

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

**On: 23 August 2021**

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**Report by: Chief Auditor**

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**Heading: Summary of Internal Audit Reports for period 01 May to 30 June 2021**

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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 May to 30 June 2021 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 Internal Audit Reports finalised during the period from 01 May to 30 June 2021.
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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 May – 30 June 2021

| Category             | Service             | Engagement                             | Assurance Rating | Recommendation Ratings |           |               |                     |
|----------------------|---------------------|--|------------------|------------------------|-----------|---------------|---------------------|
|                      |                     |  |                  | Critical               | Important | Good Practice | Service Improvement |
| <b>Assurance</b>     | Chief Executive's   | External Funding Arrangements - Leader | Substantial      | 0                      | 0         | 0             | 0                   |
|                      |                     | Events Management                      | Reasonable       | 0                      | 3         | 0             | 0                   |
|                      | Finance & Resources | Payments to Care Homes                 | Reasonable       | 0                      | 2         | 2             | 0                   |
|                      |                     | Document Solution Centre - Processes   | Reasonable       | 0                      | 1         | 5             | 1                   |
| <b>Investigation</b> | Chief Executive's   | Funding Claims Processes               | N/A              | 0                      | 3         | 0             | 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 Executives

### External Funding Arrangements - Leader (A0036/2022/001)

Date: June 2021

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of the audit were to ensure that: -

1. There is an adequate system in place which complies with European Commission (EC) guidance in terms of monitoring and control of the grants and payments of awards;
2. Applications are assessed for eligibility and value for money (reasonableness of costs and procurement);
3. There are appropriate arrangements in place to assess the progress of projects and that the outcomes are consistent with those project objectives;
4. Grant awards are properly approved, and payments made are in line with the amount awarded;
5. There is appropriate separation of duties and supervisory controls in place across the processing and payment of grant claims;
6. The necessary financial information is provided to the Scottish Government Rural Payments & Inspection Directorate (SGRPID) in a timely fashion to support draw down of grant;
7. The agreed performance targets are being met.

##### **Audit Scope**

The following work was carried out:

1. Interviewed the appropriate officers to ascertain the arrangements in place to facilitate for the award, control and monitoring of claims processing.
2. Selected a sample of 2 projects and carried out a series of tests to assess the adequacy of the controls in place across the grant process.

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

1. For the sample of projects tested, there is an adequate system in place which complies with EC guidance in terms of monitoring and control of the grants and payments of awards.
2. Applications are assessed for eligibility and value for money
3. There are appropriate arrangements in place to assess the progress of projects and the outcomes are consistent with those objectives specified at the outset.
4. Grant awards are properly approved and payments made are in line with the amount awarded.
5. There is appropriate separation of duties and supervisory controls in place across the processing and payment of grant claims.

## Internal Audit Report Chief Executives

### External Funding Arrangements - Leader (A0036/2022/001)

Date: June 2021

6. The necessary financial information is provided to the Scottish Government Rural Payments & Inspection Directorate (SGRPID) in a timely fashion to support draw down of grant.
7. The agreed performance targets are being met.

#### Key Audit Risks

1. There were no key risks identified during the audit.

#### Overall Audit Opinion

The audit identified that satisfactory arrangements are in place for issuing, monitoring and managing the External Funding Applications through the LEADER grant funding programme. As a result, there were no audit findings identified during this review.

#### Management Commentary

N/A as no key risks were identified.

# Internal Audit Report

## Finance & Resources

### Payments to Care Homes (A0102/2021/001)

Date: May 2021

#### **COMMITTEE SUMMARY**

##### **Audit Objectives**

The objectives of the audit were to ensure that: -

1. There are adequate documented procedures in place for making payments to Care Homes which are available to relevant staff.
2. There are appropriate procedures for preparing accurate financial assessments prior to clients becoming Care Homes residents and that there is an adequate review process in place.
3. Payments made to Care Homes are accurate and timely.
4. Any payment amendments are processed timeously.

##### **Audit Scope**

The following work was carried out:

1. Interviewed the appropriate staff and ascertained the processes in place for administering payments to care homes.
2. Reviewed the processes and evaluated for improvements.
3. Prepared and undertook a series of tests to ensure that payments to care homes are accurate and made timeously.

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

1. There are adequate Scottish Government and internal documented procedures in place for making payments to Care Homes which are available to relevant staff.
2. The financial assessments tested were accurate.
3. The payments to care homes tested were calculated correctly and any notified payments amendments were processed timeously.

##### **Key Audit Risks**

1. If there are no follow up processes in place to ensure that care homes have returned signed payment schedules, there is a risk that payments will continue when queries have not been resolved.

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

The audit has identified that financial assessments and payments to care homes were calculated correctly. However, it identified that signed payment schedules are not always being returned timeously by care homes and also that there was outstanding information

Internal Audit Report  
Finance & Resources  
Payments to Care Homes (A0102/2021/001)

**Date: May 2021**

which was delaying the completion of financial assessments. Management action is therefore required in these areas.

**Management Commentary**

The audit recommendations have been actioned including strengthening monitoring procedures to highlight any processing delays or missing documentation.

Internal Audit Report  
Chief Executive Service  
Events Management (A0113/2020/001)

Date: June 2021

## COMMITTEE SUMMARY

### **Audit Objectives**

The objectives of the audit were to ensure that: -

1. An appropriate event manual was developed to support the co-ordination, management and delivery of each event.
2. A satisfactory risk assessment incorporating health and safety is undertaken to identify potential risks and associated control measures in place.
3. The appropriate controls per the events manual have been adequately complied with.
4. Actions arising from meetings of the Executive Events Group and the Events Multi Agency Group are documented and progressed timeously.
5. The Events Team is adequately resourced to deliver events in line with the Events Strategy.

### **Audit Scope**

The following work was carried out:

1. Interviewed the appropriate officers to ascertain the processes in place surrounding events management.
2. Prepared and carried out a programme of testing to meet the above objectives to ensure that the system in place is adequate and operating effectively.

### **Key Audit Assurances**

1. An appropriate event manual was developed to support the co-ordination, management and delivery of each event.
2. A satisfactory risk assessment incorporating health and safety is undertaken to identify potential risks and outlines associated control measures in place.
3. Actions arising from meetings of the Executive Events Group and the Events Multi Agency Group are documented and progressed timeously.

### **Key Audit Risks**

1. It should be noted that the sample of events reviewed relate to the events programme delivered in 2019/20 which was prior to Covid-19 restrictions which resulted in the cancellation of all events.
2. While it is common practice within the events industry to work additional hours to ensure the delivery of successful and safe events, there is a risk that going forward,

# Internal Audit Report

## Chief Executive Service

### Events Management (A0113/2020/001)

Date: June 2021

current resources within the Events Team may not be sufficient to sustain an events programme similar to prior years.

3. In terms of the Working Time Regulations, there could be implications for the council, should any issues arise from the fact that officers within the Events Team work more than 48 hours per week on occasions to ensure that events run as expected.
4. Evidence to support that the required actions have been undertaken to mitigate risk, as detailed on individual event risk assessments is not always recorded or held centrally which may lead to reputational or pecuniary risk to the council should there be any future challenge.

#### Overall Audit Opinion

The events programme is adequately supported by appropriate event manuals which are based upon regulation and official published guidance. The manuals are accessible by all relevant officers enabling them to deliver events as safely as possible following individual event risk assessments. Despite receiving verbal assurance from council officers that action has been taken to mitigate the risks recorded on the individual event risk assessments, a recommendation has been made to ensure that relevant documented evidence is retained to support actions taken to implement the recorded controls. Additionally, based on the information provided and the analysis of hours worked to ensure that events are delivered safely and successfully, it is clear that employees have been working excessive extra paid and unpaid hours to fulfil the events programme and this requires to be addressed. The auditor has made a provision of reasonable assurance in relation to the area reviewed.

#### Management Commentary

We are redesigning the Council's event programme to ensure adequate rest time between major events and the appropriate staffing resource for the size and scale of the programme, including acquiring where necessary external resources to support delivery. In addition, the Health and Safety team are identifying a new tool to record risk assessment information and evidence of actions taken to mitigate any risks identified.

The current events executive group, chaired by the Head of Marketing and Communications, will be expanded to include representatives from environment and infrastructure and Renfrewshire Leisure, and support from risk management and environmental health. This will ensure adequate resource is available for the scale and significance of the events programme in future.

## Internal Audit Report Finance & Resources

### Document Solution Centre - Processes (A0115/2021/001)

Date: May 2021

#### COMMITTEE SUMMARY

##### **Audit Objectives**

The objectives of the audit were to ensure that: -

1. There are adequate stock control procedures in place.
2. Charges to council departments, employees and other public bodies for using the Document Solution Centre (DSC) are clear, consistent, and regularly reviewed to ensure they are cost effective.
3. Accounts/Internal Charges to departments, employees and other public bodies for work undertaken are raised timeously and are well managed to ensure balances owed are received.
4. Procedures are in place to adequately promote the use of the DSC by council departments and others and that the DSC is used, by Council Departments where possible.

##### **Audit Scope**

The following work was carried out:

1. Through discussions with appropriate staff, ascertained the systems in place for managing the Document Solution Centre.
2. Prepared a programme of testing covering the audit objectives.

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

1. Stock is held in a secure location.
2. Price Lists are clear and regularly reviewed to ensure they are cost effective.

##### **Key Audit Risks**

Where DSC staff and Finance staff responsibilities for charging for work carried out are unclear, there is a risk that the work undertaken will not be charged correctly.

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

The audit has identified that stock is held in a secure location and that DSC staff promoted use of their services to a number of specific service areas. We have recommended that consideration should be given to wider promotion of DSC services to all areas of the Council. Furthermore, we made some recommendations for improving the charging process and in relation to the procedure for apportioning the year end under/overspend.

## Internal Audit Report Finance & Resources

### Document Solution Centre - Processes (A0115/2021/001)

**Date: May 2021**

#### **Management Commentary**

The charging process has now been amended and agreed between the DSC Staff and Finance Staff. Any residual balance at the financial year end on the DSC cost centre will be apportioned as part of the Central Support Exercise undertaken during the preparation of the Council's annual accounts.

**Internal Audit Report**  
**Chief Executive Service**  
**Funding Claims Processes (C0003/2020/014)**

Date: July 2021

**COMMITTEE SUMMARY**

**Audit Objectives**

Employees within the Economic Development Service advised the Head of Economy and Development of concerns they had regarding the claims process for specific external funding. Internal Audit were asked to investigate those concerns. The matters raised by the employees related to:

- A potential conflict of interest between managing the programme and ensuring that the information submitted to support claims is compliant with the funders' requirements.
- Information being input to the management information system without the client's knowledge in order to make the client eligible within the terms of the funding arrangements.
- Dubiety over client signatures.

The objectives of the audit were to:

1. Ascertain the circumstances surrounding the employees concerns by checking appropriate records and interviewing relevant personnel;
2. Identify any control weaknesses, any areas of non-compliance, with laid down guidance and make recommendations for improvement where necessary.

**Audit Scope**

The following work was carried out:

1. Obtained relevant guidance documentation for reference.
2. Reviewed claim forms, client files, job descriptions and other appropriate records.
3. Interviewed relevant officers to ascertain background information relative to the concerns raised.

**Key Findings**

1. The employees and management differ in their views in relation to the conflict of interest in managing the teams involved in the process. The Auditor concluded that there could be potential conflict of interest if the performance of the verification function is not sufficiently independent of performance targets set for operational teams.
2. While we believe that the clients claimed for are genuine, the Auditor has been unable to definitively confirm the veracity of a some of the client signatures. There is a lack of comprehensive audit trail and we have made recommendations to strengthen the audit trail.
3. Management have provided explanations and assurances to the Auditor that the service is applying for the funding appropriately and in line with the understanding of our approach that is held by the respective organisations that provide the grant funding.

### **Overall Audit Opinion**

Considering all the information and explanations provided, it is the Auditor's opinion that the concerns raised by employees have been made in good faith. We have made recommendations that will strengthen current practices in relation to the audit trail and the recording of decision making regarding the individual eligibility issues raised. There is a potential conflict of interest which could arise in the management of the relevant departmental sections if they are not afforded sufficient independence to undertake their duties. Assurances were sought from management in this regard.

### **Management Commentary**

The recommended actions are being progressed including the development of a protocol to strengthen the independence of the team and providing clarity on the roles of all staff involved in the process. Procedures have been amended to strengthen the evidence held of any decisions made in order to preserve a clear audit trail over transactions.

- Management provided assurance that the Compliance Team could fulfil their verification function independently of any targets set for operational teams as both teams are separately managed and are also not co-located. Management is content that there is no conflict of interest.
- Procedures have been strengthened in terms of client signatures obtained after a client leaves the service.
- The Director of Finance and Resources was satisfied that the claimed costs were eligible and that the service were applying for grant appropriately.
- All of the files and finances examined in the internal audit were also audited by the funder. No issues were raised and the claims were paid in full.