

**MIDLOTHIAN AUDIT SERVICES
INTERNAL AUDIT REPORT**



Subject: Follow-up Review of Audit Recommendations

Issued to: John Blair, Director, Corporate Resources
Don Ledingham, Director, Education and Children's Services
Eibhlin McHugh, Acting Director, Communities and Wellbeing
Gary Fairley, Head of Finance and Human Resources (s95 officer)
Garry Sheret, Head of Property and Facilities Management
Hillary Kelly, Head of Customer Services
Mary Smith, Head of Children and Families
Sheena Dawe, Head of Education
Ogo Onwuchekwa, Head of Communities and Support Services
Chris Lawson, Risk, Safety, Health and Civil Contingencies Manager
Ian Pilbeam, Corporate HR Strategy Manager
Tony Malone, Healthy Living Manager

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Author: James Polanski, Auditor ext 5646

EXECUTIVE SUMMARY

1 Objective of the Follow up Review

The objective of this follow-up audit was to review a sample of recommendations that have been signed off as complete to determine whether they had been implemented satisfactorily and thus give greater assurance over the ongoing improvement of internal control. The sample includes recommendations that have been signed off as complete in 2011/12 and 2012/13.

2 Background

Covalent's performance management software allows for the progress of audit recommendations to be tracked and reported. It is management's responsibility to satisfactorily complete audit recommendations that have been agreed with the relevant Director or Head of Service and the Internal Audit Manager. The internal audit plan includes budget for the follow-up of previously made audit recommendations to give some assurance that the information reported in Covalent can be relied upon.

A sample of 55 audit recommendations taken from the Covalent system at 'completed' status were reviewed for this follow-up review and evidence obtained to support the satisfactory completion of each recommendation. This included 23 high priority recommendations, 26 medium priority recommendations, and 6 low priority recommendations.

Recommendations from the following Internal Audits were included in this review:

Audit Report	Number of Recommendations Included in Review
Income Control	8
Statutory Performance Indicators	15
Off-site Excursions	7
Budgetary Control: Capital	8
Maximising Business Opportunities	1
External Pupil Placements	15
Casual and Temporary Workers	1
Total Recommendations Reviewed	55

3. Summary of Progress Achieved

In our opinion, best intentions were made to implement the majority of the recommendations from the Internal Audits included as part of the review. This is evidenced through the high number of recommendations which have been completed satisfactorily. From the 55 'completed' recommendations tested, 49 were found to have been completed satisfactorily and 6 were found to be unsatisfactory (full details of which can be found in Appendix 1.)

Out of the 6 recommendations found to be unsatisfactory, 3 recommendations related to the Internal Audit of Income Control and 2 of these recommendations were resolved with the assistance of Internal Audit during the follow-up review.

As is standard practice for Internal Audit, we have not rated this review since it is a follow-up of previous audit recommendations. We have however raised a small number of

recommendations where we have agreed with management that further improvements can be made.

Appendix 1 - This explains the 6 'completed' recommendations identified as not being completed satisfactorily.

Appendix 2 - This outlines the further recommendations arising from this review.

Appendix 1 – ‘Completed’ recommendations identified as not being completed satisfactorily.

No	Audit	Original Recommendation	Testing Results & Auditor’s Comments
1	Income Control	Medium Priority - The Registrar’s Office should ensure that they have written procedures to cover situations where computer systems go down.	<p>There were two recommendations in relation to the Registrar’s Office from the Internal Audit of Income Control. One of the recommendations was to create procedures for handling income and this has been completed satisfactorily.</p> <p>However, the other recommendation was to have written procedures to cover situations where computer systems fail (i.e. for this case if the electronic till software fails). This was not included in the procedures at the time of the review but had been signed off as completed on Covalent. With the assistance of Internal Audit, the procedures have now been updated to cover this.</p>
2	Income Control	High Priority - The system for receiving money and for recording enrolments for adult education needs to be redesigned. Emphasis should be placed on ensuring that money is banked as soon and as safely as possible.	<p>This recommendation was signed off as complete in Q1 2012/13 shortly before the deadline date. When Internal Audit followed this up in Q3 2012/13 the process had not been redesigned and work had only recently started towards making the necessary process adjustments to resolve the issues identified in the audit.</p> <p>Internal Audit provided additional consultancy advice and the system for tracking the attendance and payments for adult education has been improved and now meets the requirements of the original audit recommendation.</p>
3	Income Control	High Priority - The Council needs to nominate and train a Money Laundering Officer.	<p>The Internal Audit of Income Control identified that the Council had no named Money Laundering Reporting Officer (MLRO). By not having an MLRO there is a risk that if a Council employee is confronted with a situation which might have money laundering implications he/she has no MLRO to contact. The Council could be fined if it was found to not have followed money laundering guidance.</p> <p>The Council has since appointed an appropriate MLRO; the Head of Finance and Human Resources (s95 Officer). However, there is currently no anti-money laundering policy in place with procedures for reporting a suspicion of money laundering to the MLRO.</p> <p>It is appreciated that a local authority is not a ‘relevant business’ for the purposes of money laundering regulations. However, best practice guidance issued by CIPFA recommends that all public bodies should follow the principles behind the money laundering regulations because the main money laundering offences and obligations apply in law to all organisations and persons in the United Kingdom.</p>

4	Casual and Temporary Workers	<p>High Priority - The Council needs to ensure that for every casual employee where passports / birth certificates are currently missing that they are obtained and retained on the individual's employee file as a matter of urgency.</p>	<p>This recommendation was made so the Council could be fully compliant with the requirements of the Immigration, Asylum and Nationality Act 2006. The requirements of this Act came into force on 29/02/2008.</p> <p>A sample of 6 casual employees with their employee file held at Midlothian house with start dates after 29/02/2008 was checked. Every file selected had adequate information held and the documents had been appropriately initialled and dated to note that the original documentation had been witnessed and verified.</p> <p>A sample of 10 casual employees with their employee file held at Dundas with start dates after 29/02/2008 but before 30/06/2009 was checked. Of the 10 selected, 4 did not have adequate information held on file. Additionally, of the 6 that did have appropriate information, the documents were not initialled or dated to evidence whether the photocopy had been agreed to the original documentation.</p> <p>A further 2 recent casual employee files held at Dundas Buildings were reviewed. Adequate information was held on file and the structure of the file was greatly improved, but the documents were still not being initialled or dated to note whether the original documentation had been witnessed.</p> <p>The review undertaken of employee files following the audit of Casual and Temporary workers appears to have adequately covered employee files held at Midlothian House, but the review does not appear to have included employee files held at Dundas (this is focussed around Property & Facilities Management staff and evening class staff from Communities & Support).</p> <p>Additionally, employees at Dundas must initial and date employee file documentation such as photocopies of passports and qualifications to signify that the original document has been witnessed.</p>
5	Off-site Excursions	<p>High Priority - The updated policy should require management to obtain relevant staff signatures to confirm that they have read and understood these policies and retain this evidence in individual's personnel files.</p>	<p>The original internal audit found that there was not an effective means of recording that all relevant individuals involved in off-site excursions had read and understood the policies and procedures. This would ensure that if an incident did occur the Council would have a record that the employees involved were aware of the Council's policies.</p> <p>In Covalent, it is reported that management have reviewed the practice across Scotland and think that the recommendation made by Internal Audit is not appropriate. Management organised briefings and training sessions to support officers involved in off-site excursions. They do not take a signature from those involved in off-site excursions to confirm that they</p>

			<p>have read and understood the procedures as was recommended by Internal Audit. Therefore, Internal Audit recommends that an amendment should be made to the authorisation form (EV1) for the higher risk off-site excursions that require parental / carer authorisation to ensure that the Council employee responsible for the off-site excursion has read and understood the policies and procedures and passed copies on to appropriate officials / group leaders.</p>
6	Off-site Excursions	<p>High Priority - The policy should include links to divisional policies and procedures which expand upon the high level policy.</p>	<p>At the time of the audit this was marked as high priority because adequate divisional policies had not been developed. Improved divisional procedures are now established and these adequately expand on the high level policy. However, the high level policy has not been amended to reference directly the divisional policies and procedures.</p> <p>Directly referencing the divisional policy in the high level policy would help ensure that employees that read the high level policy will be made aware of the additional policies that need to be read with this document. Therefore, Internal Audit recommends that the high level policy should be amended to include this.</p>

Appendix 2 – Further recommendations arising from this review.

No	Recommendation	Priority	Manager	Target Date
1	An anti-money laundering policy should be drafted and submitted to Cabinet for approval. Once the policy has been agreed it should be made available on the Council's intranet so all employees have access. Consideration should be given to appointing a depute MLRO in case the MLRO is unavailable.	Medium	Head of Finance and Human Resources	30/11/2013
2	A review should be carried out of casual worker employee files at Dundas to ensure that adequate employee information is held and that council policy is being followed. If documentation is found to be inadequate, then the employees should be requested to provide it. Periodic data cleansing of casual staff records in Trent should be carried out in order to prevent a build up of dormant employees on the system (i.e. casual workers that have not worked in over 12 months).	High	Healthy Living Manager	31/08/2013
3	Employees based at Dundas must be advised to initial and date employee file documentation such as photocopies of passports and qualifications to signify that the original document has been witnessed.	High	Healthy Living Manager	Immediate
4	The high level policy for off-site excursions should be amended so that it directly makes reference to the divisional policies and procedures and where they can be found on the intranet and internet to assist employees in being able to locate all information relevant to off-site excursions.	Medium	Risk, Safety, Health and Civil Contingencies Manager	Completed
5	The EV1 form should be amended to specify that the organiser of the off-site excursion has read and understood the policies and procedures and distributed copies of the policies and procedures to all staff involved in the off-site excursion. The organiser's signature should be recorded on the EV1 form as evidence of agreement.	High	Acting Head of Education	30/06/2013