

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE21 NOVEMBER 2019Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2019/20 QUARTER 2**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 2

3. A copy of the annual audit plan for 2019/20 is shown in appendix 1. A total of 9 audit reports relating to planned 2019/20 audit work have been issued in quarter 2 as shown in appendices 2 and 3. A management response has yet to be received for one of them. 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. Two of these related to theft of council assets from council premises, and both were reported to the police. Review of data migration from the old financial system to the new one was also carried out using contingency time.

5. It is proposed that the planned audit of council tax recovery and enforcement is deleted from the annual plan as this would cover the same control objectives of corporate debt recovery which is also included in the plan and is currently in progress. Additionally it is proposed to delete NFI from the plan as previously this time was to assist in checking some of the matches resulting from the NFI exercise. All matches have been allocated to the relevant service to check this year therefore Audit is not required to assist.

RECOMMENDATION

6. The Committee is asked to:

- (a) note Internal Audit's progress report for audits completed in quarter 2 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.

(c) Approve deletion of council tax recovery and enforcement audit and NFI from the annual 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	Complete
	Barrhead and Eastwood Payment Centres	3	16	
	Corporate Debt Recovery	4	20	In progress
	Council Tax – Recovery and Enforcement	5	18	Propose to delete
	Creditor Payments	6	10	In progress
	Debtors control	7	10	
	Housing Benefit/ Universal Credit	8	30	
	Licensing income	9	15	
	Scottish Welfare Fund	10	15	Complete
	Travelling and subsistence	11	12	
	Education	Building cleaning	12	15
Schools Cluster		13	32	
Operation of Trust		14	15	deleted
Environment	Contract – Implementation of Cole Report	15	15	In progress
	City Deal	16	15	In progress
	Grant Certification	17	15	
	Grounds maintenance	18	15	In progress
	Highways maintenance	19	20	In progress
	Parks and other outdoor income	20	8	In progress
	Stores	21	20	Complete
	Trade Refuse Income and special uplifts	22	12	
	Climate Change Report	23	5	
	Year end Stocktake	24	5	
Housing	Housing Rent Accounting	25	20	In progress
	Housing – voids, garage allocations etc	26	14	
HSCP	Bonnyton House	27	10	In progress
	Payments to care providers	28	25	
	Carers Legislation	29	15	In progress
	IJB	30	20	
Trust	Community and Leisure Limited Trust	31	20	In progress
Other	NFI	32	12	Propose to delete
Various	Environmental Controls - general	33	10	In progress
	Contract 2	34	25	
	Fraud Contingency	35	66	
	General Contingency	36	30	In progress
	LG Benchmarking Framework	37	10	Complete
	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 SEPTEMBER 2019 AND 2018/19 AUDITS NOT INCLUDED IN PREVIOUS PROGRESS REPORTS

1. MB1093NS PAYMENT OF INVOICES PERFORMANCE INDICATOR

The objectives of the audit were to ensure that the reported performance indicator which measures the percentage of invoices paid within 30 days was materially correct.

The original figure submitted for audit for 2018/19 of 81.4% was deemed to be materially accurate.

Three recommendations were made, all were classified as low risk. All recommendations made were accepted by management.

2. MB1094NS EASTWOOD SCHOOL CLUSTER

The objectives of the audit were to ensure that:

- school/toy funds are operated in accordance with education guidance standard circular 23
- petty cash is operated in accordance with council procedures
- purchases are procured in accordance with council procedures
- the Home Economics Account (Eastwood High only) is properly operated
- access to system, virements and budgetary control are operated in accordance with Devolved Schools Management (DSM) procedures
- risk registers are in place and have been updated recently
- school admission checks are carried out in accordance with Council policy

There are six establishments within this school cluster. Whilst 16 recommendations were made in total, (no high risks, 7 medium risks and 9 low risks) there is some repetition with the same recommendation being made at multiple locations. All recommendations were accepted by management.

Most objectives were being met and records held at the establishments visited were found to be up to date and maintained in an appropriate format to allow samples to be easily traced to the supporting records. No recommendations are made for two of the establishments visited. In the remaining four there is scope for improvement in the management of funds, format of cash book could be improved and descriptions of expenditure could be more accurate. Almost all of the recommendations within the report related to the school funds held at the establishments. The format of home economics records held at Eastwood High could be greatly improved and the current format did not allow for a full reconciliation of income to be carried out.

3. MB1095NS TRUST

This was an audit carried out on behalf of the East Renfrewshire Culture and Leisure Trust, therefore details are not provided here.

4. MB1096NS CORPORATE AND COMMUNITY FOLLOW UP AUDIT

A full copy of this report and the responses will be circulated to Audit and Scrutiny Committee Members once all responses are received.

5. MB1098NS BARRHEAD AND EASTWOOD PAYMENT CENTRES

The objectives of the audit covered:

- Policies and procedures
- Cash counts and general security
- Cash up differences and reversal transactions
- Postal payments
- Reconciliations.

The records held at both locations were generally well maintained and were up to date at the time of the audit visit. There were minor anomalies in relation to processing postal cheque payments and recording of cash up differences.

The paperwork held to show that reversal transactions were being reviewed did not cover all machines at both locations for which it is possible for the cashiers to process reversals on and there was one monthly review that had been completed by a cashier who had carried out reversal transactions during the month.

The sample of daily income reviewed during the audit included payments that had been made via card. Audit was unable to verify that all card income was being received in the bank account as the reconciliation had not yet been completed for 2018/19 at the time of the audit.

Seven recommendations were made, three were classified as medium and four classified as low risk. All recommendations were accepted by management.

The medium risk recommendations are reproduced below with the management response.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.2.1	The daily reports generated to monitor reversals should be amended to ensure that they cover all machines from which reversals can be processed at both payment centres.	Medium	Yes	Request with ICT to amend report production to cover all workstations. Supervisor to check and generate any additional reports meantime. This change will be sent via e-mail and verified as 'read and understood' until investigated by ICT.	Alan MacDonald	30/12/19
4.2.2	The review of the reports should be completed by a supervisor who is not responsible for processing payments.	Medium	Yes	Monthly checks will be allocated to a Grade 9 Team Leader or Senior Registrar (who will never process payments). Procedure will be updated to reflect this, confirmed to staff via e-mail and verified as 'read and understood'.	Alan MacDonald	30/10/19
4.4.1	Evidence of card payments received at the payment centres being reconciled to the bank and ledger should be provided to audit to evidence that they are being carried out and all income can be accounted for.	Medium	Yes	The 2018/19 reconciliation is completed as part of the year end processes. This identifies timing differences - being the total balance on the two accounts – along with amounts to be transferred between trust and council. This journal was completed (both as an interim at Period 12 and as a final year	Mark Waugh	1/11/2019

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				<p>end transfer).</p> <p>A further reconciliation should be completed as part of the first 2019/20 reconciliation which identifies the amounts that make up the timing differences as being received in 2019/20. This was not yet completed at the time of the audit however over 90% of the difference had been matched.</p> <p>The reason for the differences identified at 4.4 remain under investigation and may affect other dates including some around year end. Resolving this will ease the reconciliation process and allow the remaining timing differences to be reconciled.</p>		

6. **MB1099FM EDUCATION FOLLOW UP AUDIT**

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

A total of 14 accepted recommendations were made in the reports being followed up. Follow-up checks carried out during the audit showed that good progress has been made in implementing recommendations previously made.

Three recommendations were made, all were classified as low risks. All recommendations were accepted by management.

7. **MB1100RM TRUST**

This was an audit carried out on behalf of the East Renfrewshire Culture and Leisure Trust, therefore details are not provided here.

8. **MB1101FM SICKNESS ABSENCE PERFORMANCE INDICATOR**

The objectives of the audit were to ensure that the reported performance indicator which measures sickness absence was materially correct.

The original figure submitted for audit for 2018/19 of 6.1 days lost per employee for teachers and 12.2 days per employee for all other Local Government employees were deemed to be materially accurate.

Two recommendations were made, both were classified as low risk and were accepted by management.

9. MB1106NS SCOTTISH WELFARE FUND

The objectives of the audit were to ensure that:

- Guidance from Scottish Government is available and followed
- Council guidance and procedures notes are available and implemented
- All community care and crisis grants are supported by a completed application form
- Community care and crisis grants are processed timeously
- Appropriate checks and monitoring are carried out in processing and awarding community care and crisis grants
- Grants are only approved in accordance with Scottish Government criteria and appropriate records are held in evidence of refusal
- Adequate controls are in place over the use of Allpay cards
- Data returns to the Scottish Government are accurate and timeous.

The sample of grants taken showed that generally the target timescales are being met and there is an appropriate audit trail in place to support the amounts awarded.

Minor weaknesses were noted in relation to the documentation held to support decisions to refuse the award of a grant and also to document reasons for delays in processing the applications.

A review of the Scottish Welfare system showed that the name of a former employee is showing as having been involved in the decision making process despite them having been removed from the system.

Six recommendations were made, one of which was medium, the remaining ones being classified as low.

The medium risk recommendation and the one not accepted by management are reproduced below with the management responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.3.1	The software supplier should be contacted and requested to ensure that the system shows up to date information in relation to officers accessing the system and what they have done.	Medium	Yes	An action request has been raise with SWF system supplier Northgate on 19/09/2019 (call: 602005). The call was reviewed 11/10/2019 and is still pending. If no response is received by 30/11/2019 the call will be progressed though the Northgate escalation process.	Senior Revenues Officer	31/03/2020
4.6.1	A review process should be in place to ensure that any potential misuse of funds awarded are identified and considered when future grant applications are received. There should also be an audit trail to ensure that applicants have been asked to explain the circumstances where appropriate.	Low	No	Every application to the Scottish Welfare Fund has to be considered based on its own merits. The Scottish Government statutory guidance for decision makers (4.9) states that (point 1) the decision maker must treat applicants with respect and preserve their dignity and (point 8) must make a reasonable and fair decision, based on all the facts of the case, in keeping with the laws of natural justice.		

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				Once an award has been made, there is no way of determining if the claimant has made changes in their personal circumstances which would allow for the funds to be used for a purpose not included in their initial application. The decision maker must not be judgemental in their approach to customers who are already experiencing very difficult circumstances. It could discourage further approaches for assistance from our residents and therefore we cannot accept this recommendation.		

10. MB1110RM IJB FOLLOW UP AUDIT

This was an audit carried out on behalf of the East Renfrewshire Integration Joint Board therefore details are not provided here.

2018/19 AUDITS NOT INCLUDED IN PREVIOUS PROGRESS REPORT

11. MB/1086/RM PROJECT MANAGEMENT OF CAPITAL PROJECTS

The objectives of the audit were to ensure that:

- Risk control measures are in place and can be evidenced as noted in the Council's strategic risk register to mitigate increased construction inflation costs negatively impacting on the planned capital plan
- Building Cost Information Service (BCIS) indices are monitored and used to inflate projects to mid construction point
- Estimated costs can be demonstrated from the source and any assumptions are justifiable and consistent
- Contract specifies the type of increased costs which will be allowed and any such costs have been authorised by Council's project manager

There are several initiatives being taken to improve capital monitoring and the process of establishing enhanced scrutiny and quality of information provided at the outset of the project. Specifically, the Capital Project Appraisal (CPA) process is being reviewed, the CMT now have sight of progress reports on an individual project basis and approval is to be sought for a project management system to be procured. In addition, quarterly monitoring meetings between key managers involved in capital projects has been increased to monthly, there is an identifiable project manager now more overtly specified for each project, and capital monitoring reports have been expanded. Red/Amber/Green (RAG) status reports are also now being provided to the Director of Environment. More detailed narrative explanations have been added to capital monitoring reports submitted to Cabinet.

BCIS indices used to uplift contracts are not being formally documented. This is a proposed control measure in the Council's strategic risk register but does not have a date of completion noted. While an extended Capital Investment Strategy has been approved, there is no current process underpinning this.

Eight 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 2 Actual	Cumulative 2019/20
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	78%	74%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	4	8
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	18%	24%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter.	-	9	12
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	13.2 weeks	12.1 weeks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	11.9 working days	10.6 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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