

**Corporate and Community Services Department**

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TO: Councillors Stewart Miller (Chair), Barbara Grant (Vice-Chair), Provost Jim Fletcher, and Councillors Charlie Gilbert, Annette Ireland, Jim McLean and Jim Swift.

**AUDIT AND SCRUTINY COMMITTEE**

A meeting of the Audit and Scrutiny Committee will be held in the Council Chamber, Council Headquarters, Eastwood Park, Giffnock, on **Thursday, 23 January 2020 at 2.00 pm.**

**CAROLINE INNES**

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DEPUTY CHIEF EXECUTIVE

**AGENDA**

1. Report apologies for absence.
2. Declarations of interest.
3. Chair's Report.
4. Internal Audit Plan 2019/20 – Implementation Progress – October to December 2019 – Report by Chief Auditor (copy attached, pages 3 - 14).

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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE23 January 2020Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2019/20 QUARTER 3**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2019/20.

**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 2019/20 - PROGRESS REPORT QUARTER 3**

3. A copy of the annual audit plan for 2019/20 is shown in appendix 1. A total of 11 audit reports relating to planned 2019/20 audit work have been issued in quarter 3 as shown in appendices 2 and 3. A satisfactory management response has been received for all reports where due dates have passed. Responses are deemed to be satisfactory if all recommendations are accepted for implementation by management and where any recommendation is not accepted, a satisfactory reason is given. The quarterly performance indicators for the service are shown in appendix 4.

4. Two new requests for assistance were dealt with using contingency time during the quarter. Limited work could be done for one of these due to limited information and the other involved a cash discrepancy of £20.

**RECOMMENDATION**

5. The Committee is asked to:
  - (a) note Internal Audit's progress report for audits completed in quarter 3 of 2019/20.
  - (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 2019/20 PROGRESS REPORT**

<b>Department</b>	<b>Title</b>	<b>Audit Number</b>	<b>No. of days</b>	<b>Status</b>
Chief Executives	Ordering and Certification	1	20	In progress
Corporate & Community	GDPR	2	15	Complete
	Barrhead and Eastwood Payment Centres	3	16	<b>Complete</b>
	Corporate Debt Recovery	4	20	<b>Complete</b>
	Council Tax – Recovery and Enforcement	5	18	Deleted
	Creditor Payments	6	10	
	Debtors control	7	10	
	Housing Benefit/ Universal Credit	8	30	<b>Complete</b>
	Licensing income	9	15	In progress
	Scottish Welfare Fund	10	15	Complete
	Travelling and subsistence	11	12	
	Education	Building cleaning	12	15
Schools Cluster		13	32	Complete
Operation of Trust		14	15	Deleted
Environment	Contract – Implementation of Cole Report	15	15	<b>Complete</b>
	City Deal	16	15	
	Grant Certification	17	15	In progress
	Grounds maintenance	18	15	<b>Complete</b>
	Highways maintenance	19	20	<b>Complete</b>
	Parks and other outdoor income	20	8	<b>Complete</b>
	Stores	21	20	
	Trade Refuse Income and special uplifts	22	12	
	Climate Change Report	23	5	<b>Complete</b>
	Year end Stocktake	24	5	Complete
Housing	Housing Rent Accounting	25	20	In progress
	Housing – voids, garage allocations etc	26	14	
HSCP	Bonnyton House	27	10	<b>Complete</b>
	Payments to care providers	28	25	In progress
	Carers Legislation	29	15	
	IJB	30	20	In progress
Trust	Community and Leisure Limited Trust	31	20	<b>Complete</b>
Other	NFI	32	12	Deleted
Various	Environmental Controls - general	33	10	<b>Complete</b>
	Contract 2	34	25	In progress
	Fraud Contingency	35	66	In progress
	General Contingency	36	30	In progress
	LG Benchmarking Framework	37	10	Complete
	Follow up	38	50	In progress
	Previous year audits	39	20	Complete
	<b>Total</b>			<b>720</b>

**Note – Audit reports issued in the quarter are shown in bold**

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**SUMMARY OF 2019/20 REPORTS ISSUED UP TO QUARTER ENDED 31 DECEMBER 2019 WHERE RESPONSES HAVE BEEN RECEIVED****1. MB1096NS CORPORATE AND COMMUNITY FOLLOW UP AUDIT**

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

A total of 56 accepted recommendations were made in the reports being followed up. The main areas of weakness noted during this follow up were in relation to overtime and how it is coded, updating of flexi balances for employees on long term absence, monitoring of sickness absence in relation to employees on secondment and monitoring of compliance with EWTD.

Eighteen recommendations were made, 4 were classified as medium risk with the remainder classified as low risk. All recommendations were accepted by management.

**2. MB1102FM CORPORATE DEBT RECOVERY**

The objectives of the audit were to ensure that:

- Council guidance and detailed procedure notes are available and followed
- All arrears are identified and recovery action promptly initiated
- Payment arrangements are monitored and action taken as appropriate if defaulted on
- Controls ensure that write-offs are bona fide and are appropriately authorised for write-off
- Referrals to external debt recovery agencies are properly controlled and monitored
- Procedures ensure that suppressions are bona fide, recorded and reviewed and that access to suppress is restricted to authorised employees
- Debt recovery performance is measured and monitored
- Customer data is held securely and access is limited appropriately.

The audit testing carried out focused on council tax arrears.

No significant issues were noted during the course of the audit however there are some areas that require attention including confirming the Council's position on when it is appropriate to initiate debtor sequestration and ensuring that debts written off include the entire liability where there is no legal right to recovery. Four recommendations, all classified as low risk, were made and accepted by management.

**3. MB1103RM ENVIRONMENT FOLLOW UP AUDIT**

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

A total of 56 accepted recommendations were made in the reports being followed up. The main areas of weakness noted during this follow up were in relation to use and updating of the commercial rent register and establishment of state aid register.

Nineteen recommendations were made, 5 were classified as medium risk with the remainder classified as low risk. All recommendations except one were accepted by management.

#### 4. **MB1105NS BONNYTON HOUSE**

The objectives of the audit were to ensure that:

- Petty cash imprest is operated in accordance with council procedures
- Purchases are appropriate and in accordance with council procedures.
- Staff records held are up to date and accurate and absence monitoring is carried out in accordance with council policy.
- Cash holding and general security arrangements are appropriate.
- Client monies are appropriately held and accounted for.
- All miscellaneous income can be fully accounted for and has been banked promptly.
- Adequate records are held to support independent funds and are reconciled to cash and bank balances periodically.

The records held at the location were generally well maintained and were up to date at the time of the audit visit.

The review of the bank accounts held in relation to petty cash and independent funds showed that there are only two signatories for these accounts and therefore there is an increased risk of not being able to access the funds in the event of a long term absence or one of the signatories leaving the Council. This issue has contributed to excess cash being held in the safe at the location. This risk has been recognised by management and it is hoped to address this soon.

Six recommendations were made and accepted by management. Three of these were classified as low risk and three as medium risk.

#### 5. **MB1107RM COLE REPORT**

The review covered the following key control objectives:

- The Council's Action Plan prepared in response to the Cole report is being reviewed quarterly
- Building Standards set a mandatory inspection schedule at approval stage
- An appropriately qualified Clerk of Works provides independent scrutiny as part of procurement arrangements
- A comprehensive photographic database is maintained for each project recording all elements and stages of construction
- The recommendations made in the Cole Report and accepted by the Council have been implemented.

The work had been partly limited in scope due to not all information requested during the course of the audit being provided. This led to Audit being unable to conclude on the extent to which the recommendations made in the Cole report where the council's response is to appoint a clerk of works have been effective. This information was subsequently provided.

Twelve recommendations were made and accepted by management. All were classified as low risk except one. The medium risk recommendation is reproduced below with the management response.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.3	Evidence of consultation with Building Standards staff should be included in the next review of the action plan.	Medium	Yes	Meeting to be set up between Building Control, Major Projects, Property Services and Technical Services to close out action plan, and replace with Written Procedures / Guidance	Simon Inglis / John Adam / Stuart Free / Alan Hook	March 2020

Risk Ratings for Recommendations	
<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>
<b>Efficiency</b>	<ul style="list-style-type: none"> <li>• These recommendations are made for the purposes of improving efficiency, digitalisation or reducing duplication of effort to separately identify them from recommendations which are more compliance based or good practice.</li> </ul>

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**EAST RENFREWSHIRE COUNCIL**  
Internal Audit Service

**QUARTERLY PERFORMANCE INDICATORS**

<u>Internal Audit Indicators reported Quarterly</u>	Target (where applicable)	Quarter 3 Actual	Cumulative 2019/20
<b>2. Audit Coverage.</b>			
2.2 Actual direct audit days as a percentage of total days available	75%	77%	75%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	2	10
2.4 Percentage of planned contingency time used.  (Days available exclude public holidays, annual leave and sickness absence)	<100%	9%	33%
<b>5. Issue of Reports.</b>			
5.1 Number of audit reports issued per quarter.	-	11	23
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	15.5 weeks	13.7 weeks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	9 working days	9.8 working 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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