REPORT TO: Audit and Governance Committee

MEETING DATE: 9 September 2014

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Mobile Payment Devices

1 PURPOSE

1.1 To inform the Audit and Governance Committee of the recently issued audit report on Mobile Payment Devices.

2 RECOMMENDATION

2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Mobile Payment Devices.

3 BACKGROUND

3.1 A review of Mobile Payment Devices was undertaken as part of the audit plan for 2013/14.

3.2 The Council offers a range of methods for tenants to pay their rent arrears. In 2013 the Council introduced Mobile Payment Devices as an additional method of collecting payments – the devices are currently used by Officers making home visits to tenants with rent arrears.

3.3 The main objective of the audit was to ensure that the internal controls in place for Mobile Payment Devices were operating effectively.

3.4 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

4.1 None

5   EQUALITIES IMPACT ASSESSMENT

5.1   This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6   RESOURCE IMPLICATIONS

6.1   Financial - None

6.2   Personnel - None

6.3   Other - None

7   BACKGROUND PAPERS

7.1   None

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EAST LOTHIAN COUNCIL – INTERNAL AUDIT
MOBILE PAYMENT DEVICES

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2013/14 a review was undertaken of the mobile chip and PIN payment devices introduced by the Council's Revenues Section. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The mobile payment devices introduced for the collection of rent arrears comply with the Payment Card Industry Data Security Standard (PCI DSS).
- Income received via mobile payment devices is fully integrated into the Council's Income Management system.
- Each of the mobile payment devices has been configured to accept payments of Housing Rent, Council Tax and Business Rates.
- Rent arrears payments collected via the mobile payment devices had been properly recorded in the tenant's housing rent account and the Council's general ledger.
- Regular reconciliations are performed between the Income Management system and the banking records.

1.3 Areas with Scope for Improvement

- For staff dealing with card payments, no corporate policy or procedures are in place to ensure compliance with the PCI DSS. *Risk – non-compliance with the PCI DSS.*
- The mobile payment devices in use have not been set up to record the operator's ID – the current configuration does not identify individual members of staff using the devices. *Risk – errors and irregularities may occur and remain undetected.*
- The use of mobile payment devices for the collection of rent arrears requires review – the annual support costs for operating the mobile devices are currently in excess of the total income being collected. The devices may be better suited for the collection of income for other chargeable services, which would enable customers to make card payments for services provided. *Risk – failure to make effective use of the Council's mobile payment devices.*
- The procedures for handling rent arrears payments received by cash require review – at present the receipts issued to tenants paying their rent arrears by cash fail to provide a clear audit trail. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Our review of Mobile Payment Devices identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main audit report.

Mala Garden
Internal Audit Manager   **August 2014**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Detailed corporate procedures should be drawn up to ensure that all staff dealing with card payments comply with the Payment Card Industry Data Security Standard.	Medium	Head of Council Resources/ Service Manager - Revenues	Agreed		December 2014
3.2.1	Management should ensure that members of staff using the mobile payment devices are set up with an individual Operator ID number.	Medium	Service Manager - Revenues	Will investigate whether device functionality will allow such a set up and will explore alternatives if not.		October 2014
3.5.1	Management should ensure that the storage, retention and destruction of cardholders' data complies with both PCI DSS requirements and Council procedures.	Medium	Service Manager - Revenues	Agreed Records (receipts) now stored in locked drawer and will be destroyed after 18 months, in line with ELC Retention Policy.		In place

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.1	Management should review the current usage of the mobile payment devices – a detailed action plan should be drawn up outlining how the use of the devices can be rolled out to ensure that the Council obtains maximum benefit from them. Consideration should be given to redeploying some of the devices to other areas within the Council where a chargeable service is being offered.	Medium	Service Manager - Revenues	Agreed Will review usage to ensure maximum benefit to the Council.		December 2014
3.7.1	Management should ensure that a clear audit trail is maintained for all cash payments received – a duplicate receipt book should be used for recording cash received and a copy of the receipt given to the tenant.	Medium	Service Manager - Revenues	Agreed Investigating option to reconfigure mobile devices to produce receipt for cash payments, but if this is not possible duplicate receipt books will be ordered for use.		September 2014

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.7.2	The procedures for handling cash payments received should be formalised and issued to all relevant members of staff.	Medium	Service Manager - Revenues	Agreed Formal cash handling procedures to be developed and training session to be held for staff.		September 2014
3.8.1	Management should ensure that adequate documentation is maintained to evidence training provided on the use of the mobile payment devices.	Medium	Service Manager - Revenues	Agreed Refresher training to be provided for staff and training records to be held and maintained by Team Leader.		September 2014

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.