

To: Audit, Risk and Scrutiny Board

On: 19 March 2018

Report by: Chief Auditor

Heading: Summary of Internal Audit Reports for period 1 October to December 2017

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 1 October to 31 December 2017 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.
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2. **Recommendations**

- 2.1 Members are invited to consider and note the Summary of Audit Findings reported during the period from 1 October to 31 December 2017.
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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

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Appendix 1

Renfrewshire Council

Internal Audit Service

Update for Audit, Risk and Scrutiny Board

Final Audit Reports issued from 01 October – 31 December 2017

Category	Service	Engagement	Assurance Rating	Recommendation Ratings			
				Critical	Important	Good Practice	Service Improvement
Investigation	Environment & Communities	Maintenance Contract Concerns	N/A (Note 1)	5	1	0	0
	Environment & Communities	Alleged Theft of Stock	N/A (Note 1)	3	1	1	0
Assurance	Environment & Communities	Community Safety	Substantial	0	0	1	0
	Adult Services	Adults With Incapacity	Limited	0	5	0	0
	Adult Services/Finance & Resources	Charging & Payments	Limited	1	4	1	1
	Development & Housing	Leader Programme	Reasonable	0	3	2	0
Governance	Corporate	Records Management	Limited	0	6	4	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 • 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

Environment & Communities Service

Maintenance Contract Concerns
(INV000/2016/016)

INV000/2016/016

Date: December 2017

COMMITTEE SUMMARY

Audit Objectives

Internal Audit were informed by management that concerns had been raised by the incumbent contractor over the performance of the previous contractor connected to works carried out on sites in relation to an expired repairs and maintenance contract. Following an initial review, it was also identified that there was a significant disparity in the contract tender price between the current and previous contractor.

The purpose of the review was to:

- Attempt to ascertain if the allegations made could be upheld.
- Identify the reason for the significant variation in contract price for planned preventative maintenance (PPM) between the current and previous contract.

Audit Scope

1. Interviewed the relevant personnel from Community Resources, the Corporate Procurement Unit and Finance and Resources in order to ascertain the officers understanding of the arrangements that were in place during the period being reviewed.
2. Reviewed contract documentation to ascertain the contractual arrangements in place for current and previous contractor.
3. Reviewed various email communications to identify any agreed variations to the previous contract.
4. Reviewed financial information and supporting invoices to ascertain and confirm the basis of payments made.

Key Issues arising from the investigation

1. Adequate arrangements were in place to ensure that the agreed programme of inspections was undertaken and appropriate contracts were in place to facilitate this.
2. Oversight arrangements at a service level were not as robust as they should have been in relation to supplier management, post inspection of completed works, checking of invoices and record keeping.
3. Corporate oversight arrangements in relation to supplier management were not as robust as they should have been.
4. It was not possible to determine whether the negotiated extension to the contract, specifically the costs associated with PPM, represented best value to the Council.

Internal Audit Report

Environment & Communities Service

Maintenance Contract Concerns
(INV000/2016/016)

INV000/2016/016

Date: December 2017

Overall Audit Opinion
The auditor is unable to confirm the veracity of the allegation of work not being carried out or being undertaken to a substandard level by the previous contractor. This is due to the fact that post inspection checks were not undertaken during the latter part of the contract and no records of inspections that were undertaken have been maintained. The Auditor has been unable to conclude whether the negotiated payment for PPM under the years extension to the contract represented best value to the Council. Recommendations have also been made to improve supplier management, invoice checking and record keeping for the new contract.

Management Commentary
<ol style="list-style-type: none">1. Improved processes have been put in place for the checking of work carried out by Contractors and authorisation of invoices and retention of records.2. Supplier management meetings now take place regularly in relation to this contract.

Environment & Communities Service

Alleged Theft of Stock (C0233/2016/023)

Date: November 2017

COMMITTEE SUMMARY**Audit Objectives**

In March 2017 the Chief Auditor received an allegation that road repair materials were being misappropriated from a council store. As a result, Internal Audit staff attended the year end stock check that took place at the store. Further investigation was also carried out to ascertain the controls in place surrounding the storage and issue of materials.

The purpose of the review was to establish: -

- Whether there was any substance to the allegation;
- that the annual stocktaking process was carried out in line with procedures;
- that the annual stocktaking certificate was completed correctly;
- that the controls surrounding the storage and issue of stock are adequate.

Audit Scope

The following work was carried out:

1. Interviewed the relevant officers to obtain an understanding of the controls relating to the storage and issue of stock.
2. Attended the year end stocktake carried out at the store.
3. Examined previous annual stocktake certificates and attempted to reconcile these to the stock values on the roads costing system and the general ledger.

Key Issues arising from the investigation

1. Given the lack of controls in place for the storage and issue of materials, the auditor was unable to substantiate the allegation of misappropriations.
2. A long standing variance between the financial ledger and roads costing system was identified. At 31st March 2017 the variance was £23,653, where the physical stock held was valued at £18,645.58 which is higher than the value of £-5,008.02 contained in the ledger.

Overall Audit Opinion

The auditor found that there is a high risk of misappropriation due to the lack of controls around the storage and issue of materials in relation to road defects. Furthermore, the lack of regular reconciliation and checking of stock to the roads costing system and ledger have resulted in a long standing variance. Recommendations have been included in the audit report to improve the controls in these areas.

Environment & Communities Service

Alleged Theft of Stock (C0233/2016/023)

Date: November 2017

Management Commentary
<p>Periodic stock checks have been introduced and will be undertaken by the Storeman and another officer independent of the stores function and variances will be investigated.</p> <p>Weekly reconciliations will be undertaken between the costing system and the general ledger and variances will be investigated.</p> <p>The investment in Underwood road along with a review of the storage, and control of stock within the roads service will ensure that sustainable stock control processes and procedures are implemented.</p> <p>The stock variance has been adjusted in the general ledger.</p>

Internal Audit Report

Environment & Communities

Community Safety (A0019/2018/001)

A0019/2018/001

Date: December 2017

COMMITTEE SUMMARY

Audit Objectives

The objectives of the audit were to ensure that:

- Documented policies and procedures are in place to govern the operations of the Community Safety Hub;
- Roles and responsibilities, specifically for each partner body, are clearly defined and understood;
- Staff are appropriately trained;
- CCTV footage is appropriately handled in relation to capturing images, encryption, storage, viewing, sharing and retention and disposal;
- There is regular monitoring of compliance with the Information Commissioner's CCTV Code of Practice

Audit Scope

1. Interviewed the appropriate staff, evaluated the controls in place for the Community Safety Hub and identified any possible improvements to the system.
2. Prepared and undertook a series of tests to ensure the Community Safety Hub is operating effectively and as described.

Key Audit Assurances

1. There are appropriate policies and procedures in place for CCTV operations and body worn cameras.
2. There is an Information Sharing Protocol signed on behalf of each partner body.
3. There are appropriate procedures for capturing images, storage, viewing, sharing and retention of CCTV footage.
4. There is evidence of regular monitoring of procedures.

Key Risks

No key risks were identified from this review.

Overall Audit Opinion

The audit has identified that satisfactory arrangements are in place for managing the Community Safety Hub.

Internal Audit Report

Environment & Communities

Community Safety (A0019/2018/001)

A0019/2018/001

Date: December 2017

Management Commentary
Management within Environment & Communities, agreed to action the recommendations made

Internal Audit Report

ADULT SERVICES

Adults with Incapacity (A0105/2016/001)

A0105/2016/001

Date: October 2017

COMMITTEE SUMMARY

Audit Objectives

The objectives of this audit were to ensure that:

- There is documentary evidence that the process flow chart has been followed for the use of Adults with Incapacity (Scotland) Act 2000 for a sample of case files and that the process is undertaken timeously.

Audit Scope

The auditor selected a sample of 20 case files and reviewed the documentary evidence held to confirm that all appropriate steps in the established process flow chart had been followed.

Key Audit Assurances

There is a process in place for use when applying for Adults with Incapacity intervention

Key Risks

There was a lack of evidence available to confirm that the adults with incapacity (AWI) process had been fully, correctly and timeously undertaken on some occasions.

Overall Audit Opinion

The audit identified that although there is a process in place for the use of Adults with Incapacity (Scotland) Act 2000, the guidance available to officers is outdated. Furthermore on some occasions the relevant paperwork in relation to referring and applying for Adults with Incapacity intervention was unable to be located and those that were found were not always signed.

Management Commentary

A revised policy, process flow chart, referral forms and supporting guidance have been developed to ensure the accuracy and timely completion of the relevant paperwork and required authorisation process.

Internal Audit Report

Development & Housing Service

Leader Programme (A0036/2018/003)



A0036/2018/003

Date: March 2018

COMMITTEE SUMMARY

Audit Objectives

The objectives of this audit are to ensure that:

- There is an adequate system in place which complies with European Commission (EC) guidance in terms of monitoring and control of the grants and payments of awards
- Applications are assessed for eligibility and value for money (reasonableness of costs and procurement)
- There are appropriate arrangements in place to assess the progress of projects and that the outcomes are consistent with those objectives specified at the outset
- Grant awards are properly approved and payments made are in line with the amount awarded
- There is appropriate separation of duties across the processing and payment of grant claims
- There is appropriate supervisory controls in place to monitor the quality of processing claims and that evidence exists to support this
- The necessary financial information is provided to the Scottish Government Rural Payments and Inspections Directorate (SGRPID) in a timely fashion to support draw down of grant
- The agreed performance targets are being met

Audit Scope

Interviewed the appropriate officers and ascertained the arrangements in place to facilitate the award, control and monitoring of claims processing. Carried out a series of tests to assess the adequacy of the controls in place across the grant process.

Key Audit Assurances

There is an adequate system in place which complies with EC guidance in terms of monitoring and control of the grants and payments of awards.

Key Risks

Drawdown of funds from the Scottish Government (SG) may not be accepted and paid if the timescales for submission are not adhered to.

Overall Audit Opinion

Internal controls in place relating to the application, evaluation and payments to applicants are satisfactory. However minor errors were identified when drawing down funds from the Scottish Government and timescales were missed when submitting claims at the end of each quarter. Recommendations have been made within the audit report to clarify and rectify these areas.

Management Commentary

Management within Development & Housing, have sought advice from the Scottish Government in relation to the evidential requirements for certain items of expenditure and those minor errors identified from the audit review. Clarification has also been sought in relation to the mechanism for advising the Scottish Government of any late submissions of claims as this situation cannot always

Internal Audit Report
Development & Housing Service
Leader Programme (A0036/2018/003)



A0036/2018/003

Date: March 2018

be avoided. to seek the appropriate advice and correct the minor errors identified.

Internal Audit Report

Adult Services/Finance & Resources

Charging and Payments (A0094/2016/001)

A0094/2016/001

Date: October 2017

COMMITTEE SUMMARY

Audit Objectives

The objectives of this review were to ensure that:

- There are adequate documented procedures in place for preparing financial assessments and arranging for invoices to be raised;
- Adequate controls exist to ensure that financial assessments are accurate;
- All invoices are raised timeously and are accurate and posted onto the accounts receivable ledger;
- There are appropriate procedures in place to regularly review financial assessments and deal with changes in circumstances timeously.

Audit Scope

1. Interviewed the appropriate staff and ascertained the processes in place for administering financial assessments and arranging for invoices to be raised by the Charging and Payments team.
2. Reviewed the processes and evaluated for improvements.
3. Prepared and undertook a series of tests to ensure that financial assessments are prepared and updated as necessary and accurate invoices are raised timeously.

Key Audit Assurances

1. There are procedures in place for preparing financial assessments.

Key Risks

1. Delays between the date a client starts receiving care and the date they are first charged for care result in the council not receiving full payments for the services provided.
2. Some clients may not be charged the correct rate if full financial assessments and reassessments are not carried out for new and existing clients.

Overall Audit Opinion

The audit has provided limited assurance over the arrangements in place for administering financial assessments for non-residential care and raising invoices by the Charging and Payments team. It is acknowledged that Charging and Payments management have implemented new procedures and are continuing to work to improve controls in this area. We have made recommendations to address our findings, which once implemented, should increase the control environment further to a satisfactory level in accordance with laid down procedures.

Internal Audit Report

Adult Services/Finance & Resources

Charging and Payments (A0094/2016/001)

A0094/2016/001

Date: October 2017

Management Commentary

Management within Finance and Resources, agreed to action the recommendations made, including:

1. Working with Adult Services to put measures in place to minimise any delays in processing financial assessments / reassessments for non-residential care.
2. Preparing adequate documentation detailing clearly the processes to be followed by staff.
3. Improving the filing system so that documentation is not mislaid or misfiled.

Internal Audit Report

Corporate

Records Management (B0010/2016/001)

B0010/2016/001

Date: December 2017

COMMITTEE SUMMARY

Audit Objectives

The objectives of this audit are to ensure that:

- The improvement action plan is progressing as expected and is regularly monitored by management
- There is an adequate process developed to facilitate scheduled reviews and update of the Records Management Plan
- Services are complying with a sample of elements in the Records Management Plan
- There is sufficient evidence held by Services to demonstrate compliance with the Records Management Plan.

Audit Scope

Interviewed appropriate personnel including the Records Manager to ascertain and document the system and controls in place for the Records Management Plan and assessed for areas for improvement. Prepared and undertook a series of tests to ensure the Records Management Plan is progressing as expected, is adequately monitored, is being reviewed and is being complied with by Services.

Key Audit Assurances

- Scheduled reviews of the Records Management Plan are in place.
- Progress of the Records Management Plan is monitored by management.

Key Risks

- Not all actions within the improvement action plan are progressing as expected and the deadlines for these actions have not been revised.
- Following the audit review, management have also identified that the recent resignation of the Records Manager may further impact on the progress of the plan should there be difficulties in recruiting to the post.
- There is evidence that all services are not complying with some of the elements in the Records Management Plan e.g. completion of Destruction Certificates.

Overall Audit Opinion

Although there is a Records Management Plan in place that has been approved by the Keeper of Records Scotland, there is evidence to support that services are not fully complying with laid down practices. Furthermore, the estimated completion dates contained in the improvement action plan against a number of elements have not been achieved and therefore require to be revised.

Internal Audit Report

Corporate

Records Management (B0010/2016/001)

B0010/2016/001

Date: December 2017

Management Commentary
<ol style="list-style-type: none">1. Timescales will be reviewed and revised to be more realistic in light of the first year of implementation having passed and taking into account lessons learned.2. The Records Management Service Working Group meetings have been re-introduced, this group will be the forum for raising awareness of the requirements for records management and embed processes within services.3. A new Records Manager has recently been recruited.