The Highland Council

Audit and Scrutiny Committee – 20th November 2013

Agenda Item	3
Report No	AS/33/13

Internal Audit Reviews and Progress Report – 13/09/2013 to 08/11/2013

Report by the Head of Internal Audit & Risk Management

Summary

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

1.   Final Reports

1.1   There have been five 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
Chief Executive's Service	Payments to Third Sector Organisations	Limited
Chief Executive's Service	Governance of Arm's Length Organisations	Reasonable
Chief Executive's Office	Corporate Governance	Reasonable
Planning & Development	AXIS 4 European Fisheries Funding Project	Reasonable
Education, Culture & Sport	Internet Use - Curriculum	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.   Work in Progress

2.1   Planned work that is in progress and which will be the subject of a future report to this Committee is shown in the attached table. This shows that ten draft reports are in progress and two draft reports have been issued.

2.2   During the period covered by this report 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:

        - Overclaiming by a service provider.

        - Income due to the Council but not banked.

        - The falsification of cash payments and expenses.

        - Misappropriation/ misuse of fuel.

        - Misappropriation of School Fund monies.

        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)   Grant Claims
        Internal Audit is responsible for auditing several grant claims during the course of the year. The undernoted has been subject to review during the period covered by this report:

        - Hitrans – START.

(iii)   Joint Board work and work for other organisations or Committees
        Work has been undertaken to support the Statements on Internal Control for 2012/13 for the Joint Boards, the Pension Fund and Hitrans.

        Computer Audit work has been provided for Western Isles Council in accordance with an agreement which has been in place for several years. Under this agreement, an annual audit is undertaken and Western Isles Council also makes use of the Section's computerised audit management system.

(iv)   Advice, Assurance and Other Work
        Work has been undertaken as follows:

        - The investigation of two concerns raised under the Council's Whistleblowing Policy which have now been concluded.

        - The investigation of a contractual dispute between the Council and a

school transport provider which has now been concluded.

- Following up/ action tracking audit recommendations.
- Representation on the Council's Regulation of Investigatory Powers Scotland Act (RIPSA) Management Group.

(v)   Computer Audit
Computer audit advice has been provided on a variety of topics including information security and data protection controls, best value controls for ICT re-provision, and the ICT controls expected in the contract for the replacement of Phoenix e1.

(vi)   Scrutiny Working Group

Earlier this year the Scrutiny Working Group completed a review of the Audit Scotland National Reports: "Using cost information to improve performance: are you getting it right?" and "Managing performance: are you getting it right?" The report will be prepared on behalf of the Working Group and presented to the meeting in March 2014.

3.   Staffing Resources, Vacancies and Progress Against Plan

3.1   It was reported at the last meeting that the revised structure had been implemented and that interviews were scheduled to take place in October for a Trainee Auditor post in order to contribute towards the overall savings and to provide for succession planning, particularly to address previous recruitment difficulties at Auditor level. Following the interviews an appointment was duly made and the individual will take up the post once the appropriate Disclosure Scotland check has been completed.

However, since the last meeting other vacancies have arisen or are due to arise shortly, as follows:
- An Auditor has taken up a post in the Planning & Development Service. An advert has been placed to fill the vacancy with a closing date of 15th November 2013.
- The Temporary Auditor has submitted her resignation which will take effect from 30th November 2013. This post is currently in the structure in view of an Auditor being on secondment to the Accounting Team. This secondment is due to end in February 2014. In view of this it is recognised the possibility of recruiting a replacement Temporary Auditor for such a short period of time is unlikely to be successful and the vacancy will therefore be carried.

The above vacancies, together with the delays in completing the restructuring of the Section, have impacted upon the ability to deliver all of the Audit Plan for the current year and adjustments have therefore been made which are provided at 3.3 below.

3.2   It was reported at the meeting on 20th June 2013 that a request had been received through the City of Inverness Area Committee to look into how public art in Inverness had been financed and delivered through the Inverness Common Good Fund over the past three years. Following a meeting between the Chair of the Audit & Scrutiny Committee, the City Leader, the Chair of the Inverness City Arts Working Group, the Corporate Manager and the Head of Internal Audit & Risk Management it was agreed that this work would be incorporated within the Audit Plan for 2013/14.

3.3   The adjustments to the Audit Plan for 2013/14 are shown as follows:

(i)   Additions

Service	Audit Activity	Comments
Chief Executive's Service	Public Art in Inverness	

(ii)   Deletions

Service	Audit Activity	Comments
Housing & Property	Capital Contracts	As this is an area which will be affected by the proposed Service Structure changes it will be appropriate to look at the Council's revised arrangements in 2014/15 rather than the current arrangements.
Housing & Property	Realisation of asset management savings and benefits	
TEC Services	Capital Contracts	As this is an area which will be affected by the proposed Service Structure changes it will be appropriate to look at the Council's revised arrangements in 2014/15 rather than the current arrangements.
Chief Executive's Service	Web Content Management	More appropriate to review this in 2014/15 after go-live achieved.
Chief Executive's Service	Community Challenge Fund governance arrangements	Minimal uptake in 2013/14. Defer to 2014/15.
Finance/Chief Executive's Service	Resource Link	More appropriate to review this in 2014/15 after go-live achieved.
Health & Social Care	Community Payback Orders	

The above provides for a net deletion of 6 audit reviews in comparison with the 47 identified within the original plan for 2013/14.

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 the adjustments to the 2013/14 Audit Plan.

Designation: Head of Internal Audit & Risk Management

Date: 8th November 2013

Author: Nigel Rose, Head of Internal Audit & Risk Management

Background Papers

Internal Audit – Planned Work in Progress

SERVICE	SUBJECT	PROGRESS
Chief Executive's Office	Information Security	Draft report issued on 25/10/13
Chief Executive's Office	Highland Archive Centre	Terms of reference issued
Chief Executive's Office	Health & Safety Arrangements	Draft report issued on 23/07/13
Chief Executive's Office	Data Handling and Security	Fieldwork in progress
Corporate	Matters Arising from the Statement on Internal Control 2012/13	Draft report in progress
Corporate	End User Computing	Terms of reference issued
Corporate	Verification of Performance Indicators 2012/13	Draft report in progress
Education, Culture & Sport	Inspection of Equipment in Schools	Draft report in progress
Education, Culture & Sport	School Transport	Fieldwork in progress
Finance	Access and Authorisation Controls	Draft report in progress
Finance	Travel Desk Administration	Draft report in progress
Finance	Debtors	Draft report in progress
Finance	Capital monitoring and budgetary control	Terms of reference issued
Finance	Housing Benefit & Council Tax Benefit Payments 2012/13	Draft report in progress
Health & Social Care	Children's' Units	Draft report in progress
Health & Social Care	Integrating Care in the Highlands	Draft report in progress
Heath & Social Care	Payments to Nursery Providers (follow up)	Fieldwork completed
Housing & Property	Contractors' Framework Agreement for works up to £50,000 (follow up)	Terms of reference issued
Housing & Property	Compliance with Carbon Reduction Commitment Energy Efficiency Scheme 2012/13	Fieldwork completed
TEC Services	Grass Cutting Contract	Draft report in progress

AUDIT REPORT SUMMARY

Report Title

Corporate: Payments to Third Sector Organisations (Follow Up)

Report No.	Type of Audit		Issue Date	
HA32/002	Systems		**Draft Report**	25/10/13
			Final Report	11/11/13

1   Introduction

1.1   An audit report on Grants to Voluntary Organisations (now known as Third Sector) was issued on 12/07/07. The report concluded that the corporate governance arrangements around the Council's transactions with the Voluntary Sector in its various guises needed to be strengthened in order to ensure and prove that Best Value is being achieved. As a result of this audit, a follow-up review was undertaken. This report on Payments to Third Sector Organisations (Follow up) was issued on 07/10/10 which concluded that there was still a degree of progress to be made to ensure that all transactions with the Third Sector comply with the COSLA Code of Guidance on Funding External Bodies and Following the Public Pound (the "Code").

1.2   This further, follow-up audit was included as part of the audit plan for 2012/13 as this was one of the management agreed actions together with ensuring that the single grants process, which came into operation on 01/10/10, was operating as expected. SDC (Service Delivery Contracts) have now been replaced with contracts, however, for the purposes of this report the term SDC has been used throughout as this was used within the management agreed actions.

1.3   The number of applications processed for the period 1 April 2011 to 31 March 2012 was 907.

2.   Review Objectives

There were four objectives in the review, to ensure that

2.1   Requests for funding are processed through the Council's Single Grants process. The Grant application process also records details of all Council funding and/ or support.

2.2   Service Delivery Contracts (SDCs) are in place for all organisations who receive funding of more than £50,000. The SDCs are based upon the model SDC which incorporates the requirements of the "Code" and relevant Legislation. Procedures are in place to ensure that funding provided to Third Sector Organisations is correctly classified as either Grant or Contract funding and this is appropriately accounted for.

2.3   Services ensure that services provided by Third Sector Organisations meet Corporate/ Service objectives before funding is approved. Funding decisions are prioritised to ensure that Service objectives are achieved and can demonstrate Best Value.

2.4   Where the SDCs/ funding agreements require the submission of monitoring reports, these should be received on a regular basis and reviewed. This information should be used to ensure that the agreed services have been provided and the specified funding objectives have been met.

3.   Main Findings

Referenced to the objectives, the main findings are as follows:

3.1   The objective was not achieved as, from a review of the system and from a sample of 29 grant payments examined, the following issues were found:

- Only twenty four payments had been recorded on the single grants database within SharePoint;
- Two duplicate applications were recorded on the database with one resulting in a duplicate payment of approximately £5,000;
- There is a lack of clarity in certain Services regarding the responsibility for updating

and reviewing the database for the possibility of duplicate applications and/ or payments.

As a result of the above, the single grants database is unreliable and cannot be used to establish whether Council funding has previously been provided to an organisation before further requests are considered. Also it cannot be compared to the Contracts Register and it is not possible to obtain the full picture regarding funding provided to Third Sector organisations.

Since the previous audit review, the grant application form was amended to request details of any other Council funding provided or applied for. However the same type of information although included in the contracts pre-qualification questionnaire does not clearly state that this also includes grants and in-kind funding.

The guidance issued to Services states that Committee approval must be sought for payments greater than £10,000. However, until recently, this was not contained within the Scheme of Delegation and, although included within one of the guidance notes supporting Financial Regulations, it is not included within the relevant section on Funding External Bodies.

3.2   The objective was not achieved as only five out of eight contract payments in excess of £50,000 had Service Delivery Contracts (SDCs). Of the remainder:
- One related to an old Health & Social Care (previously Social Work) Service Level Agreement (SLA) which had been extended over a number of years. The contract is in the process of being updated and will be issued imminently.
- No contracts were in place for the remaining TECS and Planning & Development Service payments which did not comply with the requirement to follow the Following the Public Pound guidance, although a contract is now in place for the former.

The requirements of the Council's Contract Standing Orders had not been complied with for some of the payments, thus:
- regulatory completion rules were not followed thus leaving the Council exposed to challenge and adverse public reaction;
- funds were distributed without being monitored or evaluated;
- distributed funds were not included within one of the Council's recording systems.

With regard to the classification of funding, from the sample of twenty four payments recorded on Sharepoint, twenty two and further eight contract payments were classified correctly and accounted for in the correct manner. However, there remains an issue with regard to Services recognising that all outgoing external funding must be captured and accounted for as either a grant or a contract payment and recorded appropriately.

3.3   This objective was partially achieved as for the eight contract payments in 3.2 above, these linked to the relevant Service's objectives. However, there is no uniform approach to demonstrate that the service provided by the Third Sector Organisation met the Council Service's objectives before funding was approved. Furthermore, it could not be demonstrated that funding decisions are prioritised to ensure Service objectives and Best Value are achieved as set out in the previous management agreed action.

3.4   This objective was partially achieved as appropriate monitoring arrangements are included within four SDCs and one payment related to a contract issued prior to the introduction of the new model SDC. In addition, one contract was in the form of an old Service Level Agreement which contained less detailed monitoring and evaluation requirements. The absence of contracts for the remaining two payments means that there is no performance monitoring arrangements.

One of the agreed actions relating to the production of a standard grant letter template was undertaken and is in use by Services. However, there is no standard template for monitoring conditions of grant to ensure the specified funding objectives have been met. As a result no standard approach is followed by Services.

4.   Conclusion

4.1   It is recognised that considerable improvements have been made to establish a corporate grant register along with supporting guidance. However, some Services have failed to comply with this and as a result the audit objectives could not be achieved and as some of the previous management agreed actions have not been implemented.

4.2   There are a total of 4 recommendations in this report consisting of 1 high and 3 medium grades. The recommendations have been accepted by management, with the agreed action due to be completed by 31 March 2014.

5.   Audit Opinion

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

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate: Payments to Third Sector Organisations (Follow-up)

HA32/002

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.
Total recommendations

Priority	Number
High	1
Medium	3
Low	0
	4

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1	High	The question contained within the Pre-Qualification Questionnaire regarding the provision of/ application for Council funding needs to be clearer as to the information requested.	(1) The contract Pre-Qualification Questionnaire should be amended to clarify the question regarding the provision/application for any other Council funding received and or applied for, including in kind assistance relating to the proposed contract activity.	The question will be clarified, but guidance in using it will also be needed.	Head of Procurement	31/03/14
		The information on SharePoint is incomplete and inaccurate and cannot be relied upon. Issues identified included applications not recorded on SharePoint; applications left suspended with the grant award decisions including payment details not being recorded, missing grant ID numbers and funding applications entered on a retrospective basis. Furthermore, 2 duplicate applications were found, 1 of which had been paid.	(2) The Guidance Notes for the input and update of information within SharePoint should be revised and distributed across Services and Wards, with training provided as required. This Guidance should also include the need for Ward/ Service staff to check for duplicate applications before any new ones are considered for approval. All required application information should be recorded at the time it is received to ensure that the information held is complete, accurate and up to date.	Refresh guidance. Enable new checks and balances through use of the New Sharepoint system. Prepare on-line training for budget holders and run face to face training for business support staff to support the use of the New Sharepoint system	Policy Officer (CEX) (all actions)	31/03/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate: Payments to Third Sector Organisations (Follow-up)

HA32/002

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1 (cont'd)		The Guidance requires all payments in excess of £10,000 to be approved by Committee but this requirements not included within the Financial Regulation section on Funding External Bodies. Furthermore, there is no reference to this requirement within the Council's Scheme of Delegation.	(3) Financial Regulations should be amended to incorporate the guidance concerning Committee authorisation of payments in excess of £10,000 to new organisations or for new projects within the section: Funding External Bodies.	This will be amended as part of the review of Financial Regulations which is undertaken by the Head of Internal Audit & Risk Management	Head of Accounting and Head of Internal Audit & Risk Management	31/03/14
		On review of Sharepoint, it was found that: applications are not recorded on a sequential basis; applications do not correspond to the relevant funding application year; there is no facility on Sharepoint to record the date of funding approval.	(4) Sharepoint should be amended to ensure that grants are recorded on a sequential basis and to include provision of for the date that funding was approved.	This is a technical issue as Sharepoint allocates the numbers. Migration to new Sharepoint will also allocate numbers directly so this recommendation may not be possible.	N/A	N/A
			(5) Services should ensure that funding awards are timeously updated on SharePoint.	All Services, but note that the new Sharepoint system will send automated reminders.	All Directors	31/03/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate: Payments to Third Sector Organisations (Follow-up)

HA32/002

| REPORT REF. | GRADE | FINDING | RECOMMENDATION | MANAGEMENT AGREED ACTION | IMPLEMENTATION | |
					RESPONSIBLE OFFICER	TARGET DATE
3.2	Medium	From a sample of eight payments in excess of £50,000, no form of contract agreement was in place for two payments.	(1) The Guidance should be applied to all external funding payments, with the appropriate type of contract (see (5) below) formed for all payments in excess of £50,000.	Agreed.	All Directors	31/03/14
		An example was found of an extended SLA contract which was based on historical terms and did not contain the Council's up to date monitoring and evaluation requirements.	(2) Where contracts are extended, previously agreed contract should be reviewed to ensure the expected level of service had been delivered before the contract is extended.	Agreed.	All Directors	31/03/14
		Six payments related to procured services whereby Contract Standing Orders should be followed. Of these, two were treated as grant payments and consequently, were not recorded on the Council's Contracts Register.	(3) Services should ensure all Third Sector grant funding payments are recorded on Sharepoint, with the procurement process followed for those associated with the procurement of services	This should be for grants only as Sharepoint is to support the single grant process. Where the Council procures services from Third Sector bodies, this will be notified to the Procurement Section for recording purposes by the individual acting as funding approver within each Service. For non-Sharepoint payments equal to or more than £50,000, the owning Service must engage with the Procurement Section.	All Directors	31/03/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate: Payments to Third Sector Organisations (Follow-up)

HA32/002

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2 (cont'd)		The Grant and Discretionary guidance notes did not include examples of unusual funding situations to assist Services in considering these.	(4) Due to the unclear nature of some funding arrangements, it is recommended that the Guidance notes are clarified to assist Services to distinguish between grant and service contract funding. For the latter, Services should be encouraged to obtain advisory guidance from Procurement Team, particularly in connection with funding applications in excess of £50,000.	The guidance will refreshed.	Policy Officer (CEX)	31/03/14
		There is no standard documentation which can be used by Services to support grant payments in excess of £50,000.	(5) It is recommended that appropriate funding agreement template for all grant payments in excess of £50,000 should be produced by the Head of Procurement. This should include standard terms and conditions and requirements associated with each payment. Furthermore, it is recommended that the template includes a suitable section to allow each Service to tailor the document to accommodate any Service specific requirements.	A funding template will be prepared by Procurement. The template will be held on Sharepoint. Each Service will complete the template for all Service specific grant funding arrangements equal to or more than £50,000.	Head of Procurement Policy Officer (CEX)	31/03/14 31/03/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

| Corporate: Payments to Third Sector Organisations (Follow-up) | | | | | HA32/002 |

| REPORT REF. | GRADE | FINDING | RECOMMENDATION | MANAGEMENT AGREED ACTION | IMPLEMENTATION | |
					RESPONSIBLE OFFICER	TARGET DATE
3.3	Medium	There is no uniform approach by Services to the prioritisation of funding to achieve best value and their Service objectives. The Guidance does not provide details of how Best Value should be assessed by Services. There is no uniform approach to ensure that funding applied for meets Service objectives before it is approved	To ensure transparency and accountability across the Council, the Guidance should be revised to include Best Value considerations for all types of funding application. Also, the Guidance should detail the approach to be followed by Services to demonstrate that Service objectives and Best Value has been met before funding is approved. This information should be retained by Services.	The Policy Officer (PO) (CEX), Head of Accounting (HoA) and Head of Procurement (HoP) will collaborate to refresh the guidance.	PO (CEX), HoA and HoP	31/03/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate: Payments to Third Sector Organisations (Follow-up)

HA32/002

| REPORT REF. | GRADE | FINDING | RECOMMENDATION | MANAGEMENT AGREED ACTION | IMPLEMENTATION | |
					RESPONSIBLE OFFICER	TARGET DATE
3.4	Medium	It could not be demonstrated that the funding provided corresponded to the one of Council's Programme Commitments/ Single Outcome priorities. Also, there is no standard procedure to monitor and evaluate the outcome of each funding award.	For funding awards in excess of £10,000, standard contract and grant monitoring/evaluation templates, in conjunction with the original application, should be cross referenced to the Council's Programme Commitment/Single Outcome Agreement to demonstrate that resources allocated to the funding recipient were utilised for the purposes intended.	The grant form will be amended to include a section at the end for officer use to record which Council programme commitment or SOA theme the grant award would support.	Policy officer (CEX)	31/03/14

Corporate Payments to Third Sector Organisations – Response by Senior Management Team

1. This further follow-up audit report was included as part of the audit plan for 2012/13 to ensure that the Single Grant Process, which came into operation on 1 October 2010, was operating as expected. The review objectives are outlined in paragraph 1.2 of the Internal Audit Report.

2. It is clear that there are still issues with the Single Grant Process. Senior Management Team takes these issues seriously, and has considered this audit report twice in recent weeks.

3. Whilst it is clear that further work is required to address Internal Audit concerns, as outlined in the Action Pan at section 4 of the report. Senior Management Team is of the view that further work and analysis is required to consider the variety and types of payments made to Third Sector Organisations.

4. The principle of having a Single Grant Process is important to ensure consistency of approach, efficiency of process, and that appropriate financial controls are in place.

5. However, it is clear that payments to Third Sector Organisations fall into different categories:-

   - payment for services
   - payment for commissioned services
   - provision of financial support
   - payment of grants

6. The Single Grants Process has been helpful for applications to Ward Discretionary Budgets and other grant requests. However, it is less applicable for tracking commissioned services.

7. Whilst the Single Grant Process has not been used in all cases, there are no examples where Financial Regulations have been breached. Where appropriate, allocations of funding to Third Party Organisations have been the subject of detailed reports to the appropriate Policy Committee.

8. The provision of grants, and commissioning of services, has to be considered as part of the financial planning process. Given the financial challenges facing the Council over the next five years it is inevitable that further work needs to be undertaken to assess the outcomes and policy objectives achieved through payments to the Third Sector Organisations.

9. Senior Management Team recognises the importance of this report and the need to address the concerns highlighted. An Action Plan has been agreed, with completion of all actions within the next few months.

Derek Yule, Director of Finance

AUDIT REPORT SUMMARY

Report Title

Chief Executive's Service: Governance of Arm's Length External Organisations

Report No.	Type of Audit		Issue Date	
HC52/001	System	**Draft Report**	28/10/13
		Final Report	12/11/13

1.   Introduction

1.1   The purpose of this audit review is to identify the governance arrangements in place in Highland Council in relation to 'Arm's Length External Organisations' (ALEOs) and to report on how well they comply with the Audit Scotland report, 'Arm's Length External Organisations (ALEOs): are you getting it right?' This report was presented to the Council on 27th October 2011 and to the Audit & Scrutiny Committee on 29th November 2011 with Members being informed that, as part of future planned work, Internal Audit would undertake a review of the governance arrangements of all Council Arm's Length External Organisations.

1.2   The Audit Scotland report is the second in the series – 'How Councils Work', the purpose of which is to stimulate change and improve performance. This particular report is aimed at Councils that are considering setting up ALEOs to deliver services, as well as those with existing ALEOs. It sets out good practice and focuses on how Councils establish ALEOs and maintain governance and accountability for both finance and performance. It highlights areas that work well and where improvement may be required.

1.3   An audit review of ALEOs was also referred to within the action plan in the Head of Internal Audit & Risk Management's report in April 2012 on Caithness Heat & Power: Follow up of Agreed Actions which was presented to the Council on 5 April 2012.

2.   Review Objectives

2.1   The objective of the review was to examine how well the Council ensures that effective governance and accountability is maintained through ALEOs, using the checklists appended to the Audit Scotland report.

3.   Main Findings

The main findings of the review are as follows:

3.1   The Chief Executive's Service maintains a schedule of organisations to which the Council appoints Members. This is not restricted to ALEOs, it includes a variety of small charitable organisations that receive (modest) funding to support them in the provision of their objectives. However, there is no comprehensive register containing details of all Council ALEOs and the basic information for each individual ALEO including the annual funding received and Members/ Officers involved.

3.2   Specific training for Members appointed to External Organisations is important in order that they understand the duties they agree to undertake. 2 training days were held by the Council but a review of the sederunts showed that only 32 Members attended. Some areas of good practice were identified with regard to the setup and/ or operation of individual ALEOs e.g. Caledonian Community Leisure Ltd (CCLL), Eden Court and Highlife Highland (HLH).

3.3   The Scheme of Delegation for THC requires the Directors of Planning & Development and Education, Culture & Sport to submit annual reports to committee on a number of external organisations. However, this does not satisfy the requirements of the Guidance on ALEOs or Following the Public Pound in relation to reporting or monitoring requirements. Annual accounts are often available long after a matter of interest to the council has emerged.

The larger organisations (CCLL and Eden Court) have well developed governance arrangements in place. CCLL publishes financial and performance information on their website and in hard copy, all of which is easily accessible to the public.

3.4 High Life Highland (HLH), a recently formed ALEO, has arrangements that accord closely with the Audit Scotland guidance. Highland Opportunity Ltd (HOL) reports regularly to the Planning, Environment & Development Committee on the performance of the Business Gateway contract. Eden Court and CCLL have been in existence for a much longer time and have been largely autonomous but in order to comply with the current best practice need to be introduced to a structured system where they report regularly to the Council regarding use of funds and provision of service.

3.5 The guidance on ALEOs notes that a Council Liaison officer can provide operational oversight of ALEOs. Such an officer, the Leisure & Learning Client Manager has been appointed for HLH and CCLL in order to protect the Council's interests but he has not received the appropriate training to enable him to fulfil this role effectively. Duties should include attending Company or Board meetings as an observer, and keeping up to date on company operations and performance. This would allow for the early warning of any potential problems or risks to the Council. A Council Liaison officer should be appointed for all organisations falling into the category of an ALEO.

3.6 Beinn Tharsuin Wind Farm Community Ltd was set up by the then Area Manager to manage income received from the operators of the windfarm. All financial transactions, including income, investment and disbursement, are managed by Council staff using Council systems. This arrangement is the subject of a Minute of Agreement between the Council and CRE Energy Ltd but the rationale behind it and the set-up of the company could not be established.

3.7 Caithness Horizons was founded by Highland Council and two other partners to ensure a long term use for Thurso Town Hall in the form of a museum that houses a permanent exhibition to tell the story of Caithness. No Memorandum and Articles or Council Liaison Officer could be identified, however, during the course of the audit review it was agreed that the Education Culture & Sport Service (ECS) would take responsibility for the organisation. Annual funding, agreed for the next five years, amounts to £165,561 (£104,561 grant, £61,000 in kind, rent free accommodation). This is the only Council funded museum to receive more than the agreed independent museum grant of £14,561 per annum (2011/12).

3.8 There is no evidence to confirm that the Council complies with the Audit Scotland guidance that recommends that clear criteria should be set for the skillset and experience required of board members. At the time of the audit review Members could be appointed to external organisations by two separate methods, centrally by the Council and locally at Ward Business meetings. Central appointments are reported and made public but at the time of the audit those made at local level were not. The Area Committees introduced in June 2013 will have minutes of their committee meetings published on the website and reported to Council, consequently this information will now be public. There is no central register of all these appointments and no requirement to inform the appropriate Service of Member representation on the Boards of organisations included in their remit and consequently the training needs and responsibilities of those Members appointed locally may not be recognised.

4.   Conclusion

4.1   The Audit Scotland report highlights the need for Councils to ensure that they are clear about their expectations of ALEOs and that they have good systems in place to monitor performance and flag up significant financial and service risks on an on-going basis. In addition, the report refers to the importance of ensuring that the roles and responsibilities of Members and officers involved in ALEOs are documented and well understood.

4.2   The Council's larger Arm's Length Organisations (HLH, Eden Court and CCLL) have well developed governance arrangements in place and largely comply with the best practice guidance referred to in the Audit Scotland report. There is, however, scope to improve the Council's oversight of ALEOs, particularly in relation to those that were set up a number of years ago to ensure compliance with current guidance.

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.
Chief Executive's Service: Governance of Arm's Length External Organisations	**HC52/001**

The Action Plan contains **9** recommendations as follows:

Description

	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	6
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	3
Minor issues that are not critical but managers should address.	Low	0
Total recommendations		**0**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1	High	The Council does not maintain a central register of all organisations that fall within the definition of being ALEOs	A central register of ALEOs should be developed and maintained. The information on each organisation in such a register should include the following: • Name of the organisation • Relationship to the Council • Members appointed • Amount of funding including any in kind assistance • Any other partners • Name of Liaison Officer in the Council • Name/contact details of Company Secretary Additionally, the following documents should be held on file for each company: • Memorandum and Articles • Service Level Agreement (SLA) or Service Delivery Contract (SDC) • Property lease information (if applicable)	Create Central Register to comply with recommendation of Internal Audit.	Head of Legal & Democratic Services	30/04/14

AUDIT REPORT ACTION PLAN

Report Title

Chief Executive's Service: Governance of Arm's Length External Organisations

Report No.   **HC52/001**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
			• Risk Register • Current list of Directors and Management Team.			
3.1.2	Medium	Training for Members appointed to external organisations is provided but the uptake is poor	The importance of initial and refresher training for Members should continue to be emphasised and Members actively encouraged to attend in order that they appreciate the importance of their role as a Council appointed Trustee or Director.	Board Development Days completed for CCLL, HLH, Eden Court & HOL in August & October 2013.	Head of Legal & Democratic Services	Complete
3.2.1	Medium	Beinn Tharsuin Wind Farm Community Ltd was set up by the then Area Manager to manage income received from the operators of the windfarm. All financial transactions are managed by Council staff using Council systems. The rationale behind this arrangement and the set-up of the company could not be established.	Consideration should be given to the reasons for the Council's continuing input to this company with a view to investigating the possibility of transferring it to the Community and thus effecting a saving of Council resources.	Company Secretary to consult the developer and the Company Board of Directors regarding the transfer of the Company to community control.	Corporate Manager	30/04/14 to complete investigation
3.2.2	High	The role of the Leisure & Learning Client Manager in relation to High Life Highland is not operating effectively	(1) Annual financial statements for HLH should be provided to the Culture & Leisure Contracts Scrutiny Sub-Committee.	Financial statements will be provided to C&L Contracts Scrutiny Sub-Committee on an annual basis.	CLL Client Manager	When audited financial statements are available
			(2) The role of the Leisure & Learning Client Manager needs to operate more effectively and this needs to be addressed by the following	The L&L Client Manager post is currently under review in order to determine the	Director of ECS	31/03/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Chief Executive's Service: Governance of Arm's Length External Organisations

HC52/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
			actions: • Documentation of the duties of the Client Manager • The provision of appropriate training for the Client Manager • Attendance at HLH Board meetings • Reviewing performance and financial information provided by HLH and addressing any issues as these arise.	appropriate capacity to discharge responsibilities associated with the post, including the future relationships with Arms-Length Organisations.		
3.2.3	High	There has been limited financial and performance information reported to the Council by Caledonia Community Leisure Ltd. The role of the Leisure & Learning Client Manager) in relation to Caledonia Community Leisure Ltd is not operating effectively	(1) The draft SDC should be finalised, approved and issued to CCLL at the earliest opportunity. It should incorporate detailed performance and financial information.	The SDC will be finalised, approved and issued at the earliest opportunity.	CLL Client Manager	31/03/14
			(2) The information submitted in accordance with the SDC should be forwarded to the appropriate Service Finance Manager for analysis. A summary of this information should then be reported to the Culture & Leisure Contract Scrutiny Sub-Committee.	Agreed	CLL Client Manager	As and when the SDC information is available
			(3) CCLL's annual Financial Statements should be reported to an appropriate Committee of the Council.	Agreed	Director of ECS	When audited financial statement

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Chief Executive's Service: Governance of Arm's Length External Organisations

HC52/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	RESPONSIBLE OFFICER	TARGET DATE
					IMPLEMENTATION	
						s are available
			(4) The role of the Leisure & Learning Client Manager needs to operate more effectively and this needs to be addressed by the following actions: • Documentation of the duties of the Client Manager • The provision of appropriate training for the Client Manager • Attendance at CCLL Board meetings • Reviewing performance and financial information provided by CCLL and addressing any issues as these arise.	The L&L Client Manager post is currently under review in order to determine the appropriate capacity to discharge responsibilities associated with the post, including the future relationships with Arms-Length Organisations.	Director of ECS	31/03/14
3.2.4	High	There is no reporting to a Council Committee on the financial or governance issues of Eden Court. No financial or governance information is published and available to the public. The Learning and Leisure Client Officer is the Liaison officer within Highland Council but it is not clear that his remit includes Eden Court.	(1) Company information (similar to that which is available for HLH) should be published on the Eden Court Website. This would allow interested parties to access performance, financial and governance information on the organisation. This is considered appropriate where an organisation is receiving substantial public funding that	Discuss with Eden Court the appropriate level of financial disclosure and governance information which could be made available.	Director of ECS	31/03/14 31/03/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

| Chief Executive's Service: Governance of Arm's Length External Organisations | | | | | HC52/001 |

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	RESPONSIBLE OFFICER	TARGET DATE
					IMPLEMENTATION	
			enables it to remain a going concern.			
			(2) The draft SDC should be finalised, approved and issued to CCLL at the earliest opportunity. It should incorporate detailed performance and financial information.	The SDC will be finalised, approved and issued at the earliest opportunity.	CLL Client Manager	As and when the SDC informati on is available
			(3) The information submitted in accordance with the draft SDC should be forwarded to the appropriate Finance Manager for analysis. A summary of this information should then be reported to the Culture & Leisure Contract Scrutiny Sub-Committee.	Agreed	CLL Client Manager	When audited financial statement s are available
			(4) Eden Court Theatre annual Financial Statements should be reported to an appropriate Committee.	Agreed	Director of ECS	31/03/14
			(5) The role of the Leisure & Learning Client Manager needs to be clarified and operate effectively. This should be addressed by the following actions: • Documentation of the duties of the Client Manager • The provision of appropriate training for the Client Manager	The L&L Client Manager post is currently under review in order to determine the appropriate capacity to discharge responsibilities associated with the post, including the future relationships with Arms-Length Organisations.	Director of ECS	

AUDIT REPORT ACTION PLAN

Report Title

Chief Executive's Service: Governance of Arm's Length External Organisations

Report No.

HC52/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
			• Attendance at Eden Court Board meetings • Reviewing performance and financial information provided by Eden Court and addressing any issues as these arise.			
3.2.5	High	The Board of Directors of HOL is made up 9 Directors, all of whom are Council Members. Unlike HLH and CCLL, there are no independent Directors. It is, therefore, important that the Members appointed have the necessary skills to perform their roles effectively	When appointing Council Members to external organisations, the main criteria should be the skill set, expertise and qualifications that each appointee brings to the Board of the Company thereby complying with best practice as identified by Audit Scotland.	Agree Criteria to be used making when appointments to HOL Board.	Head of Legal & Democratic Services	April 2014
3.2.6	High	Caithness Horizons receives direct funding of £104,561 and rent free accommodation worth £61,000. No Memorandum & Articles or Liaison Council Officer could be identified. The funding is to continue for another 5 years and a robust reporting procedure implemented. At the time of the review it was agreed that ECS would take responsibility for the organisation.	(1) A copy of the Memorandum and Articles for the Organisation and all other documentation should be requested and retained as noted at section 3.1.1. (2) A copy of the reporting requirement with a specific timeframe should be developed and implemented at the earliest opportunity. (3) Future funding of the organisation should be considered and discussed with the organisation in advance of the current end date in order that steps can be taken to decrease its dependency on public sector funding.	A copy has been obtained and is available. The appropriate reporting framework will be incorporated in the SDC. Discussions on future funding will be progressed over the next 15 month period	Completed CLL Client Manager Director of ECS	 31/03/14 31/03/15

AUDIT REPORT ACTION PLAN

Report Title

Chief Executive's Service: Governance of Arm's Length External Organisations

Report No.

HC52/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
			(4) As ECS have now taken responsibility for the oversight of Caithness Horizons, future reports should be provided to the Adult and Children's Services rather than the PED Committee. The Council's Scheme of Delegation should be also amended to reflect this change.	Agreed	Director of ECS	When audited financial statements are available
			(5) The Learning & Leisure Client Manager should be appointed as the Council Liaison Officer. In common with previous recommendations there should be: • Documentation of the duties of the Client Manager • The provision of appropriate training for the Client Manager. And his duties should include: • Attendance at Board meetings • Reviewing performance and financial information provided by Caithness Horizons and addressing any issues as these arise.	The L&L Client Manager post is currently under review in order to determine the appropriate capacity to discharge responsibilities associated with the post, including the future relationships with Arms-Length Organisations.	Director of ECS	31/03/14
3.3.1	Medium	No evidence was identified to indicate that criteria had been set in relation to skills or expertise required of members for appointment to the	(1) Clear criteria should be set for the skills and expertise required of members being appointed to ALEO boards.	Criteria in place for HLH, to be agreed for other ALEOs.	Head of Legal & Democratic Services	30/04/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Chief Executive's Service: Governance of Arm's Length External Organisations	HC52/001

					IMPLEMENTATION	
REPORT REF.	**GRADE**	**FINDING**	**RECOMMENDATION**	**MANAGEMENT AGREED ACTION**	**RESPONSIBLE OFFICER**	**TARGET DATE**
		board of any of the ALEOs				
		Council Members can be appointed to the Boards of external organisations centrally by Council/ Committee or locally at Area Committee Meetings.	(2) Appointments to external organisations made at Area Committee Meetings should be notified directly to the Service with responsibility for the organisation. Prior to any appointments being made, it should be considered whether there is need for any Council representation.	Procedure to be agreed.	Corporate Manager/Senior Ward Managers	30/04/14
		There is no comprehensive list of all organisations to which Council Members are appointed.	(3) A comprehensive list of all external organisations with Council representation on their Board should be compiled and maintained centrally.	See 3.1.1		
		Member's profiles on the Council website may not accurately reflect their responsibilities in relation to external organisations. Training needs may not be identified.	(4) Members should be reminded to ensure that their profiles on the Council's website accurately reflect their responsibilities in relation to external organisations.	Letter sent to all Members every 6 months to remind them to update their register.	Head of Legal & Democratic Services	Complete

AUDIT REPORT SUMMARY

Report Title

Chief Executive's Service - Corporate Governance Arrangements 2012-13

Report No.	Type of Audit		Issue Date	
HA49/005.bf	Systems		**Draft Report**	11/09/13
			Final Report	07/11/13

1. Introduction

1.1 This audit was undertaken as part of the annual plan for 2012/13 and reviewed the Council's corporate governance arrangements for 2012/13.

1.2 In accordance with best practice, the Local Code of Corporate Governance (the Code) is updated annually and presented to the Highland Council. The Code details the actions that need to be completed in order to further improve the Corporate Governance arrangements in the Council, and also the actions completed during the previous year.

1.3 Agreement of the 2012/13 Code by Council would normally have taken place in June but the local government elections delayed this until 6th September 2012.

2. Review Objectives

The objectives of the review were to ensure that:

2.1 The Council has adequate Corporate Governance arrangements in place. In particular:
- There is an appropriate framework in place which complies with best practice set out in the CIPFA/ SOLACE guidance;
- Actions required to demonstrate and/ or improve governance arrangements are clearly identified together with the responsible officers and target dates. These are set out in the annual Local Code of Corporate Governance;
- Any actions not completed by the end of the year are identified.

2.2 The agreed actions arising from the previous audit report on Corporate Governance (HA49/004) issued on 27th August 2012 were satisfactorily actioned by management.

3. Main Findings

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

3.1 This objective was partially achieved as the Council's Corporate Governance arrangements are in accordance with the requirements of the CIPFA/ SOLACE guidance. In addition, the council uses the Quarterly Performance Reviews (QPR) process to monitor the progress in actioning actions. However, it was not possible to evidence that all actions recorded within the 2011/12 Local Code had been completed or if not, were carried forward into the 2012/13 action plan. The only supporting documentation was archived information in the Performance and Risk Management System (PRMS) which was incomplete as no updates were provided by TEC Services and the Planning & Development Service.

3.2 This objective was not achieved as implementation of the agreed actions has been mixed but the failure of some Services to address these means that none of the three actions have been satisfactorily addressed:
- All off-target actions should be carried forward and clearly shown within the next year's Code. 8 of 12 sampled actions shown as incomplete for 2011/12 were not clearly carried forward to the next year.
- Whilst the standard template of information for PRMS has been provided and disseminated to Services as agreed, this has not been adhered to by some Services using PRMS. However this system was only implemented in all Services from January 2013.

- A review of the content of the 2012/13 quarter 3 QPRs was carried out by the Chief Executive's Service in order to provide assurance that corporate reporting requirements were being met and that the guidance on preparing electronic reports was being followed and the results were reported to the Weekly Business Meeting on the 29th July 2013. In addition, all Service Directors were previously provided with detailed feedback by email in early April which included a table comparing Services' QPR content with corporate guidance and identification of issues and improvements in order to meet the corporate guidance.
- The reporting of Internal Audit reports to the respective Strategic Committees is inconsistent. In addition, these were not always recorded on PRMS and/ or updated in a timely manner which means that the Service QPR information can be incomplete and/ or inaccurate. The Corporate Performance Team has completed work with Internal Audit to refine the approach to monitoring Internal Audit reports.

4. Conclusion

4.1 A number of the issues reported at 3. above relate to the fact that full implementation of PRMS was only concluded in January 2013. Use of the system by all Services in accordance with the guidance issued by the Chief Executive's Service will enable a final position on progress with the Code's actions to be extracted and verified as part of the audit process. The system includes a standard template for Service QPRs which incorporates all required information including actions from the Code and Internal and External audit reports, and if utilised will ensure that progress in achieving these actions is reported upon and monitored.

4.2 There are 4 recommendations made as a result of this audit all medium grade. These are due to be implemented by 31/12/13.

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

CHIEF EXECUTIVE'S SERVICE - CORPORATE GOVERNANCE ARRANGEMENTS 2012-13	

Report No.

HA49/005.bf

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.
Total recommendations

	Priority	**Number**
	High	0
	Medium	4
	Low	0
		4

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.1	Medium	It was not possible to evidence that all actions recorded within the 2011/12 Local Code had been completed or if not, had been carried forward into the 2012/13 action plan.	A complete finalised position of the Code of Corporate Governance should be documented in order to support the Code and which enables this to be independently reviewed.	Final position of Code for 2012/13 to be documented.	Assistant Chief Executive	Complete
3.2.1	Medium	8 of 12 incomplete actions, selected from the archived PRMS 2011/12 Code, were not clearly carried forward to the next year.	All incomplete actions at the end of the year, should be carried forward and clearly shown within the next year's Code, with an appropriate target date provided by the respective Service Director(s).	All actions carried forward to be clearly marked in the Code.	Assistant Chief Executive	Complete
3.2.2	Medium	(1) Services are not reporting QPRs, CCG and Internal Audit Reports in a consistent manner despite the standard QPR template being issued by the Chief Executive's Service.	(1) All Service Directors should ensure that their QPR documentation includes their assigned actions from the Local Code of Corporate Governance and reference to their Service Internal Audit reports.	All Services to use PRMS to monitor assigned actions.	All Service Directors	31/12/13

AUDIT REPORT ACTION PLAN

Report Title

CHIEF EXECUTIVE'S SERVICE - CORPORATE GOVERNANCE ARRANGEMENTS 2012-13	Report No.
	HA49/005.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2 cont.		(2) Review of briefing books on PRMS highlighted that some Services did not follow the guidance set by the Chief Executive's Service.	(2) The guidance issued by the Chief Executive's Service should be referred to in order to ensure that Service QPRs are reported in a consistent manner and contain all necessary information.	All Services to use PRMS to monitor assigned actions.	All Service Directors	31/12/13
3.2.3	Medium	Internal Audit Reports are not consistently reported to the respective Strategic Committee. Service QPR information recorded on PRMS showed that these did not include all relevant Internal Audit reports and where included, these were not recorded accurately and updated in a timely manner.	(1) Service Directors should ensure that all Internal and External audit reports are reported to the appropriate Strategic Committee. (2) The Head of Internal Audit & Risk Management should highlight quarterly to Service Directors any outstanding Internal Audit reports that require presenting before Strategic Committee. (3) Service Directors should also ensure that all management agreed actions are recorded within their QPR and progress in addressing these is monitored and reported.	(1) All audit reports to be reported to strategic committees. (2) Directors to be reminded each quarter of Internal Audit reports which have not been presented to the relevant Committee. Agreed actions to be monitored through PRMS. (3) See Action 3.2.2 (1).	All Service Directors Head of Internal Audit & Risk Management	Complete Complete

AUDIT REPORT SUMMARY

Report Title

Planning and Economic Development: AXIS 4 – European Fisheries Funding Project

Report No.	Type of Audit		Issue Date	
HE14/002	Systems	**Draft Report**	10/10/12
		Final Report	08/11/12

1. Introduction

1.1 This audit was undertaken as part of the 2013/14 Audit Plan and assessed the administration of the European Fisheries Fund (EFF) Axis 4 Programme. The audit is a requirement of the Service Level Agreement (SLA) between Marine Scotland and the Council and this is the first audit which covers the period 01/07/12 to 30/06/13.

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

1.3 The FLAG began to accept project applications in spring 2012, with all project applications to be decided by 31/12/13. The programme will then run approved projects until its official close of 31/12/15. The total value of the Highland EFF Axis 4 Programme is £549,392.

2. Review Objectives

The objectives of the review were to ensure that:

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

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

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. No irregularities have been found, a spreadsheet database has been created to record the programme's projects, a separate accounting code has been set up for the programme, and standard forms and guidance have been provided by Marine Scotland to be used in the project application, decision and approval processes.

However, while programme guidance was provided by Marine Scotland a number of omissions have been found that are required for compliance with the Service Level Agreement (SLA) and relevant EU regulations. The areas missing from the procedures include: procedures and controls for fraud, bribery and gifts and hospitality, document retention, performance targets and separation of duties for payment of claims. The procedures for administrative checks, processing claims and required performance targets should also be included.

There is currently no lockable storage for personal information held on file, a draft data sharing protocol had not been set up with Marine Scotland, and approval by Marine Scotland of some of the procedures was not available during the audit due to staff absence.

Publicity and audit trail requirements detailed in EU regulations had not been fully referenced in the procedures.

The necessary number of FLAG members and private/public sector mix, to ensure the meeting was quorate, was unknown.

There have been no expenditure claims during the audited period and so this could not be examined.

3.2 This objective was substantially achieved as the 4 projects reviewed are eligible and declarations of interest were being recorded correctly on the FLAG minutes. There had been no claims made during the audit review period.

However, emails containing project documents following FLAG approval sent to Marine Scotland were not being held in the project files for 3 of the 4 projects examined, contrary to the requirements of Annex A of the SLA.

The statutory obligation confirmation letter, which declares that the application is not seeking funding for a project for which the local authority has a statutory obligation, could have been improved in the only project examined from a public body.

There were also some minor project file issues that needed to be addressed.

4.   Conclusion

4.1 The programme is assessing project eligibility correctly, however the procedures and processes need to be better documented to provide control and assurance that projects will continue to be processed correctly, particularly as claims and any problems arise as the projects progress.

4.2 There are six recommendations in this report; all are classified medium priority and are either completed or will be completed by the end of the year.

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.**

Planning and Economic Development: AXIS 4 - European Fisheries Funding Project | **HE14/002**

The Action Plan contains **6** recommendations as follows:

Description   **Priority** **Number**

Major issues that managers need to address as a matter of urgency.   High   0
Important issues that managers should address and will benefit the Organisation if implemented. Medium 6
Minor issues that are not critical but managers should address.   Low   0
Total recommendations   **0**

| REPORT REF. | GRADE | FINDING | RECOMMENDATION | MANAGEMENT AGREED ACTION | IMPLEMENTATION | |
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Medium	Non-compliance with SLA The following issues have not been documented in the Highland Council procedures:	Procedural Issues:			
		(1) Procedures to both prevent and detect fraud.	(1) Procedures should be updated to include fraud detection and prevention and breaches of contractual obligations. Also, the annual progress report should include reference to the general fraud prevention and detection measures.	(1) Procedures to be updated. Reference to fraud prevention and detection measures to be included in Annual Progress Report.	EFF Development Officer	20/12/13
		(2) Retention of project files.	(2) Document retention requirements should be added to the procedures.	(2) Procedures to be updated.	EFF Development Officer	20/12/13
		(3) Rules on acceptance of gifts and hospitality and the Bribery Act 2010.	(3) A link to the Council's code of conduct and Financial Regulations training should be added to comply with SLA gifts and hospitality rules and a reference should be made in	(3) Procedures to be updated.	EFF Development Officer	20/12/13

AUDIT REPORT ACTION PLAN

Report Title   **Report No.**

Planning and Economic Development: AXIS 4 - European Fisheries Funding Project   **HE14/002**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
			the procedures to section 11 of Financial Regulation to comply with the bribery awareness rules.			
		(4) Marine Scotland confirmation of Highland Council procedures could not be established.	(4) Following the changes to procedures recommended in this report, approval from Marine Scotland of the Highland procedures should be sought.	(4) Procedures to be sent to Marine Scotland for comment/ approval.	EFF Development Officer	20/12/13
		(5) Adequate separation of duties and internal supervisory checks have not been documented.	(5) The process for paying claims should be included in the procedures ensuring that they provide for adequate separation of duties and internal supervisory checking. The supervisory controls should be agreed with Marine Scotland.	(5) Supervisory controls to be clarified and agreed with Marine Scotland. Procedures to be updated accordingly.	EFF Development Officer	20/12/13
		(6) SLA performance targets have not been documented.	(6) The SLA Annex B performance requirements should be included in the procedures.	(6) Procedures to be updated.	EFF Development Officer	20/12/13
		(7) Administrative checks have not been documented or agreed with Marine Scotland.	(7) The administrative controls should be agreed with Marine Scotland and documented in the procedures.	(7) Administrative controls to be clarified and agreed with Marine Scotland and procedures updated accordingly.	EFF Development Officer	20/12/13
		The following compliance issues had not been carried out or documented:	Compliance Issues:			
		(8) No lockable file storage.	(8) Lockable storage should be	(8) Lockable storage now	-	Complete

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Planning and Economic Development: AXIS 4 - European Fisheries Funding Project

HE14/002

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	**TARGET DATE**
				in place. Action complete.		
		(9) A data sharing protocol has not been set up.	(9) The Highland Council should follow-up the request made to Marine Scotland for a data sharing protocol. If no response is received this should be escalated to the Director of Planning & Development.	(9) Follow-up request to be made to Marine Scotland regarding Sharing Data Protocol.	EFF Development Officer/Head of Environment & Development. If relevant, escalate to Director of Planning & Development.	20/12/13
3.1.2	Medium	(1) The publicity guidance does not comply with EU regulations. (2) The procedures do not comply with EU regulations requirements on audit trail requirements.	(1) The publicity information should be amended to comply with the EU regulations. (2) The procedures should include details of audit trail requirements.	(1) Publicity requirements to be clarified with Marine Scotland. It should be noted that a letter from Highland Council to Marine Scotland dated 27/05/13 queried whether there are specific requirements in terms of publicity as the regulation only refers to the Member State. (2) Procedures to be updated.	EFF Development Officer	20/12/13
					EFF Development Officer	20/12/13

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Planning and Economic Development: AXIS 4 - European Fisheries Funding Project | **HE14/002**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.1.3	Medium	The quorum requirements for approval of projects at meetings are unclear.	(1) The rules on meeting quorum should be agreed with Marine Scotland.	(1) To be clarified with Marine Scotland and procedures updated accordingly.	EFF Development Officer	20/12/13
			(2) Once the rules are known, the attendance mix of members should be checked for each meeting approving projects to ensure it was quorate.	(2) Files/minutes to be reviewed once quorum is clarified with Marine Scotland.	EFF Development Officer	20/12/13
3.2.1	Medium	The emails sent to Marine Scotland with the documents required by the SLA following project approval were not held on file for 3 projects.	The emails sent to Marine Scotland following project approval should be added to the individual project files in order that this information is retained to evidence eligibility.	Actioned. Emails now added to project files.	EFF Development Officer	Complete
3.2.2	Medium	The information held on the Highland Council (Helmsdale Harbour) Project to declare that the project was not a statutory obligation of the Local Authority could be improved by stating the harbour improvements being investigated by the appraisal is not a statutory duty or responsibility.	The Harbours Manager should be asked to provide further confirmation in writing that the harbour upgrade is not a statutory obligation. This confirmation should then be retained in the project file.	Letter to be requested from Harbours Manager and added to file.	EFF Development Officer	20/12/13
3.2.3	Medium	The following minor issues were found during the review of the project files: (1) The Highland Council (Helmsdale Harbour) Project file does not contain the feasibility proposal and quote from a rejected application, which is required to better explain the requested funding in the application	(1) The feasibility proposal and quote from a rejected application should be added to the Highland Council (Helmsdale Harbour) Project file.	(1) Actioned. Feasibility proposal and quote added to HEFF/003.	EFF Development Officer	Complete

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Planning and Economic Development: AXIS 4 - European Fisheries Funding Project

HE14/002

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		accepted.				
		(2) Facsimile signatures have been used on forms instead of wet signatures. Facsimile signatures alone are not a controlled method of authorising documents. The e-mail these forms were attached to should be held electronically, and a printed copy held on file, to show authorisation.	(2) Where facsimile signatures are used on sign forms that are emailed, the original email file and a printed copy of the email should be held.	(2) Actioned. Printed cover email added to files and emails retained.	EFF Development Officer	Complete
		(3) The project file's dividers were not numbered or titled.	(3) All the project files' dividers should be numbered or entitled.	(3) File Structure index at front of file. Dividers to be numbered.	Programme Administrator	20/12/13
		(4) All forms (including the project recommendation form) need the name of the authoriser printed to ensure it is clear who is authorising the forms, and all forms (including the compliance with conditions form) need a title.	(4) Forms should contain the printed name of the signatory. All forms require a title.	(4) Printed names section to be added to templates. Titles to be added to all forms.	EFF Development Officer	20/12/13
				Printed names detailed on forms already completed and signed. Action Complete.	EFF Development Officer	Complete

AUDIT REPORT SUMMARY

Report Title

Curriculum Internet Use

Report No.	Type of Audit		Issue Date	
HC20/012	Computer		**Draft Report**	02/07/13
			Final Report	06/11/13

1   Introduction

1.1   This report records the findings of a computer audit review on use of the Curriculum Internet Service in schools.

1.2   During the review, the Curriculum for Excellence set new challenges in education, with literacy and numeracy qualifications in 2012/13 and National 4 & 5 qualifications in 2013/14. Developing information and communications technology (ICT) skills is one of these challenges. The Highland ICT in Learning Teaching and Assessment Strategic Action Plan defines the Council's approach to learning communities to meet the Scottish Government's 'ICT in Education' objectives and Modernising Government Agenda.

1.3   Highland curriculum users access the internet for learning through schools dedicated infrastructure and equipment managed by Fujitsu Services as part of the core Office Service in the Information and Communication Technology (ICT) contract. Users also access Glow which is an intranet with tools and resources for learning provided by the Scottish Government's Education Scotland.

1.4   The scope of the review focused on curriculum internet use using standard Council desktop and laptops in schools. Excluded from the scope was internet access using Council mobile devices with internet facilities such as laptops off-site, Blackberry and smart phones and personal devices with internet facilities on-site.

1.5   A sample of primary and secondary schools were invited to provide feedback on Curriculum Internet Service use. Responses from this survey were received from Head Teachers of twelve primary schools, nine secondary schools and the manager of Highland's school residences. These are considered and incorporated within the findings of the review.

1.6   The audit was undertaken as part of the annual audit plan and follows on from an earlier Corporate Internet Service Review which was issued on 25 July 2012 and reported to Audit and Scrutiny Committee on 21 November 2012.

2.   Review Objectives

There were four objectives in the review, to ensure that

2.1   There are appropriate policies and training for curriculum users on acceptable internet use

2.2   Filtering processes are flexible to ensure users can access information they need whilst still providing sufficient controls to protect users from emerging threats, security risks and unacceptable content

2.3   Schools internet use is logged and maintained in the event of further investigations required

2.4   Schools internet use is monitored on an on-going basis. Where unacceptable usage or breach of security is suspected, this is promptly acted upon.

3.   Main Findings

Referenced to the objectives, the main findings are as follows:

3.1   The first objective was achieved in the all areas reviewed

o   Following the principles in the high level ICT in Learning, Teaching and Assessment Strategic Action Plan there are policies governing the use of the internet service. The Acceptable Use Policy (AUP) includes staff, pupils and third parties in its scope and has been reviewed this year. To ensure the policy is understood by pupils of different ages, simplified versions of the AUP are documented to enhance understanding of

acceptable and unacceptable use. These simplified versions are being reviewed for pupils to match current requirements. Head Teachers are responsible for ensuring all pupils are aware of the policy and understand these responsibilities.

- o There is specific guidance on the use of social networking for professionals in Highland learning communities and also Council policy on the restricted authorised use of Skype software for curriculum users for learning and teaching
- o School residences have their own policy and sign up agreement for appropriate use of computers and the internet.
- o A broad range of training is available to users, including on-line training courses for staff. The E-Safety Group provides Curriculum and Technology Coaches for training. E-safety training covers developments in cyber security and is supporting externally hosted events, for example the E-Safety Live annual tour with key organisations such as Childnet and UK Safer Internet Centre.

3.2   The second objective was partially achieved in the following areas

- o Internet traffic is managed with hardware and software controls to protect the network and curriculum internet users from security risks, including malware

- o There are different access settings created for different internet user types through filter policies for different user groups in specific filter software. These are based on a detailed document called Minimum Content Filtering Policy in Education which was issued in July 2012. This defines web filtering policy for different user groups and processes for blocking and unblocking access to sites

- o Assurance testing by ICT Services on device build and settings at Council sites was taking place which includes checks on internet security filters for teachers and pupils across devices of different model types and operating systems. These tests on curriculum legacy and refreshed devices provide assurance on consistency of internet settings and filters for different user types at school sites

- o The survey of schools reported user satisfaction with speed of actions taken for requests submitted to limit access to any internet site reported as a security risk.

This objective was not fully achieved in the following areas reviewed

- o Schools reported an interest in more flexible IT for internet usage, for example, use of non-Microsoft devices for learners with additional support needs

- o The school survey reported intermittent issues regarding staff internet access settings. This is understood to occur when the server managing user access cannot detect the users profile to deploy the appropriate profile for them. In this case, the default setting or lowest access level was applied. This follows the security principle of least privilege, but disallows teachers' access to do their work until the access setting is corrected

- o Some of the secondary school teaching staff reported delays in time taken to manage the filter process for unblocking sites required for learning which could compromise teaching efficiency. The ICT Portal provides advice and Training and User Guides on how to log a request for service or log an incident, but this does not include advice on how to escalate any requests that have not been responded to or resolved

- o The audit survey responses reported variation in internet service across curriculum sites, including school residences, affecting the internet access on site. Bandwidth connection to the Pathfinder Wide Area Network or WAN varies by school type. In 2012 -2013 this was reported as between 8 megabytes per second (mbps) in primary schools and up to 75 mbps in secondary schools. In response to findings from the survey, one residential site not on the Pathfinder network and one other secondary school site also identified with connection issues were escalated to ICT Services who have taken this up with Fujitsu to seek an improved internet service solution.

3.3   The third objective was achieved in all areas reviewed. Proxy log data on internet traffic is secured and maintained in a backend database by Fujitsu Services as part of ICT core services. A record of all internet access is held with IP address, website address date and time in the event of a review being required.

No areas were identified for improvement.

3.4 The fourth objective was achieved in the following areas

- o Evidence of automated alerts was found in the shared Service Management Toolset deployed by Fujitsu. These security alerts are useful as 'anonymized' reporting does not conflict with personal privacy and provides assurances for specific risk areas. Alerts of potential security incidents were followed up by HC ICT Services Officers

- o Users can phone to 'fast-track' a request for advice or log a security incident if the matter is urgent

- o Weekly service delivery meetings between Education Culture and Sports Service (ECS) officers and Fujitsu provide a valuable forum for managing ECS ICT service delivery in general.

This objective was not fully achieved in the following areas

- o There was no evidence available to confirm the automated alerts found in the filter software management process met ECS Service requirements and definitions of risk

- o Schools gave mixed responses to the reporting and incident management of Curriculum Internet Service use. Two of the twelve primary schools which responded as having reported incidents were content with the service provided. Three of the nine secondary schools had reported incidents and two of these were not content with the response; a further school reported dissatisfaction of the monitoring service in general terms

- o There was an on-going review of other software tools available for alerts to potential areas of concern with Internet use, for example, risks of cyber-bullying. As implementation of some reporting products may create a risk of infringement of personal privacy, officers from Legal Services are involved in providing legal advice as required.

4. Conclusion

4.1 In summary, this review found a pro-active and professionally led approach to security for internet use by the Council. The high level Council ICT ECS Strategy includes a strategic action plan to support schools meeting the Scottish Government's five 'ICT in Education' objectives and the Modernising Government Agenda. This Strategic Action Plan has been defined with a range of partners grouped in three key areas – Curriculum and Training, Management Information and e-Safety. High level policies, user-awareness and training, security software and technical tools act as controls against specific risk areas and assist in securing the internet Service provided for pupils and staff.

4.1 The Curriculum Internet Service was found to be progressing forwards to meet increasing demands for Highland schools to prepare children and young people for the future with ICT Skills. High level policies, user-awareness and training, security software and technical tools act as controls against specific risk areas and assist in securing the corporate internet service provided for pupils and staff.

4.2 There are a total of 7 recommendations in this report, all at medium priority grade. Three actions were agreed and fully completed during the audit period. The remaining actions have agreed implementation dates ranging from one month to one starting in April 2015 at commencement of new ICT contract.

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

Use of the Curriculum Internet Service

Report No.

HC20/012

The Action Plan contains 7 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.

Total recommendations

	Priority	Number
	High	0
	Medium	7
	Low	0
		7

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2	Medium	Filters and Devices Used to access the Internet Some Head Teachers surveyed expressed interest in having access to more flexible Information and Communication Technology (ICT) for meeting the needs of pupils using the internet, for example non-Microsoft devices for learners. A pilot project to test the use of non-Windows devices was completed for review of rollout of Mobile Device Manager including these within the latest Council approved wireless solution and mobile device manager	The results from the pilot projects on non-Windows devices and rollout of mobile device manager with the approved wireless solution will be very useful and should be considered for future technology enhancements in schools and also in the forthcoming ICT re-provision for Education Culture and Sports Service (ECS) in general.	The review of ICT Curriculum needs will be fully scoped as part of the forthcoming re-provision of ICT and commencement of new ICT contract. ECS will specifically second a member of staff into the re-provision team to ensure the correct level of representation	Head of Resources, ECS	01/04/15
3.2.3	Medium	Filters and User Groups Some education staff reported problems with the filter when the server is unable to deploy the appropriate profile for a pupil or staff. Staff have a higher level of permission and if the server is unable	The process for defining users and ensuring they receive the correct access to education and learning sites should be monitored closely by ECS and ICT Services to ensure they meet education requirements.	Review current Curriculum filtering policies to ensure they meet the needs of teaching staff	ICT Service Delivery Manager	30/04/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Use of the Curriculum Internet Service		HC20/012

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		to detect the user's profile for example, it defaults to the minimum level of filtering. This follows best practice in the Information Security Management standard ISO27001, but denies teachers' appropriate access until this is corrected.				
		An incident reported pupils' access settings being over-restricted which disallowed them from submitting their answers to an online test. The proxy server filter blocked pupils' access to a third party site required to complete this, whereas the teacher could access the site without any difficulty.	If there are intermittent issues creating changes to user group settings and access at proxy server level, these should be investigated and resolved in good time to ensure teachers and pupils can access internet sites needed for their work.	Standing agenda item at the monthly service review board between the Council and Fujitsu with specific regard to escalated curriculum access issues	ICT Operations Manager	complete 01/11/13
3.2.4	Medium	Filters and access to sites Some secondary Head Teachers reported delays in filtering requests being actioned which affected teachers being able to complete their work. The filter policy was reported as too restrictive in subjects like Computing Science where students are encouraged to use the web for research and download media assets as part of the course. A solution for this, using Guest Wireless Access with the latest Council approved wireless solution, was being rolled out across schools	a) Response times to requests by schools should be reviewed and any unaccountable delays brought up at the weekly service delivery meeting of designated ECS officers and Fujitsu to ensure they meet learning requirements promptly and course work is not compromised by target dates not being met. b) It would be helpful if teaching staff are regularly made aware of the ICT service delivery process and advised on how to escalate a call if there has	a) New standing agenda item to be added to the weekly meeting between ICT Services and ECS established as from 01/11/13. b)Updated training/ awareness to be provided to teaching staff of the ICT including Processes	ICT Operations Manager/ ICT Curriculum Liaison Manager ICT Curriculum Liaison Manager	complete 01/11/13 31/03/14

AUDIT REPORT ACTION PLAN

Report Title

Use of the Curriculum Internet Service

Report No.

HC20/012

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		during the review but not yet completed. The ICT Portal provides advice plus Training and User Guides on how to log a request for service or log an incident, but this does not include advice on how to escalate any requests that have not been responded to or resolved. Weekly service delivery meetings between ECS officers and Fujitsu users provide a forum for managing any service delivery queries.	been no response or an unexplained delay, for example in the curriculum ICT newsletters which are a useful means of communication. c) Teaching staff should be encouraged to log requests for any filter changes required in good time.	escalations and how to log requests c) Included in the action b) above		
3.2.5	Medium	<ins>Access to the internet at establishments</ins> Access to the internet service varied across sites surveyed in the review, including school residences. There is a variety of network build across Highland curriculum sites. ICT Service is assurance testing device build across Council sites, including tests on internet security filter settings for teachers and pupil logins.	The ICT Service assurance testing review referred to in 3.2.1 can provide useful indicators of variations across sites, therefore it is recommended that any curriculum establishments found to have significant variations from expected standards during testing are followed up to provide consistency of service.	ICT Services and ECS to ensure follow ups are undertaken where there are significant variations from expected standards established as from 01/11/13	ICT Service Delivery Manager/ ICT Curriculum Liaison Manager	complete 01/11/13
3.4.2	Medium	<ins>Automated alerts</ins> Automated alerts were found for the filter software management process, but no evidence was found to confirm	It would be helpful if the automated alerts run by Fujitsu were reviewed by ICT and ECS Services officers and	Automated alerts for ECS to be reviewed by ECS and ICT Services at the weekly	ICT Service Delivery Manager/ICT	01/12/13

AUDIT REPORT ACTION PLAN

Report Title

Use of the Curriculum Internet Service

Report No.

HC20/012

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		these alerts met ECS Service requirements and definitions of risk.	agreed for specific risk areas for curriculum users.	service review meetings	Curriculum Liaison Manager	
3.4.3	Medium	Reporting and managing incidents Head Teachers do not have direct access to reporting alerts of security incidents at their school, but are responsible for pupil and staff security on site. Designated ICT Service Officers can run reports as required through the governance process. As in 3.2.4 above, weekly service delivery meetings between ECS officers and Fujitsu provide a regular forum for managing any service delivery queries	ICT and ECS Services should ensure the needs of teaching staff for incident management in schools are being met and resolved in good time with an escalation procedure available to users as required. Requests by secondary schools in particular should be monitored. As in 3.2.4 above, any unaccountable delays can be brought up at the weekly service delivery meetings to ensure they meet learning requirements promptly.	Action for 3.4.3 is included in the actions for 3.2.4 above – that is, a new standing agenda item to be added to the weekly meeting between ICT Services and ECS established as from 01/11/13	ICT Operations Manager/ ICT	complete 01/11/13
3.4.4	Medium	Monitoring of Usage Legal advice was being included in the review of new software tools for alerting potential areas of concern, for example, risks of cyber-bullying. The Council has vicarious liability as an employer by providing the curriculum internet Service to Teachers	A Legal Services contact should remain on the circulation list for matters relating internet use and application of software tools for monitoring usage as compliance to legislation is important	ICT Services to ensure that legal services continue to be included on circulation lists for matters relating to curriculum software tools for monitoring is continuing	ICT Service Delivery Manager	complete 01/11/13