

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

**On: 06 November 2017**

---

**Report by: Chief Auditor**

---

**Heading: Summary of Internal Audit Reports for period to Sept 2017**

---

**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 2017 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.
- 

## 2. **Recommendations**

- 2.1 Members are invited to consider and note the Summary of Audit Findings reported during the period from 01 June to 30 September 2017.
- 

### **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

---

**Author:** Karen Campbell – 01416187016

## Appendix 1

Renfrewshire Council

Internal Audit Service

Update for Audit, Risk and Scrutiny Board

Final Audit Reports issued from 01 June – 30 September 2017

Category	Service	Engagement	Assurance Rating	Recommendation Risk Ratings			
				Critical	Important	Good Practice	Service Improvement
<b>Investigation</b>	Finance & Resources/Children's Services	Pre 5 Establishment - Loss of Monies	N/A (Note 1)	11	8	5	2
	Environment & Communities	Roads Contracts	N/A (Note 1)	1	3	0	0
<b>Assurance</b>	Finance & Resources	Pensions – Auto Enrolment	Reasonable	0	7	3	0
	Finance & Resources	Contract Monitoring Arrangements	Substantial	0	2	1	0
	Environment & Communities	Civil Contingencies Service	Substantial	0	1	3	0
	Development & Housing	External Funding Applications	Reasonable	0	3	2	0
<b>Governance</b>	Corporate	Governance of ALEO's	Reasonable	0	5	3	1
	Corporate	Corporate Complaints Procedures	Reasonable	0	3	3	0

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>

Recommendation Risk 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

## Finance & Resources/Childrens Services

### Pre 5 Centre – Loss of Monies (C0143/2016/014)

C0143/2016/014

Date: February 2017

#### COMMITTEE SUMMARY

##### **Audit Objectives**

On 2 September 2016, the Customer Services Manager notified Internal Audit that a named member of staff at a Pre-5 Centre had allegedly removed a sum of council money which she then claimed had been accidentally left on a bus and had subsequently been stolen.

##### **Audit Scope**

The purpose of the review, which was conducted under the Council's Defalcation Procedures, was: -

- to establish if there was any substance to the allegation made
- to determine the security of other monies within the centre
- to identify and address any weaknesses in the internal system of control

##### **Key Issues arising from the investigation**

- 1.1 The allegation in relation to the employee removing the sum of £200.00 from the Centre has been substantiated.
- 1.2 In total, funds of £6,786 (council and non-council monies) have been misappropriated from the Centre.
- 1.3 The auditor considers that there is sufficient evidence to conclude that the named employee has misappropriated the sum of £5,280, with £550 having been paid back to the centre by the employee, prior to the conclusion of the audit.
- 1.4 Misappropriated funds totalling £1,151 cannot be directly attributed to the named employee. However, given the employee's involvement with these funds it is possible that these have also been misappropriated by the same employee. Further monies totalling £355.00 remain unaccounted for and cannot be directly attributed to any individual(s).
- 1.5 The internal control environment operated at the Centre and at Council HQ for specific areas such as cash handling, record keeping and income reconciliation is not adequate to either prevent or detect any possible defalcation.
- 1.6 Financial processes are not carried out in a manner which provides for sufficient scrutiny and adequate management oversight.

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

It is the Auditor's opinion that a named employee is responsible for the misappropriation of at least £5,280 of council and non-council monies. The internal control environment at the Centre was found to be weak, particularly in relation to compliance with established procedures, segregation of duties, reconciliations and management oversight, which has contributed to the employee being able to misappropriate funds over a significant period of time.

# Internal Audit Report

## Finance & Resources/Childrens Services

### Pre 5 Centre – Loss of Monies (C0143/2016/014)

**C0143/2016/014**

**Date: February 2017**

#### **Management Commentary**

Management within Finance and Resource Services, Children's Services and Environment & Communities, developed an action plan to address the recommendations made, including:

1. Consideration of disciplinary action in relation to a number of employees. One employee has since been dismissed and a report has been made to Police Scotland.
2. Addressing a number of identified weaknesses in relation to cash handling, record keeping, controls over income and expenditure and regular reconciliation.
3. Providing training to employees in relation to cash handling, record keeping, controls over income and expenditure and regular reconciliation.
4. Ensuring that there is adequate management oversight of the financial affairs.

# Internal Audit Report

## Environment & Communities

### Roads Contract (C0033/2016/003)

C0033/2016/003

Date: July 2017

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of this investigation were to ascertain the circumstances surrounding the allegations made and whether there was any substance to them and to identify and address any weaknesses in the internal control environment.

##### **Audit Scope**

In June 2016, Internal Audit was informed of a situation within Environment & Communities whereby a substantial level of off contract spend (in the region of £250,000) on the hire of plant and operatives for the resurfacing of roads was taking place. There was also the suggestion of collusion with a contractor and that the approved Council procurement system was being purposely bypassed in favour of a historical system that Procurement had less oversight of.

Following on from the matter being passed to Internal Audit, an initial investigation in relation to this allegation was undertaken, in line with the Council's Defalcation Procedures.

##### **Key Audit Findings**

1. Whilst non contract spend was taking place satisfactory reasons were provided for this in that the Scotland Excel framework did not meet with the requirements of the service. Furthermore Internal Audit was advised that this was a historical situation that had evolved during the time the service had sat under the Department of Planning and Transport.
2. It is also apparent that there were a number of weaknesses with the historical processes in place for the hire of plant and operatives but given that the Council's approved procurement system is now being used the auditors have no recommendations to make in this regard.
3. No evidence was presented to Internal Audit to substantiate the allegation of corruption or collusion with the contractor.
4. In addition, no evidence was provided to Internal Audit of the approved procurement system being used for a period of time before reverting back to using the inherited Fleetmaster system.

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

The auditors could not substantiate any of the allegations made however weaknesses were identified in terms of a lack of procurement training to managers and oversight of all of the systems used within the Council for the procurement of goods and services.

Issues were also identified in terms of the robustness of the checking undertaken on the contractor invoices and a lack of a clear audit trail to support charges levied on the Council for the hire of plant and operatives. Recommendations have therefore been made to

# Internal Audit Report

## Environment & Communities

### Roads Contract (C0033/2016/003)

**C0033/2016/003**

**Date: July 2017**

address these issues and to strengthen the control environment in place.

#### **Management Commentary**

Management within Chief Executive's Service and Environment & Communities developed an action plan to address the recommendations made, including:

1. Providing procurement awareness training to managers within Environment & Communities.
2. Reviewing all council wide procurement systems, as part of the implementation of Business World, to ensure adequate controls are in place.
3. Improvements to the methods used for placing and authorising orders, checking invoices and storage of supporting paperwork.



# Internal Audit Report

## Finance & Resources



### Pension Auto Enrolment (A0084/2016/001)

A0084/2016/001

Date: October 2017

#### COMMITTEE SUMMARY

##### **Audit Objectives**

To ensure that:

- Arrangements are in place to enrol all new employees into the pension scheme;
- There is a timetable established for re-enrolment of employees opting out of the scheme;
- Communications with employees are effective and advise employees of their rights;
- Where employees opt-out of the pension scheme, this is actioned timeously.

##### **Audit Scope**

Interviewed the appropriate staff to ascertain the arrangements in place for enrolling all new employees into the pension scheme, for actioning employee requests to opt-out of the pension scheme, for timetabling the re-enrolment of employees that have opted out and for communicating employee rights.

Prepared and undertook a series of tests to assess the adequacy of the above arrangements.

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

Processes are in place to auto-enrol all new eligible employees in the pension scheme.

Arrangements regarding regular automatic re-enrolment in the pension scheme are sufficient.

##### **Key Risks**

There is risk that information held by pension providers may not be up to date if information regarding enrolment and employee opt-outs is not sent to the pension provider timeously.

Employees may not be given the correct information regarding postponed enrolment.

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

The audit has identified that although there are arrangements in place to cover the requirements of the Pensions Act 2011, recommendations have been made within the report to improve the processes to record and pass this information to the pension provider timeously. Recommendations have also been made to improve the communication issued to employees regarding postponed enrolment.

##### **Management Commentary**

Management within Finance and Resources Service developed an action plan to address

# Internal Audit Report

## Finance & Resources



### Pension Auto Enrolment (A0084/2016/001)

**A0084/2016/001**

**Date: October 2017**

the recommendations made, including:

1. Documenting processes for pension auto-enrolment to formalise the expected controls.
2. Changes arising from checking exception reports will be checked by a second officer for accuracy.
3. A verification exercise is being undertaken to ensure that all required documentation has been provided to the Strathclyde Pension Fund.
4. Investigate potential improvements that can be made to document storage.
5. Amending the communications that are provided to employees where auto-enrolment has been postponed.

# Internal Audit Report

## Finance and Resources

### Contract Monitoring Arrangements – Property Services (A0014/2016/001)

A0014/2016/001

Date: August 2017

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of the audit were to ensure that:

- Arrangements are in place to monitor the progress of physical completion of the contract;
- Arrangements are in place to monitor the cost of the contract against the predetermined contract value;
- Roles and responsibilities for contract management are clear and understood;
- Contract monitoring is undertaken by officers with appropriate skills;
- Reporting against the contract is regular and timely.

##### **Audit Scope**

1. Interviewed the appropriate staff, evaluated the contract monitoring arrangements and identified any possible improvements.
2. Prepared and undertook a series of tests to confirm the adequacy and effectiveness of the contract monitoring arrangements identified. The projects selected for testing were two primary school projects.

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

1. Physical completion of the contracts tested was monitored through weekly Clerk of Work reports.
2. Costs were monitored against predetermined contract values in Quantity Surveyor monthly financial reports.
3. Appropriate roles were undertaken by officers with relevant skills e.g. Clerks of Works, Architects, Contractors.
4. Regular and timely reports were provided to appropriate officers.

##### **Key Risks**

1. If risk registers are not completed, key risks may not be clearly stated, assessed and appropriately managed.

# Internal Audit Report

## Finance and Resources

### Contract Monitoring Arrangements – Property Services (A0014/2016/001)

**A0014/2016/001**

**Date: August 2017**

#### **Overall Audit Opinion**

The audit has identified that satisfactory arrangements are in place for monitoring completion of the school projects and reporting progress to the appropriate officers. Some recommendations have been made, including the completion of risk registers when risks are identified in Property Services projects, which will further enhance the control environment.

#### **Management Commentary**

Management within Finance and Resources Service developed an action plan to address the recommendations made, including:

1. Developing risk registers for future large scale or complex projects.
2. Implementing arrangements for notifying the insurance section of expected handover dates.

# Internal Audit Report

## Community Resources

### Civil Contingencies Service (A0017/2016/001)

A0017/2016/001

Date: July 2017

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of the audit were to ensure that:

- Appropriate governance documents and structures are in place with each of the partner authorities;
- Roles and responsibilities and accountabilities have been appropriately recorded and communicated and training provided;
- Civil contingency plans are prepared and approved by the appropriate managing body;
- Plans are regularly reviewed, updated and tested;
- Regular feedback is provided to the Joint Board including performance management information.

##### **Audit Scope**

1. Interviewed the appropriate officers to ascertain the arrangements in place for the governance and effectiveness of the Joint Civil Contingencies Service and identified any areas for improvement.
2. Tested to ensure that governance procedures were followed and records were appropriately maintained.

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

1. There are adequate governance arrangements operating between the civil contingencies service and partnering authorities and the appropriate governance documents are in place.
2. Roles and responsibilities and accountabilities have been appropriately established and communicated to all partners. Civil Contingencies Service (CCS) regularly facilitate appropriate training to partnering authorities staff.
3. Regular feedback is provided to the Joint Board including performance management information.

##### **Key Risks**

Where Civil Contingencies Service do not retain formal evidence that services within partnering authorities have undertaken test exercises, they may not be able to satisfy themselves that the plans in place are adequate.

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

The audit has provided a substantial level of assurance in relation to the governance arrangements and organisation of the Civil Contingencies Service (CCS). There are appropriate governance arrangements in place with all partnering authorities and there is regular feedback to the Joint Board. The auditor has made some recommendations, which if

# Internal Audit Report

## Community Resources

### Civil Contingencies Service (A0017/2016/001)

**A0017/2016/001**

**Date: July 2017**

implemented, will further enhance the oversight arrangements which the Civil Contingencies Service has over the contingency planning arrangements the partnering authorities have in place.

#### **Management Commentary**

Management within Environment & Communities developed an action plan to address the recommendations made, including:

1. The Council Resilience Management Team will include service plans and testing arrangements as a standing item on the agenda.

# Internal Audit Report

## Development and Housing

### External Funding Applications (A0040/2016/001)

A0040/2016/001

Date: June 2017

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of this review were to ensure that:

- There are adequate arrangements for management oversight of all EU Grant funding;
- Arrangements are in place to monitor compliance with grant conditions;
- Arrangements are in place to confirm eligibility of project spend;
- Grant claims are accurate and submitted on a timely basis;
- Financial monitoring arrangements, including match funding, are adequate

##### **Audit Scope**

A review of the arrangements in place for financial monitoring and compliance with the conditions of European Funding Grants was undertaken. This involved discussion with key personnel from the Economic Development (ED) team and the Finance Team.

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

- Applications for EU funded projects are approved appropriately and grants are formally accepted by the appropriate Council Officers.
- Regular meetings are held with the appropriate officers to update on progress, and papers on the work of the ED team are taken to the Board.
- A Compliance team is in place within ED to check expenditure and evidence for proposed claims, and to identify and remove ineligible expenditure prior to claims being submitted to the Scottish Government. A Programme Management Unit (PMU) has been established to monitor whether projects are delivering results.
- Where services are procured from other organisations, or where the Council works with other Councils such as LEADER and ERDF grants, documented agreements are in place covering this in the form of contracts or Service Level Agreements.
- Controls are built into the system to minimise the likelihood of clients being registered more than once and receiving support from two or more services.
- The recording of staff costs against projects is satisfactory.
- Claims to the Scottish Government were found to have been prepared with transaction lists, calculations, and evidence collated, and had been submitted in accordance with deadlines.
- Projects income and expenditure are appropriately monitored

##### **Key Risks**

- There is no central register of grant funded projects across the Council, and there is no central officer group or elected member Board which has oversight of all grant funding. This increases the risk that applications could be submitted for

# Internal Audit Report

## Development and Housing

### External Funding Applications (A0040/2016/001)

**A0040/2016/001**

**Date: June 2017**

grant funding which may not be appropriate or which may require match funding which has not been accounted for or is double counted.

- While the current EU funded programme commenced in 2015, there were no documented risk management arrangements either at a local level or at a corporate strategic level.
- The Economic Development Compliance team are aware of retention periods. However other than one reference to ERDF loans, the Council's corporate retention policy does not offer guidance on the additional retention requirements for documentation relating to European funded projects. Additionally, there is an inherent risk that external providers may not adhere to retention periods for project documentation.
- Claims for the ESF and ERDF projects will be submitted by the independent Compliance team on the Scottish Government systems and followed up with paper copies signed by the Director of Development and Housing Services. However an improvement could be made to this process to ensure the relevant manager for each project signs a declaration to confirm accountability that each claim is accurate.

#### Overall Audit Opinion

Based on the work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified scope for improvement in existing arrangements and six recommendations which management should address.

#### Management Commentary

Management within Development and Housing developed an action plan to address the recommendations made, including:

1. Ensuring that the Economic Development team are notified of all EU funding applications.
2. Risk registers will be developed for EU funded programmes and monitored by Senior Management and the Board as appropriate.
3. Update the records retention schedule to provide specific guidance on EU retention requirements.
4. Consider if improvements can be made to ensure external contractors retain documentation for the required period.
5. Develop a process for relevant managers to declare that claims are accurate before submission to the Director for final sign off.



# Internal Audit Report

## Chief Executives

### Governance of ALEOs (B0014/2016/002)

B0014/2016/002

Date: July 2017

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of the audit were to ensure that:

- There is an adequate documented governance and accountability framework for those services delivered through Renfrewshire Leisure (RL);
- There is adequate oversight of the financial commitments and risk exposures for the Council through the use of RL;
- Adequate arrangements are in place for monitoring financial and service performance of RL; and
- Roles and responsibilities of officers and members relating to RL are clear and understood.

##### **Audit Scope**

To review the governance arrangements in place for ensuring that there is adequate oversight and monitoring of RL's delivery against the objectives set out in the Services Agreement.

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

A documented Services Agreement is in place which outlines the roles and responsibilities of the Council and RL and a change control document was put in place to reflect subsequent amendments to service provision;

The responsibilities that have been retained by the Council including the provision of IT, procurement and insurance arrangements are documented in the Services Agreement;

The Head of Policy and Commissioning has been appointed to review the performance of RL in order to give the Council assurance that the deliverables in the Services Agreement are being monitored;

Performance indicators in relation to services provided by RL are included in an annual report which is presented to the Council's Audit Committee as part of the Local Government Benchmarking Framework arrangements; and

A conflicts of interest policy is in place for RL Board members which includes Council officers.

##### **Key Risks**

The Council's Financial Regulations have not been updated to reflect the revised monitoring structure of RL that was put in place in March 2016. This increases the risk that the role for monitoring and oversight at committee level is unclear.

The Council does not maintain a risk register outlining the risks posed by using RL to deliver key services. The lack of oversight increases the risk that appropriate mitigating actions are

# Internal Audit Report

## Chief Executives

### Governance of ALEOs (B0014/2016/002)

**B0014/2016/002**

**Date: July 2017**

not put in place and that risks are not managed appropriately.

Performance against Key Performance Indicators (KPIs) is not being undertaken in line with the requirements of the Services Agreement and the Leadership Board is provided with limited performance information. This increases the risk that the Council does not have adequate oversight of the performance of RL to ensure that the key deliverables set out in the Services Agreement are being met.

The arrangements for reporting whistleblowing allegations in relation to RL are unclear and the responsibilities for investigating these allegations is not documented and understood. This increases the risk that concerns in relation to RL are not reported and investigated.

#### Overall Audit Opinion

Based on the audit work carried out, a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and nine recommendations which management should address.

#### Management Commentary

Management within Chief Executive's Service and Finance and Resources Service developed an action plan to address the recommendations made, including:

1. Updating the council's financial regulations to reflect the revised governance and monitoring arrangements for Renfrewshire Leisure.
2. Reflect appropriate risks in relation to Renfrewshire Leisure in the council's risk register and ensure that the risks are regularly monitored.
3. Agree an appropriate format for KPIs and the arrangements for reporting these to Board.
4. Seek assurance from Renfrewshire Leisure regarding whistleblowing arrangements.

# Internal Audit Report

## Corporate

### Complaints Procedures (B0047/2018/004)

B0047/2018/004

Date: September 2017

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of this review were to ensure that:

- relevant staff are aware of the Complaints procedures;
- there is sufficient evidence held by Services to demonstrate compliance with the Complaints procedures.

##### **Audit Scope**

1. Checked that there are sufficient procedures in place to ensure that relevant staff are aware of the Council's Complaints Procedures.

2. Checked that these procedures are being adhered to i.e. Complaints Registers are being properly maintained by services.

The services selected for testing were Development and Housing and Finance and Resources.

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

1. The Council's Complaints Handling Procedures and Employee Guide provide adequate instructions to staff dealing with complaints.

##### **Key Risks**

1. The Council may not be able to demonstrate that all complaints have been adequately recorded.

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

The audit has provided reasonable assurance over the awareness and compliance with Complaints Handling Procedures. Some recommendations have been made to timeously complete actions identified from a review of complaints correspondence and to review existing training programmes to consider ways to ensure that staff are following the Complaints Handling Process effectively.

##### **Management Commentary**

Management within Chief Executive's Service developed an action plan to address the recommendations made, including:

1. Undertaking an internal review of the corporate complaints process, lead by the Policy and Commissioning Service within Chief Executive's Service. The purpose of the review is to consider potential opportunities to enhance existing processes and

# Internal Audit Report

## Corporate



### Complaints Procedures (B0047/2018/004)

**B0047/2018/004**

**Date: September 2017**

cross service working. Recommendations through the internal audit review will be fully incorporated as part of the review.
--