Glasgow City Council Internal Audit Section
Committee Summary
Corporate Review – Pay360 – Income Management System

Item 4(g)

24th January 2024

1 Introduction

1.1 As part of the agreed Internal Audit plan, we have carried out a review of the Council's Pay360 Income Management System.

1.2 The implementation of Pay360 arose from the Income Maximisation Project which had the overarching objective to deliver sustainable financial savings by, among other things, rationalising payment service provider services. There was a phased approach to "Go Live", with the first services starting in November 2020. The majority of service areas across the Council are now using Pay360.

1.3 A Project Team remains in place, who continue to work with the remaining departments to implement the planned roll out of Pay360 and address any system issues or officer queries. At present the legacy Cash Receipting Service (CRS) is also still utilised to receipt miscellaneous income received in the form of cheques. It is anticipated that the full implementation of Pay360 will be complete by the end of March 2025.

1.4 The purpose of the audit was to gain assurance that effective controls are in place covering Pay360 and that it is operating as expected. Progress on the rollout of Pay360 across the Council was also considered as part of the audit.

1.5 The scope of the audit included:

- Ensuring documented procedures are in place and reflect new or updated business processes.
- System administration arrangements.
- The arrangements for recording and receipting income received.
- Roles & responsibilities of officers and teams involved.
- Training arrangements for system users.
- Arrangements for refunds and cancellations of charges.
- Methods of payments accepted.
- Controls built into the system such as segregation of duties and authorisations.
- Processes for reconciling Pay360 to other systems, the bank and the financial ledger.
- The ongoing roll out arrangements in place across the Council.
- Business Continuity and contingency planning arrangements.

1.6 We selected a sample of five service areas to review as a part of the audit fieldwork, these were:

- Financial Services (FS)
  (i) SAP Accounts Receivable & Ledger Control and Banking (LC&B)
  (ii) Customer Care Centre (CCC)
- Neighbourhoods, Regeneration and Sustainability (NRS)
  (iii) Bereavement Services
  (iv) Vehicle Pound
- Social Work Services (SWS)
  (v) Temporary Homeless Accommodation.

2 Audit Opinion

2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and four recommendations which management should address.

3 Main Findings

3.1 We are pleased to report that key controls are in place and generally operating effectively. We found that system information for all areas using Pay360 is adequately documented and maintained by the Pay360 Project Team. Pay360 procedures are provided to relevant teams prior to delivering training and these are also readily available on Connect, where staff can access them at all times.

3.2 We observed that the system is working effectively and allows services to process payments using the various methods available, such as the Council's online portal, telephone via Call Secure, automated telephone payments using Touchtone, and in person by cash and card payments using Chip & Pin.

3.3 Through discussions with service staff, we found that the Pay360 Project Team's roles and responsibilities were well understood by officers across the council. Officers demonstrated a clear understanding of the procedures in respect of receipting payments, processing refunds, reconciliations and how to report any issues identified with the system.

3.4 We found that income received via Pay360 is appropriately recorded and reconciled with SAP and other systems in a timely manner. Ledger Control and Banking (LC&B) are responsible for carrying out reconciliations between Pay360 and SAP. The reconciliation process was found to be appropriately documented and records were up-to-date and well maintained.

3.5 Project Board meetings are conducted on a regular basis to ensure that senior management have appropriate oversight and an opportunity to monitor and discuss the progress of the project plan.

3.6 We found that nominated officers completed User Acceptance Testing (UAT) to ensure the system covered all required needs of the service and was working as expected. Also, that staff are given appropriate training prior to being granted access to the system by the Pay360 Project Team. Through sampling testing of training records and UAT schedules from the different service areas selected, we found that these had been appropriately completed and were carried out prior to the go-live date.

3.7 LC&B do not have direct involvement in the receipt of payments and therefore have permissions to process refunds for all areas. We noted that for all refunds processed by LC&B there is an adequate process in place to ensure that these are appropriately approved by an authorised signatory prior to monies being released from the Council's bank account.

3.8 However, our audit testing found that there are some areas where improvements could be made. There are two different refund processes in operation – one relates to parking Penalty Charges Notices (PCN), which must be submitted from an authorised signatory in the CBS Parking team, and the other process relates to refunds for enforcement and abandoned vehicles. We found that there is appropriate segregation of duties in place for PCN's, however, this is not in place for enforcement and abandoned vehicle refunds. Currently all officers are able to process a payment and provide a refund for the same payment, and we found one example of this occurring. Additionally, these types of refund are not adequately recorded or logged, unlike PCN refunds, which are appropriately recorded.

3.9 For the majority of the services reviewed, documented procedures held were up-to-date, reflective of current working arrangements and had been updated to note that Pay360 was now in operation. However, we found that for Bereavement Services, the documented procedures in use were those that had been provided to them by the Pay360 Project Team prior to the system being implemented and did not fully outline the specific arrangements relevant to Bereavement Services.

3.10 An appropriate Business Continuity Plan (BCP) is in place for the Pay360 Project Team and Bereavement Services. However, we found that business continuity arrangements for the Customer Care Centre (CCC) (which also covers the receipt of payments for temporary homeless accommodation and SAP AR) were not adequately documented. Also, for the Vehicle Pound, although we found that, as part of the BCP process, a Business Impact Analysis (BIA) was carried out in June 2023, the Pay360 system was not included.

3.11 We were advised that a lessons learned group session relating to the project was conducted in February 2022. This was facilitated by CGI and attended by a range of council officers including those in the Pay360 Project Team. However, on conclusion of this exercise, any output, such as a formal lessons learned report were not shared by CGI with the Council. We were advised that following investigation, this document could not be sourced by CGI.

3.12 An action plan is provided at section four outlining our observations, risks and recommendations. We have made four recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	4
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.13 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.14 We would like to thank officers involved in this audit for their cooperation and assistance.

3.15 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Documented procedures have been updated or developed for changes to existing business processes as a result of the new system implementation and made available to relevant staff.				
1	Documented procedures were provided to Bereavement Services by the Pay360 training team prior to the system being implemented within their service area. This document includes generic instructions in relation to logging into the Pay360 system and receipting a payment. However, Bereavement Services do not have documented procedures which include instructions such as service fund code, methods of payment channels available, roles and responsibilities that are specific to the services they provide. Failure to have up-to-date procedures which reflect current working arrangements, increases the risk of inconsistent practices and errors being made.	NRS management should ensure that documented procedures covering Bereavement Services are updated to reflect current working practices and details of the new payment system. Thereafter, these should be appropriately approved and communicated to all relevant staff.	**Medium**	**Response:** Accepted NRS Management will ensure documented procedures are updated to reflect current working practices & details of the new payment system. Procedures will be approved and communicated to all relevant staff. **Officer Responsible for Implementation:** NRS Director of Finance & Transformation **Timescales for Implementation:** 31 January 2024

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Segregation of duties has been built into the refunds and cancellation process.				
2	We were advised that there are two different refund processes in operation. One relates to Parking Penalty Charges Notices (PCN), which must be submitted from an authorised signatory in the CBS Parking team. The other process relates to refunds for enforcement and abandoned vehicles. We found that there is an appropriate segregation of duties in place for PCN's, however, this is not in place for enforcement and abandoned vehicle refunds. Currently officers are able to process a payment and provide a refund to the same customer. Additionally, these types of refund are not adequately recorded or logged, unlike PCN refunds, which are appropriately recorded. Without adequate segregation of duties, or a secondary check control in place, there is an increased risk of errors or fraud.	NRS Management should review the refund process for enforcement and abandoned vehicles to ensure there is adequate segregation of duties in place and that a record of these transactions is appropriately recorded for audit purposes. Thereafter, details of the new arrangements should be communicated to all relevant staff.	**Medium**	**Response:** Accepted **Officer Responsible for Implementation:** Enforcement Manager **Timescales for Implementation:** 31 January 2024

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Business Continuity arrangements and contingency planning are in place.				
3	We found that business continuity arrangements for the Customer Care Centre (CCC) and Vehicle Pound were not adequately documented. We were advised by the officers within CCC of the arrangements they would follow in the event that the Pay360 system is unavailable. However, these are not documented in a Business Continuity Plan (BCP). For the Vehicle Pound, although we found that a Business Impact Analysis (BIA) was carried out in June 2023, the Pay360 system was not included. A lack of documented business continuity arrangements increases risk that the staff may not follow the correct procedures in the event that Pay360 is unavailable.	FS and NRS management should ensure that contingency arrangements for the Customer Care Centre and the Vehicle Pound are appropriately considered and documented in formal BCP plans. Thereafter, these should be communicated to all relevant staff.	**Medium**	**Response:** FS – Accepted NRS – Accepted **Officer Responsible for Implementation:** FS - Customer Operations Manager NRS - Enforcement Manager **Timescales for Implementation:** FS – 31 January 2024 NRS – 31 January 2024

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: A review process has been carried out during and after the project to identify improvements, measure the delivery of benefits, and capture any lessons learned.				
4	We were advised that a lessons learned group session relating to the project was conducted in February 2022. This was facilitated by officers within CGI and attend by a range of council officers including those in the Pay360 Project Team. However, on conclusion of this exercise, the output, such as a formal lessons learned report, was not shared by CGI with council officers. We were advised that following investigation, this document could not be sourced by CGI. The lack of a formal lessons learned output report results in an increased risk that key points or factors that were identified will not be addressed by relevant officers.	FS should remind all relevant managers that for future projects, outputs from lessons learned exercises are obtained and shared with all relevant parties. The project team should also undertake a post implementation lessons learned exercise to reflect on the full project plan delivery.	**Medium**	**Response:** 1. A manager's update will be issued to all relevant managers to ensure lessons learned exercises are shared as appropriate. 2. The project team will undertake a post implementation lessons learned exercise. **Officer Responsible for Implementation:** Head of FS Governance & Change **Timescales for Implementation:** 1. 31 January 2024 2. 31 March 2024