

## The Highland Council

Audit and Scrutiny Committee – 27<sup>th</sup> March 2014

Agenda Item	3
Report No	AS/1/14

### Internal Audit Reviews and Progress Report – 11/11/2013 to 17/03/14

#### 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 nine 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
Housing & Property	Compliance with Carbon Reduction Energy Efficiency Scheme 2012/13	Full
Chief Executive's Service	Data Handling and Security	Substantial
Chief Executive's Service	Information Security (Members only report)	Substantial
Finance	Access and Authorisation Controls (Pecos and Accounts Payable)	Substantial
Finance	Travel & Subsistence -Travel Desk arrangements	Substantial
Finance	Housing Benefit and Council Tax Benefit Payments 2012/13	Substantial
Finance	Debtors	Reasonable
Planning & Development	Leader Programme 2012/13	Reasonable
Health & Social Care	Children and Families Team – System Weakness Report (Members only report)	Limited

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

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

- (iii) **Reasonable Assurance:** Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iv) **Limited Assurance:** Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
- (v) **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

## 2. Other Work

2.1 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 seven draft reports are in progress and three 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:

- Income due to the Council but not banked.
- Misappropriation of School Fund monies.
- School Fund/ Devolved School Management anomalies

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

(ii) 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
- Hitrans – Giant Puffin TransTourism project
- Hitrans – ERDF, Food Port Authority

In addition, advice on grant project issues has been provided to the Planning and Development Service following requests from the Leader team and AXIS 4 - European Fisheries Funding Project team.

(iii) Work for other organisations, Boards or Committees

Work has been undertaken on behalf of the Valuation Joint Board in

accordance with the audit Plan for 2013/14.

(iv) Advice, Assurance and Other Work

Work has been undertaken in respect of the Corporate Improvement Programme (CIP), reviewing and commenting on the Personnel Admin project, including a review of the User Acceptance Testing plan, discussion on access controls for Human Resources forms, new online expenses procedures and a review of process maps.

(v) Computer Audit

Advice has been provided on various matters as follows: email security including the use of auto forwarding, the retention of electronic audit trails in the CareFirst System, and the use of generic usernames.

(vi) Scrutiny Working Group

Last 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 is being prepared on behalf of the Working Group and will be presented to the next meeting in June 2014.

Scrutiny training has been arranged for Members on 9<sup>th</sup> May 2014 and it would be appropriate to consider, at a future meeting of this Committee, whether improvements can be made to the Council's scrutiny arrangements.

### **3. Staffing Resources, Vacancies and Training**

3.1 It was reported at the last meeting that although the restructuring of the Internal Audit, Insurance & Risk Management function had been completed, there still remained vacancies from a team of 10 staff. The report referred to these vacancies as follows:

- (i) A Trainee Auditor had been appointed and was due to take up the post at the beginning of January 2014.
- (ii) An Auditor had recently left to take up a post in the Planning & Development Service. An advert has been placed to fill the vacancy with a closing date of 15<sup>th</sup> November 2013.
- (iii) The Temporary Auditor had submitted her resignation which would take effect from 1<sup>st</sup> December 2013. This post was currently in the structure in view of an Auditor being on secondment to the Accounting Team. This secondment was due to end in February 2014. In view of this it was recognised that the possibility of recruiting a replacement Temporary Auditor for such a short period of time was unlikely to be successful and the vacancy would therefore be carried.

Since the above meeting:

- (iv) An Assistant Auditor has also reduced their standard working week from 35 hours to 21 hours under the terms of the Council's Flexible Working Policy

The current position in respect of the above vacancies is as follows:

- (i) The Trainee Auditor took up the new post at the beginning of January.
- (ii) Interviews took place on 12<sup>th</sup> December 2013 but no appointment was made. Rather than re-advertise the post at the same level it was decided to advertise this at Assistant Auditor level. This led to an excellent response and, following interviews on 27<sup>th</sup> and 28<sup>th</sup> February 2014, an appointment was made. The individual will take up the post once the appropriate Disclosure Scotland check has been completed.
- (iii) The Auditor concerned has returned from secondment to the Accounting Team.
- (iv) An advert for a Job Share (14 hours) arrangement was placed for the Assistant Auditor post and, following interviews on 27<sup>th</sup> and 28<sup>th</sup> February 2014, an appointment was made. The individual will take up the post once the appropriate Disclosure Scotland check has been completed.

In view of the above it is pleasing to report that the Audit team will shortly be fully resourced following the restructuring. Overall, the restructuring has provided an alternative service model which will deliver financial savings and maintain the current level of service within the Internal Audit Section to reflect increased demands. However, in view of the changes that have taken place it will take some time for the new members of staff to be fully proficient in their roles and there will also be increased training demands. Allowance has therefore been made for these matters within the Audit Plan for 2014/15.

3.2 Since the previous meeting, staff have attended the following training events:

- (i) Assurance Mapping: The Audit & Risk Manager attended a one-day course on assurance mapping. The assurance mapping process requires an organisation to document who assurance is provided to, the nature of assurance, how it will be provided and how the Board (in this case the Audit & Scrutiny Committee) satisfies itself that the assurance it receives is sufficient and appropriate. Best practice recommends that organisations map assurance against their key risks to develop a comprehensive overview of where assurance is obtained, and to ensure there is no duplication or gaps in the sources of assurance. This will be taken forward during the course of 2014/15 to ensure that the Council's processes comply with best practice.
- (ii) Introduction to Internal Audit: The Trainee Auditor attended a two-day introductory course following his recent appointment and has also enrolled to sit the Institute of Internal Audit examinations.
- (iii) Auditing Contracts, Procurement and Outsourcing: an Auditor attended a two-day course as this was identified as an area within the Personal Development Plan reviews where there was no specialised knowledge within the Internal Audit Section. This training will be invaluable with regard to the planned reviews of capital contracts and procurement which are included within the Audit Plan for 2014/15.

#### **4. Progress Against the 2013/14 Plan**

4.1 It was reported at the previous meeting that the staffing vacancies, together with

delays in completing the restructuring of the Section, had impacted upon the ability to deliver the Audit Plan for the current year and a net total of 6 reviews were to be carried forward to the 2014/15 Plan (*nb in addition to this, one review was added*).

Since the previous meeting it has been identified that further amendments to the Audit Plan for 2013/14 are required. These amendments have arisen from a combination of factors, including:

- Further vacancies and delays in recruiting, as outlined at section 3.1 above.
- Audit reviews exceeding the allocated time budget.
- The need for reviews being overtaken by events.

The impact of the above is summarised as follows:

Service	Activity	Comments
Chief Executive's	Mobile computing	Independent IT health check completed to Cabinet Office's Public Sector Network (PSN) standards, therefore, no audit requirement
Chief Executive's	Payments through the Service Centre	To be undertaken after the introduction of new software. Carried forward to 2014/15
Chief Executive's	Corporate internet use (follow up)	Carried forward to 2014/15
Chief Executive's/ all Services	Corporate control of overtime	Carried forward to 2014/15
Chief Executive's/ Finance	Review of national recruitment portal	Internal Audit has been involved in providing advice on procedures to be followed by Services. Carried forward to 2014/15
Education, Culture & Sport	School Lets	Carried forward to 2014/15
Finance	Scottish Welfare Fund	Internal Audit has been involved in providing advice on the necessary level of controls required. Carried forward to 2014/15
Health & Social Care	Childcare income	Carried forward to 2014/15
Housing & Property/ Finance	Asset management	Carried forward to 2014/15

#### 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: 18<sup>th</sup> March 2014

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

Background Papers

## Internal Audit – Planned Work in Progress

SERVICE	SUBJECT	PROGRESS
Chief Executive's	Highland Archive Centre	Draft report in progress
Chief Executive's	Health & Safety arrangements	Draft report issued
Chief Executive's/ TEC Services	Business Continuity Planning arrangements (follow up)	Fieldwork in progress
Chief Executive's	Public Art in Inverness	Fieldwork in progress
Corporate	Matters arising from the Statement on Internal Control 2012/13	Draft report in progress
Corporate	End User Computing	Draft report in progress
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 completed
Education, Culture & Sport	School off-site excursions	Fieldwork completed
Education, Culture & Sport	School meals income collection and monitoring systems (follow up)	Fieldwork in progress
Finance	Creditors system	Terms of reference issued
Finance	Capital monitoring and budgetary control	Fieldwork in progress
Finance	Revenue budgetary control	Fieldwork in progress
Health & Social Care	Children's units	Draft report in progress
Health & Social Care	Integrating Care in the Highlands	Draft report issued
Health & Social Care	Payments to nursery providers (follow up)	Draft report issued
Housing & Property	Contractors' Framework Agreement for works up to £50,000 (follow up)	Fieldwork in progress
Planning & Development	Uniform system	Terms of reference issued
TEC Services	Grass cutting contract	Draft report in progress

## AUDIT REPORT SUMMARY

### Report Title

**Housing & Property Service – Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2012/13**

Report No.	Type of Audit	Issue Date	
HD16/001	Systems	<b>Draft Report</b>	14/01/14
		<b>Final Report</b>	18/03/14

### 1. Introduction

- 1.1 The Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) is a mandatory UK wide policy aimed at reducing the level of CO<sub>2</sub> (carbon dioxide) emissions utilised by large commercial and public sector organisations, and it applies to the Highland Council. Its purpose is to reduce the amount of pollutants in the atmosphere. The Scheme commenced in April 2010 following the implementation of the CRCEES Order 2010, which was recently replaced by the CRCEES (Amendment) Order 2013.
- 1.2 As part of the 2012/13 annual plan, an audit was undertaken to ensure compliance with the CRCEES (Amendment) Order 2013. Carbon use must be reported annually for the period 1 April to 31 March and the current reporting period refers to the Introductory Phase which spans 2010/11 to 2013/14 inclusive. This audit report covers the third reporting year of the Introductory Phase, April 2012 to March 2013 inclusive.
- 1.3 Following a recent UK wide simplification of the CRCEES reporting requirements, the amount of energy supply points within the Council's responsibility decreased from approximately 1,500 to 1,308 this resulted in a total of 37,795 tCO<sub>2</sub> (CO<sub>2</sub> tonnes) used within the current compliance reporting period.

### 2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 There are appropriate arrangements in place to produce accurate and timely Carbon Reduction Commitment monitoring and evaluation reports.
- 2.2 There are adequate processes and procedures in place to forecast, measure and record anticipated CO<sub>2</sub> emission output. The appropriate carbon cost allowances were obtained by the required date.
- 2.3 There are adequate processes and procedures in place to record, measure and report CO<sub>2</sub> emission output within the Council's responsibility.
- 2.4 The management agreed actions arising from the previous audit report have been satisfactorily implemented.

### 3. Main Findings

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

- 3.1 This objective was fully achieved as there are satisfactory arrangements in place to produce accurate and timely reports and an annual report was prepared for the year 2012/13.
- 3.2 This objective was fully achieved. There are adequate processes and procedures in place to forecast, measure and record anticipated CO<sub>2</sub> emission output in an appropriate manner.
- 3.3 This objective was substantially achieved. Thirty four supply locations, ten of which related to estimated supplies, were selected. Some immaterial errors were found with the stated emissions and, although not a requirement, one automatic meter reading (AMR) supply was incorrectly classed as estimates rather than actual supplies. However, the sum involved (13 tCO<sub>2</sub> (£156)) was immaterial.
- 3.4 This objective was substantially achieved as the two agreed actions; to produce a procedural document and prepare an evidence pack summary sheet have been implemented. However, the new guidance notes do not include the necessity to perform checks on all types of

supply between data held on the system to those recorded by the supplier and this information was held in a separate section of the Evidence Pack.

#### **4. Conclusion**

- 4.1 Effective procedures are in place surrounding CRCEES registration and timely submission of annual compliance reports. In addition, there are appropriate mechanisms in place to acquire the requisite amount of CO2 allowances within the designated time period.
- 4.2 There is 1 low grade recommendation in this report which is due to be implemented by 30/04/13.

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



## AUDIT REPORT ACTION PLAN

### Report Title

### Report No.

Housing & Property Service – Compliance with the Carbon Reduction Energy Efficiency Scheme 2012/13

HD16/001

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

#### Description

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

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

Minor issues that are not critical but managers should address.

Priority	Number
High	0
Medium	0
Low	1
<b>Total recommendations</b>	<b>1</b>

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.4	Low	The Checking Process Instruction document does not include the necessity to perform checks on supplier data: this information is held in a separate Section of the Evidence Pack.	To assist administration, all checking processes should be brought together into the one Checking Process Instruction document.	Preparing an additional process that links actions	Principal Engineer Energy & Engineering, Housing and Property	30/04/14

# AUDIT REPORT SUMMARY

## Report Title

ICT Services - Data Handling and Security Audit

Report No.	Type of Audit	Issue Date	
HA20/016	Computer	<b>Draft Report</b>	28/02/14
		<b>Final Report</b>	18/03/14

### 1. Introduction

- 1.1 This report records the findings of a computer audit review on security of data held on servers at two sites in Inverness and a storage site for the server backup tapes. It also records the observations from a visit to the Fujitsu data centre in Stevenage carried out by an officer from ICT Services and the Council's computer auditor in May 2013.
- 1.2 The Stevenage centre and its backup facility are covered by assurance certification to the IS standard ISO27001. As this certification document does not include the Inverness sites, it was agreed that this audit work would be carried out as part of the internal audit's planned work.
- 1.3 The Inverness sites (referred to as sites A, B and C below) are not designed specifically as data centres, but developed through time and security controls have evolved with this change of use. Site A is managed by Fujitsu and sites B and C are managed by the Council.
- 1.4 The audit review in 2013 revealed between 50 – 60 physical servers and also a number of virtual servers. Site B held the largest number of servers and site C was the back – up facility for site B.

### 2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 An assessment and management of risk is carried out
- 2.2 External environmental controls are satisfactory
- 2.3 Personnel access to sites is controlled
- 2.4 Internal environmental controls within the data centre sites are satisfactory

### 3. Main Findings

Some areas of good practice were found for all sites and other areas where recommendations have been made for improvement are provided. The main findings of the review, referenced to the above review objectives, are as follows.

- 3.1 The first objective was achieved in the areas reviewed. Good practice areas are identified as follows:
  - Inventory details were provided for each site for IT equipment held, which assists in defining the level of risk to Council data
  - Fire risk assessments were provided to confirm that these had been carried out for all three sites in line with the Fire Scotland Act and regulations. The Fire Risk Assessment report for site B and C included an Action Plan with named responsible officers for managing areas of fire risk
  - The Stevenage Data Centre was designed and built for the purpose of holding clients' data and no areas of security weakness were identified during the visit.

One area was identified for continuous good practice:

- Due to the asset value of equipment, it is recommended that the inventories of ICT equipment continue to be maintained and updated to allow for the assessment and management of risk, as recommended in the standard BS ISO/IEC 27005:2011 IT

## Information security risk management.

3.2 The second objective was mainly achieved with good practice identified as follows:

- All sites are locked with limited numbers of keys for access
- Keys for Council sites are managed centrally by the Business Support Team. When access to the site is needed for equipment maintenance, this is controlled at the front reception area
- Council sites had a named Responsible Premises Officer (RPO) for ensuring an effective management system for security of the building and a Housing and Property Services (HAPS) maintenance officer was available on-site
- Out of hours security monitoring was in place for the two Council sites. The Fujitsu site had CCTV for remote external monitoring and a project to install CCTV for remote external reporting of Council site safety was underway
- Fire alarm systems are in place at all sites
- The Fujitsu Stevenage data centre has layered external controls in place including perimeter fencing and a manned barrier entrance, CCTV and building alarms.

Three areas were identified for improvement:

- The Inverness sites developed within standard office buildings and did not exist within an inner sanctum or data hall with security zones surrounding them. Therefore, external perimeters including windows were not secured to ideal standards for an information processing facility
- A pre-visit to one site found that large storage boxes were blocking the access to the main entrance area on the floor marked to be kept clear for safe exit in the event of fire
- Although access could be gained by way of Fujitsu Services, Council officers could not locate the backup key for Site C.

3.3 The third objective was achieved in the areas reviewed:

- There was controlled personnel access at Council sites with a log of visitor access kept manually and electronically, thus allowing for records to be maintained at all times, including out of hours
- A Fujitsu officer accessed the Council sites every weekday as part of regular back-up procedures
- Personnel visiting Stevenage had ID checks in advance, signing in, security scanning and escorts during visits.

3.4 The fourth objective was partially achieved:

- Activity of the Council's server equipment estate is monitored remotely by Fujitsu using an enterprise monitoring tool set. This monitors the physical state of the equipment using sensors and communicates with the Fujitsu administrator through an independent connection with alerts as required for monitoring.
- There is a phone link within data centre site B direct to Fujitsu Services local office for communication if required
- Power into the Council site B is through a ring circuit and could be switched from one supply network to another by the energy supplier changing the connection if a power failure occurred. The 'down-time' for the switch-over of under two hours was in line with the Council's risk appetite
- The Stevenage data site has internal smoke detectors, fire suppression systems, false floors with water detectors, a cooling system including water cooling towers and the Diesel Rotary Un-interruptible Power Supplies (DRUPS).

Areas identified where improvement is recommended:

- The lighting in site B is positioned on the ceiling in transverse direction to the cabinets for servers and other IT equipment which does not comply with the IT standard BS EN 50174-2 Cabling Installation planning and practices inside buildings

- As the ceiling of site B is approximately 3 metres high, the maintenance officer requires assistance from a second Council officer to change lighting
- Site B has two heating ventilation and air conditioning systems which are past their expected average lifespan. One had become less reliable and both use gas coolant which does not comply with EU Ozone Depleting Substances (ODS) Regulations. By the end of 2014, it is no longer legal to top up the gas coolant. The Housing and Property Services are re-tendering the contract for managing and servicing this and other fixed equipment and an interim framework agreement is to be applied until the new contract is in place. There was no remote monitoring and alerting system in place for the ambient temperature of site B. If not managed, this could present a single point of failure
- A site visit to the data site B found that some of the cabinet doors protecting the server equipment were not fully closed. The site, which also holds other networks and communications equipment, appeared untidy. Data room environments have potential risk from dust fragments polluting metal structures; if metal fragments enter the airflow they can cause damage such as short circuiting server components or power supplies
- No water detectors were observed at the three sites reviewed. Site A on Fujitsu premises was on the first floor underneath the roof space. The cabinets holding server racks and ICT equipment were on raised flooring with electrical cables underneath. Council sites B and C were both on the ground floor; Site B had cement flooring, with space in one corner for cables sited underground. There were pipes visible, but it was not known if water ran through these or if they were sealed. The site had no floor drains.

#### 4. Conclusion

- 4.1 The review found overall assurance for the purpose built Stevenage data centre and no areas of security weakness were identified. In respect of the Inverness sites, despite not having certification of assurance to the ISO27001 standard and not being purpose built, some areas of good practice were found.
- 4.2 The first objective had appropriate controls in place in all of the areas reviewed and one recommendation made for continued management of ICT risk. The third objective was fully achieved. The remaining 2 objectives had areas which were found to be satisfactory and 8 areas where improvement is recommended, seven at medium grade and one low grade. Of these eight recommendations, three have already had agreed actions completed and the remaining five are due to be completed by April 2015.

#### 5. Audit Opinion

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

## AUDIT REPORT ACTION PLAN

### Report Title

Report No.

Data Handling and Security

HA20/016

The Action Plan contains 8 recommendations as follows:

### Description

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

Priority

Number

High

0

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

Medium

7

Minor issues that are not critical but managers should address.

Low

1

### Total recommendations

8

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.2	Medium	<p><b>Asset inventory and Assessment of risk:</b> Inventories of equipment for data sites were provided in 2013 by ICT Services.</p> <p>One data site also contained primary infrastructure assets for core operational processes.</p>	<p>The inventories of equipment for the data sites should continue to be maintained and updated for change to allow for the assessment and management of risk and protection planning, as advised in the standard BS ISO/IEC 27005:2011 IT Information security risk management.</p>	<p>Changes to inventories are captured in the CMDB as part of the Change Management process.</p> <p>An annual risk assessment to be carried out by ICT Services, Business Support and HAPS.</p>	ICT Delivery Manager, ICT	30/04/15
3.2.2	Medium	<p><b>External Perimeter</b> All three Inverness sites were developed within standard office buildings and did not exist as an inner sanctum with security zones surrounding the data hall. Therefore, external perimeters were not secured to ideal standards for information processing facilities.</p>	<p>Whilst it is satisfactory that there are either plans for, or actual monitoring of sites in place by CCTV, it is recommended the external perimeter of site B is assessed for improved security in line with importance of the site, in particular walls and windows.</p>	<p>The external perimeter of site B will be risk assessed for security by HAPS, Business Support and ICT Services.</p>	ICT Delivery Manager, ICT, Operations Manager (HQ) and Head of Property	30/04/15

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Data Handling and Security

HA20/016

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.3	Medium	<p><b>Fire Controls</b> A visit to the site B found that stacked storage boxes were blocking the access to the main door area on the floor area marked to be kept clear for safe exit in the event of fire.</p>	Responsible Premises Officer should continue to ensure regular monitoring of the site B external access area is carried out for reduction of known fire hazards and confirmation that the fire exits are clear.	Regular checks for obstructions and potential fire hazards by Business Support officers	Responsible Premises Officer/ Operations Manager, BS Finance	complete
3.2.4	Low	<p><b>Keys</b> Although access could be gained to site C by the key held by Fujitsu Services, Council officers could not locate a key for this area which holds backup of server data.</p>	There should be a key on Council premises to access the site C as required	ICT will contact Fujitsu Services to obtain a Council key.	ICT Operations Manager, ICT	31/08/14
3.4.3	Medium	<p><b>Lighting and cabling</b> In Council site B, fluorescent lighting on the ceiling is suspended across and above the metal cable trays used to hold numerous fibre optic/network cabling and servers on racks in cabinets beneath. This does not comply with standards for IT generic cabling systems. It also creates a potential health and safety hazard to the maintenance officer managing the lighting. The officer is advised to get help from a second officer when carrying out lighting maintenance using ladders on site. The potential risk of electromagnetic interference from this non-compliance</p>	<p>In the event of the data site B being re-designed in future, improved compliance to cabling design standards is recommended.</p> <p>A second Council officer should always be available to assist with any lighting maintenance for site B for health and safety reasons.</p>	<p>Noted for information - As part of any future site re-design, up-to-date design standards to be applied.</p> <p>A second Council Officer is available to assist with lighting maintenance for site B.</p>	N/A	N/A
					Operations Manager, BS Finance	complete

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Data Handling and Security

HA20/016

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		is unknown.				
3.4.4	Medium	<p><b>Heating ventilation and air conditioning systems (HVAC)</b> Two HVAC systems at Council Site B have passed their expected average lifespan and one is reported as unreliable. The gas coolant used, R22 is being phased out as it does not comply with the EU Ozone Depleting Substances (ODS) Regulations in 2014. HAPS are drafting a new contract to re-tender for managing and servicing equipment, including the HVACS now.</p>	<p>As a priority, the new contract for managing the HVAC fixed equipment should be completed to ensure compliance to EU Ozone Depleting Substances (ODS) Regulations.</p> <p>Until remote monitoring is in place for the data centre environment it is important that a manual regular check is made for security of the IT equipment to ensure the air environment is adequately controlled.</p>	<p>Two HVAC units in site B to be replaced.</p> <p>Monthly inspection schedule to be agreed by ICT Services.</p>	<p>Head of Property, HAPS</p> <p>ICT Delivery Manager, ICT</p>	<p>31/08/14</p> <p>Complete</p>
3.4.5	Medium	<p><b>Server racks and cabinets</b> The cabinets with server racks in site B did not have the doors closed to protect the equipment. The site looked untidy in general. Data room environments have potential risk from dust fragments polluting metal structures such as cabling trays</p>	<p>Server cabinets in site B should be checked by ICT Services to ensure they are secured and cabinet doors closed to reduce any risk of damage.</p> <p>The data centre should be regularly inspected and improved housekeeping standards required of the third parties who access the site in line with CPNI guidance for data centres.</p>	<p>Monthly joint inspection schedule to be agreed by ICT Services and Fujitsu Services.</p>	<p>ICT Delivery Manager, ICT</p>	<p>Complete</p>

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Data Handling and Security

HA20/016

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.4.6	Medium	<b>Potential water hazard</b> No water detectors were found at the three sites. Site A in Fujitsu premises is on the first floor underneath the roof space. Council sites B and C were both on the ground floor. Site B has a cement base with a culvert in one corner has to allow cables out of the site underground. There were also pipes on site and it was not known how much water if any ran through them.	The potential risk of water to this site should be investigated further and any pipes found to contain water are sealed or moved away from the IT equipment.	Downpipe to be checked to confirm if a grill is in place to help prevent blockage and any likelihood of flooding	Assistant Property Manager (South), HAPS	31/03/14



## AUDIT REPORT SUMMARY

### Report Title

Finance Service - Access and Authorisation Controls (Pecos and Accounts Payable)

Report No.	Type of Audit	Issue Date	
HK07/012	Computer	Draft Report	12/12/13
		Final Report	19/02/14

### 1. Introduction

- 1.1 This final report records the findings of a computer audit review on access and authorisation controls across two financial systems: -
  - Pecos, for ordering goods and services, which has an interface to the Corporate Financial System (CFS) to record payments in the ledger
  - Accounts Payable (CFS-AP) which records payments.
- 1.2 Both systems have their own system access control policies and different user access groups and authorisers. Therefore, this review compared access and authorisation controls across the two systems, to confirm the guidance in the Council's Financial Regulations is consistently applied.
- 1.3 Both Pecos and CFS systems have automated workflow processes for approval and authorisation stages using email. Therefore, the review includes the controls on email accounts.
- 1.4 Pecos is the Council's web-based solution for ordering goods and services using agreed contracts with suppliers; the current version 13 is provided with Scottish Government support through a third party. CFS is an Oracle database solution version 11i; there is a planned target date for replacing this by March 2015 with a new Financial Information System.
- 1.5 The audit was undertaken as part of the annual audit plan.

### 2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 Appropriate corporate and systems-specific policies are in place which guide users and define the levels of access controls
- 2.2 Access control procedures are in accordance with the requirements of IT Security Standard ISO27002 guidance on access controls and the Council's Financial Regulations. The procedures in place ensure that access to information and information processing is controlled on the basis of business and security requirements
- 2.3 Authorisation controls ensure that transactions are only approved by officers who have been granted authorisation rights
- 2.4 An appropriate audit trail is retained that records authorisations as required.

### 3. Main Findings

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

- 3.1 The first objective was substantially achieved in all but one of the areas reviewed. Good practice areas are identified as follows:
  - o There are access control policies in place for both financial systems reviewed
  - o Access controls are documented at a higher level in the corporate ICT User and Network Access Control Policy dated 2013 for management of HC network and email accounts in compliance to ISO27002 guidance
  - o Guidance for users is also available at corporate level in the high level ICT Acceptable Use Policy. This includes reference to the use of delegated authority for management to access email accounts in specific circumstances at the lower 'read only' delegate access for business continuity purposes.

One area was identified for improvement.

- The guidance for users for delegating access to their mailbox in the ICT Portal does not include detail of security and risk implications for the different levels of delegated access permission levels; for example from the lower 'Reviewer' level with limited permissions to high level 'Editor' permissions. Access provided at the highest permission level presents the highest risk and may not comply with the minimum need rule in the ISO27002.

3.2 The second objective was partially achieved. Areas of good practice are as follows:

- Procedures for managing user accounts for Pecos and CFS are in place with separated access levels for Input Clerk and Budget Holder (BH) approver for both systems
- The corporate ICT User Management Guide dated 2013 provides guidance on management of users' email accounts and network folders
- Processes for approving requests to set up users for Pecos and CFS financial systems have been aligned so that approval of access in both systems requires authorisation by a Service Finance Manager

Three areas were identified for improvement of which one had corrective action underway during the audit review period:

- The review found a higher number of BH approvers in CFS-AP than in Pecos across a sample period. This inconsistency in approach for providing Budget Holder approver across the two systems was under review for re-alignment during the audit.
- It was identified in an earlier Internal Audit Report on the General Ledger dated March 2012 that no formal process for the regular review of users' access rights by management was in place. The review found that five users had both Input Clerk and Budget Holder responsibilities with unrestricted access to all ledger codes. Six users with super-user access also had input clerk access rights which did not comply with the separation of duties rule in the Financial Regulations. As a consequence, this dual access could allow system controls to be by-passed. In view of this, it was agreed that the details of all users with live access to CFS would be distributed to all Service Finance Managers for verification. This was actioned by 31st March 2012 and was to be undertaken annually thereafter. However, this current audit review established that the agreed check had not been performed for the year ended 31st March 2013. There is therefore a risk of potential non-compliance of users' access to the segregation of duties control being undetected during this period. To compensate for this, it was reported that a review was underway in the second quarter of 2013-14
- Managing network and email user account changes (for example, movers and leavers) is a three stage process, completed by Line Managers in Services, Business Support Administration Teams and Fujitsu Services. If accounts are not disabled timeously, there is a risk of potential unauthorised access to email accounts for tasks including authorising financial transactions. A test on the time taken to close a sample of five users' accounts or delegate their business email to a Line Manager once they had left found that closure time varied between immediate closure on same day as the request to 25 working days after. No monitoring of accounts closure times was found to confirm changes are processed in reasonable time in line with ISO27002 good practice.

3.3 The third objective was substantially achieved. Areas of good practice are as follows:

- For both systems, there are primary and secondary approvers so that if the primary approver is unable to authorise a transaction within a specified period, the request to approve is transferred to a secondary approver to complete
- Workflow systems are automated in both Pecos and CFS-AP with email alerts to assist in the completion of input and authorisation process of requisitions, orders and to ensure payment of invoices
- The latest release of Pecos v13 allows a System Administrator to act upon a specific request from an alternative approver, or a Service Finance Team, to manually reassign a requisition or invoice to an alternative approver in a timely manner
- CFS-AP has primary and substitute or secondary BH approvers for financial codes for authorisation of payments. Regular monthly reports of BH approvers are provided by Finance Systems Administration Team.

One area was identified for improvement:

- There is potential for error in the workflow authorisation processes if users are not fully

disabled on leaving. In a test on invoice authorisation referred to in the separate audit review "Matters arising from the Annual Statement on Internal Control for 2012-13" still to be issued, two out of thirty payments sampled were not authorised by the relevant Service Budget Holder. This was due to two consecutive errors; firstly, a system administrator error of not completing the process to disable a user, which resulted in the workflow process sending an approval email to another Budget Holder of an unrelated Service. This event was compounded by a second error; a Budget Holder acted on the email alert sent to their Inbox and approved a purchase for payment that was not for their Service. Following the discovery of this, the Finance Systems Administration Team took immediate steps to improve administrative process checking.

3.4 The fourth objective was substantially achieved:

- o There is substantial audit trail detail in the Pecos system at all stages of processing.
- o Audit detail in CFS-AP can be found for secondary approvers for financial transactions under Payment Batch detail.
- o To preserve audit trail detail, users are not deleted when they no longer use both systems, but their status is changed from active to inactive

One area was identified where improvement is recommended:

- o The workflow process in CFS – AP does not include a forced login to the system for approval process as a control. An approver can complete authorisation through Outlook email. The CFS workflow has limited detail in the email sent to a Budget Holder to identify who authorised transactions; the code or string to identify a payment being approved does not include username detail.

#### 4. Conclusion

4.1 Controls tested for areas relating to policies, procedures and audit trail were all substantially achieved.

4.2 The review made a total of 6 recommendations, all at medium priority grade. One of these recommendations has already been completed, two are due to be completed by the end of March 2014, two to be completed by the end of August 2014 and the final recommendation will be implemented by the end of March 2015 with the planned replacement of CFS with a new Financial Information System.

4.3 The importance of system administration tasks using higher privileges to manage access and authorisation on behalf of system owners is illustrated in the findings, for example ensuring management of workflow processes and maintenance of user profiles with delegated access.

4.4 It was reassuring to find that an alignment review of processes across the two systems Pecos and CFS was being progressed for improved consistency of access and authorisation across financial systems for financial transactions.

#### 5. Audit Opinion

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

## AUDIT REPORT ACTION PLAN

### Report Title

Report No.

Finance Service - Access and Authorisation Controls (Pecos and Accounts Payable)

HK07/012

The Action Plan contains 6 recommendations as follows:

### Description

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

Priority

Number

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

6

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.2	Medium	<p><b>Guidance on delegated access to mailbox accounts</b></p> <p>There is guidance in the ICT Portal for users on how to delegate access to their mailbox but this does not include detail of security implication for the different permission levels or refer to the 'minimum need' security rule of good practice, referred to in ISO27002 section 9.1.1.</p> <p>ICT Acceptable Use Policy v5 includes reference to the use of delegated authority for management to access email accounts in specific circumstances at the lower 'read only' delegate access to email for business continuity purposes</p>	<p>In addition to the guidance / solution in the ICT portal on email and access to others' mailbox folders there should be advice on security and risk when delegating access to another user with consideration of the 'minimum need' good practice rule.</p>	<p>Guidance will be updated to include reference to the minimum need rule.</p>	ICT Service Delivery Manager	31/08/14
3.2.2	Medium	<p><b>Authorisation level Budget Holder approver across two systems</b></p> <p>A review on users provided with BH approver access across the two systems Pecos and Accounts Payable in the Corporate Financial System</p>	<p>The review to align processes across Pecos and CFS-AP should be completed to improve consistency of financial processes</p>	<p>Finance Systems Administration Team (FSAT) have setup users in both systems as</p>	Systems Administration Manager, Finance Service	31/07/14

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Access and Authorisation Controls (Pecos and Accounts Payable)

HK07/012

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		<p>(CFS-AP) in a sample week found more users with Budget Holder (BH) approver settings in CFS- AP than in Pecos.</p> <p>During the review, it was reported that with changes in Business Support and amendments being made to Pecos, the task of aligning Pecos and CFS-AP processes was also being progressed.</p>		<p>requested, however an exercise had already commenced prior to this audit to align approvers on both systems wherever possible. This is a substantial task and is in progress.</p>		
3.2.3	Medium	<p><b>User access settings and separation of duties rule</b></p> <p>No annual review was carried out in 2012-13 on user access and users with combinations of more than one access settings, including super-user privileged access and compliance to the separation of duties rule. When this omission was identified, the Finance Systems Administration Team reported that a review would be carried out in 2013-14 with immediate effect.</p>	<p>It important to monitor users with more than one access setting especially privileged 'super-user' access, in the event that combined access may compromise the separation of duties rule in the Financial Regulations and ISO27002. Therefore a check should be completed at least once a year and available for audit review.</p>	<p>Super user checks are a regular occurrence and carried out by the Head of Business Support. These were completed during 2012/13.</p> <p>The annual review for 2013/14 commenced in Autumn 2013 and responses are being actioned.</p>	Systems Administration Manager, Finance Service	31/03/14
3.2.4	Medium	<p><b>Management of User accounts and updating accounts for change</b></p> <p>A sample test on the times taken to close a sample of five users' accounts or delegate their business email to a Line Manager once they had left found that closure time varied</p>	<p>It is recommended that time taken to close accounts is monitored to ensure this is completed in good time and users are reminded of the importance of following up</p>	<p>FSAT already run a monthly check against an extract from HC's Payroll system. This output is checked against all</p>	Systems Administration Manager, Finance Service	31/03/14

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Access and Authorisation Controls (Pecos and Accounts Payable)

HK07/012

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		<p>between immediate closure on same day as the request to 25 working days after. No monitoring of accounts closure times to confirm changes are processed in reasonable time was found.</p> <p>During the review, steps were taken to reduce the extent of risk of accounts remaining active when no longer needed for business use.</p>	<p>change, in line with the level of risk, as described in ISO 27002 section 9.2.6 - Removal or adjustment of access rights.</p>	<p>Finance systems.</p> <p>FSAT are also actively contributing into the build of new SharePoint forms with advantages of a single user management route, tied in with new employee setup, and leaver alerts.</p>		
3.3.2	Medium	<p><b>Approval by budget holders of a different service and workflow</b></p> <p>Testing found 2 events in a sample of 30 of an invoice being released for payment through an email request from the workflow process by a budget holder name of a Service unrelated to the goods and services invoiced.</p> <p>This was through two errors, first by a system administrative error processing the closure of the user account, then another Authoriser receiving and responding to a request to authorise an invoice that was not related to their service area.</p> <p>FSAT took immediate steps to improve administrative process when this was discovered by setting up a new query report to identify a similar incident re-occurring.</p>	<p>Evidence of monitoring by FSAT of the reliability of the CFS workflow should be available to ensure continued compliance to the Financial Regulations and Guidance as required.</p> <p>If further recurrence of this workflow incident is found, then the information should be passed to the relevant budget holder</p>	<p>Workflow monitoring carried out in FSAT weekly as part of scheduled activity.</p> <p>The Systems Administration Manager will alert the Head of Business Support of relevant issues.</p>	<p>Systems Administration Manager, Finance Service</p> <p>Systems Administration Manager, Finance Service</p>	<p>Complete</p> <p>Complete</p>

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Access and Authorisation Controls (Pecos and Accounts Payable)

HK07/012

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.4.2	Medium	<p><b>Forced login to the system and audit trail detail</b></p> <p>In Pecos, the email alert requires users to login to the Pecos system as part of the approval process. This preserves audit trail detail by username and transaction within the Pecos system.</p> <p>In CFS, the workflow email alert to approvers allows users to approve a payment transaction in email without having to log into CFS. That is, there is no forced login to the CFS system for approval. If the first budget holder does not respond and the email alert is forwarded to a substitute approver, this shows in the audit trail. When approval is made, the approval string detail sent by email to budget holders by the CFS workflow process does not include username detail of who approved an invoice. This is reported in CFS.</p>	<p>As part of the procurement for a new Financial Information System to replace CFS, it is recommended that workflow processes which maintain audit trail detail, such as a 'forced login' are preferable for completeness and reliability</p>	<p>Audit trail detail of the new Financial Information System to be discussed with the supplier at implementation</p>	<p>Financial Information System Project Board Chair (Head of Accounting and Budgeting)</p>	<p>01/04/15</p>

# AUDIT REPORT SUMMARY

## Report Title

Finance Service - Travel & Subsistence - Travel Desk Arrangements

Report No.	Type of Audit	Issue Date	
HK24/004.bf.bf	Systems	<b>Draft Report</b>	14/01/14
		<b>Final Report</b>	14/03/14

### 1. Introduction

- 1.1 An audit review was undertaken to examine the Council's system for procuring travel and accommodation. Since 31/05/11, all Council Services and Members have been required to book travel and accommodation through the Council's Travel Desk, run by the Council's Business Support section.
- 1.2 In the 2012/13 financial year the Council spent over £4.5 million on travel and accommodation. In the same period Council officers travelled over 11 million miles, producing over 3,500 tonnes of carbon dioxide.
- 1.3 Since the audit took place, the Travel Desk has migrated from a system which used Excel based travel request forms to one using the SharePoint system for travel requests by the majority of Council officers. SharePoint allows greater control over the completion of the travel request form prior to this being submitted.

### 2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 Travel Desk procedures are available for all staff and promote consistent arrangements.
- 2.2 There is documentary evidence to support expenditure, the most cost-effective options have been selected where possible, and assess the benefit, or absence, of formal contracts in place. Where the most cost-effective option has not been used, the reasons for doing so have been recorded.
- 2.3 The Travel Desk services are used by all Council Services and Members.
- 2.4 The Travel Desk is delivering its intended benefits.

### 3. Main Findings

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

- 3.1 The objective was partly achieved. Travel Desk procedures are available for all staff and are a good basis for operations, however these procedures should to be updated. Separate SharePoint guidance exists and is now being consolidated with the existing Travel Desk procedures.

There were differences found between the Travel Desk procedures and the Council's Travel and Subsistence policy:

- The Travel Desk procedures allow Budget Holders to request Travel Desk staff to procure travel and accommodation above the stated travel and subsistence limits, without any exemption provided in the Travel & Subsistence policy. Also, where travel and accommodation costs exceed the stated Travel and Subsistence levels, the Travel Desk staff obtain approval from the traveller's manager to exceed the limits. However, the manager's authorising email is not being held to record this approval.
- The Council's Travel & Subsistence policy has not been updated to fully reference the Travel Desk.

Travel Desk procedures allow Council officers to request Travel Desk staff to book travel and accommodation before Budget Holder authorisation which contradicts the requirements of Financial Regulations. These bookings are rare: of the 1615 SharePoint travel requests in quarter 3 of 13/14 only 8 required retrospective approval. The Travel



and Subsistence Policy does not include any reference as to the circumstances when travel can be booked above the Travel and Subsistence rates, or any reference as to the authorisation process for such circumstances.

3.2 This objective was partly achieved. Of a sample of 30 travel bookings examined:

- 3 did not have an authorising officer who was listed on the Travel Desk list of authorising officers.
- The emailed budget holder authorisation is not being held along with the travel request on SharePoint to complete the audit trail.
- 5 invoices for separate travel requests could not initially be located, however subsequently they all were located by staff in the Travel Desk files.
- The following findings have now been addressed following the migration to SharePoint in June 2013 for travel bookings:
  - 7 travel request forms did not have the travel hierarchy option completed. This section requires travellers to acknowledge that their travel was necessary. This is now a mandatory section in SharePoint.
  - 12 travel forms did not have evidence of authorisation held on file. Travel forms on SharePoint require an authoriser's name to be entered before the form can be submitted.
  - 1 travel form had a return date listed as a month after the initial departure date; however the actual return date was 2 days after the departure date.

SharePoint is now used for submitting travel requests and this information is automatically held on a server backed up by Fujitsu. However, there remains a minority of users (including some Education, Culture and Sport Service staff, Members and Health & Social Care staff using National Health Service (NHS) equipment) who continue to use the previous Excel form. The retention period required for storage of these Excel forms is not currently known. Also, the required retention period of emails, from budget holders approving travel and accommodation, is also not currently known.

Expected mileage is recorded at the application stage and is then checked to the invoice by the Travel Desk managers when approving car hire payments. However, this process is not detailed in the Travel Desk procedures.

3.3 This objective was substantially achieved. Using data extracted from Oracle for 3 months in 2012 (April, May and June), the majority of the travel listed was booked through the Travel Desk. A small sample of bookings was taken from the entries not booked through the Travel Desk and this exercise found:

- 2 were processed for urgent travel;

The remaining findings were not Travel Desk areas of responsibility:

- 3 were for non-Council travel (e.g. payments for speaker's travel);
- 1 was for a school, which were not covered by the Travel Desk at the time of the booking; and
- 2 were miscodes by the Service.

3.4 This objective was achieved. While the Travel Desk only facilitates the procurement of travel and the greatest effect on the travel budget has been reduction in the Grey Fleet use (where Council officers use their own vehicle for business travel) there has been a drop in the Council's overall travel expenditure of £675,000 in the financial year 2012/13, achieving the Travel Desk target of a £300,000 reduction in each of the 2 financial years up to 2012/13. Also, the overall mileage has decreased by 1.2 million miles and CO<sub>2</sub> has decreased by 400 tonnes. The single point of control and compliance of policies and procedures help the Travel Desk achieve its benefits.

#### **4. Conclusion**

4.1 The move to SharePoint for processing travel requests for the majority of Council officers should provide even greater control over the travel request procedure. Some travel requests will still use the older Excel based forms due to technical (IT) issues, and where the move to SharePoint has resolved the issues found during the audit, the Travel Desk should be mindful of the findings in this report when processing older Excel based travel request forms.

- 4.2 There has also been a reduction in the costs and amount of travelling undertaken and an improvement in the single point of control that the Travel Desk has created.
- 4.3 There are six recommendations in this report; 5 are classified medium priority and 1 as low priority. All recommendations are to be completed by May 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 **Substantial Assurance** can be given in that while there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

## AUDIT REPORT ACTION PLAN

### Report Title

### Report No.

Finance Service - Travel & Subsistence - Travel Desk Arrangements

HK24/004.bf.bf

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

#### Description

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

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

Minor issues that are not critical but managers should address.

Priority	Number
High	0
Medium	5
Low	1
<b>Total recommendations</b>	<b>6</b>

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Medium	(1) The Travel Desk procedures allow budget holders to request breaches of the Council's Travel & Subsistence limits.	(1) The Travel & Subsistence policy should be amended to include an exception allowing travel to be booked above the Travel & Subsistence rates if the necessary explanation and approval is received. The Policy should detail at what level this departure from the Travel & Subsistence policy limits can be authorised.	Travel and Subsistence Policy will be amended accordingly.	Head of People and Performance	30/04/14
		(2) When travel has to be booked at short notice, the Travel Desk's procedures allow budget holders to request Travel Desk staff to process these requests without an authorised travel form, contrary to Financial Regulations authorisation and access control guidance.	(2) The Travel Desk procedures should be amended to ensure they are consistent with Financial Regulations and reflect recent changes, such as the introduction of SharePoint.	Travel Desk procedures will be updated.	Business Support Operations Manager (HQ)	30/04/14

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Travel & Subsistence - Travel Desk Arrangements

HK24/004.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.1	Medium	From a sample of 30 travel requests examined:	(1) The Travel Desk should ensure their staff have a list of approvers that can either be used to restrict the choice of approvers on the SharePoint form, or is available to Travel Desk staff to check forms that have been completed with the correct approver.	Approvers will be checked, updated as appropriate and maintained.	Business Support Operations Manager (HQ)	30/04/14
		(1) 3 forms listed authorisers who could not be found on the authorisation lists held by the Travel Desk.	(2) The emailed budget holder authorisation is not being held along with the travel request on SharePoint.	(2) The authorisation emails should be held for all travel requests to ensure the audit trail is complete.	These can be attached to the SharePoint forms/system.	Business Support Operations Manager (HQ)
3.2.2	Medium	From a sample of 30 travel bookings examined 5 invoices could not be found during the audit, but were all subsequently found.	The system of invoice retention should be reviewed to ensure that invoices are held as necessary and not misfiled or lost.	Ensure invoice filing system is maintained.	Business Support Operations Manager (HQ)	30/04/14
3.2.3	Medium	The retention period for applications using the Excel request form is not known.  Also the retention period of the emails from budget holders used to authorise these application is also not known.	The Travel Desk should agree with Records Management Team an appropriate retention period.	This matter will be discussed with Records Management Team and agreed retention period identified and implemented.	Business Support Operations Manager (HQ)	30/04/14

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Travel & Subsistence - Travel Desk Arrangements

HK24/004.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.4	Low	The check of car hire mileage between the estimate entered on the travel request form and the actual mileage detailed on the invoice is not included in the Travel Desk procedures.	The Travel Desk procedures should include the instruction for the Travel Desk managers to check the hire car invoice mileage against the estimate mileage on the travel request form.	Travel Desk procedures will be updated.	Business Support Operations Manager (HQ)	30/04/14
3.3	Medium	<p>The majority of the travel listed in April to June 2012 was booked through the Travel Desk. The reasons given for a small sample of 7 entries not booked by the Travel Desk were:</p> <ul style="list-style-type: none"> <li>• 2 were processing urgent travel,</li> </ul> <p>The remaining findings were not Travel Desk areas of responsibility:</p> <ul style="list-style-type: none"> <li>• 3 were for non-Council travel (e.g. payments for speaker's travel),</li> <li>• 1 for Schools which were not covered by the Travel Desk at the time of the audit,</li> <li>• 2 were miscodes.</li> </ul>	<p>The Head of Business Support should work with Corporate Finance to create a report which could be run regularly and which would identify travel and accommodation not booked through the Travel Desk.</p> <p>The results of this report should then be discussed with the key service contact in the appropriate Services</p>	Head of Business Support will contact key service contact in the appropriate Services.	Head of Business Support	31/05/14

## AUDIT REPORT SUMMARY

### Report Title

Finance Service – Housing Benefit and Council Tax Benefit Payments 2012/13

Report No.	Type of Audit	Issue Date	
HK12/011	System	<b>Draft Report</b>	22/11/13
		<b>Re-Draft Report</b>	21/01/14
		<b>Final Report</b>	17/03/14

### 1. Introduction

- 1.1 The review of the award and payment of Housing and Council Tax Benefits is undertaken on an annual basis on behalf of Audit Scotland. The review used module 3 of the process called HB COUNT (count once, use numerous times) to test the awards. This process was designed by the Accounts Commission and has a specific module developed for use by auditors in Scotland.
- 1.2 At the request of Audit Scotland, the audit work also included review of the system reconciliations for 2012/13 and the uprating of the system (Revs & Bens) parameters for 2013/14.
- 1.3 Audit Scotland will place reliance on the findings of the review as part of their audit of the Financial Statements of the Council for the year 2012/13.

### 2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 Housing and Council Tax Benefits have been awarded to claimants in compliance with their entitlements for the year 2012/13.
- 2.2 Benefit awards are accurately recorded in the appropriate system and the financial ledger.
- 2.3 The system parameters in relation to Housing Benefits for 2013/14 have been correctly uprated in accordance with DWP circular HB/CTB A2/2013 (Revised).

### 3. Main Findings

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

- 3.1 This objective was not fully achieved as the procedures and guidance relating to the awarding of benefit and processing through the Revs & Bens system are stored on an electronic shared drive available to all relevant staff. There is a main guidance document for each topic but updates can be in the form of emails, PDFs, word documents, excel documents and it is unclear if the main document is updated to provide a complete and current guidance document.

Accuracy testing is carried out in each of the Areas and should be undertaken on a daily basis covering 4% of the benefit decisions made. Monthly Area schedules are completed which cover a number of different supervisory checks, including benefit accuracy. The information from the benefit accuracy checks is then carried forward onto a single monthly summary by the Exchequer Support Team which shows the overall position for the Council including percentage of claims checked and the associated error rate, whether these affect the first and subsequent benefit payments and the type of error identified. Comparison between the Area and Exchequer Support records identified differences whereby the Area ones had a greater number of errors recorded. Details were provided to the Assistant Operations Manager who reviewed these and established that a significant number of the errors were incorrectly recorded as such by the Areas as the benefit had been accurately calculated, and so these should not have been included. However, whilst it was agreed that the Exchequer Support figures were correct, there is no trail to show why claims

initially recorded as errors were not.

Samples of 10 cases each of awards for Rent Rebates, Rent Allowances and Council Tax Benefit were selected by Audit Scotland for testing by Internal Audit and reviewed using the HB COUNT process. All benefit awards had been calculated correctly and recorded correctly on the subsidy claim except for 1 Council Tax Benefit claim. This arose following a data matching exercise when it was subsequently discovered that the claimant failed to provide details of an occupational pension which meant that they were not entitled to any benefit. A small overpayment of £79.47 resulted before this was identified and corrected. The overpayment was wrongly classified on the subsidy claim which resulted in the sum due being under-claimed. This was notified to Audit Scotland who amended the subsidy claim before it was authorised and submitted to the DWP

3.2 This objective was not fully achieved as a result of the following points:

The system parameters are updated annually to reflect the increases in benefits as detailed in the relevant DWP Circular and the updating of benefits is achieved by increasing the amounts held in the system by the appropriate percentages.

The outturn figures from the annual benefit updating exercise are reported on the Revs & Bens system report RBE134 which should be produced, checked against the DWP Circular and signed off immediately after the updating is complete and before the processing for the new financial year is started. When the report for the 2013/14 updating was requested on 8<sup>th</sup> August, this highlighted that the report had not been produced but this was addressed immediately and it was run, checked and signed off.

As part of the annual updating exercise the Policy & Development Team take a sample of live claims with every type of benefit and test to ensure that the amount awarded has been correctly calculated. If there is no live claim in the system for a particular benefit, a claim is created in the test system to verify the accuracy of the award. 10 of the cases considered in the sample (8 live cases and 2 test cases) were checked. Small rounding differences were found which resulted in minor differences occurring. However, there were no significant differences identified that would have resulted in an incorrect award being made.

3.3 This objective was fully achieved. All reconciliations between the Financial Ledger, Revs & Bens system, Housing Rents and Accounts Payable were completed and supported by the relevant documentation.

#### 4. Conclusion

4.1 The Benefits team is faced with diverse and onerous challenges as a result of the need to make complex benefit determinations on a daily basis and deal with constantly evolving legislation. However, the audit findings show that the benefit claims examined were calculated correctly and the one error identified above related to the classification of the overpayment on the subsidy claim rather than an error in the calculation of benefit entitlement. This error was corrected in time and there has been no financial loss to the Council as a result

4.2 There are a total of 4 recommendations in this report consisting of 1 high, 2 medium and 1 low grades. Three of these actions have already been completed with the low grade action due to be addressed by 31/03/14.

#### 5. Audit Opinion

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

## AUDIT REPORT ACTION PLAN

### Report Title

### Report No.

Finance Service – Housing Benefit and Council Tax Benefit Payments 2012/13

HK12/011

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

#### Description

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

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

Minor issues that are not critical but managers should address.

Priority	Number
High	1
Medium	2
Low	1
<b>Total recommendations</b>	<b>4</b>

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Medium	The benefits guidance documents held on the shared drive 'ctaxben' should be updated with all supplementary information to ensure that it is comprehensive and current.	Whilst the staff may be used to finding information as it is currently presented, all guidance documents should be comprehensive and current. Therefore all guidance information added to the topic folders should be incorporated into the main guidance document to ensure that this is complete and current at all times.	Prior to this audit, the recommended approach was adopted by the team for new procedures and will continue to be the case as existing procedures are reviewed and as new ones are produced.	Assistant Manager, Policy and Development	Complete



## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service – Housing Benefit and Council Tax Benefit Payments 2012/13

HK12/011

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.2	Medium	Monthly checks should be undertaken by each Area upon a sample of benefit claims to ensure that these were accurately calculated. Comparison between the monthly Area records and the annual summary record identified a large number of differences. Subsequent investigation revealed that the lower figures recorded on the annual summary were correct as Area staff had incorrectly recorded the number of errors. However, there is no trail which explains the reason for the differences between the two sets of records.	(1) All Area staff who undertake accuracy checks should be reminded of the criteria to be followed when recording the results of their checks and in particular, what constitutes an accuracy error.  (2) Where it is found that recording errors have been made by Area staff, there should be a full trail maintained to explain the error identified and the reason for its exclusion from the annual summary.	A separate session was held with those involved in the checking process - each Local Office was represented – and all the points raised from this action were addressed.	Assistant Operations Manager	Complete
3.2.1	Low	In order to carry out the reconciliation, the ledger figure at code FC1200 has to be adjusted for entries made by Housing & Property to code FC1000 in order to produce a net figure (this already happens in relation to Rent Allowances). This involves an exercise to identify the relevant entries from the total entries in the account.	Discussions with the Housing & Property Service should be held to investigate the possibility of changing the method of coding the 'overpayments to be offset' directly to cost centre FC1200 in order to avoid the issue of having to extract them from the figures contained within cost centre FC1000.	Housing & Property are currently liaising with the system supplier to apply the fix.	Performance & Building Maintenance Manager	31/03/14

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service – Housing Benefit and Council Tax Benefit Payments 2012/13

HK12/011

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.3.1	High	<p>This report identifies the financial amount of every category of benefit in payment in any given year. It should be run, checked against the DWP guidance and signed off by an appropriate officer after benefits are uprated for each new financial year.</p> <p>The report had not been run after the completion of the uprating exercise for the year 2013/14 until it was requested during the audit review.</p>	<p>In order to ensure and demonstrate that all required actions for the uprating of the Revs &amp; Bens system are completed for each new financial year, the running, checking and signing off of the uprating report (RBE134) should be included in a detailed checklist of actions signed by the responsible member of staff as the actions are completed.</p>	<p>The RBE314 report had been requested for 2013/14 but was not chased up when it was not provided. A process is now in place to continue issuing reminders to the supplier of the report until such time as it supplied.</p>	Assistant Manager, Policy and Development	Complete

# AUDIT REPORT SUMMARY

## Report Title

Finance Service - Debtors

Report No.	Type of Audit	Issue Date	
HK09/008.bf	Systems	<b>Draft Report</b>	13/01/14
		<b>Final Report</b>	10/03/14

### 1. Introduction

1.1 An audit review was undertaken to examine the Council's system for the control and recovery of income from Debtors in the financial year 2012/13. In the financial year 2012/13 there were 61,785 invoices with a value of £100.2m and 2948 credit notes with a value of £3.7m. The total amount of debt owed to the Council at 31/03/13 was £19.8m. Audit Scotland will be placing reliance on this audit as part of their annual audit.

### 2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 There is an adequate control framework over access to and operation of the accounts receivable system.
- 2.2 Services are only provided to approved customers within approved credit limits.
- 2.3 Income is properly captured for all chargeable goods and services and recorded in the accounts receivable ledger in a consistent and timely manner and is complete, accurate and valid.
- 2.4 All payments received from valid customers are promptly processed and accurately recorded in the accounts receivable ledger.
- 2.5 Debt management, arrears follow up procedures and bad debt write offs are properly controlled.
- 2.6 Cancellations, adjustments and credit notes are properly controlled.
- 2.7 Outputs from the accounts receivable ledger are complete, accurate and valid and are produced in a consistent and appropriate format in a timely manner.
- 2.8 Data within the accounts receivable system is protected against loss, corruption or system failure.

### 3. Main Findings

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

- 3.1 This objective was substantially achieved as there is an adequate control framework over access to and operation of the Accounts Receivable (AR) system. The majority of users sampled had the Oracle access rights appropriate to their job title. However, the forms requesting inputting or amending officer's user rights on the Oracle financial system do not include an option for requesting read-only access. The absence of this option is considered to have contributed to the number of users found with inappropriate access rights, including Internal Audit. These forms also do not allow multiple computer systems access requests on the same form. This increases the number of forms needing to be completed containing the same officer details, particularly for new starts.  
There is no annual review of Oracle access rights carried out by the Finance Systems Administration Team (FSAT) or Services.
- 3.2 This objective was substantially achieved. The process of amending customer details on the Oracle Financial System is accurate and therefore services are only provided to approved customers. Credit limits are managed by Services and this was not examined further during the audit.

However, a clear audit trail of customer address changes is not recorded for every change. 18 customer address changes, from a sample of 30, on the Oracle financial system did not have either a change form or a note on the system recording who made the change and why the change was necessary.

3.3 This objective was partially achieved. Following the examination of 30 AR invoices where charging policies were in place, the correct charge had been applied, all had been coded in the ledger to the correct customer and had VAT processed correctly. There were no instances where direct debit or pre-payment would have been an alternative to invoicing. Payment was confirmed for all the harbour dues examined. However the following issues were found:

- 7 invoices had not been raised within the stated amount of time in Financial Regulations.
- 1 invoice (£82,056) had initially been raised as a cheque payment. The cheque had been cashed, however this has now been repaid.
- 1 invoice had been raised as part of the Government's Community Energy Saving Programme to reimburse the Council for money spent on energy efficient improvements in the Council's housing stock. An agreement had been signed between the Council and an energy company as part of the programme, however this invoice had been raised for an amount higher than agreed without providing suitable explanation. 1 booking for commercial refuse collection, from a small sample of 10 bookings for Council services examined, had not been completely invoiced. The total fee was £22,739 and the outstanding amount to be invoiced was £10,175.

30 AR credit notes were examined and all the credit notes had been correctly coded to the ledger and to the correct customer. However, the following issues were found:

- 2 invoices had cancelled debt over the £5,000 threshold requiring committee approval, but this had not been sought. This has highlighted issues with the wording of Financial Regulations and therefore these two instances are not deemed breaches of Financial Regulations.
- 11 credit notes had not been authorised by the budget holder contrary to the requirements of Financial Regulations. 8 did not have the most appropriate reason for raising the credit note selected on Oracle.
- VAT had not been charged in the re-invoicing of housing repairs following 1 cancellation.

3.4 This objective was fully achieved. All payments are being received from customers, are promptly processed, are accurately recorded in the AR ledger and allocated to the correct customer. Suspense accounts are being regularly reviewed and cleared by an appropriate officer.

3.5 This objective was fully achieved. Debt management, arrears follow up procedures and bad debt write offs are properly controlled. There is a Debt Monitoring Strategy.

3.6 This objective was partially achieved. Cancellations, adjustments and credit notes are properly controlled, except for issues raised in (iii) above.

3.7 This objective has not been achieved. AR ledger reconciliations are not being carried out on a monthly basis. A number of Income & Recovery exception reports, which are available, are not included in the procedures and are not being run to proactively collect debt. These reports include the Debtors recovery report, the high value credit notes report, and a report identifying all invoices with a balance under £5. Therefore outputs from the AR ledger cannot be confirmed to be complete, accurate and valid and produced in a consistent and appropriate format in a timely manner.

3.8 This objective was fully achieved. Data within the AR system is protected against loss, corruption or system failure through the back-up procedures carried out by Fujitsu.

#### 4. Conclusion

- 4.1 Overall, the receipt of income payments from Council customers is being processed on the AR ledger accurately and invoices are being raised for chargeable services provided. However, the time taken to raise invoices and the necessary budget holder approval of credit notes should be addressed. The use of exception reports in proactive debt collection is not being carried out due to staff shortages and the potential impact on the Council should be investigated. Also, the reconciliations of the AR system should be carried out in a timely manner.
- 4.2 There are 7 recommendations in this report; 4 are classified medium priority and 3 as low priority. 2 recommendations have been completed, 2 are being carried out on an ongoing basis, with the remaining 3 recommendations to be completed by June 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 **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.

Finance Service - Debtors

HK09/008.bf

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.

Priority	Number
High	0
Medium	4
Low	3
<b>Total recommendations</b>	<b>7</b>

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.1	Low	<p>There are two forms available from FSAT for setting up new users and amending existing access on Oracle Financials (Input Clerk or Budget Holder).</p> <p>However, there is no separate request form or section within one of the forms for generic (read only) users. Instead, the process is reliant upon read-only access requests being written on one of the forms.</p> <p>A number of users were found to have inappropriate access rights. All of Internal Audit, excluding budget holders, had AR input access, where as they should have read-only access. Also 2 members of the Corporate Improvement Team and 1 member of the Creditors section had input access instead of read-only access.</p> <p>On the wider issue of system access the Income and Recovery Manager highlighted a problem where for a</p>	<p>(1) FSAT should include a section on the Input Clerk form to allow Budget Holders to request read-only access for officers.</p> <p>(2) The present access rights should be reviewed and those officers identified as requiring read only access, including Internal Audit, CIP and Creditors Staff, should have their access rights amended.</p> <p>(3) In order to make the process more efficient, FSAT should consider revising the system access forms to allow multiple requests to different systems for the same user.</p>	<p>(1) The user access forms have recently been reviewed and published on the intranet. A read only option has been built into the form.</p> <p>(2) AR access rights for Internal Audit, CIP and Creditors have been amended to the AR_INQUIRY responsibility, where appropriate.</p> <p>(3) FSAT are actively contributing into the build of new SharePoint forms with advantages of a single user management route, tied in with new employee setup, and</p>	-	Complete
					-	Complete
					Systems Administration Manager	31/03/14

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Debtors

HK09/008.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		recent new start, individual request forms had to be completed for 5 separate systems (e.g. Oracle, CIVICA, etc).		leaver alerts.		
3.2.2	Medium	There is no annual review of user access rights within Oracle in order to ensure that these are accurate and complete. Instead, reliance is placed upon Services to notify any changes (e.g. when staff leave) to FSAT.	FSAT should produce reports detailing user access rights on an annual basis. These should be distributed to Budget Holders who should be asked to review these and confirm that these are correct or provide details of any required changes.	FSAT carry out an annual review of access rights. The annual review for 2013/14 commenced in Autumn 2013 and responses are being actioned. FSAT already run a monthly check against an extract from HC's Payroll system. This output is checked against all Finance systems.	Systems Administration Manager	31/03/14
3.3.1	Low	A clear audit trail is not being recorded in every customer detail change. Of a sample of 30 address changes 18 had no form or system comment recorded.	The Income & Recovery Manager should instruct all relevant staff that either an address change form is held on file or a note on the system is added. Advice should also be provided detailing where on the system the notes should be held to ensure consistency.	Email issued by Income & Recovery Manager July 2013.	-	Complete

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Debtors

HK09/008.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.4.1	Medium	<p>A sample of 30 AR invoices was selected from a Discoverer report detailing AR invoices for the financial year 2012/13. Issues were identified with regard to:</p> <ul style="list-style-type: none"> <li>Timely issue of invoices. 7 instances of delayed invoices were found.</li> <li>1 invoice had been initially processed as a cheque payment in error.</li> <li>While an agreement was in place between the Council and an energy company for the Government's Community Energy Savings Programme (CESP), a higher than agreed amount was invoiced without supporting documentation explaining the increase.</li> </ul>	<p>(1) Relevant officers reminded of the timescales stated in Financial Regulations for issuing invoices.</p> <p>(2) The incident should be investigated by Business Support, and the budget holder, to ensure a similar incident cannot occur.</p> <p>(3) The relevant officers should request the necessary information from the energy company to explain why a higher than agreed amount was accepted.</p>	<p>(1) Email issued by Income &amp; Recovery Manager in February 2014.</p> <p>(2) Response from Housing Service / Business Support:</p> <p>Staff have been reminded to follow established procedures when dealing with invoices.</p> <p>(3) Response from Housing Service / Business Support:</p> <p>This particular energy company funding ended in 2012. Funding was based on estimated numbers and types of works carried out by the Council. In effect extra installs</p>	-	Complete
					-	Complete
					-	Complete



# AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Debtors

HK09/008.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION		
					RESPONSIBLE OFFICER	TARGET DATE	
		<ul style="list-style-type: none"> <li>From a small sample of 5 refuse collection services was examined and 2 quarterly payments of an annual service charge had not been invoiced in error. The full fee was £22,739 with an outstanding sum of £10,175.</li> </ul>	(4) TEC Services should examine the refuse collection spreadsheet recording system to ensure that there is adequate control and reconciliation between the recorded amounts due and the invoices raised, and also ensure that all service charges	<p>were carried out and hence the Council benefited from extra funding. Should a similar positive scenario arises in future any initial agreement with an energy company will be amended to reflect updated information.</p> <p>Housing Service have confirmed that they have documentation to show where they carried out the insulation works which they claimed for (e.g. from health and safety folders relating to the capital project).</p>	(4) Response from TEC Services:  The majority of payment for commercial refuse collection (<70%) are received through direct debit	-	Complete

# AUDIT REPORT ACTION PLAN

Report Title

Finance Service - Debtors

Report No.

HK09/008.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
			have been invoiced.	<p>payments. The remainder are invoiced in full for the whole years' service. Invoices are routinely issued when the request or renewal for service paperwork is received and processed.</p> <p>A historical arrangement existed for one customer to receive a quarterly invoice for payment of the annual service charge for commercial refuse collection. This arrangement with Robertson's facilities management remains ongoing.</p> <p>Business Support has installed calendar reminders to control future risk of invoice failure.</p>		
3.4.2	Medium	A sample of 30 AR credit notes was examined. Issues were identified with regard to:	(1) Financial Regulation's section 4 and section 10, explaining the Council's	(1) Financial Regulations to be reviewed and rewording agreed	Income and Recovery Manager / Head	30/06/14

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Debtors

HK09/008.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		<ul style="list-style-type: none"> <li>2 credit notes were found to be cancelling debt above £5,000 without committee approval, contrary to Financial Regulations. This has highlighted issues with the language used in Financial Regulations and the two are not deemed to be breaches of Financial Regulations.</li> <li>11 had not received budget holder authorisation of the credit note. Also, 4 of these credit notes did not have the necessary back-up information expected to complete the audit trail.</li> <li>7 did not have the most appropriate reason selected. In the list of options there is one general reason: "Accounts Receivables Billing Error." Of these 8 credit notes, 5 had selected this general reason even though there was a more specific reason in the list of options.</li> <li>There was one occasion where the replacement invoice did not include VAT</li> </ul>	<p>policy on cancellations and debt write-offs, should be revised to ensure it is clear what can be cancelled and what should be reported to committee.</p> <p>(2) Officers requesting credit notes should be reminded to seek budget holder approval before contacting the Service Accountants, who should ensure that budget holder approval has been received and check the necessary back-up information to complete the audit trail.</p> <p>The Service Accountants should also ensure that the credit note clearly documents invoices used to re-invoice credit notes where applicable, to ensure this has been carried out.</p> <p>Budget holders should look into large numbers of requests for cancellations from officers, due to error, to ensure that errors are minimised and the</p>	<p>with Internal Audit.</p> <p>(2) Email issued by Income &amp; Recovery Manager February 2014.</p> <p>Email issued by Finance Manager (Central Services) regarding information to be included in credit notes.</p> <p>Reports on credit notes raised will be issue to budget holders on a monthly basis asking them to check.</p>	<p>of Internal Audit &amp; Risk Management</p> <p>-</p> <p>-</p> <p>Income &amp; Recovery Manager</p>	<p>Complete</p> <p>Complete</p> <p>31/03/14</p>

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Debtors

HK09/008.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		whereas the original invoice it replaced had included VAT.	<p>production of invoices is efficient.</p> <p>(3) The Income &amp; Recovery Manager should review the use of the reason for credit notes and also determine if the inclusion of the generic "Accounts Receivables Billing Error" option affects the accuracy of recording the credit note reason.</p> <p>(4) This invoice should be examined to ensure VAT has been charged correctly and any changes made as necessary.</p>	<p>(3) I&amp;R Manager to liaise with FSAT and review reason codes.</p> <p>(4) Invoice relates to Void repairs which should not attract VAT, replacement invoice correct.</p>	Income & Recovery Manager / FSAT	31/03/14
3.5.1	Medium	AR reconciliations from the financial year 2012/13 were not being carried out in a timely manner.	The AR reconciliation should be carried out on a monthly basis, regardless of staff absence, and authorised by a more senior officer.	Monthly reconciliations have been undertaken throughout 2013/14 and authorised by a senior officer. This will continue to be undertaken as staffing levels permit.	Finance Manager (Central Services)	Ongoing
3.5.2	Low	A number of exception reports available for the Income & Recovery Section to produce and act upon are not listed in their procedures. These include:	<p>(1) The exception reports should be included in the Income and Recovery procedures.</p> <p>(2) The Income &amp; Recovery</p>	The following reports are currently being produced and issued to budget holders on a monthly basis:	Income & Recovery Manager	Ongoing

## AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service - Debtors

HK09/008.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		<ul style="list-style-type: none"> <li>Debtors recovery report, (Issue A)</li> <li>High value credit notes, (Issue B)</li> <li>A report identifying all invoices with a balance of under £5.00. (Issue C)</li> <li>A report of invoices in dispute (Issue D)</li> </ul> <p>Also, the regular production of some of these reports, and their use in subsequent proactive debt collection, is not currently being carried out due to staffing shortages.</p>	<p>Section should determine the cost savings to the Council of increasing proactive debt recovery against the costs the Council will incur in a reduction of its cash position.</p>	<p>Small balance invoices (Issue C). Invoices in dispute. (issue D).</p> <p>The following reports are being run on a weekly basis and checked:</p> <p>Debtors recovery reports – Reports on high level debts Customer Call Reports. Follow up action on debt arrangements (Issue A).</p> <p>Credit reports will be run and issued to Budget holders for checking (Issue B).</p>		

## AUDIT REPORT SUMMARY

### Report Title

Planning & Development Service - LEADER Programme 2012-13

Report No.	Type of Audit	Issue Date	
HE04/003	Systems	<b>Draft Report</b>	28/11/13
		<b>Final Report</b>	17/12/13

### 1. Introduction

- 1.1 This audit was undertaken as part of the 2013/14 Audit Plan and assessed the administration of the Highland Leader Programme. The audit is a requirement of the Service Level Agreement (SLA) between the Scottish Government Rural Payments and Inspections Directorate (SGRPID) and the Council. This is the fifth required audit in accordance with EC Regulation 885/2006 and covers the period 16/10/12 to 15/10/13.
- 1.2 The Leader Programme is part of the Scottish Rural Development Programme (SRDP), aimed at promoting economic and community development within rural areas. Funding from the EU is centrally distributed by the SGRPID to eligible areas. With the exception of the Inverness Settlement Development Area and the Cairngorm National Park Boundary (within the Highland area), the whole of the Highland Council area is eligible for this funding.
- 1.3 The overall administration of the funding is by the Highland Leader Local Action Group (LAG). The LAG is divided into 11 Local Area Partnerships (LAPs) relating to the different regions of the Highlands. The LAPs have produced a business plan for the use of the funding; they also approve funding for submitted projects and assist with project development. There is also 1 strategic LAG, which sets the strategic direction and delivery of the programme, approves Highland-wide projects, and monitors and evaluates the programme.
- 1.4 The Highland Leader Programme was formally launched in December 2008 and runs until 2013. As at October 2013 there were 371 projects approved. The total value of the LEADER Programme is £16,517,428, which includes £2.33m of Community Services and Facilities funds transferred from the SRDP Rural Priorities programme.

### 2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 The obligations in the Service Level Agreement have been adhered to.
- 2.2 Highland Leader projects are eligible and have been assessed by the Highland LAG accurately. Project files contain the necessary detail required by the Scottish Government confirmation certificate.
- 2.3 The agreed actions arising from the previous audit report have been satisfactorily implemented by Management.

### 3. Main Findings

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

- 3.1 This objective was substantially achieved as the majority of the obligations in the SLA have been adhered to and the quarterly checks are being carried out accurately.  
The capital inspection checklist form is used to record findings during larger scale project inspections. However, it is unclear what documents listed on the checklist, should be copied and held on file with the Highland LAG and which documents should be reviewed during the inspection and only held by the project.  
Irregularities are not being reported within the stated SLA timescale of 14 days from discovery. Instead the Highland LAG have followed the process outlined in the Government's Technical Guidance section 257 which states that LAGs should submit a

monthly record of irregularities to the Scottish Government. However, sections 214 and 234 of this Guidance states that LAGs should inform the Government as soon as reasonably practical of any suspected irregularities. This is also a requirement of the SLA.

- 3.2 This objective was partially achieved. Due to issues found during an Audit Scotland review of Leader files across Scotland, the Scottish Government has requested LAGs carry out a file review of project eligibility on live projects (as at April 2012). The Government will honour any ineligible expenditure found during the review which was made in good faith. This guarantee of payment is limited to this review and therefore it is important that the Highland LAG carries out this review accurately to prevent any liability from ineligible Leader expenditure falling on the Council in the future. In order to provide assurance of the review process this audit examined a sample of 6 project files from a total of 251 live projects (as at April 2012) that have been reviewed as part of this eligibility check. There were no fundamental issues found with the project eligibility reviews, however, a number of individual eligibility issues were identified, which may mean the Council becomes liable for these payments if they are not appropriately addressed as part of the ongoing review of all project files:

One project (198) required more information to be held on file to show two community work posts were specific to the Leader project and therefore eligible.

All of the six project files reviewed did not have the eligibility Case Summary Sheet signed.

In the same review the following potential irregularities were noted:

Recruitment costs for one project (198) breached the limit requiring 3 quotations to be sought.

Another project (400) examined as part of a separate Internal Audit review, identified concerns with the procurement process which did not follow the procurement rules and the records held were incomplete. As a result the investigation's findings will be reported to the Scottish Government.

The following file issues were found:

There were a number of costs in one project (69), which did not agree to the approved budget.

The project files do contain the necessary detail required by the Scottish Government confirmation certificate, except for irregularity reporting included in section (i) above, and the method for randomly selecting a sample for project inspections is not documented. Supervisory checks on applications and claims are being carried out but are not documented.

- 3.3 This objective was substantially achieved. Of the 30 individual issues raised in the 6 recommendations from the 2011/12 audit report, there are 3 outstanding issues:

The Council is not certified as compliant with the information systems security standards listed in EU Regulation 885/2006. The Regulations require that the information system security used by the Highland LAG is based on the criteria laid down in the standard. The Highland Council does have an Information Security Management System in place but it is not clear if the Council's current practices can be stated as being based on the standards and therefore compliant with the EU regulations and SLA.

The SLA states that the LAG and LAPs should have a register of interests. Also a Data Sharing Protocol is a requirement of the SLA. A draft protocol has been sent to the Scottish Government and they have been reminded about these outstanding issues; however, no communication has been received on this matter. As the project is ending this year the Highland LAG should not pursue this any further.

The inspection random sampling as stated in section (ii) above.

#### **4. Conclusion**

- 4.1 The review of the LEADER project files, informed by the last audit's findings, is still ongoing and this audit has found some individual project issues regarding the eligibility check, which should be reviewed. Therefore the audit opinion of Reasonable Assurance has been given as the project files are still open to interpretation in their current state and also because less reliance can now be placed on the Scottish Government's Technical Guidance, which was down-graded last year to an aide-memoir for the EU Regulations and

relevant legislation. Leader projects are complex and each project will differ in scope. While there are set procedures and process in place to assess projects, this work remains subjective and therefore open to interpretation. The issues found in this report should inform the file review process.

- 4.2 There are five recommendations in this report, all are classified medium grade and the majority will be completed by March 2014, with the final outstanding recommendation completed by August 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 **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. The levels of assurance and their definitions can be found at Appendix 1.



## AUDIT REPORT ACTION PLAN

### Report Title

### Report No.

Planning & Development Service - LEADER Programme 2012-13

HE04/003

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

### Description

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

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

Minor issues that are not critical but managers should address.

Priority	Number
High	0
Medium	4
Low	0
<b>Total recommendations</b>	<b>4</b>

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Medium	There is a lack of clarity regarding what documents, listed on the Capital Inspection form, should be held on file with the Highland LAG and which documents should be reviewed during the inspection and only held by the project.	The Highland LAG should clarify with the Scottish Government which documents listed should be held on file and which documents should be seen during the inspection and held with by the project.	Clarity will be sought from the Scottish Government and the On the Spot form will be amended to reflect the response.	Acting Leader Programme Manager	31/03/14
3.1.2	Medium	Irregularities are not being reported within the period of time stated in the SLA. Instead they are being reported on a monthly report.	Irregularities should be reported to the Scottish Government within the stated SLA limits in future.	Practice to be amended on an ongoing basis so that Scottish Government are notified within the 14 days stated in the SLA.	Leader Programme Administrator	01/01/14
3.2	Medium	A number of eligibility issues were found during the file reviews:		Findings to be reviewed as per the deadlines below.  All Development Officers who are undertaking reviews to be made aware of the findings in this report and use to inform full file review on an ongoing basis.	Acting Leader Programme Manager  Acting Leader Programme Manager/ Development Officers	31/03/14  31/03/14

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		(1) One project (198) required more information to be held on file to show two community work posts were specific to the Leader project and therefore eligible.	(1) More information should be recorded in the project file for two community work posts, funded by the project, to show they are specific for this Leader project and therefore eligible.	Project Specific Issues (1) To be addressed as part of ongoing file review work.	Development Officer (MC)	31/03/14
		(2) All of the six files reviewed did not have the eligibility Case Summary Sheet signed.  Potential irregular issues noted during the eligibility review:	(2) Signed Case Summary Sheet should be added to the project files.	(2) Signed case summary sheets to be added to files including wholly eligible projects.	Acting Leader Programme Manager/ Development Officers	31/03/14
		(3) Recruitment costs for one project (198) breached the limit requiring 3 quotations to be sought.	(3) The potential irregularity should be reviewed and raised with the Scottish Government if necessary.	(3) File to be reviewed in relation to single tender justification and as part of ongoing file review work. Corrective action to be taken accordingly, for example evaluation committee.	Development Officer	31/03/14
		(4) Another project has been examined as part of a separate Internal Audit review and it was	(4) The Internal Audit interim findings should be reported to the Scottish	(4) Ongoing liaison with Internal Audit to establish required	Acting Leader Programme Manager	31/03/14

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		<p>found that the procurement records held were incomplete and the procurement process did not follow the procurement rules.</p> <p>File Issues noted during the eligibility review:</p> <p>(5) There were a number of costs found in one project (69), which did not relate to the approved budget.</p>	<p>Government.</p> <p>(5) While the Acting Leader Programme Manager believes that email correspondence at the time would provide the necessary audit trail, the costs identified may still be ineligible and clarification should be sought with the Scottish Government.</p>	<p>action to be taken.</p> <p>(5) Clarify if the costs are the subject of an agreed change prior to the change request process being initiated at Highland Leader Programme and if so include additional information on file to address the issue.</p>	<p>Acting Leader Programme Manager</p>	<p>31/03/14</p>
3.3.2	Medium	<p>2 recommendations remain outstanding from the 2012/13 report:</p> <p>(1) The Highland LAG and the Council's ICT Services should determine if the current practices in place can be stated as being based on the criteria laid down in the ISO 27001 and 27002 standards and therefore compliant with the EU Regulation and SLA.</p>	<p>(1) This recommendation should be resolved between the Highland LAG and the Council's ICT Services.</p>	<p>(1) Seek confirmation from Highland Council ICT section that the current practices in place can be stated as being based on the criteria laid down in the ISO 27001 and 27002 standards and therefore compliant</p>	<p>Acting Leader Programme Manager</p>	<p>31/03/14</p>

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Report Title

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Planning & Development Service - LEADER Programme 2012-13

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		(2) The method of random sampling for inspections needs to be documented.	(2) The random sampling method of selection to determine the OTS sample should be better documented.	with the EU Regulation and SLA.  (2) Document the random sampling method for OTS/Ex Post checks.	Acting Leader Programme Manager/ New Leader Programme Manager	31/08/14