

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE24 JUNE 2021Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2020/21 QUARTER 4**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 again in February 2021.

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 4

3. A copy of the revised annual audit plan for 2020/21 is shown in appendix 1. Four audits relating to planned 2020/21 audit work have been completed in quarter 4 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. One new request for assistance was dealt with using contingency time during the quarter. This investigation is ongoing and has also been referred to the police so no further information can be provided at this time however an update will be provided once any investigation is complete.

5. Six audits relating to planned 2020/21 audit work are still in progress and it is hoped that these can be issued soon.

RECOMMENDATION

6. The Committee is asked to:

- (a) note Internal Audit's progress report for audits completed in quarter 4 of 2020/21 and
- (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 days Aug 20	Revised days Feb 21	Status
Chief Executives	Financial Ledger and budgetary control	1	20	20	20	In progress
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	In progress
	Debtors control	7	10	10	10	Complete
	Housing Benefit/ Universal Credit	8	30	30	30	Complete
	Clothing Grants/free school meals	9	12	12	-	DEFER 2
	Council tax – billing and collection	10	24	24	24	Complete
	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	Complete
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	In progress
	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	Complete
	Fraud Contingency	33	67	47	47	In progress
	General Contingency	34	30	30	30	Complete
	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				In progress but suspended
	Housing voids	39				
	Carers Legislation (complete)	40		30	30	
	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 were deleted/deferred and approved by Committee in February 2021.

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**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/1145/FM	1	Financial Ledger and Budgetary Control	Chief Exec Office	18/02/21										
MB/1146/NS	20	City Deal	Environment	26/02/21										

Reports issued in quarter are shown in bold.

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SUMMARY OF 2020/21 REPORTS ISSUED WHERE RESPONSES WERE RECEIVED SINCE LAST PROGRESS REPORT

1. MB/1133/FM Council Tax System – Billing and Collection

The objectives of the audit were to ensure that:

- Procedures and regulations have been established and cover the processes
- Issue of demands for council tax meet legislative requirements and accounts are readily identifiable
- Various payment methods are available and accuracy of bills are checked before the payment run is carried out
- Procedures ensure amended/revised bills are supported by adequate evidence and that suppression cases are restricted and regularly reviewed
- Income collected is readily identifiable and updates relevant records promptly
- Reconciliations are undertaken to agree income collected, refunds made and housing benefits posted
- Data is held in accordance with policies and is secure

When the audit commenced the old council tax system ORBiS was still in use but as the audit concluded the new council tax system was functional. The work undertaken within the council tax team to implement the new system has meant that some tasks which would usually be scheduled, such as review of billing suppressions, have not been completed at the usual frequency. This has also resulted in a back log of tasks which are currently being worked through. Responses to audit queries were sometimes slow which resulted in the audit taking longer to complete compared to normal circumstances.

Some issues were noted during the audit such as credit balances on accounts not being dealt with promptly and a lack of evidence that bank reconciliations were being reviewed. In total, eight recommendations were made, two of which were classified as medium risk, with the remaining ones as low risk. All recommendations were accepted by management. The medium risk recommendations are reproduced below with the departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Council tax staff must ensure that accounts in credit, particularly those with larger balances are reviewed regularly and the appropriate action taken promptly after any investigations have concluded.	Medium	Yes	Additional resource will be required to carry out the necessary activity to alleviate this risk. Following the implementation of the new software system for Revenues & benefits, a full review of tasks and resources is planned for the 2021-22 year and this work will be taken into account in the review.	Senior Revenues Manager & Operations Manager	December 2021
4.5.1	Review of billing suppression reports should resume and be carried out regularly now that the new council tax system is functional.	Medium	Yes	An exceptions report is produced every time a billing job is run which shows the accounts where a bill has been suppressed. These exceptions reports are checked. Evidence of the checking and outcome is retained.	Senior Revenues Officer	In Place

2. MB/1134/NS Application Audit of Integra

The objectives of the audit were to ensure that:

- Each transaction is authorised, complete, accurate, timely and input once only;
- An appropriate level of control is maintained during processing to ensure completeness and accuracy of data;

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- Controls ensure accuracy, completeness, confidentiality and timeliness of output reports and interfaces;
- A complete audit trail is maintained which allows an item to be traced from its final resting place, and a final result broken down into its constituent parts;
- Arrangements exist for creating back-up copies of data and programs, storing and retaining them securely and recovering applications in the event of failure.

Generally, the system appears to be robust and areas of control checked by audit have all been addressed by the Core Systems Team responsible for the different areas of the system. Testing carried out during the audit showed that there are appropriate controls in place to limit access to the system and access which is granted is restricted to the areas of the system required to allow employees to carry out their duties. However, it was noted that there were a number of former employees who still had access to the system and there appeared to be a high number of non-employee accounts. It was recognised that a full review of users had still to be carried out.

It was also noted that the new system allows supporting documentation to be attached to transactions within each of the modules (excluding the P2P module) but testing carried out showed that this was not always being done.

Seven recommendations were made, six were classified as medium risk, with the remaining one as low risk. All recommendations were accepted by management. The medium risk recommendations are reproduced below with the departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	A full review of users should be carried out, covering all modules, to ensure only current employees have access to the system and that the access levels are appropriate.	Medium	Yes	A user review is currently being progressed. It is part of a wider review including authorised signatories, Icon user access etc.	Head of Accountancy (CEO Business Support)	31 March 2021
4.1.2	All generic/non-employee logins should be reviewed to ensure that the number is appropriately restricted and controlled.	Medium	Yes	Now reviewed. 2 generic log-ins deleted. Remaining 8 generic log-ins are minimum required for running background jobs & operation of software. Capita employee log-ins have also been reviewed & accounts disabled where appropriate. All other users are included in review at 4.1.1 above.	Core Systems Programme Manager (Core Systems Development Manager)	31 March 2021
4.1.3	The authorisation of new users and the ability to select any user on the system as an authoriser should be reviewed for appropriateness.	Medium	Yes	The group of individuals who can approve new users will be restricted to the Integra Authorised Signatories list. This list is used for invoice approval and indicates a degree of financial responsibility. Ultimately, the new user will only be set up by the Core Systems team after checking that the e-form has been appropriately authorised.	Core Systems Programme Manager (Core Systems Development Manager)	31 March 2021
4.1.4	The Core Systems Team and Systems Administrator should not carry out any changes to security profiles unless supported by an appropriately authorised e-form.	Medium	Part Yes	No changes to security profiles for purchase ordering, accounts payable or accounts receivable will be processed without a supporting e-form. Access to cost centres may be amended by Core Systems team where an email request is submitted by an authorised signatory. Such emails will be retained as an audit trail by the Core Systems team.	Core Systems Programme Manager (Core Systems Development Manager)	31 March 2021

4.3.1	Users responsible for the clearance of suspense accounts should be instructed to ensure that items are cleared before the period end and should not be carried forward for more than two periods	Medium	Yes	Issue email to Finance Business Partners/Accountancy staff	Head of Accountancy	31 March 2021
4.4.1	The system provider should be contacted and arrangements made to carry out appropriate training on report writing to allow information to be extracted from the system in the most efficient way.	Medium	Yes	<p>Training for Core Systems staff on Crystal reports was arranged for March 2020 but was cancelled due to Covid restrictions. It has been rescheduled to March 2021 but will be difficult to achieve remotely.</p> <p>However, the Core Systems Board has determined that users should utilise a suite of standard reports, rather than developing a huge range of ad hoc reports as with the previous system.</p> <p>The main method of reporting is the Integra in built reporting tool Xquery – this was included in the tender response and has been utilised since go-live. Access to this report writer has been given to the Core Systems team and the Chief Internal Auditor and can be expanded to the Internal Audit team if required.</p> <p>Crystal reports functionality is available but on a restricted licence basis (6 licences). It is currently used by the Core Systems team to format outputs such as purchase orders, cheques, bacs remittance advice, sales invoices etc It was not purchased or intended to be used as the main reporting tool.</p> <p>It can be used to supplement the Xquery tool e.g. reports with over 100,000 records or interrogating large tables more quickly but it is not a replacement for Xquery.</p>	Core Systems Programme Manager (Core Systems Development Manager)	31 March 2021

3. MB/1135/RM HOUSING BENEFIT

The audit covered two main areas and the objectives covered were as follows:

Fraud Detection and Prevention:

- vetting and training of employees
- do not redirect scheme
- fraud referrals
- data matching
- undertaking and managing investigations
- use of sanctions

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 - security of data

(It is noted that fraud investigation activity has greatly reduced as the Council no long has an internal Housing Benefit fraud investigation team)

Overpayments:

- Overpayments are accurately recorded and classified within the benefits system
- Adequate records are in place to demonstrate that all overpayments are identified and appropriate recovery action implemented
- Controls are in place to ensure that all write offs are justified and are in accordance with Council policy
- Security of data.

Generally, no significant control failures were identified and the processes within the areas reviewed are operating satisfactorily.

Due to the advent of the pandemic and problems experienced due to the implementation of the new system, some tasks which were previously being carried out have been suspended or been delayed. These include review forms which had begun to be sent out to existing claimants on a targeted basis at the end of 2019. They had not previously been issued for quite a long period prior to 2019. However, none have been issued since the lockdown. There have been long delays in issuing decision notices to recover overpayments, birthday lists have not been reviewed since September 2020 and HB Data Matching lists have not been reviewed since October 2020.

Management are aware of these issues and hope to be in a position to address them in the near future. The audit testing was limited in some areas due to this and also due to some actions being limited due to covid restrictions.

Some of the recommendations previously made have not been demonstrated to have been implemented.

Eleven recommendations were made, all of which were classified as low risk. All recommendations were accepted by management.

4. MB/1139/NS Educational Payments

The objectives of the audit were to ensure that:

- Education Maintenance Allowances (EMA) are only paid to pupils who meet the qualifying criteria
- Satisfactory checks are carried out on the financial details supplied by applicants
- Calculation of EMAs are in agreement with the guidance document
- Attendance at school is monitored by staff administering EMAs
- Any overpayments are recovered

The administration of EMAs was found to be well controlled and organised with all information readily available along with supporting documentation. Overall, the controls in place appear to be operating satisfactorily.

There were a couple of minor points noted in relation to reconciliation of ledger and classification of student payments that need to be addressed to strengthen the controls already in place.

Two recommendations were made, one was classified as medium risk, with the remaining one as low risk. Both 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
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Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Periodic reconciliations between the education system and financial ledger should be carried to ensure that all income and expenditure is being accounted for accurately.	Medium	Y	Termly reconciliations between the education system and financial ledger will continue to take place and will be marked on the spreadsheet as evidence.	Pauline Stewart	Complete

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 4 Actual 2020/21	Quarter 4 Cumulative 2020/21
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	59%	50%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	1	8
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	16%	57%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter.	-	6	10
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	31.9 weeks	23.5 weeks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	22.8 working days	18.3 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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