

Business Operations and Partnerships Department

Director of Business Operations & Partnerships: Louise Pringle

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Date: 3 May 2024

When calling please ask for: Linda Hutchison (Tel. No 0141 577 8388)

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TO: Councillor Andrew Morrison (Chair), Tony Buchanan (Vice-Chair), Provost Mary Montague and Councillors Paul Edlin, Annette Ireland, David Macdonald and Gordon Wallace.

MEETING OF AUDIT AND SCRUTINY COMMITTEE

A meeting of the Audit and Scrutiny Committee will be held in the Council Chamber, Council Headquarters, Eastwood Park, Giffnock, G46 6UG on **Thursday, 9 May 2024 at 2.00pm.**

The Agenda of business is as listed below.

Yours faithfully

Louise Pringle

**LOUISE PRINGLE
DIRECTOR OF BUSINESS OPERATIONS AND PARTNERSHIPS**

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are requested to give notice of any declarations of interest in respect of items of business on the Agenda.

3. CHAIR'S REPORT

4. MAINTENANCE OF PRIVATE LAND – CLARIFICATION

Report by Clerk (copy attached, pages 3 – 6).

5. NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT IN SCOTLAND – FINANCIAL BULLETIN 2023-24

Report by Clerk (copy attached, pages 7 – 14).

6. INTERNAL AUDIT PLAN 2023/24 – IMPLEMENTATION PROGRESS – JANUARY TO MARCH 2024 (QUARTER 4)

Report by Chief Auditor (copy attached, pages 15 – 22).

A recording of the Committee meeting will be available following the meeting on the Council's YouTube Channel <https://www.youtube.com/user/eastrenfrewshire/videos>

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

9 May 2024

Report by Clerk

MAINTENANCE OF PRIVATE LAND - CLARIFICATION

PURPOSE OF REPORT

1. To summarise the clarification received and circulated on queries raised at the meeting of the Committee on 22 February 2024 on the maintenance of private land.

RECOMMENDATION

2. It is recommended that the Committee notes the position.

REPORT

3. In June 2022, it was agreed to implement recommendations made by the Committee in April 2022 arising from its self-evaluation.

4. One of the self-evaluation observations made was that when queries on reports are raised at meetings, it is not always possible for answers to be provided at the meeting itself. Although the provision of clarification or assurances subsequently was considered acceptable, it was agreed, in the interests of transparency, that the Clerk should submit a summary of clarification received and circulated to the next meeting.

5. A related observation endorsed by the Committee in June 2022 and highlighted subsequently, was that it is useful, where possible, for Members to alert the Clerk or Chair in advance to issues they wish to raise at meetings. This is with a view to helping to ensure that answers can be requested, prepared and made available to the Committee where possible at its meetings, also in the interests of transparency. Members of the Committee are therefore encouraged to alert the Clerk or Chair to issues in advance to the extent possible.

6. Clarification provided on queries raised at the meeting on 22 February, which has already been circulated through correspondence, is itemised in Appendix 1.

RECOMMENDATION

7. It is recommended that the Committee notes the position.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)
e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit and Scrutiny Committee Agenda – 22 February 2024:-
[Internal Audit Plan - Progress Report - October To December 2023](#)

CLARIFICATION SOUGHT AND CIRCULATED FOLLOWING MEETING ON 22 FEBRUARY 2024

DATE OF MEETING AND ITEM	ITEM AND ISSUE(S) RAISED	CLARIFICATION
22 Feb 2024	<p><u>INTERNAL AUDIT PLAN - PROGRESS REPORT OCTOBER TO DECEMBER 2023</u></p> <p>It was agreed to seek feedback from the Environment Department in relation to the recommendation made on maintenance of private land referred to in the Environment Department Follow-Up Audit report, including on the accuracy of the estimated costs of this and capacity in future to review the contracts concerned.</p>	<p>The Head of Environment (Operations) provided feedback as follows:-</p> <ul style="list-style-type: none"> • The Audit Action has been updated, and a report was submitted to the Corporate Management Team (CMT) on 27 February. At this meeting, CMT provided approval to continue the maintenance of identified areas. A further report is to be brought to the CMT in 2024; after further checks on each piece of land has been carried out in conjunction with Legal Services; • Work has been undertaken to identify any anomalous land that appeared in 1997 contracts passed to the Council from the former Eastwood and Renfrew District Councils; • Those contracts ceased in 2005 when Commercial Operations/ Compulsory Competitive Tendering were removed by legislation; • To date, 84 small pieces of land have been identified with mixed ownership and responsibility. Some of these areas are held on the Sasines Register; work is underway with Legal Services to support a future CMT Report; and • The actual saving of stopping all this work has been calculated as £500 in fuel costs.

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

9 May 2024

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT IN SCOTLAND
FINANCIAL BULLETIN 2022/23

PURPOSE OF REPORT

1. To provide information on the Audit Scotland report, the *Local Government in Scotland - Financial Bulletin 2022/23*.

RECOMMENDATION

2. It is recommended that the Committee considers the report.

BACKGROUND

3. A copy of the Audit Scotland report, the [Local Government in Scotland Financial Bulletin 2022-23](#) published in January 2024, has already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Member leading the review of this particular report is Councillor Buchanan.
4. The Head of Accountancy (Chief Financial Officer) has provided comments on the report. A copy of that feedback is attached (Appendix A refers).

RECOMMENDATION

5. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)
e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit Scotland report on [Local Government in Scotland Financial Bulletin 2022-23](#)

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EAST RENFREWSHIRE COUNCILAUDIT and SCRUTINY COMMITTEE9 May 2024REPORT BY HEAD OF ACCOUNTANCY (CHIEF FINANCIAL OFFICER)LOCAL GOVERNMENT IN SCOTLAND: FINANCIAL BULLETIN 2022/23**INTRODUCTION**

1. In January 2024 Audit Scotland published a financial bulletin on local government performance in Scotland in relation to 2022/23. This report advises members on the Council's position in relation to the findings from the report.

FUNDING AND OUTTURN IN 2022/23

2. Part 1 of the bulletin considers the level of funding available to Councils in 2022/23 and how they operated against budget in that year.

3. Whilst Councils' overall revenue funding from all sources rose by £757m in 2022/23 compared to the previous year, this represented a real terms reduction of 2.8% after adjusting for inflationary pressures of around 6.7%.

4. The average 2022/23 Council Tax increase amongst Scottish Councils was 4.5%. East Renfrewshire agreed a lower increase of 3.5%, well below the prevailing inflation rate. The report notes that in year collection of Council Tax improved nationally from 95.7% to 96.2%. This was mirrored in East Renfrewshire where in year collection was 97.6% (2021/22 96.8%). It is important to remember that we continue to collect Council Tax after the end of the year, so the final collection rate will be higher.

5. The largest element (around 60%) of Council funding comes from government grants, with core revenue grant rising by 0.7% in real terms in 2022/23, after one-off COVID funding is excluded. However, the report notes that an increasing proportion of this grant (23.7% in 2021/22, against 25.7% in 2022/23) is ringfenced or directed to specific service areas such as additional teachers or pay uplifts for social care staff in commissioned services, resulting in Councils having less flexibility within their own core budgets.

6. The balance of Council funding comes from Council Tax (close to 20%), other grants and charges for Council services.

7. In comparison to other areas of the Scottish budget, local government has been given less priority in recent years. Between 2013/14 and 2022/23 local government's share of the Scottish budget has fallen from 30% to 23%. Whilst the total Scottish budget has increased by 37% in real terms, the local government allocation has remained relatively static in real terms.

8. East Renfrewshire's budget gap for 2022/23 was £9.533m or 3.1% of total revenue costs. This was close to the Scottish average of 2.9%.

9. In common with most other Councils, East Renfrewshire utilised a mixture of recurring and non-recurring savings and a drawdown of reserves to close the 2022/23 budget gap. We did not, however, use any of the available fiscal flexibilities in setting our 2022/23 budget,

choosing instead to consider this approach for the 2023/24 exercise. 45% of the gap for 2022/23 was closed utilising recurring measures (i.e. permanent savings and Council Tax increases) with the remainder addressed by a draw on unallocated general reserves. Unlike many other Councils, however, we were successful in achieving all of our targeted savings during the year.

10. The Accounts Commission recommends that Councils should prioritise recurring savings and avoid reliance on non-recurring measures, so as to improve financial sustainability. East Renfrewshire has recognised this and seeks to address budget gaps by identifying recurring savings and Council Tax increases, before draws on reserves.

11. In terms of capital, East Renfrewshire's expenditure in 2022/23 was £46.189m (2021/22 £35.901m). Like most other Councils, this substantial increase reflected projects catching up after COVID delays, in addition to rising costs due to inflationary and labour pressures.

12. Government grant covered only 37% of Scottish Councils' capital costs in 2022/23, with borrowing covering 39% nationally. The remainder is typically funded from other grants, developer contributions, capital funded from current revenue (CFCR), and capital receipts. Capital grants are lower in real terms than pre-COVID levels and are expected to reduce further in future. This will increase pressure on Councils as the cost of both capital projects and interest payments on borrowing have risen in recent years. This will be a particular pressure for East Renfrewshire as we relied on borrowing to cover 58% of our capital investment in 2022/23, having less scope to access capital receipts and other income than many other Councils.

13. The report also reviews how Councils have reported on their outturn position within the Management Commentary section of their published 2022/23 Annual Accounts. It finds that Councils could improve explanations of their financial outturn positions and progress against savings plans.

14. East Renfrewshire follows the recommended approach of commenting on the reasons for variances against budget and in reconciling the outturn position to the movement on the general fund, however we did not provide detailed comments on the delivery of planned savings. We will review our existing practice with our external auditors to explore how we can increase transparency as we pull together the 2023/24 annual accounts.

COUNCILS' FINANCIAL POSITION AND OUTLOOK 2023/24 ONWARDS

15. The second part of the bulletin considers the outlook beyond 2022/23 and notes that half of all Scottish Councils again increased their overall usable reserves during 2022/23. East Renfrewshire saw a slight increase in such reserves during the year (2021/22 £58.9m, 2022/23 £64.5m), with this increase relating to committed reserves. The Council's total reserves equated to 21% of net revenue expenditure, leaving us slightly below the average position (27%) across Scotland.

16. The establishment of a new Service Concessions reserve of £14.8m, as a result of rescheduling PFI/PPP debt, was the main reason for our increase in total reserves. However this was partly offset by utilisation of over £5m of the non-earmarked general reserve to assist with 2022/23 budget setting and by the drawdown in year of more than £5m from the Unspent COVID grants reserve. We expect our overall General Fund reserves to reduce in future as the remainder of our COVID funding is utilised to mitigate ongoing pandemic pressures and the Service Concessions reserve is applied in full to support the 2023/24 to 2025/26 budgets.

17. In addition to the new Service Concessions reserve established in 2022/23, other smaller new reserves, totalling £2.7m, were set up to support Get to Zero, Workforce Restructuring, Employee Wellbeing & Development and Community Capacity Building plans. These are clearly stated in the Council's annual accounts.

18. Like most other Councils, East Renfrewshire's Capital Reserve increased substantially in year, from £2.7m to £5.4m. This was mainly due to the return of £2.6m of capital resources previously transferred out to meet potential COVID pressures which did not materialise by 31 March 2023.

19. At 31 March 2023 the unallocated element of the Council's General Fund reserve stood at £6.658m (2.3%) which is within the acceptable range of 2 to 4%.

20. The Accounts Commission recommend that Management Commentaries in Councils' annual accounts should provide clearer statements on reserves policy, in addition to setting out the purpose of each committed reserve. Whilst East Renfrewshire has previously listed details of each reserve, we will consider what additional clarification we can provide in the 2023/24 annual accounts.

21. Across Scotland, Councils' total net debt increased by more than 6% in 2022/23, with most Councils, including East Renfrewshire, following this trend. Our debt increased by 11% in comparison to the 2021/22 level, mainly due to increased borrowing to support our ambitious capital plans as capital grants remained constrained.

22. In line with most other Councils, East Renfrewshire's borrowing costs have reduced in recent years due to low interest rates and slippage in capital programmes, particularly during COVID. We would expect this trend to reverse for the Council, however, as interest rates have increased substantially, capital inflation has also risen, and the Council has an ambitious 10 year capital plan.

23. Our loan charges are forecast to rise from around £9m in 2023/24 to some £20m by 2029/30. This represents an increase in the proportion of our general fund revenue budget being used to service debt from the current 6.3% in 2024/25 to a maximum of 9.1% in 2029/30. This, however, is still within the generally accepted good practice sustainability limit of 10% and will continue to be monitored as part of our Local Government Benchmarking Framework (LGBF) sustainability indicators.

24. Whilst the Council used the service concession financial flexibility, available in 2022/23, to reprofile PFI/PPP debt repayments from 2023/24 onwards over a longer period and reduce current pressures on the revenue budget, a report to Council at the time provided assurance that this was also affordable in the longer term [Service Concession Report](#).

25. The Accounts Commission bulletin also considered the 2023/24 Scottish Government settlement to Councils, noting that this reflected an increase in both cash and real terms. Much of this, however, represented funding transferred from the health and education portfolios to support these services within local government. On a like for like service basis, East Renfrewshire's 2023/24 grant increased by 0.7% in cash terms, which was only slightly above COSLA's assessment of the national increase of 0.6%.

26. In recent years, the trend in capital grant to Councils, both nationally and for East Renfrewshire, has been relatively flat, with cash reductions expected in the coming years.

27. The bulletin next examined the challenging future prospects for Councils and reported that almost all Councils' budget gaps for 2023/24, after Council Tax increases, were significantly larger than those for 2022/23, rising from 2.9% of net revenue costs in 2022/23 to 4.2% in 2023/24. For East Renfrewshire, the gap moved from £9.533m (3.1%) in 2022/23 to

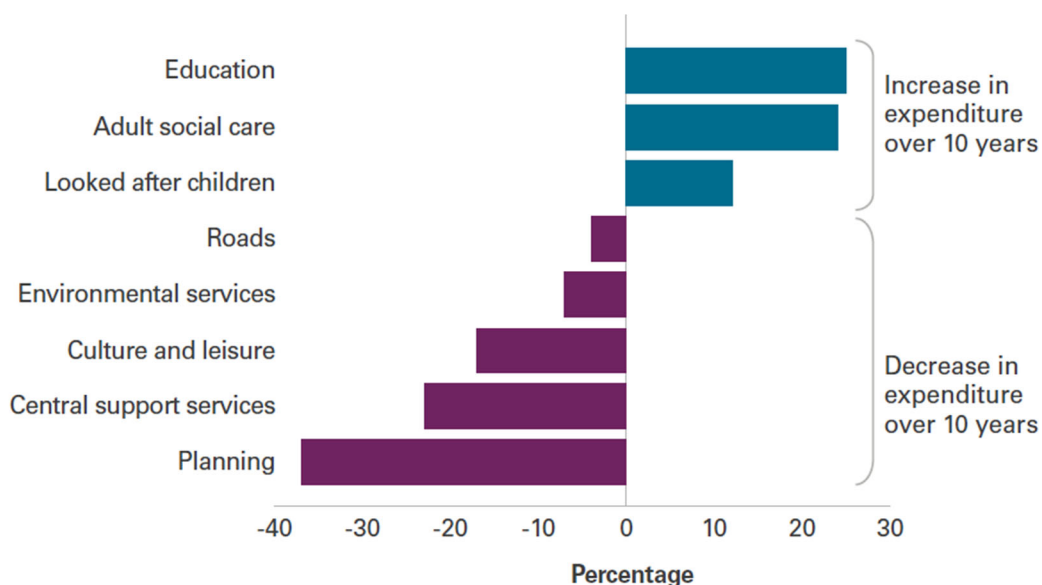
£18.134m (around 5.8%) in 2023/24. Factors contributing to our gap being larger than average include past grant settlements not taking full cognisance of rising demographic demands in the area, and the Council having drawn on reserves in previous years rather than fully closing the budget gap with recurring measures.

28. The Council's approach to closing the 2023/24 gap was broadly similar to that of other Councils. Recurring savings covered 35% of the gap (34% nationally), a 6% Council Tax increase addressed 21% of the gap (18% nationally), a draw on reserves closed 42% of the gap (25% nationally), and other non-recurring savings/other measures accounted for 2% of the gap (23% nationally). Whilst our gap was much greater in 2023/24 than in the previous year, there was an improvement in that 56% was addressed via recurring measures in comparison to recurring measures only covering 45% of the 2022/23 gap.

29. The Accounts Commission recognise the increasing difficulty in identifying and applying recurring savings measures, noting that some Councils have had to reverse savings as a result of public opposition. The report therefore recommends that Councils engage in proper and timely consultation on budget proposals. This, however, is no guarantee of success. In autumn 2022 East Renfrewshire conducted extensive public consultation on its savings proposals for 2023/24 to 2025/26, noting that many respondents expressed a preference for increased charges, rather than cuts in services. When additional garden waste charges were introduced, however, uptake was low and around £280k (50%) of the planned saving was not achieved. Nevertheless, the Council intends to continue good practice in engaging with stakeholders before implementing any new budget measures.

30. The problem of balancing budgets is becoming increasingly acute. The bulletin again states that Scottish Government core revenue support for Councils was relatively static in real terms between 2013/14 and 2022/23, but that an increasing element of this was ring fenced, effectively reducing flexible funding that Councils can use at their discretion. This has resulted in a prioritisation of education and care services and a marked reduction in the remaining "unprotected services", as illustrated in the chart below.

Percentage change in expenditure (in real terms) over ten years, 2012/13 to 2021/22



31. Rising service demands, together with financial constraints, mean Councils must balance short term pressures with longer term financial sustainability. Various tools are

available to measure financial resilience, with most Councils (including East Renfrewshire) using the Local Government Benchmarking Framework. The Council's performance reporting includes indicators on the level of reserves held and the actual outturn expenditure achieved each year as a percentage of budget. In addition, our Treasury Management Strategy and revenue and capital budget planning advise of the ratio of financing costs (loan charges) to the respective General Fund and Housing Revenue Account budgets. This will become ever more important as financial pressures increase.

32. The report recommends that Councils strengthen their public reporting of financial resilience. Whilst we include these measures in our current performance reports and Management Commentary, we will give them a higher profile in future medium and long term financial plans.

33. The bulletin concludes by commenting on two further current financial issues impacting on Scottish Councils.

34. Local Government pension funds underwent their triennial valuations on 31 March 2023, with these revaluations expected to produce financial benefits for Councils. The Strathclyde Pension Fund was confirmed to be funded well in excess of the 100% level and was able to reduce employer contributions from 2024/25 onwards. This resulted in employer contributions falling from 19.3% in 2023/24 to 6.5% in 2024/25 and 2025/26, before rising again to 17.5% from 2026/27. The annual non-recurring benefit to East Renfrewshire in 2024/25 and 2025/26 is estimated to be around £6.3m and the Council has agreed to set this funding aside in a new Investment in the Future reserve to help the Council transition to better address future challenges. The HSCP, Housing Revenue Account, and East Renfrewshire Culture & Leisure Trust will similarly benefit from the reduction in employer contributions.

35. Finally, the report notes that the Verity House Agreement was established between the Scottish Government and COSLA in June 2023 as a means to improve joint working between the two sides. Aims included a reduction in the level of ringfencing of funds, a review of specific grants with a view to baselining wherever possible, and the agreement of a new Fiscal Framework which would provide more transparency and predictability for Councils' financial planning. Whilst this is a welcome development, limited progress has been made to date.

36. The Accounts Commission recommend that Councils work with the Scottish Government to progress development of the Fiscal Framework to improve the clarity and certainty of future budget planning. East Renfrewshire will continue to do this through COSLA, SOLACE, Directors of Finance, and other relevant director forums.

CONCLUSION

37. The bulletin provides a high level summary of the main financial issues facing Scottish Councils in 2022/23 and beyond. Whilst East Renfrewshire is not specifically mentioned in the report, the issues raised are almost all relevant to the Council and it is clear that we will continue to face substantial and increasing financial challenges in future.

38. East Renfrewshire will take the following actions in response to the report:-

- Continue to address budget gaps by identifying recurring savings and Council Tax increases, before draws on reserves. (Para 10 above)
- Review our existing practice with our external auditors to explore how we can increase transparency in the Management Commentary on variances against

budget and the delivery of planned savings as we pull together the 2023/24 annual accounts. (Para 14 above)

- Consider what additional clarification we can provide in the 2023/24 Management Commentary to clarify our reserves policy and the planned use of each committed reserve. (Para 20 above)
- Continue good practice in consulting with stakeholders before implementing any new budget measures. (Para 29 above)
- Strengthen our public reporting of financial resilience by giving these measures a higher profile in future medium and long term financial plans. (Para 32 above)
- Continue to work with the Scottish Government to progress development of the Fiscal Framework to improve the clarity and certainty of future budget planning, through COSLA, SOLACE, Directors of Finance, and other relevant director forums.

39. Audit Scotland plan to release another report on Councils' 2024/25 budget setting in the near future.

RECOMMENDATION

40. The Committee is asked to consider and note the contents of this report.

Margaret McCrossan, Head of Accountancy, 15 April 2024

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.