

Report To:	Audit Committee	Date:	17 October 2017
Report By:	Corporate Director Environment Regeneration & Resources	Report No:	AC/12/17/SA/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	Internal Audit Progress Report – 31 July To 22 September 2017		

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 31 July to 22 September 2017 is attached as **Appendix 1** to this report, since its content is essential to the understanding of the Council's control environment.

2.0 SUMMARY

- 2.1 There was one internal audit report finalised since the last Audit Committee meeting in August 2017:-

- SWIFT Financials – Project Assurance Review

- 2.2 This report contained 6 issues, categorised as follows:-

Red	Amber	Green
0	0	6

- 2.3 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	1
Draft Report	1
Fieldwork Complete	1
Fieldwork in Progress	6
Planning	1
Not started	7
Total	17

- 2.4 In relation to Internal Audit follow up, there were no items due for completion by 31 August 2017. The current status report is attached at **Appendix 2**.
- 2.5 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 31 July to 22 September 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 the CMT and the Audit Committee.

5.0 CURRENT POSITION

- 5.1 There has been one internal audit report finalised since the last Audit Committee meeting in August 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	1
Draft Report	1
Fieldwork Complete	1
Fieldwork in Progress	6
Planning	1
Not started	7
Total	17

- 5.3 There are 9 current action points being progressed by Officers. There were no actions due for completion by 31 August 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
31 July to 22 September 2017**

Section	Contents	Page
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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:

Red	<ul style="list-style-type: none"> · In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole. · Corrective action must be taken and should start immediately. · Overseen to completion by Corporate Management Team.
Amber	<ul style="list-style-type: none"> · 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. · Corrective action must be taken (some exceptions may be agreed with IA) within reasonable timeframe. · Overseen to completion by Head of Service.
Green	<ul style="list-style-type: none"> · 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. · Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit (IA). · Managed by service owner.

1.2 There was one audit report finalised since the August Audit Committee, which is identified below, together with a summary of the gradings of the issues identified. In Section 2 we have provided a summary of the main findings from the review

Reports finalised since previous Audit Committee	Grading			Total Number of Issues
	Red	Amber	Green	
SWIFT Financials – Project Assurance Review	0	0	6	6
Total	0	0	6	6

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.

2 Summary of main findings from reports issued since previous Audit Committee

- 2.1 We have provided below a summary of the key findings from the final report issued after 30 January 2017.

SWIFT Financials Phase 1 – Project Assurance Review

- 2.2 Within the Health & Social Care Partnership (HSCP) a computerised management information system, known as SWIFT, is used by most Teams to record clients' personal details, referrals and involvements. In order to effectively manage the delivery of services and control expenditure, senior Officers within the HSCP require regular information on the volume, nature and costs of client care packages. Unlike the previous system, FIS, the SWIFT system has a number of financial modules which support the organisation of client services and provides essential management information. Officers used a phased approach to implement these financial modules, which included parallel running of the existing systems and processes. It is important that the SWIFT system and corresponding processes assist staff when organising client care packages and also maintain overall budgetary control. However, due to decisions taken by the SWIFT software supplier, senior Officers need to procure a replacement system. Our approach to this review allowed for matters which could be relevant to either commissioning a new system or operating it.
- 2.3 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to the implementation of the SWIFT financials modules.
- 2.4 The overall control environment opinion for this audit was **Satisfactory**. In terms of good practice, we found that implementing the SWIFT financials modules improved control over long term care expenditure when compared to the former FIS system.
- 2.5 The review identified 6 GREEN issues and an action plan is in place to address all issues by 31 March 2021.

3. Audit Plan for 2017/18 – Progress to 22 September 2017

Planned Audit Cover	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews							
Grants to Voluntary Organisations	ü	ü	ü	ü			
Older Peoples Services – Billing and Collection	ü	ü	ü				
Project Assurance Reviews							
SWIFT Financials – Phase 1	ü	ü	ü	ü	ü	ü	October 2017
Corporate Fraud Reviews							
Procurement – Quick Quotes	ü	ü	ü				
Code of Conduct – Other Remunerative Employment/Conflicts of Interest	ü	ü	ü				
Flexi Time	ü	ü	ü				
Commercial Leases	ü	ü	ü	ü	ü		
Council Tax Reduction Scheme	Fieldwork underway – see section 4 for detailed activity						
Creditors – Duplicate Payments	Fieldwork is underway – see section 4 for detailed activity						
Corporate Governance							
Annual Governance Statement 2016-2017	Input provided by CIA.						
Other Work							
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 Plan is in progress – one audit is currently being planned						

4 Corporate Fraud Activity

The undernoted table sets out progress to date on corporate fraud activity in the period 31 July to 22 September 2017:

Council Tax Reduction Scheme		
Number of Home Visits	Number of Errors Identified and Corrected	Total Overpayment/Future Savings
9	7	£13,448.80/£3438.08
Flexi Time		
Terms of Reference for the review have been agreed and fieldwork is underway.		
Commercial Leases		
Fieldwork for this review is now complete and the report has been drafted.		
Quick Quotes		
Terms of Reference for the review have been agreed and fieldwork is underway.		
Code of Conduct – Other Remunerative Employment/Conflicts of Interest		
Relevant cases have been identified from the 2016-2017 NFI Matching Exercise. Fact finding interviews are underway.		
National Fraud Initiative 2016-2017		
<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 – 1888 In progress – 42 Fraud – 2 Error – 70 Recovering - 29</p> <p>Specific NFI cases being reviewed by Corporate Fraud since the last Audit Committee are set out below:</p>		
File Ref	Description	Status
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 17-35	NFI – CTR > Payroll	Ongoing Investigation
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
SPOC Liaison		
DWP Referrals	10 this period	14 to date
LAIEF requests actioned	19 this period	53 to date

4 Corporate Fraud Activity (Continued)

Whistleblowing/Referrals		
Whistleblowing and referral cases closed/being investigated since the last Audit Committee are as follows:		
File Ref	Description	Status
17/18 17-20	Misuse of Blue Badge	Closed – misuse established. Warning letter issued.
17/18 17-22	Misuse of Blue Badge	Closed – misuse established. Warning letter issued.
17/18 17-24	Discrepancy with Corporate Appointee Account	Report being finalised.
17/18 17-50	Council Tax Discount	Closed – no fraud established.
17/18 17-52	Council Tax Discount	Ongoing Investigation
17/18 17-53	Council Tax Discount	Closed – fraud prevented.
17/18 17-54	Misuse of Expired Blue Badge	Closed – misuse established and BB seized. Warning letter issued.
17/18 17-55	Council Tax Discount/Housing Benefit	Ongoing investigation – referral made to DWP
17/18 17-56	Council Tax Discount/Housing Benefit	Ongoing investigation – referral made to DWP
17/18 17-57	Commercial Property – Occupancy	Ongoing investigation
17/18 17-58	Misuse of Expired Blue Badge	Ongoing investigation
17/18 17-59	Council Tax Liability	Closed – no fraud detected
17/18 17-62	Council Tax Discount	Closed – no fraud detected
17/18 17-63	Misuse of Blue Badge	Closed – misuse established. Warning letter issued.
17/18 17-64	Misuse of Expired Blue Badge	Closed – misuse established.
17/18 17-66	Council Tax Discount	Ongoing investigation
17/18 17-67	Misuse of Blue Badge	Closed – misuse established. Warning letter issued.
17/18 17-69	Council Tax Exemption	Closed – no fraud detected.
17/18 17-70	Council Tax Exemption	Closed – no fraud detected.
17/18 17-71	Council Tax Exemption	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 31 AUGUST 2017

Summary: Section 1 Summary of Management Actions due for completion by 31/08/17

There were no actions due for completion by 31 August 2017.

Section 2 Summary of Current Management Actions Plans at 31/08/17

At 31 August 2017 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/08/17

At 31 August 2017 there was a total of 9 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 August 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 31.08.17**

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				
Total				

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

In addition, there was one action due for completion by 30 September 2017 which has been reported as completed by management:-

Action	Owner	Expected Date
Corporate Health and Safety (September 2016)		
Training Service staff in core health and safety duties and responsibilities (Amber) Provide training information via the WIAR report so that Services are aware of the Health & Safety training undertaken by their staff in relation to Corporate training provision.	Health and Safety Team Leader	30.09.17

**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 31.08.17**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Environment, Regeneration and Resources	
Due for completion October 2017	1
Total Actions	1
Education, Communities and Organisational Development	
Due for completion December 2017	6
Due for completion March 2018	1
Due for completion April 2018	1
Total Actions	8
Total current actions:	9

**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 31.08.17**

SECTION 3

Environment, Regeneration and Resources

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

Education, Communities and Organisational Development

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

* 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 31.08.17**

SECTION 3

Education, Communities and Organisational Development

Action	Owner	Expected Date
Corporate Health and Safety (September 2016)		
<p>Approving priorities for the Corporate Health & Safety Team (Amber) Once agreed the Health & Safety Plan priorities will be placed on “Inverclyde Performs” with set dates for review and reporting.</p>	Health and Safety Team Leader	31.12.17*
<p>Services will be involved in providing quarterly updates to the Corporate Health & Safety Committee.</p>	Health and Safety Team Leader	31.12.17
<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>	Health and Safety Team Leader	31.12.17
<p>Planning and managing health and safety audits and inspections (Amber) Work with Internal Audit to establish if a rolling programme for the Health & Safety portion of the Control Self-Assessment audits could be put into place.</p>	Health and Safety Team Leader	31.12.17*
<p>Relevant action will then be taken if Figtree can be used to track audits.</p>	Health and Safety Team Leader	30.04.18
<p>Applying data retention policy to health and safety information (Amber) 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>	Health and Safety Team Leader	31.12.17*
<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>	Health and Safety Team Leader	31.12.17*

* 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
Corporate Health and Safety (September 2016)	Approving Priorities for the Corporate Health and Safety Team (Amber) Once agreed, the Health and Safety Plan priorities will be placed on "Inverclyde Performs" with set dates for review and reporting.	31.12.16 31.03.17	31.12.17	A meeting has been held with Education and a Service Plan has now been developed. HSCP have their own H&S Plan in place which is monitored by Corporate Health and Safety. Environmental and Commercial Services has been delayed due to changes in management but this was discussed at the Health and Safety Committee meeting on 12 September and is now being prioritised.
Corporate Health and Safety (September 2016)	Planning and managing health and safety audits and inspections (Amber) 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.	31.12.16 31.03.17	31.12.17	A meeting has taken place with Internal Audit and the risk assessment methodology has been agreed. The risk assessment document has been issued for return by the end of September and analysed by end of December. Priority areas will then be agreed with Internal Audit for the 2018-2019 Internal Audit Annual Audit Plan as appropriate.
Corporate Health and Safety (September 2016)	Applying data retention policy to health and safety information (Amber) 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.	31.12.16	31.12.17	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
CSA Education (March 2016)	<p>Financial Training for Senior Management (Amber) School Support Managers will, in consultation with relevant Education Headquarters and Finance officers;</p> <ul style="list-style-type: none"> · assess the financial training needs of Heads/Depute Heads of Establishment and Principal Teachers and maintain adequate records of those training needs; · ensure that training in financial matters is delivered uniformly across all establishments and strike an appropriate balance between formal and informal training; · organise refresher training in financial matters for Heads/Depute Heads of Establishment and Principal Teachers; · organise the consistent logging of training in financial matters; and · ensure that financial best practice is formally and routinely shared across all establishments. 	31.01.17	31.03.18	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 31 August 2017.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
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	43	0	8	15
Total	975	945	0	9	21

*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.