

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE12 AUGUST 2021Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2021/22 QUARTER 1**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2021/22 as approved in June 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 2021/22 - PROGRESS REPORT QUARTER 1

3. A copy of the annual audit plan for 2021/22 is shown in appendix 1. No audits relating to planned 2021/22 audit work were completed in quarter 1 as shown in appendix 2. Appendix 3 gives detail of three reports which were carried out as part of the 2020/21 plan where the responses were received since the last 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. 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. There is also an investigation ongoing which commenced in 2020/21 and time spent on this is being carried out using contingency time.

5. Three 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 quarter 1 of 2021/22 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 2021/22 PROGRESS REPORT

Department	Title	Audit Number	Original No. of days	Status
Chief Executives	Corporate Procurement Cards	1	15	
Corporate & Community	Payroll	2	28	In progress
	Creditor interfaces, e-invoicing	3	18	
	Debtors	4	24	
	Housing Benefits/Universal Credit	5	30	
	Clothing grants, free school meals	6	12	
	Council tax – reductions and liability	7	24	
	Education	Environmental controls – Education	8	
Schools cluster		9	32	
Environment	Clyde Valley Contract Group	10	13	In progress
	Grant certification	11	15	
	Gas Servicing	12	15	
	City Deal	13	15	
	Climate Change Report	14	5	
	COVID business grants	15	25	
	Energy and Fuel	16	15	
Housing	Housing Repairs	17	20	In progress
	New Council Houses	18	24	
HSCP	Care First Finance System	19	20	
	Kinship, fostering and adoption	20	16	
	IJB	21	15	
Trust	Culture and Leisure Limited Trust	22	20	
Various	Contract 1 TBA	23	20	In progress
	Application Audit	24	18	
	Fraud contingency	25	70	
	General Contingency	26	30	
	LG Benchmarking Framework	27	10	
	Follow up	28	50	
	Previous year audits Note1	29	52	
Total			661	

Note 1 previous year audits were completed with the exception of three which should be issued soon.

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

1. MB/1137/FM Cash Income and Banking

The audit covered the following control objectives:

- Policies and Procedures
- Cash Counts and General Security
- Cash Up Differences and Reversal Transactions
- Postal Payments
- Reconciliations
- System Access

It was noted during the audit that reversals were not always being signed as reviewed by team leaders and notification that ICON access should be disabled for leavers was not always sent to the systems administrator.

Four recommendations were made, two were classified as medium risk, and two 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
4.1.2	All daily reversal reports should be signed/initialled as reviewed by a supervisor.	Medium	Yes	Review of current procedure and reminder to supervisors of process to be carried out.	Alan MacDonald/Raymond Berry	30/9/21
4.2.1	Managers must ensure that notification of a leaver is sent to the ICON systems administrator immediately upon the employee leaving to allow systems access to be disabled promptly.	Medium	Yes	As system owner, the Head of Accountancy will remind all departments of the need to notify the ICON systems administrator promptly of any leavers who are ICON users	Head of Accountancy	31 August 2021

2. MB1141FM Follow-up Chief Executives Office Audits

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

A total of 17 accepted recommendations were made in the reports being followed up. The main area of weakness noted during this follow up was in relation to loan interest reconciliations being brought up to date. Evidence has subsequently been provided that these are now up to date and will be carried out quarterly going forward.

Five recommendations were made, 1 was classified as medium risk with the remainder classified as low risk. All recommendations were accepted by management.

3. MB/1144/NS Debtors Control

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

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- Arrears follow-up procedures are properly controlled.

It was noted that whilst there has been an improvement in the number of customer accounts which have been created and not used there were still 21 that have been created since the last audit report was issued and not used despite clear guidance being issued to departments to highlight the GDPR implications of creating un-necessary accounts.

Testing carried out showed that there were 13 invoice numbers that could not be accounted for within the report of all invoices issued between 1 April 2020 and 12 March 2021. Core Systems confirmed that a report had been created to show missing invoice numbers but this does not appear to have been used by the Debtors Team.

The recommendation reproduced below is in relation to a sample of 15 payments received and checks carried out to ensure that the debtors account had been updated to accurately reflect the payments received. This highlighted that four of the payments were from customers who had credit balances ranging from £40.56 to £246.22. It was found that these were mainly due to a credit note being raised previously which wasn't deducted from subsequent invoices and in one case was due to payments being accepted via standing order but no invoices being raised against the account.

Six recommendations were made, one 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	A report should be generated to show all customers with a credit balance to allow a review to be carried out and ensure that customers are being accurately billed.	Medium	Yes	Management will review all credit accounts.	Lorna Adams – Accounts Payable/ Receivable Manager	31/03/2022

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 1 Actual 2021/22
2. Audit Coverage.		
2.2 Actual direct audit days as a percentage of total days available	75%	74%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	1
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	24%
5. Issue of Reports.		
5.1 Number of audit reports issued per quarter. (Note 3)	-	-
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	-
5.3 Ave. time taken to issue report (working days). (Note 2)	10 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.
3. No reports were issued in the quarter therefore no indicators available yet.

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