

**Corporate and Community Services Department**

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Date: 6 August 2021

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

**AUDIT AND SCRUTINY COMMITTEE**

A meeting of the Audit and Scrutiny Committee will be held on **Thursday, 12 August 2021 at 2.00 pm.**

The agenda of business is as listed below.

**Please note this is a virtual meeting.**

**CAROLINE INNES**

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DEPUTY CHIEF EXECUTIVE

**AGENDA**

1. **Report apologies for absence.**
2. **Declarations of interest.**
3. **Chair's Report.**
4. **Annual Treasury Management Report 2020/21 - Report by Head of Accountancy (Chief Financial Officer)(copy attached, pages 3 - 22).**
5. **National External Audit Report - Local Government in Scotland Overview 2021 - Report by Clerk (copy attached, pages 23 - 26).**
6. **Public Sector Internal Audit Standards (PSIAS) Internal Self-Assessment - Report by Chief Auditor (copy attached, pages 27 - 32).**

- 7. Internal Audit Plan 2021/22 - Implementation Progress - April to June 2021 - Report by Chief Auditor (copy attached, pages 33 - 42).**

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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE12 August 2021Report by Head of Accountancy (Chief Financial Officer)ANNUAL TREASURY MANAGEMENT REPORT FOR 2020/21**PURPOSE OF REPORT**

1. To advise the Audit & Scrutiny Committee on the Treasury Management activities for the year ending 31 March 2021.

**RECOMMENDATION**

2. It is recommended that the Committee: -
- a) note the Treasury Management Annual Report for 2020/21; and
  - b) recommend to the Council that the attached organisations for investment of surplus funds be approved.

**BACKGROUND**

3. In line with the CIPFA Code of Practice on Treasury Management, the Audit & Scrutiny Committee is responsible for ensuring effective inspection of treasury management activities and this report is submitted in accordance with this requirement.

**SUMMARY**

4. Overall the report demonstrates a well-managed treasury function within the Council. The average interest rate on long-term borrowing has decreased slightly over the previous year, reflecting the scheduled maturity of existing borrowing with higher interest rates. The Council continues to adopt a prudent approach to treasury management and in particular the percentage of loans held as at 31 March 2021 that had variable interest rates was 7.30% which is well below the Council's approved upper limit of 30%. The resulting stability in borrowing assists the Council in responding to the current national economic pressures.

5. The report is based on information available, however it is subject to change during the audit process which is yet to be completed.

**RECOMMENDATION**

6. It is recommended that the Committee: -
- a) note the Treasury Management Annual Report for 2020/21; and
  - b) recommend to the Council that the attached organisations for investment of surplus funds be approved.

**REPORT AUTHOR**

Head of Accountancy (Chief Financial Officer): Margaret McCrossan

Chief Accountant: Barbara Clark

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Report Date: July 2021

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## ANNUAL TREASURY MANAGEMENT REPORT 2020/21

## 1. Actual External Debt

	<b>Borrowing 01/04/20 £M</b>	<b>Average Interest %</b>	<b>Borrowing 31/03/21 £M</b>	<b>Average Interest %</b>	<b>Change in year £M</b>
<b><u>Long Term Borrowing</u></b>					
Public Works Loan Board	99.57	3.52	99.03	3.49	(0.54)
Local Authority Bonds	14.40	4.60	14.40	4.60	-
PFI / PPP Finance Leases	88.66	7.16	83.80	7.16	(4.86)
SALIX Energy Efficiency Loan	0.02	-	0.01	-	(0.01)
<b>Total Long Term</b>	<b>202.65</b>	<b>5.19</b>	<b>197.24</b>	<b>5.13</b>	<b>(5.41)</b>
<b><u>Short Term Investments</u></b>					
Temporary Investments	<b>(73.82)</b>	<b>1.01</b>	<b>(71.93)</b>	<b>0.11</b>	<b>1.89</b>

## NOTES

- (i) For purposes of this report long-term borrowing means loans taken on a long-term basis. This differs from the Annual Accounts, which have to categorise long-term loans with less than a year until repayment as short-term loans. Loans above totalling £0.37million come into this category.
- (ii) The Treasury Strategy approved by Council on 27 February 2020, ratified external borrowing of £28m from the Public Works Loan Board to be undertaken during the year, however no external borrowing was made due to the deferral of capital expenditure to future years. In addition loans totalling £0.54 million matured.
- (iii) The average interest rate on long-term borrowing has decreased by 0.06%.
- (iv) The Council's net external borrowing position has decreased in total by £3.52 million during the year.
- (v) The Council's activity in the temporary investments market is shown along with the corresponding interest rate movements in Appendices 2 - 5. All sums invested were for periods of less than 1 year. In response to difficulties in the financial markets and as part of a risk managed process designed to protect the principal of the sums invested, during the course of the year the maximum period of investment was restricted to 6 months, with the exception of those investments with the Bank of Scotland which are set at maximum of 1 year.
- (vi) At 31 March 2021, the Council had 7.30% of its total debt outstanding in variable rate loans. For the Council to gain a high level of stability in overall borrowing costs the Council's Treasury Policy Statement requires the exposure to variable rate loans to be less than 30% of the total debt outstanding.

## 2. PWLB

The primary source of medium/long term borrowing is from the UK Government through the Public Works Loan Board (PWLB). The PWLB provides loans to local authorities at rates, which are in general more attractive than loans available from other sources.

## 3. DEBT MATURITY PROFILE

The Council's debt maturity profile at 31 March 2021 is shown both below and in Graph format at Appendix 6.

It was a requirement of the Council's Treasury Policy Statement that the maximum amount of long-term debt maturing in any one year should be no more than 15% of the Council's long-term debt outstanding, at the time of borrowing.

The Council's debt Maturity Profile as at 31 March 2021 was within the agreed limits.

### Long Term Debt Maturity Profile as at 31 March 2021

	PWLB	Local Authority Bond	SALIX	Total	
	£M	£M	£M	£M	%
21/22	0.36	0.00	0.01	0.37	0.33
22/23	0.82	0.00	0.00	0.82	0.72
23/24	0.36	0.00	0.00	0.36	0.32
24/25	0.00	0.00	0.00	0.00	0.00
25/26	0.00	0.00	0.00	0.00	0.00
26/27	5.01	0.00	0.00	5.01	4.42
27/28	2.01	0.00	0.00	2.01	1.77
28/29	0.00	0.00	0.00	0.00	0.00
29/30	0.00	0.00	0.00	0.00	0.00
30/31	0.00	0.00	0.00	0.00	0.00
After 2031/32	90.47	14.40	-	104.87	92.44
<b>Total</b>	<b>99.03</b>	<b>14.40</b>	<b>0.01</b>	<b>113.44</b>	<b>100.00</b>

## 4. PRUDENTIAL INDICATORS

In line with the agreed monitoring arrangements for the Prudential Indicators, listed below there is a table showing all the prudential indicators comparing the approved indicator, as reported to the Council on 27 February 2020 along with the actual figures recorded at 31 March 2021, demonstrating that the Council is operating well within the limits set.

Prudential Indicator	Approved indicator	Actual	COMMENT
1. Capital Expenditure	£60,682,000	£35,084,000	Movement is due to revised planning of capital projects to future years due to covid,

			resulting in a commensurate movement of capital expenditure.
2. Capital Financing Requirement	£235,072,000	£203,455,000	Movement is due to a reduction in net capital expenditure in both previous and current years, also the re-phasing of the debt repayment profile for infrastructure assets.
3. Operational Boundary for External Debt	£239,625,000	£202,670,000	Movement is due the anticipated £28m of new borrowing from PWLB not being undertaken or internal borrowing of £6.5m being utilised and existing in year debt being repaid. In addition Clyde Valley Waste was not part of Approved Indicator calculation as the financial model was not available at the time of calculation.
4. Authorised Limit For External Debt	£262,707,000	£202,670,000	Approved indicator included an allowance for new debt of £28m as well as internal borrowing of £6.5m above what was utilised and a further allowance to cover any unexpected temporary movements of £23.08m none of which were required in year and existing in year debt was repaid. In addition Clyde Valley Waste was not part of Approved Indicator calculation as the financial model was not available at the time of calculation.
5. Gross Debt	£223,187,000	£198,022,000	Movement is due to no new long term borrowing undertaken and Clyde Valley Waste not part of Approved Indicator calculation.

6. Code of Practice For Treasury Management	The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes	All of the approved activities within the Council Treasury Management Policy Statement have been complied with.	
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The movement between the Capital Financing Requirement and the Gross Debt indicates the amount of internal borrowing required. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded by external loan debt as the cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy remains both prudent and cost effective as investment returns are low and counterparty risk is relatively high. The average interest rate on internal borrowing incurred during the year was 0.46%.

	Approved Indicator	Actual
Capital Financing Requirement	£235,072,000	£203,455,000
Gross Debt	£223,187,000	£198,022,000
Internal Borrowing Required	£11,885,000	£5,433,000

## 5. DEBT PERFORMANCE INDICATOR

The Treasury Strategy sets out the following two debt performance indicators

- Average "pool rate" compared to Scottish average:
  - Average "Pool Rate" charged by the Loans Fund in 2019/20 was 3.70%
  - Average Scottish Local Authority "Pool Rate" in 2019/20 was 3.82%
  - Average " Pool rate" charged by the Loans Fund in 2020/21 was 3.67%

The average "pool rate" charged by the Loans fund in 2019/20 is less than the Scottish Local Authority average rate which is in line with the target set in the Treasury Strategy. The average Scottish Local Authority "Pool Rate" for 2020/21 is not currently available.

- Average borrowing rate movement year on year:
  - Average borrowing rate in 2019/20 was 5.19%
  - Average borrowing rate in 2020/21 was 5.13%

This is a decrease of 0.06% which is an improvement on the target set in the Treasury Strategy of 0%



## **6. APPROVED ORGANISATIONS FOR INVESTMENT**

In line with normal practice the status of all Banks and Building Societies has been reviewed in order to amend the current list of approved organisations for investment where appropriate (see appendix 7). All lending is in line with the permitted methods of investment which were approved by Council on 27 February 2020 as part of the Treasury Management Strategy report.

As a result of the banking crisis and in line with prudent financial management, investment has been restricted to UK organisations with high credit ratings. Also, the maximum period of investment was restricted to 6 months, with the exception of loans to the Bank of Scotland which were restricted to 1 year, this is in line with advice from our Treasury Advisers, Link Asset Services. These measures have been taken as part of a risk managed process designed to protect the principal of the sums invested.

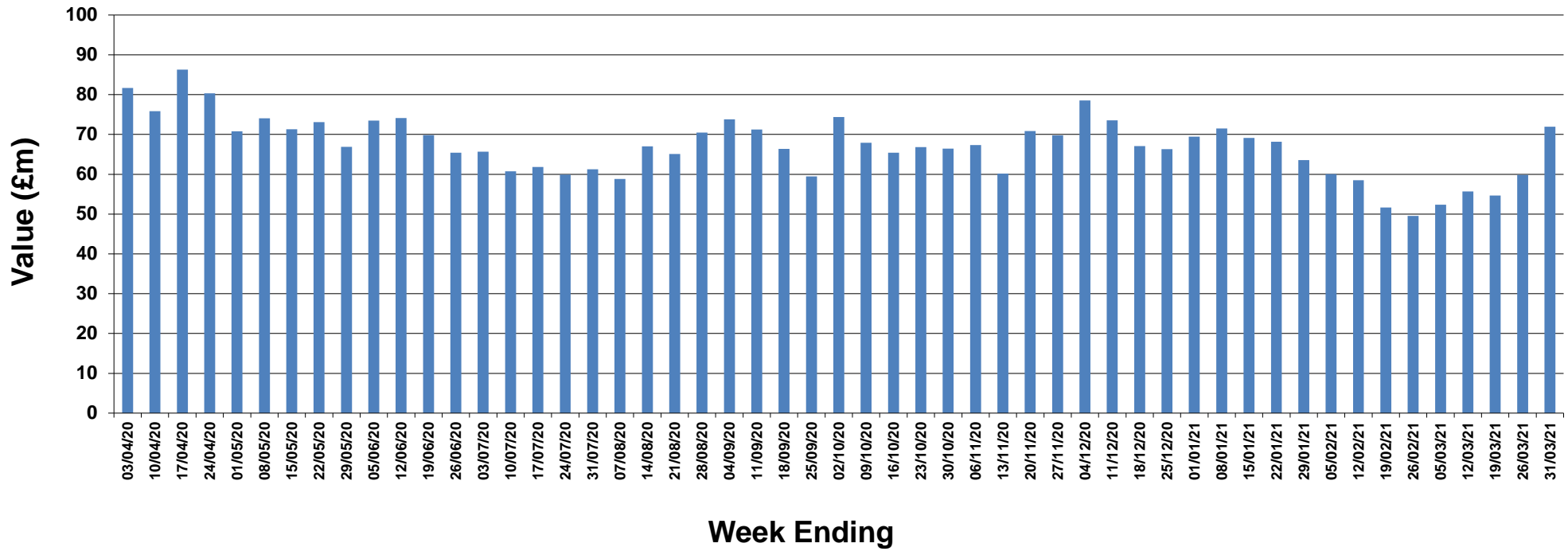
Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

## **7. TREASURY MANAGEMENT RISK**

Within the Operational Risk Register for Accountancy Services there is a risk listed that highlights the difficulty in obtaining sufficient institutions, that meet the Council's criteria, to invest surplus funds with. To minimise this risk the Council has seven Money Market Funds which provide highly diversified investments.

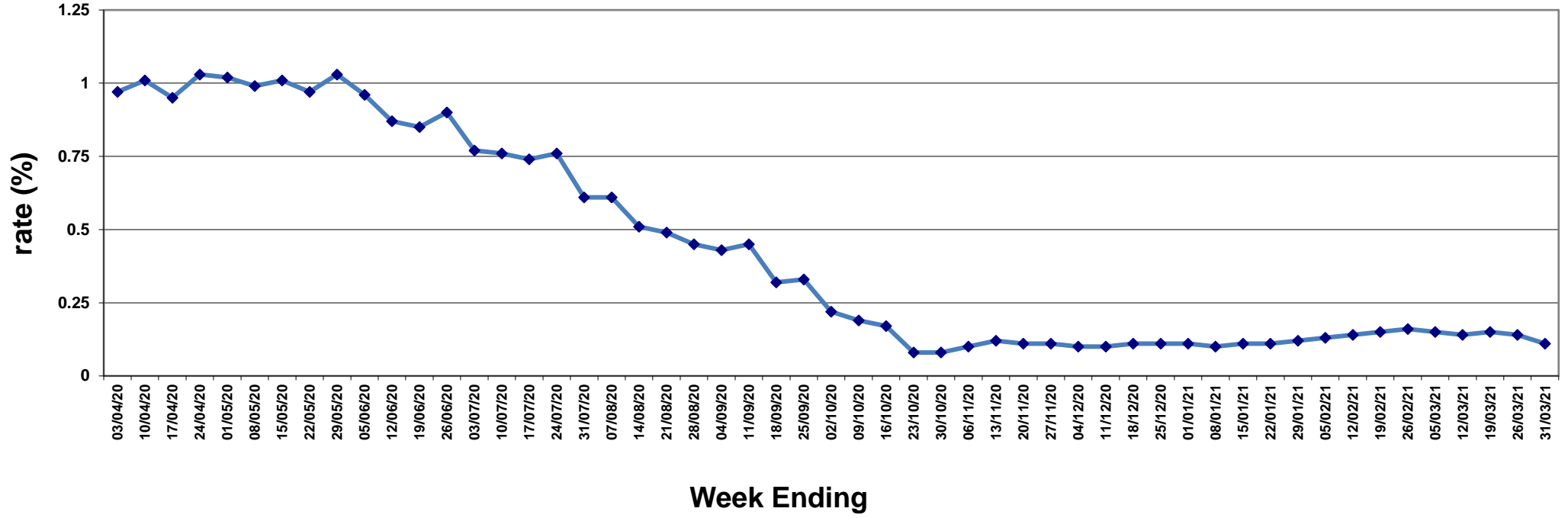
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### Temporary Deposits Weekly Movement (April 2020 - March 2021)



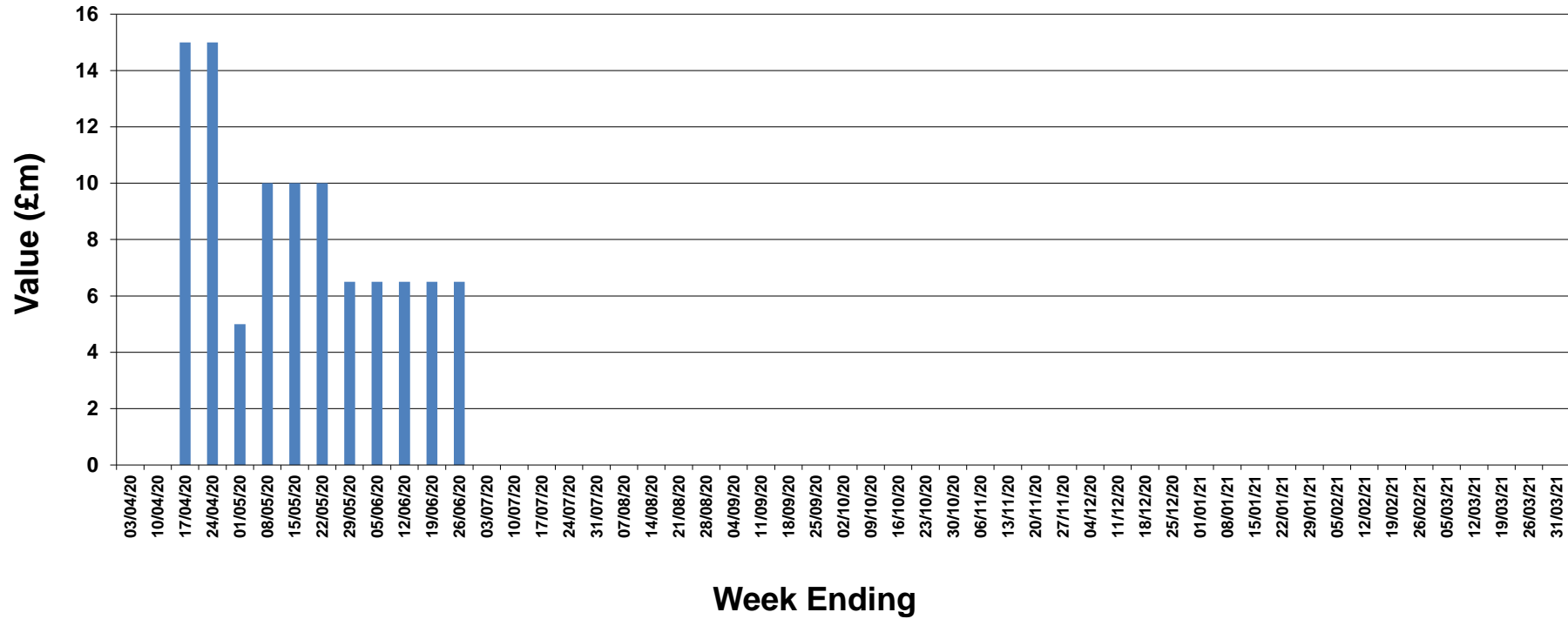
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### Temporary Deposit Interest Rate Movements (April 2020 - March 2021)



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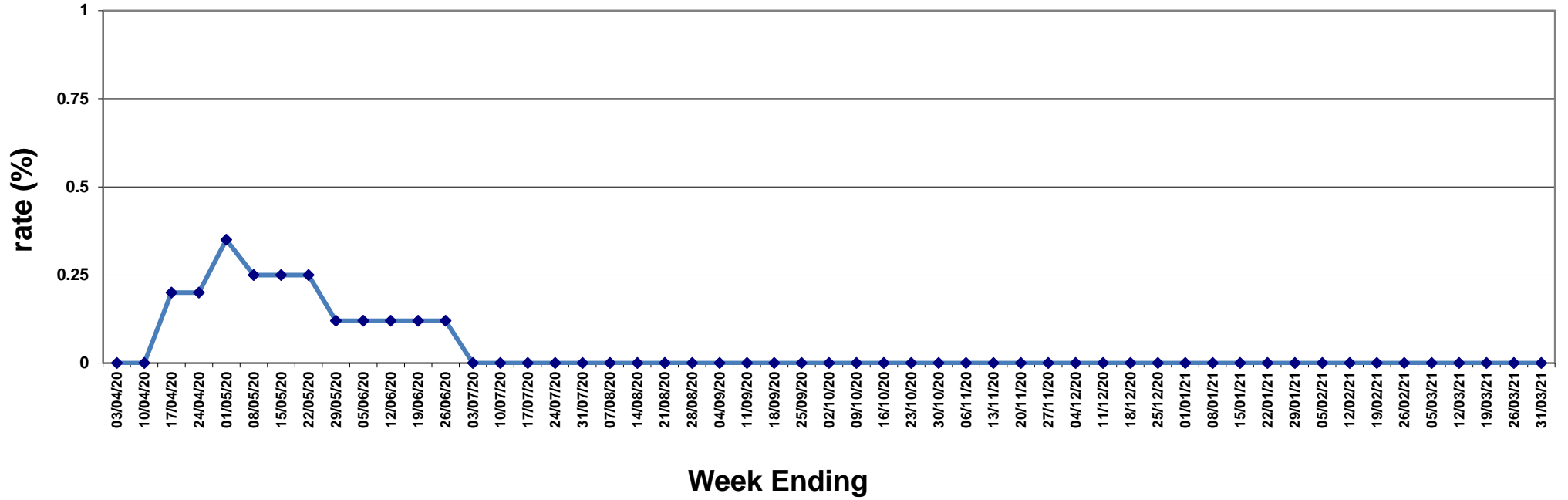
### Temporary Borrowing Weekly Movement (April 2020 - March 2021)



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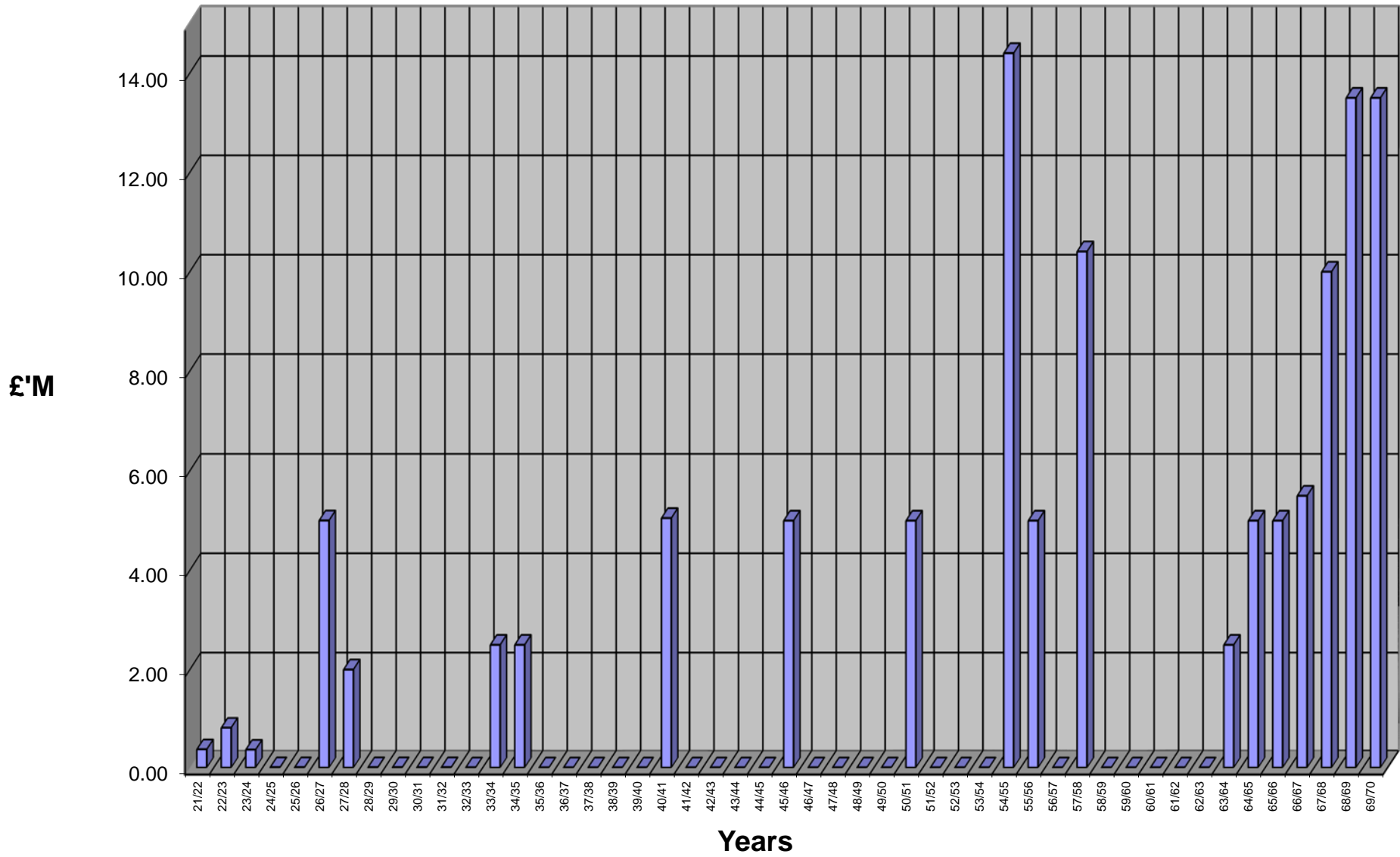


### Temporary Borrowing Interest Rate Movements (April 2020 - March 2021)



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Long Term Debt Maturity Profile as at 31/03/21



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## EAST RENFREWSHIRE COUNCIL

ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS  
Limits

Banking Group	Individual Counterparty	Deposit	Transaction
Bank of England	Debt Management Office	£25m	£10m
	UK Treasury Bills	£5m	£5m
Barclays Banking Group	Barclays Bank plc	£5m	£5m
Goldman Sachs International Bank		£5m	£5m
HSBC		£5m	£5m
Lloyds Banking Group:	Bank of Scotland plc	£12.5m	£10m
Royal Bank of Scotland Group:	Royal Bank of Scotland plc	} £5m	£5m
	National Westminster Bank		
Standard Chartered Bank		£5m	£5m
Santander Group	Santander UK plc	£7.5m	£7.5m
Clydesdale Bank		£0m	£0m
<b>Building Societies</b>			
Nationwide		£5m	£5m
<b>Local Authorities</b>			
All Local Authorities including Police & Fire		£5m	£5m
<b>Money Market Funds</b>			
Maximum limit of £10m per fund, up to a total maximum of £60m		£10m	£10m

**Credit Ratings**

	Fitch		Moody's		S&P	
	LT	ST	LT	ST	LT	ST
Minimum Criteria (unless Government backed) (please note credit ratings are not the sole method of selecting counterparty)	A-	F1	A	P-1/P-2	A	A-1/A-2

**Limit**

Investment of surplus funds is permitted in each of the above organisations, limits can only be exceeded or another organisation approved with written permission of the Chief Financial Officer.

**Deposit Periods**

The maximum period for any deposit is based on the Link Asset Services suggested Duration matrix with a maximum of 6 months. The exception to this is deposits with the Bank of Scotland which is set at 1 year. These limits can only be exceeded with the written permission of the Chief Financial Officer.

Hub scheme deposit periods are dependent on the lifetime of the associated scheme.

EAST RENFREWSHIRE COUNCIL  
AUDIT AND SCRUTINY COMMITTEE

12 August 2021

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT IN SCOTLAND  
OVERVIEW 2021

### **PURPOSE OF REPORT**

1. To provide information on the Audit Scotland report *Local Government in Scotland Overview 2021* and related issues.

### **RECOMMENDATIONS**

2. It is recommended that the committee:-
- (a) considers the report;
  - (b) taking account of the updates already provided thus far on a wide range of COVID-19 related issues, identifies if there are any other issues on which further information should be requested; and
  - (c) notes that the committee has already agreed to review again in future the position on issues raised in the *COVID-19 Guide for Audit and Risk Committees*, published by Audit Scotland in August 2020, regarding which the Clerk will liaise with members of the committee in due course.

### **BACKGROUND**

3. A copy of the Audit Scotland report [Local Government in Scotland Overview 2021](#), published in May 2021, has already been circulated to all Audit and Scrutiny Committee Members. Under the committee's specialisation arrangements, the Members leading the review of this particular report are Councillor Miller and Councillor Grant.

4. The 2021 Overview, which is very much focused on councils' COVID-19 responses, reflects that Scotland's councils reacted quickly, working alongside communities and partners, to address the unprecedented challenges created by COVID-19. It highlights also that many challenges remain significant and are made more so by the multiple impacts of COVID-19 on communities and services.

### **UPDATES PROVIDED ON COVID-19 RESPONSE BY THE COUNCIL**

5. Through consultation with the Corporate Management Team, it has been concluded that the Council's COVID-19 responses have already been documented well and adequately in various reports as itemised below, links to which have been provided:-

- [COVID-19 Actions - Report Submitted to Emergencies Committee on 21 May 2020](#)

This report, which was noted by the Emergencies Committee, provided Elected Members with information on the range of actions taken by the Council and partners by then in responding to the COVID-19 pandemic.

- [COVID-19 Actions - Update - Report Submitted to Council on 24 June 2020](#)

This report, providing a further update on actions taken by the Council and partners in responding to the pandemic, was noted by the Council.

- [COVID-19 Recovery Actions - Update - Report Submitted to Council on 28 October 2020](#)

A further update on recovery work taking place across the Council was provided to, and noted by, the Council in October 2020.

- [Covid-19 Recovery Actions - Update - Report Submitted to Council on 16 December 2020](#)

Subsequently, a further update on response and recovery work taking place across the Council and the East Renfrewshire Culture and Leisure Trust was submitted to the Council on 16 December 2020. In addition to noting the report, the Council agreed then that delegated powers be granted to the Director of Environment, in consultation with the Leader of the Council, to put in place local arrangements to develop a scheme to disburse payments from the COVID-19 Local Authority Discretionary Fund.

- [COVID-19 Recovery Actions - Report Submitted to Council on 30 June 2021](#)

The most recent update on the COVID-19 recovery actions was submitted to the Council on 30 June 2021. The Council noted the ongoing work on response, recovery and renewal; that ongoing service delivery levels were still affected by staff involvement in response and recovery activities as well as the less efficient operating practices required to meet Coronavirus protocols; and the continued additional workload of many staff.

6. Further in relation to COVID-19, in September 2020 the Audit and Scrutiny Committee agreed that a report on issues raised in the new *COVID-19 Guide for Audit and Risk Committees*, published by Audit Scotland in August 2020, be submitted later in 2020. The Guide posed questions to assist auditors and public bodies effectively scrutinise and provide challenge in key areas requiring additional focus, categorising these under the headings of internal control and assurance; financial management and reporting; governance; and risk management. A report on feedback on these issues and related comments was submitted to the committee in November 2020. It was agreed then that a further update be provided in due course, around March or April 2021, and that the Clerk should liaise with members of the committee to ascertain the specific issues on which feedback and further assurances were to be sought by exception. The committee noted that the Performance and Audit Committee of the IJB had also been considering issues raised within the Guide.

7. On 18 March 2021, as part of his Chair's report, Councillor Miller reported that he had recently sought confirmation, which had been provided, that the feedback received in November 2020 on changes to internal controls required due to COVID-19 remained current. Taking account of this and other information the committee already had access to, which



included reports on risk and Internal Audit's work, no issues were identified by members of the committee then that they wished followed up at that stage, but it was noted that it remained an option to seek further updates on specific issues at any point through either the Chair or Clerk. It was also agreed then that it might be useful, later in 2021, to review the position again on issues raised in the Guide, to pick up any issues that may be raised from the year end Accounts process or transition to the "new normal" working arrangements which it was hoped would start to be introduced by then. It was noted that the Clerk would liaise with Members regarding this in due course, reference to which is made in the committee's 2021/22 Work Plan.

## CONCLUSION

8. A wide range of information on COVID-19 issues has already been provided to both the full Council and Audit and Scrutiny Committee and further updates will be provided as necessary.

## RECOMMENDATIONS

9. It is recommended that the committee:-
- (a) considers the report;
  - (b) taking account of the updates already provided thus far on a wide range of COVID-19 related issues, identifies if there are any other issues on which further information should be requested; and
  - (c) notes that the committee has already agreed to review again in future the position on issues raised in the *COVID-19 Guide for Audit and Risk Committees*, published by Audit Scotland in August 2020, regarding which the Clerk will liaise with members of the committee in due course.

Local Government Access to Information Act 1985

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Background Papers:-

1. Audit Scotland Report – Local Government in Scotland Overview 2021
2. Reports submitted to the full Council and Audit and Scrutiny Committee as itemised within the report.

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EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE12 AUGUST 2021Report by Chief AuditorPUBLIC SECTOR INTERNAL AUDIT STANDARDS INTERNAL SELF ASSESSMENT**PURPOSE OF REPORT**

1. The purpose of this report is to advise members of progress in relation to compliance with the Public Sector Internal Audit Standards (PSIAS).

**BACKGROUND**

2. The Public Sector Internal Audit Standards came into force on 1 April 2013 and includes a requirement that the Head of Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) to enable the internal audit activity to be assessed against the PSIAS. CIPFA recommends that in order to undertake a self-assessment, the recommended checklist for assessing conformance included within the application note to the PSIAS is used which contains 339 criteria. Additionally, there is a requirement for an external assessment to be carried out at least once every 5 years by an independent assessor.

3. For internal auditors in the public sector, compliance with PSIAS is mandatory and any areas of non-conformance should be reported to the Audit and Scrutiny Committee.

**QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)**

4. The standards require that the QAIP includes both internal and external assessments. The recommendations and actions resulting from these assessments are contained within the QAIP which is included in the appendix. All recommendations from the external assessment which were submitted to the Audit and Scrutiny Committee in June 2018 have now been implemented and have therefore been deleted from the QAIP.

5. The internal assessments must include ongoing monitoring of the internal audit activity and periodic self-assessments. This is achieved as follows:

- review of all internal audit files by the Chief Auditor
- monitoring of internal audit activity by the Audit and Scrutiny Committee through quarterly progress reports and the annual report
- performance measurement framework in place which includes reporting on performance indicators approved by the Audit and Scrutiny Committee, national Director of Finance indicators and Council corporate indicators
- annual review by the Council's external auditors of internal audit activity and feedback on whether they can place reliance on the work carried out by Internal Audit
- feedback via the use of annual customer satisfaction surveys on the work carried out by internal audit

- self-assessments using the recommended checklist are carried out periodically (except for years where there has been an external assessment) and the results submitted to the Audit and Scrutiny Committee.

6. External assessments are required to be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation. The last external assessment was carried out in 2018. It was agreed by Audit and Scrutiny Committee in June 2019 that the Council will continue to participate in the reciprocal SLACIAG independent self-assessment process.

## SELF ASSESSMENT

7. In August 2014, a report detailing the full results of the first self-assessment of PSIAS was submitted and noted by the Audit and Scrutiny Committee. The self-assessment was carried out by using the recommended checklist which contains four columns to indicate full, partial or non-compliance and non-applicable. The self assessment was repeated again in 2016, 2019, 2020 and 2021. A copy of the latest full self-assessment is available on request but the results are summarised below.

8. The Standards require that the assessment must include an evaluation with regard to the degree of internal audit's compliance. Internal audit's self-assessment indicates that the service is currently fully compliant with 289 (or 95%) of all criteria which are applicable and partially compliant with a further 12 (or 4%).

9. The table below summarises internal audit's self-assessment of conformance against the standards as at July 2021.

Standards	No. of criteria	IA assessment of conformance			
		Yes	Partial	No	N/A
1 Definition of internal audit	3	3			
2 Code of Ethics	13	13			
1000 Purpose, authority and responsibility	23	21	1		1
1100 Independence and objectivity	35	27		1	7
1200 Proficiency and due professional care	21	18			3
1300 Quality assurance and improvement programme	31	29			2
2000 Managing the internal audit activity	47	41	1	1	4
2100 Nature of work	31	28			3
2200 Engagement planning	54	32	10	1	11
2300 Performing the engagement	22	22			
2400 Communicating results	53	50			3
2500 Monitoring progress	4	3			1
2600 Communicating the acceptance of risks	2	2			
<b>Total</b>	<b>339</b>	<b>289</b>	<b>12</b>	<b>3</b>	<b>35</b>
<b>Total excluding non-applicable</b>	<b>304</b>				

Standards	No. of criteria	IA assessment of conformance			
		Yes	Partial	No	N/A
% of total	100%	95%	4%	1%	

10. This shows there has been minimal change in compliance compared to the previous self-assessment submitted to the Audit and Scrutiny Committee as follows:

Standards	No. of criteria	IA assessment of conformance			
		Yes	Partial	No	N/A
Compliance as at August 2014	339	255	27	23	34
Compliance as at Sept 2016	339	269	20	13	37
Compliance as at May 2019	339	286	12	4	37
Compliance as at July 2020	339	289	11	3	36
Compliance as at May 2021	339	289	12	3	35

11. There continue to be few areas of non-compliance and there is limited scope to address these. For example Audit and Scrutiny Committee having the power to appoint the Chief Auditor.

12. The main areas identified as non-applicable relate to:

- Consultancy engagements – internal audit has not undertaken any significant consultancy work in 2020/21 to date or in the years prior to this.

13. The main areas assessed as being partially compliant are in relation to:

- The issues which are routinely considered when planning each audit assignment but are not always formally documented.
- Internal audit does not carry out any non-audit duties or have any operational duties outwith the internal audit function. (This was previously assessed as N/A as it is stated in the Audit Charter that internal auditors will have no operational responsibilities and will not conduct non-audit duties. However during the Covid lockdown period, auditors assisted other services but they will not be involved in auditing those services)

14. On the basis that the self-assessment indicates that the internal audit team are 95% fully compliant with the relevant standards and partially compliant with a further 4%, it is concluded that the internal audit section operates in general compliance with the Public Sector Internal Audit Standards. This result remains consistent with the external assessment which concluded that the internal audit service was fully compliant in 11 out of 13 sections and generally compliant in the remaining two.

## RECOMMENDATIONS

15. The Committee is asked to note the outcome of the revised self-assessment.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.

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## QUALITY ASSURANCE IMPROVEMENT PLAN (QAIP) AS AT JULY 2021

Ref	Source (SA – Self Assessment EA – External Assessment)	Finding	Proposed action/recommendation	Progress	Target Date
1	SA 2019	<b>Standard 2430</b> Use of “Conducted in Conformance with the PSIAS” only if the results of the QAIP support such a statement	Include a statement in all audit reports that the audit has been conducted in conformance with PSIAS.	<b>Implemented</b> Included in all audit reports issued after 1 April 2020 and some prior to this.	N/A
2	SA 2020	<b>Standard 2410 Criteria for Communicating</b> – if assurance is to be provided to other partnership organisations, it should be demonstrated that fundamental responsibility is to the management of the Council.	A statement to reflect this will be included in the Annual Report.	<b>Implemented</b> Comment was first included in the 2019/20 Annual Report	N/A
3	SA 2021	<b>Standard 1000 Purpose Authority and Responsibility</b> Internal audit assisted other services with operational and/or non-audit duties during 2020/21, namely processing of Covid grants.	The Chief Auditor should ensure that auditors involved in processing Covid grants are not involved in auditing this area.	An auditor has already been assigned to carry out the planned audit of covid grants and it is confirmed that they were not involved in the processing of grants previously.	31 March 2022

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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE12 AUGUST 2021Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2021/22 QUARTER 1**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2021/22 as approved in June 2021.

**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 2021/22 - PROGRESS REPORT QUARTER 1**

3. A copy of the annual audit plan for 2021/22 is shown in appendix 1. No audits relating to planned 2021/22 audit work were completed in quarter 1 as shown in appendix 2. Appendix 3 gives detail of three reports which were carried out as part of the 2020/21 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 and where any recommendation is not accepted, a satisfactory reason is given. The quarterly performance indicators for the section are shown in appendix 4. Some indicators are not being met due to COVID19 restrictions on audit work that can be carried out during lockdown and delays in departments responding to audit queries.

4. One new request for assistance was dealt with using contingency time during the quarter. There is also an investigation ongoing which commenced in 2020/21 and time spent on this is being carried out using contingency time.

5. Three audits relating to planned 2020/21 audit work are still in progress and it is hoped that these can be issued soon.

**RECOMMENDATION**

6. The Committee is asked to:

- (a) note Internal Audit's progress report for quarter 1 of 2021/22 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**  
**REVISED ANNUAL AUDIT PLAN FOR 2021/22 PROGRESS REPORT**

<b>Department</b>	<b>Title</b>	<b>Audit Number</b>	<b>Original No. of days</b>	<b>Status</b>
Chief Executives	Corporate Procurement Cards	1	15	
Corporate & Community	Payroll	2	28	In progress
	Creditor interfaces, e-invoicing	3	18	
	Debtors	4	24	
	Housing Benefits/Universal Credit	5	30	
	Clothing grants, free school meals	6	12	
	Council tax – reductions and liability	7	24	
	Education	Environmental controls – Education	8	
	Schools cluster	9	32	
Environment	Clyde Valley Contract Group	10	13	In progress
	Grant certification	11	15	
	Gas Servicing	12	15	
	City Deal	13	15	
	Climate Change Report	14	5	
	COVID business grants	15	25	
	Energy and Fuel	16	15	
Housing	Housing Repairs	17	20	In progress
	New Council Houses	18	24	
HSCP	Care First Finance System	19	20	
	Kinship, fostering and adoption	20	16	
	IJB	21	15	
Trust	Culture and Leisure Limited Trust	22	20	
Various	Contract 1 TBA	23	20	In progress
	Application Audit	24	18	
	Fraud contingency	25	70	
	General Contingency	26	30	
	LG Benchmarking Framework	27	10	
	Follow up	28	50	
	Previous year audits <b>Note1</b>	29	52	
<b>Total</b>			<b>661</b>	

**Note 1** previous year audits were completed with the exception of three which should be issued soon.

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**SUMMARY OF 2020/21 REPORTS ISSUED WHERE RESPONSES WERE RECEIVED SINCE LAST PROGRESS REPORT**

**1. MB/1137/FM Cash Income and Banking**

The audit covered the following control objectives:

- Policies and Procedures
- Cash Counts and General Security
- Cash Up Differences and Reversal Transactions
- Postal Payments
- Reconciliations
- System Access

It was noted during the audit that reversals were not always being signed as reviewed by team leaders and notification that ICON access should be disabled for leavers was not always sent to the systems administrator.

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
4.1.2	All daily reversal reports should be signed/initialled as reviewed by a supervisor.	Medium	Yes	Review of current procedure and reminder to supervisors of process to be carried out.	Alan MacDonald/Raymond Berry	30/9/21
4.2.1	Managers must ensure that notification of a leaver is sent to the ICON systems administrator immediately upon the employee leaving to allow systems access to be disabled promptly.	Medium	Yes	As system owner, the Head of Accountancy will remind all departments of the need to notify the ICON systems administrator promptly of any leavers who are ICON users	Head of Accountancy	31 August 2021

**2. MB1141FM Follow-up Chief Executives Office Audits**

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

A total of 17 accepted recommendations were made in the reports being followed up. The main area of weakness noted during this follow up was in relation to loan interest reconciliations being brought up to date. Evidence has subsequently been provided that these are now up to date and will be carried out quarterly going forward.

Five recommendations were made, 1 was classified as medium risk with the remainder classified as low risk. All recommendations were accepted by management.

**3. MB/1144/NS Debtors Control**

The objectives of the audit were to ensure that:

- 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

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- Arrears follow-up procedures are properly controlled.

It was noted that whilst there has been an improvement in the number of customer accounts which have been created and not used there were still 21 that have been created since the last audit report was issued and not used despite clear guidance being issued to departments to highlight the GDPR implications of creating un-necessary accounts.

Testing carried out showed that there were 13 invoice numbers that could not be accounted for within the report of all invoices issued between 1 April 2020 and 12 March 2021. Core Systems confirmed that a report had been created to show missing invoice numbers but this does not appear to have been used by the Debtors Team.

The recommendation reproduced below is in relation to a sample of 15 payments received and checks carried out to ensure that the debtors account had been updated to accurately reflect the payments received. This highlighted that four of the payments were from customers who had credit balances ranging from £40.56 to £246.22. It was found that these were mainly due to a credit note being raised previously which wasn't deducted from subsequent invoices and in one case was due to payments being accepted via standing order but no invoices being raised against the account.

Six recommendations were made, one was classified as medium risk, with the remaining ones as low risk. All recommendations were accepted by management. The medium risk recommendation is reproduced below with the departmental responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.4.1	A report should be generated to show all customers with a credit balance to allow a review to be carried out and ensure that customers are being accurately billed.	Medium	Yes	Management will review all credit accounts.	Lorna Adams – Accounts Payable/ Receivable Manager	31/03/2022

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>



**EAST RENFREWSHIRE COUNCIL**  
Internal Audit Section

**QUARTERLY PERFORMANCE INDICATORS**

<u>Internal Audit Indicators reported Quarterly</u>	Target (where applicable)	Quarter 1 Actual 2021/22
<b>2. Audit Coverage.</b>		
2.2 Actual direct audit days as a percentage of total days available	75%	74%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	1
2.4 Percentage of planned contingency time used.  (Days available exclude public holidays, annual leave and sickness absence)	<100%	24%
<b>5. Issue of Reports.</b>		
5.1 Number of audit reports issued per quarter. (Note 3)	-	-
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	-
5.3 Ave. time taken to issue report (working days). (Note 2)	10 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.
3. No reports were issued in the quarter therefore no indicators available yet.

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