Item 8(b)

19th August 2026

Glasgow City Council Internal Audit Section
Committee Summary
Corporate Review – Credit Balances Phase Two

1 Introduction

1.1 As part of the agreed Internal Audit plan, we have carried out a review of the arrangements in place across the Council in relation to the management of credit balances and refunds.

1.2 Credit Balances refer to situations where the amount due to a customer, vendor or any other entity exceeds the amount the originally owed, often due to overpayments, prepayments or adjustments. Effective management and oversight of these balances is crucial to ensure financial integrity, prevent errors or fraud and comply with regulatory requirements.

1.3 Following a fraud case at Aberdeen City Council, where an employee embezzled more than £1m by exploiting the lack of controls surrounding small value Council Tax credit balances we carried out a review of credit balances in a sample of areas in 2024/25. This included: Council Tax, Non-Domestic Rates, Housing Benefit Overpayments and Directly Provided Services by Social Work (for example telecare). This report was presented to the Finance and Audit Scrutiny Committee on 21 May 2025.

1.4 The purpose of this audit was to gain assurance that there are effective controls in place in respect of the management of credit balances in key systems identified as having credit balances and not captured in phase one of this review. The audit included a review of key controls in the following areas:

- Documented policies, procedures and guidelines across services regarding the identification and management of credit balances.
- The roles and responsibilities of staff that are involved with the processing and approval of credit balance refunds.
- Approval arrangements and threshold levels.
- System controls and permissions to prevent unauthorised users from generating and approving credit balance refunds.
- Reconciliation processes to ensure credit balances are accurate and have not been generated erroneously/fraudulently.
- Sample testing of credit balances and refunds.
- The arrangements to provide suitable management information to the appropriate officers and groups for scrutiny.

1.5 We selected the following services, functions and systems for review:

Service	Function	System
Financial Services (FS) Customer and Business Services (CBS)	Business Improvement Districts (BIDs)	Academy
	Early Years Charging	SAP via Pulse
Financial Services (FS) Customer and Business Services (CBS) on behalf of Neighbourhoods, Regeneration and Sustainability (NRS)	Housing Repayment Charges (Council recharging homeowners for repairs deemed necessary)	SAFFRON

1.6 The volume and value of credit balance refunds for the functions is shown in the table below:

Function	Volume and value of Credit Balances as at November 2025	Volume and value of Refunds between April and November 2025
BIDs	163 £28,088	54 £10,118
Early Years Charging	57 £9,363	6 £1,662
SAFFRON	3 £6,579	2 £2,541

2 Audit Opinion

2.1 Based on the work carried out we found no evidence of fraud or fraudulent activities within the scope of our review. The controls in place appear to be generally effective in mitigating significant risks related to fraud. However, we have identified certain areas where enhancements could strengthen the existing control framework and two recommendations which management should address.

3 Main Findings

3.1 The key controls are in place and are generally operating effectively. Through discussions with staff and a walk-through of the process, we noted that for all three functions key staff were aware of their roles and responsibilities in respect of credits and refunds and showed a good knowledge and understanding of the arrangements.

3.2 For the three areas there are adequate segregation of duties in place for the approval of refunds. Approvals are based on the value of the transaction - as the value increases the authorisation levels change. We observed through a walk-through of the process that there are system controls in place which prevent one officer from processing and approving a refund for housing repayment charges and BIDs. For Early Years although there are no system controls in place we confirmed that segregation of duties is applied to the process. Refunds are processed and then approved by different officers within the Early Years team and then sent to Accounts Payable for payment to be processed. In addition, we were provided with evidence to show that management have put reporting arrangements in place to ensure all refunds are overseen by management.

3.3 We carried out sample testing of 38 refunds completed from the three functions within the period April to November 2025 (30 BIDs, 6 Early Years and 2 housing repayment charges). Through review of evidence, we verified that all refunds in the sample had been appropriately approved and there was adequate evidence maintained.

3.4 However, our testing identified two areas where improvements are required. We confirmed that the BIDs and Early Years teams have documented policies and procedures in place for issuing refunds arising from credit balances, which are accessible to all relevant staff. However, these procedures do not include a defined process for the ongoing management of credit balances, including the review and escalation of large or accumulating balances. We were provided with evidence to show that there is a process for management oversight and the management of credit balances for these two systems, however these are not formally documented. For Early Years we were advised this involves an annual review in August, prior to the start of the new term, due to the ongoing fluctuation of balances throughout the term. For BIDs monthly reports are issued to all customers with information on balances which have management oversight, however the process to review and action credit balances is carried out on an ad hoc basis.

3.5 There are currently no documented procedures in place for the administration of housing repayment charges using SAFFRON. This was raised in a previous Housing Repayment Charges audit completed in 2024/25. There is an outstanding recommendation regarding the development of procedures. The implementation date for this recommendation has been revised and is now expected to be implemented by 30 September 2026, following the recent rollout of SAFFRONs replacement, HRSA. Through discussion we were advised that credit balances are managed on an ad hoc basis.

3.6 We confirmed through review of evidence that a reconciliation process is in place for both Early Years and BIDs. For BIDs this involves monthly reconciliations between Academy and SAP. The Early Years process is a weekly bank reconciliation to ensure payments are allocated to the correct customer. However, there is no process in place for reconciling the income recorded on SAFFRON to ensure credit balances are correct.

3.7 An action plan is provided at section four outlining our observations, risks and recommendations. We have made two recommendations for improvements. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	2
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.8 The audit has been undertaken in accordance with the Global Internal Audit Standards in the UK Public Sector.

3.9 We would like to thank officers involved in this audit for their cooperation and assistance.

3.10 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Documented Procedures are in place which reflect current working practices				
1	We confirmed that Early Years and BIDs have up to date documented procedures regarding credit balance refunds and these are available to relevant staff. However, these procedures do not include the process for managing credit balances, such as how often these should be reviewed and the action required. For Early Years we were advised that credit balances are reviewed annually in August, prior to the start of a new term. At this point, all balances are assessed, and customers are issued with a letter notifying them of any credit balance and advising them to request a refund. For BIDs and SAFFRON, we were advised that the process is carried out on an ad hoc basis when there is capacity within the team. We noted that there are no procedures in place for refunds and credit balances arising from the housing repayment charge process. This was raised in a previous audit on the housing repayment charge process, and the action is	CBS Management should update the current procedures to document a process for the review and management of credit balances across the systems. This should include the required frequency, roles and responsibilities, required actions and management oversight. In conjunction with the outstanding recommendation for CBS regarding the development of procedures for the administration of housing repayment charges, CBS and NRS management should ensure that the process for managing and reporting on refunds and credit balances is included. Once updated, these should be communicated with the relevant staff.	**Medium**	**Response:** Early Years: Accepted Documentation will be updated to reflect management of credit balances including the annual exercise of issuing refunds where there is no ongoing service. Once updated this will be communicated with all staff BIDs: Accepted Training documentation has been updated and now details the BIDs refund procedure process. A review of all BIDs credits will be carried out twice yearly. **Officer Responsible for Implementation:** Early Years:

No.	Observation and Risk	Recommendation	Priority	Management Response
	expected to be implemented by 30 September 2026, following the recent rollout of HRSA (SAFFRONs replacement) which went live on 29 June 2026. Without a documented process for the review and management of credit balances, and a reliance on ad hoc checks there is an increased risk that credit balances are not identified, monitored, or actioned in a timely manner.			Operational Manager/Team Supervisor BIDs: Operations Manager (Revenues) **Timescales for Implementation:** Early Years: 30 June 2026 BIDs: 30 June 2026

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: There are reconciliation arrangements in place to ensure that income is allocated to the correct credit balance				
2	Through review of evidence and discussion with staff we confirmed that Early Years and BIDs have appropriate arrangements in place to reconcile income received to establish if it has been allocated to the correct customer account. Whilst reconciliations of SAFFRON income previously took place, this has not been undertaken since 2022/23. Without regular income reconciliations there is an increased risk that income is recorded incorrectly.	Corporate Finance should liaise with NRS to determine if a process to reconcile income received for housing repayment charges can be reinstated.	**Medium**	**Response:** Accepted Corporate Finance will work together with officers in NRS to re-reinstate the process and update the historic guidance note **Officer Responsible for Implementation:** Chief Accountant **Timescales for Implementation:** 31 October 2026