

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE10 NOVEMBER 2022Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2022/23 QUARTER 2**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2022/23 as approved in June 2022.

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 2022/23 - PROGRESS REPORT QUARTER 2

3. A copy of the annual audit plan for 2022/23 is shown in appendix 1. Seven audits relating to planned 2022/23 audit work were completed in quarter 2 as shown in appendix 2. Appendix 3 gives detail of reports which were carried out as part of the 2021/22 plan or the 2022/23 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 or where any recommendation is not accepted but a satisfactory reason is given. The quarterly performance indicators for the section are shown in appendix 4.

4. One new request for assistance was dealt with using contingency time during the quarter. This did not result in financial loss to the council.

RECOMMENDATION

5. The Committee is asked to:
- (a) note Internal Audit's progress report for quarter 2 of 2022/23 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 2022/23 PROGRESS REPORT QUARTER 2

Department	Title	Audit Number	Original No. of days	Status
Chief Executives	Treasury Management	1	18	
	Ordering and Certification	2	20	In progress
	VAT	3	12	
Business Operations & Partnerships	Barrhead Payment Centre	4	11	In progress
	Creditor	5	24	
	Debtors	6	10	
	Housing Benefits/Universal Credit	7	30	
	IT Asset Management	8	20	
	Scottish Welfare Fund	9	15	
	Council tax – recovery and enforcement	10	18	
Education	Early Learning and Childcare Payments	11	15	
	Schools cluster	12	32	
Environment	Clyde Valley Contract Group	13	13	Complete
	Grant certification	14	15	
	Stores	15	20	Complete
	City Deal	16	15	
	Climate Change Report	17	5	
	Energy and Fuel	18	20	
Housing	New Council Houses	19	24	
HSCP	Direct Payments	20	20	In progress
	Barrhead Resource Centre	21	10	Complete
	IJB	22	15	
Trust	Culture and Leisure Limited Trust	23	20	In progress
Various	Contract 1 TBA	24	20	
	File Controls	25	12	In progress
	Fraud contingency	26	70	In progress
	General Contingency	27	30	In progress
	LG Benchmarking Framework	28	5	Complete
	Follow up	29	55	In progress
	Previous year audits	30	45	Complete
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INTERNAL AUDIT REPORTS AND MEMOS ISSUED 2022/23														
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/1165/FM	29	Education FU	Education	01/04/22	01/08/22	02/09/22 Ext 16/09/22	16/09/22	Satisfactory	2	0	0	2	-	0
MB/1166/NS	29	Environment Follow Up	Environment	07/04/22	27/6/22	29/7/22	09/08/22	Satisfactory 1pt not accepted	11	1	1	9	-	1
			BO&P				05/07/22	Satisfactory						
			HSCP				29/07/22	Satisfactory						
MB/1167/NS	13	Clyde Valley Contract Group	Environment	06/05/22	30/09/22	NR	NR	No response required. Email only	0	0	0	0	-	0
MB/1168/FM	29	HSCP FU	HSCP	12/05/22	30/09/22	04/11/22								
MB/1169/NS	15	Stores	Environment	24/05/22	27/09/22	28/10/22	19/140/2 2	Satisfactory	5	1	1	3	-	0
MB/1170/MB	28	Invoice Processing PI	BO&P	01/06/22	22/06/22	29/07/22	27/06/22	Satisfactory	1	-	-	1	-	0
MB/1171/EL	20	Direct Payments	HSCP	22/9/22										
MB/1172/FM	23	ERCLT	ERCLT	14/06/22										
MB/1173/NS	21	Barrhead Resource Centre	HSCP	22/06/22	30/09/22	04/11/22								
MB/1174/NS	25	File Controls	BO&P	24/06/22										
MB/1175/EL	29	F/u of ICT Related Audits	BO&P	12/7/22	18/8/22	22/9/22	22/09/22	Satisfactory	10	3	2	5	-	0
			Environment				5/9/22	Satisfactory						
MB/1176/FM	19	New Council Houses	Environment											
MB/1177/MB	29	Follow up of BO&P audits	BO&P	7/7/22	22/09/22	28/10/22								
			Education				10/10/22	Satisfactory						

INTERNAL AUDIT
REPORTS AND MEMOS ISSUED 2022/23

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
			HSCP				28/10/22	Satisfactory						
			Environment				19/10/22	Satisfactory						
			CE Office											
MB/1178/NS		Ordering and Certification	CE Office	24/08/22										
MB1179/NS		Barrhead Payment Centre	BO&P	09/09/22										

Note: Audits issued in quarter are highlighted

1. MB/1158/FM Debtors

The audit covered the following control objectives:

- 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
- Arrears follow-up procedures are properly controlled.

The total amount of outstanding sundry debt for the Council as at 17 May 2022 was £2.1 million (which is all sundry debt outstanding irrespective of debtor nature), of which £1.1 million (52%) was greater than 12 months old. The top 20 debtors account for £0.7 million (33.3%) of the total debt. The debt that was issued within 30 days of the report being generated and was therefore not yet due to be paid amounted to £0.34 million. Testing carried out during the audit showed that invoices raised were accurate however, in many instances these were not raised in advance of the service being provided and often the invoice detail was insufficient to enable customers to verify the charges.

The main concerns arising from the audit are that suppression reports are not being generated and therefore there is no assurance that debtors accounts where recovery has been suppressed are being monitored and reviewed to ensure that the suppression of recovery action is valid. It was also noted that the sundry debt recovery processes have recently changed and new processes are underway which have yet to be formalised and documented. Stakeholders are currently working together to finalise sundry debt recovery procedures which will enable income collection to be maximised.

Ten recommendations were made, two were classified as high risk, six as medium risk, and two as low risk. All recommendations were accepted by management. 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	Departments must ensure that systems access reviews are carried out thoroughly to ensure that only the appropriate officers (both employees and agency workers) have access to financial systems.	High	Yes	Environment Procedures will be put in place to ensure service managers review and confirm which of their employees require access. (Note: live user list reviewed within last three months).	G Virgo	30 Sep 22
4.1.3	The annual Integra access verification exercise should require managers to actively confirm each employees ongoing need to access the system. In the absence of any user not being confirmed by a manager, they should be removed from the system.	Medium	Yes – but cannot remove from system. See note	BO&P An additional column will be added to the spreadsheet and managers asked to confirm, on an individual basis, if each user still requires access to Integra or not. It is not possible to remove users from the system. If managers do not respond to the review then the user account will be disabled until confirmation is received.	Paul Parsons	March 2023
4.2.1	Departments must ensure that invoices are raised in advance of the service being provided where possible to minimise the risk of bad debts.	Medium	Yes in part	HSCP The HSCP invoices highlighted in the report relate to community alarm and residential services. These are always billed in arrears in the event of a death of a service user to allow us to bill for the correct period.	Chief Financial Officer	N/A
			Yes	Education Correspondence will be issued to appropriate staff reminding them of the importance	Business Manager (Budget Unit)	Jul-22

				in ensuring invoices are raised in advance wherever possible.		
			Yes	Environment A reminder email will be issued to all service managers by the Director of Environment reminding them of the sundry debt management requirements.	D Kermack	31 Aug 22
4.3.1	Debt recovery suppression reports should be resumed as soon as possible and these should be generated and reviewed on a regular basis.	High	Yes	BO&P Accounts Payable/ Receivable Manager will discuss with Business Systems and Improvements Team to create a fit for purpose report	Accounts Payable/Receivable Manager	December 2023
4.4.1	Comprehensive debt recovery procedures should be documented and published as soon as possible.	Medium	Yes	BO&P The debt recovery policy will be updated and published in FY22/23.	Accounts Payable/Receivable Manager	March 2023
4.4.2	The procedures should clearly define which debts will be dealt with in-house by the accounts receivable team and at which point debts will be escalated to the legal team or the Sherriff Officers. The responsibilities of the issuing department should also be recorded in the written procedures.	Medium	Yes	BO&P The debt recovery policy will be reviewed and updated to ensure clear roles and responsibilities.	Accounts Payable/Receivable Manager	March 2023
4.4.3	A clear methodical approach to targeting debts should also be documented within the procedures to ensure that no debts are overlooked.	Medium	Yes	BO&P The debt recovery policy will be updated and published in FY22/23.	Accounts Payable/Receivable Manager	March 2023
4.4.4	Management should review the process used to monitor overdue debt and consider improvements which could be made to the spreadsheet.	Medium	Yes	BO&P A Review of all debt will be carried out and a procedure created within the Accounts Receivable Team	Accounts Payable/Receivable Manager	March 2023

2. **MB/1162/EL Housing Benefits**

The audit covered the following key control areas:

- Policies and procedures covering claims and supporting documentation
- Liability, residency and identity checks are appropriately carried out on all applicants
- Income for claimants is verified and records of household and non-dependants are held
- Rents payable are recorded appropriately
- Checks and incomplete claims, calculations and start dates including any backdating of claims
- Extended payments
- Data matching and reviews
- Change of circumstances

Generally, no significant control failures were identified and the processes within the areas reviewed are operating satisfactorily. Due to the Covid 19 pandemic and problems experienced due to the implementation of the new system, there were delays in implementing some key controls and the team is still recovering from this but has made progress on the new system.

The key findings are:

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- HB and CTR can be processed by one officer with no involvement or checking by anyone else which is a key control risk. This recommendation was not accepted per response below - the risk will be partially mitigated by increased internal checks being implemented;
- Audits take place of transactions processed by benefits staff but these are limited by resource to two per user per week and could be increased.
- Restrictions and checks should be implemented to prevent staff processing claims linked to friends and family.
- Recovery of outstanding overpayments needs to be addressed
- Some of the recommendations previously made have not been demonstrated to have been implemented.

Fifteen recommendations were made, one was classified as high risk, six as medium risk, and eight as low risk. One recommendation was not accepted by management but satisfactory reasons were provided. The high and medium risk recommendations are reproduced below with the departmental responses which include the recommendation not accepted.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	All claims processed should at least be checked for evidence of entitlement of the applicant by another officer prior to approval and payment. Evidence of this should be held.	H	No	The Benefit Officer's role as a decision maker is to carry out this function. Given limited resources it would not be practical to operate in this way. The safeguards which exist are the audit checks, with random sampling carried out. Per 4.1.2 this will be further enhanced to provide additional control.		
4.1.2	Sample sizes for audit checks should be increased to check a larger proportion of the claims processed.	M	Yes	Sample sizes for audit checks will be increased to check a larger proportion of the claims processed.	Team leader, Benefits & discretionary payments	November 2022
4.5.1	Report references BBP315 and RBE240 listing the 52 week re-referrals should be scheduled to run every Monday morning for review and updating by the Senior Benefit Officer.	M	Yes	Report references BBP315 and RBE240 listing the 52 week re-referrals will be scheduled to run every Monday morning for review and updating by the Senior Benefit Officer.	Senior Revenues Officer	September 2022
4.6.1	Staff should be required to list friends and family who they are aware of having active claims for HB or CTR and should agree not to access, update or amend the claims.	M	Yes, in part	Staff are already signing an agreement on an annual basis that they will not process any changes on claims for themselves or friends or family members. The declaration they sign makes it clear that doing so leads to disciplinary action. Additionally staff will advise where they are unable to process due to friends/family relationship. Listing all friends/family is deemed impractical and could not be verified. Current controls deemed sufficient at this time.		
4.6.2	A restriction should be placed on any claims or properties to restrict staff from accessing the claims of their declared friends and family.	M	Yes	Staff already voluntarily advise where close friends/family accounts are held, with system restrictions in place. A restriction will be placed on any claims or properties to restrict staff from	Senior Revenues Officer	Nov 2022

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				accessing the claims of their declared friends and family.		
5.1.1	Consideration should be given to amalgamating outstanding overpayments on the NEC system to allow for a single source for control and monitoring of outstanding overpayments.	M	Yes	Overpayments will be amalgamated on the NEC system to allow for a single source for control and monitoring of outstanding overpayments.	Operations manager	March 2023
5.1.2	All outstanding overpayments should be invoiced to customers as appropriate.	M	Yes	All outstanding overpayments will be invoiced to customers as appropriate	Team leader, CDRT team	March 2023

3. MB/1165/FM Education Follow up Report

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

A total of 9 recommendations were made in the reports being followed up, two recommendations had not been fully implemented, both of which were classified as low risk. Subsequent discussions with Human Resources following the issue of the follow up report established that one of the recommendations was no longer applicable for implementation and HR guidance was updated to reflect this change. The other recommendation was accepted by management.

4. MB/1166/NS Environment Follow up Report

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

A total of 35 recommendations were made in the reports being followed up. The majority of the recommendations followed-up have been fully implemented, although several remain outstanding and are included again in this report. It is noted that a number of the recommendations could not be fully implemented due to Covid restrictions and as a result are re-made to allow appropriate follow up testing of implementation to be carried out in future. This was particularly apparent in the follow up of Parks and Other Outdoor Income as the restrictions severely curtailed the activities being carried out within the parks. The recommendations made as part of Procurement Red Flags have also been remade as there have been limited tenders carried out by departments which has resulted in no documentation being available to assess implementation of the recommendations against.

In total 11 remain recommendations remain outstanding.

All recommendations were accepted by management apart from one relating to separation of duties between writing and evaluating tender documents. The department did not accept this recommendation in the original report on the basis that the vast majority of projects carried out by PATS require specialist knowledge. The department commented that they do not have sufficient resources to comply with this recommendations. Further, those who write the tender specification are normally involved from inception to completion and are most familiar with the technical requirements of the project being tendered and whether the response is compliant. All tenders still require at least two evaluators.

5. MB/1167/NS Clyde Valley Contract Group

This is a 25 year contract which is still in its early stages and as such had not been reviewed previously by Internal Audit. A review was carried out of the payment mechanisms in place and the accuracy of these. Invoices covering the three main elements (ancillary waste, main tonnage and Non domestic rates) were sampled.

In each case the amounts showing on the invoice were agreed to supporting documentation held by Neighbourhood Services with only very minor variances noted.

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Waste charges are based on the tonnage collected and there are two levels of charges with a higher price per tonne being applied up to 11,000 tonnes and a lower rate thereafter. Evidence was obtained during the audit showing monitoring of the total tonnage to ensure the reduced rate is applied at the correct point during the year. Indexation calculations applied to the gate fee were also checked.

The invoice amounts for NNDR were agreed to the payment mechanism formula and NDR bills provided by North Lanarkshire Council and the percentage being applied to this could be agreed to the Finance Briefing Note dated December 2018.

Overall, no weaknesses were found and it appears that adequate monitoring arrangements have been put in place to ensure invoice amounts are accurate, therefore no recommendations are made.

6. MB/1169/NS Stores

The audit covered the following key control areas to ensure:

- Stores are physically secure
- Individual stock require to be held and are maintained at appropriate levels
- All the movements are correctly recorded in the stock and accounting systems
- Stock items are correctly priced
- Appropriate monitoring of stock if carried out to identify obsolete and slow moving items

It was noted that the store is generally operating satisfactorily with controls in place to ensure all store transactions are being accurately recorded and appropriate segregation of duties in place preventing one person from being able to carry out the entire process of stock ordering through to issuing items.

Two full stocktakes are carried out throughout the year to ensure that the items held and stock systems are accurate and a full audit trail is available to demonstrate this.

It was noted that there is still no comprehensive store manual in place documenting the role of the storemen. The lack of the manual is compensated by the fact that the main storeman has years of experience in this area but in the event of a long term absence and no manual there is a risk of duties not being undertaken.

Five recommendations were made, one was classified as high risk, one as medium risk, and three as low risk. All recommendations were accepted by management. 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	A stores manual, detailing the operation and management of the store as well as the responsibilities of the individuals working within the store, should be compiled and issued to all relevant employees.	High	Yes	Repairs Delivery Manager will work with the Operational Support Officer to do this.	Suzanne Conlin	1/4/2023
4.2.1	The stock checks on the outstanding imprest vans should be completed as soon as possible and evidence retained of the checks carried out.	Medium	Yes	The Operational Support Officer is currently working on this.	Suzanne Conlin	30/11/2022

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7. MB/1175/EL Follow up of ICT audits

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

A total of 19 recommendations were made in the reports being followed up. A further two points with no recommendation were also followed up. Ten recommendations followed-up remain outstanding and are included again in this report. It is clear that a lot of work has taken place within departments to comply with the recommendations, the legislation and council policies, but many of the points raised continue to be work in progress and are included again in this report. It was noted that the reason for the recommendations remaining outstanding was mainly due to the large scale involvement of the DPA/GDPR audit and Covid restrictions placing additional pressures on departments which resulted in resources not being available to meet the original timescales set.

Monitoring of training provided to staff in relation to data protection needs to improve significantly to be able to demonstrate that the Council's data protection governance responsibilities are being met.

All recommendations were accepted by management for implementation.

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 2 Actual 2022/23	Quarter 2 Cumulative 2022/23
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	78%	77%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	1	4
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	0.6%	4.3%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter. (Note 3)	-	7	9
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	15.3 wks	13.5 wks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	9.3 days	7.7 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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