

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE23 FEBRUARY 2023Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2022/23 QUARTER 3**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 3

3. A copy of the annual audit plan for 2022/23 is shown in appendix 1. Three audits relating to planned 2022/23 audit work were completed in quarter 3 as shown in appendix 2. Appendix 3 gives detail of reports which were issued as part of 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. Three new requests for assistance were dealt with using contingency time during the quarter. One of these related to a loss of £40 from council premises. A report was issued detailing controls that needed to be improved to reduce risk of future losses. There was no financial loss relating to the other two requests. One related to management of a contract and resulted in a report to the Director with recommendations made, one of which is to submit a report to Cabinet concerning the matter. The other one related to a review of calculations within the payroll system and this is ongoing.

5. Internal audit are currently operating with two vacant posts. As a result, we are unable to complete the approved audit plan for 2022/23 and have had to re-assess which audits are likely to be completed, giving priority to those which will provide the most assurance for the annual statement on overall controls. On this basis it is proposed that six audits (as marked on appendix 1) are deleted from the 2022/23 plan and will be reconsidered as part of future audit plans.

RECOMMENDATION

6. The Committee is asked to:
- (a) note Internal Audit's progress report for quarter 3 of 2022/23
 - (b) approve the amended audit plan for 2022/23 and

- (c) 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.

EAST RENFREWSHIRE COUNCIL
Internal Audit Section
ANNUAL AUDIT PLAN FOR 2022/23 PROGRESS REPORT QUARTER 3

Department	Title	Audit Number	Original No. of days	Status
Chief Executives	Treasury Management	1	18	
	Ordering and Certification	2	20	Complete
	VAT	3	12	
Business Operations & Partnerships	Barrhead Payment Centre	4	11	Complete
	Creditors	5	24	In progress
	Debtors	6	10	
	Housing Benefits/Universal Credit	7	30	
	IT Asset Management	8	20	DELETE
	Scottish Welfare Fund	9	15	In progress
	Council tax – recovery and enforcement	10	18	In progress
Education	Early Learning and Childcare Payments	11	15	DELETE
	Schools cluster	12	32	DELETE
Environment	Clyde Valley Contract Group	13	13	Complete
	Grant certification	14	15	DELETE
	Stores	15	20	Complete
	City Deal	16	15	
	Climate Change Report	17	5	Complete
	Energy and Fuel	18	20	DELETE
Housing	New Council Houses	19	24	In progress
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	DELETE Note 1
	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
			639	

DELETE – it is proposed that these audits are deleted from the 2022/23 plan

Note 1 Audit work covering contractual issues has been covered under work done using contingency.

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INTERNAL AUDIT														
REPORTS AND MEMOS ISSUED 2022/23														
FILE REF	AUDIT NO.	SUBJECT	DEPARTMENT	DATE AUDIT STARTED	DATE REPORTMEMO 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	4/11/22	Satisfactory	20	4	7	9	-	0
MB/1169/NS	15	Stores	Environment	24/05/22	27/09/22	28/10/22	19/14/22	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	7/2/23	17/3/22								
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	4/11/22	Satisfactory	11	3	3	5	-	0
MB/1174/NS	25	File Controls	BO&P	24/06/22	13/01/23	17/02/23	8/2/23	Satisfactory	2	0	0	2	0	0
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				5/09/22	Satisfactory						
MB/1176/FM	19	New Council Houses	Environment	8/12/22										
MB/1177/MB	29	Follow up of BO&P audits	BO&P	7/7/22	22/09/22	28/10/22	1/11/22	Satisfactory	21	0	11	10	0	0
			Education				10/10/22	Satisfactory						

INTERNAL AUDIT
REPORTS AND MEMOS ISSUED 2022/23

FILE REF	AUDIT NO.	SUBJECT	DEPARTMENT	DATE AUDIT STARTED	DATE REPORTMEMO 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				21/11/22	Satisfactory						
MB/1178/NS	2	Ordering and Certification	CE Office	24/08/22	31/12/22	10/02/23								
			BO&P				8/2/23	Satisfactory						
			Education					Ext to 24/2/23						
			Environment											
			HSCP				10/2/23	Satisfactory						
MB1179/NS	4	Barrhead Payment Centre	BO&P	09/09/22	21/11/22	23/12/22	21/12/22	Satisfactory	4	0	2	2	0	0
			CE Office				22/11/22	Satisfactory						
MB/1180/NS	9	Scottish Welfare Fund	BO&P	12/10/22										
MB/1181/NS	29	Follow up of Chief Execs audits	BO&P	18/10/22	23/01/23	24/02/23								
			Environment											
MB/1182/NS	23	ERCLT	ERCLT	18/10/22										
MB/1183/NS	17	Climate Change Report	Environment	08/11/22	29/11/22	NR	NR	No response required	0	0	0	0	0	0
MB/1184/NS	10	Council Tax (Recovery & Enforcement)	BO&P	06/12/22										
MB/1185/FM	5	Creditors	BO&P	15/12/22										

Note: Audits issued in quarter are highlighted

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

APPENDIX 3

1. MB/1168/FM HSCP Follow up Report

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

A total of 63 recommendations were made in the six reports being followed up. Follow-up checks carried out during the audit showed that efforts had been made to implement most of the recommendations, with 20 recommendations that still require to be addressed.

All recommendations were accepted by management apart from two which were partially accepted. The response to these partially accepted recommendations were satisfactory and a valid reason was provided for only partially accepting the recommendation in each case.

Several of the outstanding recommendations were not implemented due to staff vacancies and audit were advised that recruitment is underway to resolve this.

2. MB/1173/NS Barrhead Centre

The centre sits within the HSCP Learning Disabilities Team which has an overall budget of £9.5m, of which Barrhead Centre accounts for £606k.

The main risks associated with this area are that if the correct procedures are not in place for the income received from clients using the service, this could be misappropriated. There are also funds held in respect of services operated by the clients, namely the committee fund, brew crew and other activities such as the Cycle Workshop, which require to be appropriately documented to ensure all money can be accounted for.

The previous audit report of the Centre was issued in April 2016 and at that time the main weaknesses related to the petty cash imprest and the lack of a clear audit trail to support the amounts being claimed in respect of client activities and the level of cash being held in the centre.

The scope of the audit was to ensure that all income and expenditure is correctly accounted for and proper financial records are maintained. Audit testing covered the period December 2021 to May 2022. The audit focussed on the following areas:

- Petty cash
- Service User Funds
- Purchasing
- Staff existence and absence monitoring checks
- Security Checks
- Inventory

The petty cash imprest bank account was not being operated at the time of the audit checks as the bank did not hold signatory details for any of the centre employees. This has been the case since April 2022 and appears to be an error made by the bank as opposed to the centre, however corrective action needs to be taken to regain control of the funds held in the account.

As a result of the issues with the bank accounts it is noted that a larger level of cash is being held in the centre than would normally be the case.

The records held to support the income and expenditure for the various activities operated by the centre were found to be cumbersome and there is no clear audit trail in place between individual records and bank statements to confirm all monies can be accounted for.

Eleven recommendations were made, three were classified as high risk, three as medium risk, and five 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
4.2.1	The Learning Disability Manager should ensure that the appropriate action is taken to ensure that bank signatories for the petty cash imprest are updated and access is gained to the account.	High	Yes	Contact will be made with bank to ensure current signatories are added and those that are obsolete deleted	Learning Disability Manager/ Business Manager	30 November 2022
4.2.2	A full review of bank accounts and the number of signatories should be carried out to ensure access is not at risk of being lost.	Medium	Yes	A review will be undertaken by the Service Manager and the process to support will be refreshed.	Service Manager Learning - Disability Services	30 November 2022
4.3.1	The Business Support Assistant should ensure that all bank statements are available for review and that they are being received from the bank to allow for monthly reconciliations to be completed.	Medium	Yes	Business support will ensure process for storing bank statements is in place.	Business Manager	30 November 2022
4.7.1	A full review of the funds held for client activities should be carried out and efforts made to ensure that these clearly show the amounts being held.	High	Yes	We have agreed that Voluntary Action will manage these independent funds and are in the process of transfer.	Learning Disability Manager	31 March 2023
4.7.2	A clearer audit trail needs to be established so there is a clear link between the bank amounts and the balances held in each of the group spreadsheets.	High	Yes	Will be included as part of the transfer to Voluntary Action. In the meantime transaction analysis will be maintained.	Accountancy Manager/ Governance and Systems Manager	31 March 2023
4.7.3	A column which calculates the running balance on a daily basis should be added to the spreadsheets used to record transactions for each of these groups.	Medium	Yes	A column to calculate the running balance will be added to the spreadsheet, however these will no longer be required once the funds transfer to Voluntary Action.	Accountancy Manager/ Governance and Systems Manager	31 March 2023

3. **MB/1174/NS File Controls**

The audit covered the following key control areas:

- Responsibility for controlling access to and use of files is clearly defined
- Access to files through physical means is well controlled
- Access to files through software is well controlled
- All software and media are properly configured and documented
- Back-up arrangements for files are well controlled.

Audit testing completed showed that some of the ICT policies available on the Council Intranet require to be updated and reviewed and improvements to the procedure for removing network accounts for leavers is also needed.

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

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4. MB/1177/MB BO&P Follow up Report

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

A total of 32 recommendations were made in the two reports being followed up. Follow-up checks carried out during the audit showed that efforts had been made to implement some of the recommendations, with 21 recommendations that still require to be addressed. Several of the recommendations which have still to be implemented relate to licensing income and it is acknowledged that the service has faced significant staffing issues over the last two years which contributed to this.

All recommendations were accepted by management for implementation.

5. MB/1179/NS Barrhead Payment Centre

The audit covered the following key control areas:

- Policies and Procedures
- Cash counts and general security
- Cash up differences and reversal transactions
- Postal payments
- Reconciliations

The records held were generally well maintained and were up to date at the time of the audit visit. There were minor anomalies in relation to processing postal cheque payments and recording of cash up differences.

The income collected during June 2022 was taken as the main sample and this could all be agreed to supporting reports held at the payment centre and to the bank statements and financial ledger. It was also noted that the audit trail for postal payments had been improved since the last audit.

A report was generated from Icon to show cash up differences and due to the low level of differences recorded with the sample period (April to August 2022) this was extended to cover all differences since March 2020. It was noted that the necessary paperwork and checks were being completed but in one case the paperwork did not adequately record the reason for the difference.

The Icon to Bank and Ledger reconciliation was reviewed to ensure all income in the sample period had been accounted for and whilst all income was traced to the reconciliation, it was noted that historical transactions for 2017 and 2019 were still shown as reconciling amounts.

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
4.2.1	The Icon to Bank reconciliation should be reviewed and historical transactions identified and corrective action taken to remove these from the reconciliation.	Medium	Yes	Accountancy The bank reconciliation is reviewed on a regular basis & out of date items cleared. The very small number of historic items highlighted relate to the legacy e-Fins system. The Principal Accountant will ensure that these are now cleared.	Paul Parsons, Principal Accountant	March 2023
4.3.1	All mail received directly by the payment centre should be opened in the presence of two employees who should also verify that all payments have been recorded on the cheque record prior to processing	Medium	Yes	BO&P Process in place for 2 members of staff to be present when opening mail received directly to payment centre. Staff will continue to record incoming cheques prior to processing. Procedures will be updated to detail this.	Alan MacDonald	31-1-23

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6. MB/1183/NS Climate Change Report

There is no report output for this audit as the prime objective is to verify the accuracy and reasonableness of the figures submitted in this return which the Environment Department have to submit to Scottish Government annually. No recommendations were made.

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 3 Actual 2022/23	Quarter 3 Cumulative 2022/23
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	84%	79%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	3	7
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	19.8%	24.1%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter. (Note 3)	-	3	12
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	10.5 wks	12.8 wks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	13.3 days	9.1 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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