

To: Audit, Risk and Scrutiny Board

On: 05 November 2018

Report by: Chief Auditor

Heading: Summary of Internal Audit Reports for period 01 July to 30 September 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 01 July to 30 September 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.
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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 01 July to 30 September 2018.
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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 July – 30 September 2018

Category	Service	Engagement	Assurance Rating	Recommendation Ratings			
				Critical	Important	Good Practice	Service Improvement
Assurance	Corporate	Key Financial Controls	Reasonable	0	3	1	0
		Transformation Programme	Reasonable	0	2	2	0
	Finance and Resources	Workforce planning	Reasonable	0	0	0	0
		Customer Portal	Reasonable	0	3	4	0
	Childrens Services	Education Funding – Pupil Equity Fund	Substantial	0	0	2	0
Investigation	Environment & Infrastructure	Household Waste Recycling Centre	Note 1	0	1	0	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

Corporate

Key Financial Controls (A0037/2018/002)

A0037/2018/002

Date: September 2018

COMMITTEE SUMMARY

Audit Objectives
<p>To ensure that the key financial controls in the following systems are operating effectively:</p> <ul style="list-style-type: none"> a) Main Accounting b) Payroll c) Purchasing and payments d) Debtors
Audit Scope
<p>Undertook key controls testing for each of the items a), b), c) and d) above:</p> <ul style="list-style-type: none"> a) Main Accounting <ul style="list-style-type: none"> 1. Input to the ledger from feeder systems is reconciled to control totals derived from the feeder system. 2. Transactions for invalid account codes are automatically diverted to designated suspense accounts. 3. Suspense accounts are regularly examined and cleared. 4. Bank reconciliations are undertaken regularly and reconciling items are cleared timeously or investigated as necessary. 5. Bank reconciliations are undertaken by officers that are not involved in transaction processing. b) Payroll System <ul style="list-style-type: none"> 1. New starts, Leavers and Variable input are input to the payroll system timeously on receipt of properly authorised documentation. 2. Exception reports are checked and action taken where necessary. c) Purchasing and Payment System <ul style="list-style-type: none"> 1. Invoices are only paid after certification of goods received and in relation to properly authorised orders. 2. Batch payments are properly authorised. 3. Two officers are involved in the creation of new suppliers on the supplier Masterfile. 4. Bank account changes are only made after additional checks have been undertaken to protect against fraudulent payments. d) Debtors <ul style="list-style-type: none"> 1. There is adequate segregation of duties between accounting, collection, cancellation and write off of debtors accounts. 2. Debtors accounts are raised timeously after the date of supply. 3. Credit notes are only issued upon appropriate authorisation. 4. Outstanding accounts are followed up in line with pre-determined triggers.

Internal Audit Report

Corporate

Key Financial Controls (A0037/2018/002)

A0037/2018/002

Date: September 2018

Key Audit Assurances

1. Bank reconciliations are undertaken regularly and variations are investigated as necessary.
2. New starts and leavers are properly input and authorised in the payroll system.
3. Invoices are only paid after certification of goods received by authorised officers.
4. Appropriate controls are in place for creating new suppliers and changing supplier bank account details.
4. There is adequate segregation of duties between accounting, collection, cancellation and write off of debtors accounts.
5. Credit notes for debtors accounts are only issued upon appropriate authorisation..

Key Risks

1. Some feeder systems were not regularly reconciled to ledger control totals, increasing the risk that fraud/errors may not be detected.
2. Some suspense accounts were not cleared timeously, resulting in delays in receipts and payments being allocated to the correct accounts.
3. Some manual variable input forms (e.g. mileage claims, overtime claims) were signed by officers who were not on the authorised signatory list.

Overall Audit Opinion

The audit identified that satisfactory controls are in place for the purchasing and payments, and debtors systems. Recommendations were made in the report to address areas of weakness in the main accounting and the payroll systems. If implemented, these will help strengthen the controls in place.

Management Commentary

Management recognise that not all feeders are reconciled, all feeders will require to be reconciled when Business World goes live. The responsibility of undertaking the reconciliations will be reviewed as part of the support model.

Reminder and escalation procedures have been put in place in relation to the reconciliation of suspense accounts.

Reminders have been issued and monitoring arrangements are now in place in relation the checks to be undertaken on variable payroll input. Process notes will be created to coincide with the launch of Business World.

Internal Audit Report

Corporate

Transformation Programme (A0087/2018/002)

A0037/2018/002

Date: September 2018

COMMITTEE SUMMARY

Audit Objectives

The objectives of the review were to ensure that:

1. There is adequate oversight of the change programme at a corporate, service and project level;
2. The project management framework is sufficiently flexible in relation to project governance to allow for proportional project management for projects of differing sizes and scopes;
3. Projects are on track to delivering the intended outcomes;
4. Opportunities are sought to speed up project delivery, where possible

Audit Scope

1. Assessed the project management framework to ensure it was appropriate and aligned to industry standards and tailorable to the size and complexity of projects.
2. Assessed project initiation processes, documentation and authorisation controls.
3. Reviewed programme and project governance arrangements to ensure adequate oversight of the change programme at a corporate, service and project level.
4. Reviewed arrangements for monitoring project progress, identifying and resolving project delays and identifying opportunities to speed up project delivery.
5. A sample of projects within the Transformation Programme was reviewed in detail and tested in relation to the audit objectives.

Key Audit Assurances

1. There is an effective governance structure in place over the Transformation Programme which provides adequate oversight at a corporate, service and project level. The structure also provides sufficient oversight of interdependencies and links between projects.
2. Project initiation documents give due consideration to key aspects such as feasibility, options appraisal, resource requirements, responsibilities, milestones and objectives. Authorisation controls are in operation at project initiation and key milestones.
3. There are appropriate arrangements for project risk management and the escalation of key risks and issues.
4. Management information reported has significantly improved and the tracking of project performance is well facilitated.
5. Opportunities for speeding up project delivery and achieving additional savings are sought where possible.

Key Risks

1. Adoption of an inappropriate project management methodology may reduce project controls and increase the risk of non-achievement of objectives.

Internal Audit Report

Corporate

Transformation Programme (A0087/2018/002)

A0037/2018/002

Date: September 2018

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| 2. A failure to adequately realise benefits and consider lessons learned can lead to a failure to make necessary improvements for managing projects. |
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Observation Without Recommendation

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| <ol style="list-style-type: none">1. The Council introduced its own Project Management Framework (PMF) in 2008 as its corporate approach to managing projects and this has since been refined and labelled PMF2.2. The PMF is currently being updated but this was not yet complete at the time of the audit fieldwork. Gaps in the framework have been recognised relating to benefits management, requirements management, investment appraisals and formal stakeholder management. The work being undertaken will address these gaps and further improve the framework. |
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Overall Audit Opinion

The Transformation Programme comprises projects which vary in size, scale and flexibility. The Council's Project Management Framework encompasses a simple, consistent but tailorable project management methodology, aligned to industry standards (PRINCE2). Whilst this framework is generally fit for purpose, gaps have been identified by the Programme Management Unit and it is therefore undergoing a review.

A recommendation has been made to provide guidance for an Agile approach which is now being used in relevant IT projects, as there was not any available for directing project managers to the most suitable methodology, or for delivering a project under an Agile approach.

Project initiation procedures and controls are robust and were found to be operating effectively and the management of current projects was found to also be undertaken effectively with regular and transparent status reporting.

Weaknesses were identified in relation to project closure procedures where lessons learned have not been fully utilised for the benefit of other projects. Benefits realisation has been limited to those benefits outlined in the initial scope and other benefits may therefore not have been recognised and utilised. Recommendations have subsequently been made to address these weaknesses which, if implemented, should enhance controls and operations relating to project closures.

Management Commentary

Management are currently updating the Project Management Framework to consider a broader perspective of approaches and methodologies in the industry with the view of embedding innovative practices into the framework. This will result in a customised and tailored project management framework which will be the focal point for programme and project management within the council. It will;

Internal Audit Report

Corporate

Transformation Programme (A0087/2018/002)

A0037/2018/002

Date: September 2018

- support improvement of programme and project management capabilities
- encourage and support the sharing of lessons learned from programme and project delivery
- be subject to continual review and improvement

Finance and Resources

Workforce Planning (A0092/2018/001)

A0092/2018/001

Date: July 2018

COMMITTEE SUMMARY

Audit Objectives

The objectives of the audit were to ensure that:

1. There are clearly defined and understood roles and responsibilities for workforce planning at both a corporate and service level;
2. There are adequate and up-to-date policies, procedures and guidance in place which are readily available to those that need them to ensure consistency;
3. Workforce planning extends to all employee groups and there is adequate engagement with both employees and the trade unions;
4. Workforce plans are initially developed independently from financial planning arrangements and subsequently linked to financial plans;
5. Workforce plans are embedded into service plans and seen as an integrated activity within Services;
6. Workforce plans reflect the recommendations as outlined within the Audit Commission's Best Value Audit Report (BVAR);
7. There is regular engagement between those responsible for driving the workforce planning process and other service areas;
8. Workforce reductions are adequately risk assessed, with mitigating controls being identified to ensure alternative processes have been put in place for any identified gaps;
9. The corporate workforce plan has been approved by Board and there is adequate monitoring and reporting at both a service and corporate level;
10. Arrangements are on track to develop workforce planning across the council.

Audit Scope

1. Interviewed the appropriate staff, evaluated the arrangements in place for workforce planning across the council and identified any improvements, if applicable.
2. Assessed the council's workforce planning in line with good practice.

Key Audit Assurances

1. A review of each service's service plan showed that workforce plans were a key part within them.
2. Workforce plans have been developed to include the recommendations as outlined within the BVAR e.g. to develop workforce plans over a longer term.
3. Organisational Development (OD) staff regularly engage with senior management teams and the trade unions as to workforce planning progress.
4. Workforce reductions are adequately risk assessed, being mindful of retaining key staff.
5. The corporate workforce plan has been approved by Board and there is adequate monitoring and reporting at both a service and corporate level.
6. The ASPIRE and Leaders of the Future Projects are underway to develop employees across the council.

Finance and Resources

Workforce Planning (A0092/2018/001)

A0092/2018/001

Date: July 2018

Key Risks
There are no key risks arising from the audit review.

Overall Audit Opinion
The audit has identified that satisfactory arrangements are in place to develop workforce planning across the council. Significant progress has been made in implementing workforce plans including the recommendations made in the BVAR. Communications to staff have increased the profile of workforce plans and improved understanding of staff roles in implementing those plans. The audit did not find any significant weaknesses and reasonable assurance has been provided to reflect the ongoing work to fully develop and embed workforce planning as it is noted that areas such as engagement with some employees, skills analysis and progress to fully embed workforce planning within services are at an early stage. No recommendations were made.

Management Commentary
Work continues to progress the action plan and promote ownership within service areas to fully embed workforce planning across the Council.

Finance & Resources

Customer Portal (MyAccount)

(A0073/2018/001)

A0073/2018/001

Date: August 2018

COMMITTEE SUMMARY

Audit Objectives

The objectives of the review were to ensure that:

1. Adequate arrangements are in place to ensure that customer access is continually available;
2. Controls are in place to ensure that entered data is actioned;
3. Online forms collect all necessary data and contain appropriate privacy notices and customer declarations;
4. Payments are secure and comply with relevant legislation and standards.

Audit Scope

5. Examined and analysed outage reports for the portal and customer queries regarding outage or inaccessibility.
6. Details of customer queries and requests were tested for completion and appropriate actioning. How these requests are monitored and allocated was also examined.
7. The Portal's current compliance with GDPR-specific requirements was examined.
8. Payments made through the portal were analysed for security and compliance with industry regulation.

Key Audit Assurances

1. The customer portal was found to be operating efficiently and effectively.
2. Adequate arrangements had been put in place within the Council to ensure compliance with the requirements of GDPR in relation to online services.

Key Risks

The Council is exposed to reputational risk if the customer portal is not operating effectively, either due to unplanned outages or inadequate processing and monitoring of customer queries and requests.

Overall Audit Opinion

The MyAccount customer portal was generally found to be working effectively, however some unplanned outages have gone unexplained by the hosting third party. It was found that there is a lack of directed procedure in regard to overall working of the portal and the existing business continuity plan is limited in addressing this. Monitoring of the system takes place periodically but does not fully examine all services currently provided by the portal, resulting in a small number of uncompleted queries being marked as completed. Recommendations have been made to address the weaknesses identified which, if implemented, should enhance controls over the customer portal.

Finance & Resources

Customer Portal (MyAccount)

(A0073/2018/001)

A0073/2018/001

Date: August 2018

Management Commentary
Management are currently preparing a separate Business Continuity Plan for the MyAccount Service and are actively reviewing and updating the processes in operation to address the recommendations made.

Internal Audit Report

Children's Services

Education Funding (Pupil Equity Fund)

(A0109/2018/002)

A0109/2018/002

Date: September 2018

COMMITTEE SUMMARY

Audit Objectives

The objectives of the audit were to ensure that:

1. Specific Local Authority guidance is available to the Head Teachers in those schools that have been allocated Pupil Equity funding (PEF).
2. The full amount of funds has been allocated in line with the Scottish Government allocations.
3. Arrangements are in place to engage key stakeholders in the development of the funding plans.
4. There is a clear rationale for the use of the funding, based on a clear contextual analysis which identifies the poverty related attainment gap in their schools.
5. Clear plans are in place to evaluate the impact of the funding.
6. Funding is appropriately spent ensuring additionality to existing activities and interventions.
7. Spending and impact are appropriately monitored.

Audit Scope

1. Identified the key controls from the operational guidance for PEF and prepared a series of questions for discussion with relevant head office staff.
2. Selected a sample of 2 schools and discussed the actual arrangements in place to demonstrate compliance with the key controls with Head Teachers and headquarters staff.
3. Reviewed and assessed the evidence to support compliance.

Key Audit Assurances

1. Local Authority guidance is available, in addition to national guidance, to Head Teachers as to how they should spend and monitor allocated funding.
2. The amount of funding for each Renfrewshire school is in line with the allocation by the Scottish Government.
3. Each of the schools tested had a clear rationale for the use of the funding in their PEF plans, which identified the poverty related attainment gap in those schools.
4. Each of the PEF Plans for the schools tested set out how funding would result in additionality to existing activities.
5. Arrangements had been put in place at each of the schools visited to monitor PEF spending.

Key Risks

There were no key risks identified during the audit.

Internal Audit Report

Children's Services

Education Funding (Pupil Equity Fund)

(A0109/2018/002)

A0109/2018/002

Date: September 2018

Overall Audit Opinion

The audit has identified that suitable arrangements are in place to ensure that PEF funds are spent appropriately. Progress has been made in initiating PEF plans in the first year of PEF funding. The audit did not find any significant weaknesses and substantial assurance has been provided over the processes in place at the time of the review. The processes for PEF funding were still being worked upon and it should be noted that, at the time of the audit, the monitoring arrangements to enable the impact of this additional funding to be measured had just been agreed upon and therefore we were unable to assess the sufficiency of the process which was to be followed.

Management Commentary

Monitoring procedures have been enhanced and developed since the audit was undertaken and the guidance is being further developed.

Internal Audit Report

Environment & Infrastructure

Household Waste Recycling Centre (C0243/2018/003)

C0243/2018/003 Date: January 2018

COMMITTEE SUMMARY

Audit Objectives

1. Internal Audit were informed by the Amenity Site Supervisor of an allegation relating to a named employee who had been observed receiving a television into a Council Household Waste Recycling Centre (HWRC) and subsequently passing the television to a third party.
2. In line with the Council's Defalcation Procedures, Internal Audit undertook an initial investigation into the allegation to ascertain the circumstances surrounding the allegation and to identify and address any weaknesses in the internal control environment.

Audit Scope

1. CCTV footage relating to the allegation was obtained from the Household Waste Recycling Centre for review by the auditor.
2. Following examination of the footage, an interview was carried out with the named employee. Training records were also reviewed.

Key Audit Findings Arising from the Investigation

1. The Site Attendant did receive a television at the HWRC and this was passed to a 3rd party on 19 October 2016, which was during the period when the HWRC was not receiving electrical goods.
2. The Site Attendant offered no explanation for the incident or who the person collecting the item was, other than stating that he could be doing a personal favour.

Overall Audit Opinion

The allegation that the site attendant received a television into the Household Waste Recycling Centre and subsequently passed the television to a third party has been confirmed. It is not clear if the party disposing of the item intended for it to be recycled or if it was part of a private arrangement between individuals known to the site attendant who has acted naively in facilitating this arrangement.

Management Commentary

A disciplinary fact finding Investigation has now been concluded by Service Management and action short of formal disciplinary action has been taken to ensure that the employee receives further training and has been made fully aware of their roles and responsibilities.