

# East Renfrewshire Council

Management report 2021/22



 AUDIT SCOTLAND

Prepared by Audit Scotland  
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# Audit findings

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## Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at East Renfrewshire Council. This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the annual accounts. We considered the results of this testing when determining our approach to the audit of the 2021/22 annual accounts.

2. Our responsibilities under the [Code of Audit Practice](#) require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- complies with established policies, procedures, laws and regulations.

## Conclusion

3. Our audit testing did not identify any significant control weaknesses. We did identify some less significant issues which have been noted in Exhibit 1. These have been discussed with management so that appropriate actions could be taken.

## Work summary

4. Our 2021/22 testing covered key controls in a number of areas including bank reconciliations, payroll validation and exception reporting, authorisation of journals, change of supplier bank details and IT access controls. Additionally, we tested controls in the following areas: budget monitoring and control; feeder system reconciliations and controls for preventing and detecting fraud in areas such as taxation receipts, welfare benefits, grants and other claims.

5. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and, where appropriate, prior year results. Our risk-based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. Also, where possible, we place reliance on the work of internal audit to avoid duplication of effort.

6. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

## Risks identified

7. The key control risks identified during the interim audit are detailed in [Exhibit 1](#). These findings will inform our approach to the financial statements audit where relevant.

8. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to East Renfrewshire Council.

## Additional follow-up work

9. In response to the findings from our controls work, the audit team have undertaken additional substantive testing to gain the required assurances for the financial statements audit. Details of specific work undertaken are detailed in Exhibit 1 below.

## Exhibit 1

### Key findings and action plan 2021/22

Issue identified	Management response	Responsible officer/target date
<p><b>Review of User Access</b></p> <p>It is good practice to review system access and permissions on a regular basis. During 2021/22 a full review of system access did not take place for the council tax and benefit system or the housing rent system.</p> <p>As part of our work we have reviewed a sample of system users across the council tax, benefits and housing rent system and confirmed the reasonableness of their access rights.</p>	<p>It is agreed that a review of system access and permissions on a regular basis is best practice. The new Council Tax &amp; Benefits system has additional functionality which will result in a user's access being disabled if unused for more than 60 days. This is an added safeguard which was not available in the previous system. Additionally a new role of Product Owner was introduced in November 2021. This role segregates the operational from system activity, and is responsible for system access and permissions, with ongoing review. A formal annual review process will be introduced during 2022.</p>	<p>Business Operations &amp; Partnerships: Senior Revenues Manager</p> <p>31/12/22</p>
<p><b>There is an increased risk of fraud occurring due to staff having inappropriate</b></p>	<p>With regards to the implementation of the NEC Housing System all users are currently being reviewed, along with permissions granted. No</p>	<p>Environment: Senior Housing Manager</p>

Issue identified	Management response	Responsible officer/target date
<p><b>access to key financial systems.</b></p>	<p>access is being carried over from the former system ensuring all users are approved and current.</p>	<p>31/12/22</p>
<p><b>Employee verification</b></p> <p>An employee verification exercise is underway within the council with managers confirming on the iTrent system the employees within their team.</p> <p>Examples of managers responses to the exercise were shared with audit. However, we noted delays in staff being assigned to the correct manager in instances where the employee had been incorrectly mapped on the system.</p> <p>We will undertake further substantive testing of employee existence to gain the required assurances needed for the financial statements audit.</p> <p><b>There is a risk that the underlying payroll data is incomplete or incorrect and that changes to the payroll system are not actioned promptly.</b></p>	<p>The employee verification exercise is to identify fake employees. Immediate action is taken for any employee who should not be on the system to remove them and to determine if any incorrect payment has been made and take action to recover this. Regular reminders are issued to managers of the leavers process and actions that should be taken</p> <p>Via iTrent, HR and Payroll system, managers can easily see their direct reports on the system. Regular communications will be issued to ensure managers check these are up to date in addition to the annual verification exercise. In addition, regular lists of any incorrect payroll payments due to late notifications to Payroll will be shared to DMT and HRBPs to ensure that appropriate follow up takes place.</p> <p>Incorrect mapping of employees will not affect the payment to employees and does not add risk to any payroll payments. The delays in staff being assigned correctly is the time taken for the team to clarify with the manager and HRBP where the employee should be moved to in the structure</p>	<p>Business Operations &amp; Partnerships : Head of Human Resources</p> <p>31/12/22</p>
<p><b>Payroll to Ledger Reconciliation</b></p> <p>The monthly payroll to ledger reconciliation was not prepared from April to November 2021. The reconciliations were prepared from December 2021 onwards.</p>	<p>During 2021/22 the new HR and Payroll system was being introduced and embedded and along with the impact of Covid this led to delays in the completion of the bank reconciliations.</p> <p>It is agreed that reconciliations should be prepared, documented and reviewed on a timely basis, with any variances being followed up. It is recognised that further compliance support may be necessary to deliver on</p>	<p>Business Operations &amp; Partnerships: Head of Human Resources</p> <p>31/12/22</p>

Issue identified	Management response	Responsible officer/target date
<p>We also noted a lack of evidence of review of the reconciliations prepared.</p> <p>We will review the year end payroll reconciliation to confirm that there are no unreconciling differences noted at the year end.</p> <p><b>There is a risk of financial misstatements not being identified promptly if reconciliations are not prepared and reviewed on a timely manner.</b></p>	<p>this, and this will be reviewed during 2022/23.</p>	
<b>Rent rebate reconciliation</b>		
<p>The rent rebate weekly reconciliation between the housing benefit and housing rents system was not prepared or reviewed in a timely manner throughout 2021/22.</p> <p>Additionally, there were variances noted in 16 weeks of the year which were not investigated prior to the reconciliations being signed as checked or as reviewed. Whilst the total variance for the year of £4,435.97 is not material, it is good practice to ensure the reconciliation reconciles before signing it off.</p> <p>We will substantively test the reasonableness of housing rent income as part of our financial statements audit.</p> <p><b>There is a risk of financial misstatements not being identified promptly if reconciliations are not prepared and reviewed on a timely manner including any unreconciling items.</b></p>	<p>During 2021/22 the new Council Tax &amp; Benefits system was being embedded. This, along with demands from the Covid-19 pandemic, resulted in backlogs within the team. There has been an improvement in performance in 2022/23, however the 2021/22 impact is relevant to several actions highlighted in this report and should be noted for context.</p> <p>It is agreed that reconciliations should be prepared and reviewed on a timely basis, with any variances being followed up. It is recognised that further compliance support may be necessary to deliver on this, and this will be reviewed during 2022/23.</p>	<p>Business Operations &amp; Partnerships: Senior Revenues Manager</p> <p>31/03//23</p>

Issue identified	Management response	Responsible officer/target date
<p><b>Council tax refund reconciliation</b></p> <p>The council tax refund reconciliation was prepared on a monthly basis. However, the reconciliations for the periods April to September 2021 were not reviewed by a senior officer until November 2021. We would recommend more timeous review of reconciliations. As part of our financial statements audit work we will substantively test the reasonableness of council tax income.</p> <p><b>There is a risk of financial misstatements not being identified promptly if reconciliations are not prepared and reviewed on a timely manner.</b></p>	<p>It is agreed that reconciliations should be prepared and reviewed on a timely basis. This is being prioritised and reviewed during 2022/23.</p>	<p>Business Operations &amp; Partnerships: Senior Revenues Manager</p> <p>31/12/22</p>
<p><b>Benefits nightly mass calculation report (not key control)</b></p> <p>Officers identified the nightly mass calculation report as a key control within the NEC system. A report is run nightly and automatically produces a report each morning providing details on changes made to claims. This output should be reviewed each morning for all changes made.</p> <p>We identified a lack of evidence of review for twelve of the twenty reports sample tested.</p> <p>Arrangements should be established to ensure review processes are consistently applied.</p>	<p>It is agreed that there should be evidence of review and this is being prioritised during 2022/23.</p>	<p>Business Operations &amp; Partnerships: Senior Revenues Manager</p> <p>31/12/22</p>

Issue identified	Management response	Responsible officer/target date
<p><b>There is a risk that errors are not identified and rectified promptly.</b></p>		
<p><b>Council Tax Billing</b></p>		
<p>The council tax team are only dealing with bills from 2021 and 2022 due to data issues with the files. The previous system ran billing covering all years, whereas the NEC system (which has been in place since December 2020) runs billing year on year.</p>	<p>The importance of billing for all financial years is recognised, however this is resource intensive. A new schedule of billing will be implemented during 2022/23 to ensure prior years are billed to customers.</p>	<p>Business Operations &amp; Partnerships: Senior Revenues Manager 31/03/23</p>
<p>It is highly unlikely that the monetary value of bills would be material in total, however a resolution to the billing runs should be prioritised going forward.</p>		
<p>We will assess the likelihood of recoverability of prior year billing and review the allowance for uncollectable debt within the council tax income account.</p>		
<p><b>There is a risk that backdated discounts and reliefs may not have been applied.</b></p>		
<p><b>Benefits – Quality control checks (not key control)</b></p>		
<p>The council have quality control checks within the Housing Benefit system. There is a control applied to individual benefit claims over £1,500. Evidence of the checks undertaken are sent via email. However, the email evidence was not saved centrally until March 2022.</p>	<p>It is agreed that there should be evidence of timely review and this is being prioritised during 2022/23.</p>	<p>Business Operations &amp; Partnerships: Senior Revenues Manager 31/12/22</p>



Issue identified	Management response	Responsible officer/target date
<p><b>There is a risk that errors are not identified and rectified promptly.</b></p>		
<p><b>Housing Rent cash receipting income reconciliation</b></p> <p>There was no evidence of review annotated on the housing rent cash receipting income reconciliation.</p> <p>As part of our financial statements audit work we will substantively test the reasonableness of housing rent.</p> <p><b>There is a risk of financial misstatements not being identified promptly if reconciliations are not prepared and reviewed on a timely manner.</b></p>	<p>Agreed. This review has been carried out during the year however no annotation was being made. This will be resolved with immediate effect.</p>	<p>Chief Executive's Office: Finance Business Partner (Environment) 25/08/22</p>

Source: Audit Scotland

**10.** All our outputs and any matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# East Renfrewshire Council

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)