

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE26 NOVEMBER 2020Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2020/21 QUARTER 2**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2020/21 as approved in March 2020 and revised and approved in August 2020.

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 2

3. A copy of the revised annual audit plan for 2020/21 is shown in appendix 1. One audit report relating to planned 2020/21 audit work has been issued in quarter 2 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. Indicator 2.2 is not being met due to COVID19 restrictions on audit work that can be carried out during lockdown.

4. Two new requests for assistance were dealt with using contingency time during the quarter. Neither of these resulted in financial loss to the Council. In addition, some contingency time was spent assisting core systems.

5. In August 2020, a reduced revised annual audit plan was approved by the Audit and Scrutiny Committee. The revised plan will be kept under review and any further adjustments will be brought to the Committee's attention in future as required.

RECOMMENDATION

6. The Committee is asked to:

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

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

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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	In progress
	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	In progress
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	In progress
	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	In progress
	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	5	5	In progress
	sickness creditors	35	5	5	Complete
Follow up	36	50	50	In progress	
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 2020/21 REPORTS ISSUED IN QUARTER ENDED 30 SEPTEMBER 2020 AND 2019/20 AUDITS NOT INCLUDED IN PREVIOUS
 PROGRESS REPORT**

1. MB/1123/NS DEBTORS CONTROL (2019/20)

The objectives of the audit were to ensure that:

- Accounts are properly raised and posted for all chargeable services
- Accounts are issued promptly in advance of the service being provided where possible
- Payments received are promptly processed and correctly posted to debtors' accounts
- Write-offs, cancellations and credit notes are properly controlled
- Arrears follow-up procedures are properly controlled.

It was noted that there are still a high number of customer accounts which have been created and not used despite clear guidance being issued to departments to highlight the GDPR implications of creating un-necessary accounts.

The supporting records for the most recently approved write-off of historical debt showed that amounts for current customers continues to be written off. This has been highlighted in previous audit reports and whilst the amounts being written off are low the practice is still occurring.

Five recommendations were made, one was classified as medium risk and four as low risk. Management accepted all recommendations except one which was classified as low risk.

The medium risk recommendation and the one that was not accepted are reproduced below:

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.2.1	All departments should be instructed to only request the creation of new accounts when there is an actual invoice to be raised to avoid the unnecessary creation of new accounts which are not used.	Medium	Yes	A communication will be sent to all departments reminding them to only request the creation of new accounts when there is an actual invoice to be raised. In addition, they will be advised that a review will take place and any new accounts older than two months which don't have an invoice will be deactivated.	Team leader, sundry debts	September 2020
4.2.2	Management should review the checks carried out by the debtors team prior to new debtor accounts being created to ensure that they are as effective as possible.	Low	No	This recommendation is not being accepted due to the high level of accounts being created and the limited resource we have available. However, as noted above, regular checking of accounts created will take place to ensure they are active.	Not applicable	Not applicable

2. MB/1124/RM GDPR (2019/20)

GDPR and an updated Data Protection Act came into force in 2018 bringing significant additional duties on organisations, individual responsibilities on officers and increased rights for citizens. The Chief Executive of an organisation is considered to be the Senior Information Risk Owner (SIRO) and must ensure information risk is appropriately managed across the Council. This includes promoting a culture for the protection and use of information in line with the Act. Whilst the overall role of SIRO rests with the Chief Executive, specific responsibilities can be delegated to Directors and Heads of Service.

The review covered the following key control objectives:

- The six data protection principles are adhered to that regulate when and how personal data should be processed
- Data Protection Governance Arrangements comply with policy
- Data Protection Impact Assessments (DPIAs) are carried out where appropriate using the correct template

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- Where a third party processes personal data on the Council's behalf, there is a written agreement
- Information Asset Register requirements per the Data Protection Policy are being met
- Council application forms include appropriate wording relating to GDPR
- All relevant employees have attended GDPR training annually and that they are provided with guidance, and procedures to aid compliance
- Records management processes are in place for managing both electronic and manual records containing personal data.

Work was undertaken in the lead up to the introduction of DPA2018/GDPR by the GDPR project team. With a changing landscape including guidance from the regulator of which more is expected, the opportunity to create a more defined organisational framework is progressing in line with the timescales stated within the Strategic Risk Register. The Council's DPO started in April 2019 following this role being given a statutory basis by the Data Protection Act 2018 (para 69-71). This work was progressing although the advent of covid 19 has impacted progress as data protection work focussed on the response to the pandemic.

Many of the procedures which are included in current Council policies are not being adhered to and require to be revised for example up to date Information Asset Registers being in place, no formal documentation showing DPIAs have been considered, completed and signed off and no regular meetings of departmental data protection representatives being in place. However the DPO stated that all procedures are to be reviewed so that they are compatible with each other and are in line with guidance published by the Information Commissioner's Office. Work is currently taking place to establish a Council-wide Information Asset Register as a key element of a wider Information Governance Framework.

Ten recommendations were made, one of which was classified as medium risk, with the remaining ones as low risk. All recommendations were accepted by management. The medium risk recommendation is reproduced below with the departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.4.1	Departments should undertake a review of their current contracts and sharing agreements and in the meantime this control measure moved into the proposed risk control measures column in the next review of the strategic risk register	M	Yes	CCS This is a significant undertaking and may prove challenging to complete quickly during the pandemic as any updates will require the engagement of contractors. A proportionate risk-based approach should be applied that also take account of any contract renewal date.	All directors	March 2022
			Yes	Environment The Business Intelligence Team will coordinate a review of Environment Department's contracts and sharing agreements. Strategic Risk Register has been amended by Chief Executive's Business Manager	Principal BI Officer	30/3/2021
			Yes	Education Undertake review of all contracts and sharing agreements.	Heather Oswald	31/12/2020
			Yes	CE Office Changes to the Strategic Risk Register will be made as requested. A review of current contracts and sharing agreements to be undertaken. All sharing agreements to be authorised by Chief Legal Officer.	Chief Executive's Business Manager All managers within Chief Executive's Office Chief Legal Officer	October 2020 March 2021 December 2020

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
			Yes	HSCP A review of existing arrangements needs to take place to identify review periods and this will include diarising future reviews.	Governance and Compliance Officer	Jun-21

3. MB/1130/NS STORES (2019/20)

The bulk of this audit work remains incomplete due to covid restrictions however Audit attended the annual stocktake in the Thornliebank depot on Saturday 7 March 2020 and a report submitted in respect of this aspect only. A report on the full stores audit will be issued in due course.

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 £68,814 and was adjusted to £68,977 after the stock had been counted meaning a net adjustment of £163 has been made. Of the variances there were no large or unusual differences. No recommendations were made.

4. MB/1132/FM PAYMENT OF INVOICES PI

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 2019/20 of 75.3% was deemed to be materially accurate. One recommendation which was classified as low risk was made and 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

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EAST RENFREWSHIRE COUNCIL
Internal Audit Section

QUARTERLY PERFORMANCE INDICATORS

<u>Internal Audit Indicators reported Quarterly</u>	Target (where applicable)	Quarter 2 Actual 2020/21	Quarter 2 Cumulative 2020/21
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	59%	44%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	2	5
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	8	19%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter.	-	1	1
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	8.6 weeks	8.6 weeks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	1 working days	1 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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