

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE9 May 2024Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2023/24 QUARTER 4**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2023/24 as approved in March 2023.

BACKGROUND

2. The work performed by Internal Audit is based on a rolling 5-year strategic plan, which is revised annually to take into account changes in circumstances. This report is provided to allow members to monitor the activities of Internal Audit and to oversee actions taken by management in response to audit recommendations.

AUDIT PLAN 2023/24 - PROGRESS REPORT QUARTER 4

3. A copy of the annual audit plan for 2023/24 is shown in appendix 1. Seven reports relating to planned 2023/24 audit work were issued since the last progress report as shown in appendix 2. In total, seven reports relating to planned 2023/24 have still to be issued. Appendix 3 gives detail of reports which were issued as part of the 2023/24 plan where the responses were received since the last progress report. Responses are deemed to be satisfactory if all recommendations are accepted for implementation by management or where any recommendation is not accepted but a satisfactory reason is given. The quarterly performance indicators for the section are shown in appendix 4. Indicator 2.2 which measures direct audit days as a percentage of total days available is slightly lower than target. In addition, indicator 5.2 which measures the average time from start of fieldwork to issue of report was slightly above target.

4. No new requests for assistance were dealt with using contingency time during the quarter.

RECOMMENDATION

5. The Committee is asked to:

- (a) note Internal Audit's progress report for quarter 4 of 2023/24

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.

EAST RENFREWSHIRE COUNCIL
Internal Audit Section
ANNUAL AUDIT PLAN FOR 2023/24 PROGRESS REPORT QUARTER 4

Department	Title	Audit Number	Original No. of days	Status
Chief Executives				
Business	Payroll	1	28	Complete
Operations & Partnerships	Payroll application audit	2	18	In progress
	Creditors	3	10	DELETED
	Debtors Control	4	10	DELETED
	Housing Benefits/Universal Credit	5	20	In progress
	Council Tax application audit	6	18	In progress
	IT asset management	7	20	In progress
	Council Tax Billing and Collection	8	24	In progress
Education	Early Learning and Childcare Payments	9	15	DELETED
	Schools cluster	10	38	Complete
Environment	Commercial Rent	11	20	DELETED
	Grant certification	12	15	DELETED
	City Deal	13	15	Complete
	Climate Change Report	14	5	Complete
	Energy and Fuel	15	20	DELETED
Housing	Housing Rent Accounting	16	20	In progress
HSCP	Payments to Care Provider	17	25	DELETED
	HSCP Emergency Payments	18	8	Complete
	Thornliebank Resource Centre	19	10	Complete
	IJB	20	15	
Trust	Culture and Leisure Limited Trust	21	20	Complete
Various	Contract 1 TBA	22	20	DELETED
	Fraud contingency	23	70	Complete
	General Contingency	24	30	Complete
	LG Benchmarking Framework	25	10	Complete
	Follow up	26	50	In progress
	Previous year audits	27	40	Complete
			594	

INTERNAL AUDIT														
REPORTS AND MEMOS ISSUED 2023/24														
FILE REF	Audit No.	Subject	Department	DATE AUDIT STARTED	DATE REPORT MEMO SENT	DATE REPLY DUE	DATE REPLY REC	COMMENTS	Tot	H	M	L	E	Not accepted
MB1191MB	25	Payment of invoices PI	BO&P	23/5/23	13/6/23	n/a	n/a	No reply required	0	0	0	0	0	0
MB1192/NS	19	Thornliebank Resource Centre	HSCP	22/6/23	28/08/23	29/9/23	20/10/23	Satisfactory	13	1	6	6	0	0
MB1193/NS	26	Environment Follow up	Environment	22/6/23	1/10/23	17/11/23	20/11/23	Satisfactory – 1 point not accepted	18	1	5	12	0	1
			Accountancy				05/02/24 Reminder 25/01/24	Satisfactory						
MB1194/FM	1	Payroll	BO&P	10/7/23	30/1/24	8/3/24	7/3/24	Satisfactory 3 points not accepted	20	4	7	9	0	3
MB1195/NS	10	Schools Cluster – Williamwood	Education	27/7/23	12/01/24	16/02/24	16/02/24	Satisfactory	34	5	7	22	0	0
MB1196/MB	25	Sickness absence PI	BO&P	9/8/23	1/11/23	1/12/23	8/11/23	Satisfactory	4	0	0	4	0	0
MB1197/NS	18	HSCP Emergency Payments (S22 and 12)	HSCP	16/8/23	19/01/24	23/02/24	27/02/24	Satisfactory	10	0	0	10	0	0
MB1198/NS	21	Annual Leave Recording	Trust											
MB1199/NS	26	BOP Follow Up	BOP	24/10/23	20/2/24	22/3/24	21/3/24	Satisfactory	9	0	4	5	0	0
			Legal				21/3/24	Satisfactory Point addressed in BOP Response						
			Accountancy				22/4/24	Satisfactory						
			Environment				20/03/24	Satisfactory						
MB1200/NS	14	Climate Change Report	Environment	30/10/23	17/11/23	n/a	n/a	n/a no response required	0	0	0	0	0	0

INTERNAL AUDIT
REPORTS AND MEMOS ISSUED 2023/24

FILE REF	Audit No.	Subject	Department	DATE AUDIT STARTED	DATE REPORT MEMO SENT	DATE REPLY DUE	DATE REPLY REC	COMMENTS	Tot	H	M	L	E	Not accepted
MB/1201/FM	2	Application Audit of Payroll	BO&P	13/11/23										
MB/1202/NS	6	Application Audit of Council Tax	BO&P	05/12/23										
MB/1203/NS	8	Council Tax Billing and Collection	BO&P	22/12/23										
MB/1204/FM	26	HSCP FU	HSCP	8/1/24										
Mb/1205/FM	16	Rent Accounting	Environment	25/1/24										
MB/1206/NS	14	City Deal	Environment	20/02/24	24/4/24	31/5/24								
			Accountancy											
MB/1207/NS	5	Housing Benefits	BO&P	19/02/24										
MB/1208/IM	29	Chief Exec's FU	Chief Execs	11/03/24	29/4/24	31/5/24								
			BO&P											
			Environment											
MB/1209/IM	7	IT Asset Management	BO&P	8/4/24										

Note: Audits issued in quarter are highlighted in bold

SUMMARY OF REPORTS ISSUED WHERE RESPONSES WERE RECEIVED SINCE LAST PROGRESS REPORT

APPENDIX 3

1. MB/1194/FM Payroll

A full copy of this report and the response has been circulated to Audit and Scrutiny Committee Members. The review covered the following key control objectives

- Initial salary payments for new employees are correctly calculated and accurate.
- Final salary payments for leavers are correctly calculated and accurate.
- Both Occupational Sick Pay (OSP) and Statutory Sick Pay (SSP) calculations are correct and accurate.
- Both Occupational Maternity Pay (OMP) and Statutory Maternity Pay (SMP) calculations are correct and accurate.
- Annual leave purchase deductions are correctly calculated and deducted.
- Pension contributions are correctly calculated and deducted.
- Payroll overpayments are correctly calculated and recorded and repayment schedules are set up promptly.

Testing focused primarily on local government employees with non-standard working patterns. Testing indicates that there are errors in the way payments are set up to be calculated in the iTrent system in respect of maternity pay, sick pay, starters initial pay and leavers final pay for employees on non-standard working patterns. Many of these anomalies, but not all, are linked to the way the iTrent system has been set up for employees on non-standard working patterns when the system was implemented.

The monetary value of the errors that have occurred since the system was implemented is unknown and it was recommended that further work should be undertaken to quantify the full value of the errors to determine if they are material and also with a view to rectifying any sums underpaid to individual employees and recovering sums overpaid.

Payroll overpayments are primarily due to late notification to HR by line managers of leavers and changes of hours and are not linked to how the system is set up or operates.

No errors were noted in testing of pension calculations.

Twenty recommendations were made, four were classified as high risk, seven as medium risk, and nine as low risk. Three of the recommendations were not accepted by management. The recommendations are not replicated below as the full report along with departmental responses has been circulated to all Audit and Scrutiny elected members.

2. MB/1195/NS Schools Cluster Williamwood

A full copy of this report and the response has previously been circulated to Audit and Scrutiny Committee Members. Visits were made to Busby Primary, Carolside Primary, Cartmill Family Centre, Netherlee Primary, Overlee Family Centre and Williamwood High as part of this audit.

The audit covered the following key control areas to:

- ensure that school fund/toy funds is operated in accordance with education guidance standard circular 23
- ensure petty cash is operated in accordance with council procedures
- ensure purchases are procured in accordance with council procedures
- ensure that the Home Economics Account (Williamwood High only) is properly operated
- ensure access to system, virements and budgetary control are operated in accordance with Devolved Schools Management (DSM) procedures

A review of the use of VR headsets and any related subsidiary records was also carried out following a query received via an elected member regarding these items.

The records held at the establishments visited were generally found to be up to date and maintained in an appropriate format to allow samples to be easily traced to the supporting records.

However, it was noted that there is scope for improvement in the management of funds held in each of the establishments visited. It was noted that the majority of establishments have moved to online banking with the others indicating that they were in the process of making this change. The controls in place for online banking varied across the establishments and were found not to mirror the requirements of more traditional banking.

It was also found that not all establishments have an up to date constitution or a fully formed and functioning committee to oversee the management of funds held.

A review of the number of VR headsets held in the establishments was compared to the number originally issued and numbers recorded in inventories and some anomalies were noted.

Thirty four recommendations were made, five were classified as high risk, seven as medium risk, and twenty two as low risk. All recommendations were accepted by management.

3. MB/1197/NS HSCP Emergency Payments (S22 and S12)

The audit covered the following key control areas:

- In relation to Section 22 payments, ensure that payments have been made to cover an exceptional emergency situation and that the appropriate paperwork has been completed and authorised prior to the payment being made.
- In relation to Section 12 payments, ensure that the payment was made to an applicant who is 18 years or older and has a community care need, such as being affected by disability or are vulnerable due to mental or physical health issues or are homeless.
- Checks were carried out to determine if they had satisfied the social worker that there were no other sources of income (e.g. crisis loan or DWP benefit).

The review of paperwork held at both Barrhead and Eastwood showed that whilst application forms were always available to support the payments they were not always being fully completed.

The Section 22 application forms request additional authorisation for payments in excess of £50. A review of these showed that additional approval was not always obtained.

It was also noted that some purchases are being made via credit cards held by business support at both locations and there is further work required by HSCP Finance to ensure that they are journalled to the correct ledger code. This is not always being done in a timely manner. It was also noted that there is additional paperwork being completed for such transactions that is a duplication of the paperwork already completed for the Section 22 payment.

Ten recommendations were made, all were classified as low risk and were accepted by management

4. MB/1199/NS BO&P Follow up Audit

A full copy of this report and the responses has been circulated to Audit and Scrutiny Committee Members.

Four audits containing 36 recommendations were followed up as part of this audit. Recommendations relating to three of these reports are now considered fully implemented and closed. Most of the recommendations remade as part of this audit relate to licensing income. It is recognised that a project is underway that will involve a full redesign of the service and the way in which licence applications are processed.

A total of nine recommendations were re-made as part of the follow up audit. Four of the recommendations were classified as medium and five as low risk. All recommendations were accepted by management for implementation.

Risk Ratings for Recommendations	
High	<ul style="list-style-type: none">• Key controls absent, not being operated as designed or could be improved and could impact on the organisation as a whole.• Corrective action must be taken and should start immediately.
Medium	<ul style="list-style-type: none">• There are areas of control weakness which may be individually significant controls but unlikely to affect the organisation as a whole.• Corrective action should be taken within a reasonable timescale.
Low	<ul style="list-style-type: none">• Area is generally well controlled or minor control improvements needed.• Lower level controls absent, not being operated as designed or could be improved

EAST RENFREWSHIRE COUNCIL
Internal Audit Section

QUARTERLY PERFORMANCE INDICATORS

<u>Internal Audit Indicators reported Quarterly</u>	Target (where applicable)	Quarter 4 Actual 2023/24	Quarter 4 Cumulative 2023/24
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	68%	71%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	0	2
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	0.2%	12.9%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter excluding ERCLT.	-	7	12
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	17.3 wks	13.2 wks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	12.3 days	9.1 days

Notes

1. Average weeks calculated as working days divided by 5. This is calculated excluding ERCLT audits.
2. Working days excludes weekends, public holidays, annual leave and sickness absence. This is calculated excluding ERCLT audits.