Agenda Item	5
Report No	AS/17/21

THE HIGHLAND COUNCIL

Committee: **Audit & Scrutiny Committee**

Date: **23rd September 2021**

Report Title: **Internal Audit Reviews and Progress Report – 05/06/21 – 03/09/21**

Report By: **Corporate Audit Manager**

1.   Purpose/Executive Summary

1.1   This report provides details of the work undertaken by the Internal Audit section since the last report to Committee in June 2021.

2.   Recommendations

2.1   Members are asked to note the current work of the Internal Audit Section outlined at section 5 of the report and progress against the 2021/22 audit plan.

3.   Implications

3.1   Risk – the risks and any associated system or control weaknesses identified as a result of any corporate fraud investigations will be reviewed and recommendations made for improvement.

3.2   There are no Legal, Community (Equality, Poverty, Rural and Island), Climate Change / Carbon Clever or Gaelic implications.

3.3.   Resources - as detailed in section 6.3, recent attempts to recruit to a vacant Assistant Auditor post have been unsuccessful. The available audit resources for the 2021/22 plan were calculated on the assumption this would be filled by 01/10/2. This is no longer achievable and so there is less resources than originally planned. A further update on progress, including any effect on the planned audits, will be reported to the November Committee meeting.

4. Audit Reports

4.1 There have been **5** final reports issued during this period as detailed in the table below:

Service Directorate	Subject	Opinion
Communities & Place	Fleet Management Arrangements	Substantial Assurance
Resources & Finance	Purchase to Pay	Reasonable Assurance
Resources & Finance	Financial Management and Reporting	Substantial Assurance
Resources & Finance	Council Tax and Non-Domestic Rates discounts and exemptions	Full Assurance
Resources & Finance/ Health & Social Care/ Education & Learning	Investigation into missing petty cash from facility	Limited Assurance

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.

5. Other Work

5.1 The Section has been involved in a variety of other work which is summarised below:

(i) <u>Audits for other Boards, Committees or Organisations</u>

Audit work has been undertaken for the Valuation Joint Board and Pension Fund during this period. The relevant audit reports will be considered at the respective Boards/ Committees this month.

(ii) <u>Corporate Fraud and other investigations activity</u>

The Single Point of Contact (SPOC) work is ongoing providing information to Police Scotland and the Department of Work and Pensions.

Work continues with the 2020/21 National Fraud Initiative exercise with a number of data matches being investigated. Problems were identified with the reliability of the

Covid-19 grant matches released to some Councils. As a result, Audit Scotland investigated these problems and have been addressing them directly with the Cabinet Office. Once completed, a new data matching exercise will be undertaken by the Cabinet Office and the Council will be provided with details of the matches that require investigation.

2 new reports of missing money (Council income and a client's money) have been received and are currently under investigation. No further details can be provided at this time, but any system weaknesses reports will be provided to Committee in due course.

(iii) Whistleblowing reports

3 new whistleblowing concerns were received during this period. 2 of these are being assessed to decide upon the appropriate course of action and updates will be provided to the relevant Committee meetings. The final concern relating to the allegation that an employee was undertaking other employment outside the Council was addressed following discussion with management. Confirmation was provided that the appropriate action was undertaken and that this complies with the Code of Conduct for Employees and relevant legislation.

In addition, 1 investigation within the Communities & Place Service Directorate has been completed. This established that there are appropriate health and safety arrangements in place and verified that these are complied with. As a result, the necessary assurances have been obtained and no areas for improvement were identified.

An annual report detailing the number of concerns received and the outcomes will be reported to Committee in June each year. In addition, where any areas for improvement are identified these will be addressed through an audit report which will be presented to Committee for scrutiny.

6. Progress against the 2021/22 audit plan

6.1 As agreed at a previous Committee meeting the progress against the audit plan is now presented in the form of a Gantt chart. This is the first time of presenting the information in this manner and it will continue to be developed.

Details are provided of all audits contained within the audit plan and any additions resulting from unplanned audits or investigations. In respect of investigations this information is added at the point that the system weaknesses draft report is issued as investigations may be complex and can be time consuming to complete.

The chart shows the dates that the key stages of each audit was completed except where the audit has rolled forward from last year and they occurred before 04/04/21, however, any stages after this date are shown.

6.2 There is no performance information recorded for quarter 1 of 2021/22 as there were no final reports issued during this period and this point was discussed at Committee on 14/06/21. This information will be provided for quarter 2 in respect of the audits detailed at section 4.1.

6.3 In calculating the available resources for the 2021/22, this included a vacant Assistant Auditor post which it was assumed would be filled by 01/10/21. Unfortunately, the recent recruitment exercise was unsuccessful, and this vacancy remains. A different approach is now being considered whereby a Trainee Auditor can be recruited and is provided with training and development in order to progress through to the Assistant Auditor grade.
However, this means that there is less resources than originally planned. This can be

partially absorbed through contingency time but dependent upon how long it takes to fill the vacant post there may be some effect on the planned audits. Details of this, including if it is necessary to delete some planned audits will be reported to the November Committee meeting.

Designation: Corporate Audit Manager

Date: 10th September 2021

Author: Donna Sutherland

The Highland Council
Comhairle na Gàidhealtachd

Internal Audit Final Report

Communities & Place Service

Fleet Management Arrangements

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	1

Audit Opinion

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

Distribution:
Transport & Logistics Manager, Communities & Place Service
Head of Performance & Resources, Communities & Place Service
Executive Chief Officer, Communities & Place Service
External Audit

Report Ref:	HCC03/005.bf
Draft Date:	11/08/21
Re-draft date:	27/08/21
Final Date:	01/09/21

1. Introduction

1.1 The audit looked at policies and procedures to ensure that the Council complies with the requirements of its Goods Vehicles Operator Licence, and in particular assessed policies covering the Council's vehicle operator centres, vehicle maintenance and driver behaviour. Failure to adhere to the operator licence requirements could result in fines, or in the licence being withdrawn by the Traffic Commissioner.

The audit also examined the contract management arrangements for the hire of cars and light commercial vehicles up to 3.5t from a particular supplier to assess whether appropriate action is taken to manage poor performance by the contractor.

1.2 Highland Council's licence has a maximum fleet authorisation of 267 Large Goods Vehicles (LGV's) and 2 large trailers. The current fleet numbers covered by the licence are 224 plus 1 trailer. Certain vehicle types are exempt from the licence, for example, road rollers and snow clearing vehicles, but we are expected to observe the same requirements across the fleet. 31 vehicles fall into this exempt category. The 224 vehicles are spread across the Highlands, within 45 licensed operating centres. Vehicles are maintained by 8 workshops across the region. The Council also operates a fleet of cars and light commercial vehicles with Building Maintenance, Amenities and Roads function the main users. This fleet has over 800 vehicles plus plant and miscellaneous equipment.

2. Main Findings

2.1 *Compliance with the requirements of the Operator's Licence*

This objective was fully achieved. The Traffic Commissioner has stipulated that Highland Council must have three employees holding a Transport Managers Certificate of Professional Competency listed on the licence. This stipulation is currently fulfilled by the posts of Transport and Logistics Manager and 2 Fleet Compliance Officers. In addition, staff within the Fleet team are currently doing distance learning courses to gain the qualification required to be a named person on the licence. The intention of this is to have qualified staff who can then replace a current named person should they leave the Council.

There are extensive Fleet Management Policies and Procedures on the Council's intranet site which cover all aspects of operating vehicles safely. These policies cover the responsibilities of both the Fleet Management team and of drivers and their line managers, and provide a sound basis to enable Council staff to conduct their duties in a way that does not adversely impact on the Councils Operator Licence.

2.2 *Maintenance of fleet vehicles*

This objective was substantially achieved. 1 of the vehicles checked had a gap of 10 weeks between routine maintenance being carried whereas the policy states that vehicles should undergo maintenance every 8 weeks (See action M1). It is possible that maintenance would be outwith the 8 week period if the vehicle was off the road for part of that period. There are now processes to easily tell if a vehicle is currently off the road, and the vehicle would be inspected before being allowed back to use if this was in excess of the 8 week routine maintenance period.

The defect books in 2 vehicles checked at a depot did not show evidence of pre-use checks being carried out. One of these vehicles had issues identified recorded in the defect book, but no recording of checks where no issues were found, while the other had no entries at all despite being used since the last entry. Drivers are instructed to carry out pre-use walk round checks before using a vehicle, but some managers stated that there is no monitoring that this is carried out (See action M2). Completion of defect books is examined as part of the compliance checks done by the Fleet Team both at Depots and during random vehicle checks – the results of these are recorded on mobile devices using SharePoint. The Council also contracts the Freight Transport Association to do random independent checks on both vehicles and Operating Centres. The volume of checks has risen now that both Fleet Compliance Officer posts have been filled and this, in combination with the FTA checks, has increased driver awareness of their responsibilities to complete defect books. The Fleet Team have also developed Toolbox Talks for managers to deliver

covering this area, and therefore responsibility for failure to comply with the requirement lies with Service management.

The Roads Operation Manager for Caithness & Sutherland stated that they should get monthly notifications from respective workshops of schedules for the next month which are disseminated to relevant Roads Officers and Foremen. In Sutherland they were receiving the schedules up until a change in workshop Foreman at the end of 2019, from that date onwards they received a phone call from the acting Foreman which does not enable them to programme work efficiently. This causes issues when programming works that involve most of the lorries e.g. salt haulage or road surfacing works and can result in a phone around to secure lorries from other areas.

The Transport & Logistics Manager now has monthly discussions with the Foremen in the Fleet and Roads teams to try to ensure sufficient notice is given for maintenance and to ensure sufficient vehicles are available. There is also improved communication between Fleet and Roads Operations Managers. Managers also have access to a Tranman system portal and can use this to access information on when vehicles are due in for maintenance, and therefore should not be reliant on reminders from the workshop. The Roads Operation Manager confirmed that the situation in Caithness has been resolved, but there are ongoing staffing issues with Sutherland which mean this is still inconsistent (See action L1).

2.3 *Contract management of a vehicles leasing contract*

This objective was fully achieved. While a performance log was previously maintained for the contract, this is no longer necessary. Previously there were numerous people involved in the decision-making process on both sides that meant any queries took a prolonged time to resolve. However, this has now been streamlined to only have input from designated Council Fleet staff and the supplier. Any issues that are identified now are discussed and resolved within 2-3 days as there is now a much better working relationship between the Council and the supplier. There is regular contact between the Transport & Logistics Manager and the supplier's account manager and there is also a specific contact at the supplier to resolve any invoicing issues.

3.   Conclusion

3.1   The audit found that there are thorough procedures in place to support compliance with the Council's obligations in respect of the Operator's licence. Steps have also been taken by the Transport & Logistics Manager to increase the level of random checks on Council operating centres and vehicles to identify instances where procedures are not followed. The audit did identify issues around routine vehicle maintenance and completion of documentation by drivers, which require to be addressed. The audit also verified that appropriate contract management arrangements were in place for the contract hire of cars and light commercial vehicles up to 3.5t from a particular supplier, resulting in a significant improvement in performance by the contractor.

4.   Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
M1	Medium	1 of the vehicles checked had a gap of 10 weeks between routine maintenance being carried out, whereas the policy states that vehicles should undergo maintenance every 8 weeks.	Processes should be reviewed to ensure that all routine maintenance is carried out within the specified timescales.	The vehicle file inspected by the auditor was from 2019. This issue was identified by Fleet Management in 2019 and was rectified at that time. Processes have been amended and IT system changes made.	Transport and Logistics Manager	Closed
M2	Medium	The defect books in 2 vehicles checked at a depot did not show evidence of daily checks being carried out. These checks are important to demonstrate that drivers have ensured that the vehicle has been checked as roadworthy prior to commencing any driving. Some managers stated that there is no monitoring that daily vehicle checks are carried out.	All drivers should be reminded of the need to carry out daily vehicle checks before a vehicle is used and record this within the vehicle defect book. Managers should be instructed to carry out regular checks to ensure drivers are completing defect books on a daily basis. The appropriate remedial action should then be taken to address any omissions. Where recurring problems are identified this should be raised with the relevant ECO to ensure compliance within that Service is improved.	The Fleet policy states the requirement for a pre-use vehicle check to be carried out and recorded. Fleet management do not manage the fleet of driving staff but are responsible for them under the operator's licence. It is therefore essential that robust mechanisms are in place locally to ensure compliance. Fleet management rely on service management to correctly deploy and manage their own staff and undertake operational checks with staff. Managers are required to carry out regular toolbox talks on all aspect of vehicle usage.	Transport and Logistics Manager	Ongoing

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
M2				Fleet Compliance Officers carry out random compliance checks on staff and vehicles to ensure policies and procedures are being followed. We supplement this with external auditors to provide an extra level of quality assurance.		
L1	Low	Monthly notification of planned vehicle maintenance is not always provided by the vehicle workshop in the Sutherland area.	Processes within this workshop should be reviewed to ensure that monthly notifications of upcoming routine maintenance are provided. Managers should be reminded that the Tranman portal enables them to monitor maintenance requirements for their vehicles and provided with refresher training where required.	The Sutherland issue has been resolved. Workshop Forepersons have been reminded of the importance of working closely with Service managers and to ensure they are aware of vehicle maintenance schedules. Service staff have been offered refresher training in the use of Tranman.	Transport and Logistics Manager	Completed

The Highland Council
Comhairle na Gàidhealtachd

Internal Audit Final Report

Resources and Finance

Purchase to Pay

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	9
Minor issues that are not critical but managers should address.	Low	0

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **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 that put some of the system objectives at risk.

Distribution:
Executive Chief Officer, Resources and Finance
Head of Corporate Finance and Commercialism, Resources and Finance
Head of Revenues and Customer Services, Resources and Finance
Service Finance Manager (Corporate Finance, Treasury & Taxation), Resources and Finance
Service Finance Manager, Resources and Finance
Payroll and Pensions Manager, Resources and Finance
Finance Systems and Change Manager, Resources and Finance
External Audit

Report Ref:	HDA16/002
Draft Date:	13/05/2021
Final Date:	07/09/2021

1.   Introduction

1.1   Purchase to pay covers the ordering, receipting and invoicing processes for obtaining goods and services. Integra is the system used by the Council for these processes. This audit provides an overall assessment of the processes and controls in place for the purchase to pay system.

1.2   The audit examined transactions on Integra for financial years 2019/20 and 2020/21. Only transactions for the Council were examined. Transactions imported to Integra in bulk from external feeder systems by Systems and Change officers were excluded as these have separate processes for ordering and approval. The total number of transactions between April 2019 and September 2020 was 144760 (this is made up of invoices and credit notes). These were allocated to 3575 cost centres.

2.   Main Findings

2.1   *There are appropriate controls, process arrangements, procedures and guidelines in place governing the purchase to pay process. These are communicated to all staff and appropriate arrangements are in place to ensure compliance.*

The objective was partially achieved. To operate effectively the system relies on accurate input by users and adequate checking by Budget Holders. This is underpinned by knowledge of how to use the system correctly. Audit work has identified a number of instances where the objective could not be achieved, these are grouped to 3 subheadings below:

Guidance and training

There is guidance on the intranet on all stages of the purchase to pay process. Financial Regulations Section 21 and associated guidance note sets out the key principles. However, these are dated 2012 and have not been updated as part of the corporate refresh of Financial Regulations (see Action Plan M1).

A survey of Integra users was conducted to assess familiarity with guidance and procedures and to identify any training needs. 90 replies were received, the majority of users knew where to access guidance and felt it was sufficient for their duties.

There are 6 courses on My Online Learning covering purchase to pay processes. Completion of these courses is significantly lower than the number of users inputting and approving transactions over the 18-month period. In particular the specific purchase to pay module has only been completed by 84 people.

Overall, survey respondents were satisfied with the level of training received although the need for further training on how to treat partially receipted orders was mentioned frequently (See Action Plan M2).

Controls

A test of all transactions in scope (144760) showed no one individual was responsible for all stages of the transaction. Permissions are set up on Integra so that users should not be able to influence all stages.

A key control is the ability to attach copies of invoices to a transaction in Integra. This allows Budget Holders to check what they are approving and Service Finance Teams to verify details are correct and understand what the transaction is for. The attachment option is underused as 36689 Purchase Order and 20008 non Purchase Order transactions (invoices and credit notes) had no attachment. Invoices should be attached to improve accountability and efficiency (See Action Plan M3). This ties in with the Council's plans for digitisation of information.

The COVID19 pandemic has introduced more remote working and emailed invoices but there has been no corporate instruction on how to obtain hard copies of invoices for registering on Integra, where to hold copies or if they need to be retained after attaching to Integra (See Action Plan M4).

24233 transactions had no invoice narrative in Integra (although some do have descriptions of what the invoice is for, narratives can provide additional information). This could be better used to assist Budget Holders and Finance Teams in reviewing and analysing expenditure. Descriptions and narratives are not always clear to independent reviewers and this combined with lack of

attachments can make the Service Finance Teams' work more difficult. Additionally, it is important to use the narrative or description on credit note transactions to cross reference them to the original invoice. (See Action Plan M3).

Creditors use specialist software Forensics AP to check for duplicate invoice payments and take recovery action. The number of duplicates is comparatively low in both number and monetary amount. From April 2020 to March 2021, 91 transactions with a value of £369,811 were classed as duplicates; 39 of these with a value of £343,026 have been recovered whilst 52 totalling £26,785 are still being investigated.

4 of the recovered amounts were each in excess of £10,000; it would be expected for such large amounts extra vigilance is taken by the inputter and approver prior to payment to prevent such errors. Individual users are advised of duplicate errors as part of Creditors' investigations. However, there is no overall analysis undertaken of errors by cost centre, user and approver in order to take appropriate action where trends or issues are identified (See Action Plan M5).

Enquiries into suspected duplicates established these were 3 separate invoices for £143,452 each (excluding VAT) all not paid on time, the supplier had to remind the Council of the invoices. There was a lack of clear responsibility for the invoices and the cost centres they should be allocated to. This is of particular concern as a Service Level Agreement was in place with the supplier so invoices should have been anticipated (See Action Plan M6).

Procedure

Financial Regulations state that "Official order systems must be used for the raising of orders for every purchase of services, goods, or works". This is not complied with as for the period reviewed 77546 (54%) payments had no purchase order. Using purchase orders is a key control and should be used wherever possible and aids commitment accounting allowing budget holders to see committed outgoings in budget monitoring reports

To understand the reasons further a sample of 12 Services were selected which accounted for 5247 (c.26%) of non-purchase order

transactions entered between April 2020 and September 2020. These Services gave satisfactory responses on why they did not use purchase orders, that they could link all transactions to a service requirement and required transactions to be attached to Integra prior to approval. An exception to this was identified in stores. The Repairs Manager acknowledged some items should have been ordered using purchase orders and agreed to look into this matter to ensure staff are using purchase orders wherever applicable.

There is however no clear directive on when it would be acceptable not to issue purchase orders. From September 2020 to March 2021, 1093 transactions were identified where the order date was later than the invoice date. (See Action Plan M7).

As of April 2021, 1515 lines of orders are outstanding which date back more than 6 months. Whilst it is expected some orders will remain open (e.g. as goods have not arrived or a hiring agreement is extended) work needs to be done to close orders that are complete (See Action Plan M8).

Comparison of registered Integra users showed considerably more users have access than have actually used the system. There is no charge for each user but it is questionable whether all these officers still require access (See Action Plan M9).

3.   Conclusion

3.1   There are appropriate controls in place within the purchase to pay system which if consistently applied should ensure only necessary items are ordered, data on Integra is accurate and errors are minimised. However, not all controls are fully utilised and there is little overall monitoring of transactions to ensure their completeness and accuracy. Reliance is placed on individual Services and users to ensure they input correctly, perform necessary checks and maintain an adequate audit trail.

There is a need to update the instructions to ensure they are clear, comprehensive and current, accompanied by targeted training to assist in reducing errors and increasing efficiency.

4.   Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation Responsible Officer	Target Date
M1	Medium	Financial Regulations and associated guidance notes have not been updated as required in the corporate refresh of Financial Regulations which is due for completion by September 2021.	Financial Regulations and guidance note "Receipt of Goods and Payment of Creditor Invoices" should be updated as part of the corporate refresh of Regulations (which will be renamed as Instructions). This should include reference to the current financial system Integra.	Financial regulations to be updated. Instructions relating to Receipt of goods and payment of creditor invoices will be updated.	Finance Manager (Corporate Finance, Treasury and Taxation) Finance Manager (Corporate Finance, Treasury and Taxation)	Complete 31/10/21
M2	Medium	A survey of Integra users identified a need for further training on how to treat partially receipted orders. Training uptake is low compared to the number of active users.	My Online Learning modules should be updated to include additional guidance on how to treat partially receipted orders. Users should then be made aware of the updated training. Frequent users of Integra should be identified and asked to complete all relevant training modules.	Instructions on how to update partially receipted orders and access training will be issued to integra users.	Finance Manager (Corporate Finance, Treasury and Taxation)	30/09/21
M3	Medium	The attachment and invoice narrative facilities are not used to their full extent. Invoice descriptions and narratives are frequently not intelligible to all users, particularly Service Finance Teams and Audit.	Instructions should be issued to Services and users that invoices should be attached within Integra and meaningful descriptions/narratives provided. This instruction may need to be targeted to specific Services.	Instructions on descriptions will be issued to all integra users.	Finance Manager (Corporate Finance, Treasury and Taxation)	30/09/21
M4	Medium	There has been no corporate instruction concerning hard copies of documentation, where to store documents and what to do with them once they have been scanned and attached.	Corporate guidance should be developed to address these points and be circulated to all Services.	Investigate if hard copies need to be retained and issue instruction in accordance with findings.	Finance Manager (Corporate Finance, Treasury and Taxation)	30/11/21

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
M5	Medium	Although small in number and monetary amount (as a proportion of total invoices) there were some high value duplicate transactions approved for payment.	An instruction should be issued to users and approvers of the need for accuracy when inputting and scrupulous checks prior to approval of invoices. Guidance should be amended to instruct users and approvers to be extra vigilant for high value invoices.	Additional text will be added to the Workflow email notification sent requesting approval, highlighting importance of meticulous checks.	Finance Manager (Corporate Finance, Treasury and Taxation)	30/09/21
		The Integra files imported to Forensics AP software to check for duplicates do not contain key fields of /accounting code or who authorised the transaction (files imported take information from various fields in Integra e.g. inputter, amount, invoice number).	The import file should be updated to include these parameters and identified duplicates broken down by Service and errors identified passed to key teams in Service Finance Teams and Business Support to contact users and approvers making errors and identify training needs if required.	Duplication software is being updated and options to include more fields to facilitate easier investigation of any duplicates identified will be investigated. If it is not possible to add more fields then the required information will continue to be retrieved from Integra on an invoice by invoice basis.	Creditors Team	30/09/21
M6	Medium	Lack of clear responsibility for cost centres and failure to monitor expected payments as part of a Service Level Agreement led to delays in paying invoices.	All cost centres must have someone who has primary responsibility. This is especially important where multiple individuals have been set up to approve for a cost centre. Responsibility for monitoring receipt and authorisation for invoices relating to contract and Service Level Agreements must be clearly defined for all such agreements.	Review of budget holders against cost centres to be undertaken.	Finance Accountants	30/11/21

					Implementation	
Ref	**Priority**	**Finding**	**Recommendation**	**Management Response**	**Responsible Officer**	**Target Date**
M7	Medium	77546 transactions did not have a purchase order. Whilst there are justifiable reasons for many of these there is no guidance covering exceptions. 1093 orders were created retrospectively i.e. after the invoice date.	The instructions supporting Financial Regulations should set out any valid exemptions where purchase orders are not expected, otherwise orders should be raised in advance of requesting goods or services. Where confirmation orders are required then these should be issued promptly.	Financial Regulations to be updated. Associated Instructions to be updated.	Finance Manager (Corporate Finance, Treasury and Taxation) Finance Manager (Corporate Finance, Treasury and Taxation)	Complete 31/10/21
M8	Medium	There are 1515 lines of outstanding orders dating back more than 6 months.	These should be reviewed and services should close order lines no longer required. It is acknowledged some orders may have already been closed at year end but a process for more regular review is important for ledger accuracy.	A detailed report of open orders is run weekly and uploaded to Integra intranet site. On file being uploaded, Service Accountants will be notified to review and highlight significant entries to Services.	Finance Systems and Change Team working with Finance Accountants	30/09/21
M9	Medium	The number of officers who can use Integra is considerably higher than those who actually use the system.	A review of users should take place to ensure that access is still required.	Review of users to be undertaken. Due consideration of the reason they are currently on the system will be made and removed if appropriate. System data may show that some users may not have logged on to the system; however they need to be set up on Integra in order to receive monthly financial reports sent by email link.	Finance Systems and Change Team	31/10/21

The Highland Council
Comhairle na Gàidhealtachd

Internal Audit Final Report

Resources and Finance

Financial Management and Reporting

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	3
Minor issues that are not critical but managers should address.	Low	2

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is 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.

Distribution:
Executive Chief Officer of Resources and Finance
Head of Corporate Finance and Commercialism, Resources and Finance
Service Finance Manager, Resources and Finance

Report Ref: HRF01/001.bf
Draft Date: 11/08/2021
Final Date: 10/09/2021

1. Introduction

1.1 The audit assessed the effectiveness of the Council's financial management and reporting arrangements. The audit objectives were to ensure that: budget monitoring is effective in terms of its quality, accuracy and completeness; and savings monitoring is effective in terms of its quality, accuracy and completeness.

1.2 The review considered the budget and savings monitoring arrangements for the Council's 2020/21 Revenue Budget and compared the Council's committee reporting with other Scottish local authorities. The review also involved the completion of a survey from a sample of Council budget holders to assess their understanding of budget and savings monitoring.

1.3 Financial management is central to every organisation's decision-making process. It is an essential part of the overall performance management framework and fundamental to achieving objectives.

1.4 The 2020/21 Revenue Budget Outturn was reported to Council on 24 June 2021:

	Actual £000	Budget £000	Variance £000
Communities & People/Place	32,775	33,268	(493)
Education & Learning	202,757	207,127	(4,370)
Health, Wellbeing & Social Care	142,898	144,061	(1,163)
Infrastructure & Environment and Economy	39,872	32,326	7,546
Performance & Governance	4,352	4,458	(106)
Property & Housing	68,264	64,883	3,381
Resources & Finance	22,602	23,280	(678)
Transformation	1,712	1,784	(72)
Welfare Services	7,891	7,564	327
Service Total	**523,123**	**518,751**	**4,372**
Valuation Joint Board	2,984	2,984	0
HiTrans Requisition	91	91	0
Non Domestic Rates reliefs	658	671	(13)
Loan Charges	55,636	55,845	(209)
Unallocated Budget	0	26,094	(26,094)
Unallocated Corporate Savings	0	(339)	339
Total General Fund Budget	**582,492**	**604,097**	**(21,605)**

2. Main Findings

2.1 *Budget monitoring*

The audit objective was substantially achieved. The section on budgetary control training (within the Financial Regulations My Online Learning training) is brief and dated 2016. Survey respondents stated that training was the most important (36%) factor in helping them to improve their understanding of the budget process and their role as budget holders, therefore there is scope to improve this. (See Action Plan Reference: M1)

The budgetary control instructions (hyperlinked to Financial Regulations) are dated 2014 and the Integra budget holder process instructions are also dated 2015. Survey respondents stated that guidance was the third most important (17%) factor in helping them to improve their understanding of the budget process and their role. (See Action Plan Reference: L1)

Appropriate explanations were provided for 15 significant 2020/21 budget variances, which were reflected in the budget monitoring statements reported to committee. These explanations were obtained during the quarterly budget monitoring meetings (with the finance officer, budget holder and Head of Service present). There was no evidence to demonstrate that budget holders proactively review, supply explanations for variances and engage with finance officers when the monthly budget monitoring reports are provided. (See Action Plan Reference: M1 and L1)

In 2020/21 budget monitoring statements were reported regularly to Council/Corporate Resources Committee (overall position) and the appropriate service committee (each ECO Service), contained relevant financial information (actual expenditure, predicted year-end position) together with explanations for budget variances. However, only 3 (35%) ECO Services provided service performance information to explain the budget position. (See Action Plan Reference: M2)

2.2 *Savings monitoring*

The audit objective was partially achieved. 2020/21 was an unprecedented year due to Covid where there was a less explicit

focus on savings delivery due to the wider issues impacting on the Council's budget.

For 2020/21 only 3 ECO savings position statements were presented to committee. Additionally, no overall savings position statements were reported to Council/Corporate Resources Committee. (See Action Plan Reference: L2)

Testing of 10 2020/21 savings reported to committee identified 7 where it was not possible to find explanation/evidence to support the reported RAG (Red-Amber-Green) status. (See Action Plan Reference: M3)

Testing of 10 2021/22 savings proposals identified: -
- 10 (100%) with a responsible budget holder;
- 9 (90%) with cost centre(s) for the delivery of the saving; and
- 8 (80%) where the saving had been fully removed from the cost centre(s).

Where savings are not removed fully from identifiable budget cost centres at the start of the year additional monitoring (above normal budget control processes) is required to assess their successful delivery (See Action Plan Reference: M3)

A Revenue Budget SharePoint site is to be used to record and monitor the Savings Proposals for 2021/22 – 2023/24. This site is currently being populated but will show key information for each saving including: savings theme; savings reference number; description; savings value (£); responsible officer; timeline; progress; date updated; and RAG status. It would be useful if further information were included to assess the status of each saving. (See Action Plan Reference: M3)

**3.	Conclusion**

3.1	The review has demonstrated that the Council has effective arrangements for the management and reporting of its revenue budget. The uncertainty of the pandemic resulted in the delivery of a balanced budget being prioritised over the delivery of savings during 2020/21. The Council will need to use its arrangements effectively to deliver the savings proposals outlined in the "Ambitious Highland- Health and Prosperity Strategy 2021/22".

4.   Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
M1	Medium	There is a section on budgetary control training (within the Financial Regulations MyLearning Training) but it is brief and dated (2016). 36% of survey respondents stated that training would help them to understand the budget process and their role as budget holders.	Management should review and revise the budget monitoring training to ensure this is comprehensive and ensure that it is a mandatory requirement for all budget holders to complete it.	Training will be reviewed and be made mandatory for budget holders.	Head of Corporate Finance and Commercialism	31/03/22
M2	Medium	For the 2020/21 Budget Monitoring Statements presented to Committees: • 3 (35%) reported service performance (Q1): • 2 (28%) reported service performance (Q2); and • 2 (28%) reported service performance (Q3).	ECOs should ensure that key budgetary performance information (i.e. sickness statistics, overtime and use of agency staff) in addition to service specific KPIs are presented to committee to provide appropriate commentary to the budget monitoring statements.	This recommendation is already being addressed through the Best Value Assurance Report Improvement Action item 1.5 which reads '*Review the approach to financial and performance monitoring reports to Strategic and Area Committees and develop an integrated approach to effective performance monitoring and continuous improvement activity.*'	ECO, Resources & Finance with the Corporate Audit & Performance Manager	31/01/22

					Implementation	
Ref	**Priority**	**Finding**	**Recommendation**	**Management Response**	**Responsible Officer**	**Target Date**
M3	Medium	For 10 savings proposals in the 2021/22 Budget: • 10 (100%) there was a budget holder identifiable for the delivery of the saving; • 9 (90%) there was a cost centre(s) identifiable for the delivery of the saving; and • 8 (80%) the full value of the saving had been removed from the identified cost centre. Of 10 20/21 savings (1 red, 3 amber and 6 green) reported to committee: • 3 correctly ragged (1 red, 1 amber, 1 green); and • 7 may be incorrectly ragged (2 amber, 5 green).	Management should ensure that the system for recording, monitoring and reporting budget savings clearly identifies: • Savings in holding codes; • Savings removed from budgets; and • RAG rating definitions.	Officer SharePoint site which records details of savings and delivery of them will be updated to reflect this.	Head of Corporate Finance and Commercialism	30/09/21
L1	Low	There are written budgetary control instructions (hyperlinked to Financial Regulations) but they are dated (2014) and Integra budget holder process instructions, which are dated (2015). As at 09/07/21 17% of survey respondents stated that guidance would help them to understand the budget process and their role as budget holders.	Management should consider reviewing and revising the budget monitoring instructions to clarify the role of budget holders, their responsibilities to fully engage in budget monitoring meetings and to proactively provide explanations for budget variances.	Instructions will be reviewed to ensure clarity on roles and responsibilities.	Head of Corporate Finance and Commercialism	31/12/21

	Ref	Priority	Finding	Recommendation	Management Response	Implementation	
						Responsible Officer	Target Date
	L2	Low	Only 3 ECO savings position statements were presented to committee in 2020/21: • 1 (13%) ECO area (Health & Social Care) in Q1; • 1 (13%) ECO area (Communities & Place) in Q2; • 1 (13%) ECO area (Communities & Place) in Q3. Council-wide savings position statements were not presented to Committee in 2020/21. The reporting of savings across Scottish local authorities in 2020/21 was similar to Highland Council – except: • The reporting on the delivery of savings (THC reports 13% compared to 67%).	Management to ensure that both Council-wide and all ECO savings position statements are consistently presented to committee.	Agreed. 20/21 was an exceptional year where this reporting did not happen consistently. This has happened consistently across all services in Q1 21/22 and will continue.	Executive Chief Officers	Completed

The Highland Council

Comhairle na Gàidhealtachd

Internal Audit Final Report

Resources and Finance

Review of Council Tax and NDR discounts and exemptions

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	0
Minor issues that are not critical but managers should address.	Low	2

Distribution:
Executive Chief Officer, Resources and Finance
Head of Revenues & Customer Services, Resources and Finance
Service Delivery Manager, Resources and Finance
Revenues Manager, Resources and Finance
Business Support Ops Manager, Resources and Finance
Business Development & Support Manager, Resources and Finance
Finance Systems & Change Manager, Resources and Finance
Principal Revenues Officer, Resources and Finance
Revenues Officer, Resources and Finance

<u>**Audit Opinion**</u>

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.

Report Ref: HRF22/001
Draft Date: 17/08/21
Final Date: 10/09/21

1. Introduction

1.1 There are a number of Council Tax (CT) and Non Domestic Rates (NDR) discounts and exemptions available to individuals, properties and businesses. Responsibility for administering them sits with the Operations Team for CT and with the Non-Domestic Rates Team for NDR. All documentation is uploaded to Civica, work is allocated to the appropriate team and then the required changes are made on the Revs & Bens system.

1.2 The audit examined the key controls in place around the processing of CT and NDR discounts and exemptions to ensure that appropriate checks are carried out in order to confirm eligibility. A sample of transactions during financial year 2020/21 was examined. It also looked at whether or not discounts and exemptions are regularly reviewed in order to ensure ongoing eligibility.

All types of CT and NDR discounts and exemptions were considered as part of the audit apart from Council Tax Reduction which was not within scope of the review.

1.3 Changes to CT and NDR discounts and exemptions introduced by the Scottish Government since March 2020 as a result of COVID-19 were assessed to determine whether not these changes had been applied appropriately by the Council.

2. Main Findings

2.1 *Control framework*

This objective was substantially achieved. There are documented guidance and procedures in place for both CT and NDR discounts and exemptions and these are stored on a SharePoint site which all relevant staff have access to. There have been no changes to relevant legislation in recent years and therefore there has been no requirement to update the guidance and procedures. However, there is no evidence to demonstrate that these are regularly reviewed in order to ensure that they are up to date (see action plan L1).

A sample of 30 records selected at random from a list of 5,814 CT discounts and exemptions awarded with a start date between 01/04/20 and 30/09/20 was examined. All had been appropriately awarded under current guidance and legislation and were supported by adequate documented evidence.

A random sample of 2% of completed benefits work is checked for accuracy on a weekly basis by Team Leaders and this includes CT discounts and exemptions if they are present on the account. All work completed by new employees would also be checked for accuracy.

The incorrect discount code (PCLB - 2nd home 10% discount) had been entered on Revs & Bens for one of the sampled records which meant that a 10% discount of £133.24 was incorrectly awarded for 2020/21 but this has now been corrected. Control reports are normally run periodically throughout the year to identify this type of error, but these checks were suspended due to the influx of additional high priority work as a result of COVID-19 and the challenges of moving to home working. These checks have recommenced for the current financial year.

As at 31/02/21, recipients of the Single Occupancy Discount (SOD) represented 84% of all CT discounts and exemptions in the Highland Council area. There is an established annual review process in place by way of the National Fraud Initiative (NFI) Council Tax SOD exercise which identifies possible discrepancies which are further investigated to ensure that the recipient is still entitled to the 25% discount. An internal review exercise is also carried every 2 to 3 years to check ongoing eligibility. For all other CT discounts/exemptions, where they are not time limited, there are processes in place which ensure that regular checks are carried out to verify that those in receipt continue to be eligible.

Due to COVID-19 restrictions, physical checks to confirm eligibility for certain CT discounts and exemptions have not been carried out since March 2020 e.g., long term empty properties and Disabled Band Reduction. Some checks are now carried out remotely and this may be developed further going forward as new ways of working are explored and restrictions ease (see action plan L2).

A sample of 25 records selected at random from a list of 606 NDR discounts and exemptions with an award start date between 01/04/20 and 31/01/21 was examined. All had been appropriately awarded under current guidance and legislation, were supported by adequate documented evidence and had been appropriately authorised.

The majority of NDR discounts and exemptions are either reviewed on a regular basis, to ensure ongoing eligibility, or are time limited. There are 2 categories which are fairly new (shooting and day nursery relief), and therefore a review has not yet taken place. Due to the nature of the properties in receipt of the relief, there is no pressing requirement to carry out a review and therefore this is acceptable. A review of rural property relief has not yet taken place even though it is considered that this would be beneficial, but this has been scheduled to take place in 2022.

2.2   *COVID-19*

This objective was fully achieved. There was only one change to CT discounts and exemptions as a result of COVID-19. The 'Coronavirus (Scotland) (No.2) Act 2020' which came into force on the 27/05/20, created an exemption for a property that was exempt due to being occupied solely by certain groups (such as students, student's spouse or dependent(s), school leavers, or people under aged 18) and which then became unoccupied on or after 17/03/20 for a reason relating to coronavirus. Such a property is exempt from paying council tax, until it is occupied again or the provisions in the 2020 Act come to an end. This is currently in place until 30/09/21. All those eligible for this exemption can be identified on Revs & Bens and it is applied automatically if the property is vacated.

There were 3 changes made to NDR discounts and exemptions due to COVID-19:

1. All non-domestic properties in Scotland were to receive a 1.6% rates relief until 31 March 2021. A sample of 10 records selected at random from a list of NDR discounts and exemptions with an award start date between 01/04/20 and 31/01/21 was examined and all had received the 1.6% relief on their annual rates bill for 2020/21.

2. All retail, hospitality and leisure businesses were to receive 100% rates relief. A sample of 25 records selected at random from a list of all NDR properties on the assessment roll for 2021/22 (retail, hospitality and leisure designated businesses only) was examined and all had received 100% rates relief for 2020/21.

3. All Scottish airports were to receive 100% rates relief, as well as organisations providing handling services for scheduled passenger flights at Scottish airports. The records for all airports in the Highland Council area and also business which provide services to said airports were examined and all had received 100% rates relief for 2020/21.

3.   Conclusion

3.1   There are well established systems and processes in place which ensure that CT and NDR discounts and exemptions are appropriately awarded, and eligibility is checked on an ongoing basis. These systems have continued to work well despite the additional pressures faced as a result of COVID-19 much to the credit of those staff involved.

All of the changes to CT discounts and exemptions introduced by the Scottish Government as a result of COVID-19 had been identified by Highland Council and implemented accordingly. Additional measures were also taken such as delayed annual NDR billing for 2020/21 and the recovery of CT arrears was paused until July 2020.

4.   Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	**Target Date**
L1	Low	There is no way to verify that documented procedures for CT and NDR guidance and procedures are regularly reviewed in order to ensure that they are up to date.	Documented guidance and procedures for both CT and NDR should be regularly reviewed to ensure that they are up to date and cover all relevant discounts and exemptions. The date of each review should be recorded.	Procedures will continue to be reviewed regularly and recorded in a Procedure Review Log to reflect legislative, system and other updates.	Finance Systems & Change Manager	Complete
L2	Low	Due to COVID-19 restrictions, physical checks to confirm eligibility for certain CT discounts and exemptions have not been carried out since March 2020. Some checks are now carried out remotely and this may be developed further going forward as new ways of working are explored and restrictions ease.	A review should be carried out to look at whether or not remote checks are sufficient to confirm eligibility of the discount/exemption. Where this is not the case, physical checks should recommence where COVID-19 restrictions permit.	Review commenced 27/8/21.	Business Development & Support Manager	31/10/21

The Highland Council
Comhairle na Gàidhealtachd

Internal Audit Final Report

Resources and Finance/ Health and Social Care/ Education and Learning

Investigation into missing petty cash at a facility

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	3
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	0

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that 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.

Distribution:
Executive Chief Officers, Education and Learning, Health and Social Care, Resources and Finance
Head of Corporate Finance and Commercialism, Resources and Finance
Head of Revenues and Customer Service, Resources and Finance
Service Delivery Manager, Resources and Finance
Head of Service, Children Young People and Families, Health and Social Care
Area Care and Learning Manager, Education and Learning
Business Support Operations Manager, Resources and Finance
Service Finance Manager, Resources and Finance
Children's Services Manager, Health and Social Care
Manager, Health and Social Care
Principal Teacher, Education and Learning
External Audit

Report Ref:	HEL05/001
Draft Date:	15/06/2021
Final Date:	02/09/2021

1. Introduction

1.1 On 03/03/21 a Business Support Operations Manager contacted Internal Audit to say that £300 from the petty cash at a facility was missing. It is uncertain if this money has been lost or misappropriated. This report outlines the situation and the control weaknesses that have been found at the facility.

1.2 The facility has an imprest of £950 from which petty cash claims are made to assist clients who may need to make one off purchases at short notice. The facility has 2 floors. The lower floor is managed by a Manager who is also the Responsible Premises Officer (referred to in this report as the RPO). The Upper floor is managed by another Manager (referred to in this report as the Manager).

The facility was closed during the Christmas/New Year holiday period (24/12/20-06/01/21). £300 was set aside in the Manager's office intended for use in emergencies during the closure period (referred to below as the emergency money). Note: normal petty cash procedures were not examined in detail; this work was focussed on the emergency money.

1.3 Enquiries were made with the Business Support staff who administer the imprest on behalf of the Service, their Team Leader, the Business Support Manager and the Managers of the facility.

2. Main Findings

2.1 *Unofficial arrangement and Financial Regulations not followed*

No formal agreement was made to cover the handover of the emergency money from the Business Support staff to Health and Social care staff. The Business Support staff said there was a verbal discussion over setting aside money for use during the office closure period. The Manager instructed the money to be left in their office. During previous closure periods petty cash has been set aside in a locked cupboard in this Manager's office.

The Business Support staff placed £300 in an envelope and put this under 3 drawers in the Manager's office, which was unlocked. On 24/12/20 prior to the closure Business Support staff emailed this Manager and 6 Health and Social care staff informing them of the location of this money. The email did not specify how much money was left.

This was an informal arrangement not in accordance with any Council policy or procedure. Proper documented handover of the emergency money did not take place. The emergency money was placed in an unsecure unlocked location. This practice was contrary to Financial Regulations, Section 24 – Petty Cash (Imprests) which requires that "Monies are held securely". At least 6 individuals who do not normally have uncontrolled access to cash were made aware of the money. (See Action Plan Reference: H1).

2.2 *Reconciliation timing*

The Manager's staff confirmed to the Manager that the emergency money was not used during the Christmas period, and the Manager said none of them accessed the facility during the closure period.

The emergency money was identified as missing on 01/02/21. The Business Support staff came to do a reconciliation of the imprest and the money did not balance. At this point the RPO was informed and a search of the facility was conducted by the RPO and Business Support staff but the money was not found. The Team Leader was then informed.

The RPO said they were only made aware of the emergency money when it was found to be missing.

This is a considerable period between setting aside the emergency money, reopening the facility and the reconciliation. Financial Regulations Section 24 states regular reconciliations should be performed. Whilst it is acknowledged Business Support staff have had limited access to the facility since March 2020 due to the COVID pandemic it would have been expected that money set aside would have been reconciled immediately once the facility reopened on 06/01/21 (See Action Plan Reference: H2).

2.3 *Access to the facility*

The facility has 2 entry points; downstairs via a door with keypad code and a side door which leads directly to the upper floor. The

upper floor can be accessed internally from the lower floor. The RPO said only their staff should have the keypad code to access the downstairs section (as well as the Business Support Staff who have been accessing the facility intermittently to check mail or carry out other duties when needed).

Access to the side door is controlled by key fob. Business Support provided a spreadsheet of staff with key fob access. Of the 60 fobs, 1 is a master fob and 5 are not in use. 54 are assigned to named individuals. Of the 54, checks to ResourceLink showed 2 were leavers, 1 is a pensioner and 1 could not be found. The other names on this list appear on Outlook's staff directory but it is not certain if all those listed are current staff who need key fob access. (See Action Plan Reference: H3).

2.4 *Procedures and Guidance*

Business Support said they were uncertain of the procedure to follow to report the loss of the money. The Business Support Manager said guidance they found referred to the obsolete post Director of Finance and was not clear what constitutes a material loss/discrepancy.

The guidance on Petty Cash and Cash Floats dates to 2010 and refers to out of date job descriptions and systems. There is no Corporate guidance to cover emergency procedures or situations where the imprest holder may have limited access to the imprest due to working from home. (See Action Plan Reference: M1)

2.5 *Additional details and ongoing pressures*

On 11/03/21 a request for petty cash reimbursement for £18.26 was made by the Manager (for a work related textbook, a supporting invoice was provided). After agreement with the Manager, Business Support set this money aside in a drawer in the Manager's office. The Manager picked up the money 4 days later.

Whilst this was a legitimate use of petty cash there is a risk to setting aside any amount of cash even for a short time and it is strongly advised this does not happen. Also, alternatives to making petty cash claims should be investigated, reducing dependence on petty cash (See Action Plan Reference: M2).

3. **Conclusion**

3.1 There was a considerable time period between setting aside the money and determining that it was missing. During this entire period a large number of staff have had access to the facility and the emergency money's exact whereabouts have not been determined. Based on the evidence obtained it has not been determined whether the money has been lost or stolen.

Financial Regulations have not been complied with. An informal arrangement was entered into by several staff which is considered risky and imprudent.

This investigation has also identified concerns over access to the facility whereby former members of staffs' access has not been removed.

As a result of the findings from this investigation and the weaknesses identified, the audit opinion of limited assurance has been given.

Proper procedures on issuing petty cash in emergency situations are needed and relevant staff need to be aware of these. This is particularly important in the current situation where many staff are not accessing premises regularly due to the COVID pandemic. Guidance and procedures are there to protect staff but must be up to date and followed properly.

The 21/22 Internal Audit Plan has included an audit of imprests. This will provide an opportunity to examine policies, procedures and security arrangements governing petty cash and review its ongoing use across the Council.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
					Implementation	
H1	High	Financial Regulations were not complied with in that: Petty cash was held in an unsecure location. There was no formal documented handover of the emergency money and this did not accord with Council Policies and procedures. Multiple staff who don't normally access the petty cash were informed of the emergency money's location.	Petty cash should not be set aside. Cash must be held securely at all times. In the case of emergencies and closure periods a formal procedure needs to be agreed in advance between Business Support and both the facility Managers. This should accord with the requirements of Financial Regulations. The Managers could access petty cash during closure periods but must complete the relevant claim forms and attach receipts. No other staff should have access to cash.	Agreed. New procedure has been drafted and agreed by all parties which addresses these points.	Business Support Operations Manager for drafting procedure. Managers and staff at the facility adhere to procedure	Complete Ongoing
H2	High	There was a considerable time period between setting aside emergency money and reconciling petty cash. During this period numerous staff have had free access to the facility.	Reconciliations must be undertaken regularly and checked by a second person. Reconciliations should be undertaken prior to and immediately after any closure periods as part of the handover between officers.	Agreed. New procedure has been drafted and agreed by all parties which addresses these points.	Business Support Operations Manager for drafting procedure, Managers and staff at the facility adhere to procedure	Complete Ongoing

					Implementation	
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
H3	High	The key fob list contains individuals who are not current staff members.	The key fob list should be reviewed to ensure that only current staff who need access to the facility have a key fob. Any fobs or keys for the facility held by Council staff who no longer work at the facility should be returned to the responsible Manager or the Responsible Premises Officer (RPO) who in turn should advise Business Support to remove access, at the same time as handing over the key fob. Key fobs should be returned to the responsible Manager or Responsible Premises Officer when an employee no longer requires them. If they are leaving the Council this should be covered in the exit process. The responsible Manager or the Responsible Premises officer in turn should advise Business Support to remove access at the same time as handing over the key fob. The fob list should be kept up to date and any fobs not assigned to a member of staff be held securely in accordance with the <u>Council Buildings Access Policy.</u>	An email was sent to relevant Health and Social Care and Education managers on 21/06/21 requesting they: • inform the RPO which staff have fobs and which fob serial number is assigned to each staff member • return keys used prior to fob system • return fobs and keys by staff no longer working at the Facility. A match of staff to fobs will take place. A further email will be issued to identify any inaccuracies with the current fob list and request fobs and keys are returned as part of the review. The list will be kept up to date through regular review.	RPO with assistance of Business Support. Manager and other HSC staff may need to be consulted. (Note the RPO at the time of the investigation has left the Council so the acting manager/RPO will conduct the review).	30/09/21

					Implementation	
					Responsible Officer	**Target Date**
Ref	**Priority**	**Finding**	**Recommendation**	**Management Response**		
M1	Medium	Guidance on petty cash is out of date. Business Support were unsure what procedure to follow to report loss/misappropriation of cash and what is considered material.	Guidance should be revised to be renamed as Instructions and should include 1. Up to date job titles 2. Up to date reporting procedures clarifying what is a material discrepancy 3. Procedures for emergency situations 4. Arrangements for when imprest holders have limited access to facilities (Note the procedure developed by the Business Support Manager at H1 could be adapted to be used at other facilities and included in corporate guidance). These Instructions should be circulated to officers who hold central records of imprests, all staff who control imprests and their Team Leaders/ Managers.	Guidance to be updated accordingly and renamed Instructions. Procedure developed by Business Support Manager has been forwarded and will be considered when revising Instructions. Revised Instructions will be circulated with all relevant officers.	Service Finance Manager	31/10/21

| | | | | | Implementation | |
Ref	Priority	Finding	Recommendation	Management Response	Responsible Officer	Target Date
M2	Medium	Officers using the facility currently need access to cash but it is questioned whether alternative order processes could be used in some circumstances, reducing the need for petty cash claims.	The Health and Social Care Directorate should investigate alternative methods of payment for goods and services to reduce the need for petty cash. This should involve discussions with the Head of Revenues and Customer Services with assistance from Business Support and build on the experience of how welfare support services are provided. Involvement of the facility managers and Children's Services Manager in these discussions would be beneficial.	There have been previous conversations with Head of Revenues and Business Support about reducing use of petty cash and attempts made to reduce use. There are also options to temporarily relocate cash if needed. Reducing cash use is an ongoing process and this will be subject to ongoing review.	Children's Services Manager and Manager at facility (Business Support/ Finance could participate and advise)	31/03/22 and ongoing