

Report To: Audit Committee Date: 26 February 2019  
 Report By: Corporate Director Environment Regeneration & Resources Report No: AC/03/19/SA/APr  
 Contact Officer: Andi Priestman Contact No: 01475 712251

**Subject: Internal Audit Progress Report – 3 December 2018 to 1 February 2019**

## 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 3 December 2018 to 1 February 2019 is attached as an **Appendix 1** Appendix 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 January 2019:
- Corporate Purchase Cards
- 2.2 This report contained 7 issues categorised as follows:

Red	Amber	Green
0	0	7

- 2.3 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	3
Draft Report	1
Fieldwork Complete	0
Fieldwork in Progress	7
Planning	1
Not started	0
<b>Total</b>	<b>12</b>

- 2.4 In relation to Internal Audit follow up, there were no items due for completion by 31 January 2019. 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 3 December 2018 to 1 February 2019.

**Scott Allan**  
**Corporate Director Environment, Regeneration and 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 report finalised since the last Audit Committee meeting in January 2019:
- Corporate Purchase Cards
- 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	3
Draft Report	1
Fieldwork Complete	0
Fieldwork in Progress	7
Planning	1
Not started	0
<b>Total</b>	<b>12</b>

- 5.3 There are 10 current action points being progressed by officers. There were no action points due for completion by 31 January 2019.
- 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  
3 December 2018 to 1 February 2019**

<b>Section</b>	<b>Contents</b>	<b>Page</b>
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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:

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

<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>

1.3 There was one audit report finalised since the January 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	
Corporate Purchase Cards	0	0	7	7
<b>Total</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>7</b>

**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 November 2018.

**Corporate Purchase Cards**

- 2.2 Corporate purchase cards are now widely used by many public and private organisations to order and pay for goods and services. Corporate purchase cards can provide Inverclyde Council with a simple to use, flexible system than can improve the efficiency of the order and payment process, reduce internal costs and allow goods to be obtained more quickly. Corporate purchase cards also help to improve expenditure controls and provide essential expenditure information.
- 2.3 The objective of this audit was to provide senior management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks in relation to corporate purchase cards.
- 2.4 The review focused on the high level processes and procedures in relation to the corporate purchase card process and concentrated on identified areas of perceived higher risk, such as procedures are not in place to adequately authorise the use of corporate purchase cards or to properly administer corporate purchase cards.
- 2.5 The overall control environment opinion for this audit review was **Satisfactory**. Seven GREEN issues were identified which if implemented by management would enhance the control environment.
- 2.6 The review identified 7 issues, none of which we consider to be individually significant and an action plan is in place to address all issues by 30 June 2019.



**3. Audit Plan for 2018/2019 – Progress to 1 February 2019**

<b>Planned Audit Cover</b>	<b>Planning</b>	<b>TOR Issued</b>	<b>Fieldwork in Progress</b>	<b>Fieldwork Complete</b>	<b>Draft Report</b>	<b>Report Finalised</b>	<b>Reported to Audit Committee</b>
<b>Risk-Based Reviews</b>							
General Data Protection Regulation	✓	✓	✓	✓	✓	✓	October 2018
Corporate Purchase Cards	✓	✓	✓	✓	✓	✓	February 2019
Mobile Phone Compliance	✓	✓	✓	✓	✓		
IR35 Compliance	✓	✓	✓				
Change Board Governance Arrangements	✓						
<b>Limited Scope Financial Reviews</b>							
FMS Logical Access Controls	✓	✓	✓				
BACS Payment Process	✓	✓	✓				
<b>Regularity Audits</b>							
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	✓	✓	✓	✓	January 2019
<b>Corporate Governance</b>							
Annual Governance Statement 2017-2018	Complete - Input provided by CIA.						
<b>Other Work</b>							
National Fraud Initiative	2016/17 Data Matching Exercise Investigations are complete. Work on the 2018/19 Data Matching Exercise has started.						
SPOC Liaison with DWP	Ongoing – see section 4 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. Two audits have been agreed for the 2018/2019 Audit Plan. One audit is complete and fieldwork for the second audit is underway.						

**4 Corporate Fraud Activity**

4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 3 December 2018 to 1 February 2019

<b>Council Tax Reduction Scheme 3 December 2018 to 1 February 2019</b>		
<b>Number of Home Visits</b>	<b>Number of Errors Identified and Corrected</b>	<b>Total Overpayment/Future Savings</b>
39	0	0
<b>Council Tax Reduction Scheme 1 April to 1 February 2019</b>		
<b>Number of Home Visits</b>	<b>Number of Errors Identified and Corrected</b>	<b>Total Overpayment/Future Savings</b>
219	32	£37,882.64/£17,260.10
<b>National Fraud Initiative 2016-2017</b>		
NFI exercise for 2016-2017 is now complete.		
<b>National Fraud Initiative 2018-2019</b>		
A separate report has been prepared and reported to the February Committee.		
<b>Stock and Inventory Quarterly Checks</b>		
Fieldwork is underway to review stock and inventory procedures within Services. A full report will be provided to April 2019 Audit Committee.		
<b>Employee Expenses Quarterly Checks</b>		
Testing is underway to review employee expense claims across the Council. A full report will be provided to April 2019 Audit Committee.		

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

<b>File Ref</b>	<b>Description</b>	<b>Status</b>
18/19 18-09	CT SPD > Pension (Recheck report)	Passed to Finance for adjudication.
18/19 18-63	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-72	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 18-78	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-84	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-91	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-110	CT SPD > Taxi Drivers (Recheck report)	Passed to Finance for adjudication.

4.3 **SPOC Liaison 1/4/18 – 1/2/19**

DWP Referrals	4 this period	52 to date
LAIEF requests actioned	9 this period	86 to date

4 Corporate Fraud Activity (Continued)

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 17-96	Council Tax Exemption	Passed to Finance for adjudication.
17/18 17-147	Alleged misuse of Funds	Report issued to management. Follow Up work undertaken. See section 6.
18/19 18-82	Single Person Discount	Passed to Finance for adjudication.
18/19 18-90	Housing Benefits enquiry	Passed to Finance for adjudication.
18/19 18-92	Single Person Discount	Passed to Finance for adjudication.
18/19 18-135	CTR – Undeclared Assets	Closed – no fraud detected.
18/19 18-138	Single Person Discount	Passed to Finance for adjudication.
18/19 18-141	Single Person Discount	Ongoing investigation.
18/19 18-149	Single Person Discount	Passed to Finance for adjudication.
18/19 18-150	Misuse of Public Funds	Closed – no fraud detected.
18/19 18-155	Single Person Discount	Passed to Finance for adjudication.
18/19 18-159	Alleged non-charging for services	Ongoing investigation.
18/19 18-160	Single Person Discount	Referred to DWP.
18/19 18-161	Misuse of Blue Badge	Badge seized and referred to East Ayrshire Council.
18/19 18-162	Misuse of Expired Blue Badge	Expired badge volunteered by user.
18/19 18-163	CTR – Undeclared Income	Passed to Finance for adjudication.
18/19 18-164	Housing Benefit – Undeclared Partner	Referred to DWP.
18/19 18-165	Misuse of Blue Badge	Badge seized and BBIS database updated.
18/19 18-167	Potential Employee Conflict of Interest	Ongoing investigation.
18/19 18-169	Fraudulent Housing Benefit Claim	Referred to DWP
18/19 18-170	Misuse of Blue Badge	Badge seized and advice given.
18/19 18-171	Misuse of Expired Blue Badge	Badge seized and advice given.
18/19 18-172	Misuse of Expired Blue Badge	No misuse detected but badge seized and destroyed.
18/19 18-173	Misuse of Expired Blue Badge	Badge seized and advice given.
18/19 18-174	Misuse of Blue Badge	Ongoing investigation.
18/19 18-176	Misuse of Expired Blue Badge	Badge seized and advice given.

**4 Corporate Fraud Activity (Continued)**

<b>File Ref</b>	<b>Description</b>	<b>Status</b>
18/19 18-177	Misuse of Expired Blue Badge	Badge seized and advice given.
18/19 18-178	Misuse of Blue Badge	Badge seized and advice given.
18/19 18-179	Allegation – Employee working whilst on sick leave	Ongoing investigation. Referred to Service.
18/19 18-180	Misuse of Blue Badge	Badge seized and advice given.
18/19 18-181	Misuse of Organisational Blue Badge	Misuse established. Visit to organisation carried out and advice given to management.
18/19 18-183	Misuse of Expired Blue Badge	Badge seized and returned to North Ayrshire Council for destruction.
18/19 18/184	Non-payment of Council Tax	Ongoing investigation.
18/19 18/185	Misuse of Blue Badge	Visit carried out and badge seized.
18/19 18-186	Misuse of Expired Blue Badge	Badge seized and advice given.
18/19 18-188	Misuse of Expired Blue Badge	Badge seized and advice given.

**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 JANUARY 2019**

**Summary: Section 1 Summary of Management Actions due for completion by 31/01/19**

There were no actions due for completion by 31 January 2019.

**Section 2 Summary of Current Management Actions Plans at 31/01/19**

At 31 January 2019 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

**Section 3 Current Management Actions at 31/01/19**

At 31 January 2019 there was a total of 10 current audit action points.

**Section 4 Analysis of Missed Deadlines**

At 31 January 2019 there were no 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 31.01.19**

**SECTION 2**

<b>Directorate</b>	<b>No. of Actions Due</b>	<b>No. of Actions Completed</b>	<b>Deadline missed Revised date set*</b>	<b>Deadline missed Revised date to be set*</b>
Environment, Regeneration & Resources	0			
Health and Social Care Partnership (HSCP)	0			
Education, Communities and Organisational Development	0			
<b>Total</b>	<b>0</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 31.01.19**

**SECTION 2**

**CURRENT ACTIONS BY DIRECTORATE**

<b>HSCP</b>	
Due for completion March 2019	5
<b>Total Actions</b>	<b>5</b>
<b>Environment, Regeneration and Resources</b>	
Due for completion March 2019	1
<b>Total Actions</b>	<b>1</b>
<b>Education, Communities and Organisational Development</b>	
Due for completion April 2019	2
Due for completion August 2019	2
<b>Total Actions</b>	<b>4</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 31.01.19**

**SECTION 3**

**HSCP**

Action	Owner	Expected Date
<b>HSCP Commissioning (July 2018)</b>		
<p><b>Developing themed strategic commissioning of HSCP services (Amber)</b> Management will examine how to:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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 ongoing development of preventative and early intervention activities;</li> <li>• 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</li> <li>• 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.</li> </ul>	<b>Commissioning Working Group</b>	<b>31.03.19</b>
<p>Management will identify changes to procurement and commissioning policies and procedures which will adequately support themed strategic commissioning in practice.</p>	<b>Commissioning Working Group</b>	<b>31.03.19</b>
<p><b>Managing Strategic Commissioning practices (Amber)</b> 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"> <li>• change commissioned services;</li> <li>• review grants paid to external organisations for commissioned services; and</li> <li>• review Service Level Agreements for commissioned services.</li> </ul>	<b>Commissioning Working Group</b>	<b>31.03.19</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 31.01.19**

**SECTION 3**

**HSCP (Continued)**

Action	Owner	Expected Date
<b>HSCP Commissioning (July 2018)</b>		
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.	<b>Commissioning Working Group</b>	<b>31.03.19</b>
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.	<b>Commissioning Working Group</b>	<b>31.03.19</b>

**Environment, Regeneration and Resources**

Action	Owner	Expected Date
<b>General Data Protection Regulation Arrangements (September 2018)</b>		
<p><b>Managing GDPR training (Amber)</b> The Information Governance Team will in close partnership with GDPR Champions:</p> <ul style="list-style-type: none"> <li>• formally assess the impact of GDPR on service delivery and all relevant post-holders. In turn, those assessments will be used to inform the specific training needs of those post-holders;</li> <li>• fully analyse the specific GDPR training needs of all relevant post-holders and formally plan how best to meet those needs within available resources;</li> <li>• develop a formal mechanism for assessing the effectiveness of GDPR training arrangements; and</li> <li>• adequately utilise the operational knowledge of GDPR Champions to assess and develop GDPR training arrangements.</li> </ul>	<b>Legal Services Manager (Procurement, Conveyancing &amp; Information Governance)</b>	<b>31.03.19</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 31.01.19**

**SECTION 3**

**Education, Communities and Organisational Development**

Action	Owner	Expected Date
<b>Education CSA (December 2018)</b>		
<p><b>Managing GDPR and Information Governance (Amber)</b> Management will develop and implement an Education wide action plan which appropriately manages GDPR and information governance requirements along with trying to minimise variances in local practice between Education establishments.</p>	<b>Interim Head of Education</b>	<b>31.08.19</b>
<p>Management will address specific issues regarding the implementation of GDPR.</p>	<b>Interim Head of Education</b>	<b>30.04.19</b>
<p><b>Managing School Meals Income using the “ParentPay” system (Amber)</b> Management will review and update the policy and procedure for managing school meals income.</p>	<b>Policy and Commissioning Team Leader</b>	<b>30.04.19</b>
<p>Management will explore the operational aspects of writing-off debts and debt case management. This will include obtaining approval from Committee for an appropriate debt management policy once staff roles have been fully clarified.</p>	<b>Policy and Commissioning Team Leader</b>	<b>31.08.19</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)  
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 January 2019.

<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>
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	0	0
2017/2018	53	41	0	5	7
2018/2019	21	0	0	5	16
<b>Total</b>	<b>461</b>	<b>426</b>	<b>0</b>	<b>10</b>	<b>25</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.