

Report To: Audit Committee **Date:** 20 August 2019
Report By: Corporate Director Environment, Regeneration and Resources **Report No:** AC/08/19/SA/APr
Contact Officer: Andi Priestman **Contact No:** 01475 712251
Subject: INTERNAL AUDIT PROGRESS REPORT – 1 APRIL TO 26 JULY 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 1 April to 26 July 2019 is attached as an Appendix to this report since its content is essential to the understanding of the Council's control environment. **Appendix 1**

2.0 SUMMARY

- 2.1 There were 4 internal audit reports finalised since the last Audit Committee meeting in April 2019:
- Change Board Governance
 - BACS Payment Process
 - HSCP Contract Management
 - Employee Expenses – Quarterly Checks

- 2.2 These reports contained 11 issues categorised as follows:

Red	Amber	Green
0	4	7

- 2.3 The fieldwork for the 2019/20 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	0
Fieldwork in Progress	6
Planning	0
Not started	7
Total	14

- 2.4 In relation to Internal Audit follow up, there was one item due for completion by 30 June 2019 which has been reported as completed by management. 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 1 April to 26 July 2019.

Scott Allan
Corporate Director Environment, Regeneration and Resources

4.0 BACKGROUND

- 4.1 In April 2019, the Audit Committee approved the current Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2019-20.
- 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 were 4 internal audit reports finalised since the last Audit Committee meeting in April 2019:
- Change Board Governance
 - BACS Payment Process
 - HSCP Contract Management
 - Employee Expenses – Quarterly Checks

- 5.2 The fieldwork for the 2019/20 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	0
Fieldwork in Progress	6
Planning	0
Not started	7
Total	14

- 5.3 There are 7 current action points being progressed by officers. There was one action point due for completion by 30 June 2019 which has been reported as completed by management.
- 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
1 April to 26 July 2019**

Section	Contents	Page
1	Audit work undertaken in the period	1-2
2	Summary of main findings from reports issued since previous Audit Committee	2-6
3	Audit Plan for 2019-2020 – progress to 26 July 2019	7
4	Corporate Fraud Activity	8-12
5	Ad hoc activities undertaken since the previous Audit Committee	12
6	Special Investigations	13-17

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 were 4 audit reviews finalised since the April 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 reviews.

Reports finalised since previous Audit Committee	Grading			Total Number of Issues
	Red	Amber	Green	
Change Board Governance	0	0	3	3
BACS Payment Process	0	3	2	5
HSCP Contract Management	0	1	2	3
Employee Expenses – Quarterly Checks	N/A	N/A	N/A	N/A
Total	0	4	7	11

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 29 March 2019.

Change Board Governance

- 2.2 The demand for Council services is increasing and the cost of providing those services is also rising. However, the Council's income does not increase in line with its costs and there is an on-going requirement to provide a number of legally mandated services. This environment intensifies the need to produce savings by changing Council services. Part of the Council's response to this situation includes the "Delivering Differently in Inverclyde" programme. The success of such a change management programme will be partly determined by the effectiveness of its governance arrangements.
- 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 in relation to the governance arrangements for the Change Boards.
- 2.4 The review focused on the high level processes and procedures in relation to Change Board governance and concentrated on identified areas of perceived higher risk, such as by not fully embedding risk management within the Council's change management programme and not providing relevant and timely management information to all key stakeholders.
- 2.5 The overall control environment opinion for this audit review was **Strong**. Three GREEN issues were identified which if implemented by management would enhance the control environment.
- 2.6 An action plan was agreed and all issues were addressed by 30 June 2019.

BACS Payment Process

- 2.7 As part of an external auditor's report on the 2016/17 audit, a significant fraud was referred that had been perpetrated against Dundee City Council. The report stressed the wider lessons from this incident for other Councils to consider is the important of key internal controls. A key area which was identified for review was the BACS (Bank Automatic Clearing System) Payment Process. In early 2018 the Chief Financial Officer set up a short term group of officers from within Finance & ICT to assess how the Council was placed to avoid similar problems and this audit took place at the same time as actions identified by the group were being implemented.
- 2.8 Inverclyde Council uses BACS software Bottomline Technologies to transmit financial transactions for automated payments such as creditors' payments and employee payments. The majority of the Council's payments are made by BACS transmission. Therefore security procedures and controls should be in place to ensure all payments are complete and accurate and access is appropriately restricted.

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

- 2.9 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 BACS payment process.
- 2.10 The review focused on the high level processes and procedures in relation to the BACS payment process and concentrated on identified areas of perceived higher risk, such as the BACS payment file is not complete or accurate or access to the BACS payment file and system is not appropriately restricted.
- 2.11 The overall control environment opinion for this audit review was **Satisfactory**. There were 3 AMBER issues identified as follows:

Unrestricted access to BACS file location

During the BACS payment process, the payment file is transferred by the Payables and Income Team Leader or Assistant Team Leader to a specific server allocated by ICT prior to being electronically transferred via Bottomline BACS software by Finance staff to the Council's bank for payment.

Through observation and enquiry, it was identified that the BACS file held on the server within ICT is not encrypted and access to the server is currently unrestricted to all Council staff.

Where logical access controls to restrict access to the BACS file are not adequate, there is a risk that bank account numbers and sort codes could be manipulated by the FMS team.

Unrestricted access to payment files

As part of the BACS payment process, the FMS team upload batch payments files by interface from various feeder systems and the FMS team view the payment file on a Windows Notepad. However, the 8 digit bank account numbers and 6 digit sort codes are not encrypted on the Notepad and can be amended by any member of the FMS team. In addition, there is no independent check of the payment file prior to and after transferring it to the Payables & Income team who can also view and amend the 8 digit bank account numbers and 6 digit sort codes on the notepad.

Where access to bank details is not adequately restricted, there is a risk that sort codes and bank account numbers could be amended or sold on for fraudulent use.

Housekeeping of the BACS payment files held on the ICT server location

A key task within the BACS payment process is to transfer the payment file from the Finance drive to the ICT server before being transferred through the Bottomline BACS system. The Payables & Income staff ensure that the BACS files on the Finance drive are cleared out on a 2 weekly basis.

However, it was identified that the ICT server contained BACS files dating back to 2016. These files contain the 8 digit bank account numbers and the 6 digit sort codes of each creditor contained in the relevant BACS payment file. At the time of the review, these BACS files could be viewed by all staff whilst on the ICT server.

Where BACS files are not cleared out on a regular basis, there is a risk that the bank account numbers and sort codes could be stolen and used for fraudulent purposes.

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

- 2.12 The review identified 5 issues, 3 of which we consider to be individually significant and an action plan is in place to address all issues by 31 July 2019.

HSCP Contract Management

- 2.13 The Inverclyde Health & Social Care Partnership (HSCP) provides local residents with a range of legally defined services such as home care and advice services. A combination of commissioned services and directly employed staff are used to deliver HSCP services. The annual expenditure on commissioned services amounts to approximately £35m. It is important that a consistent and effective approach is applied to the management of all external service providers. In particular, effective arrangements must be in place to monitor the operational performance of service providers.
- 2.14 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 HSCP contract management.
- 2.15 The review focused on the high level processes and procedures in relation to HSCP contract management and concentrated on identified areas of perceived higher risk, such as not consistently monitoring the performance of service providers and not adequately managing underperforming service providers.
- 2.16 The overall control environment opinion was **Satisfactory**. There was one AMBER issue identified as follows:

Adequacy of Contract Management Framework (CMF) documentation

Contract Management Framework (CMF) documentation has been developed which sets out the key processes that form part of contract management. However, the documentation does not adequately specify the roles and responsibilities of officers when they need to deal with underperforming providers or outline the timeframes for taking corrective action.

In addition, the CMF sets out a number of monitoring indicators which are used in the assessment of service providers' performance. We have reviewed the indicators within the CMF and identified that:

- common indicators for all providers have not been labelled as such;
- indicators have not been fully organised by HSCP function; and
- the relative importance of each indicator has not been specified.

Where clear documentation does not exist to support staff there is a risk that the management of underperforming HSCP service providers may not be undertaken in a consistent and structured approach.

In addition, it may be more difficult to easily select monitoring indicators when the guidance containing those indicators has not been organised by function or prioritised.

- 2.17 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 30 November 2019.

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

Corporate Fraud Review - Employee Expenses – Quarterly Checks

- 2.18 Employees necessarily incurring additional expense in the course of their work will be reimbursed approved expenses, based on actual expenditure incurred, subject to appropriate evidence of expenditure being produced and prior approval being given from the Head of Service or nominated senior officer.
- 2.19 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 over the key fraud risks faced by Inverclyde Council in relation to employee expenses.
- 2.20 The scope of the review included employee expense claims submitted by Inverclyde Council employees during the financial year 2018-2019. There were 3,416 expense claims processed during 2018-2019 which were reviewed for non-compliance with policy and procedures. We did not review expense claims made via CM2000 as this process will be included in a future audit of Payroll.
- 2.21 Substantive testing was carried out on 3416 claim forms submitted between April 2018 and March 2019. This testing identified general issues with the completion of claim forms and adequacy of supporting documentation.

There were 50 cases where potential discrepancies were identified. Through further discussion with line management, discrepancies were identified in 13 cases including duplicate claims for mileage, inaccurate/rounding up of mileage, claiming for mileage when not at work and ineligible claims. These claims were all authorised by line management and paid. All cases have been discussed with relevant line management and for 2 cases, separate investigations were carried out which have resulted in disciplinary action being instigated by the Service. These are detailed at Section 6 of this report. For 7 cases where a valid and accurate overpayment was identified, this has been recovered by Payroll.

- 2.22 In addition, the following policy issues were identified:

- As part of the audit testing we identified that around 50 claim forms were submitted by employees in relation to subsistence where the employee accompanied a service user in the community. For the claim forms reviewed, this was a regular occurrence often on a daily basis. There is therefore a risk that these claims do not represent value for money. There is also a risk that employees are being treated inconsistently in the absence of a clear policy and practice which covers subsistence. Management have confirmed that this has been a historic practice and have advised that steps have been taken to remove and/or reduce levels of subsistence claims and that alternative provisions have been put in place where appropriate.
- As part of the audit testing we identified around 30-40 employees who claim in excess of 200 miles each period. Through further scrutiny we identified that journeys outwith Inverclyde were being claimed in relation to attending training courses and external meetings as well as accompanying service users and young people. In addition, daily mileage is being incurred by a number of employees/teams who mainly travel within Inverclyde to carry out their duties and may therefore benefit from a dedicated fleet car or access to a pool car arrangement where this is available.

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

Corporate Fraud Review - Employee Expenses – Quarterly Checks (Continued)

- For two groups of staff, excess mileage claims were processed and paid which were invalid. For one group of staff, claims for excess mileage can be made where the actual journey undertaken is more than the notional journey from the HQ location to the place of work. Audit testing identified that for one employee the actual mileage claimed from home to work was less than the notional journey and therefore no claims should have been made. This overpayment has now been recovered. For the other group of staff, an employee had been permanently transferred from one location to another and had been advised by management to claim home to work mileage for a period of 6 months. We were unable to find documentary evidence to support this authorisation and further testing identified a number of other officers who have also claimed in the same manner. HR have confirmed that there is no excess travel scheme.

2.23 An action plan has been agreed with the Corporate Management Team and includes the following:

1. Claim forms will be validated in the first instance by line managers who have operational knowledge of the day to day operations prior to authorisation by the budget holder.
2. Standard mileage will be agreed for regular journeys undertaken or mileage will be calculated using the vehicle's odometer or google maps.
3. Travel and Subsistence Policy will be updated to make clear what is eligible and not eligible for reimbursement and guidance will be provided regarding subsistence.
4. For travel outside of Inverclyde, public transport will be the default option in all cases. Where required, access to a pool/hire car will be considered as a more cost-effective alternative to using private car. Where a private car is required to be used, this will be approved by the Head of Service.
5. Savings proposals will be considered in relation to high mileage claims where a pool, electric or rental vehicle may be a more cost-effective solution in the longer term.
6. Travel and Subsistence Policy will be reviewed and updated in relation to excess mileage claims to ensure clear guidance is provided to employees.
7. Line managers and supervisors will be reminded of the need to scrutinise expense claims for validity and ensure that supporting documentation is attached prior to authorisation of the claim.
8. The Travel and Subsistence self-service module within Chris21 will be examined and a pilot service will be identified to develop and implement the new process across all Services.

2.24 As part of the 2019-2020 Internal Audit plan we will continue to review expense claims on a quarterly basis to ensure all actions have been implemented.

3. Audit Plan for 2019/2020 – Progress to 26 July 2019

Planned Audit Cover	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
HSCP Contract Management		✓	✓	✓	✓	✓	✓	August 2019
Governance of Community Groups	✓							
Safe Recruitment		✓	✓	✓				
Refugee Integration Scheme	✓							
Waste Management		✓	✓	✓				
IR35 (c/f 2018-2019)		✓	✓					
Limited Scope Financial Reviews								
Sundry Debtors	✓							
Corporate Fraud Reviews								
Tipping Permits	✓							
Residents Parking Scheme	✓							
Employee Expenses – Quarterly Checks		N/A	N/A	✓				
Regularity Audits								
Stock/Inventory Control – Quarterly Checks		N/A	N/A	✓				
Education Control Self-Assessment (CSA)	✓							
Corporate Purchase Cards – Quarterly Checks	✓							
Project Assurance								
SWIFT Replacement Project	CIA providing quality assurance to project Board.							
Business Support Redesign	CIA providing quality assurance to project Board.							
Corporate Governance								
Annual Governance Statement 2018-2019	Complete - Input provided by CIA.							
Other Work								
Council Tax Reduction Scheme/Discounts/Exemptions	Visits are carried out on establish the validity of discounts and exemptions – see section 4							
National Fraud Initiative	Work on the 2018/19 Data Matching Exercise is underway.							
SPOC Liaison with DWP	Ongoing – see paragraph 4 for detailed activity.							
Inverclyde IJB	Internal Audit annual audit plan for 2019/2020 was approved in April 2019 – 45 days allocated to IJB audit plan. Detailed planning will be carried out in August.							

4 Corporate Fraud Activity

4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 1 April to 26 July 2019:

Council Tax Reduction Scheme 1 April to 26 July 2019					
Number of Home Visits	Number of Errors Identified and Corrected	Total Overpayment/Future Savings			
38	25	£29,316/£18,913			
Council Tax Reduction Scheme – Year to Date					
Number of Home Visits	Number of Errors Identified and Corrected	Total Overpayment/Future Savings			
38	25	£29,316/£18,913			
National Fraud Initiative 2018-2019 Exercise					
Matches have now been received and a detailed review of matches is now underway by Internal Audit and Services.					
Matches received	Number Investigated	No issues	Fraud	Error	Value of Fraud/Error
Council Tax Reduction Scheme					
735	676	676	0	0	£0
Procurement					
38	38	38	0	0	£0
Payroll					
67	58	58	0	0	£0
Recheck Report – Single Person Discount					
1218	1097	1075	15	7	£23,078
Stock and Inventory Quarterly Checks – 2019-2020					
Fieldwork is underway.					
Employee Expenses Quarterly Checks – 2019-2020					
Fieldwork is underway.					

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

File Ref	Description	Status
18/19 18-09	CT SPD > Pension (Recheck report)	Passed to Finance for adjudication.
18/19 18-84	CT SPD > State Benefits (Recheck report)	Passed to Finance for adjudication.
18/19 18-110	CT SPD > Taxi Drivers (Recheck report)	Passed to Finance for adjudication.
18/19 18-189	CTR/HB > Taxi Drivers	Fraud established. Account updated and liable party rebilled.
18/19 18-191	Fraudulent Application for CT Exemption	Passed to Finance for adjudication 13/2/19

4 Corporate Fraud Activity (Continued)

File Ref	Description	Status
18/19 18-196	CTR/HB > Payroll	Fraud established and overpayment being recovered.
18/19 18-197	CTR/HB > Student Loan	Fraud established and overpayment being recovered.
18/19 18-199	CTR/HB > Taxi Drivers	Closed – no fraud detected.
18/19 18-200	CTR/HB > Taxi Drivers	Fraud established and overpayment being recovered.
18/19 18-202	CTR/HB > Taxi Drivers	Fraud established. Benefits cancelled as no entitlement.
18/19 18-225	Recheck Report SPD > Electoral Register	Fraud established. Account updated and liable party rebilled.
19/20 19-01	NFI Recheck SPD > Blue Badge	Closed – no fraud detected.
19/20 19-02	NFI Recheck SPD > Blue Badge	Closed – no fraud detected.
19/20 19-03	NFI Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-04	NFI Recheck SPD > Payroll	Closed – no fraud detected.
19/20 19-06	NFI Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-07	NFI Recheck SPD > Payroll	Closed – no fraud detected.
19/20 19-09	NFI Recheck Payroll > Pension	Closed – no fraud detected.
19/20 19-10	NFI Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-11	NFI Recheck SPD > Payroll	Closed – no fraud detected.
19/20 19-13	NFI Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-14	NFI Recheck SPD > Payroll	Error identified and account updated.
19/20 19-15	NFI Recheck SPD > Payroll	Closed – no fraud detected.
19/20 19-16	NFI Recheck SPD > Blue Badge	Error identified and account has been updated.
19/20 19-17	NFI Recheck SPD > Waiting List/ Market Traders/State Benefits	Ongoing investigation.
19/20 19-18	NFI Recheck SPD > State Benefit	Closed - no fraud detected.
19/20 19-20	NFI Recheck SPD > Payroll	Passed to Finance for adjudication 2/5/19.
19/20 19-21	NFI Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-22	NFI Recheck SPD > Taxi Drivers	Ongoing investigation.
19/20 19-28	NFI Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-30	NFI Recheck SPD > Payroll	Closed – no fraud detected.

4 Corporate Fraud Activity (Continued)

File Ref	Description	Status
19/20 19-31	NFI Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-32	NFI Recheck SPD > Pension	Closed – no fraud detected.
19/20 19-33	NFI Recheck SPD > Payroll	Error identified. Account updated.
19/20 19-34	NFI Recheck SPD > Payroll	Passed to Finance for adjudication.
19/20 19-35	NFI Recheck SPD > Pension	Closed – no fraud detected.
19/20 19-37	NFI Recheck SPD > Taxi Drivers	Error identified. Account updated.
19/20 19-38	NFI Recheck SPD > Taxi Drivers	Fraud established. Account updated and liable party rebilled.
19/20 19-39	NFI Recheck SPD > Taxi Drivers	Fraud established. Account updated and liable party rebilled.
19/20 19-40	NFI Recheck SPD > Taxi Drivers	Passed to Finance for adjudication 17/5/19.
19/20 19-51	Payroll > Pension	Closed – no fraud detected.
19/20 19-53	NFI Recheck SPD > Deferred Pension	Closed – no fraud established.
19/20 19-57	NFI Recheck SPD > Deferred Pension	Closed – no fraud detected.
19/20 19-58	NFI Recheck SPD > State Benefits/ Pension	Ongoing investigation.
19/20 19-59	NFI Recheck SPD > State Benefits	Fraud established. Account updated and liable party rebilled.
19/20 19-60	NFI Recheck SPD > Deferred Pension	Closed – no fraud detected.
19/20 19-61	NFI Recheck SPD > Deferred Pension	Fraud established. Account updated and liable party rebilled.
19/20 19-64	NFI Recheck SPD > Payroll	Error identified. Account updated.
19/20 19-65	NFI Recheck SPD > State Pension	Fraud established. Account updated and liable party rebilled.
19/20 19-66	NFI Recheck SPD > Payroll	Error identified. Account updated.
19/20 19-67	NFI Recheck SPD > Deferred Pension	Error identified. Account updated.
19/20 19-70	NFI Recheck SPD > Deferred Pension	Closed – no fraud detected.
19/20 19-71	NFI Recheck SPD > Payroll/Pension	Ongoing investigation.
19/20 19-72	NFI Recheck SPD > Payroll/Pension	Passed to Finance for adjudication.
19/20 19-73	NFI Recheck SPD > Pension	Closed – no fraud detected.
19/20 19-79	NFI Recheck SPD > Deferred Pension	Closed – no fraud detected.

4 Corporate Fraud Activity (Continued)

File Ref	Description	Status
19/20 19-80	NFI Recheck SPD > Deferred Pension	Closed – no fraud detected.
19/20 19-81	NFI Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-82	NFI Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-83	NFI Recheck SPD > Deferred Pension	Closed – no fraud detected.
19/20 19-84	NFI Recheck SPD > Deferred Pension	Ongoing investigation.
19/20 19-85	NFI Recheck SPD > Payroll	Closed – no fraud detected.
19/20 19-91	CTR > Deceased	Closed – error identified and system updated.
19/20 19-92	Payroll > Payroll	Closed – no fraud detected.
19/20 19-95	NFI Recheck SPD > Payroll	Ongoing investigation.
19/20 19-99	CTR > Payroll	Closed – no fraud detected.
19/20 19-100	CTR > Payroll	Ongoing investigation.

4.3 **SPOC Liaison 1/4/19 – 26/7/19**

DWP Referrals	14 this period	14 to date
LAIEF requests actioned	20 this period	20 to date

4.4 **Whistleblowing/Referrals**

Files 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.
18/19 18-82	Single Person Discount	Fraud established. Account updated and liable party rebilled.
18/19 18-90	Housing Benefits enquiry	Fraud established. Benefits reduced.
18/19 18-138	Single Person Discount	Fraud established. Account updated and liable party rebilled.
18/19 18-149	Single Person Discount	Passed to Finance for adjudication.
19/20 19-75	Potential Irregularity in Accounting Practices – Community Facility	Ongoing investigation.
19/20 19-94	Employee Fraud – Annual Leave	Ongoing investigation.
19/20 19-104	Employee Fraud – Flexi Leave	Ongoing investigation.
19/20 19-118	External Fraud – Payroll	Ongoing investigation.

4 Corporate Fraud Activity (Continued)

4.5 In addition, the status of other enquiries received between 1/4/19 and 26/7/19 is as follows:

Blue Badge Enquiries					
Number of Enquiries	Misuse Identified		No misuse		
35	27		8		
Council Tax Referrals (Whistleblower/Services)					
Number of Enquiries	Fraud Established	No Fraud	Referred to Finance	Referred to External Agency	Ongoing
21	3	12	2	2	2

5 Ad hoc activities undertaken since the previous Audit Committee

5.1 From time to time, management will request the assistance of Internal Audit in certain activities that are in addition to the annual Operational Plan. Examples of such activities include investigations of alleged irregularities, review of changes in system procedures etc.

5.2 Contingency has been made available in the Operational Plan for such ad hoc activities. Since the previous Audit Committee, ad hoc activity undertaken in the period is as follows:

- Providing relevant information in relation to FOI requests.
- Review of SPT Grant Claims.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 30 JUNE 2019

Summary: Section 1 Summary of Management Actions due for completion by 30/06/19

There was one action due for completion by 30 June 2019 which has been reported as completed by management.

Section 2 Summary of Current Management Actions Plans at 30/06/19

At 30 June 2019 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 30/06/19

At 30 June 2019 there was a total of 7 current audit action points.

Section 4 Analysis of Missed Deadlines

At 30 June 2019 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 30.06.19**

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

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

In addition, there was one action plan which has been completed ahead of the current due date:

Action	Expected Date
Managing School Meals Income using the “ParentPay” system (Amber) Management will explore the operational aspects of writing-off debts and debt case management.	31.08.19

**INVERCLYDE COUNCIL INTERNAL AUDIT
 REPORT TO AUDIT COMMITTEE ON
 STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
 SUMMARY OF CURRENT MANAGEMENT ACTION PLANS AS AT 30.06.19**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Environment, Regeneration and Resources	
Due for completion July 2019	1
Total Actions	1
HSCP	
Due for completion November 2019	2
Due for completion December 2019	1
Due for completion November 2020	1
Total Actions	4
Education, Communities and Organisational Development	
Due for completion October 2019	2
Total Actions	2
Total current actions:	7

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 30.06.19**

SECTION 3

Environment, Regeneration and Resources

Action	Owner	Expected Date
BACS Payment Process (May 2019)		
Unrestricted Access to BACS File Location (Amber) Management will ensure that the encryption functionality is installed.	ICT Service Manager	31.07.19

HSCP

Action	Owner	Expected Date
Stock and Inventory Control (March 2019)		
Adequacy of Stock Controls within Inverclyde Centre for Independent Living (Amber) Funding has been secured to procure a new stock control system which will be used for ICIL equipment. As an interim measure, managers have carried out a manual stock check and a year-end stock check will be carried out by end of March.	Service Manager (Innovation and ICIL)	31.12.19
HSCP Contract Management (July 2019)		
Adequacy of Contract Management Framework documentation (Amber) Management will finalise the draft guidance on the management of underperforming HSCP service providers. In turn, the final guidance will be: <ul style="list-style-type: none"> • submitted to the Health & Social Care Committee for approval; • included within the next update of the Contract Management Framework; and • communicated to all relevant officers. <p>The finalised guidance will be formally reviewed for its effectiveness within a year of its being applied in practice.</p> <p>Management will review the monitoring indicators contained within the Contract Management Framework.</p>	Service Manager (Quality and Development)	30.11.19
	Service Manager (Quality and Development)	30.11.20
	Service Manager (Quality and Development)	30.11.19

* 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 30.06.19**

SECTION 3

Education, Communities and Organisational Development

Action	Owner	Expected Date
Education CSA (December 2018)		
<p>Managing GDPR and Information Governance (Amber) 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>	Interim Head of Education	31.10.19
<p>Management will address specific issues regarding the implementation of GDPR.</p>	Interim Head of Education	31.10.19*

* 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
Education CSA (December 2018)	Managing GDPR and Information Governance (Amber) Management will address specific issues regarding the implementation of GDPR.	30.04.19	31.10.19	<p>A number of actions have been implemented however work is ongoing to:</p> <ul style="list-style-type: none"> • formalise the sharing of data between Education Services and the Inverclyde HSCP; • provide staff with guidance on when consent is required before information is shared with other Services or agencies along with specifying how best to record consent; • develop an Education data sharing template for use with all relevant external organisations • develop guidance on GDPR and information governance which is written from the perspective of staff who work within Education Services and this guidance will aim to address key issues.

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

SECTION 5

The following table sets out the total number of agreed actions raised by audit year together with their completion status as at 30 June 2019.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2013/2014	116	116	0	0	0
2014/2015	77	77	0	0	0
2015/2016	52	52	0	0	0
2016/2017	66	66	0	0	0
2017/2018	53	46	0	0	7
2018/2019	41	20	0	4	17
2019/2020	5	0	0	3	2
Total	410	377	0	7	26

*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.