

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE13 AUGUST 2020Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2020/21 QUARTER 1 AND REVISED ANNUAL PLAN**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2020/21 as approved in March 2020 and to propose revisions to this.

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 2020/21 - PROGRESS REPORT QUARTER 1

3. A copy of the annual audit plan for 2020/21 is shown in appendix 1. No audit reports relating to planned 2020/21 audit work have been issued in quarter 1 as shown in appendices 2 and 3. Details of three reports relating to 2019/20 are now provided in appendix 3 as the management responses had not been received at the time of the previous progress report. Responses are deemed to be satisfactory if all recommendations are accepted for implementation by management and where any recommendation is not accepted, a satisfactory reason is given. The quarterly performance indicators for the section are shown in appendix 4. No reports were issued in quarter 1 relating to the 2020/21 audit plan therefore indicators 5.1 to 5.3 are nil or not applicable. Indicator 2.2 is not being met due to COVID19 restrictions on audit work that can be carried out during lockdown.

4. Three new requests for assistance were dealt with using contingency time during the quarter. None of these were categorised as potential frauds. In addition, some contingency time was spent assisting core systems and responding to external queries relating to suspected fraudulent activity.

PROPOSED AMENDMENTS TO ANNUAL AUDIT PLAN 2020/21

5. Internal audit are currently operating with one vacant post due to an internal secondment. At the time of preparing the annual plan it was proposed to fill this on a temporary basis however this has not been feasible due to COVID19 lockdown and also the difficulties associated with carrying out routine audits during this time. On this basis a reassessment of the number of audit days available in 2020/21 has been made. This is shown at appendix 5.

6. There are also a number of audits included within the plan which are not as feasible to carry out whilst in lockdown for various reasons such as:

- Some level of visiting premises is required (eg NDR, schools cluster)
- Restricted access to relevant council officers/documentation (eg HSCP and IJB audits, ERCLT audits)
- Changes in nature and volume of transactions (eg travelling and subsistence, maximising attendance)
- Suspension of some council services (eg housing allocations, services provided by ERCLT)

7. It is therefore proposed that some audits are now deferred/deleted from the plan as indicated in appendix 2. An estimated shortfall of 51 available days (appendix 5) remains even after deleting these audits from the 2020/21 plan and this will be reviewed regularly in each progress report. In addition, five audits which are outstanding from the 2019/20 plan will be carried forward and included in 2020/21 as agreed at the Audit and Scrutiny Committee in June 2020. In line with good practice, this plan will be reviewed on a regular basis throughout the year and may be further adjusted in response to future changes in the Council's business, risks, systems and controls.

RECOMMENDATION

8. The Committee is asked to:

- (a) note Internal Audit's progress report for audits completed in quarter 1 of 2020/21.
- (b) confirm whether they wish any of the reports detailed in appendix 3 to be circulated to audit and scrutiny committee members or submitted to a future meeting for more detailed consideration.
- (c) approve amended annual audit plan for 2020/21.

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

EAST RENFREWSHIRE COUNCIL
Internal Audit Section
REVISED ANNUAL AUDIT PLAN FOR 2020/21 PROGRESS REPORT

Department	Title	Audit Number	Original No. of days	Revised No of days	Status
Chief Executives	Financial Ledger and budgetary control	1	20	20	
Corporate & Community	Payroll	2	25	-	DEFER
	Maximising Attendance	3	20	-	DEFER
	Overtime	4	22	22	
	Cash income and banking	5	22	22	
	Creditor Payments	6	10	10	
	Debtors control	7	10	10	
	Housing Benefit/ Universal Credit	8	30	30	In progress
	Clothing Grants/free school meals	9	12	12	
	Council tax – billing and collection	10	24	24	In progress
	NDR	11	7	-	DEFER
	Travelling and subsistence	12	12	-	DEFER
	Education	Pupil Equity Fund	13	12	-
Environmental Controls – Education		14	10	10	
Schools Cluster		15	30	30	
Educational payments		16	8	8	
Environment	Asset Management	17	20	-	DEFER
	Grant Certification	18	15	-	DEFER
	Gas Servicing	19	15	15	
	City Deal	20	15	10	
	Burial Income	21	8	8	
	Health and Safety	22	15	-	DEFER
	Climate Change Report	23	5	5	
Housing	Energy and Fuel	24	15	-	DEFER
	Housing Allocations and homeless person accomm	25	27	-	DEFER
HSCP	New Council Houses	26	20	20	
	Care First Finance System	27	15	-	DEFER
Trust	IJB	28	20	20	
	Culture and Leisure Limited Trust	29	20	20	
Various	Contract 1	30	20	20	
	Contract 2	31	20	-	DEFER
	Application Audit Integra	32	32	32	In progress
	Fraud Contingency	33	67	47	In progress
	General Contingency	34	30	30	In progress
	LG Benchmarking Framework	35	10	10	In progress
	Follow up	36	50	50	
Previous year audits Note1	37	20	8	Complete	
Audits carried forward from 2019/20	Stores	38			
	Housing voids	39			
	Carers Legislation	40		30	In progress but suspended
	Payment to Care Providers	41			
	HSCP follow up	42			
Total			733	523	

Note 1 previous year audits were completed with the exception of the five which have been carried forward.

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SUMMARY OF 2019/20 AUDITS NOT INCLUDED IN PREVIOUS PROGRESS REPORT

1. MB/1108/RM HIGHWAYS MAINTENANCE

The objectives of the audit were to ensure that:

- Timescales for carrying out notified repairs are adhered to
- Records are maintained to show repairs having been completed satisfactorily
- Inspection schedules are completed in accordance with stipulated frequency
- Method of allocating priority to roads requiring repairs and resurfacing is consistent, is documented, takes account of all circumstances and is kept under review
- Costs of each job can be traced to source documentation and are coded correctly to the financial ledger
- Budgets reflect resources allocated in annual budget setting
- To maximise resources, there is consistency and rationale between what is resourced by capital and revenue spending.

It is of concern that the roads costing system is still not reconciled to the financial ledger on a regular basis or at all. There is no interface between the systems and therefore double and even treble keying is necessary to process roads costing amounts to the financial ledger. At the time of the audit, there was also a significant backlog of journals required to update the new financial system and the mapping of former ledger codes to those of the new system were not always correct. For a sample of projects, the figures could not be agreed between the two systems.

Ten recommendations were made, three were classified as high risk and seven as low risk. Management accepted all recommendations except one which was classified as low risk. The high risk recommendations are reproduced below together with the recommendation that wasn't accepted:

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Regular reconciliations should be carried out between the costing system and the financial ledger.	H	Yes	Accountancy and Environment New reports will be sourced from the Roads/Integra systems to facilitate reconciliations.	Head of Accountancy	Sept 2020
4.1.2	The current backlog of costings requiring to be processed to integra should be addressed as soon as possible.	H	Yes	Environment Finance have confirmed that costings up to week 32 have now been journaled to integra and they will address the backlog as a priority.	Ross Duncan	06 March 2020
				Accountancy Backlog for 2019/20 was brought up to date but a further backlog has arisen due to staff absence and the impact of COVID on workloads.	Head of Accountancy	Sept 2020
4.1.3	The ledger codes shown on the summary sheets passed to Accountancy for journals to be prepared should be traceable to the roads costing system and should be consistent	H	Yes	Environment Both old and new codes are at present shown on the summary sheets for ease of reference. As off 1 April 2020 only new codes will be shown. The back up sheets that are provided with the summary sheets	Jane Corrie	1 April 2020

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
	between old and new codes.			are reports from the Roads Costing System (Profess) and therefore the figures in the summary are traceable to this system.		
4.4.1	Ad-hoc repairs carried out should be recorded in the same way as other types of repair. It is thought that the proposed new electronic monitoring and recording system will assist in this.	L	No	Ad-hoc repairs are repairs carried out by our internal RCU workforce for which they do not have a specific instruction from our technical staff/inspectors in advance. Once the repair is completed it is recorded in the same way as planned repairs but noted as being ad-hoc. Example provided to Ross Mitchell 19/2/20.	Jane Corrie	N/A

2. MB/1121/RM CONTRACT AUDIT – AUDIT SCOTLAND PROCUREMENT RED FLAGS

Audit Scotland issued a report for auditors titled Red Flags Procurement in October 2019. A review of some of the key procurement red flags and controls as specified in this document was carried out. These are checks of areas within the tendering process which if there is a lack of control may indicate that there is collusion or an opportunity for organised crime to be attempted. The objectives of the audit were to ensure that:

- Adequate checks are carried out that work has been done to required standards before invoices are paid
- Invoices are paid at prices/rates that can be agreed to the contract
- There is adequate segregation of duties between setting of technical specifications and checking of those submitted
- There are adequate validation checks on qualifications/standards etc in tenders submitted
- Where VAT is charged on invoices a valid VAT number is shown
- There is effective categorisation of spend in the ledger
- Single tender applications are approved by senior management and have a valid reason.

The main findings were that it is not always clear that prices stated in invoices are in accordance with those stated in the tender as they are not comparable. Verification is not being sought as a matter of course that contractors are meeting requirements regarding Protection of Vulnerable Group (PVG) checks or qualifications/training stated in tender bids are actually held. The specification of qualifications can be vague and leave the onus on the contractor to define what is relevant. In general, there is no separation of duties between those who evaluate tender bids and those who write the contract specification. Evidence that the specification has been checked or approved is not always held.

Ten recommendations were made, five of which were classified as medium risk and five as low risk. Three of the low risk recommendations were not fully accepted by management across all departments and these are detailed below.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Where possible, there should be separation of duties between those	L	Yes	CCS Officers producing tenders will be reminded of the corporate procurement guidance and where	Louise Pringle Sharon Dick	June 2020

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
	who evaluate tenders and those who are responsible for writing the tender specification.			subject matter specialisms occur look to have separate review where possible.	Murray Husband	
No			Environment The vast majority of our projects require specialist knowledge, we therefore unfortunately do not have sufficient resources to comply with this requirement. Further, those who write the tender specification are normally involved from inception to completion and are most familiar with the technical requirements of the project being tendered and are best placed to advise whether the response is compliant. All tenders will still require at least two evaluators.	N/A	N/A	
No			Education Following discussions with Chief Procurement Officer her advice is that in practice this recommendation cannot be delivered.	N/A	N/A	
Partially			HSCP This is not always reasonably practicable due to level of resource within the department however this risk will be mitigated by the inclusion of relevant service representation for evaluation of each tender.	Commissioning and Planning Manager	June 2020	
4.1.2	In accordance with current corporate procurement guidance, all tender specifications should be checked by another officer and readily available evidence kept that this has been done.	L	Yes	CCS Officers producing tenders will be reminded of the corporate procurement guidance and where subject matter specialisms occur look to have separate review where possible.	Louise Pringle Sharon Dick Murray Husband	June 2020
Yes			Environment Peer group reviews of documents are carried out before going out to tender. Director will issue an email to service managers reminding them of this requirement.	Karen Grady / Director of Environment	June 2020	
No			Education The council has reduced resources and in many cases the persons writing, checking and evaluating tenders are the only officers qualified to do so. The guidance referred to is outdated in some areas and was written when the council had many more resources available to support the content. Procurement will be reviewing/replacing guidance documents.	N/A	N/A	
Partially			HSCP As response for 4.1.1	Commissioning and Planning Manager	June 2020	

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.4.1	Evidence should be sought from the successful bidder(s) of their relevant staff qualifications/training stated in their bid. It could be made clear in the tender wording that this will be required of the winning contractor thus incentivising the bid stating those qualifications held by personnel which are only the most relevant.	L	Yes	CCS Officers will be reminded to validate through evidence from the successful bidder any requests for the relevant professional and technical skills available within their organisation.	Louise Pringle Sharon Dick Murray Husband	June 2020
			No	Environment We consider this would have a high resource requirement on the department with little benefit. Further, it would create arguments whether someone with a qualification is better placed to deliver a piece of work as opposed to an experienced person with little or no formal qualifications	N/A	N/A
			No	Education Following discussions with Chief Procurement Officer it was established that as it is not mandatory to seek evidence of qualifications / policies from successful bidder(s). Many other authorities include wording in the tender to the effect that the council reserves the right to check qualifications at any point over the life of the contract and the contract can be terminated if supplier does not have as stipulated in their tender response. Procurement will work with departments to adopt this approach and if in particular tenders departments wish to see successful bidders qualifications / policies prior to contract awarded then procurement can request prior to award instruction.	N/A	N/A
			Yes	HSCP In any exercise procuring services for social care the tender would contain specific references to the requirement of any bidder meeting the requirements for its staff to be registered with the SSSC and for their services to meet the requirements for registration with the Care Inspectorate. It would be a reasonable undertaking therefore at tender to ask organisations to confirm that they are in a position to commence at award, a service registered with the relevant statutory bodies. The tender would ask bidders to confirm that they are in a position to comply in respect of the category of care being awarded. This could be supplemented by training plans and policies which would provide further suitable information on the ability of the bidder	Commissioning and Planning Manager	01-06-2020

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				to successfully meet the requirements of the tender.		

3. MB/1125/NS TRADE WASTE AND SPECIAL UPLIFTS

The objectives of the audit were to ensure that:

- A system has been established for the control and recording of trade refuse income
- There are adequate supporting records for all charges levied for trade refuse
- Trade refuse collections are withdrawn promptly if invoices remain unpaid
- Special uplift charges have been properly approved
- Special uplifts are carried out promptly and charged at the approved rate
- Special uplifts are appropriately recorded and all income is fully accounted for.

It was noted that the fees and charges applied to commercial waste have not changed for a significant period of time, with a review of the fees and charges reports approved by Cabinet suggesting that the last increase was applied in 2011/12. The source records were obtained from the department and a review of these showed that not all commercial waste uplifts have a supporting signed mandate to allow the services being provided to be verified. It was also noted that charges were not being applied to all businesses in the sample and that no formal reconciliations are carried out to the financial ledger to ensure all income is being properly accounted for. The audit trail in place for failed direct debits could also be improved.

Six recommendations were made, all of which were classified as low risk and were accepted by management.

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 1 Actual 2020/21
2. Audit Coverage.		
2.2 Actual direct audit days as a percentage of total days available	75%	29%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	3
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	11%
5. Issue of Reports.		
5.1 Number of audit reports issued per quarter.	-	0
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	N/A
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	N/A

Notes

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

RE-ASSESSMENT OF AVAILABLE AUDIT DAYS 2020/21

			Estimated no. of days
Total number of direct audit days in annual plan approved in March 2020			733
Audits brought forward from 2019/20 approved June 2020	Stores Housing –voids, allocations Carers Legislation Payments to Care Providers HSCP follow up		30
Less: Audits to be deferred from 2020/21 to a later year	Payroll Maximising Attendance Travelling and Subsistence NDR Care First Finance System Pupil Equity Fund Contract audit 2 Housing Allocations and homeless accommodation Asset Management Health and Safety Energy and Fuel Grant certification	25 20 12 7 15 12 20 27 20 15 15 15	(203)
	Reduce contingency Reduce city deal Reduce days to complete 2019/20	20 5 12	(37)
			523

Reassessment of Days Available in 2020/21 for Direct Audit Work

		Estimated no. of days
Total number of direct audit days in annual plan approved in March 2020		733
Less:	Non filling of vacant post	(200)
Plus savings on estimated days:	reduced sickness absence recruitment HGIOS/PSIAS	18 6 5
Subtotal		562
Less: Lockdown restrictions and volunteering by internal audit staff to assist other services	(As at 24/7/20 80 days spent)	90
Revised estimated days available for direct audit work		472

REMAINING NET SHORTFALL IN ESTIMATED DAYS AVAILABLE

51