

A meeting of the Audit Committee will held on Tuesday 9 October 2018 at 3pm within the Municipal Buildings, Greenock.

GERARD MALONE
Head of Legal & Property Services

BUSINESS

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PERFORMANCE MANAGEMENT	
2. Internal Audit Progress Report – 30 July to 14 September 2018 Report by Corporate Director Environment, Regeneration & Resources	p
3. Appendix relative to Item 2 providing information on a special investigation reported to August meeting of the Committee **	p

Enquiries to – **Diane Sweeney** – Tel 01475 712147

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 30 July to 14 September 2018.

Scott Allan
Corporate Director Environment, Regeneration & Resources

4.0 BACKGROUND

- 4.1 In April 2018, the Audit Committee approved the current Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2018-19.
- 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 has been one internal audit reports finalised since the last Audit Committee meeting in August 2018:
- General Data Protection Regulations Arrangements
- 5.2 The fieldwork for the 2018/19 plan is underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	1
Draft Report	0
Fieldwork Complete	1
Fieldwork in Progress	4
Planning	1
Not started	7
Total	14

- 5.3 There are 7 current action points being progressed by officers. There were no action points due for completion by 31 August 2018.
- 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
30 July to 14 September 2018**

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1 Audit work undertaken in the period

Reports issued since last update

1.1 In each audit, one of 4 overall opinions is expressed:

Strong	In our opinion there is a sound system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion isolated areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.
Requires improvement	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered inadequate to ensure that the organisation is able to achieve its objectives.

1.2 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.

1.3 There was one audit report finalised since the August Audit Committee, which are 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	
General Data Protection Regulation Arrangements	0	1	2	3
Total	0	1	2	3

Other activities

Risk Management

1.4 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

- 1.5 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 reports issued after 30 July 2018.

General Data Protection Regulation Arrangements

- 2.2 The General Data Protection Regulation (GDPR) came into force from 25th May 2018. GDPR expands the definition of personal data, introduces stricter rules governing “consent” as a lawful basis and substantially increases the fines for organisations that do not comply with the law. If a serious data protection breach occurred the Council could face a fine of up to £8m. Any such fine would have a severe impact on the delivery of Council services. It is therefore essential that staff at all levels of the Council comply with those aspects of GDPR which relate to their jobs. In addition, it is important that senior officers can readily demonstrate to the Information Commissioner that the Council complies with the requirements of GDPR.
- 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 arrangements for managing the General Data Protection Regulation (GDPR).
- 2.4 We have excluded those aspects of managing GDPR which are under the direct control of Services as these will be subject to separate audit reviews.
- 2.5 The overall control environment opinion for this audit review was **Satisfactory**. One AMBER issue was identified as follows:

Managing GDPR Training

Since Spring 2018 the Information Governance Team has organised and delivered a series of on-line and face to face introductory training sessions in relation to GDPR which has significantly accelerated and strengthened the Council’s efforts to implement GDPR. However, it is also important to identify the specific training needs of all key post-holders by assessing the impact of GDPR on service delivery. Through discussions with the Information Governance Team we have identified some issues with the training arrangements for GDPR as follows:

- The impact on service delivery has not been formally assessed for GDPR training requirements:
- The specific training needs of all key post-holders have not yet been fully analysed or met: and
- A mechanism has not yet been established to formally assess the effectiveness of GDPR training arrangements, whether generic or job-specific in nature.

It may be more difficult to successfully implement the more complex and technical requirements of GDPR without assessing its impact on service delivery and also identifying the specific training needs of key post-holders.

Officers may be unable to adequately review the effectiveness of GDPR training arrangements without applying an appropriate assessment mechanism.

**2 Summary of main findings from reports issued since previous Audit Committee
(Continued)**

- 2.6 The review identified 3 issues, one of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2018.

3. Audit Plan for 2018/2019 – Progress to 14 September 2018

Planned Audit Cover	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews							
General Data Protection Regulation	✓	✓	✓	✓	✓	✓	October 2018
Corporate Purchase Cards	✓	✓	✓	✓			
Mobile Phone Compliance	✓						
Regularity Audits							
Stock/Inventory Control – Quarterly Checks	✓	N/A	✓				
Employee Expenses – Quarterly Checks	✓	N/A	✓				
Council Tax Reduction Scheme/Discounts/Exemptions	✓	N/A	✓				
Education Control Self-Assessment (CSA)	✓	N/A	✓				
Corporate Governance							
Annual Governance Statement 2017-2018	Complete - Input provided by CIA.						
Other Work							
National Fraud Initiative	2016/17 Data Matching Exercise Investigations are almost complete - See section 5 for detailed activity						
SPOC Liaison with DWP	Ongoing – see section 5 for detailed activity						
Inverclyde IJB	Internal Audit annual audit plan for 2018/2019 was approved in September 2018 – 50 days allocated to IJB audit plan.						

4 Corporate Fraud Activity

4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 30 July to 14 September 2018.

Council Tax Reduction Scheme 30 July to 14 September 2018		
Number of Home Visits	Number of Errors Identified and Corrected	Total Overpayment/Future Savings
21	10	£12,147/£5,875.42
Council Tax Reduction Scheme 1 April to 14 September 2018		
Number of Home Visits	Number of Errors Identified and Corrected	Total Overpayment/Future Savings
134	20	£27,484.84/£13,917.38
National Fraud Initiative 2016-2017		
<p>Services have completed review of identified matches and investigations are almost complete. Corporate Fraud team continue to provide oversight and support to Services. The current status of matches are as follows:-</p> <p>Total matches reported – 3608 (520 recommended matches) Total matches processed to date – 3605 (includes 520 recommended matches) In progress – 3 Fraud – 10 Error – 63 Total Outcomes - £64,284.19</p>		

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

File Ref	Description	Status
17/18 17-91	CTR > Pension	Closed – no fraud detected.
17/18 17-117	CT SPD > Pension	Passed to Finance for adjudication.
17/18 17-126	CT SPD > Payroll	Closed – no fraud detected.
17/18 17-133	CT SPD > Payroll	Passed to Finance for adjudication.
17/18 17-161	CTR > Taxi Drivers	Referred to DWP.
17/18 17-167	CTR > Personal Alcohol Licence	Closed – no fraud detected.
18/19 18-09	CT SPD > Pension (Recheck report)	Passed to Finance for adjudication.
18/19 18-12	CT SPD > Pension (Recheck report)	Fraud established. Account updated and liable party has been rebilled.
18/19 18-17	CT SPD > Pension (Recheck report)	Ongoing investigation.
18/19 18-18	CT SPD > Pension (Recheck report)	Ongoing investigation.
18/19 18-26	CT SPD > Payroll (Recheck report)	Passed to Finance for adjudication.
18/19 18-28	CT SPD > Pension (Recheck report)	Ongoing investigation.
18/19 18-29	CT SPD > Pension (Recheck report)	Closed – no fraud detected.
18/19 18-33	CT SPD > State Benefit (Recheck report)	Passed to Finance for adjudication.

4 Corporate Fraud Activity (Continued)

18/19 18-50	CT SPD > State Benefits > Blue Badge (Recheck report)	Fraud established. Account updated and liable party rebilled.
18/19 18-51	CT SPD > State Benefits	Fraud established. Account updated and liable party rebilled.
18/19 18-52	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-58	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-60	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-63	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-64	CT SPD > State Benefits (Recheck report)	Fraud established. Account updated and liable party rebilled.
18/19 18-66	CT SPD > State Benefits (Recheck report)	Fraud established. Account updated and liable party rebilled.
18/19 18-69	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-71	CT SPD > State Benefits (Recheck report)	Fraud established. Account updated.
18/19 18-72	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-74	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-75	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-78	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-79	CT SPD > State Benefits (Recheck report)	Referred to DWP.
18/19 18-84	CT SPD > State Benefits (Recheck report)	Ongoing investigation.
18/19 18-91	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-107	CT SPD > Taxi Drivers (Recheck report)	Ongoing investigation.
18/19 18-109	CT SPD > State Benefits (Recheck report)	Ongoing investigation.
18/19 18-110	CT SPD > Taxi Drivers (Recheck report)	Ongoing investigation.
18/19 18-111	CT SPD > Payroll (Recheck report)	Ongoing investigation.
18/19 18-112	CT SPD > Blue Badge (Recheck report)	Ongoing investigation.
18/19 18-114	CT SPD > Payroll (Recheck report)	Ongoing investigation.
18/19 18-115	CT SPD > Taxi Drivers (Recheck report)	Ongoing investigation.
18/19 18-117	CT SPD > State Benefits	Ongoing investigation.

4 Corporate Fraud Activity (Continued)

SPOC Liaison 1/4/18 – 14/9/18		
DWP Referrals	5 this period	35 to date
LAIEF requests actioned	15 this period	53 to date

4.4 Whistleblowing/Referrals		
Whistleblowing and referral cases closed/being investigated since the last Audit Committee are as follows:		
File Ref	Description	Status
17/18 17-76	Council Tax Exemption	Ongoing investigation.
17/18 17-96	Council Tax Exemption	Ongoing investigation.
17/18 17-124	Fraudulent Expense Claims	Fraud established – report issued to management. Disciplinary investigations underway.
17/18 17-147	Alleged misuse of Funds	Report issued to management. Follow Up work undertaken. See section 6.
18/19 18-08	Council Tax Exemption	Passed to Finance for adjudication.
18/19 18-82	Single Person Discount	Ongoing investigation.
18/19 18-90	Housing Benefits enquiry	Passed to Finance for adjudication.
18/19 18-92	Single Person Discount	Ongoing investigation.
18/19 18-95	Single Person Discount	Ongoing investigation.
18/19 18-96	Single Person Discount	Ongoing investigation.
18/19 18-102	Misuse of Blue Badge	Misuse letter issued.
18/19 18-103	CTR/Single Person Discount	Ongoing investigation.
18/19 18-108	Council Tax Exemption	Ongoing investigation.
18/19 18-118	Misuse of Blue Badge	Ongoing investigation.
18/19 18-120	Single Person Discount	Closed – no fraud detected.
18/19 18-122	Misuse of blue badge	Badge seized and misuse letter issued.
18/19 18-123	Single Person Discount	Closed – no fraud detected.
18/19 18-124	Misuse of Blue Badge	Ongoing investigation.
18/19 18-125	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-128	Misuse of expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-129	Misuse of expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-130	Misuse of expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-132	Misuse of Blue Badge	Closed – no misuse detected.
18/19 18-133	Misuse of Blue Badge	Badge seized and misuse letter issued.
18/19 18-134	Misuse of expired Blue Badge	Badge seized and misuse letter issued.
18/19 18-135	CTR – Undeclared Assets	Ongoing investigation.
18/19 18-136	Misuse of Blue Badge	Badge seized and misuse letter issued.

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 2018

Summary: Section 1 Summary of Management Actions due for completion by 31/08/18

There were no actions due for completion by 31 August 2018.

Section 2 Summary of Current Management Actions Plans at 31/08/18

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

Section 3 Current Management Actions at 31/08/18

At 31 August 2018 there was a total of 6 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 August 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 31.08.18**

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	0			
Total	0			

* 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 31.08.18**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Education, Communities and Organisational Development	
Due for completion September 2018	1
Total Actions	1
HSCP	
Due for completion March 2019	5
Total Actions	5
Total current actions:	6

**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 31.08.18**

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 including data retention requirements (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	30.09.18*

HSCP

Action	Owner	Expected Date
HSCP Commissioning (July 2018)		
<p>Developing themed strategic commissioning of HSCP services (Amber) Management will examine how to:</p> <ul style="list-style-type: none"> • reduce unnecessary differences in client assessment arrangements between Teams for those clients with two or more care needs. This exercise will aim to more closely co-ordinate overall client assessments with practically applying themed strategic commissioning arrangements; • avoid unintentionally providing clients with more care than their assessed needs require by focusing themed strategic commissioning activities on delivering positive outcomes for clients. These efforts will be undertaken alongside the on-going development of preventative and early intervention activities; • place a greater emphasis on a “bottom-up” rather than “top-down” approach to themed strategic commissioning of services by focusing on trying to achieve positive outcomes for clients and so improve their lives; and • develop an effective mechanism for allocating client care costs across Team budgets for those clients with complex needs and so enhance the financial information which underpins commissioning activities. 	Commissioning Working Group	31.03.19

* 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 31.08.18**

SECTION 3

HSCP (Continued)

Action	Owner	Expected Date
HSCP Commissioning (July 2018)		
<p>Developing themed strategic commissioning of HSCP services (Amber) Management will identify changes to procurement and commissioning policies and procedures which will adequately support themed strategic commissioning in practice.</p>	Commissioning Working Group	31.03.19
<p>Managing Strategic Commissioning practices (Amber) Management will promote the role of the Strategic Commissioning Team amongst relevant HSCP officers. This exercise will include encouraging operational managers to always make contact at an early stage whenever they need to;</p> <ul style="list-style-type: none"> • change commissioned services; • review grants paid to external organisations for commissioned services; and • review Service Level Agreements for commissioned services. 	Commissioning Working Group	31.03.19
<p>Management will consult relevant Finance staff about how best to use FMS in a one-off exercise to identify and manage any pockets of HSCP expenditure which are not yet subject to approved commissioning arrangements.</p>	Commissioning Working Group	31.03.19
<p>Management will create a prioritised action plan of key tasks for the Market Facilitation & Commissioning Plan. This exercise will include an analysis of the risks to successfully implementing the plan.</p>	Commissioning Working Group	31.03.19

* 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)	Planning and Managing Health and safety audits and inspections including data retention requirements (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	30.09.18	User acceptance testing has been carried out and feedback has been provided to the software developer. Further development work will be carried out and further UAT will be undertaken. The project plan has been updated and the implementation date is now September 2018.

**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 2018.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2012/2013	76	76	0	0	0
2013/2014	116	115	0	0	1
2014/2015	77	76	0	0	1
2015/2016	52	52	0	0	0
2016/2017	66	65	0	1	0
2017/2018	53	32	0	5	16
Total	440	416	0	6	18

*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.