitment Portal to be deferred until 2015/16. Deleted from 2014/15 Plan
November 2014	Review of Housing Revenue Account reconciliation process to be undertaken. Added to 2014/15 Plan

Further amendments to the Plan are now identified as follows:

Service	Activity	Comments
Care & Learning	Out of Hours service	Delete from plan – insufficient capacity
Corporate Development	Web Content Management	Deferred to 2015/16 in order to allow a reasonable post-implementation period
Development & Infrastructure	Capital Projects	Deferred to 2015/16
Development & Infrastructure	Property Asset Management System (K2)	Deferred to 2015/16 in order to allow a reasonable post-implementation period
Finance	Continuous Auditing	Deferred to 2015/16
Finance	Procurement	Other procurement activities being undertaken.
Finance	Resource Link	Deferred to 2015/16 as the new system processes were not implemented during 2014/15.

There were originally 49 audit assignments in the Audit Plan for 2014/15. As a result of the above amendments, 42 assignments will now be delivered.

5. Compliance with the Public Sector Internal Audit Standards (PSIAS)

5.1 The new Public Sector Internal Audit Standards were first presented to this Committee in June 2014 when it was reported that the Internal Audit Section was 76% compliant with the 334 A report was presented to the meeting of this Committee on 24th September 2014 which provided an action plan for eventual compliance against the Public Sector Internal Audit Standards. The level of compliance was then reported as being 86%, with the following three key actions highlighted which would increase the compliance further by the end of the current

financial year:

- (i) Internal Audit Manual – A comprehensive manual is in place to guide staff in all matters relating to the performance of individual audit assignments and on wider matters including the process for compiling the Annual Audit Plan. However, as a result of the PSIAS requirements, additional guidance needed to be provided within the Manual. This action has now been completed.
- (ii) Quality Assurance and Improvement Manual (QAIP) – The Standards require that a QAIP is developed which covers all aspects of the internal audit activity and enables conformance with all aspects of the Standards to be evaluated. The QAIP has been completed and was approved by this Committee at the last meeting on 20th November.
- (iii) 2015/16 Audit Plan – Although sound processes are in place to compile the Audit Plan, the Standards have identified additional requirements which have now been incorporated within the Plan which is provided at agenda item 4.

5.2 A fuller assessment against the Standards will be provided to the next meeting in June. In the meantime, assurance is given that the actions identified for completion by the end of March 2015 are now complete and that the level of overall compliance is in excess of 95%.

5.3 The key outstanding actions are around the requirement for an external assessment to take place every 5 years or less “by a qualified, independent assessor or assessment team from outside the organisation.” It was reported last November that the Scottish Local Authorities Chief Internal Auditors Group was developing a framework for assessments and that each authority participating in the framework would be allocated another authority to assess. In respect of the Highland Council's assessment, this is due to be performed this year by West Dunbartonshire Council.

6. Performance

6.1 As part of the development of the Quality Assurance & Improvement Programme (see 5.1 (ii) above), a set of performance indicators was established in order to measure the performance of Internal Audit and also the performance of Services in responding to the work of Internal Audit. The following indicators are reported here for the first time with the intention of reporting these on a quarterly basis to this Committee.

Quarter 3 performance – reports issued September to December 2014

Category	Performance Indicator	Target	Actual
Quality			
Client Feedback	• % satisfaction from individual audit engagements expressed through Client Audit Questionnaires	90	91
	• % of Client Audit Questionnaires returned	70	92
Business Processes			
Timeliness of Final Report	• % of draft reports responded to by client within 20 days of issue	85	44
	• % of final reports issued within 10 days of receipt of management response	90	100

Further indicators are being developed which will be reported to this Committee in due course.

7. Implications

7.1 Resource implications are referred to within this report.

7.2 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 approve the amendments to the audit plan for 2014/15.

Designation: Head of Audit & Risk Management

Date: 13th March 2015

Author: Nigel Rose, Head of Audit & Risk Management

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

Quarter 3 to 30th December 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
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	22/08/14	25/02/15	09/03/15	Mar 15
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	03/03/15	-	-	-	-
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	26/11/14	28/11/14	Mar 15
Care & Learning	Highland Instrumental Unit	Q1	24/06/14	04/09/14	20/11/14	18/12/14	23/02/15	Mar 15
Care & Learning	Community Payback Orders	Q1	12/08/14	21/01/15	-	-	-	-

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	03/12/14	-	-	-	-
Finance	Matters Arising from the Statement of Internal Control 2013/14	Q1	n/a	28/07/14	26/09/14	11/11/14	11/11/14	Nov 14
Development & Infrastructure	Asset Management	Q1	29/07/14	26/09/14	-	-	-	-
Development & Infrastructure	Pultneytown People's Project	Q1	25/06/14	13/02/15	-	-	-	-
Corporate Development/ All Services	Corporate Control of Overtime	Q1	30/07/14	13/03/15	-	-	-	-
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	18/11/14	-	-	-	-	-
Care & Learning	Capital Contracts (Ben Wyvis School)	Q2	05/01/15	-	-	-	-	-
Community Services	Harbours – Fuel Income Procedures	Q2	05/09/14	07/11/14	-	-	-	-
Community Services	Management of Housing Voids	Q2	08/10/14	13/03/15	-	-	-	-
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	12/02/15	16/02/15	Mar 15
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 13/14	Q2	18/08/14	20/10/14	05/11/14	02/02/14	04/02/14	Mar 15
Finance	Scottish Welfare Fund Payments	Q2	29/10/14	24/11/14	24/02/15	-	-	-
Care & Learning	Managing School Rolls	Q3	24/12/14	-	-	-	-	-
Care & Learning	Mental Health Officer Service	Q3	18/11/14	10/03/15	-	-	-	-
Community Services	Administration of Fuel	Q3	26/11/14	18/12/14	-	-	-	-
Corporate Development	Workforce Planning Arrangements	Q3	06/01/15	25/02/15	-	-	-	-
Corporate Development	Corporate Governance Arrangements 13/14	Q3	11/11/14	03/12/14	03/02/15	03/02/15	04/02/15	Mar 15
Corporate Development	Records Management	Q3	22/01/15	-	-	-	-	-
Corporate Development/ Finance	Payments through the Service Centre	Q3	15/09/14	05/01/15	16/01/15	17/03/15	17/03/15	Mar 15
Finance	Investigation into Housing Revenue Account reconciliation process	Q3	26/11/14	18/12/14	20/02/15	-	-	-
Finance	Corporate Arrears Recovery System	Q3	05/11/14	20/01/15	16/02/15	-	-	-

Audit	Planned timing	Terms of reference issued	Fieldwork complete	Draft report issued	Response received	Final report issued	Report to A&S	
	Review of Taxi and Private Hire Vehicle inspections contract	Q3	16/12/14	-	-	-	-	-

AUDIT REPORT SUMMARY

Report Title

Care and Learning Service – Childcare Income

Report No.	Type of Audit	Issue Date	
HG05/012.bf	Systems	Draft Report	29/10/14
		Final Report	28/11/14

1. Introduction

- 1.1 This audit was undertaken as part of the 2014/15 Audit Plan and reviewed the systems for the collection, recording, banking and monitoring of childcare income.
- 1.2 The Highland Council's nursery wraparound and out of school childcare scheme was piloted in August 2007 and was designed to offer a system of co-ordinated childcare for pre-school age (3 year olds) to 14 year olds. The service has been developed and expanded since then to suit local need and therefore there are a range of different models of provision. Childcare provision can include breakfast clubs, after school clubs, holiday clubs and nursery wraparound care. At the time of the audit there were 9 primary schools operating some level of childcare with a further 6 commencing in August 2014. Methods of payment available for this service are monthly invoice, direct debit (12 monthly instalments) or childcare voucher.
- 1.3 The childcare scheme has continued to expand in recent years with income rising from £246,580 in 2010/11 to £393,239 in 2013/14. The scheme was previously audited as part of the 2009/10 Audit Plan.
- 1.4 For the purposes of the audit, income generated from the provision of non-funded pre-school education places for 3 year olds has also been included. The use of this service has also continued to expand in recent years with income rising from £9,765 in 2010/11 to £21,124 in 2013/14.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 There are documented standard procedures in place for the collection, recording and monitoring of childcare income. All staff are aware of these procedures and they are applied consistently across the Council.
- 2.2 There are appropriate controls in place surrounding the collection, recording and monitoring of childcare income.
- 2.3 The current processes make effective use of the resources and systems available and are fit for purpose.

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 there are procedures in place but they do not contain full details of the administration of non-funded places and school based processes. Also, the procedures are out of date as they have not been amended to reflect the changes from the centralised Business Support function and a number of the school clerical staff were unaware of these.
- 3.2 This objective was partially achieved due to the following:
 - There is an inconsistent approach amongst the schools examined as to the regularity with which permanent childcare bookings are renewed. Booking forms were not always completed properly and there were a high number of instances where the childcare booking information did not match attendance data entered on the weekly

usage sheets. Booking cancellations had not always been date stamped or the date noted so it was not possible to establish whether or not the required 48 hours' cancellation notice had been given.

- Out of a sample of 180 transactions (all payment methods), there were 17 instances whereby the information entered onto the monthly childcare statement did not match the weekly usage sheets submitted by the school. This led to parents being billed for the incorrect number of sessions, resulting in a loss of income to the Council of £335.59. In each case the usage data had been entered incorrectly or missed by the Business Support Administration Assistant when manually inputting the data onto the monthly childcare statement. Although the reported income loss is minor, the system weakness could result in more significant losses arising.
- Non-funded places are available when a child is 3 years old until they become eligible for a funded place and this is for a maximum of 3 months. This service must be paid for and invoices are issued. Examination of 33 invoices for non-funded places identified 10 where the sum charged was not in agreement with the attendances entered on the E1 education management system (now replaced by SEEMiS). This was due to the invoice being incorrect or the attendance being incorrectly recorded. The corresponding lost income is £225.75. A further 4 invoicing errors identified by Business Support were examined and in each case the attendance had been entered incorrectly onto E1 by the school.

In addition, delays in issuing invoices for the first month's attendance meant that if the invoice had remained unpaid for a 2 month period it was too late to consider withdrawing the service as the child would be eligible for a funded place.

- There were no regular reconciliations between the sums paid and sums due where payments were made by childcare voucher and direct debit. This could lead to large debit or credit balances being accrued.
- Out of a sample of 55 transactions selected from "past due" invoice reports, appropriate debt recovery action had been taken for all but 1 invoice and, where applicable, a withdrawal of service letter had been sent or contact made with the parents to resolve the situation. However, the withdrawn service list (WSL) was not always updated to reflect that the service had been reinstated and some schools did not maintain such a list. In addition, a withdrawal of service letter is only sent if two successive invoices remain unpaid on an account.
- "Past due" invoice reports were produced on a regular basis and the format introduced from May 2014 onwards allows for the effective review of unpaid invoices. However, the timing of the reports did not always allow for the most current past due invoices to be included.

3.3 This objective was partially achieved. Whilst there are strong links between all parties involved, the main issues relate to the manual nature of the systems used which increase the risk of input errors and are time consuming for staff to use. Budgetary responsibility for the childcare scheme is currently devolved, however at the end of each financial year the budgets are equalised and therefore there is no incentive for Head Teachers to meet budget targets.

4. Conclusion

4.1 The main issues identified with the childcare scheme can be attributed to the manual, labour intensive nature of the systems used. These systems also increase the risks of input error and can be challenging for school clerical staff to manage alongside their already busy workloads. Also, the lack of up to date policies and procedures and the lack of awareness amongst staff of these procedures has contributed to the issues found.

4.2 As a result of the audit, 11 medium grade recommendations have been made. The recommendations have been accepted by management, with resultant agreed actions due to be implemented by the end of December 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** 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.

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The Action Plan contains **11** recommendations as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	0
Medium	11
Low	0
Total	11

Total recommendations

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Medium	<p>Whilst there is a procedure document, it is out of date and incomplete as it does not reflect all of the processes carried out by the school clerical staff or the detail in respect of administration of non-funded places.</p> <p>In addition, whilst staff within the Childcare & Early Education Service and Business Support were aware of the standard procedures and where to access them, staff at 3 of the 4 schools visited were unaware of this.</p>	<p>(1) The procedure notes should be updated to reflect current processes with equal focus afforded to processes carried out by Business Support and those carried out by the school clerical staff.</p> <p>(2) In addition to areas already covered, the guidance should be expanded to include:</p> <ul style="list-style-type: none"> • Information for schools on the retention policy for booking/cancellation forms and annual maintenance of the childcare register. • Full details of the administration of the non-funded places. <p>(3) The revised procedures should be stored in a central location and then notified and made available to all relevant staff.</p>	Agreed	Resource Manager (Early Years) /Operations Manager (Business Support)	31/12/15
				Agreed	Resource Manager (Early Years)	31/12/15
				Agreed	Operations Manager (Business Support)	31/12/15
				Agreed	Operations Manager (Business Support)	31/12/15

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.1	Medium	<p>The booking information and accompanying amendment/ cancellation paperwork did not always correspond with the weekly attendance data.</p> <p>Also, there are inconsistencies between school's approach to the regularity of permanent childcare booking renewals and the types of forms used for additional bookings and amendments/ cancellations.</p> <p>Some booking forms were incomplete as they did not include the child's name and the date was not always noted on the amendment/ cancellation notice which meant that it could not be established if the cancellation had been made within the required 48 hours.</p>	<p>(1) Standard procedures relating to the booking process should be expanded upon and included within the procedure notes referred to in section 3.1.1. In particular the following areas should be covered:</p> <ul style="list-style-type: none"> • Frequency with which permanent bookings should be renewed. • Requirement for a booking form to be completed for all bookings. • Which form is required if additional bookings are made e.g. new booking form or amendment form. • The mandatory information required on forms. • The requirement for a cancellation form to be completed for all cancellations (email confirmation acceptable). <p>(2) The booking amendment forms should be revised so that there are clearly marked separate sections for existing booking amendments and cancellations.</p>	Agreed	Resource Manager (Early Years)	30/04/15
				Agreed	Resource Manager (Early Years)	30/04/15

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.1 (cont'd)			(3) Both the booking form and booking amendment form should be revised to provide space for signature, printed name and date of submission to be recorded by the person completing the form. There should be an 'Office use only' section so that school clerical can sign and date when they have added the booking to the weekly usage sheet.	Agreed	Resource Manager (Early Years)	30/04/15
3.2.2	Medium	For 17/180 transactions reviewed the information entered onto the monthly childcare statement did not match the weekly usage sheets submitted by the school resulting in a loss of income of £335.59. In each case the usage data had been entered incorrectly or missed by the Business Support Administration Assistant when manually inputting the data onto the monthly childcare statements.	(1) Spot checks should be carried out by Business Support to ensure the accuracy of data input.	Agreed 5% spot checks to be carried out and recorded	Operations Manager (Business Support)	30/04/15

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2 (cont'd)			(2) It is recognised that the manual systems carry a higher risk that errors will be made and a computerised system would be the best solution. Ideally the system should be able to record bookings, produce daily attendance sheets and allow for any amendments or cancellations to be updated directly onto the system. Business Support should then be able to pull attendance reports directly from this system in order to facilitate billing of the service. The manual transfer of data should be kept to a minimum as this leaves scope for errors to be made. It is recommended that advice is sought from the SEEMiS project team as to whether this system can provide this functionality.	Agreed	Resource Manager (Early Years)	30/06/15
3.2.3	Medium	For 10/33 transactions reviewed the chargeable amount, based on the attendance entered on E1, did not match the amount invoiced for resulting in a loss of income of £222.75. This was due to invoicing errors or attendances not being recorded correctly on E1.	(1) All instances where the number of sessions invoiced for differs from the attendance noted on SEEMiS/ E1 should be evidenced by Business Support. The attendance should then be confirmed with the school and updated on SEEMiS accordingly.	Agreed	Operations Manager (Business Support)	30/04/15

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					RESPONSIBLE OFFICER	TARGET DATE
3.2.3 (cont'd)		A further issue has been identified with SEEMiS as the system does not clearly identify those children who are in receipt of a non-funded place and this then causes problems for the invoicing process.	(2) A reminder should be issued to school clerical staff on the importance of entering reliable information into SEEMiS on a regular basis, and the implications that errors have on the invoicing process. (3) The SEEMiS Project Manager should be contacted to provide a solution to ensure that all children in receipt of non-funded places can be "flagged" on the system enabling them to be clearly identified for invoicing purposes. (4) The option of 'Free for three' should be explored further. This would mean that all 3 year olds would be eligible for a funded early education nursery place from their 3rd birthday therefore removing the need to invoice for non-funded places.	Agreed	Resource Manager (Early Years)	30/04/15
				Agreed	Resource Manager (Early Years)	30/04/15
				Not Agreed as too costly to implement with partner Providers.	N/A	N/A
3.2.4	Medium	Although termly statements were sent out for all childcare voucher accounts, there is no evidence that regular reconciliations took place between the sums paid and sums due or note of action taken to recover sums due or refund overpayments.	The reconciliation between sums paid and due should take place on childcare voucher accounts at least on a termly basis. Following this reconciliation, a statement along with a letter (if corrective action is necessary) should be sent. The date that the letter is sent and details of corrective action taken should be noted on the childcare statement.	Agreed	Operations Manager (Business Support)	31/08/15

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.5	Medium	Although termly statements were sent out for all direct debit accounts there is no evidence that regular reconciliations took place between the sums paid and sums due and an assessment made of the adequacy of the monthly instalment.	The recommendation at section 3.2.4 should also be applied where payment is made by Direct Debit.	Agreed	Operations Manager (Business Support)	31/08/15
3.2.6	Medium	There were delays in issuing invoices for non-funded places which means that if invoices are not paid, there is no scope to withdraw this service as it is only required for a maximum of 3 months.	In accordance with the requirements of the Council's Financial Regulations, invoices should be raised within 14 days of from the date of the provision of service, at the month end for regular invoicing or when all associated charges are available.	Agreed	Operations Manager (Business Support)	31/08/15
3.2.7	Medium	Appropriate action had been taken by Income & Recovery for all but 1 invoice and, where applicable, a withdrawal of service letter had been sent or contact made with the parents to resolve the situation. However, the withdrawn service list (WSL) was not always updated to reflect that the service had been reinstated and for some schools a WSL did not exist.	(1) A WSL should be maintained for each school. The WSL should be updated each month following the review of the "past due" invoice report with the date withdrawal of service letter sent, date service withdrawn, date service reinstated and reasons for reinstatement of service recorded. (2) An email with a link to the WSL should be sent to the relevant school clerical staff on a monthly basis.	Agreed	Resource Manager (Early Years)	30/04/15
				Agreed	Resource Manager (Early Years)	30/04/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service – Childcare Income

HG05/012.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.7 (cont'd)		A withdrawal of service letter is only sent out if two successive invoices remain unpaid.	(3) Withdrawal of service decisions should also consider how long an invoice has been outstanding and its value, not just the number of invoices outstanding.	Agreed	Resource Manager (Early Years)	30/04/15
		Changes to contact details are not always updated on the childcare statement and Oracle.	(4) A procedure note should be drafted and circulated to <u>all</u> school clerical staff regarding the updating of contact details where the child is using the childcare service.	Agreed	Resource Manager (Early Years)	30/04/15
3.2.8	Medium	The "past due" invoice report format introduced from May 2014 allows for the effective review of unpaid invoices. Although the reports have been produced on a regular basis, the timing does not always allow for the most current past due invoices to be included.	The "past due" invoice reports should be produced at least 14 days from the last batch of invoices produced to ensure that the most recent invoices are included. This will provide full details of all unpaid invoices including those recently issued.	Agreed	Operations Manager (Business Support)	31/01/15
3.3.1	Medium	The manual nature of the systems used increase the risk of input errors, as evidenced by the findings in section 3.2.2.	See section 3.2.2 (2).	Agreed	Resource Manager (Early Years)	30/06/15
3.3.2	Medium	Budgetary responsibility for the childcare scheme is currently devolved but at the moment there is no incentive for Head Teachers to meet budget targets as childcare budgets are equalised at the end of each financial year.	Budgets for childcare should be set annually for each applicable school. This would then allow the Head Teachers, as the budget holders, to monitor the income and expenditure in accordance with the Council's standard budgetary control process.	Agreed	Resource Manager (Early Years) / Head teachers	31/08/15

AUDIT REPORT SUMMARY

Report Title

Care and Learning Service- Highland Instrumental Unit Income Systems

Report No.	Type of Audit	Issue Date	
HAD06/001	Systems	Draft Report	20/11/14
		Final Report	16/02/15

1. Introduction

- 1.1 This audit was undertaken as part of the 2014/15 audit plan and examined the income collection function of the Highland Instrumental Unit (HIU). The audit examined the systems of payment within the HIU and assessed whether these systems are working effectively and efficiently. All other aspects of the HIU were excluded from this review.
- 1.2 The HIU administers a subsidised music tuition service to school pupils across the Highlands. Pupils can study a range of different instruments which are provided free of charge for as long as pupils need them, and receive one tuition session a week of 25 minutes duration, from qualified music Instructors. Pupils' parents or guardians are required to make a contribution to the cost of tuition which is currently set at £256.80 p.a. Payment is spread over a twelve month period and should be paid by a monthly Direct Debit of £21.40.
- 1.3 Not all pupils receiving tuition have to pay as there are three categories of exemption:
- Where the pupil's parent or guardian is in receipt of a qualifying benefit.
 - Pupils in S4-S6 who are studying their chosen instrument as part of an SQA National Award. This exemption was introduced in August 2013 following a decision made by the Highland Council at the request of the Scottish Government.
 - Special exemptions can be made at the discretion of the Music Development Officer who manages the tuition service.
- 1.4 At the time of the audit there were 2,750 pupils receiving music tuition. The income budget for music tuition for 2014/15 is £600,000, a reduction of £80,000 from the previous year as the decision to exempt pupils who study SQA qualifications led to a reduction in the level of income.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 There are clear criteria which set out who pays for music tuition and who is entitled to free tuition. This is properly applied by staff within the Highland Instrumental Unit.
- 2.2 Where payment should be made for tuition, there are appropriate systems in place for the accurate charging and recovery of all sums due. These systems are commensurate with the level of income received.
- 2.3 There are effective debt recovery arrangements in place for outstanding sums due. Prompt action is taken to address any large outstanding sums or problems with particular debtors.

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 website and pupil registration form clearly state the three reasons for exemption (receipt of qualifying benefit, special exemption and studying for an SQA National Award). For those in receipt of benefits, all 6 reviewed had provided the necessary documentation to evidence entitlement. However, 1 was approved despite the supporting documents being out of date at the time of the application. For 2 individuals the proof of benefit entitlement was out of date at the time of the audit as updated evidence of continued entitlement is not requested.

Where pupils are exempt due to studying for SQA awards but had previously paid for tuition, the payments had ceased although some refunds still needed to be made in cases where HIU had not been timeously notified of the exemption.

All of the 57 pupils who were granted special exemptions had been approved by the Music Development Officer. The main reasons for approval were due to participation in special music projects or where a special request was made for a pupil. The audit has prompted HIU to review the process for approving special exemptions.

- 3.2 This objective was partially achieved as payment is made by Direct Debit for the majority (82%) of pupils. 1 error was found in a sample of 10 Direct Debit payments, where 10 months of tuition was omitted from the Direct Debit. This error occurred in the setting up of the Direct Debit where payment was requested for 1 rather than 2 children. As this was a Council error, the sum has not been pursued but the Direct Debit has since been amended for the correct amount.

The Administrative Assistant maintains a record of Direct Debit defaults and correspondence with parents. A sample of 17 defaults was examined and appropriate action was taken to recover the outstanding sums but some of these still remain unpaid, particularly where invoices were subsequently issued.

18% of payments (385 pupils) are made by way of debtor invoices despite monthly Direct Debits being the official payment method for music tuition. These invoices are issued twice a year; February for the period August-January and August for the period February-July. A sample of 14 invoice payers covering a total of 42 invoices were examined and these were found to have been issued promptly and accurately. 19 were paid after the due date and 9 remained unpaid.

There were 1,084 invoices raised in the previous school year (August 2013 - July 2014) with a value of £126,406. Analysis at 16/07/14 showed that 791 had been paid, with 269 invoices (25%) totalling £34,745 remaining unpaid. 24 invoices were only partially paid. 52 of the 1,084 invoices were selected for more detailed examination. Only 3 of these were paid on time and 18 (35%) remained unpaid.

- 3.3 This objective was not achieved. As detailed at 3.2 above, payment is also accepted by invoice and the payment rate is less than 75%. At the time of the audit the total debt owed to HIU was £67,794. The debt recovery process of issuing reminders and referring unpaid debts to Sheriff Officers is followed. However, it is uneconomical to collect the majority of sums owed which are less than £350 and so no action is taken by Sheriff Officers unless the individual has other debts with the Council and the accumulated sum is over £350. Furthermore, no sanctions have been applied against persistent non-payers as tuition has continued regardless of whether payment has been made.

In addition, contrary to the requirements of Financial Regulations, there is no regular monitoring of debt.

- 3.4 In addition to the above findings, it was identified that the HIU is dependent upon their one Administrative Assistant. Whilst she is very knowledgeable of their processes, these are not documented which would cause operational problems in the event of any unplanned absences.

4. Conclusion

- 4.1 The large number of pupils, and the continuous enrolment and departure of pupils means that efficient administration is essential for HIU to maintain a successful income collection function. The current administration is diligent and systematic but is reliant upon one member of staff. If an unforeseen absence was to occur the system for administering HIU would be put at risk and may not function effectively.
- 4.2 The main concern arising from this review is that despite Direct Debit being stated as the payment method, a large number of invoices are also issued. The audit findings have highlighted that only 75% of invoices were subsequently paid and a number of these required first and/or second reminders to be issued before payment was made. The current process therefore creates an administrative burden for HIU staff and the Income and Recovery team.
- 4.3 An analysis of HIU's debt shows that some individuals persistently refused to pay for tuition and no sanctions were imposed. This situation highlights a lack of fairness with the system as those who do not pay are still able to access the same service as those who pay. A low rate of payment has led to an increase in HIU's debt over time and as the majority of debt is for small amounts, recovery is uneconomical and it is likely that this will eventually be written off.
- 4.4 The audit resulted in 6 recommendations being made, 2 classified as high priority and the other 4 medium priority. All recommendations have been accepted by management, with agreed action due to be completed by the end of October 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** 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 and Learning Service - Highland Instrumental Unit Income Systems

HAD06/001

The Action Plan contains 6 recommendations as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	2
Medium	4
Low	0
Total recommendations	6

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1	Medium	<p>Of the 6 pupils sampled whose parents were in receipt of benefits: 1 was out of date at the time of application and 2 of the proofs of benefit were now out of date. The benefit award periods follow the fiscal year which is different to the school year and updated information is not presently requested.</p> <p>Special exemptions are not regularly reviewed. In addition, there is no formal process for documenting all such requests and the reason for approval/ refusal.</p>	(1) Regular reviews should be undertaken by HIU to check that those in receipt of benefits have up to date documentation to support this claim.	Annual review to be put in place by October 2015.	Administrative Assistant.	31/10/15
			(2) The Music Development Officer should undertake regular reviews of the special exemptions.	Annual review to be put in place.	Music Development Officer.	31/08/15
			(3) Future request for special exemptions should be made in writing to the Music Development Officer and the reason for agreeing/refusing this request documented.	This has been done (i.e. process has been changed as recommended).	Music Development Officer.	Completed

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service - Highland Instrumental Unit Income Systems

HAD06/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1 (cont'd)		Where pupils became exempt due to studying an SQA music qualification, not all previous sums owed were collected and a number of overpayments have still to be refunded.	(4) HIU should ensure that when a pupil becomes exempt from tuition any outstanding payments should be made. (5) HIU should process all refunds due to pupils who became exempt from tuition due to studying for an SQA music award.	Recover all outstanding payments. Process all refunds due.	Administrative Assistant. Administrative Assistant.	Completed. Completed. Any new cases will be examined as required.
3.2.1	Medium	1 error with a Direct Debit was found but this is considered to be an isolated incident. <ul style="list-style-type: none"> Where Direct Debits fail, HIU have issued invoices to cover the unpaid tuition. From a sample of 17 defaults examined: HIU had made errors in the amount issued on invoices and in 1 case had not issued the invoice. 2 pupils had not paid for the final month of tuition as invoices were not raised. This had been the policy at the time but has since been changed. Where invoices were issued a number were not paid on time. <p>This analysis showed that c.10% of the defaulted sums subsequently invoiced were not paid</p>	The Direct Debit system is an efficient method of payment and all who are enrolled should use this payment method. In the event of non-payment there should be moves to withdraw the service rather than issue invoices for sums outstanding.	Write to all remaining 'invoice' payers insisting that they set up DD unless tuition is to be withdrawn.	Administrative Assistant, working with Music Development Officer.	05/04/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service - Highland Instrumental Unit Income Systems

HAD06/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2	High	<p>Despite the fact that payment should only be made by Direct Debit, a number of invoices are also issued.</p> <p>For the school year August 2013- July 2014, 27% of the issued invoices totalling £36,092 remained unpaid or partially paid.</p> <p>From examination of a sample of 42 invoices paid by 14 individuals, 19 were paid late and 9 remained unpaid. A similar picture was obtained when examining a random sample of invoices issued during the year. These findings show that payment by invoices is not working efficiently and is not cost efficient.</p>	The music tuition leaflet and Pupil Registration Form should be amended to state that failure to pay by Direct Debit may result in service withdrawal.	Amend public information.	Music Development Officer.	Completed.
3.3.1	Medium	<p>Analysis of HIU's debt showed that £61,524 was owed. This sum is c. 11% of the annual income budget. The majority of individuals owe sums of less than £350 making recovery uneconomical.</p> <p>49% of the individual debt (£29,900) was less than 1 year old and spread across 293 invoices and 216 debtors.</p> <p>20 debtors were examined in greater detail and this covered 22 pupils, 10 of whom were no longer in receipt of tuition. Of the 81 invoices examined for these individuals, 34 were issued in the last year with 27 over 2 years old.</p>	<p>(1) Action should be taken to recover all outstanding sums with priority given to those sums over £350 which can be pursued by the Sheriff Officers.</p> <p>(2) HIU should contact those owing sums who still have children enrolled, explaining that non-payment will result in a withdrawal of the service.</p>	Appropriate parental contact.	Administrative Assistant working with Music Development Officer.	30/06/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service - Highland Instrumental Unit Income Systems

HAD06/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.3.2	High	No regular monitoring of debt takes place contrary to the requirements of Financial Regulations.	The Music Development Officer should review the debt situation regularly in accordance with the Council's Financial Regulations.	Obtain regular debt reports & review termly.	Music Development Officer (working with information provided by Income & Recovery).	28/02/15
3.4	Medium	All administration for HIU is undertaken by one member of staff. There is currently no set of procedures in place in the event of unexpected absence.	HIU should create a set of procedures which can be followed in the absence of staff.	Set of procedures to be created.	Administrative Assistant, following discussion with Music Development Officer re appropriate calendar events influencing HIU procedures.	31/10/15

AUDIT REPORT SUMMARY

Report Title

Corporate Development Service - Corporate Governance Arrangements 2013/14

Report No.	Type of Audit	Issue Date	
HBC01/001	Systems	Draft Report	03/02/15
		Final Report	04/02/15

1. Introduction

- 1.1 This audit was undertaken as part of the 2014/15 annual plan and records the findings of a recently completed audit in respect of the Council's Corporate Governance arrangements for 2013/14.
- 1.2 The Council's Code of Corporate Governance (the local Code) accords with the requirements of the CIPFA/ SOLACE Framework Note for Scottish Authorities: Delivering Good Governance in Local Government (2007) which is recognised as best practice. This Note was later reviewed and supplemented by "Delivering good governance in Local Government: Framework" (Addendum, December 2012). This recommended that a governance statement is prepared by all authorities in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

2. Review Objectives

- 2.1 The objective of the review was to ensure that there is an appropriate Corporate Governance framework supporting the annual Corporate Governance Assurance Statement. Reference was made to the CIPFA/ SOLACE addendum which lists twenty one key elements of the systems and processes that comprise good governance arrangements, in order to establish if these are in place within the Council.

3. Main Findings

- 3.1 The audit objective was fully achieved as the Council's Corporate Governance framework covers the expected key systems and processes. A Corporate Governance Assurance Statement is produced annually and included within the Council's Statement of Accounts. It contains details of the monitoring of the local code, assurances given to governance systems and planned future improvements. Review of the 2013/14 versions of the Corporate Governance Assurance Statement, local Code and Statement of Internal Control clearly demonstrated that all key elements are in place.

4. Conclusion

- 4.1 The Council's Corporate Governance framework accords with best practice with all expected elements in place, thereby demonstrating effective governance. As a result, no audit recommendations were required and an abbreviated audit report has been issued

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 **Full Assurance** can be given in that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

AUDIT REPORT SUMMARY

Report Title

Corporate Development Service - Corporate internet use (Follow Up)

Report No.	Type of Audit	Issue Date	
HA20/012	Computer	Draft Report	03/11/14
		Final Report	16/02/15

1. Introduction

- 1.1 This follow-up review was based on an earlier review on corporate internet use and compliance to Council policy, which was issued on 03/10/12. The first audit had four objectives and resulted in two high grade and eleven medium grade actions being identified. These agreed actions were all due for completion by 31/03/13
- 1.2 A follow up audit was included in the 2013/14 audit plan, but was subsequently delayed and included in the plan for 2014/15
- 1.3 During the intervening period, changes included updated versions to the Council's ICT Acceptable Use Policy and completion of higher network resiliency work on the IT infrastructure which provide the internet service.

2. Review Objectives

- The main objective of this review was to ensure that the thirteen management agreed actions from the first review had been implemented. These actions were agreed in the first review to ensure that four objectives were achieved. These were:
- 2.1 There are appropriate policies in place for guidance to users on acceptable internet use in line with legislative and corporate requirements within the Council's ICT Acceptable Use Policy
 - 2.2 Internet use is logged and these logs maintained for monitoring and to allow further investigation as required
 - 2.3 Software and settings that allow users' access to the internet and filter unacceptable content are adequate for Council business purposes
 - 2.4 Internet usage reports which have meaningful detail are provided regularly to Services which allow monitoring on an on-going basis. Where unacceptable usage and non-compliance is suspected, this is promptly acted upon.

3. Main Findings

- The main findings of the follow up review, referenced to the above review objectives, are as follows:
- 3.1 The first objective had four medium grade and one high grade action. Three were found to be completed as agreed, including the high grade action and two actions were found to be changed with alternative solutions completed
 - The first action was completed, with the ICT Acceptable Use Policy (AUP) being more specific on legal requirements for compliance in the version 5 approved in June 2013
 - The second action on the use of freeware was changed from the original action which was to include advice in the AUP, to an alternative action of spot check reviews on device settings across the corporate estate
 - The third high grade action for guidance and training on potential risks and benefits of social networks for users was produced in March 2013
 - The fourth action, for more specific guidance to users on monitoring practices carried out to comply with the Information Commissioner's Office guidance on Data

Protection and the Employment Practices Code (Part 3 – Monitoring at work) was completed with additional information included in the revised AUP version 5

- The fifth action, for the prompt at login to display parts of the AUP on a rolling basis so users can read and accept the entire policy, proved to be technically unfeasible. Instead, an alternative action for change to the login prompt script for users' requirement to read, understand and comply with the Policy was completed in 29/09/14. However, this action still assumes that users have read the AUP when they may not have done.

3.2 The second objective has been achieved with the two medium grade actions fully completed

- Microsoft (MS) explorer internet history logs are 'locked down' on standard desktop devices so users cannot amend and delete internet explorer log history in the browser
- The second action was completed with the revised Service Description for Corporate Office web-browsing and web-filtering signed off by the Council and the contractor to confirm management of proxy log data

3.3 The third objective has been partially achieved. Of the three medium grade actions, two have been completed and one is not complete but instead is to be tolerated as an ICT risk

- The security filter settings on standard build of devices now has the MS SmartScreen filter setting switched on by default to provide additional awareness for users of any internet sites listed as high risk
- The second action was for re-categorisation of websites commonly accessed for business use within the filter policy. This action was due to be completed by 31/03/13. Some of the commonly used business sites, such as access to the Pecos web-based solution for ordering goods have now been included in the Council 'User Defined' category in the filter software and managing requests for blocking and unblocking websites through Websense has been reviewed by ICT Services. As filter re-categorisation action is a continuous process, this action is noted as complete
- The third action, to ensure users were correctly defined by Service user groups in the filter software was due to be completed by 31/03/13. The Council re-structure with five new Service Directorates and Teams supporting the Chief Executive was established during 2014. However, Microsoft Windows Active Directory, which the web filter software utilises to define user groups has not kept pace with change. The cost and complexity of updating Active Directory for Council changes to user groups remains as an ICT risk and is recorded on the ICT Services Risk Register with appropriate mitigating actions achieved

3.4 The fourth objective has been partially achieved. One of the three agreed actions has been completed and two remaining actions, including a high grade action are not complete

- The Council's partnership group High Life Highland has now been separately defined in the filter and reporting software which closes the action with regard to Council partnerships working groups
- The high grade action to improve and re-issue monthly usage reports for Service Managers was originally due for completion by 31/03/13. This was delayed with the agreement of Internal Audit to 31/08/13. However, as this action remained incomplete, it was noted in the Head of Audit and Risk Management's Statement on Internal Control which was reported to the Audit and Scrutiny Committee on 19/06/14 and assurance was given that this action would be completed by 30/06/14.

This follow up review found that this action remains outstanding. New reporting formats were delayed through dependencies on the new Council Services structure being updated in the web filter and reporting software, which was upgraded. This software links to an out of date Council structure within Microsoft Active Directory network management technology (as in 3.3 above). To progress improved reporting, ICT Services have completed a check with the software supplier in November 2014.

Training of ICT officers then took place in January 2015 to ensure the Council's web filter and reporting tool product is being set-up, utilised and managed in line with Council requirements. New internet usage reports have been designed and run for one Service as a pilot and progress to improve this reporting style is underway. Once the preferred reporting style is agreed this will be rolled out across all Services. However, if a Senior Manager has concerns regarding potential internet misuse, ICT Services can and have run bespoke reports to allow for further review. This service has remained available throughout the current ICT contract as a useful resource

In the first audit review, no evidence was found of automated exception reporting or anonymized reports being carried out, for example reports on legal and security risks to monitor corporate usage and confirmation of filter reliability. In this follow up review, automated security incident alerts were found to be generated directly from the filter software and emailed to ICT Services

- The final medium grade action related to Service Managers requesting more guidance in managing suspected unauthorised use. This action was originally due for completion on 31/03/13. In the original report it was identified that Managers were responsible for officers using the internet service but did not receive exception reports of specific high risk areas such as attempts by users to access sites with high risk of malware. However, the ICT Acceptable Use Policy (version 5) no longer includes a mandate for Service Managers to be notified of ICT security incidents in their defined area of responsibility and states that ICT Services Officers are instead responsible for investigating these. Dependency on the new reporting format (referred to in the bullet point above) has delayed this guidance being released

4. Conclusion

- 4.1 The majority of the previous audit agreed actions have been completed, with 9 out of 13 completed and progress made in 3 of 4 of the remaining actions. However, progress has been much slower than agreed and previously reported to this Committee, particularly with regard to the high grade action concerning the production of meaningful monitoring reports to assist in identifying unauthorised use. ICT Services have progressed higher network resiliency work and other actions towards this high grade action for improved reporting output
- 4.2 Three recommendations in this follow up report are classified as medium priority and one classified as high priority. Three actions are due to be completed by 31/03/2015
- 4.3 One medium grade action has been changed; it is no longer to be completed but accepted as a tolerable risk. This is recorded in the ICT risk register and will be noted in the Head of Audit and Risk Management's Statement on Internal Control for 2014-2015.

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 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.

Corporate Development Service – Corporate Internet Use (Follow Up)

HA20/012

The Action Plan contains 4 recommendations as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	1
Medium	3
Low	0
Total recommendations	4

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.5	Medium	<u>Users agreement to comply to Policy</u> An alternative action was completed with a change to the login prompt script for users' requirement to read, understand and comply with the Policy in 29/09/14. This prompt assumes that users have read the ICT Acceptable Use Policy (AUP) when they may not have done	As a rolling login script is not technically possible, the Council's online learning module for the ICT Acceptable Use Policy should be reviewed as another method for confirming the Policy has been read in full by ICT users.	Review My Online Learning Module with Human Resources and Learning & Development with a view to mandating the ICT AUP module for all ICT users.	ICT Delivery Manager	31/03/15
3.3.3	Medium	<u>Filter Policy and Council Service User Groups</u> The action - to ensure definitions of Users by Service user groups in the filter software were up to date for staff changes had not been completed for new Service developments	Council user groups should be updated in the filter policy for reliability and usefulness of reporting output. It is understood that the filter software is based on user groups defined in Active Directory	Due to the restructuring and the cost and complexity of updating Active Directory the web filtering will remain as it is in terms of structure of personnel. A risk will be recorded on the ICT Services Risk Register, with appropriate mitigating actions	ICT Operations Manager	closed 31/01/15
3.4.1	High	<u>Reporting Output Style</u> Regular monitoring reports of	3.4.1A)The original agreed action	3.4.1A) Rollout out of		

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate Development Service – Corporate Internet Use (Follow Up)

HA20/012

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		Internet Use have not been produced for Service Managers delegated to manage acceptable use of their staff.	to produce reporting styles for Service Managers should be completed as soon as practicable to provide some assurance to managers that personal use of the internet by their officers is reasonable and in compliance with the ICT Acceptable Use Policy.	new reports will be implemented asap following completion of pilot with Finance Service	ICT Delivery Manager	31/03/15
			3.4.1B) In addition to the above, consideration should be made of utilising the functionality for anonymous reporting in the upgraded software tool, for example during the supplier health check. This can offer general monitoring reports and confirm filter reliability which does not conflict with personal privacy rights of users.	3.4.1B) The option of anonymous reporting will be reviewed as part of the pilot being undertaken with the Finance Service. The decision with regard to proceeding with anonymous reporting will be informed by discussion with the relevant Head of Service in the Finance Service as to if he feels that anonymous reporting is necessary/ required in monitoring internet usage in line with statutory legislation and the Council's AUP. Therefore the outcome of the pilot, and any decision on anonymous reporting by the pilot service will then provide	ICT Delivery Manager	31/03/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate Development Service – Corporate Internet Use (Follow Up)

HA20/012

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
				the basis of the full roll out of the corporate reporting, including any decisions on anonymous usage		
			3.4.1C) Following production of reports in A) above, it is recommended feedback is requested from Service Managers when reports are produced to confirm they are helpful and user friendly and their responses are acted upon.	3.4.1C) All nominated Service Managers who are responsible for internet usage monitoring will be contacted by email after the implementation date of corporate reporting to ascertain their feedback on the reports	ICT Delivery Manager	31/03/15
3.4.3	Medium	<p><u>Management and Suspected Unauthorised Use</u></p> <p>The recommendation to provide more guidance to management who are responsible for officers and business information has been completed in that guidance has been drawn up but not yet issued as it relates to the new reporting output format in 3.4.1 above.</p> <p>The ICT Acceptable Use Policy current version 5 does not include a mandate for Service Managers to be notified of ICT security incidents in their defined area of responsibility. This AUP states that different Senior Managers are involved in Information Security</p>	Guidance to be provided for Service Managers along with the new reporting output when this is completed.	Guidance has been written and will be provided to Service Managers when new reports are released.	ICT Delivery Manager	31/03/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate Development Service – Corporate Internet Use (Follow Up)

HA20/012

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		incident management procedures depending on the type of user; variations are described in the section - Information Security incidents and potential misuse investigations				

AUDIT REPORT SUMMARY

Report Title

Development & Infrastructure Service - Compliance with Carbon Reduction Commitment Energy Efficiency Scheme 2013/14

Report No.	Type of Audit	Issue Date	
HED02/001	Systems	Draft Report	05/11/14
		Final Report	04/12/14

1. Introduction

- 1.1 The Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) is a mandatory UK wide policy aimed at reducing the level of CO₂ (carbon dioxide) emissions utilised by large commercial and public sector organisations, and it applies to the Highland Council. Its purpose is to reduce the amount of pollutants in the atmosphere. The Scheme commenced in April 2010 following the implementation of the CRCEES Order 2010, which was replaced by the CRCEES (Amendment) Order 2013.
- 1.2 As part of the 2013/14 annual plan, an audit was undertaken to ensure compliance with the CRCEES (Amendment) Order 2013. Carbon use must be reported annually for the period 1 April to 31 March and the current reporting period refers to the Introductory Phase which spans 2010/11 to 2013/14 inclusive. This audit report covers the fourth and final reporting year of the Introductory Phase, April 2013 to March 2014 inclusive.
- 1.3 The Council is responsible for 1,260 qualifying energy supply points using a total of 35,396 tCO₂ (CO₂ tonnes) within the current compliance reporting period.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 There are adequate processes and procedures in place to record, measure and report CO₂ emission output within the Council's responsibility.
- 2.2 There are appropriate arrangements in place to produce accurate and timely Carbon Reduction Commitment (CRC) monitoring and evaluation reports.
- 2.3 There are adequate processes and procedures in place to forecast, measure and record anticipated CO₂ emission output. The appropriate carbon cost allowances were obtained by the required date.
- 2.4 The management agreed actions arising from the previous audit report have been satisfactorily implemented.

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 are adequate processes and procedures in place to record, measure and report CO₂ emission output within the Council's responsibility. However, there were some minor issues identified namely:
 - A sample of 30 supply sites, 2 of which related to estimated supplies, were reviewed to ensure that they covered the whole reporting year and the reported consumption figures agreed to the underlying billing data. A one-off loss of some functionality on TEAM Sigma system (TEAM) as a result of a software upgrade meant the exact breakdown of the final consumption figure could not be determined. Therefore, the usage for these 30 sites was manually calculated combining actual, pro-rata and estimated bills as necessary and compared to the reported consumption figure. In 4 sites the difference exceeded the 5% limit above which financial penalties should be imposed. 3 of these variances were not deemed significant by the CRC Team and not investigated; therefore the reason for the variance cannot be determined. However, 1

site's reported figure was incorrect due to a bill equating to 6,486 kWh or 3 tCO₂ being omitted. This variance was reported to the Scottish Environmental Protection Agency (SEPA) who advised that as it was immaterial (£36), no further action was required and no penalty would be applied.

- There is a concern that not all leased assets has been reported to the CRC Team in order to determine if they qualify for inclusion within the CRCEES. Whilst the total amount is unknown it usually involves small industrial units which are immaterial against the total annual consumption. It is anticipated that the new asset management system will address this issue as details of all properties owned or managed by the Council will be held.

3.2 This objective was fully achieved as there are satisfactory arrangements in place to produce accurate and timely reports and an annual report was prepared for the year 2013/14 and submitted prior to the deadline.

3.3 This objective was fully achieved as there are adequate processes and procedures in place to forecast, measure and record anticipated CO₂ emission output in an appropriate manner.

3.4 This objective was fully achieved as the agreed action; to produce a single procedural document covering all aspects of processing, was implemented by the agreed target date. However, there has been subsequent process changes that will need to be incorporated into the document as a result of CRCEES migrating to Phase 2 and a new version of TEAM installed for 2014/15.

4. Conclusion

4.1 Effective procedures are in place surrounding CRCEES registration and timely submission of annual compliance reports. In addition, there are appropriate mechanisms in place to acquire the requisite amount of CO₂ allowances within the designated time period.

4.2 There are a total of 3 recommendations in this report, 2 at medium priority grade and 1 at low priority grade. All recommendations are to be implemented by 30/06/15.

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 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.

Development & Infrastructure Service - Compliance with Carbon Reduction Commitment Energy Efficiency Scheme 2013/14

HED02/001

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

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	0
Medium	2
Low	1
Total recommendations	3

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2	Medium	A change in electricity supplier means that the information provided in their annual statements is incomplete and there is little merit in continuing the practice of inputting these into TEAM.	Consideration should be given to abandoning the process of inputting supplier statement data onto TEAM as this is now an ineffective use of resources. Instead, the efforts should be concentrated upon checking the annual supplier's statements to the consumption data produced by TEAM with all significant variances investigated and resolved.	We will implement a revised process of checking the annual supplier statement against our excel extracts for all sites.	Principal Engineer, Energy and Engineering	30/06/15
3.2.3	Medium	The CRC Team are not always notified of new accommodation acquired under leases or where leases are extended. Dependent upon the lease terms, the Council may need to report the energy consumption for these properties.	The new K2 asset management system should also record leased properties for the purposes of identifying properties where Highland Council is liable for reporting energy consumption. Any changes should be timeously notified to the CRC Team or the appropriate system access provided in order that this can be obtained.	We will implement a process within the K2 system to manage property changes.	Principal Engineer, Energy and Engineering	30/06/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Development & Infrastructure Service - Compliance with Carbon Reduction Commitment Energy Efficiency Scheme 2013/14

HED02/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.3	Low	Whilst the guidance to staff had been updated as agreed, this now requires amendment in the light of changes to the CRC scheme and system updates.	The Checking Process Instructions document should be reviewed to take account of changes arising from the software upgrade and the start of Phase 2 of the scheme.	The Process Instructions will be amended on receipt of instructions from the software suppliers Team Sigma.	Principal Engineer, Energy and Engineering	30/06/15

AUDIT REPORT SUMMARY

Report Title

Finance Service – Capital Monitoring and Budgetary Control

Report No.	Type of Audit	Issue Date	
HK30/008.bf	Systems	Draft Report	25/02/15
		Final Report	09/03/15

1. Introduction

- 1.1 This audit examined the processes and procedures for the preparation, control and monitoring of the capital budget.
- 1.2 Capital budgets are prepared on a rolling basis and they are contained within the Council's 10 year Capital programme which covers the period 1 April 2013 to 31 March 2023 inclusive. This programme was approved by Members in June 2013 and is split into two definite five year periods with the first period containing planned expenditure amounting to £462 million.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 Roles and responsibilities for the setting and control of capital budgets are clearly defined and documented;
- 2.2 Appropriate processes and procedures are in place to ensure that the Capital Programme is set to meet the objectives of the Council's Programme;
- 2.3 There are effective processes and procedures in place for the control and monitoring of capital expenditure;
- 2.4 There are effective processes and procedures in place to demonstrate that resources are used in an economical, effective and efficient manner.

3. Main Findings

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

- 3.1 This objective was fully achieved as the roles and responsibilities for the setting and control of capital budgets are clearly defined and documented within the Council's Scheme of Delegation and Financial Regulations.
- 3.2 This objective was fully achieved. Appropriate processes and procedures are in place to ensure that the Capital Programme meets the objectives of the Council's Programme, Working Together for the Highlands 2012 to 2017 (as updated in 2013).
- 3.3 This objective was partially achieved as there are appropriate procedures in place to monitor and control capital expenditure; in particular, the Council's Executive Leadership Team's involvement was noted.

In addition, each Service regularly prepares quarterly and annual capital monitoring reports for each Committee in a regular and timely manner. However, the reports are provided on an individual financial year basis, and where a project runs over more than one year, the cumulative budget and associated costs are not shown. In addition, no information is provided to ascertain the actual stage of the project at the time of presenting the annual monitoring report.

Whilst it is recognised that steps have been undertaken to significantly reduce the amount of slippage from the capital programme by including a 10% slippage allowance, a corporate underspend of £3,481k remained at the end of the 2013/14 financial year. All underspends and the associated over-programming budgets were carried forward to 2014/15. The latest capital monitoring statement as at December 2014 shows a number

of Service underspends but predicts that an overspend of £7.040m will be achieved.

- 3.4 This objective was not achieved as no end of project reporting information is produced. Consequently, it cannot be demonstrated that capital projects were completed within the allocated budget and timeframe, whether the intended outcomes and Best Value were achieved. This matter was also reported by Audit Scotland within their report "Major Capital Investment in Councils: A follow-up report".

4. Conclusion

- 4.1 Effective arrangements are in place for the preparation of capital budgets and the control and monitoring of capital expenditure.
- 4.2 However, despite the action previously taken, although it is recognised that steps have been recently taken to significantly reduce the amount of slippage from the capital programme by including a 10% slippage allowance, a corporate underspend remained at the end of the 2013/14 financial year.
- 4.3 Lastly, in respect of individual project reporting, no end of project report was produced to report on project efficiency, effectiveness, and capital project management. This point has also been addressed by Audit Scotland.
- 4.4 There is one medium grade recommendation in this report. The recommendation has been accepted by management, with the agreed action due to be completed by 31 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 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 – Capital Monitoring and Budgetary Control

HK30/008.bf

The Action Plan contains **1** recommendation as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	0
Medium	1
Low	0
Total recommendations	1

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.3	Medium	The capital programme underspend and over programming allowance has been carried forward from 2013/14 into 2014/15. However, to date, only 64% of the rolled forward budget has been spent.	It is recommended that the over-programming provision is regularly reviewed to ensure that it is on target to achieve the full capital programme by the end of current financial year, 2014/15.	A review of the Capital Plan is being presented to Council in March 2015 and the over-programming element has been reviewed and re-profiled.	Head of Corporate Finance	31/03/15

AUDIT REPORT SUMMARY

Report Title

Corporate Development Service – Review of Payments collected by the Service Centre

Report No.	Type of Audit	Issue Date	
HBA04/001	Computer	Draft Report	16/01/15
		Final Report	17/03/15

1. Introduction

- 1.1 This audit reviewed processes for collecting payments over the phone by the Council's Service Centre, located in Osprey House, Alness
- 1.2 Payments are made by either credit and debit cards, therefore customer card data during processing is subject to compliance to the Payment Card Industry Data Security Standard (PCI-DSS)
- 1.3 The volume of income processed by the site averaged £0.59m income per month over twelve months sampled across 2013-14 and 2014-15
- 1.4 This audit was undertaken as part of the 2014/15 Audit Plan.

2. Review Objectives

- The main objective of this review was to ensure that payments processed at the Service Centre have security controls in place in line with Council Financial Regulations and policies and supplementary guidance by the Payment Card Industry Security Standards Council for protecting telephone-based payment card data
- 2.1 Areas covered in this review included:
 - o physical security on site
 - o service delivery and security credentials of third parties
 - o user training and information security
 - o access to systems
 - o controls for customers' payment card data during collection processes
 - o storage of payment card data
 - o business continuity in the event of the system being interrupted or unavailable.

3. Main Findings

- The main findings of this review, referenced to the above review objective with seven areas are as follows:
- 3.1 The objective area of physical security was found to be achieved as follows:
 - o The Service Centre is located in a building that is secured with keypad locks on the entrance. All tenants are Council officers
 - o The site is open plan so Service Centre Officers, also known as Agents and Lead Officers can see who is on site
 - 3.2 The objective area of service delivery and security credentials of third parties was found to be achieved:
 - o The Service Centre Telephony Service provision by Fujitsu Services is defined in a Service Description. This describes hardware and software including the BT Meridian telephone exchange and the Automated Call Distribution (ACD) application system. ACD has the facility to provide call management that allows up to 30 Agents to receive

calls at one time

- The Secure Payments Service is an approved Payment Application Data Security Standard (PA-DSS) certified solution with no card information retained by the Council when the Paye.net portal is used
- The site has retained traditional telephone lines for collection of payments at the Service Centre in preference to Voice over Internet Protocol (VoIP). The analogue phone system does not have security issues associated with VoIP such as the need for strong cryptography and a backup solution

3.3 The objective area of user training and information security was found to have been achieved:

- Service Centre Agents are trained in security of information before they are provided with access to the live Axis Income management system and there is a dedicated training suite on site
- Agents are made aware of password security through training and the importance of keeping passwords confidential
- New Agents are required as part of the induction process to complete training core competencies including Information Management Online, Display Screen Equipment Online training and to read the Council's ICT Acceptable Use Policy
- The Council's Financial Regulations and guidance notes provide detail of policy on storage security requirements for payment card detail in line with PCI-DSS standards. A copy of the PCI DSS Data Storage Advice document is available in Public Folders for reference

3.4 The objective area of user access to systems was found to be achieved:

- Finance Systems Administration Team manage access to the Axis income system, providing User ID logins to access the system from approved user access request forms. Likewise, the Team terminate user access as required when users' circumstances change and access is no longer required. There were 23 named cashiers and 6 supervisors with active ID logins based at the Service Centre during the review

3.5 The objective area of customers' payment card data security during collection processes was found to be mostly achieved:

- During calls, recordings were paused to prohibit storage of the card validation code in a digital audio format. When this functionality was compromised with a hardware switch failure, recording of calls was reported to have ceased
- Payment card data is masked on Axis Counter Receipting system (ACR) paper receipts with only the last four digits printed. Debit/credit card merchant receipt copies are not retained after daily reconciliation process is complete

Two areas were noted for improvement:

- Following the telephony switch repair in summer 2014 reported above, the 'pause' function for customer call recording did not work to Council business requirements and a decision was made not to record calls to maintain security of payment card data. This temporary switch repair is planned for an improved upgrade in 2015
- Service Centre Agents process payments either directly or indirectly in two different ways. When payments are processed directly in ACR, two A4 size paper receipts are automatically printed for every transaction. If customer payments are processed indirectly using online forms via the Customer Relationship Management system (CRM) linked to the Axis Paye.net portal, paper receipts are not created unless requested. Online forms through CRM are not available for payment types that constitute the highest volume and value of payments processed by the Service Centre. Therefore substantial paper receipts are printed that are not required. This creates substantial paper waste and a potential a security issue

- 3.6 The area of storage and destruction of payment card data had areas of good practice:
- o Receipts are retained only for as long as required, then disposed of by cross shredding
 - o The Income Team send out reminders to Axis users at income collection sites when trigger dates are reached for disposing of old paper data.
- 3.7 The area of business continuity in the event of the system being interrupted or unavailable was substantially achieved:
- o A Business continuity plan is in place in the event of Service Centre system interruption or failure. This plan was successfully tested during 2014 when a telephony hardware switch failure interrupted the service. Service Centre officers relocated to an alternative site and service was resumed in two hours
 - o Other solutions in the event of interrupted service include re-directing customers to make their payments online, or using the PayPoint solution

It was also found that occasional loss of access to the card authentication server was reported to have occurred during peak times. Some Council sites using ACR have had a patch applied by the contractor to improve access, but it was not confirmed if the Service Centre site has received this ACR patch solution.

4. Conclusion

- 4.1 The one objective in the review was mainly achieved. Council customers phoned the Service Centre to make payments totalling over £7m income for many types of over a twelve month period between December 2013 and November 2014. Council Tax payments comprised the largest proportion at over £3m, and then rent payments at £1.4m. These are both high volume routine transaction types focussed on by the Council's collection of payments regime using technology in line with the e-commerce agenda. The option to pay by phone has proved a popular method for customers making payments.
- 4.2 Three recommendations in this review are classified as medium priority and all are due to be completed by 30/06/2015.

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 whilst 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.

Corporate Development Service – Review of Payments collected by the Service Centre

HBA04/001

The Action Plan contains 3 recommendations as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	0
Medium	3
Low	0
Total recommendations	3

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2	Medium	<u>Telephony switch upgrade</u> Following an unplanned outage of the Meridian system through a hardware fault in summer 2014, the switch was patched temporarily. After this patch, customer calls were not being recorded by Agents as the 'pause' function did not work to business requirements when site was visited in Oct 2014. This is to maintain security of payment card data, which should be stored in line with PCI-DSS guidance. However, it reduces the completeness of audit trail data in the event of a query	The planned telephony upgrade /change at the Service Centre should be confirmed as completed to allow the 'pause' functionality for call recordings to be re-activated to business requirements	Pause functionality will be reinstated post CRM upgrade. In addition, Automated Payments implementation to be completed therefore assistants interaction reduced.	Digital Service Manager	31/05/15
3.3	Medium	<u>Payment processing in Axis ACR & Paye.net</u> Service Centre Agents access the income receipting system for payments as follows. Agents can login in to Axis Counter Receipting (ACR) directly to process payments. Agents can also use some of new online forms via CRM/Lagan which links to the Axis Paye.net portal.	Consideration of providing Service Centre Agents with Paye.net logins instead of ACR would alleviate the over production of unrequired paper receipts and reduce data security issues resulting from these. The resource issue regarding the wastage of paper receipts created that are not	Move to Paye.net facility	Customer Service Delivery Manager	30/04/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate Development Service – Review of Payments collected by the Service Centre

HBA04/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		<p>Payment fund types that online forms are not available for constitute the highest volume and value of payments processed through the service centre. These include rent, council tax, invoice payments, non-domestic rates, planning and building standards payments.</p> <p>For every transaction using ACR, two 'cash' receipts are automatically printed off for every transaction. Both merchant and customer receipts are stored as required, then destroyed securely in compliance with PCI DSS requirements. Paye.net processes do not create paper output unless required</p>	<p>needed by ACR could be reduced and replaced if Service Centre Agents were provided with Paye.net access.</p> <p>There may also be savings through reduced licensing costs if client software is no longer required for the desktop at the Service Centre</p>			
3.4	Medium	<p><u>Access to the card authentication server</u> Service Centre officers reported occasional loss of access to the card authentication server at peak periods, such as lunch times. Some sites using ACR have had a patch applied by contractor Fujitsu to improve access. It was not confirmed if the Service Centre site has requested and received the ACR patch solution</p>	<p>Service Centre officers should maintain a log any loss of access to the card authentication server to assist in understanding the frequency of these incidents. As in 3.3 above, if Service Centre Agents were provided with Paye.net logins instead of ACR, this may negate the need for a patch solution If Paye.net logs are not provided, then the patch for ACR should be investigated</p>	Instruction issued to staff to commence an audit trail of faults	Customer Services Team Leader (Service Centre)	30/06/15