

Report To: Audit Committee **Date:** 24 April 2018

Report By: Corporate Director Environment, Regeneration and Resources **Report No:** AC/20/18/SA/APr

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

Subject: INTERNAL AUDIT PROGRESS REPORT – 5 FEBRUARY TO 27 MARCH 2018

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 5 February to 27 March 2018 is attached as an Appendix **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 February 2018:
- Older Peoples Services – Billing and Collection
- 2.2 This report contained 5 issues categorised as follows:

Red	Amber	Green
0	1	4

- 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	8
Draft Report	3
Fieldwork Complete	1
Fieldwork in Progress	2
Planning	3
Not started	0
Total	17

- 2.4 In relation to Internal Audit follow up, there were 2 action points due for completion by 31 March 2018, one of which has been reported as completed and the action date in relation to the other item has been revised. The current status report is attached at Appendix 2. **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 5 February to 27 March 2018.

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 February 2018.
- 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	8
Draft Report	3
Fieldwork Complete	1
Fieldwork in Progress	2
Planning	3
Not started	0
Total	17

- 5.3 There are 3 current action points being progressed by officers. There were 2 action points due for completion by 31 March 2018, one of which has been reported as completed and the action date in relation to the other item has been revised.
- 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
5 February to 27 March 2018**

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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 February 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	
Older Peoples Services – Billing and Collection	0	1	4	5
Total	0	1	4	5

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 2 February 2018.

Older Peoples Services Billing and Collection

- 2.2 Inverclyde's Health & Social Care Partnership (HSCP) organises a wide range of services for eligible clients. Some Community Care services require charges to be levied, although personal and nursing care is provided free to clients with assessed needs under the Free Personal Care policy.
- 2.3 When calculating homecare charges clients' income and capital (excluding their homes) are means tested. Respite care charges are determined by the age of clients and their length of stay within the Hillend Centre. During 2017/18 budgeted income for homecare services is £183,820 and for respite charges is £20,700. It is important that adequate arrangements are in place to collect charges from clients who receive community based services.
- 2.4 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 fraud risks faced by Inverclyde Council in relation to Quick Quotes.
- 2.5 The overall control environment opinion for this audit was **Satisfactory**. One AMBER issue was identified as follows:

Adequacy of financial assessment process

Homecare clients can participate in financial assessments which allow for their age, income and any savings. Each Spring these clients are expected to complete a review form, known as FA3. However, we found that clients do not always return these forms and officers use previously declared information about their savings and any occupational pensions. The Homecare charging policy does not outline how these clients are to be treated. In contrast, clients who opt out of Homecare financial assessments are charged at the standard hourly rate of £12.80.

Clients may be over or under charged for Homecare services whenever their age, income and savings are not adequately verified. The value of over or underpayments may grow over time when this information is not verified timeously.

In addition, without relevant guidance officers may take inconsistent approaches to calculating Homecare charges whenever clients do not return financial review forms each year.

- 2.6 The review identified 5 issues, 1 of which we consider to be individually significant and an action plan is in place to address all issues by 30 April 2018.

3. Audit Plan for 2017/18 – Progress to 27 March 2018

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	✓	✓	✓	✓	✓	✓	January 2018
Older Peoples Services – Billing and Collection	✓	✓	✓	✓	✓	✓	March 2018
Customer Services	✓	✓	✓	✓			
HSCP Commissioning	✓	✓	✓				
Pupil Equity Fund	✓						
Limited Scope Finance Reviews							
Revenues - Council Tax Billing	✓	✓	✓	✓	✓	✓	February 2018
Project Assurance Reviews							
SWIFT Financials – Phase 1	✓	✓	✓	✓	✓	✓	October 2017
Corporate Fraud Reviews							
Procurement – Quick Quotes	✓	✓	✓	✓	✓	✓	February 2018
Flexi Time	✓	✓	✓	✓	✓		
Commercial Leases	✓	✓	✓	✓	✓	✓	January 2018
Employee Expenses and Overtime Claims	✓	✓	✓	✓	✓		
Code of Conduct – Other Remunerative Employment/Conflicts of Interest	Review complete – see section 4 for detailed activity						
Council Tax Reduction Scheme	Fieldwork is almost complete – see section 4 for detailed activity						
Creditors – Duplicate Payments	Fieldwork is complete – see section 4 for detailed activity						
Arms Length External Organisations							
Performance Management Arrangements	✓						
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 report has been finalised and planning for the remaining audit review is complete. Fieldwork and reporting will be carried out in April/May 2018.						

4 Corporate Fraud Activity

The undernoted table sets out progress to date on corporate fraud activity in the period 5 February to 27 March 2018.

Council Tax Reduction Scheme 25/9/17 – 1/12/17		
Number of Home Visits	Number of Errors Identified and Corrected	Total Overpayment/Future Savings
76	6	£2,037/£8,914
Council Tax Reduction Scheme 1/4/17 to date		
Number of Home Visits	Number of Errors Identified and Corrected	Total Overpayment/Future Savings
315	31	£44,429/£22,542
Non Domestic Rates		
Number of Visits	Number of Errors Identified and Corrected	Total Overpayment/Future Savings
0	0	0
Commercial Properties		
Number of Visits	Number of Errors Identified and Corrected	Total Overpayment/Future Savings
4	0	0
Flexi Time		
Fieldwork is complete and report is being drafted for management comment.		
Commercial Leases		
Final report has been issued. Summary of findings was reported to January 2018 Audit Committee.		
Quick Quotes		
Final report has been issued. Summary of findings was reported to February 2018 Audit Committee.		
Code of Conduct – Other Remunerative Employment/Conflicts of Interest		
Relevant cases from the 2016/2017 NFI exercise have now been investigated. Findings have been reported to Corporate Directors and recommendations have been agreed. Summary of findings was reported to January 2018 Audit Committee.		
National Fraud Initiative 2016-2017		
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:-		
Total matches reported – 3608 (520 recommended matches)		
Total matches processed to date – 3608		
Investigations in progress – 23		
Fraud – 8		
Error – 61		
Recovering – 14		

4 Corporate Fraud Activity (Continued)

Specific NFI cases being reviewed by Corporate Fraud since the last Audit Committee are set out below:

File Ref	Description	Status
17/18 17-90	CT SPD > Taxi Licence	Fraud established. Account updated and liable party has now been rebilled.
17/18 17-91	CTR > Pension	Ongoing investigation
17/18 17-108	CTR > Pension	Ongoing investigation
17/18 17-109	CTR > Pension	Fraud established. HB overpayment been identified.
17/18 17-111	CTR > Pension	Closed – no fraud detected.
17/18 17-112	CT SPD > Blue Badge	Closed – no fraud detected.
17/18 17-113	CTR > Pension	Ongoing investigation
17/18 17-114	CTR > Pension	Closed – no fraud detected.
17/18 17-115	CTR > Pension	Closed – no fraud detected.
17/18 17-116	CTR > Pension	Fraud established. No further action proposed.
17/18 17-117	CTR > Pension	Fraud established. Passed to Finance for adjudication.
17/18 17-118	CTR > Pension	Closed – no fraud detected.
17/18 17-119	CTR > Pension	Ongoing investigation
17/18 17-120	CT SPD > Blue Badge	Closed – no fraud detected.
17/18 17-121	CTR > Pension	Ongoing investigation
17/18 17-122	CTR > Pension	Closed – no fraud detected.
17/18 17-123	CTR > Pension	Closed – no fraud detected.
17/18 17-125	CT SPD > Payroll	Closed – no fraud detected.
17/18 17-126	CT SPD > Payroll	Ongoing investigation
17/18 17-129	CTR > Taxi Licence	Closed – no fraud detected. Admin error.
17/18 17-130	CRT > Taxi Licence	Closed – no fraud detected.
17/18 17-131	CT SPD > Payroll	Closed – no fraud detected.
17/18 17-132	CT SPD > Payroll	Closed – no fraud detected.
17/18 17-133	CT SPD > Payroll	Ongoing investigation
17/18 17-136	CTR > Taxi Licence	Ongoing investigation
17/18 17-137	CTR > Pension	Closed – fraud established. DWP ESA overpayment being recovered.
17/18 17-138	CT SPD > Payroll	Closed – no fraud detected.
17/18 17-139	CT SPD > Payroll	Closed – no fraud detected.
17/18 17-148	CTR > Pension	Closed – fraud established. No overpayment to be recovered but details of pension updated on system.
17/18 17-150	CTR > Taxi Driver	Ongoing investigation
17/18 17-151	CTR > Taxi Driver	Closed – no fraud detected.
17/18 17-152	CTR > Taxi Driver	Ongoing investigation
17/18 17-153	CTR > Payroll	Closed – fraud established. CTR overpayment being recovered.
17/18 17-154	CT SPD > Pension	Ongoing investigation
17/18 17-160	CT SPD > Payroll	Ongoing investigation
17/18 17-161	CTR > Taxi Driver	Ongoing investigation
17-18 17-165	CTR > Pension	Closed. Fraud established. ESA overpayment is being recovered.

4 Corporate Fraud Activity (Continued)

SPOC Liaison		
DWP Referrals	21 this period	57 to date
LAIEF requests actioned	35 this period	173 to date
Whistleblowing/Referrals		
File Ref	Description	Status
17/18 17-76	Council Tax Exemption	Ongoing investigation
17/18 17-95	Council Tax Discount	Closed – no fraud detected.
17/18 17-96	Council Tax Exemption	Ongoing investigation
17/18 17-101	CT SPD > Electoral Roll	Closed – no fraud detected.
17/18 17-103	Council Tax Exemption	Ongoing investigation
17/18 17-110	Council Tax Discount	Closed – no fraud detected.
17/18 17-124	Fraudulent Expense Claims	Ongoing investigation
17/18 17-127	Misuse of Blue Badge	Referred to enforcement team.
17/18 17-128	Misuse of Blue Badge	Badge seized. Referred to North Ayrshire Council.
17/18 17-134	Misused of Blue Badge	Badge seized. Referred to North Ayrshire Council.
17/18 17-135	Misuse of Expired Blue Badge	Misuse established. Advice given.
17/18 17-140	Misuse of Blue Badge	Ongoing investigation
17/18 17-141	Misuse of Blue Badge	Misuse established. Letter issued.
17/18 17-142	Misuse of Blue Badge	Misuse established. Letter issued.
17/18 17-143	Council Tax Levy Evasion	Closed. No fraud detected.
17/18 17-145	Council Tax Exemption	Ongoing investigation
17/18 17-146	Council Tax Exemption	Closed. No fraud detected.
17/18 17-147	Alleged misuse of funds	Ongoing investigation
17/18 17-149	Misuse of Expired Blue Badge	Misuse established and BB seized.
17/18 17-155	Misuse of Blue Badge	Misuse established. Letter issued.
17/18 17-157	Misuse of Expired Blue Badge	Misuse established. Letter issued.
17/18 17-158	Misuse of Blue Badge	Misuse established. Letter issued.
17/18 17-159	Misuse of Blue Badge	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 MARCH 2018

Summary: Section 1 Summary of Management Actions due for completion by 31/03/18

There were 2 actions due for completion by 31 March 2018, one of which has been reported as completed by management and the action date for one item has been revised.

Section 2 Summary of Current Management Actions Plans at 31/03/18

At 31 March 2018 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/03/18

At 31 March 2018 there was a total of 3 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 March 2018 there was one audit action point 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 31.03.18**

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	0			
Health and Social Care Partnership (HSCP)	0			
Education, Communities and Organisational Development	2	1	1	
Total	2	1	1	

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

In addition, the following actions which had a completion date of 1/4/18 have been reported as completed by management:

Action
<p>Adequacy of Timescales for Bid Submissions (Amber) Management will remind all services regarding the prescribed timescale afforded to potential bidders – Goods – 5 days, Services – 15 days and Works – 20 days. Corporate Procurement should be consulted when services require to amend the timescale.</p> <p>In addition, in consultation with Services, Corporate Procurement will consider the current timescales and review whether these could be adjusted to reflect current needs/practices.</p>
<p>Incomplete Award Notice Process (Amber) Management will remind all Procurement Officers of the requirement to complete this action as part of the Quick Quote process.</p> <p>The Corporate Procurement Manager will raise this issue at the Designated Procurement Officers Meeting and also at the Corporate Procurement Board.</p>
<p>Adequacy of Due Diligence Checks (Amber) Management will ensure that once a successful bidder has been identified, appropriate due diligence checks are conducted by Services to ensure that the company/individual being awarded the contract is suitable. The Corporate Procurement Manager will include this process within the Procurement Manual.</p>
<p>Lack of Relevant and Reliable Management Information (Amber) The Corporate Procurement Manager will ensure that management information is developed and routinely generated for analysis to ensure compliance with procurement guidance.</p>

**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 31.03.18**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Education, Communities and Organisational Development	
Due for completion June 2018	2
Total Actions	2
HSCP	
Due for completion April 2018	1
Total Actions	1
Total current actions:	3

**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 31.03.18**

SECTION 3

Education, Communities and Organisational Development

Action	Owner	Expected Date
Corporate Health and Safety (September 2016)		
<p>Planning and managing health and safety audits and inspections (Amber) Relevant action will then be taken if Figtree can be used to track audits.</p>	Health and Safety Team Leader	30.06.18
<p>Applying data retention policy to health and safety information (Amber) Feasibility of using Figtree for Health and Safety information is now complete and functionality is now being tested with a view to populating the system by the end of the financial year 2017/2018. (New Action)</p>	Health and Safety Team Leader	30.06.18*

HSCP

Action	Owner	Expected Date
Older Peoples Services – Billing and Collection (March 2018)		
<p>Adequacy of Financial Assessment Process (Amber) Management will update the FA1 and FA3 forms to include a declaration to verify that information is accurate.</p> <p>Management will ensure that any unsigned forms will result in follow-up home visits to obtain signed declarations from clients.</p>	Team Leader (Care and Assessment)	30.04.18

* 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)
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
Corporate Health and Safety (September 2016)	Applying data retention policy to health and safety information (Amber) Feasibility of using Figtree for Health and Safety information is now complete and functionality is now being tested with a view to populating the system by the end of the financial year 2017/2018. (New Action)	31.03.18	30.06.18	There have been delays by the software provider which has resulted in a lack of access to the full system to undertake testing. New functionality has just been released which is currently being tested by Health and Safety team.

**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 March 2018.

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	115	0	0	1
2014/2015	77	75	0	0	2
2015/2016	52	51	0	0	1
2016/2017	66	56	0	2	8
2017/2018	36	27	0	1	8
Total	1011	988	0	3	20

*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.