

To: Audit, Scrutiny and Petitions Board

On: 28 November 2016

Report by: Chief Auditor

Heading: Summary of Internal Audit Findings for Quarter to end of September 2016

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, Scrutiny and Petitions Board.

1.2 Appendix 1 attached to this report provides a summary of internal audit findings in relation to final reports issued for those engagements completed during the period 1 July – 30 September 2016

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 quarter from 1 July to 30 September 2016.
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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**
 - (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
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

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Appendix 1

Renfrewshire Council
Internal Audit Service
Quarterly Update for Audit, Scrutiny and Petitions Board
Final Audit Reports issued from 1 July– 30 September 2016

Category	Service	Audit Title	Main Issues	Rec's agreed
Assurance Audits	Finance and Resources	Payroll	- This review focussed on the controls in place to ensure that payroll statutory returns are accurate and timely. - It was found that there is an adequate system in place for the submission of payroll returns, and only two minor recommendations were made. - However, at the time of the review there were issues in terms of gathering complete information on new starts and leavers which has to be provided to the Strathclyde Pension Fund Office (SPFO). This had resulted in this information not being provided to them in a timely manner. Management agreed to rectify this and gave assurance that extra resource would be deployed in this area in order to clear the backlog of information due.	Yes
		Non Domestic Rates	A review was undertaken on the Non-Domestic Rates (NDR) system. Renfrewshire Council also administers NDR on behalf of East Renfrewshire Council and sample testing	Yes

			performed included their transactions. • In accordance with the Service Level Agreement, an Internal Audit Certificate was provided to East Renfrewshire Council confirming that the NDR Accounts have been internally audited. • The audit identified that the system in place for billing and collection of NDR is generally adequate, with the exception of reliefs and refunds. • A formalised timetable was not in place indicating when all the reviews of the NDR reliefs granted on the basis of prior year's applications would be undertaken. In addition, there was a lack of supporting detail being linked to the NDR system to provide a sufficient audit trail of awards of reliefs and refunds granted. Recommendations were made to address these areas of weakness.	
		Debt Management	• A review was undertaken of the debt management arrangements in place across the Council. • In the main, the controls in place surrounding debt management are satisfactory. The main risk identified as requiring improvement to enhance the control environment, related to the lack of controls surrounding suppression of debt in terms of authorisation and regular reviews.	Yes
		Insurance	• This audit reviewed the process for the handling insurance claims. • A reasonable level of assurance can be placed upon the control environment. The audit identified some enhancements to the existing arrangements to improve controls over the fund balances held by and fee payments	Yes

			made to the external claims handlers.	
	Corporate	Procurement/ Creditors	• This audit examined the controls surrounding the use of Corporate Purchasing Cards across the Council. • Whilst there is an adequate system in place for the administration of Corporate Purchasing Cards, some issues were identified in terms of the approval of transactions, the completion of the transaction logs and the evidence held to support the purchase. Card approvers were also found to be inappropriate to the roles held in some establishments. • A number of recommendations have been made in order to address the weaknesses identified and Management have agreed to implement these which should strengthen the controls in place and provide greater robustness in the processes.	Yes
	Community Resources	Building Services Repairs	• A review was undertaken of the processes in place to allocate and undertake housing repairs by building services • Whilst there is an adequate system in place for housing repairs, this audit identified some weaknesses in terms of the authorisation process for stores requisitions and direct purchase requests and the use of management information regarding the status of individual jobs.	Yes
Investigations	Finance and Resources	Misuse of Purchasing Card	• Internal Audit was informed that management had discovered that suspicious transactions had been made using a Council corporate purchase card, held by an employee. Internal Audit therefore undertook an initial investigation to ascertain the circumstances surrounding the use of this purchase card. • There were transactions amounting to, in excess of £16,000,	Yes

			which cannot be properly accounted for in the documentation files held for this PCard. Whilst the majority of these transactions are thought to be legitimate, it was the Auditor's opinion that it is extremely likely that around 20% of these transactions have been undertaken for the personal benefit of the named employee and not for the benefit or business of the Council. The employee was absent at the time when the investigation took place and did not respond to requests to attend for interview. • The internal controls which are in place for the checking and authorising transactions were not followed. In addition, we cannot give any assurances that the PCard files on the PCard drive has not been subsequently tampered with by the PCard holder and documentation removed. • Disciplinary action has been taken by management.	
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