

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

**On: 04 November 2019**

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**Report by: Chief Auditor**

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**Heading: Summary of Internal Audit Reports for period 01 July to 30 September 2019**

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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, Risk and Scrutiny Board.

1.2 Appendix 1 provides details those audit engagements completed during the period 01 July to 30 September 2019 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 Reports finalised during the period from 01 July to 30 September 2019.
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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
13. **Climate Risk** - 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 2019

Category	Service	Engagement	Assurance Rating	Recommendation Ratings			
				Critical	Important	Good Practice	Service Improvement
<b>Assurance</b>	Chief Executive's Service	Procurement – Quick Quote Process	Reasonable	0	3	1	0
	Finance & Resources	Review of Internal Controls & Compliance – Key Financial Controls	Reasonable	0	2	3	0
		Non-Domestic Rates	Reasonable	0	4	0	2
		Payroll	Reasonable	0	2	1	1

Note 1 – No assurance rating can be given in respect of investigation assignments

Assurance Level	
Substantial Assurance	<ul style="list-style-type: none"> <li>There is a sound system of internal control designed to achieve the objectives of the area being reviewed.</li> <li>The control processes tested are being consistently applied.</li> </ul>
Reasonable Assurance	<ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul>

Limited Assurance	<ul style="list-style-type: none"> <li>Weaknesses in the system of internal controls are such as to put the objectives of the area being reviewed at risk.</li> <li>The level of non-compliance puts the objectives of the area being reviewed at risk.</li> </ul>
No Assurance	<ul style="list-style-type: none"> <li>Control processes are generally weak with significant risk to the achievement of the objectives of the area being reviewed.</li> <li>Significant non-compliance with control processes leaves the processes/systems open to error or abuse.</li> </ul>

<b>Recommendation Rating</b>	
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 Chief Executive's Service

### Procurement - Quick Quote Process (A0085/2020/001)

Date: September 2019

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of the review were to ensure that:

1. For contracts with a total value between £10,000 and £50,000 (excluding VAT), quotations are sought from a minimum of 4 suppliers who have the experience and expertise to meet the council's requirements for the goods and services;
2. Where a quote is sought for the same requirement, a different group of potential suppliers is selected where possible;
3. There is appropriate approval for a non-competitive action in cases where only one supplier bids for the work;
4. The returned quotes are evaluated against the criteria in the Quick Quote specification, the most economically advantageous quote is selected and that appropriate sign off is received from the Director or authorised representative using the Contract Authorisation report prior to issuing award letters.

##### **Audit Scope**

1. Interviewed the appropriate staff, evaluate the system in place for Quick Quotes and identify any possible improvements to the system.
2. Prepared a series of tests to ensure the Quick Quote process is operating effectively and as described.

##### **Key Audit Assurances**

1. For the sample of contracts tested, quotations were sought from a minimum of 4 suppliers.
2. Contract awards were published on the Public Contracts Scotland website, for the contracts tested.

##### **Key Risks**

1. There was a lack of evidence that successful quotes had been appropriately approved and to show why different potential suppliers had not been selected when a quote was sought for the same requirement.
2. Where systems are not in place to identify where a combined amount of £10,000 is paid to suppliers, quick quotes may not be used when they should.

##### **Overall Audit Opinion**

The audit has identified that improvements are required to the execution of the council's quick quote processes surrounding retaining evidence as to why different suppliers are not used for the same requirement and for approval of successful quotes by the service and CPU. Also, there are currently no processes in place to analyse expenditure to ensure that spend for the same goods/services with a combined value of over £10,000 is procured using the quick quote method.

Internal Audit Report  
Chief Executive's Service

Procurement - Quick Quote Process (A0085/2020/001)

**Date: September 2019**

<b>Management Commentary</b>
Management agreed to action the recommendations made by updating the Quotation Request Form to record why suppliers were chosen, reminding staff that Contract Award Reports must be signed by the appropriate personnel and arranging for data to be provided to Category Managers to enable them to verify that quick quotes are being used when appropriate

## Internal Audit Report Finance and Resources

### Review of Internal Controls and Compliance - Key Financial Controls (A0037/2019/001)

Date: August 2019

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of the review were to ensure that:

1. Bank reconciliations are undertaken timeously and variances are adequately followed up;
2. Suspense and control accounts are regularly reconciled, cleared and independently reviewed;
3. Feeder systems are reconciled to the General Ledger;
4. Debtors accounts are raised promptly, for the correct amount and coded correctly to the general ledger;
5. Creation of new creditor master data is restricted and appropriately segregated;
6. Creditor payments are paid promptly, for the correct amount and coded correctly to the general ledger.
7. Creditor manual payments are approved by an authorised officer.

##### **Audit Scope**

Undertook key controls testing for each of the objectives shown above.

##### **Key Audit Assurances**

1. Bank reconciliations are now being undertaken timeously and variances were adequately followed up.
2. Debtors accounts tested were raised for the correct amount and coded correctly to the general ledger.
3. Creation of new creditor master data was restricted to appropriate officers and checked by another officer. Creditor manual payments were approved by authorised officers.
4. Creditor payments tested were for the correct amount and coded correctly to the general ledger.

##### **Key Risks**

1. Some suspense accounts were not cleared timeously, resulting in delays in receipts and payments being allocated to the correct accounts.
2. Feeder information was not regularly reconciled to ledger control totals, increasing the risk that fraud/errors may not be detected.

## Internal Audit Report Finance and Resources

### Review of Internal Controls and Compliance - Key Financial Controls (A0037/2019/001)

**Date: August 2019**

#### **Overall Audit Opinion**

The audit identified that debtors and creditors invoices were raised correctly but were delayed in being issued/paid on some occasions. Recommendations were made in the report to address issues with feeders not being reconciled to the Business World ledger and suspense accounts not being cleared. If implemented, these will help strengthen the controls in place.

#### **Management Commentary**

Management agreed to implement the recommendations made, including improving the processes for ensuring that all appropriate reconciliations are undertaken.

## Internal Audit Report Finance & Resources

### Non Domestic Rates (A0082/2019/001)

Date: September 2019

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of the audit were to ensure that:

1. There is an adequate system in place to ensure the calculation and payment of Non-Domestic Rates (NDR);
2. All exemptions and discounts have been properly applied;
3. All NDR income due is properly accounted for and recorded on the system;
4. All accounts have been issued in line with statutory timescales;
5. All income due to East Renfrewshire Council has been remitted to their bank account;
6. Outstanding debt at the year end is being appropriately managed.

##### **Audit Scope**

1. Interviewed the appropriate officers to ascertain the system in place in relation to billing, collecting and monitoring of NDR income and updated the system notes for any changes.
2. Undertook a series of tests to ensure that the system is adequate and operating as intended.
3. Performed testing of the key controls as required by Audit Scotland.
4. Prepared the Audit Certificate for East Renfrewshire Council.

##### **Key Audit Assurances**

1. There is an adequate system in place for the calculation and payment of Non Domestic Rates.
2. Demand notices are issued according to statutory timescales.
3. Controls over the collection and remitting of income due to East Renfrewshire Council are satisfactory.
4. Debt recovery is appropriately managed.

##### **Key Risks**

1. If audit checks of rates reliefs granted are not carried out as often as agreed, there is a risk that the value of reliefs may be incorrect.
2. Without the backup of rates relief application forms being available or notes being kept on the system the council may be unable to confirm that a valid application was made in the event of any challenge.

##### **Overall Audit Opinion**

The audit identified that satisfactory controls are in place for the billing and collection of NDR, with the exception of audit checks of NDR reliefs not being carried out as often as agreed and a lack of adequate supporting documentation. The audit checks of NDR reliefs may have been affected by the changeover from e5 to Business World.

The auditor has made recommendations to address the areas of weakness identified which will strengthen the controls in place for NDR. The auditor has made a provision of reasonable assurance in relation to the area under review.

## Internal Audit Report Finance & Resources

### Non Domestic Rates (A0082/2019/001)

**Date: September 2019**

#### **Management Commentary**

Management are transferring audit relief checks to another team and they will carry them out within the planned timescale. With regard to the awarding of relief by email request without a signed document or application, this was a local decision made several years ago and the practise has been in place for a considerable time. The proposed National Fraud Initiative activity on NDR accounts is expected to support the identification of cases where relief requires to be reviewed.

# Internal Audit Report Finance and Resources Payroll (A0084/2019/001)

Date: September 2019

## COMMITTEE SUMMARY

### **Audit Objectives**

The objectives of the audit were to ensure that:

1. Processes are in place to ensure that new starts are added timeously and accurately to the payroll;
2. There is evidence that all pre-employment checks have been undertaken;
3. Processes are in place to ensure that leavers are removed from the payroll timeously and accurately on receipt of properly authorised documentation;
4. There is adequate segregation of duties over the new start and leaver processes;
5. An appropriate level of independent checks are undertaken on input.

### **Audit Scope**

1. Through discussions with appropriate staff, ascertained the processes for inputting new starts and terminations to the payroll system.
2. Tested for assurance that new starts and leavers information is adequately supported by appropriate, authorised documentation and is input on a timely basis.
3. Tested to confirm that Business World is configured to ensure adequate separation of duties between HR and Payroll functions.

### **Key Audit Assurances**

1. There was evidence of adequate pre-employment checks for all new starts tested.
2. There was adequate segregation of duties and independent checks on new starts and leavers tested.

### **Key Risks**

When payroll are not notified of employees' termination dates by Services before the deadlines in Payroll timetables, there is an increased risk of overpayments, which may be difficult to recover.

### **Overall Audit Opinion**

The audit has identified that reasonable procedures are in place for employee new starts and terminations. Appropriate segregation of duties and independent checks are in place. Some issues were identified in relation to service departments not notifying payroll services on time to effect correct payments to some employees. Procedures are now in place to initiate recovery of overpayments to some leavers.

Internal Audit Report  
Finance and Resources  
Payroll (A0084/2019/001)

**Date: September 2019**

**Management Commentary**

A lot of work has been carried out on the issue of overpayments and amendments have been made to processes to identify overpayments early and raise invoices timeously. A salary adjustment policy is currently being drafted that will clearly set out management and employee roles and responsibilities for ensuring salary payments are correct; this is expected to support a reduction in the level of overpayments being created.