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| <b>Report To:</b>       | <b>Audit Committee</b>              | <b>Date:</b>       | <b>22 August 2017</b>  |
| <b>Report By:</b>       | <b>Chief Financial Officer</b>      | <b>Report No:</b>  | <b>FIN/57/17/AP/MT</b> |
| <b>Contact Officer:</b> | <b>Matt Thomson</b>                 | <b>Contact No:</b> | <b>01475 712256</b>    |
| <b>Subject:</b>         | <b>Interim Audit Report 2016/17</b> |                    |                        |

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is present the Interim Audit Report 2016/17, produced by Audit Scotland.

## **2.0 SUMMARY**

- 2.1 Appendix 1 contains the Interim Audit Report 2016/17 prepared by the Council's External Auditors, Audit Scotland.
- 2.2 Representatives from Audit Scotland will be in attendance at the meeting in order to present the report and answer any questions.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee consider the content of the Interim Audit Report 2016/17.

**Alan Puckrin**  
**Chief Financial Officer**

## 4.0 BACKGROUND

- 4.1 The Council's External Auditors, Audit Scotland, have conducted interim audit work with regard to the testing of key controls within financial systems. Such testing is designed to allow the Auditors to gain assurances that appropriate processes and systems are in place and this in turn influences the approach they take during the 2016/17 financial statements audit.
- 4.2 The Committee is asked to note that no significant issues were identified during the interim audit work.

## 5.0 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report.

### One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report £000 | Virement From | Other Comments |
|-------------|----------------|--------------|---------------------------------|---------------|----------------|
| N/A         |                |              |                                 |               |                |

### Annually Recurring Costs/ (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact £000 | Virement From (if Applicable) | Other Comments |
|-------------|----------------|------------------|------------------------|-------------------------------|----------------|
| N/A         |                |                  |                        |                               |                |

## 6.0 IMPLICATIONS

### Legal

- 6.1 There are no legal issues arising from the content of this report.

### Human Resources

- 6.2 There are no direct staffing implications in respect of this report.

### Equalities

- 6.3 Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

### Repopulation

- 6.4 The report has no impact on repopulation.

## 7.0 CONSULTATION

- 7.1 None

# Inverclyde Council

Interim Audit Report 2016/17



 AUDIT SCOTLAND

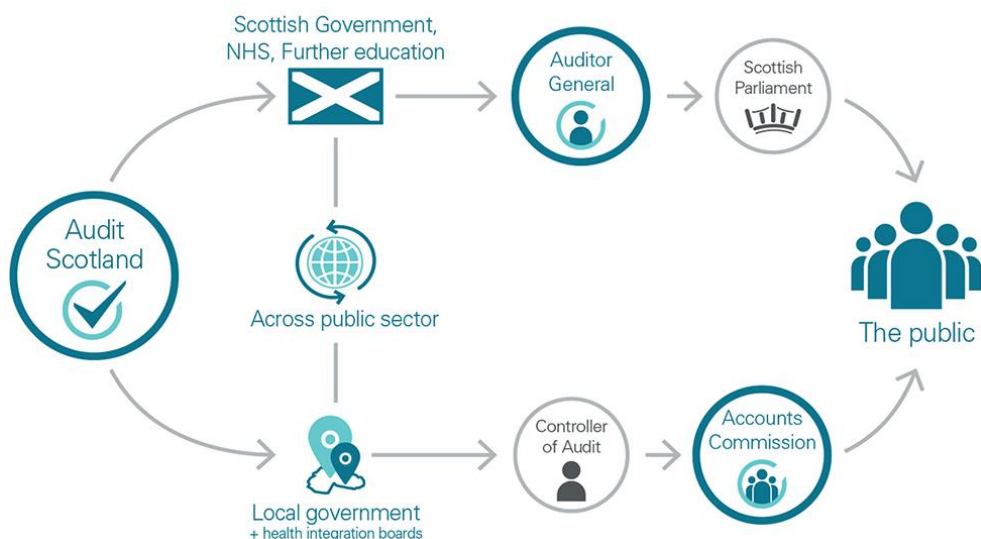
Prepared for Inverclyde Council

May 2017

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Audit findings

## Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at Inverclyde Council ('the council'). This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the financial statements. We use the results of this testing to determine our approach during the 2016/17 financial statements audit.
2. Our responsibilities under the Code of Audit Practice require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:
  - has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
  - has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
  - complies with established policies, procedures, laws and regulations.
3. Also, under the Code of Audit Practice we have carried out wider dimension audit work. This focused on financial planning, financial sustainability and governance and transparency, and included a follow-up of the key findings from the Audit Scotland Role of Boards report and a review of the registers of interest.
4. The results of our wider dimension work, as well as an overview of the council's participation in the National Fraud Initiative exercise, will be reported in our Annual Audit Report. Findings from some aspects of our wider dimension work are also included in the Controller of Audit's Best Value Assurance Report on Inverclyde Council which was considered by the Accounts Commission in May 2017.

## Work summary

5. Our 2016/17 testing covered key controls in a number of areas including bank reconciliations, payroll validation and exception reporting, authorisation of journals, change of supplier bank details and IT access controls. Additionally, our testing covered budget monitoring and control, feeder system reconciliations and controls for preventing and detecting fraud.



Bank reconciliations



Payroll controls



IT access



Budgets

6. Where possible we place reliance on the work of internal audit to avoid duplication of effort. This year we were able to place reliance on a financial systems review of non domestic rates, and a number of fraud and risk based audits including procurement compliance and creditor duplicate payments.

## Conclusion

- 7.** No significant issues were identified from our interim audit work. This enables us to proceed with our planned audit approach for the 2016/17 financial statements.
- 8.** While we have not identified areas for improvement, this does not necessarily mean that no weaknesses exist and it is the responsibility of management to decide on the extent of the internal control systems appropriate to Inverclyde Council.
- 9.** All our outputs and any matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
- 10.** The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

## Inverclyde Council

### Interim Audit Report 2016/17

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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