

## **EAST AYRSHIRE COUNCIL**

### **GOVERNANCE AND SCRUTINY COMMITTEE – 19 DECEMBER 2008**

#### **PROGRESS REPORT - INTERNAL AUDIT PLAN 2008/09**

##### **Report by the Chief Auditor**

### **1. PURPOSE OF REPORT**

- 1.1** To submit to the Governance and Scrutiny Committee a mid year progress report on performance against the audit plan for financial year 2008/09.

### **2. BACKGROUND**

- 2.1** In East Ayrshire Council, the Internal Audit Service independently reports to the Chief Executive and the Governance & Scrutiny Committee.
- 2.2** The Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

### **3. PLAN ACHIEVEMENT**

- 3.1** The attached report (Appendix 1) summarises the activities of Internal Audit in the first half of the 2008/09 audit year.
- 3.2** At the time of reporting, we have made good progress against the programme of audit work set out in the 2008/09 audit plan. As a result of staff absence and maternity leave, available resource is likely to outturn at 80 days below plan. However, we will endeavour to deliver all high priority assignments.
- 3.3** A Best Value Review of the Internal Audit service is in progress, and the review will consider future resource needs. The review is timetabled to report by the financial year end.

### **4. ASSIGNMENT FINDINGS**

- 4.1** The primary purpose of Internal Audit assignment reporting is to communicate to management information that provides an independent and objective opinion on the control environment and risk exposure and to prompt management to implement agreed actions.

- 4.2** Most assignments completed so far this year report sound assurance in all or most areas. The findings of each assignment report are summarised in Appendix 1(a).
- 4.3** Action plans have been developed in consultation with management to address all areas for improvement identified which, when implemented, will further strengthen the Council's control environment.
- 4.4** Internal Audit has undertaken follow-up work on a number of previous audit assignments, with a view to establishing progress on the implementation of audit control recommendations. This work has found that 90% of recommendations have been implemented at the time of follow-up. Executive Directors have given assurances that outstanding recommendations will be implemented.

## **5. FINANCIAL/RISK/POLICY/LEGAL IMPLICATIONS**

- 5.1** This report is presented in accordance with the Council's Financial Regulations.

## **6. RECOMMENDATIONS**

- 6.1** Governance and Scrutiny is asked to note the 2008/09 mid year progress report on Internal Audit plan achievement.

Colin Houston  
**Chief Auditor**  
CH/G&S.covering report

8 Dec 2008

### **LIST OF BACKGROUND PAPERS**

CIPFA Code of Practice for Internal Audit in Local Government 2006

East Ayrshire Council Financial Regulations

Anyone wishing further information on the content of this report should contact the Chief Auditor on Tel. No. (01560) 323836.

**EAST AYRSHIRE COUNCIL**

**INTERNAL AUDIT MID YEAR PROGRESS REPORT 2008/09**

**Report by the Chief Auditor**

**1 PURPOSE OF REPORT**

- 1.1 This report directs attention to matters of significance that have arisen out of the activities of internal audit for the first half of the 2008/09 audit year.
- 1.2 The annual assurance programme of work was set out in the 2008/09 Internal Audit Plan. The plan was approved by the Governance & Scrutiny Committee on 4 April 2008.

**2 INTERNAL CONTROL ENVIRONMENT**

- 2.1 In order to ensure the proper conduct of its business, the Council has a responsibility to develop and implement systems of internal control. It should be noted that it is primarily the responsibility of management to ensure that internal controls are in place and are operating effectively.
- 2.2 A sound control environment will help to safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to Council policy and procedures. Such systems of internal control can provide only reasonable and not absolute assurance against loss.
- 2.3 The control framework includes regular management information, financial regulations, standing orders, administrative procedures, management supervision and a system of delegation, accountability and code of conduct.
- 2.4 Internal Audit is an assurance function that provides independent and objective opinion to the Council on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 2.5 The Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Code defines the way in which the internal audit service should undertake its functions.

**3 AUDIT APPROACH**

- 3.1 Internal Audit's remit extends to the entire control environment of the Council. The Chief Auditor is required to deliver an annual audit opinion on the effectiveness of the control environment. The audit plan consists of a programme of assurance work designed to inform the annual opinion. Other audit work is carried out, including investigations, advisory services and performance studies, and this work may also contribute to the opinion on the control environment. Audit plans are prepared following full consultation with the Chief Executive, Executive Head of Finance & Asset Management, Executive Directors and the Corporate Management Team.

- 3.2 The primary purpose of assignment reporting is to communicate the outcomes of audit work to management, provide an independent and objective assessment on controls and risk exposure, and prompt management to implement agreed actions leading to improvement in controls and performance. The number of audit recommendations in an audit report does not necessarily influence the overall assessment. Audit recommendations are prioritised according to risk, and it is the risk associated with controls that determines the overall assessment. Audit reports are presented to the relevant Executive Director. Internal Audit routinely undertake follow-up work on all major audit assignments in order to assess progress on the implementation of audit recommendations.
- 3.3 As part of Internal Audit monitoring procedures, copies of all assignment reports, including follow-ups, are presented to the Chief Executive, the Executive Head of Finance & Asset Management, the Council's External Auditor and, where appropriate, to the Council Monitoring Officer. Since August 2008, audit assignment reports have been available to Elected Members through the Elected Member Portal on the Council's intranet. This development is designed to further strengthen the Council's scrutiny function.

## **4 PLAN ACHIEVEMENT**

- 4.1 At the time of reporting, we have made good progress against the programme of audit work set out in the 2008/09 audit plan.
- 4.2 Performance statistics have been collated from the audit management systems for the 2008/09 audit year. The section has issued 23 outputs at the time of reporting, and includes planned assignments and investigations. A total of 80 audit recommendations were agreed with clients covering a range of work across all services, and these, when implemented, will help to strengthen the control environment in all of the areas examined.
- 4.3 A further 20 audit assignments are in progress at the time of reporting, and these include planned assignments, follow-ups and investigations. 16 audit assignments have still to start.
- 4.4 As a result of recent staff absence and maternity leave, the available resource is likely to outturn at 80 days below plan. A trainee accountant secondment from Finance for six months has helped to provide some additional resource. We will endeavour to deliver the full audit plan, however, should there be any slippage this will be restricted to low priority assignments.
- 4.5 A Best Value Review of the Internal Audit service is in progress, and the review will ensure that Internal Audit is adequately staffed and resourced to enable it to meet current and future demands on the section, and contribute fully to emerging risks and changing priorities. The review is expected to report by the financial year end.

## **5 ASSIGNMENT FINDINGS**

### **5.1 Overview**

- 5.1.1 The mid year report is designed to direct attention to matters of significance that have arisen out of the 2008/09 audit process. The findings arising from all audit assignments have been discussed with appropriate officers of the Council and agreed action plans, including timetables and responsibilities, have been put in place to address all identified areas for improvement.

5.1.2 The 2008/09 assurance programme included assignments on the full range of audit activity, in key priority areas, including coverage of core financial systems, contribution to the efficient government agenda, and coverage of departmental systems.

5.1.3 A summary of the findings and outcomes for all completed audit assignments is presented at Appendix 1(a). The following paragraphs provide a summary of the main findings and outcomes arising from a selection of significant planned assignments. The selection covers core systems, departmental systems, computer audit and performance studies.

## **5.2 Sundry Debtors**

5.2.1 Systems based audits continue to represent one of the main elements of planned activity. Systems reviews focus on identifying, assessing and testing the adequacy and effectiveness of controls in place to ensure the underlying objectives of the system are met.

5.2.2 Full systems reviews in Sundry Debtors and Creditors are planned for the year. The work also includes network access and logical access reviews of both systems. The Debtors and Creditor assignments are end to end audits on core financial systems agreed with Audit Scotland.

5.2.3 Internal Audit has completed the review of the Sundry Debtors system. The purpose of the assignment was to verify collection performance and current access to and adequacy of controls within the recently implemented Civica system. The assignment included examination of the procedures in relation to raising and amending invoices in the Finance Service, input of transactions and data processing performed by the Finance Service, debt recovery processes involving the Finance Service, processing write-offs, and monitoring and reporting of performance.

5.2.4 Our overall assessment is that reasonable assurance can be taken from controls operating in the sundry debtors system.

5.2.5 An agreed action plan is in place covering a range of control improvements, including logical access, management review of changes to user permissions, input duplication, and monitoring and recovery of debt.

5.2.6 The Creditors systems review is programmed for the second half of the audit year, and the findings arising from this assignment will be included in the annual report to Governance & Scrutiny.

## **5.3 Network Access**

5.3.1 The new sundry debtors system is part of the integrated Civica Financials system, and access to Civica Financials is linked to the network logon. An assignment has been conducted to review controls around the network logon accounts, particularly, where there is an impact on access to Civica Financials. The network access controls assignment reviewed password management parameters (such as password syntax), usage of password controls, and the newly-introduced Self-Service Reset Password Management ("SSRPM"). Management action has been agreed on work station locking, and a range of password controls, including rules, enforced changes and self-service password resetting.

5.3.2 The objectives of internal control have been substantially met and network access controls provide sound assurance. Enhancements now implemented by IT Services have improved the control environment, and the improvements recommended here will further enhance management assurance in this area.

## **5.4 Cash Collection**

- 5.4.1 Internal Audit has conducted location audits at local cash collection offices and leisure facilities. In 2007/08 eight local offices were audited, and a further ten offices have been examined as part of the 2008/09 audit programme of work. The audits were unannounced.
- 5.4.2 The local offices offer a range of services to users. At local offices members of the public can pay Council Tax, Rent, Sundry debtor accounts as well as obtaining information about various services offered by the Council. The local office audits involved cash counts, analysis of under/over payments and reviews of security arrangements. Our work confirmed that key controls exist in respect of each of the areas examined in each of the local offices tested and that these controls are applied consistently and effectively in most areas. Management has agreed to implement audit recommendations on cash reconciliations, imprest levels and self assessment. The controls in place at the time of our work provide sound assurance in most areas. Two recommendations were raised in May 2007 audit of local offices, and these were followed-up as part of the 2008 audit work. Both recommendations had been fully implemented.
- 5.4.3 Internal Audit has completed an audit of cash collection in leisure facilities. Five separate facilities were visited, including games halls & sports centres, community centres, and golf courses. We performed reconciliations of income collected to the cash receipting system, reconciliations of cash floats, verification, through questionnaire, of cash handling, banking and security procedures at the location visited, and analysis of the overs/shorts. Our work confirmed that keys controls exist in respect of cash handling. Some areas of improvement were identified with the potential to strengthen current controls and improve efficiency. An agreed action plan is in place covering all actions. The controls in place at the time of our work provide sound assurance in most areas.

## **5.5 Mileage**

- 5.5.1 Internal Audit has completed an examination of employee mileage claims. The purpose of the assignment is to assess compliance with procedures for processing and payment of mileage claims.
- 5.5.2 We reviewed employee mileage claims for the period April 2007 to June 2008. A number of tests were applied to a sample of claims to verify regularity and compliance with Council procedures. During the course of testing, some payment errors were identified. The gross error is less than 0.06% of the mileage payments processed in the 2007/08 financial year. Most of the errors are attributable to a single cause (wrong rate used), and action to prevent recurrence of errors of this kind has been taken. A full listing of those claims found to be erroneous has been provided to Payroll Section who are taking corrective action. Sound assurance is reported in most areas. An agreed action plan is in place, with actions to be completed by December 2008.

## **5.6 Education Maintenance Allowance**

- 5.6.1 EMA provides financial support for 16 to 19 year-olds who are undertaking full-time educational courses. EMA is intended to encourage pupils to stay on at school beyond the statutory leaving age. Eligibility for payment of EMA is based on parental or guardian income. In addition to meeting a 100% attendance requirement, applicants must also sign a Learning Agreement that is countersigned by their parent or responsible adult, and by an authorised member of staff within the school. The Learning Agreement specifies targets for academic and behavioural expectations. In the financial year 2007/08, 664 students received at least one EMA payment. EMA payments totalled around £545k and bonus payments £137k.

- 5.6.2 A number of tests were applied to a sample of EMA application forms to confirm validity of claims and payments. Testing in this area did not raise any concerns. All applications were fully completed and payments were supported by documentary evidence. Two secondary schools were visited and the EMA administrators interviewed to verify the monitoring and control of EMA payments. At the schools visited there was no independent verification of bonus payments. An action plan is in place covering all actions, and the client has committed to immediate implementation of independent checking of bonus payments. Sound assurance can be taken in most areas.

## **5.7 Schools**

- 5.7.1 Internal Audit has carried out audits in schools. The purpose of this audit was to assess the key financial and administrative systems in terms of compliance with expected controls. We visited two schools; New Farm and Kirkstyle Primaries. The Kirkstyle audit identified controls that were not consistently and effectively applied, in particular around cash receipting, operation of the establishment fund (school fund), and use of the petty cash. The New Farm audit also identified issues around receipting income, establishment funds and inventories. Although there were control issues around cash handling at both schools, no money was found to be missing at either location. Agreed action plans are in place which, when implemented, will improve controls at both schools.

## **5.8 Year-end Stockchecks**

- 5.8.1 Internal Audit attended the year-end stock counts at the Building & Works stores in Kilmarnock and Lugar, the Roads stores at Bonnyton, Gauchalland, and Underwood, and the Transport stores at Crookedholm. In addition, audit staff attended fuel stocks at Crookedholm, Gauchalland, Western Road and at Golf courses. In overall terms, we were satisfied that the arrangements conformed to the guidance issued by the Executive Head of Finance and Asset Management.
- 5.8.2 The book value of stock as at 31<sup>st</sup> March 2008 for Building & Works amounted to £367,734. The year end stocktake resulted in a downward adjustment to stock book values of £3,640.08 or 1.1% of the value of stock before the year end stocktakes took place. This compares favourably with 2006/07, where adjustments amounted to £9,074 (or 2.6%) of the book value. The audit highlighted a number of areas where the physical verification of stock during the stocktaking process could be improved, and an agreed action plan is in place to address all of these areas. During the audit of the 2007/2008 stocktaking arrangements, we followed-up recommendations raised during the 2006/2007 audit. Eight recommendations were raised and all have been fully implemented.
- 5.8.3 The book value of Roads & Transportation stores at 31<sup>st</sup> March 2008 was £237,899. The overall value of stock held by Roads and Transportation has reduced by around £12k over the year. The audit identified a number of areas where the physical verification of stock during the stocktaking process could be improved. An agreed action plan is in place to address all action points. Internal Audit also followed-up on recommendations made at the 2006/07 year-end stocktake. Out of the five recommendations issued, four have been fully implemented and one has not been implemented.

## **5.9 Performance Indicators**

- 5.9.1 The overall purpose of the audit assignment was to support the External Auditors in their duty to audit the statutory performance indicators for the financial year ended 31 March 2008. For the financial year ended 31<sup>st</sup> March 2008, there are 58 indicators. East Ayrshire Council's policy is to report on all indicators. Those indicators which fell within the third and fourth quartiles, and which had not recently been assessed, were selected for testing.

- 5.9.2 Internal Audit selected nine indicators for testing. Of the nine indicators selected for testing five required minor adjustment. A further two indicators were reviewed during the trial run phase and were also found to be reliable within the scope of the work performed. The External Auditor has assessed all 58 EAC indicators to be reliable.
- 5.9.3 An agreed action plan is in place covering five control recommendations, including protection and availability of electronic data. Two recommendations were raised in July 2007 audit of performance indicators, and these were followed-up as part of the 2008 audit work. One recommendation had been fully implemented and the other partially implemented.

## **5.10 Audit Follow Up**

- 5.10.1 Internal Audit routinely undertake follow-up work on all major audit assignments in order to assess progress on the implementation of audit recommendations arising from earlier audit work. 13 audits have been followed up in the year, and these revealed that agreed audit recommendations had been substantially implemented by the time of follow-up review.
- 5.10.2 The 14 follow-ups covered 113 audit recommendations, and the auditors found that 102 agreed actions had been fully implemented by the date of the follow-up audit visit, which is a fully implemented score of 90%. Of the 11 agreed actions not yet fully implemented, 10 were started and there was only 1 where no action had been taken. The outstanding action is in Onsite Services and relates to food waste. The client has given an assurance that this will be implemented by January 2009.. Client assurance statements are in place covering the actions that were not fully implemented at the time of follow-up.
- 5.10.3 Internal Audit is satisfied that there is management commitment to act where control improvement opportunities are identified, and the overall implementation score is demonstration of this commitment. Appendix 1(b) provides a listing of all audit follow-up assignments, and the implementation score for each assignment, and Appendix 1(c) provides an overall score by service.

## **5.11 Investigations**

- 5.11.1 A number of incidents have been investigated by Internal Audit at the time of reporting. These include payments to an arms length body, unauthorised use of a Council supplier account and minor cash shortages. Two investigations are in progress at the time of reporting, and these involve theft of cash and alleged theft of materials. 100 days of the 150 day investigations contingency has been used at the mid point in the year. The outcome of the investigation into payments to Glaisnock Trust is summarised below.
- 5.11.2 In November 2007 Internal Audit commenced a fact-finding investigation into payments to an arms length organisation, Glaisnock Trust, and in my 2007/08 annual report to Members, I reported that Internal Audit was continuing to investigate European Social Fund grants and associated payments to the organisation. Internal Audit has concluded this work. A report on the findings of the investigation into European Grants has been considered by management, and the findings have been passed to the Police to investigate. A report on the full findings of the audit investigation has also been completed and delivered to management. In my last annual report I gave a broad summary of the audit findings, including assurances we could take from the audit work carried out at that time. My final report identifies a number of areas where management action is necessary to strengthen controls over funding to arms length bodies. This audit report has been considered by management, and action plan is being developed which, when implemented, will fully address the audit concerns. The audit findings are currently the subject of a Police investigation, and for that reason both audit reports, the European grant report and the full report, have not been placed in the Elected Members Portal.

## **6 SUMMARY OF PERFORMANCE**

- 6.1 Internal Audit has carried out assignments in a number of areas during the first half of the audit year. These include planned assignments of sundry debtors, cash collection in local offices and leisure facilities, payroll, schools audits, performance indicators and stores. Other audit work has been completed around investigations. Most assignments completed so far this year report sound assurance in all or most areas.
- 6.2 As a result of these assignments, Internal Audit has put forward a range of recommendations to address areas for improvement, covering a wide range of issues. Action plans have been developed in consultation with management to address all areas for improvement identified, which should result in continued improvement in the overall control environment.
- 6.3 Internal Audit has undertaken follow-up work on a number of previous audit assignments, with a view to establishing progress on the implementation of audit control recommendations. This work revealed that agreed actions had been substantially implemented by the time of the audit visit. Where audit recommendations have not been fully implemented the further action required has been agreed with the service.

**Colin Houston**  
**Chief Auditor**

MidyearReportappendix1

ASSIGNMENT	SUMMARY AUDIT FINDINGS	ASSESSMENT/OUTCOMES
<p><b>Building &amp; Works Year-end Stocktaking</b> <b>(18 June 2008)</b></p>	<p>The purpose of the assignment was to evaluate year-end stocktaking arrangements and report any areas for improvement identified. No major issues were found. The adjustments made to the stock at Lugar and Kilmarnock at the year end stocktake resulted in a downward adjustment to stock book values of £3,640.08 or 1.1% of the value of the two stores before the year end stocktakes took place. This compares favourably with 2006/07 where adjustments amounted to £9,074 (or 2.6%) of the book value of stock prior to the year end stocktakes.</p>	<p>Sound assurance can be taken from the procedures currently in place with respect to the year end stocktaking arrangements. Management action has been agreed on general housekeeping, obsolete stock and continuous stock checking.</p>
<p><b>School Location Audit at New Farm Primary School</b> <b>(7 July 2008)</b></p>	<p>The purpose of this audit was to assess the key financial and administrative systems operated by New Farm Primary and assess compliance with expected controls.</p>	<p>Sound assurance can be taken in most areas. Management action has been agreed on income handling, inventories and establishment fund arrangements.</p>
<p><b>School Location Audit at Kirkstyle Primary School</b> <b>(7 July 2008)</b></p>	<p>The purpose of this audit was to assess the key financial and administrative systems operated by Kirkstyle Primary and assess compliance with expected controls.</p>	<p>Key controls were not applied consistently and effectively. Management action has been agreed on income handling, inventories, establishment fund arrangements and the cash imprest.</p>
<p><b>Glaisnock Trust ESF</b> <b>(8 July 2008)</b></p>	<p>Report not placed in Elected Members Portal.</p>	<p>Findings reported to Police</p>
<p><b>Local Offices</b> <b>(30 July 2008)</b></p>	<p>Internal Audit conducted location audits at local cash collection offices. The audits were unannounced, and involved cash counts, analysis of under/over payments and reviews of security arrangements.</p>	<p>The controls in place at the time of our work provide sound assurance in most areas. Management action has been agreed on cash reconciliations, imprest levels and self assessment.</p>
<p><b>Roads &amp; Transport Year-end Stocktaking</b> <b>(15 August 2008)</b></p>	<p>The purpose of the assignment was to evaluate year-end stocktaking arrangements and report any areas for improvement identified. We conducted detailed testing of stock records, including physical counts of items on a sample basis. Testing was targeted at high value and high turnover items, and covered 45% of the stock value at the attended stocktakes.</p>	<p>Sound assurance can be taken from the procedures currently in place in most areas with respect to the year end stocktaking arrangements. Management action has been agreed on housekeeping, analysis of variances, arrangements for rock salt and ledger adjustments.</p>

ASSIGNMENT	SUMMARY AUDIT FINDINGS	ASSESSMENT/OUTCOMES
<p><b>2007/08 Statutory Performance Indicators</b> (22 August 2008)</p>	<p>The overall purpose of the audit assignment was to support the External Auditors in their duty to audit the statutory performance indicators for the financial year ended 31 March 2008. For the financial year ended 31<sup>st</sup> March 2008, there are 58 indicators. East Ayrshire Council's policy is to report on all indicators. Those indicators which fell within the third and fourth quartiles which had not recently been assessed were selected for testing. Of the nine indicators selected for testing five required adjustment. A further two indicators were reviewed during the trial run phase and were also found to be reliable. An agreed action plan is in place covering five control recommendations, including protection of data and availability of electronic data. Two recommendations were raised in July 2007, and these were followed-up. One recommendation had been fully implemented and the other partially implemented. The latter is expected to be fully implemented for next year's performance indicator audit.</p>	<p>All EAC Statutory Indicators are reported and found to be reliable.</p>
<p><b>Mileage Audit</b> (29 August 2008)</p>	<p>The purpose of the assignment is to assess compliance with procedures for processing and payment of mileage claims. A number of tests were applied to a sample of employee mileage claims to verify regularity and compliance with Council procedures. During the course of testing, some payment errors were identified. The gross error is less than 0.06% of the mileage payments processed in the 2007/08 financial year. Most of the errors are attributable to a single cause (wrong rate used), and action to prevent recurrence of errors of this kind has been taken. A full listing of those claims found to be erroneous has been provided to Payroll Section who haven taken corrective action.</p>	<p>Sound assurance is reported in most areas. Management action has been agreed on calculation of rates and completeness of claim forms.</p>
<p><b>Network Access</b> (29 September 2008)</p>	<p>The 2008/09 Internal Audit plan includes an assignment to review the new sundry debtors system (part of the integrated Civica Financials system). Access to Civica Financials is linked to the network logon. Therefore, this assignment has been conducted to review controls around the network logon accounts, particularly, where there is an impact on access to Civica Financials. The network access controls assignment reviewed password management parameters (such as password syntax), usage of password controls, and the newly-introduced Self-Service Reset Password Management ("SSRPM").</p>	<p>The objectives of internal control have been substantially met and network access controls provide reasonable assurance. Management action has been agreed on work station locking, and a range of password controls, including rules, enforced changes and self-service password resetting.</p>
<p><b>Investigation – Dean castle</b> (13 October 2008)</p>	<p>Report not placed in Elected Members Portal.</p>	<p>The incident was reported to the Police.</p>

ASSIGNMENT	SUMMARY AUDIT FINDINGS	ASSESSMENT/OUTCOMES
<b>Leisure Facilities</b> <b>(24 October 2008)</b>	<p>Internal Audit has completed a regularity audit of cash handling in leisure facilities. The purpose of the assignment is to establish the procedures in place in respect of cash handling, security, etc, report any areas for improvement identified. The leisure facilities included within the scope of this audit were games halls &amp; sports centres, community centres, and golf courses. Our work confirmed that keys controls exist in respect of cash handling within the leisure facilities which were tested as part of this audit. Some areas of improvement were identified that will strengthen current controls and improve efficiency. An agreed action plan is in place covering all actions.</p>	<p>The controls in place at the time of our work provide sound assurance in most areas. Management action has been agreed on receipting and remitting income.</p>
<b>Sundry Debtors</b> <b>(31 October 2008)</b>	<p>Internal Audit has completed a review of the Sundry Debtors system. The purpose of the assignment was to verify collection performance (including timeliness), and verify current access to and adequacy of controls within the recently implemented Civica system. The scope of the assignment included examination of the procedures in relation to raising and amending invoices (in the Finance Service), input of transactions and data processing (performed by the Finance Service), debt recovery (part of the process involving the Finance Service only), processing write-offs, and monitoring and reporting of performance.</p>	<p>Reasonable assurance can be taken from controls operating in the sundry debtors system. Management action has been agreed on logical access and user access levels, review of transactions, input duplication, monitoring and reporting of debt levels and debt recovery.</p>
<b>Education Maintenance Allowance</b> <b>(6 November 2008)</b>	<p>A number of tests were applied to a sample of EMA application forms to confirm validity of claims and payments. Testing in this area did not raise any concerns. All applications were fully completed and payments were supported by documentary evidence. Two secondary schools were visited and the EMA administrators interviewed to verify monitoring and control of EMA payments. Different working practices for controlling EMA payments have been established at each school. We have recommended that schools adopt a consistent approach. Students may be entitled to two bonus payments in the year, providing they achieve attendance requirements and meet the criteria established by their Learning Agreement. At the schools visited there was no independent verification of bonus payments. An agreed action plan is in place covering all actions, including immediate implementation of independent checks of bonus payments.</p>	<p>Sound assurance can be taken in most areas. Management action has been agreed on implementation of independent checks of bonus payments</p>
<b>Glaisnock Trust</b> <b>(October 2008)</b>	<p>Report not placed in Elected Members Portal.</p>	<p>Findings reported to Police.  Management action is being taken to further strengthen controls over external funding.</p>

Assignment	Findings	Report Issued
<b>Follow-up of Warm Deal Grant Claim</b> (Finance Service)	2 of 2 actions fully implemented = 100% implementation.	7 May 2008
<b>Follow-up of Building &amp; Works Vehicle Hire</b> (Neighbourhood Services)	<b>Building &amp; Works:</b> 10 of 11 actions fully implemented = 91% implementation. <b>Transport:</b> 9 of 10 actions fully implemented = 90% implementation. Client Assurance Statement signed for 2 partly implemented actions.	4 June 2008
<b>Follow-up of Expenditure Controls Onsite</b> (Educational & Social Services)	11 of 13 agreed actions fully implemented = 85% implementation. Client Assurance Statement signed for 1 partly and 1 not yet implemented action.	9 June 2008
<b>Follow-up of Building &amp; Works Stocktaking</b> (Neighbourhood Services)	8 of 8 agreed actions fully implemented = 100% implementation	18 June 2008
<b>Follow-up of Cashless School Meals</b> (Educational & Social Services)	9 of 9 agreed actions fully implemented = 100% implementation.	9 July 2008
<b>Follow-up of Working For Families</b> (Corporate Support)	9 of 12 recommendations fully implemented = 75% implementation. Client Assurance Statement signed for 3 partly implemented actions.	22 July 2008
<b>Follow-up of Imprest Certification</b> (Finance Service)	5 of 5 recommendations fully implemented = 100% implementation.	24 July 2008
<b>Follow-up – Cash Handling</b> (Neighbourhood Services)	2 of 2 recommendations fully implemented = 100% implementation.	30 July 2008
<b>Follow-up of Roads &amp; Transportation Stocktaking</b> (Neighbourhood Services)	4 of 5 actions fully implemented = 80% implementation. Outstanding action to be implemented in next annual exercise.	15 August 2008
<b>Follow-up of Performance Indicators</b> (Finance Service)	1 of 2 actions fully implemented = 50% implementation. Outstanding action to be implemented in next annual exercise.	22 August 2008
<b>Follow-up of Missing Equipment investigation</b> (Neighbourhood Services)	4 of 4 recommendations fully implemented = 100% implementation	24 October 2008
<b>Follow-up of Vehicle Fleet Replacement</b> (Neighbourhood Services and Finance Service)	<b>Transport:</b> 6 of 6 recommendations fully implemented = 100% implementation <b>Finance:</b> 3 of 3 recommendations fully implemented = 100% implementation	31 October 2008
<b>Follow-up of Absence Management Adherence to policy</b> (Corporate Support)	9 of 9 agreed actions fully implemented = 100% implementation.	5 November 2008
<b>Follow-up of Cross-Boundary Absence Management Review</b> (Corporate Support)	10 of 12 recommendations fully implemented = 84% implementation. Client Assurance Statement for 2 partly implemented actions.	5 November 2008

## DEPARTMENTAL SUMMARY OF 2008/09 FOLLOW-UPS

## APPENDIX 1(c)

Client Performance By Department	Assignments Conducted	Recommendations			
		Raised	Implemented	Not implemented or partly implemented	Percentage implemented
Corporate Support	3	33	28	5	85%
Finance Service	4	12	11	1	92%
E&SS	2	22	20	2	91%
Neighbourhood Services	6	46	43	3	93%
All Services	<b>15*</b>	<b>113</b>	<b>102</b>	<b>11</b>	<b>90%</b>

\*14 follow-up assignments are listed in Appendix 1(b), one assignment cross cuts services (Vehicle Fleet Replacement) and is counted against Neighbourhood Services and Finance & Asset Management.

\* Two of the eleven not fully implemented actions were superseded by new recommendations to be implemented at the next annual audit.

## TRACKING OF OUTSTANDING RECOMMENDATIONS

Based on Departmental assurance

Dept	Assignment	Follow-up Issued	Number	Current position
Corporate Support	Working For Families	22 July 2008	3	Fully implemented.
Corporate Support	Cross-Boundary Absence Management Review	5 Nov 08	2	CAS in place. Implementation due September 2009.
Finance Service	Performance Indicators	22 August 2008	1	To be implemented in next annual exercise.
E&SS	Expenditure Controls Onsite	9 June 2008	2	CAS in place. Implementation due January 2009.
Neighbourhood Services	Building & Works Vehicle Hire	4 June 2008	2	CAS in place. Actions linked to Best Value Review of Transport Services, which is due to report in 2009.
Neighbourhood Services	Roads & Transportation Stocktaking	15 August 2008	1	To be implemented in next annual exercise.
<b>TOTAL</b>			<b>11</b>	<b>3 now implemented, 8 to be implemented</b>