

Item: 6.6

Monitoring and Audit Committee: 10 June 2021.

Internal Audit Report: Financial Controls.

Report by Chief Internal Auditor.

1. Purpose of Report

To present the internal audit report on procedures and controls relating to financial controls.

2. Recommendations

The Committee is invited to note:

2.1.

That Internal Audit has undertaken an audit of the procedures and controls in place within the Council relating to financial controls.

2.2.

The findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the procedures and controls in place within the Council relating to financial controls.

It is recommended:

2.3.

That the Committee review the audit findings to obtain assurance that action has been taken or agreed where necessary.

3. Background

3.1.

The COVID-19 pandemic has required changes to be made to working arrangements. Key changes include:

- Staff working from home.
- Reduced access to offices.
- Changes to opening hours.
- Reduced staff contact with other staff and the public.
- Some changes to procedures, particularly with regard to authorisation.

3.2.

The objectives of this audit were to confirm that processes and controls in place for financial systems including payments, payroll and cash and banking are still effective and adequate for the current working environment.

4. Audit Findings

4.1.

The audit provides substantial assurance that the processes and procedures relating to financial controls are well controlled and managed.

4.2.

The internal audit report, attached as Appendix 1 to this report, includes one priority recommendation within the action plan. There are no high or medium level recommendations made as a result of this audit.

4.3.

The Committee is invited to review the audit findings to obtain assurance that action has been taken or agreed where necessary.

5. Corporate Governance

This report relates to the Council complying with governance and scrutiny and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

6. Financial Implications

There are no financial implications associated directly with the recommendations in this report.

7. Legal Aspects

Complying with recommendations made by the internal auditors helps the Council meet its statutory obligations to secure best value.

8. Contact Officers

Andrew Paterson, Chief Internal Auditor, email andrew.paterson@orkney.gov.uk.

Barrie Hamill, Internal Auditor, email barrie.hamill@orkney.gov.uk.

9. Appendix

Appendix 1: Internal Audit Report: Financial Controls.



Internal Audit

Audit report

Financial Controls

Draft issue date: 17 May 2021

Final issue date: 28 May 2021

Distribution list:	Head of Finance Head of Executive Support Payments Manager Payroll and Pensions Manager Customer Services Manager Information Security and Assurance Officer Information Governance Officer
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Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Substantial

The framework of governance, risk management and control were found to be comprehensive and effective.

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

The COVID-19 pandemic has required changes to be made to working arrangements. Key changes have included staff working from home; reduced access to offices; changes to opening hours; reduced staff contact with other staff and the public, and some changes to procedures, particularly with regard to authorisation.

During the lockdown period work was completed in rolling out the Council's Purchase to Pay system to all Council Services.

The audit findings have provided assurance that key financial controls are in place and although no substantial changes were required to existing internal controls, where processes were affected by changes to working arrangements, solutions were introduced to ensure controls remained effective.

A number of areas of good practice were identified including: -

- Procedures are well documented and were updated where required for any changes needed as a result of lockdown.
- Risk Assessments were carried out and changes were made to the working environment to comply with official guidance and advice.
- Adjustments to processes and procedures meant there was no detrimental effect on the timing of payment of salaries or suppliers.

The report includes recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via Pentana Risk.

Total	High	Medium	Low
1	0	1	0

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

The COVID-19 pandemic has had a significant impact on Council operations. Disruption to business processes and controls may cause organisations to become more susceptible to fraud. Many employees are working remotely, often under conditions of increased pressure and disruption which may mean that some internal controls are changed, replaced, relaxed, or even suspended. Existing controls may require further review to determine if they are still effective and adequate.

This review was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Audit Scope

The objective of this audit was to

- Review the financial systems documentation to ascertain the current processes and procedures in each area.
- Identify the financial controls in place to ensure that they are still effective and adequate for the current working environment.
- Identify any system and process changes arising as a result of lockdown and checking that, where there have been changes, suitable internal controls have been introduced and that existing controls have not been overridden.
- Check that amendments to internal controls have been formally documented.
- Verify that officers have received suitable training in any new processes, controls, or required software and equipment.
- Verify that information taken and held outside Council Offices is securely transferred and stored.
- Check that risk assessments were carried out where changes were made to the working environment.
- Ensure that where relevant, any changes that have been made are in accordance with General Data Protection Regulations.

As a Payroll audit was just completed prior to lockdown and presented at the June 2020 Monitoring and Audit Committee, only new controls arising since lockdown for this section were examined.

Work on IT Security – Remote Working will be covered by a separate audit so was not included within the scope of this audit.

Audit Findings

1.0 Home Working - Data Security

- 1.1 The Scottish Government has advised that all who can work from home should do so. Staff working from home can usually access the information they need electronically, but there are occasions when they have to take home paper information to work on. The Council has issued guidance on Working from Home, Remote Working and Information Security. There is a Data Protection Policy and a Data Protection Procedure for staff, and training is also given on the General Data Protection Regulations.

- 1.2 However, current guidance does not advise that paper records that are required to be taken from the office should be tracked so that managers are aware of which documents have been taken from the office and who holds them. Guidance should be updated to address the management of paper documents required to be taken home by staff.

Recommendation 1

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1. Guidance should be updated to address the issues of staff working at home with paper based documents.	Medium	The Information Security Staff Guidance will be updated to reflect the audit recommendation.	Information Security and Assurance Officer	End of June 2021

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.