Argyll and Bute Council

Internal Audit Report

March 2018

FINAL

Leisure Management System

Audit Opinion: Substantial

	High	Medium	Low
Number of Findings	0	3	2

Contents

Contact Details

Internal Auditor: ***Abbie Macalister***

Telephone: ***01546 604272***

e-mail: ***abbie.macalister@argyll-bute.gov.uk***

www.argyll-bute.gov.uk

1. Executive Summary

Introduction

1. As part of the 2017/18 internal audit plan, approved by the Audit & Scrutiny Committee in March 2017, we have undertaken an audit of Argyll and Bute Council's (the Council) and LiveArgyll's (the Trust) system of internal control and governance in relation to the Leisure Management System.

2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council and trust officers and the information available at the time the fieldwork was performed.

3. The contents of this report have been agreed with the appropriate officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. In October 2017, the Council's culture and leisure service was transferred to the Trust. The Trust is responsible for services including libraries, leisure facilities, Active Schools, archives, museum, sport development, halls, community centres and community lets. Bookings and payments for these services can be made by telephone or e-mail at any of the Trust's facilities and are processed using the SYX booking system.

5. The support services agreement between the Council and the Trust confirms the Council will provide the Trust a range of support services including:

   - revenue collection support and advice on cash/income processing and debtors
   - cash receipting service
   - debt recovery
   - VAT advice
   - general ledger services
   - IT support.

6. Payments to the Trust are processed through the Council's cash receipting system, bookings (not paid for in advance) are processed via the debtors system and all transactions are transferred to the general ledger system maintained by the Council. The Trust is set up in the general ledger system as a standalone company with its own cost centre coding structure.

7. The following four facilities were visited as part of audit:

   - Mid Argyll Sports Centre (MASC)
   - Corran Halls
   - Aqualibrium
   - Helensburgh Pool.

Scope

8. The scope of the audit was to review system controls, functionality and interface protocols. This included reviewing general system and governance controls, the booking and payment process and reviewing controls over interfaces between the booking system (called SYX) and other key financial systems. This scope was outlined in the Terms of Reference agreed with the General Manager of LiveArgyll on the 31 January 2018.

Audit Opinion

9. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.

10. Our overall audit opinion for this audit is that we can take a **substantial** level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Key Findings

11. We have highlighted three medium priority issues and two low priority issues where we believe there is scope to strengthen the control and governance environment. These are summarised below:

    - There is an ongoing system issue which is preventing certain users logging in to SYX. A workaround is in place however this involves users sharing logins and passwords. Whilst not ideal we recognise this is necessary, in the interim, to enable staff to perform their duties. LiveArgyll are liaising with the system supplier to rectify this issue.
    - Access to SYX is via a secure personal login however there is a secondary screen which allows a user to select a different user when operating the system.
    - Users are able to alter the default VAT classification at the point of sale.
    - The manual workaround process adopted if SYX is offline has not been formally documented.
    - There have been instances of reports and records being printed in the wrong facility which may constitute a breach of the data protection act.

12. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

13. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

Control Objective	Assessment	Summary Conclusion
System controls are in place in relation to the access, use and operation of the system.	Reasonable	Access to SYX is via a secure personal login. However, a secondary screen offers scope for users to select a different user when operating the system. There are ongoing issues with user access meaning users are sharing logins for business continuity purposes. It is recognised that LiveArgyll are in correspondence with the software supplier to rectify this issue.
Financial and management controls are in place and operating effectively.	Substantial	Income was held securely in all facilities visited and income reconciliations are carried out daily. Default VAT treatments are set up in the background of SYX, however there are occasions where users are erroneously changing the default VAT treatment at the point of sale.
There are appropriate and accessible policies/procedures in place in relation to the governance and operation of the system.	Substantial	There are various procedural documents available to staff, such as facility booking manual, point of sale manual and a system admin manual. If SYX is offline facilities are expected to follow a manual process. All facilities visited followed a similar manual process however this process has not been formally documented.
Documentation and system data is complete, accurate and compliant with the data retention policy.	Substantial	Customer records are available on the system and were found to be complete and accurate. There have been instances of records and reports being printed in the wrong facility, which may constitute a breach of the data protection act. These issues were due to human error when selecting the default printer.

14. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

System controls are in place in relation to the access, use and operation of the system.

15. A sound process is in place for the set-up of new users on SYX with only system administrators being able to create new users. User access rights were found to be appropriate.

16. Access to SYX is via secure personal login and users are prompted to change their passwords every 28 days. There is a clear audit trail maintained which records all booking modifications, the user making them and the time and date they were made.

17. There are ongoing issues with user access resulting in users sharing logins for business continuity purposes. LiveArgyll are aware of this issue and are actively trying to resolve it as a matter of priority through ongoing engagement with the Council's IT section and the SYX supplier.   Whilst this represents a risk it is recognised that the workaround is required to allow officers to carry out their duties.

Action Plan 1

18. When a user logs in to SYX, a secondary screen is presented where the user should select their name to start a new shift. The selection of user is not restricted meaning a user could select a different user. This would compromise the integrity of the SYX audit trail.

Action Plan 2

19. There is a daily interface between SYX and the cash receipting system. This interface is not subject to any controls to identify errors however there is a daily reconciliation between SYX and the bank statement which would identify any interface errors. As part of the audit we reviewed six daily interface instances and confirmed there were no errors in the data transfer.

Financial and management controls are in place and operating effectively

20. Income is held securely and daily income reconciliations are carried out. Adequate segregation of duties is in place in relation to the handling and banking of income.

21. Default prices are set up in SYX which are updated annually to reflect agreed fees. A sample of 51 transactions were tested to ensure the price charged was in line with the published price list. One error was identified which we considered to be an isolated incident. It was brought to the attention of officers and immediately corrected.

22. VAT categories are set up in SYX by the system administration team. Although default VAT classifications are set up, users with relevant access rights can choose a different classification when processing a transaction. From the same sample of 51 the following errors were identified:

    - six transactions had the correct default VAT classification but had been altered erroneously
    - one transaction had the incorrect default VAT classification in SYX
    - one transaction had the incorrect default VAT classification in SYX which had been altered to a different incorrect classification.

23. These errors were highlighted during the audit and the relevant officer issued an e-mail to all users to remind them not to alter the VAT classification. There may be benefit in the Trust investigating the possibility of locking the VAT field for all users bar system administrators.

Action Plan 3

24. Appropriate debt recovery processes are in place with customers reminded of debts in a timely fashion and informed that non-payment will mean they can no longer make bookings with the Trust.

There are appropriate and accessible policies/procedures in place in relation to the governance and operation of the system.

25. There are various procedural documents available to staff, such as the facility booking manual, point of sale manual and system admin manual. The suite of manuals are held on site, in office or reception and are accessible to all staff as required.

26. Face to face and online training sessions have been provided to staff. A group call system has been created to enable the system administration team to inform staff within the group of any changes/updates to the system or to provide support as required. The staff in the group then cascade this to operational staff in the relevant facility. There is also a leisure system inbox

where users can submit any issues they are having on the system with a team of officers who follow up on issues reported. Facilities confirmed these processes provided effective and timely support where issues were identified or new functionality introduced.

27. During periods of SYX downtime (e.g. when an update is being applied) facilities are expected to follow a manual process when taking bookings and payments. All facilities visited followed a similar manual process; however this process has not been formally documented.

Action Plan 4

Documentation and system data is complete, accurate and compliant with the data retention policy

28. Customer records are available on SYX and were found to be complete and accurate. There are instances of customer records and reports being printed in the wrong facility which may constitute a breach of the data protection act. These issues were due to human error when selecting the default printer.

Action Plan 5

29. There are mandatory fields required prior to a booking being saved in the system which include location site, sub location, background, date, time, cost and payment details. All bookings sampled were completed in full with an audit trail available to record any booking changes.

Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	**Sharing SYX User Accounts** There are ongoing issues with user access resulting in users sharing logins for business continuity purposes. LiveArgyll are aware of this issue and are actively trying to resolve it as a matter of priority. Whilst this represents a risk it is recognised that the workaround is required to allow officers to carry out their duties.	Failure to ensure access to the system is personal and secure may lead to inappropriate use and a lack of accountability.	Ongoing action will address the user issues highlighted. Anticipated to be completed and fully compliant by 30 June 2018.	ICT Business Support Officer 30 June 2018
Medium	2	**Secondary User Screen** When a user logs in to SYX, a secondary screen is presented where the user should select their name to start a new shift. The selection of user is not restricted meaning a user could select a different user.	Failure to ensure access to the system is personal and secure may lead to the integrity of the system audit trail being weakened.	The functionality/way of working highlighted, has been raised with IT and the supplier SYX to find a possible alternative to the log in option originally configured and advised by system supplier.	ICT Business Support Officer 30 June 2018
Medium	3	**Default VAT Classification** Errors in VAT classifications due to staff changing the default treatment were identified during the audit. Officers have been reminded not to change the default VAT treatment however there may be benefit in the Trust investigating the possibility of locking the VAT field for all users bar system administrators	Failure to ensure VAT treatment is correct may lead to inaccurate VAT reporting resulting in financial loss or penalties from HMRC.	ICT BSO has raised this with SYX support and awaiting advice on how this functionality can be locked down to only allow central System Admin to ammend, only after authorisatiion from LiveArgyll SMT.	ICT Business Support Officer 30 June 2018

Low	4	**Documented Procedure for Manual Workaround** During periods of SYX downtime (e.g. when an update is being applied) facilities are expected to follow a manual process when taking bookings and payments. This manual process has not been formally documented.	Failure to ensure guidance is communicated and readily available to staff may lead to inefficient and ineffective operations resulting in non-compliance with agreed practice.	Facility NOP (Normal Operating Procedure) downtime process to be expanded with any updates required to this documentation being co-ordinated by facility Area Operation Managers. All relevant NOP specific procedures to be updated and complete by 30 June 2018	ICT Business Support Officer 30 June 2018
Low	5	**Printing Issues** There are instances of customer records and reports being printed in the wrong facility which may constitute a breach of the data protection act. These issues were due to human error when selecting the default printer.	Failure to ensure records are sent to the correct printer location may result in personal or confidential information being shared inappropriately.	This is not a system, but user error. Facility Management/Users have been made aware of the repercussions of not choosing correct printers at time of log in. To continue monitoring with additional training provided if/where required.	ICT Business Support Officer 30 June 2018

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.