

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE15 AUGUST 2019Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2019/20 QUARTER 1**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2019/20.

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 2019/20 - PROGRESS REPORT QUARTER 1

3. A copy of the annual audit plan for 2019/20 is shown in appendix 1. A total of 3 audit reports relating to planned 2019/20 audit work have been issued in quarter 1 as shown in appendices 2 and 3. A management response has yet to be received for one of them but the due date has not yet passed. Details of one report issued in 2018/19 is also now provided in appendix 3 as the management response 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.

4. Four new requests for assistance were dealt with using contingency time during the quarter. Only one of these was dealt with as potential fraud and whilst there was no financial loss to the council and the money involved was relatively low, the matter was still reported to the police.

5. Internal audit are currently operating with one vacant post. It is therefore proposed that the audit titled Operation of Trust is deleted from the annual audit plan. Senior management have suggested that it could be appropriate for this review to instead be carried out by the newly appointed Scrutiny and Evaluation Officer, who could undertake a Best Value type review and, who would in due course report the findings to the Audit and Scrutiny Committee. It is understood that this would be scheduled to be carried out towards the end of 2019/20.

RECOMMENDATION

6. The Committee is asked to:
- (a) note Internal Audit's progress report for audits completed in quarter 1 of 2019/20;
 - (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; and
 - (c) approve deletion of operation of trust from annual audit plan.

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

EAST RENFREWSHIRE COUNCIL
Internal Audit Section
ANNUAL AUDIT PLAN FOR 2019/20 PROGRESS REPORT

| Department | Title | Audit Number | No. of days | Status |
|-----------------------|--|---------------------|--------------------|-----------------|
| Chief Executives | Ordering and Certification | 1 | 20 | |
| Corporate & Community | GDPR | 2 | 15 | In progress |
| | Barrhead and Eastwood Payment Centres | 3 | 16 | |
| | Corporate Debt Recovery | 4 | 20 | In progress |
| | Council Tax – Recovery and Enforcement | 5 | 18 | |
| | Creditor Payments | 6 | 10 | |
| | Debtors control | 7 | 10 | |
| | Housing Benefit/ Universal Credit | 8 | 30 | |
| | Licensing income | 9 | 15 | |
| | Scottish Welfare Fund | 10 | 15 | In progress |
| | Travelling and subsistence | 11 | 12 | |
| | Education | Building cleaning | 12 | 15 |
| Schools Cluster | | 13 | 32 | |
| Operation of Trust | | 14 | 15 | |
| Environment | Contract – Implementation of Cole Report | 15 | 15 | In progress |
| | City Deal | 16 | 15 | In progress |
| | Grant Certification | 17 | 15 | |
| | Grounds maintenance | 18 | 15 | |
| | Highways maintenance | 19 | 20 | |
| | Parks and other outdoor income | 20 | 8 | |
| | Stores | 21 | 20 | |
| | Trade Refuse Income and special uplifts | 22 | 12 | |
| | Climate Change Report | 23 | 5 | |
| | Year end Stocktake | 24 | 5 | Complete |
| Housing | Housing Rent Accounting | 25 | 20 | |
| | Housing – voids, garage allocations etc | 26 | 14 | |
| HSCP | Bonnyton House | 27 | 10 | In progress |
| | Payments to care providers | 28 | 25 | |
| | Carers Legislation | 29 | 15 | |
| | IJB | 30 | 20 | |
| Trust | Community and Leisure Limited Trust | 31 | 20 | In progress |
| Other | NFI | 32 | 12 | |
| Various | Environmental Controls - general | 33 | 10 | In progress |
| | Contract 2 | 34 | 25 | |
| | Fraud Contingency | 35 | 66 | In progress |
| | General Contingency | 36 | 30 | In progress |
| | LG Benchmarking Framework | 37 | 10 | In progress |
| | Follow up | 38 | 50 | In progress |
| | Previous year audits | 39 | 20 | Complete |
| Total | | | 720 | |

Note – Audit reports issued in the quarter are shown in bold

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SUMMARY OF 2019/20 REPORTS ISSUED IN QUARTER ENDED 30 JUNE 2019 AND 2018/19 AUDITS NOT INCLUDED IN PREVIOUS PROGRESS REPORT

1. MB/1092/FM ATTENDANCE AT HOUSING MAINTENANCE STOCK TAKE

Internal Audit attended the Housing Maintenance store at the depot in Thornliebank on Saturday 23 March 2019 for the purpose of the stocktaking exercise. The method of stocktaking was observed and a number of items checked before, during and after the stocktake.

The stocktake appeared to be well organised and no concerns were noted by audit. The store is in a secure location with sufficient space to allow a logical and ordered layout. Bin locations and commodity codes had been clearly affixed to each bin and this facilitated the identification of stock items. The pre-stocktake value of the stock on the system was £56,991 and was adjusted to £56,948 after the stock had been counted meaning a net adjustment of £43 has been made. Of the variances there were no large or unusual differences. No recommendations were made.

2. MB/1094/NS EASTWOOD SCHOOL CLUSTER

Target date for response has not yet passed. Details of this audit will be provided to audit and scrutiny committee at a later date.

3. MB/1104/MB 2017/18 SPT GRANT

One Strathclyde Passenger Transport (SPT) grant relating to 2017/18 and totalling £110k was reviewed and certified as required per the grant conditions. The project reviewed related to Bus Infrastructure Improvements. All monies due to the Council from SPT in relation to this grant has been received in full. No recommendations were made.

2018/19 AUDITS NOT INCLUDED IN PREVIOUS PROGRESS REPORT

4. MB/1090/RM CITY DEAL

The objectives of the audit were to ensure that:

- Reporting frequency of specified information is being adhered to.
- In awarding contracts, City Region Procurement Strategy and Council Contract Standing Orders have been complied with.
- Arrangements are in place to ensure that changes to project budgets are reflected in the overall programme budget and are recorded using appropriate documentation.
- Claims submitted to Scottish Government are accurate and have supporting documentation.
- Payments made are in accordance with approved City Deal expenditure.
- Risk management arrangements are in place, up to date and reviewed regularly.
- Follow-up of previous city deal audit recommendations.

Project timescales for key dates have been pushed back since the time of the last audit, some by a year. The risk of projects not proceeding on schedule and/or not producing the anticipated economic benefits owing to 3rd party issues resulting in a gap in Government funding is included in the Council's strategic risk register.

All amounts included in the most recent claim at the time of the audit to 7 December 2018 (28 December for salary costs) were able to be verified with the exception of three small amounts, the value of which is immaterial compared to the total value of the claim.

Three recommendations were made, all of which were classified as low risk. All recommendations 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 |
| Efficiency | <ul style="list-style-type: none"> • These recommendations are made for the purposes of improving efficiency, digitalisation or reducing duplication of effort to separately identify them from recommendations which are more compliance based or good practice. |

EAST RENFREWSHIRE COUNCIL
Internal Audit Section

QUARTERLY PERFORMANCE INDICATORS

| <u>Internal Audit Indicators reported Quarterly</u> | Target (where applicable) | Quarter 1 Actual | Cumulative 2019/20 |
|---|------------------------------|---------------------|-----------------------|
| 2. Audit Coverage. | | | |
| 2.2 Actual direct audit days as a percentage of total days available | 75% | 70% | 70% |
| 2.3 Number of requests for assistance/queries raised by departments outwith planned audit work. | - | 4 | 4 |
| 2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence) | <100% | 6% | 6% |
| 5. Issue of Reports. | | | |
| 5.1 Number of audit reports issued per quarter. | - | 3 | 3 |
| 5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1) | 12 weeks | 8.8 weeks | 8.8 weeks |
| 5.3 Ave. time taken to issue report (working days). (Note 2) | 10 working days | 7.3 working days | 7.3 working days |

Notes

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

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