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**To: Audit, Scrutiny and Petitions Board**

**On: 21 September 2015**

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**Report by: Chief Auditor**

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**Heading: Summary of Internal Audit Findings for Quarter to end of June 2015**

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**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 April – 30 June 2015.
- 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;
  - 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 quarter from 1 April to 30 June 2015.

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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 April – 30 June 2015

Category	Service	Audit Title	Main Issues	Rec's agreed
Best Value	Community Resources	Building Security Arrangements	<ul style="list-style-type: none"><li>A review was undertaken to ensure that there are robust procedures and processes for the security of buildings across the Council's operational estate.</li><li>Based on the work carried out a limited level of assurance can be placed upon the control environment and the security measures in place varied across establishments. The audit identified scope for improvement in existing arrangements, to clearly define roles and responsibilities for security and increase the physical security measures already in place. In addition, the Council does not currently monitor or report on the cost of building security to senior management or elected members, as expenditure on security would be part of revenue monitoring reports for property costs and is not shown separately. Therefore it was not possible to establish a baseline of current costs or confirm that the Council is achieving best value in this area.</li><li>Management agreed to address the issues raised.</li></ul>	Yes



<b>System Audits</b>	Corporate	Implementation of Council Strategic Decisions	<ul style="list-style-type: none"> <li>The audit reviewed the arrangements in place to deliver the operational changes necessary to achieve the savings agreed in the Better Council Change Programme.</li> <li>Based on the audit work carried, this review concluded that a reasonable level of assurance can be placed upon the control environment surrounding this change programme. Further opportunities for improvement as the project progresses were highlighted to Management who either agreed to take action or already had plans regarding these opportunities.</li> </ul>	Yes
	Finance & Resources	Payroll	<ul style="list-style-type: none"> <li>A review was undertaken of the controls in place over the processing of new starts and leavers, variations to pay, reconciliation procedures and use of exception reports and validity of employees within the Payroll. It was also checked that the segregation of duties between Human Resources (HR) and payroll functions was adequate.</li> <li>The key controls covered by this audit were operating satisfactorily and no key risks were identified. Some areas where improvements are required, in relation to the updating of policies and procedures, validating employees and exception reporting were highlighted to management to strengthen the internal controls in place. Management agreed to implement the recommendations made.</li> </ul>	Yes
		Non Domestic Rates	<ul style="list-style-type: none"> <li>A review was undertaken on the Non Domestic Rates (NDR) system. Renfrewshire Council also administers NDR on behalf of East Renfrewshire Council and therefore the sample testing performed included an equal amount of transactions pertaining to East Renfrewshire Council.</li> <li>An Internal Audit Certificate was provided to East Renfrewshire Council confirming that the NDR Accounts have</li> </ul>	Yes



			<p>been audited.</p> <ul style="list-style-type: none"> <li>The audit identified that the system in place for the billing and collection of NDR was adequate, with the exception of the review process of NDR reliefs granted on the basis of prior year's applications. Therefore, there is a risk that some reliefs awarded may no longer be valid. Recommendations were made in the report to address the areas of weakness identified.</li> </ul>	
<b>Investigations</b>	Children's Services	Flexible Learning Centre – Further Missing Monies	<ul style="list-style-type: none"> <li>In February 2015, Internal Audit were notified that approximately £107 was missing from the Flexible Learning Centre. Internal Audit previously reported when monies were missing from the same location in August 2014.</li> <li>The cash remains unaccounted for. The council procedures for cash handling and the security of keys were not followed which allowed the opportunity for access to the safe and 4 cash tins. It is our opinion that the losses are the result of theft by a person or persons unknown. It should be noted that an employee was transferred to another location and money went missing from this location. Prior to questioning, this employee resigned from his post and to date no further monies have gone missing from either locations.</li> </ul>	Yes
		Alleged Grant misappropriation	<ul style="list-style-type: none"> <li>An allegation regarding the improper use of grant funding by the grantee</li> <li>It was not been possible for the auditors to prove conclusively that there has been a misappropriation of funds mainly due to the significant weaknesses in the financial controls in operation at the organisation, including a lack of evidence to support expenditure transactions. The auditor did have concerns that these weaknesses present a serious risk that funds could have been misappropriated. A number of the</li> </ul>	Yes



			<p>other allegations were upheld although their significance varies in terms of risk to the council.</p> <ul style="list-style-type: none"> <li>• The council have now provided support to office bearers to enable efficient bookkeeping practices to be introduced.</li> <li>• Furthermore, weaknesses were identified in relation to the council's arrangements for monitoring and payment of grant funding which management agreed to address in order to ensure adequate oversight arrangements are in place to protect the council and ensure grant conditions are complied with.</li> </ul>	
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