Renfrewshire Council

Item 6

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

**On:** **01 June 2015**

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**Report by:** **Chief Auditor**

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**Heading:** **Summary of Internal Audit Findings for Quarter to end of March 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 January – 31 March 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.

2. **Recommendations**

2.1 Members are invited to consider and note the Summary of Audit Findings reported during the quarter from 1 January to 31 March 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 January – 31 March 2015**

| Category | Service | Audit Title | Main Issues | Rec's agreed |
|---|---|---|---|---|
| **ICT Audit** | Finance & Resources | Laptop Encryption | • A review was undertaken of the arrangements in place for ensuring all Council laptops have been properly encrypted to enhance data security on laptops; or that they have been formally exempted from the process.<br>• ICT are actively working on an Asset Management Project which includes compilation of inventory records of all Council Laptops. A decision has been taken not to encrypt Education Laptops but there was no formal risk assessment held to support this decision.<br>• The audit also identified that although ICT have controls in place to ensure encryption of laptops, enhancements to the processes are required to enable the independent assurance of the operational effectiveness of these controls. Management agreed to implement the internal audit recommendations made. | Yes |
| **System Audits** | Finance and Resources | Treasury Management | • A review was undertaken to assess the adequacy of the arrangements in place for managing the Council's monetary | Yes |

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| | | | assets<br><br>• This review identified no key risks in the systems being operated. Some recommendations were made to further strengthen the controls in place and Management have agreed to action these. | |
| | | Discretionary Housing Payments | • Discretionary housing payments can be paid to qualifying claimants who require additional short-term assistance to pay their housing costs. A review was undertaken of the process for awarding discretionary housing payments.<br><br>• The audit has identified that satisfactory arrangements are in place for awarding discretionary housing payments. A few minor recommendations were made to further enhance the internal controls already in operation. | Yes |
| | | Administration of Grants | • The Council provides a number of different grants to voluntary organisations to promote activities that benefit the communities throughout Renfrewshire and which align to the aims of the Renfrewshire Community Plan. This audit focussed on the process in place for the administration of these across various Council Services.<br><br>• The Council has in place Conditions of Grant, depending on the level of funding applied for, which should be adhered to. However it was identified that the system for administering grants was not uniform or consistent across the Council and, therefore, there was a consequential loss of strategic oversight.<br><br>• Management agreed to rectify this issue by establishing an administration of Grants Working Group whose aim is to take the internal audit recommendations forward and implement processes to ensure a corporate approach to grants | Yes |

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| | | | administration. | |
| | Community Resources | Fuel Cards | • Some of the Council's fleet vehicles use public filling stations to replenish fuel and this is paid for by using a vehicle specific fuel card. Community Resources then arrange for the fuel costs to be recharged to the Services<br><br>• Internal Audit's review of the use of these cards highlighted that the costs incurred through the use of fuel cards are satisfactorily recharged to the relevant Council Services.<br><br>• However it was identified that the quality, accuracy and reliability of aspects of management information reports were inadequate and that these were not subject to sufficient scrutiny. Also, limits were not in place to restrict the use of fuel cards in the event of them being lost or stolen; nor was there any guidance provided to drivers in what to do in such circumstances. Management agreed to implement the recommendations made to address these weaknesses and improve the system of internal control | Yes |
| | Development & Housing | Economic Development | • A review was undertaken of the award and administration of Economic Development Business Grants which are available to fund specific staff training, purchase of capital equipment and the costs of expanding/upgrading premises.<br><br>• It was evident that the Council Officers involved in the process exercise adequate scrutiny over applications, expenditure and payments. However, weaknesses were identified in relation to the timeous updating of grant tracking records and the absence of a mechanism to capture variations to original grant applications which Management agreed to address. | Yes |

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| | | Sales Fees & Charges | • A review was undertaken of the arrangements in place for charging owner occupiers for their share of common repairs.<br>• The systems in place for charging for common repairs are generally satisfactory. However, if owners are not informed of potential cost increases, before the work is carried out, the Council is unable to pass on all of the additional costs and, therefore, this increases the costs required to be absorbed by the council.<br>• Internal Audit recommended that processes were put in place so that Building Services advise Owner Services of all potential cost increases prior to work being carried out so that Owner occupiers can be timeously informed in order to reduce the cost of repairs being paid for by the council. | Yes |
| **Regularity Audits** | Childrens' Services | Control Risk Self Assessment – School Funds | • A programme of school fund self regulation in the form of a Control Risk Self Assessment (CRSA) questionnaire is issued to all schools on a cyclical basis to establish the level of compliance with the School Fund Procedures. This year the CRSA questionnaires were issued to all high schools.<br>• The CRSA questionnaires indicated that the majority of high schools are following most of the processes described in School Fund Procedures. Some minor areas of non compliance requiring management actions were identified from the responses received. | Yes |
| | | Linwood High – School Fund | • As part of the overall School Funds Control Risk Self Assessment, Linwood High School was selected for an Internal Audit visit. It was found that this school had only minor non compliances with the school fund procedures which the Head Teacher agreed to rectify. | Yes |

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| | | St Andrews Academy – School Fund | • As part of the overall School Funds Control Risk Self Assessment, St Andrews Academy was selected for an Internal Audit visit. It was found that this school was not always compliant with the School Fund Procedures and a number of recommendations were made to ensure that current processes are more robust and conform to laid down procedures. | Yes |
| | Chief Executives | Corporate Governance Framework | • Annually we review selected elements of the Code of Corporate Governance, to provide assurance on its adequacy and effectiveness and the extent of compliance. The elements of the Code reviewed this year, related to processes in place for avoiding and declaring potential conflicts of interest with regard to both Elected Members and Employees.<br><br>• It was evident from our review, that the Council's Code is being complied with by both Elected Members and Senior Officers in terms making voluntary declarations of interests for the purposes of identifying and avoiding conflicts of interest; and there is evidence to demonstrate compliance. However, it was identified that further measures required to be put in place to enhance the current procedures, including record management arrangements and formalisation of procedures to record declarations of interests for all employees. | Yes |
| **Investigations** | Adult Services | Spinners Gate Resource Centre – Cash Procedures | • Internal Audit reviewed the records associated with the petty cash imprest due to reported issues surrounding its administration. The practices surrounding independent funds were also examined at this time.<br><br>• The petty cash records examined were found now to be in accordance with Council procedures and the reported minor cash shortfall was confirmed. The auditor recommended that the cash shortfall be reclaimed | Yes |

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| | | | • It was evident from examination of the records associated with independent funds, that the 'Guidance Notes on the Administration of Independent Funds' were generally being complied with, however further enhancements to current procedures were recommended to help strengthen the internal control environment surrounding cash handling. Areas noted for improvement included committee arrangements, formalisation of financial verification processes and a review of the guidance notes. | |
| | Childrens Services | Flexible Learning centre – Missing Monies | • Internal Audit was notified that monies were missing from 4 cash tins held in a safe in the annexe building at Brediland Primary School. Internal Audit undertook an initial investigation to ascertain the circumstances surrounding the missing monies and established that the total missing monies was £440.99.<br><br>• The cash remains unaccounted for. The council procedures for cash handling and the security of keys were not followed which allowed the opportunity for personnel to access the safe and 4 cash tins. It is our opinion that the losses are the result of theft by a person or persons unknown. Circumstantial evidence suggests that the monies were taken on more than one occasion before being identified as missing. A number of management actions were recommended including the consideration of disciplinary action against some employees. Furthermore, the matter was referred to the Police. | Yes |