

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE10 August 2023Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2023/24 QUARTER 1**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2023/24 as approved in March 2023.

**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 2023/24 - PROGRESS REPORT QUARTER 1**

3. A copy of the annual audit plan for 2023/24 is shown in appendix 1. One audit relating to planned 2023/24 audit work was issued in quarter 1 as shown in appendix 2. Appendix 3 gives detail of reports which were issued as part of the 2022/23 and 2023/24 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 related to council tax direct debits being taken early in error. A report was issued detailing controls that needed to be improved to reduce the risk of this recurring. This was also subject to a departmental report of the incident at the last audit and scrutiny meeting.

**RECOMMENDATION**

5. The Committee is asked to:

- (a) note Internal Audit's progress report for quarter 1 of 2023/24
- (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 2023/24 PROGRESS REPORT QUARTER 1**

<b>Department</b>	<b>Title</b>	<b>Audit Number</b>	<b>Original No. of days</b>	<b>Status</b>
Chief Executives				
Business	Payroll	1	28	
Operations & Partnerships	Payroll application audit	2	18	
	Creditors	3	10	
	Debtors Control	4	10	
	Housing Benefits/Universal Credit	5	20	
	Council Tax application audit	6	18	
	IT asset management	7	20	
	Council Tax Billing and Collection	8	24	
Education	Early Learning and Childcare Payments	9	15	
	Schools cluster	10	38	
Environment	Commercial Rent	11	20	
	Grant certification	12	15	
	City Deal	13	15	
	Climate Change Report	14	5	
	Energy and Fuel	15	20	
Housing	Housing Rent Accounting	16	20	
HSCP	Payments to Care Provider	17	25	
	HSCP Emergency Payments	18	8	
	Thornliebank Resource Centre	19	10	In progress
	IJB	20	15	
Trust	Culture and Leisure Limited Trust	21	20	
Various	Contract 1 TBA	22	20	
	Fraud contingency	23	70	
	General Contingency	24	30	In progress
	LG Benchmarking Framework	25	10	In progress
	Follow up	26	50	In progress
	Previous year audits	27	40	In progress
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INTERNAL AUDIT <b>REPORTS AND MEMOS ISSUED 2023/24</b>														
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/1191/MB	25	<b>Payment of Invoices PI</b>	BO&P	23/5/23	13/6/23	n/a	n/a	n/a no response required	0	0	0	0	0	0
MB/1192/NS	19	Thornliebank Resource Centre	HSCP	22/6/23										
MB/1193/NS	26	Environment Follow up	Environment	22/6/23										
MB/1194/FM	1	Payroll	BO&P	10/7/23										

Note: Audits issued in quarter are highlighted

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**1. MB/1171/FM Direct Payments**

Direct Payments are payments made directly to the HSCP service users that allow them to take control of their budget. Direct Payments are for service users that have been assessed as needing help from social services and who choose to arrange and pay for their own care and support services instead of receiving them directly from the HSCP

Direct payment annual budgeted expenditure (including direct payments respite) for the financial year 2022/23 is £4,938,456. There are currently 401 service users in receipt of direct payments and the care packages range in value between £604 and £104,800 annually.

The audit covered the following key control areas:

- All service users receiving self-directed support have been appropriately assessed
- All service users receiving self-directed support are identified and recorded
- Care packages are appropriately authorised
- Segregation of duties is maintained between those processing payments and authorising packages
- Sufficient checks are carried out on care receipts submitted and payments processed
- Appropriate budgetary control is exercised and sufficient management data is provided to support this.
- Guidance issued by the Scottish Government and COSLA during the coronavirus pandemic has been referred to where appropriate.

It should be noted that the scope of testing during the audit was somewhat limited. Due to covid and revised guidance issued by the Scottish Government, the HSCP paused the annual review process meaning that there was a lack of bank statements and associated receipts available for scrutiny and checks could not be carried out to confirm that direct payment expenditure was in accordance with service user's outcome agreements.

Direct payments continue to be recorded, paid and monitored using a spreadsheet which is not ideal. Reconciliations between the spreadsheet and the financial ledger are regularly carried out at the end of each period and were up to date and accurate at the time of the audit. Sample audit testing confirmed that service user's Direct Payment agreements are recorded on the CareFirst system and for each payment there was an authorised Service Agreement.

Operational procedures state that service user's financial records will be monitored and reviewed by the HSCP Finance Team. It was recommended and agreed at the time of the last audit that this would be done annually however, due to covid a comprehensive review has not been completed for several years. As noted above, testing could not be carried out to confirm that direct payment expenditure was in accordance with service user's outcome agreements.

Three recommendations were made, two were classified as high risk, and one as medium risk. All recommendations were accepted by management. All 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	The financial review of direct payments should be completed as soon as possible.	High	Yes	Already under way. This will be done in a phased approach to manage workload	Finance Manager: Care and Support	30th June 2023
4.1.2	The HSCP management should ensure going forward, that all direct payment service users have provided receipts to support expenditure and that any unspent monies are recovered on an annual basis.	High	Yes	We will follow the CIPFA and SG guidance, which exempts some small spends etc. It is sometimes obvious from bank statements what spend is being incurred therefore receipts are not necessary. We will, however, implement a risk-based assessed approach to financial monitoring based on care package cost and previous history. Agreed that unspent monies should be recovered annually, in conjunction with a review by operational staff.	Finance Manager: Care and Support	30th June 2023 then ongoing
4.1.3	Consideration should be given to reviewing the full years bank statements for each service user to ensure that the review is comprehensive and provides appropriate assurance regarding the use of public funds.	Med	Yes	All users should receive a financial review, however this should be in line with CIPFA and SG guidance.	Finance Manager: Care and Support	31st March 2024

## **2. MB/1184/NS Council Tax System – Recovery and Enforcement**

The audit covered the following key control objectives:

- Procedures and regulations
- Recovery action
- Sheriff officer action
- Suppressions
- Performance
- Write-offs



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- Security of data

The Council Tax team have been operating under difficult circumstances over the last few years and have had to negotiate billing and collection and debt recovery responsibilities alongside implementing a new system during lockdown and the subsequent period. Whilst it is acknowledged that debt recovery processes are being run, this is now much more system orientated in the new system and has resulted in less transparency in debt recovery. Reports will need to be developed to better demonstrate that all debt is being managed appropriately within expected timescales.

Similarly, reports showing suppressed accounts and how long they have been suppressed will need to be developed to better demonstrate management review of this key area.

There are a number of key areas for which little or no monitoring is taking place due to the lack of appropriate functionalities within the new system and these require to be addressed as a matter of urgency to ensure timely action is being taken on all liable parties that have defaulted on their Council Tax payments. Progress appears to have been limited due to staff resources pressures and issues related to implementing a new system during a period when staff were having to work remotely.

It is disappointing that several recommendations made in the previous council tax audit on reductions and liabilities (MB1160NS) issued in May 2022 have not yet been implemented for reasons mentioned above.

Sixteen recommendations were made, two were classified as high risk, and fourteen as medium risk. All recommendations were accepted in full or in part by management. The recommendations are not replicated below as the full report along with departmental responses has been circulated to all Audit and Scrutiny elected members.

### 3. **MB/1185FM Creditors**

The audit covered the following key control areas:

- Payments are made only for goods and services that were subject of authorised orders
- Payments are made only for goods and services received
- All invoices are properly authorised and paid at the appropriate time
- Payments are made only to valid creditors
- Payments are correctly recorded in the financial ledger
- Housing benefits and Fostering/Adoption interfaces to the purchase ledger are identifiable and traceable and written procedures are available
- Evidence of accuracy checks of system interfaces to the purchase ledger are available for review
- Reconciliations are carried out regularly between feeders systems and the ledger
- The e-invoicing process is documented and adequate controls are in place for use of suppliers

The recommendations made in the previous creditors report MB/1143/FM issued during June 2021 were also followed-up during this audit and it was confirmed that all recommendations had been implemented in the agreed timescales.

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The audit highlighted that generally processes are working well and compliance checks are comprehensive. However, reconciliations are not being carried out for the daily e-invoicing processes and this is something that should be addressed promptly. In addition, notification of leavers by management needs improvement to ensure prompt action is taken.

Six recommendations were made, one was classified as high, three as medium risk, and one as low risk. All recommendations were accepted by management. The medium and high 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	Purchase orders should not be raised with inaccurate/nominal values. The purchase order value must be an accurate estimate of the value of goods/services ordered.	M	Yes	<p><b>Environment</b> A reminder has been issued to housing staff involved in purchasing reminding them of the need to ensure purchase orders have an accurate estimate of the value of goods / services ordered. The two examples in the audit for specific works are from April and May 2022. A review have found that for specific works this practice is no longer in place. However there other are situations where this is not practical. If a general line is required for information Servitor does not have facility to provide additional information to supplier. Each line requires a price. Placing £0.01 orders makes housekeeping at end of month/year simpler for team. It also has less of an impact on budgets/commitments process. Examples are:</p> <ol style="list-style-type: none"> <li>1. Monthly/annual drawdown orders for reactive/responsive works via a framework</li> <li>2. Emergency Orders</li> </ol> <p>The integration of Servitor with Integra planned for Jan 2024 will resolves issues 1 and 2.</p> <p>The Senior Housing Manager will contact the Procurement Manager to seek guidance on the best way to deal with drawdown and emergency orders</p>	Senior Housing Manager	Completed
					Business Systems and Processes Board and Housing Senior Housing Manager	Jan 2024 Completed

4.2.1	The Creditors team must ensure that the value and number of e-invoices uploaded to the ledger is reconciled to the e-invoicing source email.	M	Yes	<b>BO&amp;P</b> A reconciliation will be created that the team will populate and evidence the transaction information against the financial system. This will be reviewed and signed by Management on a weekly basis.	Account Payable/ Receivable Manager	July 2023
4.3.2	Links to general leavers guidance for managers should always be readily available on the intranet. This guidance needs to be reviewed to see if the process can be improved to ensure better compliance by managers.	L	Yes	<b>BO&amp;P</b> Leavers guidance was available on the intranet however is now more prominently displayed.	Head of HR and Corporate Services	August 2023
		H	Yes	Leavers checklist will be reviewed to incorporate simple improvements, longer term this will be added to the backlog for an overall process improvement	Head of HR and Corporate Services	October 2023
4.3.3	Regular checks should be carried out to ensure that integra eforms have been submitted timeously for all leavers.	M	Yes	<b>BO&amp;P</b> List of leavers to be sent from HR/Payroll team to Integra Systems Administrator every 2 months for checking purposes against Integra active users list to ensure all leavers have been de-activated using the eform process already in place	Product Owner- Finance Change/ Head of HR and Corporate Services	August 2023

#### 4. **MB/1187NS Housing Benefits**

The audit covered the following key control areas:

- Appropriate policies and procedures, based on current legislation, are available to ensure that administration and assessments are being carried out in accordance with current legislation
- Discretionary Housing Payments are made in accordance with DWP Best Practice Guide
- Payments made directly to landlords are appropriately authorised by the claimant and landlord where required
- Adequate records are in place to support action taken on returned and un-presented cheques
- Post opening, receipt, recording, distribution and monitoring
- Security of Data

Generally, no significant control failures were identified and the processes within the areas reviewed are operating satisfactorily

The review of Discretionary Housing Payments showed that no approval is required prior to making these payments. It was noted that there is a system limit of £800 that can be overwritten by management when larger payments are being requested but generally there will be no review of payments.

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The testing completed on Post Opening highlighted that there is now only one person opening the mail on a daily basis due to limitations surrounding hybrid working, resulting in teams not being fully available to create a rota as was done pre-pandemic. The risks involved in mail opening are low but it is recommended practice that two people are involved in this process.

Thirteen recommendations were made, three were classified as medium risk, and ten as low risk. All recommendations were accepted by management except for one relating to backdates as shown in the table below. The medium risk recommendations are reproduced below with the departmental responses together with one recommendation that was partly accepted.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.5.1	Further testing of the backdate function with the system should be carried out and a revised timescale for implementation provided to Audit.	Medium	No	Audit are asked to note that this functionality has been fully tested, there is no further testing which can be done. The functionality was implemented in the live environment and had to be switched off due to the operational difficulties it caused. The functionality cannot be adopted for HB only and it is therefore not practical to implement.		
4.6.1	The exercise of amalgamating outstanding overpayments on the NEC system to allow for a single source for control and monitoring of outstanding overpayments should be completed per revised timetable provided.	Medium	Yes	This exercise is complete, however, audit are asked to note that some historical cases remain in the Cars system as these are being paid on a regular basis.		Complete
4.6.2	All outstanding overpayments should be invoiced to customers as appropriate.	Medium	Yes	This exercise is complete with the exception of one record where we do not have the debtors' current address. This one is following our trace process.		Complete
4.7.1	Management should ensure that two people are involved in each mail opening session or acknowledge that they accept control risk of only one person carry out this task.	Low	Accepted in part.	It is no longer deemed necessary to have two people involved in each mail opening session Management accept control risk of only one person carry out this task.	N/a	N/a

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### 5. **MB/1191MB Payment of Invoices Indicator 2022/23**

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 audited figure for 2022/23 is 89.3% (2021/22 86.6%).

No recommendations were made.

<b>Risk Ratings for Recommendations</b>	
<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 1 Actual 2023/24	Quarter 1 Cumulative 2023/24
<b>2. Audit Coverage.</b>			
2.2 Actual direct audit days as a percentage of total days available	75%	72.9%	72.9%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	1	1
2.4 Percentage of planned contingency time used.  (Days available exclude public holidays, annual leave and sickness absence)	<100%	5.7%	5.7%
<b>5. Issue of Reports.</b>			
5.1 Number of audit reports issued per quarter.	-	1	1
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	3 wks	3.0 wks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	1.0 days	1.0 days

**Notes**

1. Average weeks calculated as working days divided by 5. This is calculated excluding ERCLT audits.
2. Working days excludes weekends, public holidays, annual leave and sickness absence. This is calculated excluding ERCLT audits.

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