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**Report To:** Audit Committee **Date:** 22.08.17

**Report By:** Corporate Director Environment, Regeneration and Resources **Report No:** AC/09/17/SA/APr

**Contact Officer:** Andi Priestman **Contact No:** 01475 712251

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**Subject: INTERNAL AUDIT PROGRESS REPORT – 8 MAY TO 28 JULY 2017**

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to enable Members to monitor the performance of Internal Audit, to discharge their scrutiny and performance monitoring roles and gain an overview of the overall control environment throughout the Council.
- 1.2 The Monitoring Report from 8 May to 28 July 2017 is attached as an Appendix to this report since its content is essential to the understanding of the Council's control environment. **Appendix 1**

## 2.0 SUMMARY

- 2.1 There were no internal audit reports finalised since the last Audit Committee meeting in June 2017.
- 2.2 The fieldwork for the 2017/18 plan is now underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	0
Draft Report	1
Fieldwork Complete	0
Fieldwork in Progress	7
Planning	0
Not started	9
<b>Total</b>	<b>17</b>

- 2.3 In relation to Internal Audit follow up, there were no items due for completion by 30 June 2017. The current status report is attached at Appendix 2. **Appendix 2**
- 2.4 The CMT has reviewed and agreed the current status of actions.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 8 May to 28 July 2017.

**Scott Allan**  
**Corporate Director Environment, Regeneration and Resources**

## 4.0 BACKGROUND

- 4.1 In June 2017, the Audit Committee approved the current Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2017-18.
- 4.2 Internal Audit regularly reports findings and action plans to relevant Council Officers and the Audit Committee as part of the annual audit plan. A follow up process is in place to allow follow up of current internal audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to CMT and the Audit Committee.

## 5.0 CURRENT POSITION

- 5.1 There have been no internal audit reports finalised since the last Audit Committee meeting in June 2017.
- 5.2 The fieldwork for the 2017/18 plan is underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	0
Draft Report	1
Fieldwork Complete	0
Fieldwork in Progress	7
Planning	0
Not started	9
<b>Total</b>	<b>17</b>

- 5.3 There are 10 current action points being progressed by officers. There were no actions due for completion by 30 June 2017.
- 5.4 The CMT has reviewed and agreed the current status of actions.

## 6.0 IMPLICATIONS

### Finance

- 6.1 There are no direct financial implications arising from this report.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

## **Legal**

6.2 There are no direct legal implications arising from this report.

## **Human Resources**

6.3 There are no direct HR implications arising from this report.

## **Equalities**

6.4 There are no direct equalities implications arising from this report.

## **Repopulation**

6.5 There are no direct repopulation implications arising from this report.

## **7.0 CONSULTATIONS**

7.1 Relevant officers have been consulted in the preparation of this report.

## **8.0 LIST OF BACKGROUND PAPERS**

8.1 File of completed internal audit reports: Available from Andi Priestman, Chief Internal Auditor.



**Audit Committee Report  
Report on Internal Audit Activity from  
8 May to 28 July 2017**

<b>Section</b>	<b>Contents</b>	<b>Page</b>
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3	Corporate Fraud Activity	3-5
4	Ad hoc activities undertaken since the previous Audit Committee	5

**1 Audit work undertaken in the period**

**Reports issued since last update**

1.1 Detailed findings and recommendations reported to management are currently graded using the following criteria:

<b>Red</b>	<ul style="list-style-type: none"><li>• In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole.</li><li>• Corrective action must be taken and should start immediately.</li><li>• Overseen to completion by Corporate Management Team.</li></ul>
<b>Amber</b>	<ul style="list-style-type: none"><li>• In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole.</li><li>• Corrective action must be taken (some exceptions may be agreed with IA) within reasonable timeframe.</li><li>• Overseen to completion by Head of Service.</li></ul>
<b>Green</b>	<ul style="list-style-type: none"><li>• In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness.</li><li>• Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit (IA).</li><li>• Managed by service owner.</li></ul>

1.2 There were no audit reports finalised since the June Audit Committee.

**Other activities**

**Risk Management**

1.3 Risk Management is the subject of separate reporting to Audit Committee and a full report is submitted separately on an annual basis.

**Internal Audit Action Plan Follow Up**

1.4 The current status of Internal Audit Action plans is set out as an attachment at Appendix 2 to this report.

3. Audit Plan for 2017/18 – Progress to 28 July 2017

Planned Audit Cover	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
<b>Risk-Based Reviews</b>							
Grants to Voluntary Organisations	✓	✓	✓				
<b>Project Assurance Reviews</b>							
SWIFT Financials – Phase 1	✓	✓	✓	✓	✓		
<b>Corporate Fraud Reviews</b>							
Procurement – Quick Quotes	✓	✓	✓				
Code of Conduct – Other Remunerative Employment/Conflicts of Interest	✓	✓	✓				
Flexi Time	✓	✓	✓				
Commercial Leases	✓	✓	✓				
Council Tax Reduction Scheme	Fieldwork underway – see section 4 for detailed activity						
Creditors – Duplicate Payments	Fieldwork is underway – see section 4 for detailed activity						
<b>Corporate Governance</b>							
Annual Governance Statement 2016-2017	Input provided by CIA.						
<b>Other Work</b>							
National Fraud Initiative	Investigations ongoing - See section 4 for detailed activity						
SPOC Liaison with DWP	Ongoing – see section 4 for detailed activity						
Inverclyde IJB	2017-2018 Audit Planning is underway						



**4 Corporate Fraud Activity**

The undernoted table sets out progress to date on corporate fraud activity in the period 1 April to 28 July 2017:

<b>Council Tax Reduction Scheme</b>		
<b>Number of Home Visits</b>	<b>Number of Errors Identified and Corrected</b>	<b>Total Overpayment/Future Savings</b>
89	8	Overpayments £9010.63 Future savings £2589.92
<b>Flexi Time</b>		
Terms of Reference for the review have been agreed and fieldwork is underway.		
<b>Commercial Leases</b>		
Terms of Reference for the review have been agreed and fieldwork is underway.		
<b>Quick Quotes</b>		
Terms of Reference for the review have been agreed and fieldwork is underway.		
<b>Code of Conduct – Other Remunerative Employment/Conflicts of Interest</b>		
Relevant cases have been identified from the 2016-2017 NFI Matching Exercise. Fact finding interviews are underway.		
<b>National Fraud Initiative 2016-2017</b>		
<p>Services are continuing to review identified matches and investigation where appropriate. Corporate Fraud team continue to provide oversight and support to Services. The current status of matches are as follows:-</p> <p>Total processed to date – 935 In progress – 37 Fraud – 2 Error – 43</p> <p>Value of Fraud - £7833.72</p> <p>Specific NFI cases being reviewed by Corporate Fraud are set out below:</p>		
17/18 17-25	NFI - CTR > Right to Buy Scheme	Closed – No Fraud Established.
17/18 17-27	NFI – CTR > Payroll	Ongoing Investigation
17/18 17-28	NFI – CTR > Payroll > Companies House > Creditors	Ongoing Investigation
17/18 17-29	NFI – CTR > Payroll > Companies House > Creditors	Ongoing Investigation
17/18 17-30	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established
17/18 17-31	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established.
17/18 17-32	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established.
17/18 17-33	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established.
17/18 17-34	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established.
17/18 17-35	NFI – CTR > Payroll	Ongoing Investigation

**4 Corporate Fraud Activity (Continued)**

17/18 17-36	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established.
17/18 17-37	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established
17/18 17-38	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established
17/18 17-39	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established
17/18 17-40	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established
17/18 17-41	NFI – CTR > Payroll > Companies House > Creditors	Ongoing Investigation
17/18 17-42	NFI – CTR > Payroll > Companies House > Creditors	Ongoing Investigation
17/18 17-43	NFI – CTR > Payroll > Companies House > Creditors	Ongoing Investigation
17/18 17-44	NFI – CTR > Payroll > Companies House > Creditors	Ongoing Investigation
17/18 17-45	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established
17/18 17-46	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established
17/18 17-47	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established
17/18 17-48	NFI – CTR > Payroll > Companies House > Creditors	Closed – No Fraud Established
<b>SPOC Liaison</b>		
DWP Referrals	4 this period	4 to date
LAIEF requests actioned	34 this period	34 to date
<b>Whistleblowing/Referrals</b>		
Whistleblowing and referral cases being investigated since the last Audit Committee are as follows:		
17/18 17-08	Misuse of Blue Badge	Closed – Misuse Established. Referred to SLC.
17/18 17-09	Council Tax - Single Persons Discount	Closed – Fraud Established Awaiting confirmation of overpayment
17/18 17-10	Fake Alcohol	Referral to Trading Standards
17/18 17-11	Misuse of Blue Badge	Closed – No misuse established.
17/18 17-12	NDR Liability	Closed – No Fraud Established.
17/18 17-13	Misuse of Blue Badge	Closed – Fraud Established. BB seized and misuse letter issued.
17/18 17-14	Misuse of Blue Badge	Closed – Fraud Established. Expired BB seized and misuse letter issued.

**4 Corporate Fraud Activity (Continued)**

17/18 17-15	Council Tax Exemption	Fraud Established - Overpayment being recovered.
17/18 17-16	Council Tax Reduction	Closed – No Fraud Established.
17/18 17-17	Housing Benefit Fraud	Referred to DWP
17/18 17-19	Council Tax Reduction	Closed – No Fraud Established.
17/18 17-20	Misuse of Blue Badge	Ongoing – Fraud Established. BB seized and decision outcome being determined.
17/18 17-21	Money Laundering	Closed – No Fraud Established.
17/18 17-22	Misuse of Blue Badge	BB seized – Ongoing Investigation.
17/18 17-23	Council Tax Liability	Closed – Fraud Prevented.
17/18 17-24	Discrepancy with Corporate Appointee Account	Ongoing Investigation
17/18 17-26	Council Tax Liability	Closed – No Fraud Established.
17/18 17-49	Council Tax Liability	Closed – No Fraud Established.
17/18 17-50	Council Tax Reduction	Ongoing Investigation
17/18 17-51	Council Tax Reduction	Referral to DWP
17/18 17-52	Council Tax – Single Persons Discount	Ongoing Investigation

**5 Ad hoc activities undertaken since the previous Audit Committee**

- 5.1 From time to time, management will request the assistance of Internal Audit in certain activities that are in addition to the annual Operational Plan. Examples of such activities include investigations of alleged irregularities, review of changes in system procedures etc.
- 5.2 Contingency has been made available in the Operational Plan for such ad hoc activities. Since the previous Audit Committee, ad hoc activity undertaken in the period is as follows:
- Providing relevant information in relation to FOI requests.
  - Review of SPT Grant Claims.

**INVERCLYDE COUNCIL INTERNAL AUDIT**  
**REPORT TO AUDIT COMMITTEE ON**  
**STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)**  
**AT 30 JUNE 2017**

**Summary: Section 1 Summary of Management Actions due for completion by 30/06/17**

There were no actions due for completion by 30 June 2017.

**Section 2 Summary of Current Management Actions Plans at 30/06/17**

At 30 June 2017 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

**Section 3 Current Management Actions at 30/06/17**

At 30 June 2017 there was a total of 10 current audit action points.

**Section 4 Analysis of Missed Deadlines**

At 30 June 2017 there were 4 audit action points where the agreed deadline had been missed.

**Section 5 Summary of Action Plan Points by Audit Year**

**INVERCLYDE COUNCIL INTERNAL AUDIT  
 REPORT TO AUDIT COMMITTEE ON  
 STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
 SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 30.06.17**

**SECTION 2**

Directorate	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*
Environment, Regeneration & Resources				
Health and Social Care Partnership (HSCP)				
Education, Communities and Organisational Development				
<b>Total</b>				

\* These actions are included in the Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT  
 REPORT TO AUDIT COMMITTEE ON  
 STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
 SUMMARY OF CURRENT MANAGEMENT ACTION PLANS AS AT 30.06.17**

**SECTION 2**

**CURRENT ACTIONS BY DIRECTORATE**

<b>Environment, Regeneration and Resources</b>	
Due for completion October 2017	1
<b>Total Actions</b>	<b>1</b>
<b>Education, Communities and Organisational Development</b>	
Due for completion September 2017	1
Due for completion December 2017	6
Due for completion March 2018	1
Due for completion April 2018	1
<b>Total Actions</b>	<b>9</b>
<b>Total current actions:</b>	<b>10</b>

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
CURRENT MANAGEMENT ACTIONS AS AT 30.06.17**

**SECTION 3**

**Environment, Regeneration and Resources**

Action	Owner	Expected Date
<b>Building Services Unit (December 2016)</b>		
<b>Managing the BSU Budget (Amber)</b> Management will review the level of the BSU budget surplus and ensure that all relevant costs are included within the BSU budget.	<b>Service Manager/BSU Co-ordinator</b>	<b>31.10.17</b>

**Education, Communities and Organisational Development**

Action	Owner	Expected Date
<b>CSA – Education (March 2016)</b>		
<b>Financial Training for Senior Management (Amber)</b> School Support Managers will, in consultation with relevant Education Headquarters and Finance officers; <ul style="list-style-type: none"> <li>• assess the financial training needs of Heads/Depute Heads of Establishment and Principal Teachers and maintain adequate records of those training needs;</li> <li>• ensure that training in financial matters is delivered uniformly across all establishments and strike an appropriate balance between formal and informal training;</li> <li>• organise refresher training in financial matters for Heads/Depute Heads of Establishment and Principal Teachers;</li> <li>• organise the consistent logging of training in financial matters; and</li> <li>• ensure that financial best practice is formally and routinely shared across all establishments.</li> </ul>	<b>School Support Managers</b>	<b>31.03.18*</b>

\* See Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
CURRENT MANAGEMENT ACTIONS AS AT 30.06.17**

**SECTION 3**

**Education, Communities and Organisational Development**

Action	Owner	Expected Date
<b>Corporate Health and Safety (September 2016)</b>		
<p><b>Approving priorities for the Corporate Health &amp; Safety Team (Amber)</b> Once agreed the Health &amp; Safety Plan priorities will be placed on “Inverclyde Performs” with set dates for review and reporting.</p>	<b>Health and Safety Team Leader</b>	<b>31.12.17*</b>
<p>Services will be involved in providing quarterly updates to the Corporate Health &amp; Safety Committee.</p>	<b>Health and Safety Team Leader</b>	<b>31.12.17</b>
<p>The use of “Inverclyde Performs” will be investigated as a means for monitoring individual key actions relating to health and safety audit and inspection reports.</p>	<b>Health and Safety Team Leader</b>	<b>31.12.17</b>
<p><b>Planning and managing health and safety audits and inspections (Amber)</b> Work with Internal Audit to establish if a rolling programme for the Health &amp; Safety portion of the Control Self-Assessment audits could be put into place.</p>	<b>Health and Safety Team Leader</b>	<b>31.12.17*</b>
<p>Relevant action will then be taken if Figtree can be used to track audits.</p>	<b>Health and Safety Team Leader</b>	<b>30.04.18</b>
<p><b>Training Service staff in core health and safety duties and responsibilities (Amber)</b> Provide training information via the WIAR report so that Services are aware of the Health &amp; Safety training undertaken by their staff in relation to Corporate training provision.</p>	<b>Health and Safety Team Leader</b>	<b>30.09.17</b>
<p><b>Applying data retention policy to health and safety information (Amber)</b> The retention and disposal policy will be checked for compliance and the Information Governance Officer will be advised of any changes which may be required.</p>	<b>Health and Safety Team Leader</b>	<b>31.12.17*</b>
<p>The feasibility of using the Figtree system for managing health and safety information is currently being explored. Relevant action will then be taken.</p>	<b>Health and Safety Team Leader</b>	<b>31.12.17*</b>

\* See Analysis of Missed Deadlines – Section 4



**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
ANALYSIS OF MISSED DEADLINES**

**SECTION 4**

Report	Action	Original Date	Revised Date	Management Comments
<b>Corporate Health and Safety (September 2016)</b>	<b>Approving Priorities for the Corporate Health and Safety Team (Amber)</b> Once agreed, the Health and Safety Plan priorities will be placed on “Inverclyde Performs” with set dates for review and reporting.	<b>31.12.16 31.03.17</b>	<b>31.12.17</b>	A meeting has been held with Education and a Service Plan is being developed. Environmental and Commercial Services has been delayed due to changes in management. HSCP have their own H&S Plan in place which is monitored by Corporate Health and Safety.
<b>Corporate Health and Safety (September 2016)</b>	<b>Planning and managing health and safety audits and inspections (Amber)</b> Work with Internal Audit to establish if a rolling programme for the Health and Safety portion of the CSA audits could be put in place.	<b>31.12.16 31.03.17</b>	<b>31.12.17</b>	A meeting has taken place with Internal Audit and the risk assessment methodology has been agreed. The risk assessment document will be rolled out by the end of September for return and analysis by end of December. Priority areas will then be agreed with Internal Audit for the 2018-2019 Internal Audit Annual Audit Plan as appropriate.
<b>Corporate Health and Safety (September 2016)</b>	<b>Applying data retention policy to health and safety information (Amber)</b> The retention and disposal policy will be checked for compliance and the Information Governance Officer will be advised of any changes which may be required.  The feasibility of using the Figtree system for managing health and safety information is currently being explored. Relevant action will then be taken.	<b>31.12.16</b>	<b>31.12.17</b>	The retention and disposal policy has been checked, and a Health and Safety specific operational standard requires to be developed. Work on this action is underway.  Working with ICT on the potential development of the Figtree system for use as an H&S Management system. Requirements have been given to Figtree for development of phase one on accident reporting and we are awaiting an update.

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
ANALYSIS OF MISSED DEADLINES**

**SECTION 4**

Report	Action	Original Date	Revised Date	Management Comments
<b>CSA Education (March 2016)</b>	<p><b>Financial Training for Senior Management (Amber)</b> School Support Managers will, in consultation with relevant Education Headquarters and Finance officers;</p> <ul style="list-style-type: none"> <li>• assess the financial training needs of Heads/Depute Heads of Establishment and Principal Teachers and maintain adequate records of those training needs;</li> <li>• ensure that training in financial matters is delivered uniformly across all establishments and strike an appropriate balance between formal and informal training;</li> <li>• organise refresher training in financial matters for Heads/Depute Heads of Establishment and Principal Teachers;</li> <li>• organise the consistent logging of training in financial matters; and</li> <li>• ensure that financial best practice is formally and routinely shared across all establishments.</li> </ul>	<b>31.01.17</b>	<b>31.03.18</b>	There have been a lot of changes at Head of Establishment level. A programme of training for all Heads of Establishment will be implemented during 2017/2018 financial year.

**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
SUMMARY OF ACTION PLAN POINTS BY AUDIT YEAR**

**SECTION 5**

The following table sets out the total number of agreed actions raised by audit year together with their completion status as at 30 June 2017.

<b>Audit Year</b>	<b>Total Agreed Actions</b>	<b>Total Actions Completed</b>	<b>Total Current Actions Not Yet Due*</b>		
			<b>Red</b>	<b>Amber</b>	<b>Green</b>
2008/2009	214	214	0	0	0
2009/2010	194	194	0	0	0
2010/2011	118	118	0	0	0
2011/2012	62	62	0	0	0
2012/2013	76	76	0	0	0
2013/2014	116	114	0	0	2
2014/2015	77	74	0	0	3
2015/2016	52	50	0	1	1
2016/2017	66	41	0	9	16
<b>Total</b>	<b>975</b>	<b>943</b>	<b>0</b>	<b>10</b>	<b>22</b>

\*This part of the table sets out the total number of current actions not yet due at the date of the follow up report. The AMBER actions are included in Section 3 of the follow up report.