

To: Audit, Risk and Scrutiny Board

On: 27 August 2018

Report by: Chief Auditor

Heading: Summary of Internal Audit Reports for period 19 May to 30 June 2018

1. Summary

- 1.1 In line with the Public Sector Internal Audit Standards, Internal Audit must communicate the results of each engagement to the Board. To comply with this requirement Internal Audit submits regular reports on the findings and conclusions of audit engagements to the Audit, Risk and Scrutiny Board.
- 1.2 Appendix 1 provides details those audit engagements completed during the period 19 May to 30 June 2018 with the overall assurance rating and the number of recommendations in each risk category. The committee summary for each report is also attached. For each audit assignment where recommendations have been made, the relevant managers have put action plans in place to address the issues raised.
- 1.3 In addition to the reports listed in the Appendix, Internal Audit has an ongoing commitment to:
- A range of corporate and service initiatives;
 - Progressing of information security matters in partnership with ICT and Legal Services;
 - The regular provision of advice to departmental officers;
 - The provision of internal audit services to the associated bodies for which Renfrewshire Council is the lead authority and to Renfrewshire Leisure Ltd and Renfrewshire Health and Social Care Integrated Joint Board;

- Co-ordination of the Council's corporate risk management activity;
 - Management of the counter fraud team;
 - Management of the risk management and insurance team.
-

2. **Recommendations**

- 2.1 Members are invited to consider and note the Summary of Audit Findings reported during the period from 19 May to 30 June 2018.
-

Implications of the Report

1. **Financial** - None
2. **HR & Organisational Development** - None
3. **Community Planning – Safer and Stronger** - effective internal audit is an important element of good corporate governance.
4. **Legal** - None
5. **Property/Assets** - None
6. **Information Technology** - None
7. **Equality & Human Rights** – None
8. **Health & Safety** – None
9. **Procurement** - None
10. **Risk** - The summary reported relates to the delivery of the risk-based internal audit plan.
11. **Privacy Impact** – None
12. **COSLA Implications** - None

Author: Karen Campbell – 01416187016

Appendix 1

Renfrewshire Council

Internal Audit Service

Update for Audit, Risk and Scrutiny Board

Final Audit Reports issued from 19 May – 30 June 2018

Category	Service	Engagement	Assurance Rating	Recommendation Ratings			
				Critical	Important	Good Practice	Service Improvement
Assurance	Finance & Resources	Non Domestic Rates	Substantial		1	1	1
		Salary Sacrifice Scheme	Limited	2	3	3	0
	Communities, Housing/ Planning/Environment & Infrastructure	Housing Statutory Inspections	Reasonable	1	2	2	0
	Environment & Infrastructure/RLL	RLL Statutory Inspections	Limited	2	5	3	0

Note 1 – No assurance rating can be given in respect of investigation assignments

Assurance Level	
Substantial Assurance	<ul style="list-style-type: none"> There is a sound system of internal control designed to achieve the objectives of the area being reviewed. The control processes tested are being consistently applied.
Reasonable Assurance	<ul style="list-style-type: none"> The internal control processes are generally satisfactory with some areas of weakness being identified that could put some objectives of the area being reviewed at risk

	<ul style="list-style-type: none"> There is evidence that the level of non-compliance with some of the control processes may put some of the objectives of the area being reviewed at risk.
Limited Assurance	<ul style="list-style-type: none"> Weaknesses in the system of internal controls are such as to put the objectives of the area being reviewed at risk. The level of non-compliance puts the objectives of the area being reviewed at risk.
No Assurance	<ul style="list-style-type: none"> Control processes are generally weak with significant risk to the achievement of the objectives of the area being reviewed. Significant non-compliance with control processes leaves the processes/systems open to error or abuse.

Recommendation Rating	
Service Improvement	Implementation will improve the efficiency / housekeeping of the area under review.
Good Practice	Implementation will contribute to the general effectiveness of control.
Important	Implementation will raise the level of assurance provided by the control system to acceptable levels.
Critical	Addresses a significant risk, impacting on the objectives of the area under review.

Internal Audit Report

Finance and Resources

Non Domestic Rates (A0082/2018/002)

A0082/2018/002

Date: May 2018

COMMITTEE SUMMARY

Audit Objectives

The objectives of the audit were to ensure that:

- There is an adequate system in place to ensure the calculation and payment of non domestic rates;
- All exemptions and discounts have been properly applied;
- All NDR income due is properly accounted for and recorded on the system;
- All accounts have been issued in line with statutory timescales;
- All income due to East Renfrewshire Council has been remitted to their bank account;
- Outstanding debt at the year end is being appropriately managed.

Audit Scope

1. Interviewed the appropriate officers to ascertain the system in place in relation to billing, collecting and monitoring NDR income, updating for any recent changes. Identified any areas for improvement.
2. Undertook a series of tests to ensure the system is adequate and operating as intended.
3. Prepared a certificate for East Renfrewshire Council based on the outcome of this audit.

Key Audit Assurances

1. There is an adequate system in place for the calculation and payment of Non Domestic Rates.
2. Demand notices are issued according to statutory timescales.
3. Controls over the collection and remitting of income due to East Renfrewshire Council are satisfactory.
4. Debt recovery is appropriately managed.

Key Risks

If audit checks of reliefs granted are not carried out as often as agreed, there is a risk that some reliefs may be incorrect.

Overall Audit Opinion

The audit identified that satisfactory controls are in place for the billing and collection of NDR, with the exception of audit checks of NDR reliefs not being carried out as often as agreed. Recommendations in the report to address areas of weakness identified will, if implemented, help strengthen the controls in place for NDR.

Internal Audit Report

Finance and Resources

Non Domestic Rates (A0082/2018/002)

A0082/2018/002

Date: May 2018

Management Commentary
Management have put checks in place to ensure that the audit checks on reliefs are being undertaken as planned.

Internal Audit Report

Finance & Resources

Payroll - Salary Sacrifice Schemes (A0084/2018/002)

A0084/2018/002

Date: May 2018

COMMITTEE SUMMARY

Audit Objectives

The objectives of the review were to ensure that:

- Documented procedures are adequate, up to date and accessible to those individuals administering the schemes.
- Processes are in place to action and validate all employees electing to join the scheme.
- Accurate and prompt deductions are made from employees pay, coded correctly to the ledger and appropriately paid over to relevant creditor as required.
- Regular reconciliations are undertaken of control accounts and against expected payments.
- Processes are in place to end the salary sacrifice scheme on termination of the employee, and accurate final payments are made where appropriate.
- All monies due to the Council are claimed and received in line with any approved limits.
- Procurement arrangements are adequate in relation to contract period.

Audit Scope

1. Interviewed the appropriate officers in Service Accounting, HR and Payroll Services to ascertain which salary sacrifice schemes are currently in operation and who is responsible for them. The Childcare Voucher Scheme and the Additional Annual Leave Scheme were selected for testing.
2. Established what arrangements are in place regarding actions taken when employees elect to join a scheme, collection and reconciliation of deductions, and closing the scheme when an employee terminates employment.
3. Reviewed the current contract arrangements in place for the Childcare Voucher Scheme.
4. Prepared and undertook a series of tests to assess the adequacy of the above arrangements and to meet the objectives of the audit.

Key Audit Assurances

- In general, salary sacrifice deductions are made promptly and accurately where employees participating in the scheme have had no change in circumstances.

Key Risks

1. There have been significant overpayments in relation to the Childcare Voucher Scheme resulting in a financial cost to the council.
2. There is evidence that not all monies have been recovered from employees leaving the council or transferring to other posts within the council in relation to the Additional Annual Leave Scheme resulting in a reduction in income to the council.
3. Suspense account reconciliations have not been appropriately undertaken resulting in a financial cost to the council and payments not being made to HMRC.

Internal Audit Report

Finance & Resources

Payroll - Salary Sacrifice Schemes (A0084/2018/002)

A0084/2018/002

Date: May 2018

Overall Audit Opinion

The audit has identified a lack of controls specifically in relation to suspense account reconciliations and processes when employees terminate their employment or leave salary sacrifice schemes. Recommendations have been made in the report to establish and improve the robustness of controls in these areas and based on this the auditor has made a provision of limited assurance over the administration of salary sacrifice schemes operating within the council.

Management Commentary

Management have put arrangements in place to:-

- a) closely monitor the Child Care suspense account
- b) ensure the required reconciliations for each scheme and the financial ledger are undertaken
- c) ensure the child care and additional annual leave overpayments are satisfactorily dealt with.

Internal Audit Report

Communities, Housing & Planning/Environment & Infrastructure

Housing Statutory Inspections (A0110/2018/002)

A0110/2018/002

Date: May 2018

COMMITTEE SUMMARY

Audit Objectives
<p>The objectives of this audit are to ensure that:</p> <ul style="list-style-type: none">• There are adequate formalised arrangements in place with Building Services or External Contractors to undertake statutory inspections and remedial works for housing stock within the guidance timescales;• Appropriate arrangements are in place to identify all properties requiring statutory inspections, and log the outcome of these inspections;• Arrangements are in place to undertake resulting remedial works arising from inspection visits, within the required timescales and log the works as completed;• Incomplete inspections are appropriately followed up and ultimately completed;• Post work inspection arrangements are in line with building services documented guidance or sub contract terms and conditions where these apply;• Compliance certificates are appropriately retained and adequate, relevant management information is available to Management of both services.
Audit Scope
<ol style="list-style-type: none">1. Interviewed appropriate officers and obtained relevant information and system notes.2. Prepared a series of tests to enable examination of the areas outlined in the objectives.
Key Audit Assurances
<ol style="list-style-type: none">1. Appropriate arrangements are in place to identify all gas properties requiring statutory inspections, within the guidance timescales and log the outcome of these inspections.2. Compliance certificates for gas and electrical inspections carried out are appropriately retained;3. Adequate performance management information is provided to and reviewed by Senior Management (Housing Services) in relation to the number of completed statutory inspections.
Key Risks
<ol style="list-style-type: none">1. Appropriate contracts may not be in place for gas and electrical inspections undertaken by sub contractors.2. There is currently no agreed target for statutory inspections that are physically post inspected.3. Remedial work following electrical inspections are not always completed timeously in relation to the sample inspected.

Internal Audit Report

Communities, Housing & Planning/Environment & Infrastructure

Housing Statutory Inspections (A0110/2018/002)

A0110/2018/002

Date: May 2018

Overall Audit Opinion

The audit has provided a reasonable level of assurance in relation to Housing Statutory Inspections. Recommendations have been made to establish an appropriate level of gas post inspections and to complete remedial work following electrical inspections more quickly.

Management Commentary

1. The necessary contracts are now in place for this type of gas and electrical works.
2. Post inspection work targets will be included in the revised Partnering Agreement for the repair and maintenance of housing stock.
3. Management have put processes in place to ensure electrical remedial work is undertaken timeously.

Internal Audit Report

Renfrewshire Leisure Ltd

RLL - Statutory Inspections (A0108/2018/001)

COMMITTEE SUMMARY

Audit Objectives

The objectives of this audit are to ensure that:

- There are adequate formalised arrangements in place with Building Services or External Contractors to undertake statutory inspections and remedial works for RLL properties within the guidance timescales;
- Appropriate arrangements are in place to identify all properties requiring statutory inspections, and log the outcome of these inspections;
- Arrangements are in place to undertake resulting remedial works arising from inspection visits, within the required timescales and log the works as completed;
- Incomplete inspections are appropriately followed up and ultimately completed;
- Post work inspection arrangements are in line with building services documented guidance or sub contract terms and conditions where these apply;
- Compliance certificates are appropriately retained and adequate, relevant management information is available to Management of both services.

Audit Scope

- Interviewed appropriate officers to obtain relevant information and system notes.
- Prepared and undertook a series of tests to enable examination of the areas outlined in the objectives for the 9 RLL sports facilities.

Key Audit Assurances

1. There are appropriate Transfer and Property Agreements in place between Renfrewshire Council and Renfrewshire Leisure in relation to statutory inspections and remedial works.
2. All properties, in the sample requiring statutory inspections were appropriately identified on the Asset Management system, CAMIS, which also enables inspection frequencies to be recorded and appropriate documentation to be stored.

Key Risks

1. There was evidence to support that some remedial works had not been carried out within an appropriate timescale.
2. Dates of previous / future inspections recorded on CAMIS did not agree for some of the sample which could result in statutory obligations not being met.
3. There is a lack of management oversight from RLL in relation to performance monitoring associated with inspections undertaken by Building Services.

Internal Audit Report

Renfrewshire Leisure Ltd

RLL - Statutory Inspections (A0108/2018/001)

Overall Audit Opinion

The auditor recognises that the process of recording all relevant information and documentation on CAMIS for RLL assets is a work in progress. However, issues were identified in relation to remedial works, recording of information, retaining documentation and reporting to RLL and therefore the auditor can only provide limited assurance on the current process. Implementation of the audit recommendations listed in the detailed report will improve the robustness of the current process.

Management Commentary

1. Council Management have put processes in place to ensure remedial work is undertaken timeously.
2. Training is being arranged to enable RLL Management to obtain the necessary performance reports from the CAMIS system to enable them to monitor the inspections undertaken and their outcomes.