

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE23 November 2023Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2023/24 QUARTER 2**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 2

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 2 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. Indicator 2.2 which measures direct audit days as a percentage of total days available is slightly lower than target but this is mostly due to timing as a higher proportion of annual leave is taken in the first two quarters of the year.

4. One new request for assistance was dealt with using contingency time during the quarter. This related to assisting another service in sourcing information. In addition some assistance was given to another service to help automate some processes to reduce time taken to carry out a task and reduce the risk of human error.

RECOMMENDATION

5. The Committee is asked to:

- (a) note Internal Audit's progress report for quarter 2 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 2

Department	Title	Audit Number	Original No. of days	Status
Chief Executives				
Business	Payroll	1	28	In progress
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	In progress
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	In progress
	Thornliebank Resource Centre	19	10	Complete
	IJB	20	15	
Trust	Culture and Leisure Limited Trust	21	20	In progress
Various	Contract 1 TBA	22	20	
	Fraud contingency	23	70	In progress
	General Contingency	24	30	In progress
	LG Benchmarking Framework	25	10	Complete
	Follow up	26	50	In progress
	Previous year audits	27	40	Complete
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INTERNAL AUDIT REPORTS AND MEMOS ISSUED 2023/24														
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	Payment of Invoices PI	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	28/08/23	29/9/23	20/10/23	Satisfactory	13	1	6	6	0	0
MB/1193/NS	26	Environment Follow up	Environment	22/6/23	11/10/23	17/11/23								
MB/1194/FM	1	Payroll	BO&P	10/7/23										
MB/1195/NS	10	Schools Cluster - Williamwood	Education	27/7/23										
MB/1196/MB	25	Sickness absence PI	BO&P	9/8/23	1/11/23	1/12/23	8/11/23	Satisfactory	4	0	0	4	0	
MB/1197/NS	18	HSCP emergency payments (S22 and S12)	HSCP	16/8/23										
MB/1198/NS	21	Trust	Trust											
MB/1199/NS	26	BOP follow up	BO&P	24/10/23										

Note: Audits issued in quarter are highlighted in bold

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1. MB/1186/FM Treasury Management

The review covered the following key control objectives which were agreed with the Chief Accountant prior to the start of the audit:

- Borrowing and lending transactions are in accordance with statutory powers and approved policy and strategy.
- Annual borrowing requirements and daily balances are properly estimated.
- Borrowing and lending transactions are properly controlled.
- Loan repayments and interest are paid on the due dates and in respect of valid loans.
- Deposits and interest are recalled/paid on the due dates.
- Borrowing and lending transactions are correctly recorded in bank accounts, the financial ledger, and other subsidiary records (e.g. registers)

In addition, the previous audit recommendations were followed-up.

Testing indicates that the treasury function is operating in accordance with the approved lending and investment policies.

One recommendation was made and this was classified as low risk and was accepted for implementation by management.

2. MB/1188/NS Debtors Control

The scope of the audit was to ensure that monies received are correctly accounted for and proper financial records are maintained. 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.

A follow up of the previous audit (MB/1158/FM) issued in June 2022 was also carried out.

Testing was carried out on transactions covering the period April 2022 to March 2023.

The main areas of concern arising from the audit relates to the level of outstanding debt and the fact that reports from the system suggest that follow up of this is not being done in a consistent manner. There is also concern over the large amount of payroll related debt which is largely unrecovered and over 12 months old.

It was also noted that there continues to be former employees with access to Integra despite this recommendation being made in the previous audit as well as numerous others over the last few years. Managers continue not to follow the leavers guidance that has been put in place by HR.

The sample of credit notes showed that there is a high error rate in relation to accounting for VAT and whilst corrective action has been taken there is potential for this to cause issues with claims being made to HMRC.

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Sixteen recommendations were made, three were classified as high risk, two as medium risk and eleven as low risk. All recommendations were accepted by management. The high and medium risk recommendations are replicated below with departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Directors should be instructed that they must ensure that the appropriate notifications are submitted to Payroll immediately as soon as they are aware that an employee they are responsible for will be leaving the Council.	High	Yes	BO&P HR will liaise with Directors to ensure that reminders are sent and that there is clarity of the process for notifications. Directors will reinforce this with managers.	HR Manager & directors	30/9/23
4.1.2	HR should carry out an exercise to raise awareness of the leavers procedures and documentation with consideration given to strengthening the wording requiring managers to complete all appropriate paperwork in a timely manner.	High	Yes	BO&P	HR Manager	31/12/23
4.2.1	All invoices should be followed up in a consistent manner and in accordance with approved timetable.	Medium	Yes	BO&P All invoices will be followed up in accordance with the timetable.	Accounts Payable/Receivable Manager	31/12/23
4.5.1	All Managers should be instructed that they must notify the system administrator immediately of all leavers to allow system access to be removed promptly.	High		BO&P Electronic leavers form on the intranet was amended on 14/6/23 to state- Please ensure you use the ITC portal to request IT leaver access, and contact the relevant system administrator for any other system the employee has access to e.g. Integra etc. This wording will also be added to the 4 weekly manager email.	HR Manager	31/12/23
				Education Correspondence will be issued to appropriate staff advising that a user request e-form must be completed to de-activate the leavers integra account immediately after they leave.	Business Manager	Aug-23
				Environment A reminder will be issued to all relevant	Principal Business Intelligence Officer	30 September 2023

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				Managers and staff to remind them of the employee "leavers process" A note of current Environment Department Integra users will be requested and cleansed to remove staff who should no longer have access to the system.	Principal Business Intelligence Officer/ Relevant Managers	30 November 2023
				HSCP We will remind staff of the various actions to be taken when processing a leaver. We will also prompt staff to ensure leavers process has been followed whenever they submit a request to recruit to a vacant post	Head of Finance and Resources	31 August 2023
				CE Office All Accy team leaders will be reminded of this via the weekly Accountancy Update email. Email will also be issued to other CEO service heads.	Head of Accountancy	31 July 2023
4.6.1	Arrangements to check debt recovery suppressions should be put in place and appropriate evidence held to support the checks and action taken.	Medium	Yes	BO&P Integra Product Owner will be contacted to clarify the correct report and processes updated to ensure arrangements for debt recovery suppressions are in place and appropriate evidence held to support the checks and actions taken	Accounts Payable/Receivable Manager	30/9/23

3. MB/1189/NS City Deal

The scope of the audit was as follows:

- Reporting frequency of specified information is being adhered to.
- In awarding contracts, City Region Procurement Strategy and Council Contract Standing Orders have been complied with.

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- Arrangements are in place to ensure that changes to project budgets are reflected in the overall programme budget and are recorded using appropriate documentation.
- Claims submitted to Scottish Government are accurate and have supporting documentation.
- Payments made are in accordance with approved City Deal expenditure.
- Risk management arrangements are in place, up to date and reviewed regularly
- Follow-up of previous city deal audit recommendations.

Testing was carried out on Claims 25 to 28 which covered the period 01/01/2022 to 31/12/2022.

All amounts included in the claims submitted since the previous audit were able to be verified. However, it was noted that there were anomalies in relation to the allocation of staff time within claims 26, 27 and 28 that had resulted in ERC Estates time being allocated to Project Admin.

The previous two audits have highlighted historical errors in relation to the allocation to specific projects of some invoices. Since the conclusion of the audit, legal services have reviewed the invoices and provided the necessary information to the FBT to allow him to make the necessary adjustments.

Five recommendations were made, two were classified as medium risk, and three 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
4.1.1	The staff time spent on projects and included in Claims 26, 27 and 28 to the Scottish Government should be reviewed and accurately allocated to the projects where the time was spent and incorrect amounts deducted.	Medium	Yes	Environment The City Deal Team will discuss timesheets and completing them at the next team meeting to ensure that all time is allocated to the correct category.	Head of Place	July 2023
				Accountancy FBP (Envnt) will liaise with Environment colleagues to establish correct allocations and will then adjust accounts as required	FBP (Envnt)	Dec 2023
4.2.1	Audit should be provided with evidence of a review being carried out to ensure that all the amounts identified above have been claimed within the correct project and that amounts not relating to City Deal have been deducted.	Medium	Yes	Environment Legal have been provided with the information to address this miscoding.	Head of Place	Legal ASAP
				Accountancy FBP (Envnt) will liaise with Legal colleagues to confirm that they have carried out the review. Accy will then make any adjustments required.	FBP (Envnt)	Dec 2023

4. MB/1190/NS VAT

The audit covered the following control objectives which were agreed with the Head of Accountancy prior to the start of the audit:

- Responsibility for the preparation and authorisation of VAT returns is clearly defined and procedures are in place if the usual responsible officers are absent

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- VAT returns are submitted timeously and are complete and accurate
- There is adequate recovery of input VAT and output VAT is properly recorded at source
- Transactions follow a defined path through systems to declaration in the VAT return
- Input VAT is not reclaimed when the Council pays legal fees for other parties
- VAT on lock-up garages is appropriately recorded and declared
- Authenticated receipts are received from contractors for all payments
- All pro-forma payments are supported by an appropriate VAT receipt

Testing showed that there are clearly defined procedures and these are followed in the preparation of the VAT return. All VAT returns in 2022/23 were submitted via Making Tax Digital (MTD).

It was recommended in the last audit of VAT that Customer First staff should ensure that receipts of income are processed correctly, taking account of VAT where applicable. Testing during this audit indicated that mistakes are still being made.

At the time of that Audit it was also noted that there were a couple of errors in the VAT category being used by Accounts Payable when processing invoices. Further testing on these amounts showed no error to the amounts being claimed from HMRC however there were slight anomalies in the net amounts shown on the VAT return. The system produced reports used to complete VAT returns were found to contain errors and whilst not considered material, this anomaly was to be investigated and corrected as a priority. Following the completion of the Audit, it was verified that the reports were accurate as long as they were considered over multiple periods and not looked at in isolation.

Five recommendations were made, two were classified as high risk, and three as low risk. All recommendations were accepted by management. The 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
4.2.3	The Core Systems Team should liaise with the VAT/PFI Accountant and determine the cause of the anomaly within the VAT Reports to ensure that this is rectified as a matter of urgency to ensure figures within future VAT claims are accurate.	High	Yes	Capita are in the process of investigating the VAT Analysis tables and how these are affected by an invoice being amended over two ledger periods. Capita have referred this to their Group Development section for investigation. Meantime Capita have asked ERC to clarify what columns from the VAT analysis report are used to calculate the purchase value on the VAT return. The BS & P team will work with the VAT Officer to confirm thus and provide an update again by mid-September	Programme Manager – Business systems and processes	Anticipated resolution by end-Sept, with update to Internal Audit mid-Sept
4.2.4	Audit should be advised of the results of the above investigation into the anomaly as soon as available.	High	Yes	As Above	Programme Manager – Business systems and processes	Anticipated resolution by end-Sept, with update to Internal Audit mid-Sept

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5. MB/1192/NS Thornliebank Resource 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 April 2022 to July 2023 and focussed on the following areas:

- Petty cash
- Purchasing and Purchasing Cards
- Staff existence and absence monitoring checks
- Security Checks
- Miscellaneous Income

The records held at the centre were generally well maintained and there was supporting documentation to support the amounts being incurred from the petty cash imprest in relation to service user activities. However, there is scope to improve the audit trail in relation to these expenses as in the majority of cases there was no description for the expense on the claim for reimbursement and transactions are not dated.

A review of employee record cards and subsequent checks on recorded absence for 2022 and 2023 showed that there were some periods of absence for which the appropriate absence forms had not been completed and in the cases where triggers had been breached there was no evidence to supporting an Absence Review meeting taking place.

Since the last audit, the Resource Centre staff have been issued with purchasing cards to reduce the need for cash when out on activities with Service Users. Records have been developed by Business Support and whilst these provide a good audit trail for expenditure being incurred there is scope to improve the documentation to evidence management review of the card activity.

Thirteen recommendations were made, one was classified as high risk, six as medium risk and six as low risk. All recommendations were accepted by management. All 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
4.4.1	Management must ensure that all paperwork required by the Maximising Attendance guidance is completed and uploaded to i-trent as evidence of compliance.	High	Yes	iTrent and Information at Work refresher training to be undertaken by all staff responsible for managing attendance. Training sessions have been arranged with HR	Learning Disability Service Manager	31 October 2023
4.4.2	It is essential that Maximising Attendance guidance is fully adhered to and Return to Work and Absence Review meetings are held in every applicable case.	Medium	Yes	As per 4.4.1	Learning Disability Service Manager	31 October 2023
4.5.1	Management should engage with HSCP Finance to determine the best course of action for the income generated as part of the pop up café to allow the level of cash being held to be reduced to a more appropriate level.	Medium	Yes	Funds are now being paid into the Brew Crew account as donations as agreed with HSCP Finance.	Learning Disability Manager	31 August 2023

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.6.2	The Business Support Team should carry out periodic checks on the cards to ensure that all receipts have been submitted and that all transactions are appearing on the monthly statements. In addition a check should be carried out that all transactions on the monthly statements are shown on the record cards.	Medium	Yes	Procedures have been amended to reflect these recommendations	Learning Disability Manager	31 August 2023
4.7.1	A system of regular checks should be implemented by management to ensure that receipts are being received and uploaded and that expenditure being incurred is appropriate for the needs of the service.	Medium	Yes	As per 4.6.2	Learning Disability Manager	31 August 2023
4.7.2	Management should carry out reviews of the monthly statements for each of the cardholders.	Medium	Yes	As per 4.6.2	Learning Disability Manager	31 August 2023
4.7.3	The record cards held for each cardholder should be amended to allow for management to initial or sign that they have carried out a review of receipts and statements.	Medium	Yes	As per 4.6.2	Learning Disability Manager	31 August 2023

6. MB/1196/MB Sickness Absence Performance Indicator

The objectives of the audit were to ensure that the reported performance indicator which measures the total number of days lost per year through sickness per full time equivalent (FTE) employee was materially correct. The audited figures for 2022/23 for Teachers is 5.53 days and for Local Government employees, 14.22 days.

The indicator is based on business object reports which use information extracted from ITrent, the payroll system. Testing indicated that the reported figures are materially correct. Recommendations were made regarding completeness and accuracy of sickness documentation completed by managers, storage of sickness documentation and clarity of the forms. One recommendation was also made regarding a work pattern anomaly recorded within the ITrent system.

Four recommendations were made, all were classified as low risk and 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

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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 2023/24	Quarter 2 Cumulative 2023/24
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	73.5%	73.2%
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%	3.2%	8.9%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter.	-	1	2
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	9.4 wks	6.2 wks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	13.0 days	7.0 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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