

Business Operations and Partnerships Department

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Date: 4 August 2023

When calling please ask for: Linda Hutchison (Tel. No 0141 577 8388)

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TO: Councillor Andrew Morrison (Chair), Tony Buchanan (Vice-Chair), Provost Mary Montague and Councillors Paul Edlin, Annette Ireland, David Macdonald and Gordon Wallace.

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, 10 August 2023 at 2.00pm.**

The agenda of business is as listed below.

Yours faithfully

Louise Pringle

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DIRECTOR OF BUSINESS OPERATIONS & PARTNERSHIPS

AGENDA

1. **Report apologies for absence.**
2. **Declarations of interest.**
3. **Chair's Report.**
4. **Clarification Received on Queries Raised at Previous Meetings – Report by Clerk (copy attached, pages 3 - 6).**
5. **Annual Treasury Management Report 2022/23 – Report by Head of Accountancy (Chief Financial Officer)(copy attached, pages 7 - 22).**
6. **Internal Audit Report – Review of External Wall Insulation and Roofing Contract and Related Management Response – Report by Clerk (copy attached, pages 23 - 36).**

7. **Internal Audit Plan 2023/24 – Implementation Progress – April to June 2023 – Report by Chief Auditor (copy attached, pages 37 - 52).**

For information on how to access the virtual meeting please email:-
linda.hutchison@eastrenfrewshire.gov.uk

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

10 August 2023

Report by Clerk

CLARIFICATION RECEIVED ON QUERIES RAISED AT PREVIOUS MEETING

PURPOSE OF REPORT

1. To summarise the clarification received and circulated on queries raised at the meetings of the Committee held on 11 May and 22 June.

RECOMMENDATION

2. It is recommended that the Committee notes the position.

REPORT

3. In June 2022, the Committee endorsed the final observations and recommendations made by the Committee in April 2022 arising from its self-evaluation, agreeing to implement recommendations made as appropriate.

4. One of the self-evaluation observations made was that when queries on reports are raised at meetings, it is not always possible for answers to be provided at the meeting itself. Although the provision of clarification or assurances subsequently was considered acceptable, it was agreed, in the interests of transparency, that the Clerk should submit a summary of clarification received and circulated to the next meeting.

5. A related observation endorsed by the Committee in June 2022 and highlighted subsequently, was that it is useful, where possible, for Members to alert the Clerk or Chair in advance to issues they wish to raise at meetings. This is with a view to helping to ensure that answers can be requested, prepared and made available to the Committee where possible at its meetings, also in the interests of transparency. Members of the Committee are therefore encouraged to alert the Clerk or Chair to issues in advance to the extent possible.

6. Clarification provided on queries raised at the meetings on 11 May and 22 June, which have already been circulated through correspondence, are itemised in Appendix 1 to this report.

RECOMMENDATION

7. It is recommended that the Committee notes the position.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)

e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit and Scrutiny Committee Agenda – 11 May 2023 - Consultancy Expenditure and Related Log
2. Audit and Scrutiny Committee Agenda – 22 June 2023 - Unaudited Annual Accounts 2022-23

CLARIFICATION SOUGHT AND CIRCULATED FOLLOWING MEETING ON 11 MAY 2023

DATE OF MEETING AND ITEM	ITEM AND ISSUE(S) RAISED	CLARIFICATION
11 May 2023 (Item 4)	<p><u>CONSULTANCY EXPENDITURE AND RELATED LOG</u></p> <p>It was agreed to seek clarification from departments if there were any instances in 2022/23 of consultancy costs for the same work being broken down, resulting in the costs of each element being under the £10,000 threshold for approval by Directors.</p> <p><i>Feedback on clarification circulated on two further issues regarding consultancy raised at the May meeting was reported to the Committee on 22 June 2023.</i></p>	<p>Directors stated that they are not aware of any instances where sums were broken down to below the £10,000 level to avoid reporting.</p>
22 June 2023 (Item 5)	<p><u>UNAUDITED ANNUAL ACCOUNTS 2022-23</u></p> <p>It was agreed that further clarification be sought from the Director of Education on an issue raised at the meeting regarding the potential delay in funding for the 1140 hours of early learning and childcare until the start of the term following a child's 3rd birthday in the context of the way information was currently presented in the draft 2022-23 Annual Accounts.</p>	<p>The Director of Education clarified:-</p> <ul style="list-style-type: none"> • that the changes referenced at the meeting were agreed by the Council in March 2023 for the 2023-24 Session, therefore have no impact on the commentary in the draft Annual Accounts for 2022/23; • that the Council is not delaying funding for Early Learning and Childcare (ELC), with it provided to all eligible children in line with the statutory duties set out in both the Children & Young People (Scotland) Act 2014 and the Scottish Government's <u>statutory guidance</u>;

		<ul style="list-style-type: none">• that prior to the 2023-24 Session, all eligible children within East Renfrewshire were able to access funded ELC from the day following their 2nd or 3rd birthday;• that this provision was discretionary and never formed part of a child's statutory entitlement, with the decision made by the Council in March 2023 removing the discretionary service referred to above and beyond the statutory entitlement; and• the eligibility criteria for funded ELC.
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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE10 August 2023Report by Head of Accountancy (Chief Financial Officer)ANNUAL TREASURY MANAGEMENT REPORT FOR 2022/23**PURPOSE OF REPORT**

1. To advise the Audit & Scrutiny Committee on the Treasury Management activities for the year ending 31 March 2023. The figures reported below are subject to change during the current audit process.

RECOMMENDATION

2. It is recommended that the Committee: -
- a) note the Treasury Management Annual Report for 2022/23; 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 2023 that had variable interest rates was 7.17% which is well below the Council's approved upper limit of 15%. The resulting stability in borrowing assists the Council in responding to the current national economic pressures.

RECOMMENDATION

5. It is recommended that the Committee: -
- a) note the Treasury Management Annual Report for 2022/23; 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
Telephone Number: 0141 577 3068
E-mail: barbara.clark@eastrenfrewshire.gov.uk
Report Date: 4 July 2023

ANNUAL TREASURY MANAGEMENT REPORT 2022/23

Table 1

1. Actual External Debt

	Borrowing 01/04/22 £M	Average Interest %	Borrowing 31/03/23 £M	Average Interest %	Change in year £M
<u>Long Term Borrowing</u>					
Public Works Loan Board	103.67	3.39	112.85	3.30	9.18
Local Authority Bonds	14.40	4.60	14.40	4.60	-
PFI / PPP Finance Leases	78.71	7.17	73.50	7.18	(5.21)
Total Long Term	196.78	4.99	200.75	4.81	3.97
<u>Short Term Investments</u>					
Temporary Investments	(78.43)	0.47	(68.54)	3.95	(9.89)

NOTES

- (i) For the 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 £0.365 million come into this category.
- (ii) The Treasury Strategy approved by the Council on 3rd March 2022, ratified external borrowing of £55m from the Public Works Loan Board to be undertaken during the year in addition to the £10m carried forward approved borrowing relating to 2021/22. However due to the rescheduling of capital expenditure to future years, and a recommendation by the Head of Accountancy to defer long term borrowing, where possible, until the current high interest rates come down, only £10m of new borrowing from the Public Works Loan Board during the year was undertaken and loans totalling £0.82m matured.
- (iii) The average interest rate on long-term borrowing has decreased by 0.18%.
- (iv) The Council's net external borrowing position has decreased in total by £5.92 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.
- (vi) At 31 March 2023, the Council had 7.17% 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 15% of the total debt outstanding.

- (vii) Appendix 6 shows the Bank of England MPC base rate covering the period April 2022 to the date of this report.

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 2023 is shown both below and in Graph format at Appendix 7.

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 2023 was within the agreed limits.

Long Term Debt Maturity Profile as at 31 March 2023

	PWLB	Local Authority Bond	Total	
	£M	£M	£M	%
23/24	0.36	0.00	0.36	0.28
24/25	0.00	0.00	0.00	0.00
25/26	0.00	0.00	0.00	0.00
26/27	5.01	0.00	5.01	3.94
27/28	2.01	0.00	2.01	1.58
28/29	0.00	0.00	0.00	0.00
29/30	0.00	0.00	0.00	0.00
30/31	0.00	0.00	0.00	0.00
31/32	0.00	0.00	0.00	0.00
32/33	0.00	0.00	0.00	0.00
After 2033/34	105.47	14.40	119.87	94.20
Total	112.85	14.40	127.25	100.00

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 3 March 2022 along with the actual figures recorded at 31 March 2023, demonstrating that the Council is operating well within the limits set.

Prudential Indicator	Approved indicator	Actual	COMMENT
1. Capital Expenditure	£83,202,000	£44,022,000	Movement is due to revised planning of capital projects within both the Housing and General Fund Capital Programmes.
2. Capital Financing Requirement	£281,723,000	£220,874,000	Movement is due to a reduction in net capital expenditure in both previous and current years.
3. Operational Boundary for External Debt	£286,988,000	£220,111,000	Movement is due to a reduction in borrowing from that approved due to a reduction in capital spend in both the previous and current year.
4. Authorised Limit For External Debt	£318,229,000	£220,111,000	In addition to the variance explanation for the Operational Boundary for External Debt above, the Authorised limit for External Debt also includes a further 15% allowance to cover any unexpected temporary movements of £31,241m which was not required.
5. Gross Debt	£256,515,000	£201,515,000	Movement is because only the £10m approved borrowing carried forward from 2021/22 was undertaken and none of the £55m approved borrowing for 2022/23. This was partly due to the high interest rates and a recommendation to defer borrowing, if possible, until rates come down.
6. Gross Borrowing to CFR (Under)/Over	(£25,208,000)	(£19,359,000)	Movement is due to a reduced net borrowing requirement as a result of a reduction in capital expenditure in both previous and current years.
7. Financing to Net Revenue Stream Non – HRA	7.2%	7.2%	HRA variation is in-line with a reduction in financing costs, along with increased income

HRA	34.0%	31.5%	compared to the approved indicator
8. HRA - Ratio of Debt to Revenue	380.4%	328.3%	The variation is due to a combination of reduced debt and increased Income.
9. HRA – Debt Per Dwelling £	17,165	14,731	The variation is due to a combination of reduced debt and an increased number of dwellings.
10. 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.	

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 borrowing costs are currently relatively high and the Head of Accountancy has requested that borrowing, where possible, is not undertaken until interest rates come down from their current level.

	Approved Indicator	Actual
Capital Financing Requirement	£281,723,000	£220,874,000
Gross Debt	£256,515,000	£201,515,000
Internal Borrowing Required	£25,208,000	£19,359,000

5. DEBT PERFORMANCE INDICATOR

The Treasury Strategy sets out the following two debt performance indicators

- i) Average "pool rate" compared to Scottish average:
 - Average "Pool Rate" charged by the Loans Fund in 2021/22 was 3.52%
 - Average Scottish Local Authority "Pool Rate" in 2021/22 was 3.49%
 - Average "Pool Rate" charged by the Loans Fund in 2022/23 was 3.34%

The average "pool rate" charged by the Loans Fund in 2021/22 is slightly higher than Scottish Local Authority average and there are several factors that contribute to this.

The increased rate is due to:

- the Council not taking full advantage of new borrowing in 2021/22 at historically low interest rates due to slippage in the capital plan,
- only a small amount of loan debt with high interest rates maturing and
- having a very low appetite for risk when investing surplus funds.

The average Scottish Local Authority "Pool Rate" for 2022/23 is not currently available.

- ii) Average borrowing rate movement year on year:
 - Average borrowing rate in 2021/22 was 4.99%
 - Average borrowing rate in 2022/23 was 4.81%

This is a decrease of 0.18% which is an improvement on the target set in the Treasury Strategy to maintain or reduce rates year on year.

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 (see appendix 8). All lending is in line with the permitted methods of investment which were approved by Council on 3 March 2022 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, 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.

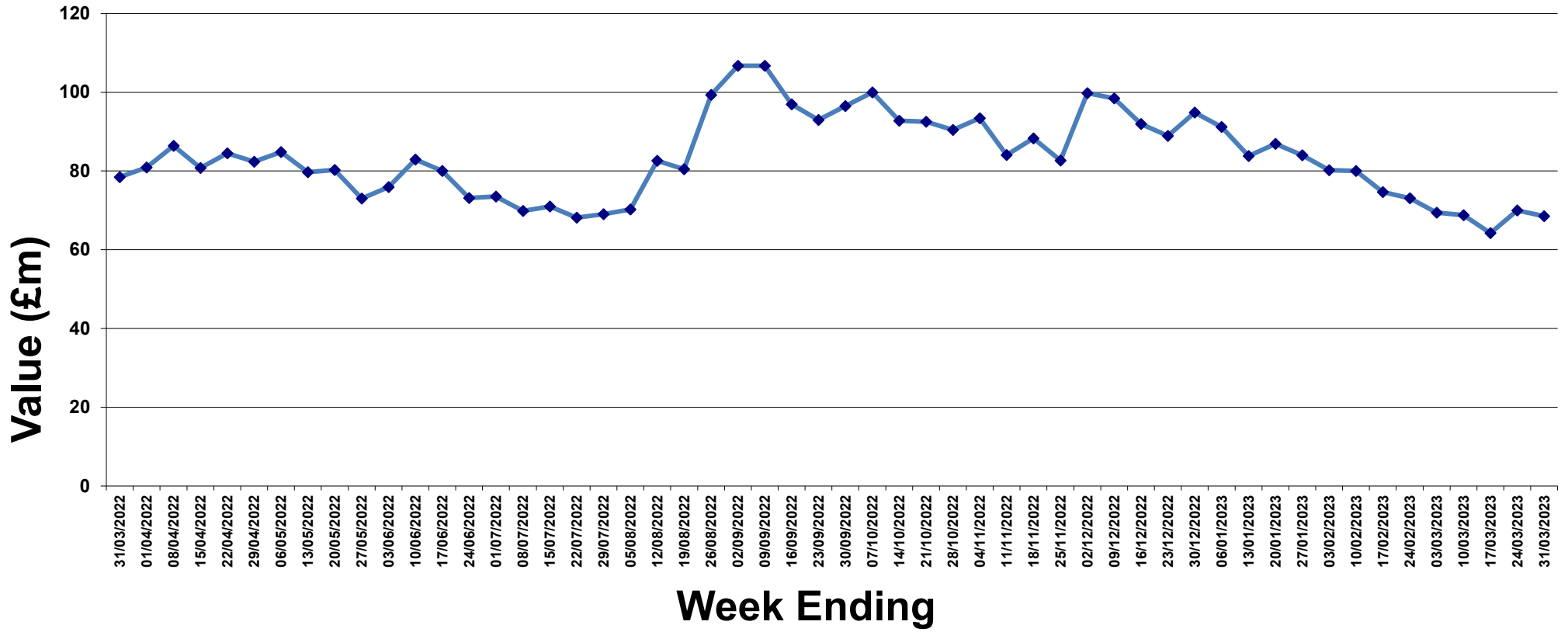
Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

7. TREASURY MANAGEMENT RISK

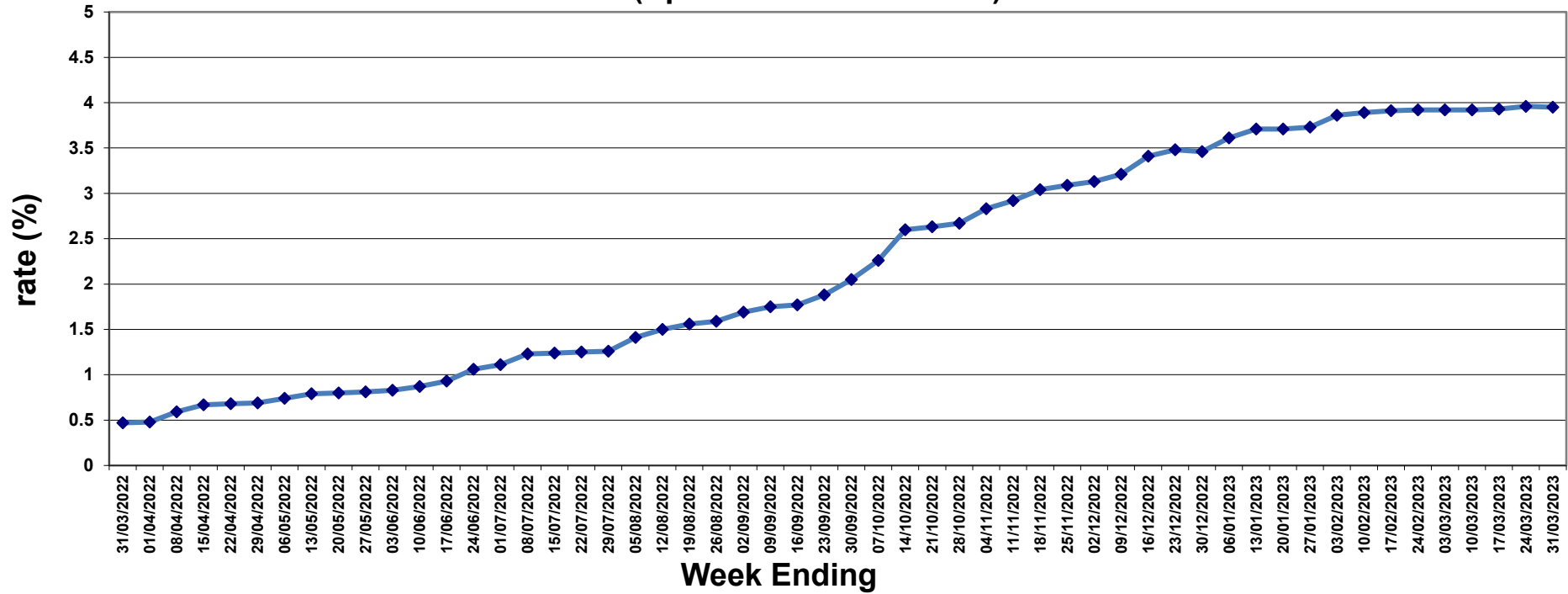
Within the Operational Risk Register for Accountancy Services there is a risk listed that highlights the difficulty in obtaining sufficient institutions, that meet the Council's criteria, to invest surplus funds with. To minimise this risk the Council has six Money Market Funds which provide highly diversified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

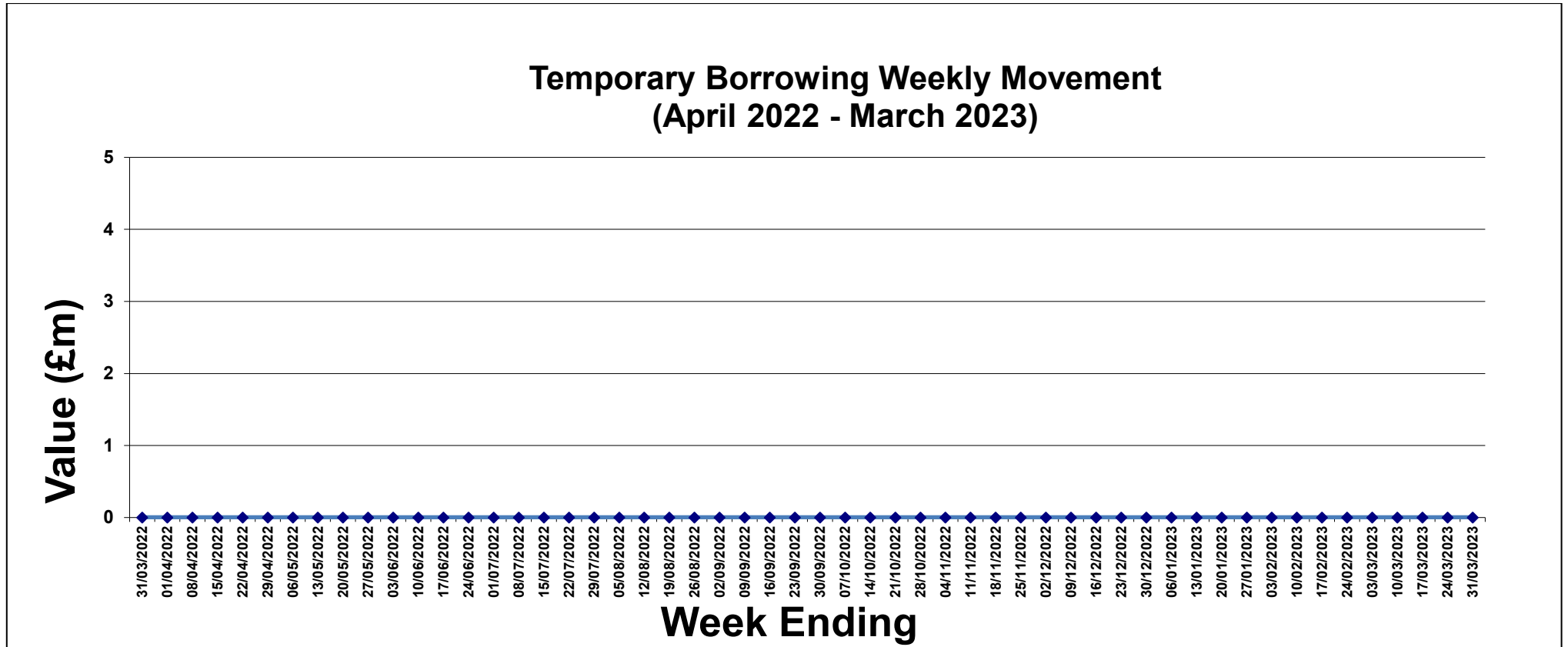
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Temporary Deposits Weekly Movement (April 2022 - March 2023)

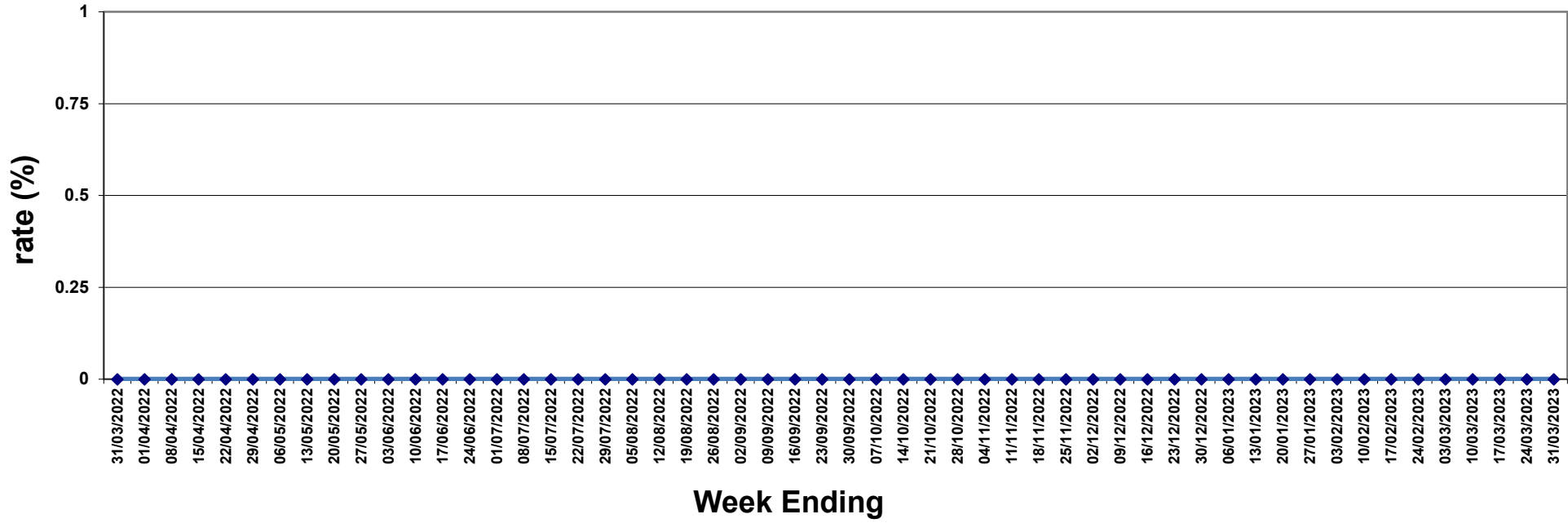


Temporary Deposit Interest Rate Movements (April 2022 - March 2023)

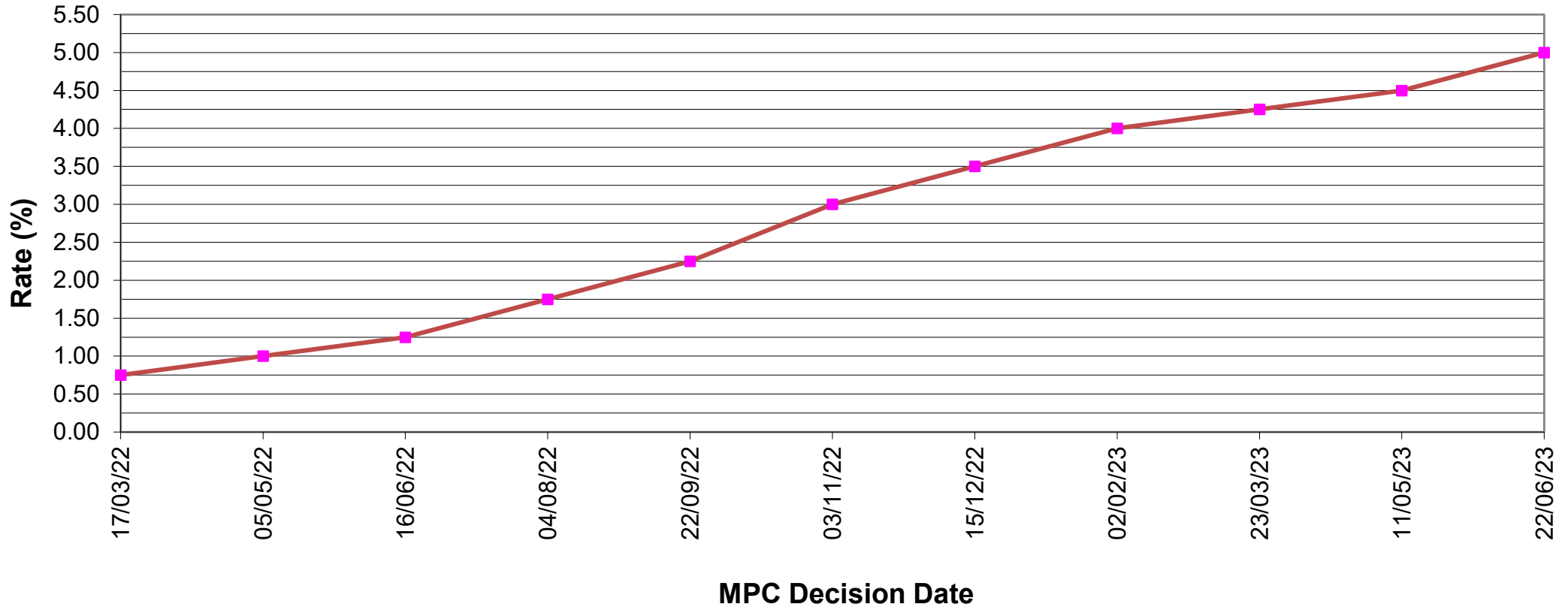




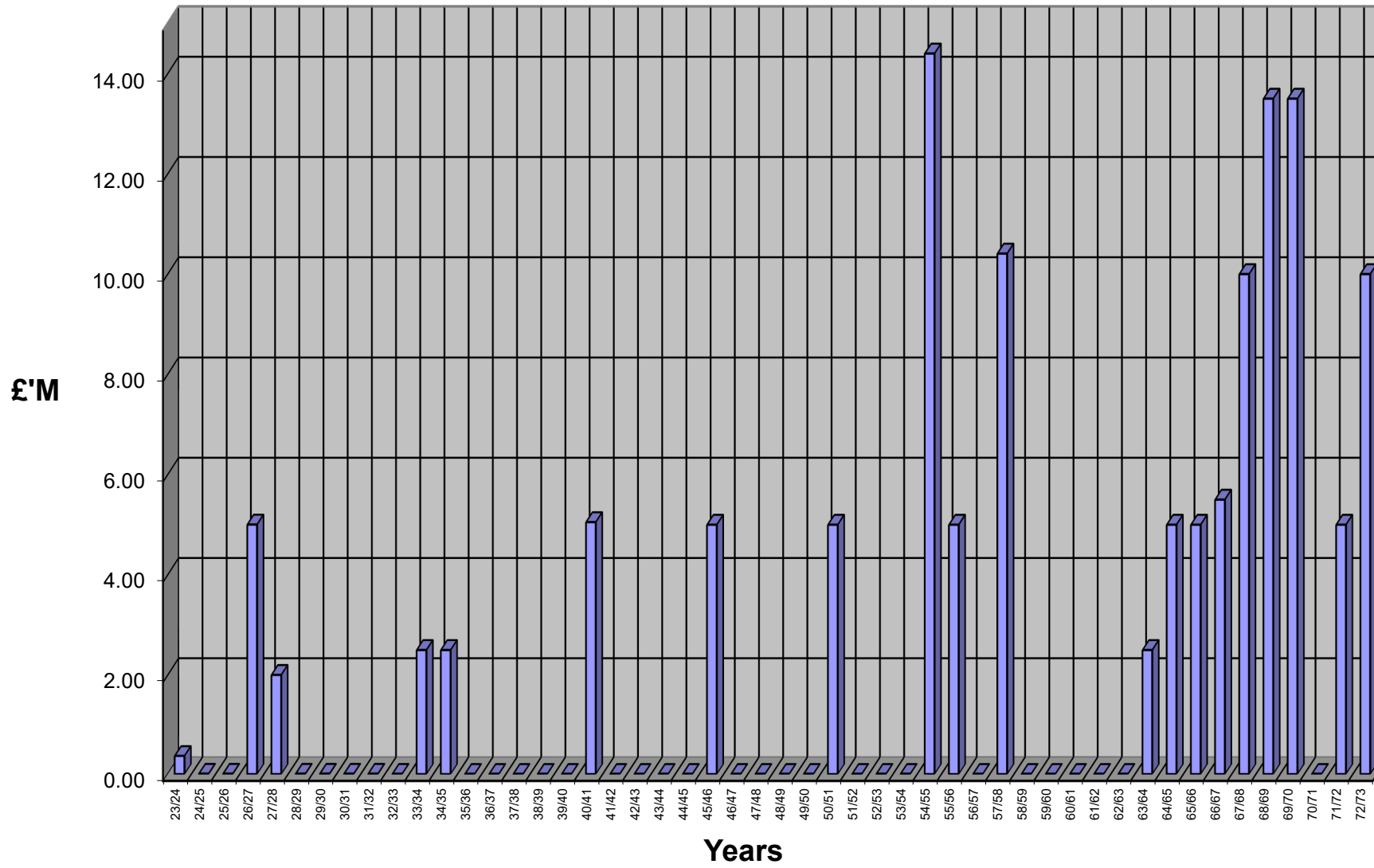
Temporary Borrowing Interest Rate Movements (April 2022 - March 2023)



**Bank of England
Base Rate Movements
April 2022 to June 2023**



Long Term Debt Maturity Profile as at 31/03/23



EAST RENFREWSHIRE COUNCIL

ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS
Limits

Banking Group	Individual Counterparty	Deposit	Transaction
Bank of England	Debt Management Office	£30m	£10m
	UK Treasury Bills	£5m	£5m
Barclays Banking Group	Barclays Bank plc	£5m	£5m
Goldman Sachs International Bank		£10m	£10m
Lloyds Banking Group:	Bank of Scotland plc	£5m	£5m
	Lloyds Bank Corporate Mkt (NRF)	£5m	£5m
Royal Bank of Scotland Group:	Royal Bank of Scotland plc	} £5m	£5m
	National Westminster Bank		
Santander Group	Santander UK plc	£10m	£10m
Standard Chartered Bank		£10m	£10m
Clydesdale Bank		£5m	£5m
Building Societies			
Nationwide		£10m	£10m
Local Authorities			
All Local Authorities including Police & Fire		£5m	£5m
Money Market Funds and Ultra-Short Dated Bond funds			
Maximum limit of £10m per fund		£60m	£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	A3	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. 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

10 August 2023

Report by Clerk

INTERNAL AUDIT REPORT ON EXTERNAL WALL INSULATION
AND ROOFING CONTRACT

PURPOSE OF REPORT

1. To submit for consideration the Internal Audit report prepared on the External Wall Insulation and Roofing Contract and associated management response.

RECOMMENDATION

2. It is recommended that the Committee considers the report.

BACKGROUND

3. When the [Internal Audit Progress Report for January to March 2023](#) was submitted to the Committee on 11 May 2023, the Chief Auditor highlighted reference within it to Internal Audit work carried out on a significant contract overspend in relation to the External Wall Insulation and Roofing Contract. At the meeting it was confirmed that, as recommended by Internal Audit, a report on the [External Wall Insulation and Roofing Contract Variation](#) had been submitted to the Cabinet earlier that day. That recommendation was one of thirteen made in the Internal Audit report, seven of which were classified as high risk, four as medium risk and two as low risk. As reflected in the Internal Audit Progress Report, all of the recommendations made were accepted by management for implementation.

4. Following discussion on the report at the Audit and Scrutiny Committee meeting in May as reflected in the [Minute](#) of that meeting, it was agreed that the Internal Audit report be circulated to members of the Committee for their review at that stage, with a view to them determining if any further action required to be taken on contract related issues raised within it. It was also noted then that time had already been allocated within the 2023/24 Internal Audit Plan to consider some other contract issues and also for contingency work if required.

5. Following circulation of the Internal Audit report, feedback received reflected that there was a wish to discuss it further at a formal meeting of the Committee. Accordingly, a copy of the report is attached for consideration (see Appendix 1). The Head of Housing, Property and Climate Change has been invited to attend the meeting.

RECOMMENDATION

6. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)

e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit and Scrutiny Committee - 11 May 2023 - Internal Audit Plan Progress Report 2022/23 - Quarter 4
2. Cabinet - 11 May 2023 – Report on External Wall Insulation and Roofing Contract Variation

**REPORT ON REVIEW OF EXTERNAL WALL INSULATION
AND ROOFING CONTRACT**

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Chief Auditor
CC119MB
3 February 2023

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REPORT ON REVIEW OF EXTERNAL WALL INSULATION AND ROOFING CONTRACT

1. INTRODUCTION

On 25 October 2022, the Chief Executive contacted Internal Audit to notify concerns over significant overspend on the External Wall Insulation and Roofing Contract. Audit agreed to carry out an initial investigation and analysis of the information provided to them. At that point it was thought the overspend was in the region of £620k against a contract value of £1.8 million. As at 17 January 2023, the overspend is £217k with total gross value of certified spend of £2 million. There was also concern that contract standing orders had not been complied with.

2. SCOPE

The scope of the audit investigation included reviewing the following areas:

- Reporting of variations and compliance with Contract Standing Orders
- Valuation certificates and the supporting documentation
- Financial monitoring of the contract

3. BACKGROUND

- 3.1 The contract was lead by PATS on behalf of the client (Housing) to enable external wall insulation and roofing works to be carried out on a number of council owned properties. A list of 126 properties was included in the tender pack.

A new standard PAS 2035 for retrofitting dwellings for improved energy efficiency was published on 27 January 2022 following a public consultation which started in August 2021 and ended in November 2021. The contract was awarded in December 2021. The tender documentation included references to PAS 2035 additions. It should be noted that at the point of awarding the contract, it was known that compliance with PAS 2035 would likely be more onerous and costly to implement than previous similar contracts.

The assistance and co-operation provided by Environment staff during the investigation is gratefully acknowledged.

4. GENERAL CONCLUSION

Key points are as follows:

- Breach of Contract Standing Orders
- Inadequate financial monitoring of the contract
- Unrealistic quantities used in tender document
- Key items omitted from tender document resulting in variations

Whilst there is scope for improvement in a number of areas relating to the management of this contract, PATS have already acknowledged some of these and have started taking steps to improve future tenders.

5. FINDINGS AND RECOMMENDATIONS**5.1 Compliance with Contract Standing Orders**

The contract value for Roofing and External Wall Insulation (EWI) was for £1,790,350 and was awarded on 6 December 2021 to commence on 13 December 2021. As at 4 January 2023, work certified totals £2,007,305 (valuation certificate 13) which is £216,954 (12% of contract value) overspent.

Contract standing orders states that the contract value may, if necessary, be routinely extended by a sum no more than 15% (in the case of contracts for works), provided the appropriate authorisation route as outlined below is complied with.

It further states that all variations greater than £100,000 must be reported to Cabinet for approval **prior** to the variation being instructed. If the variation is urgently required, approval may be given by two members of Cabinet. In that case, the variation should be reported to full Cabinet as soon as practicable after such approval.

In this instance, contract standing orders have not been complied with.

In addition, senior management and members of CMT were not informed of the potential and actual overspends until the end of October 2022 even though concerns regarding the contract were apparent earlier than this within the Environment Department.

Recommendation

5.1.1 A report should be submitted to Cabinet as soon as possible advising of the breach in contract standing orders and requesting that the variation can be approved retrospectively.

5.1.2 It is essential that senior management are informed immediately of any concerns regarding contracts so that adequate monitoring of the situation is put in place and appropriate remedial action can be taken promptly if required.

5.2 Tender Specification Document

The contract was tendered on the basis of Design and Build with approximate bills of quantities split over the following categories:

- Bill 1 Preliminaries
- Bill 2 Scaffolding
- Bill 3 Roofing
- Bill 4 Render
- Bill 5 EWI render
- Bill 6 Ventilation
- Bill 7 Extract & refill
- Bill 8 Sundries
- Bill 9 Provisional sums

For each bill, all expected components relating to the bill were listed with quantities in the tender document. The contractors bidding for the contract entered values for each component which was then multiplied by the quantity and totalled to provide

a total value. The sum of total values for each bill represented the contract sum. In this case, the winning tender was for a contract sum of £1.79 million.

Quantities were included within the tender document however these were not at realistic levels expected for even a bare minimum number of properties to be covered by the contract.

It is of concern that the quantities within the tender document are unrealistic given this forms the basis of the contract sum and is used to evaluate bidders. An example of this is in bill 7 where a total quantity of 200m² was included for extraction and 200m² for refill but quantities certified exceeded 9,000m² for each of these items. The average number of square metres per property (based on billed amounts) is for 108m² (84 properties). The quantities in the tender document would therefore only have allowed 2 houses to be completed on this basis.

A further example is within bill 5 for EWI. The highest value component within this bill is (page 5, item E) insulation with rendered finish (contractor designed portion) where the tender document estimates a quantity of 3,250 m² priced at £171,948. As at certificate 11, the contractor has charged for 5,970m² at a cost of £315,872.

Recommendation

5.2.1 If a bill of quantities based contract is to be used, realistic quantities must be entered in the bid documentation as this is a key element of the tender evaluation process and unrealistic quantities could impact on which contractor is selected.

5.3 Tender Specification Document – Number of properties

There is some confusion over how many properties were expected to be covered within the contract. A list of 126 properties was provided to bidders as part of the tender document and whilst both Housing and Property and Technical Services (PATS) both indicate that they did not expect this number of properties to be completed within the budgeted contract sum of £1.79 million, they are unwilling or unable to indicate to Audit how many properties they expected to be completed. Based on the tender documents issued, it is not unreasonable for a prospective bidder to have thought the contract was for 126 properties even though the quantities within the bills would not have supported this as explained in the point above.

In the contract strategy document (dated September 2021), section 1, it is indicated that a full list of addresses will be made available with the tender documents. It is further noted within section 2.9 under lessons learned from previous procurement exercises, it is stated “*ensure correct number of property provided upfront to save duplicating procurement exercises*”. The list made available with tender documents is 126 properties per note above.

PATS provided Audit with a document that indicated previous works for EWI had an average property cost of £14,634. On this basis, 123 properties could have been completed within the £1.79 million contract sum.

The same document indicates that at tender stage, the anticipated cost per property would rise to £19-23k due to additional PAS 2035 requirements. On this basis, at tender stage it was anticipated that between 78 and 94 properties could have been completed within the £1.79 million contract sum but there was nothing included in

the tender documentation to indicate that this number of properties were anticipated to be completed.

There is a suggestion within email correspondence between PATS and housing that the list of 126 properties was issued even though it was known to be unrealistic due to running out of time to get tender issued.

The contracted sum was exceeded and spend per evaluation certificate (number 11) is £1.9 million, £115k over the contract value and only 54 properties have been completed based on analysis by PATS with a total of 89 properties being worked on or complete as at this point. Valuation certificate 12 is for £2 million, £200k over the contract value but at time of audit, detailed analysis of this was not available.

Recommendation

5.3.1 Bidders should be provided with a clear indication of which properties are to be included within the contract or in the absence of this, details of numbers and types of property expected to be completed.

5.3.2 Tender documents must be accurate and provide realistic information for tenderers and time pressures must not allow this requirement to be overridden.

5.4 Financial Monitoring of Spend against Contract Sum

The contractor submits a detailed excel spreadsheet to support the amounts being claimed for each valuation certificate. This information is provided by individual property and in total and is also detailed by individual lines in each bill of quantity. Property and Technical officers stated that they were unaware of the level of the likely overspend until valuation certificate 5 which was approved on 9 May 22.

Audit disagrees with this because even by certificate 4 in April 2022, 11 properties had spend exceeding £20k (average £26k per property for these) and work had not even been completed on them. At this point, if these amounts were representative, it would have indicated that only about 69 properties or less would be able to have the full scope of work carried out. If detailed financial monitoring had been carried out throughout the contract, by this point, the number of properties should have been reviewed and some removed to ensure budget was not exceeded.

Email correspondence suggests that the client (housing) repeatedly asked for price information and there were unreasonable delays in providing this to them by PATS, even though detailed price information was provided by the contractor with each valuation certificate.

The contract was awarded on 6 December 2021. The contract commencement date was 13 December 21 and the contract was to run for 36 weeks with all works to be completed by 19 August 2022.

PATS has acknowledged that as completed addresses became available, a monthly cost report should have been prepared showing spend in relation to contract sum and in relation to predicted outturn cost and that this was not done.

Recommendation

5.4.1 Regular monitoring of contract spend against budget should be carried out to keep client department fully informed and to ensure that prompt appropriate action is taken to identify potential overspends and prevent them occurring.

5.5 Preliminaries

In the winning tender, the prelims of £343,877 were itemised as individual items and as the contract progressed, a percentage completion was applied to the items on the list. Whilst it is accepted that some of the items would be 100% complete regardless of the number of properties that were completed (for example site accommodation and compound security), there are other items which Audit had assumed would be linked to the number of properties completed and based on the original tender document being issued with a list of 126 properties, would have expected some of the items on the prelims scheduled to be much lower than 100% due to low number of properties which were actually completed under the contract (for example items under the headings of skips and rates and permits) yet many of these have been valued and paid at 100%.

Recommendation

5.5.1 Details should be provided by PATS which shows the evidence obtained to justify the percentage of prelims being applied for items covered under the headings of skips and rates and permits.

5.6 Variations

In total, variations of £105k are included in certificate 12. The bulk of this additional cost was £93k for extending out rafter ends to accommodate the EWI system. This appears to be an additional item required to comply with the new PAS2035 standards. PATS provided a document to Audit which indicated that it was expected at tender stage that the eaves were expected to be extended where required to form the required connection and drip detail between the EWI system and the roof however despite this, it was not included within the tender document within bill 5 for the EWI works.

Emails between Housing and PATS in October 2022 make reference to this omission in the tender document.

In addition, PATS confirmed that variations were verbally agreed on site to be homologated later in official form by Architects Instruction. Variations should be supported by an Employers Agent Instruction (or equivalent) however at the time of the audit, the variations had not been approved formally by the Council.

Recommendation

5.6.1 All tender documents should be reviewed and evidenced as such to ensure that all expected items are included within the bill of quantities to avoid unnecessary contract variations.

5.6.2 All variations in future contracts should be supported by formal Instructions from the Council which are available within a reasonable timescale of the work being carried out.

5.6.3 Architects instructions for variations relating to this contract should be provided to Audit.

5.7 Quantities Charged Against Individual Properties

An analysis was carried out on amounts charged by property by certificate. This showed numerous cases where the amounts allocated against a property and certified and paid were in subsequent certificates reduced in quantity and value. An example of this is property A which has quantities of 110m for each of the

following: roof sarking, roof sloping and pitched covering. In the final bill these quantities were all reduced to 94m. If bills submitted by the contractor are being routinely verified for accuracy and reasonableness, it is not clear why certified amounts would subsequently be reduced by the contractor. There is no evidence that this has been identified by PATS.

Another example is property B where the certified total value at certificate 6 was £28,764 but by valuation certificate 11 the cost had reduced to £22,052. Within individual bills for this property, quantities for individual lines reduced significantly (for example within bills 5 and 7 quantities certified reduced from 139 to 84)

Recommendation

5.7.1 PATS should be able to demonstrate that the quantities certified at each stage of valuation are reasonable and accurate.

5.8 Contractor Remit

To achieve PAS2035 three states of retrofit require to be carried out, namely that of assessor, co-ordinator and designer. The remit of the contractor encompassed all three of these elements in addition to carrying out the work.

In an early pre-tender meeting in July 2021 attended by Housing and PATS, the issue was raised by Housing whether or not it was appropriate for the contractor to be delivering both the retrofit roles and delivery of works and commented that for transparency and compliance it would be more advantageous to have the retrofit roles carried out independently of the main contractor..

There appears to have been little management or monitoring of this contract by the Council and essentially the contractor lead where work was carried out and how many properties were started or in progress at any time. This lack of control by Council staff limited how much the contract costs could be controlled and kept within budget.

It was acknowledged at the initial meeting between Audit and PATS that the ideal way to deliver PAS2035 in future contracts is to employ a retrofit assessor, co-ordinator and designer who will produce a design for each identified house type then tender for the works to be carried out on the basis of these designs.

Recommendation

5.8.1 In future EWI contracts the retrofit roles associated with PAS2035 should be tendered separately from the works contract.

5.9 Form of Contract Used

A Scottish Building Contracts Committee (SBCC) form of contract was used in this instance. There is however a Scotland Excel based contract in place which the council could potentially use to have this work carried out. Lot 1 (NEC based) within the Scotland Excel contract covers energy efficiency retrofit project roles of designer, co-ordinator and assessor and managing agent. Lot 2 covers building fabric measures including external wall insulation and finishes. The successful contractor who carried out the work for the Council is also listed as one of 17 contractors within the Scotland Excel contract for lot 2. The two unsuccessful bidders are also included within this lot in the contract. It should be noted that various forms of contract are available for use under lot 2, namely:

- NEC4 Engineering and Construction Short Contract June 2017 (as amended January 2019 and October 2020)
- SBCC Minor Works Building Contract for use in Scotland 2016 edition

- NEC4 Term Service Short Contract June 2017 (as amended January 2019 and October 2020) and
- SBCC Standard Building Contract with quantities for use in Scotland 2016 Edition.

Procurement have confirmed that training on NEC contracts was provided to PATS staff on two separate occasions since July 2021. Relevant staff did not all attend this training despite being invited. Prior to this, training was delivered in 2015. Despite this, PATS are of the view that they have only had introductory training on NEC contracts and that it was not detailed enough and will now be out of date.

Recommendation

5.9.1 The Scotland Excel contract should be considered for use for future EWI, roof and render works.

Chief Auditor
3 February 2023

ACTION PLAN

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
Efficiency	<ul style="list-style-type: none"> • 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.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
5.1.1	A report should be submitted to Cabinet as soon as possible advising of the breach in contract standing orders and requesting that the variation can be approved retrospectively.	High	Yes	Report to be submitted to 11 May 2023 Cabinet.	Phil Daws/Jim Murray	11.5.23
5.1.2	It is essential that senior management are informed immediately of any concerns regarding contracts so that adequate monitoring of the situation is put in place and appropriate remedial action can be taken promptly if required.	High	Yes	Written management reports will be provided to the Head of Service at the end of each financial period.	Alan Hook	April 2023
5.2.1	If a bill of quantities based contract is to be used, realistic quantities must be entered in the bid documentation as this is a key element of the tender evaluation process and unrealistic quantities could impact on which contractor is selected.	High	Yes	When using a bill of quantities, realistic quantities will be used for the tender evaluation process.	Alan Hook	April 2023
5.3.1	Bidders should be provided with a clear indication of which properties are to be included within the contract or in the absence of this, details of numbers and types of property expected to be completed.	High	Yes	All clients will agree the list of properties to be included in the contract	Alan Hook	April 2023

APPENDIX 1

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
5.3.2	Tender documents must be accurate and provide realistic information for tenderers and time pressures must not allow this requirement to be over-ridden.	High	Yes	Written management reports will highlight the required project length and completion time. Conversations will take place with clients to ensure timescales are realistic.	Jim Murray	April 2023
5.4.1	Regular monitoring of contract spend against budget should be carried out to keep client department fully informed and to ensure that prompt appropriate action is taken to identify potential overspends and prevent them occurring.	High	Yes	Written management reports will be provided to the Head of Service at the end of each financial period.	Jim Murray	April 2023
5.5.1	Details should be provided by PATS which shows the evidence obtained to justify the percentage of prelims being applied for items covered under the headings of skips and rates and permits.	Low	Yes	Technical Services will provide evidence to audit by end March 2023	Jim Murray	March 2023
5.6.1	All tender documents should be reviewed and evidenced as such to ensure that all expected items are included within the bill of quantities to avoid unnecessary contract variations.	High	Yes	Tender documents will be reviewed prior to tendering by a person not involved in the drawing up of the tender documentation.	Jim Murray	April 2023
5.6.2	All variations in future contracts should be supported by formal Instructions from the Council which are available within a reasonable timescale of the work being carried out.	Medium	Yes		Jim Murray	Complete

APPENDIX 1

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
5.6.3	Architects instructions for variations relating to this contract should be provided to Audit.	Low	Yes	Technical Services will provide evidence to audit by end March 2023	Jim Murray	March 2023
5.7.1	PATS should be able to demonstrate that the quantities certified at each stage of valuation are reasonable and accurate.	Medium	Yes		Jim Murray	Complete
5.8.1	In future EWI contracts the retrofit roles associated with PAS2035 should be tendered separately from the works contract	Medium	Yes	The next EWI contract will use the SXL contract.	Jim Murray	Complete
5.9.1	The Scotland Excel contract should be considered for use for future EWI, roof and render works.	Medium	Yes	SXL will be considered in the future.	Jim Murray	Complete

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

Department	Title	Audit Number	Original No. of days	Status
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
			594	

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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										
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

- +
- 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>Environment 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"> 1. Monthly/annual drawdown orders for reactive/responsive works via a framework 2. Emergency Orders <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	BO&P 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	BO&P 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	BO&P 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.

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 1 Actual 2023/24	Quarter 1 Cumulative 2023/24
2. Audit Coverage.			
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%
5. Issue of Reports.			
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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