

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE18 FEBRUARY 2021Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2020/21 QUARTER 3 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 subsequently revised in August 2020 and to propose further 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 3

3. A copy of the revised annual audit plan for 2020/21 is shown in appendix 1. Three audits relating to planned 2020/21 audit work have been completed in quarter 3 as shown in appendices 2 and 3. 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. Some indicators are not being met due to COVID19 restrictions on audit work that can be carried out during lockdown and delays in departments responding to audit queries.

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.

PROPOSED FURTHER AMENDMENTS TO ANNUAL AUDIT PLAN 2020/21

5. In August 2020, a reduced revised annual audit plan was approved by the Audit and Scrutiny Committee. At that time, it was hoped that some lockdown restrictions would ease and some planned audits could be conducted in the latter part of the financial year however the Audit and Scrutiny Committee were advised that the situation would be kept under review. Continuing restrictions and a further reduction in audit days available now requires us to request approval for deletion of further items from the audit plan.

6. Internal audit are currently operating with one vacant post due to an internal secondment which commenced in November 2018 and was supposed to be for a 2 year period. An attempt was made to fill this vacancy on a temporary basis in May 2019 which was unsuccessful. At the time of submitting the audit plan in March 2020 it was stated that the number of days available for 2020/21 was considered adequate on the assumption that this vacancy would be filled in the first quarter of the year and that the secondment would end during the year. Whilst there has always been the option to fill this vacancy on a

temporary basis, it is not considered practical during lockdown whilst there is restricted access to council officers and premises and all employees are working remotely. Further options to address the vacancy will be considered once lockdown restrictions ease. In addition, a member of the internal audit team has been absent on a long term basis since early November 2020 so audit days available are further reduced. On this basis a reassessment of the number of audit days available in 2020/21 has been made. This is shown at appendix 5.

7. The intention was to carry out remaining audits in the revised audit plan in the latter part of the financial year, however this has proved impractical as key employees within these services are still not available to answer audit queries as they have been diverted to facilitate COVID19 priority tasks or having to provide core services in alternative ways. For this reason many audits, primarily in Environment, HSCP, ERCLT or Education are not feasible to conduct at this time. Priority has been given to trying to complete audits which will enable Audit to provide some year end assurance to management.

8. It is therefore proposed that some audits are now deferred/deleted from the plan as indicated in appendix 2. An estimated shortfall of 66 available days (appendix 5) remains even after deleting these audits from the 2020/21 plan and this will be kept under review in the remaining period to the end of the financial year. In addition, five audits remain outstanding from the 2019/20 plan and efforts to progress and complete these has proved difficult.

RECOMMENDATION

9. The Committee is asked to:

- (a) note Internal Audit's progress report for audits completed in quarter 3 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; and
- (c) approve the 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 days Aug 20 | Revised days Feb 21 | Status |
|-------------------------------------|--|-------------------|----------------------|---------------------|---------------------|---------------------------|
| Chief Executives | Financial Ledger and budgetary control | 1 | 20 | 20 | 20 | |
| Corporate & Community | Payroll | 2 | 25 | - | - | DEFER 1 |
| | Maximising Attendance | 3 | 20 | - | - | DEFER 1 |
| | Overtime | 4 | 22 | 22 | - | DEFER 2 |
| | Cash income and banking | 5 | 22 | 22 | 22 | In progress |
| | Creditor Payments | 6 | 10 | 10 | 10 | |
| | Debtors control | 7 | 10 | 10 | 10 | |
| | Housing Benefit/ Universal Credit | 8 | 30 | 30 | 30 | In progress |
| | Clothing Grants/free school meals | 9 | 12 | 12 | - | DEFER 2 |
| | Council tax – billing and collection | 10 | 24 | 24 | 24 | In progress |
| | NDR | 11 | 7 | - | - | DEFER 1 |
| | Travelling and subsistence | 12 | 12 | - | - | DEFER 1 |
| | Education | Pupil Equity Fund | 13 | 12 | - | - |
| Environmental Controls – Education | | 14 | 10 | 10 | - | DEFER 2 |
| Schools Cluster | | 15 | 30 | 30 | - | DEFER 2 |
| Educational payments | | 16 | 8 | 8 | 8 | In progress |
| Environment | Asset Management | 17 | 20 | - | - | DEFER 1 |
| | Grant Certification | 18 | 15 | - | - | DEFER 1 |
| | Gas Servicing | 19 | 15 | 15 | - | DEFER 2 |
| | City Deal | 20 | 15 | 10 | 10 | |
| | Burial Income | 21 | 8 | 8 | 8 | Complete |
| | Health and Safety | 22 | 15 | - | - | DEFER 1 |
| | Climate Change Report | 23 | 5 | 5 | 5 | Complete |
| | Energy and Fuel | 24 | 15 | - | - | DEFER 1 |
| Housing | Housing Allocations and homeless person accomm | 25 | 27 | - | - | DEFER 1 |
| | New Council Houses | 26 | 20 | 20 | - | DEFER 2 |
| HSCP | Care First Finance System | 27 | 15 | - | - | DEFER 1 |
| | IJB | 28 | 20 | 20 | - | DEFER 2 |
| Trust | Culture and Leisure Limited Trust | 29 | 20 | 20 | - | DEFER 2 |
| Various | Contract 1 | 30 | 20 | 20 | 20 | In progress |
| | Contract 2 | 31 | 20 | - | - | DEFER 1 |
| | Application Audit Integra | 32 | 32 | 32 | 32 | In progress |
| | Fraud Contingency | 33 | 67 | 47 | 47 | In progress |
| | General Contingency | 34 | 30 | 30 | 30 | In progress |
| | LG Benchmarking Framework | | | | | |
| | sickness | 35 | 5 | 5 | 5 | Complete |
| | creditors | 35 | 5 | 5 | 5 | Complete |
| Follow up | 36 | 50 | 50 | 25 | In progress | |
| Previous year audits Note1 | 37 | 20 | 8 | 8 | Complete | |
| Audits carried forward from 2019/20 | Stores | 38 | | | | |
| | Housing voids | 39 | | | | |
| | Carers Legislation | 40 | | 30 | 30 | In progress but suspended |
| | Payment to Care Providers | 41 | | | | |
| | HSCP follow up | 42 | | | | |
| Total | | | 733 | 523 | 349 | |

Note 1 previous year audits were completed with the exception of the five which have been carried forward.
DEFER 1 relates to audits which were deleted/deferred and approved by Committee in August 2020.
DEFER 2 relates to audits which are now proposed for deletion/deferral.

BLANK PAGE

| INTERNAL AUDIT | | | | | | | | | | | | | | |
|----------------------------------|-----------|---|-------------------|--------------------|-----------------------|----------------|----------------|--------------------------|-------|---|---|---|---|--------------|
| REPORTS AND MEMOS ISSUED 2020/21 | | | | | | | | | | | | | | |
| FILE REF | AUDIT NO. | SUBJECT | DEPARTMENT | DATE AUDIT STARTED | DATE REPORT MEMO SENT | DATE REPLY DUE | DATE REPLY REC | COMMENTS | Total | H | M | L | E | Not accepted |
| MB/1131/NS | 35 | Sickness Absence PI | Corp & Comm | 03/06/20 | 9/11/20 | n/a | 9/11/20 | Satisfactory | 3 | - | 1 | 2 | - | - |
| MB/1132/FM | 35 | Payment of Invoices PI | Chief Exec Office | 21/05/20 | 21/07/20 | 28/08/20 | 14/08/20 | Satisfactory | 1 | - | - | 1 | - | - |
| MB/1133/FM | 10 | Council Tax – Billing & Collection | Corp & Comm | 08/06/20 | | | | | | | | | | |
| MB/1134/NS | 32 | Applications Audit of Integra | Corp & Comm | 11/06/20 | | | | | | | | | | |
| MB/1135/RM | 8 | Housing Benefit – Overpayments/Fraud Prevention & Detection | Corp & Comm | 10/06/20 | | | | | | | | | | |
| MB/1136/NS | 21 | Burial Income | Environment | 12/08/20 | 9/10/20 | 13/11/20 | 3/11/20 | Satisfactory | 4 | - | 1 | 3 | - | - |
| MB/1137/FM | 5 | Cash Income and Banking | Corp & Comm | 10/09/20 | | | | | | | | | | |
| MB/1138/RM | 30 | Contract audit –Covid19 | Chief Exec Office | 2/09/20 | | | | | | | | | | |
| MB/1139/NS | 16 | Educational Payments (EMA) | Education | 1/10/20 | | | | | | | | | | |
| MB/1140/NS | 36 | Corp & Comm Services Follow up | Corp & Comm | 22/09/20 | | | | | | | | | | |
| MB/1141/FM | | Chief Executive's Follow up | Chief Exec Office | 26/10/20 | | | | | | | | | | |
| MB/1142/NS | | Climate Change Report | Environment | 12/11/20 | 15/12/20 | n/a | n/a | n/a no response required | 0 | - | - | - | - | - |

BLANK PAGE

+
SUMMARY OF 2020/21 REPORTS ISSUED WHERE RESPONSES WERE RECEIVED IN QUARTER ENDED 30 DECEMBER 2020

1. MB/1131/NS 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 to audit for 2019/20 of 5.2 days lost per employee for teachers and 13.0 days per employee for all other Local Government employees were revised slightly as a result of the audit to 4.6 days and 12.5 days respectively and are now deemed to be materially accurate.

Three recommendations were made, one was classified as medium and the remaining two as low risk. All recommendations were accepted by management. The medium risk is as follows:

| Ref. | Recommendation | Risk Rating | Accepted Yes/No | Comments (if appropriate) | Officer Responsible | Timescale for completion |
|------|---|-------------|-----------------|--|---------------------|--------------------------|
| 1.1 | A check should be performed to ensure that the records being scanned into Information@Work are in a format that is legible to ensure future reference can be made to the records. | Medium | Yes | HR/payroll will check the records they scan in themselves. | Kath McCormack | 30/11/2020 |

2. MB/1136/NS Burial Income

The objectives of the audit were to ensure that:

- All income received is appropriately accounted for
- All appropriate paperwork relating to the burial has been received and filed
- All subsidiary records have been updated with accurate information relating to the burial
- Regular reconciliations are carried out to ensure all expected income has been received and posted to the correct ledger code
- Fees and charges approved by Cabinet are being correctly applied

Due to restrictions in place due to COVID-19 it was not possible to visit the offices during the audit to confirm that the lair registers were being updated however confirmation was received from Senior Support Assistant that weekly visits were being made to the office to collate burial records and update the lair registers.

It was noted that reconciliations to the ledger are not being carried out to ensure that all income due is being received and accurately accounted for and that overdue amounts are being pursued in a timely manner. It was also noted that there was some inconsistency in the application of resident/non-resident charges which has now been addressed by the issue of clearer guidance.

Four 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 |
|-------|--|-------------|-----------------|--|---------------------|---------------------------|
| 4.2.1 | The Senior Support Officer should regularly reconcile ledger income to the burial records to demonstrate that all income is being received and timely action is taken for amounts outstanding. | Medium | Yes | Forms of reconciliation are already carried out, now with Integra a new report has been created where these can be matched to the budgetary control reports. | Sandra Rankin | Complete – Ongoing action |

+

3. MB/1142/NS CLIMATE CHANGE REPORT

There is no report output for this audit as the prime objective is to verify the accuracy and reasonableness of the figures submitted in this return which the Environment Department have to submit to Scottish Government annually. No recommendations were made.

| 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 3 Actual 2020/21 | Quarter 3 Cumulative 2020/21 |
|---|------------------------------|--------------------------------|------------------------------------|
| 2. Audit Coverage. | | | |
| 2.2 Actual direct audit days as a percentage of total days available | 75% | 55% | 47% |
| 2.3 Number of requests for assistance/queries raised by departments outwith planned audit work. | - | 2 | 7 |
| 2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence) | <100% | 22% | 41% |
| 5. Issue of Reports. | | | |
| 5.1 Number of audit reports issued per quarter. | - | 3 | 4 |
| 5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1) | 12 weeks | 11.9 weeks | 11.0 weeks |
| 5.3 Ave. time taken to issue report (working days). (Note 2) | 10 working days | 15.7 working days | 12.0 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.

BLANK PAGE

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 approved August 2020 | 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) |
| | DAYS REQUIRED POSITION AS APPROVED AUGUST 2020 | | 523 |
| Less: Further proposed audits to be deleted from audit plan | ERCLT audits School cluster audit Overtime New Council houses IJB Environmental Controls Education Gas servicing Clothing grants, FSM Reduce days for Follow up | 20 30 22 20 20 10 15 12 25 | (174) |
| | | | 349 |

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 Sickness Absence | (200) (100) |
| Subtotal | | 433 |
| Less: Lockdown restrictions and volunteering by internal audit staff to assist other services | | (150) |

| | | |
|--|--|------------|
| Revised estimated days available for direct audit work | | 283 |
|--|--|------------|

| | |
|--|-----------|
| REMAINING NET SHORTFALL IN ESTIMATED DAYS AVAILABLE | 66 |
|--|-----------|