

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE25 NOVEMBER 2021Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2021/22 QUARTER 2**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2021/22 as approved in September 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 2**

3. A copy of the annual audit plan for 2021/22 is shown in appendix 1. Two audits relating to planned 2021/22 audit work were completed in quarter 2 as shown in appendix 2. Appendix 3 gives details of five reports which were carried out as part of the 2020/21 and 2021/22 plans 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. This did not result in a loss of cash or assets to the council.

5. One audit relating to planned 2020/21 audit work is still in progress and it is hoped that this can be issued soon.

6. One high risk recommendation in the Creditor Payments report was not accepted. Details of this have already been provided in the annual report.

**RECOMMENDATION**

7. The Committee is asked to:

- (a) note Internal Audit's progress report for quarter 2 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**  
**ANNUAL AUDIT PLAN FOR 2021/22 PROGRESS REPORT**

<b>Department</b>	<b>Title</b>	<b>Audit Number</b>	<b>Original No. of days</b>	<b>Status</b>
Chief Executives	Corporate Procurement Cards	1	15	In progress
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	10	In progress
	Schools cluster	9	32	
Environment	Clyde Valley Contract Group	10	13	Complete
	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	In progress
	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 <b>Note1</b>	29	52	
<b>Total</b>			<b>661</b>	

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

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**SUMMARY OF 2020/21 AND 2021/22 REPORTS ISSUED WHERE RESPONSES WERE RECEIVED SINCE LAST PROGRESS REPORT****1. MB1140NS Follow-up Corporate and Community Audits**

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

A total of 22 recommendations were made in the reports being followed up. Many of the recommendations followed-up have been fully implemented, although several remain outstanding and are included again in this report. The recommendations for HSCP within the reports for Payroll and C&C Follow Up are included again as the person responsible for implementation did not respond to requests for evidence of implementation. It is also noted that some aspects of follow up were restricted during lockdown due to changes in practice or accessibility to data.

All recommendations were accepted by management apart from one which was not accepted, one which was partially accepted and one which was conditionally accepted.

**2. MB/1143/FM Creditors**

The objectives of the audit were to ensure that:

- Invoices are properly checked and authorised prior to payment.
- Details on the creditors system agrees to the information per the purchase invoice.
- Purchase order forms are completed and authorised for purchases.
- Appropriate monitoring is carried out to highlight duplicate payments.
- BACS reports are received and checked prior to processing payment.
- Adequate records are maintained to show usage of local cheques.

The audit highlighted that there have been occasions where change of supplier bank details have been accepted and processed even though they have been submitted in the wrong format. There were also instances where the suppliers address and VAT registration details on Integra were different to those recorded on the supplier's invoices.

It was also noted that there appears to be an anomaly which allows purchase order lines to be amended or added so that the purchase order exceeds £49,999 without requiring secondary authorisation from the procurement team. The recommendation relating to this was not fully accepted and has already been highlighted in the Annual Report to Audit and Scrutiny Committee in September 2021.

Eleven recommendations were made, one was classified as high risk, three were classified as medium risk with the remaining ones as low risk. All recommendations were accepted by management, except the high risk recommendation. The high and 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	Core Systems should advise audit when the above report has been developed and is available for use.	Medium	N/A	Meeting held with Audit to discuss requirements for reports that will be developed as part of Release 6.	Richard Morrison, Core Systems Programme Manager	October 2021
4.1.2	Management should ensure processes are in place to enable them to demonstrate that all purchases over £50,000 have been certified by procurement in advance.	High	No	Debbie Hill - There is currently no online way to ensure advance certification from procurement for the examples where order starts under £50k, then goes over £50k but outstanding GRN status considers value to be under £50k. The 1 <sup>st</sup> line approver will not be prompted to contact Procurement		

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				and I would not support depts. sending offline information to procurement at point of amending the order as this would require a manual record required at procurement of what we have checked or not. If the recommendation of advance certification is to work Capita/Core Systems would need to develop an online solution i.e. an alert to procurement when status matches as described above, which takes us into the order to review and somehow note our approval, which I have been advised is not possible.		
4.1.3	The report requested from core systems showing total orders exceeding £49,999 should be run and actioned on a regular basis, at least weekly.	Medium	N/A	Meeting held with Audit to discuss requirements for reports that will be developed as part of Release 6.	Richard Morrison, Core Systems Programme Manager	October 2021
			Yes	Debbie Hill – Core Systems to make report available to Procurement via the Reports area of Integra. Thereafter this will be checked on a weekly basis by the Procurement Category Managers.	Procurement Category Managers	Core Systems to advise when report available.
4.2.1	Staff should be reminded that supplier bank detail changes should only be accepted from the supplier in PDF format.	Medium	Yes	Accounts Payable Compliance have been reminded to ensure all bank detail change forms are received in a PDF format	Lorna Adams – Accounts Payable/ Receivable Manager	Complete

### 3. MB/1145/FM Financial Ledger and Budgetary Control

The audit covered the following areas:

- Policies and procedures
- Financial information systems
- Budgetary control
- Coding structure
- Feeder systems
- Journals and internal transactions
- Suspense and holding accounts



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- Bank reconciliations
- Security of data

Testing carried out showed that there are no serious weaknesses with the controls in place. However, it appears that some of the SOP's (Standard Operating Procedures) are overdue and require to be updated.

It was also noted that there is still work ongoing in setting up interfaces between satellite systems and the financial ledger. An interface for the Roads Job Costing systems is due to be implemented during September 2021 and an interface for Servitor will follow in due course, most likely in 2022. As such, transactions for these systems were not traced to the ledger as part of this audit.

Seven recommendations were made, two 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
4.5.1	The Tribal/Integra interface report for July 2021 should be provided to audit when available.	Medium	Yes	The report will be made available shortly	David Baird / Jim Murray	30/11/2021
4.5.2	Audit should be provided with evidence to demonstrate that the Tribal Integra Reconciliation report is being utilised to ensure that the two systems reflect the same information	Medium	Yes	The report is being run and a sample of the entries on it will be checked to provide a rational for any variation between the initial order and the final invoice. This is being incorporated into a revised Post Inspection procedure which is being rolled out.	David Baird	30/11/2021

#### 4. MB/1147/EL Gas Servicing

The objectives of the audit were to ensure that:

- All gas works comply with the relevant gas regulations and approved codes of practice
- Job activities are risk assessed and appropriate control measures implemented, including those related to COVID19
- Ensure accurate and up to date records are kept on when gas servicing has been carried out at each property.
- Ensure gas servicing for all properties is carried out at the prescribed frequencies and appropriate action taken where initial access is not given.
- Payments made under contract are accurate and within agreed amounts
- Any person working on gas servicing has the relevant qualifications, be registered on the gas safe register and receive refresher training as required
- Suitable tools, equipment and personal protective equipment and guidance have been provided to operatives carrying out gas servicing during period when social distancing measures are required due to COVID19.

There have been no forced entries to any property during the level 4 lockdown periods and as such, this area could not be tested. In total there were 25 properties out of a total of 2,700 properties that under normal circumstances would potentially have resulted in forced entry.

Audit were advised that considerable effort has been expended to contact tenants via telephone, letter and doorstep visits to attempt to gain entry to allow the service to take place. The team are to be commended for their exemplary contribution to continuity of work and ensuring the safety of tenants in this unusual time.

Three of the points raised in the report was also in the previous audit and have not been implemented after agreement to do so in the departmental response. These points previously raised should have been implemented in the timescales specified by the department prior to the advent of the Covid 19 pandemic.

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Eleven recommendations were made, four 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
4.2.1	<p>The procedures for dealing with actual forced entries resulting in lock changes should be reviewed and strengthened to allow:</p> <ul style="list-style-type: none"> <li>Signed mandates to be returned to a specific named team/individual for action;</li> <li>A formal record to be created at the point of the forced entry and lock change that can be used to check if the debtors account has been raised;</li> <li>Follow up by the gas servicing team to ensure that mandates are returned and accounts raised for all lock changes;</li> <li>Regular monitoring of outstanding invoices and action to recover amounts owed.</li> <li>A formal procedure covering the raising of debtors invoices for this charge available to staff involved in the process</li> <li>Clarification of the amounts to be charged.</li> </ul>	Medium	Yes	<p>The process will be reviewed. However, for a lock change the raised job is ticked as chargeable. There is a process for staff to recharge tenants. The return or non-return of the mandate, does not affect this process. A random sample picked up two missed in the last year and they have now been updated. A BI report now exists to check any cases missed and this will be run regularly to avoid this happening again. Debt recovery is undertaken by the debtors' service on behalf of Housing Services. We are asked if we agree to write off any non-payments after a period of time has expired, in the case of non-payment. Most forced access are the result of the customer absconding with no forwarding address. However a key action for 21/22 is for Housing Services to pursue non-rental debt out with the formal process.</p> <p>Suggested amendment. Housing Services will undertake a cost benefit analysis of this process to determine if the cost to pursue is a good use of tenants money and the approach taken by other councils</p>	Kenny Mollins	30/09/2021
4.4.2	All gas servicing records should use the unique UPRN as the key reference.	Medium	Yes	City Technical have been instructed to do this.	Gbemi Taiwo	Complete

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.5.3	Any variation to contracted amounts must be notified to the Accountancy team to ensure accurate posting the financial ledger.	Medium	Yes	On receipt of the valuation 1, 4 properties did not have the supporting certificates to allow payment to be made. At this point the Contractor should have been e-mailed to provide the certificates or be told the reason for the lower payment. This was an oversight and in future this will happen. However, the correct process of paying certificated jobs was followed. There is no need to inform the Accountant as they only post actual payments to the ledger.	Katrina Hamilton	Completed
4.5.4	Evidence to support the additional £6,135 should be provided to Audit.	Medium	Yes	The figure is not actually £6,135. It includes the charge for the 4 properties (see 4.5.3 above) but also VAT and 5% retention. A full breakdown of the cost has now been provided in a separate e-mail.	Katrina Hamilton	Completed

#### 5. MB/1148/EL Payment of Invoices Indicator 2020/21

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 2020/21 of 79.8% was deemed to be materially accurate.

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

Risk Ratings for Recommendations	
<b>High</b>	<ul style="list-style-type: none"> <li>Key controls absent, not being operated as designed or could be improved and could impact on the organisation as a whole.</li> <li>Corrective action must be taken and should start immediately.</li> </ul>
<b>Medium</b>	<ul style="list-style-type: none"> <li>There are areas of control weakness which may be individually significant controls but unlikely to affect the organisation as a whole.</li> <li>Corrective action should be taken within a reasonable timescale.</li> </ul>
<b>Low</b>	<ul style="list-style-type: none"> <li>Area is generally well controlled or minor control improvements needed.</li> <li>Lower level controls absent, not being operated as designed or could be improved</li> </ul>

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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 2021/22	Cumulative Actual 2021/22
<b>2. Audit Coverage.</b>			
2.2 Actual direct audit days as a percentage of total days available	75%	77%	75%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	1	2
2.4 Percentage of planned contingency time used.  (Days available exclude public holidays, annual leave and sickness absence)	<100%	19%	43%
<b>5. Issue of Reports.</b>			
5.1 Number of audit reports issued per quarter. (Note 3)	-	2	2
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	12.9	12.9
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	18	18

**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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