

A meeting of the Audit Committee will be held on Tuesday 25 February 2020 at 3pm within the Municipal Buildings, Greenock.

GERARD MALONE
Head of Legal & Property Services

BUSINESS

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

Report To: Audit Committee **Date:** 25.02.2020

Report By: Corporate Director Environment Regeneration and Resources **Report No:** AC/03/20/SA/APr

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

Subject: INTERNAL AUDIT PROGRESS REPORT – 2 DECEMBER 2019 TO 31 JANUARY 2020

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 2 December 2019 to 31 January 2020 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 2020:
- Education – Control Self Assessment
- 2.2 This report contained 3 issues categorised as follows:

Red	Amber	Green
0	1	2

- 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	4
Draft Report	1
Fieldwork Complete	4
Fieldwork in Progress	3
Planning	2
Not started	0
Total	14

- 2.4 In relation to Internal Audit follow up, there was one action due for completion by 31 January 2020 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 2 December 2019 to 31 January 2020.

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 CMT and the Audit Committee.

5.0 CURRENT POSITION

- 5.1 There was one internal audit report finalised since the last Audit Committee meeting in January 2020:
- Education – Control Self-Assessment
- 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	4
Draft Report	1
Fieldwork Complete	4
Fieldwork in Progress	3
Planning	2
Not started	0
Total	14

- 5.3 There are 6 current action points being progressed by officers. There was one action point due for completion by 31 January 2020 which has been reported as completed by management. Appendix 2
- 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
2 December 2019 to 31 January 2020**

Section	Contents	Page
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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 review finalised since the January 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	
Education – Control Self Assessment	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 29 November 2019.

Education – Control Self-Assessment

- 2.2 Control Self-Assessment is a process through which the adequacy and effectiveness of internal controls are examined, with the goal of providing assurance that key objectives are being met. It allows Heads of Establishments and selected staff to participate in the assessment of internal controls and develop action plans to address any weaknesses that may be identified. In turn these action plans assist in evaluating risks which, if not properly addressed, could undermine the achievement of key objectives. Furthermore, Control Self-Assessments can increase awareness of internal control issues and motivate staff to carefully design and implement control processes.
- 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 a number of key risks faced by Education Services.
- 2.4 The review focused on the high level processes and procedures in relation to all Education establishments and concentrated on identified areas of perceived higher risk, such as ensuring that there is efficient and effective use of ICT systems within all Education establishments and that all Education establishments comply with health and safety legislation and related policies/guidance in relation to automated external defibrillators.
- 2.5 The overall control environment opinion for this audit review was **Satisfactory**. There was one AMBER issue identified as follows:

Inefficient use of ICT systems

Within Education establishments, there are two distinct network systems which are in use ie the Council's secure corporate network and the Education network which is used by Education Services. The email system GLOW is used by educators, learners and parents to communicate. However, this system is not secure and is not covered by the Council's PSN processes. In relation to transferring corporate information eg HR/Payroll data this has resulted in manual workarounds which are required to ensure data transferred by GLOW email is secure. eg files are encrypted prior to being sent. This results in attached files being quarantined prior to being released to users, which can delay processing of information.

In addition, through review of the CSA returns it was identified that although there is adequate switch capacity to gain access to the corporate network, many promoted staff members within some educational establishments have not been set up on the corporate network and currently there are no corporate networked printers in use, instead stand-alone printers are widely used with no secure print facility.

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

Where manual workarounds are in place, there is a risk that sensitive data could be transferred without encryption which could result in a data breach. In addition, manual workarounds can result in inefficiencies in the process.

In addition, where secure printing is not used there is a risk that sensitive data could be accessed by unauthorised staff which could result in a data breach.

- 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 14 August 2020.

3. Audit Plan for 2019/2020 – Progress to 31 January 2020

Planned Audit Coverage	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		✓	✓	✓				
HR Safe Recruitment Checks		✓	✓	✓	✓	✓	✓	January 2020
Refugee Integration Scheme		✓	✓					
Waste Management		✓	✓	✓	✓	✓	✓	October 2019
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	✓	✓	N/A	N/A	N/A
Regularity Audits								
Stock/Inventory Control – Quarterly Checks		N/A	N/A	✓	✓	N/A	N/A	N/A
Education Control Self-Assessment (CSA)		✓	✓	✓	✓	✓	✓	February 2020
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 to establish the validity of discounts and exemptions – see section 4							
National Fraud Initiative	Work on the 2018/19 Data Matching Exercise is almost complete.							
SPOC Liaison with DWP	Ongoing – see paragraph 4 for detailed activity.							
Inverclyde IJB	45 days allocated to IJB audit plan. Audit Plan is now complete.							

4 Corporate Fraud Activity

4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 2 December 2019 to 31 January 2020:

Council Tax Reduction Scheme 2 December 2019 to 31 January 2020					
Number of Home Visits		Number of Errors Identified and Corrected		Total Overpayment/Future Savings	
0		7		£6145/£6215	
Council Tax Reduction Scheme – Year to Date					
Number of Home Visits		Number of Errors Identified and Corrected		Total Overpayment/Future Savings	
97		46		£43,161/ £30,354	
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
Housing Benefit					
385	385	373	11	1	£18,283.03
Blue Badge					
201	201	84	0	117	£0
Care Homes					
45	45	45	0	0	£0
Personal Budgets					
7	7	7	0	0	£0
Council Tax Reduction Scheme					
735	722	711	6	5	£4154.31
Procurement					
38	38	38	0	0	£0
Payroll					
67	67	64	0	3	£1556.60
Creditors					
1254	1118	1118	0	0	£0
VAT					
56	56	56	0	0	£0
TOTALS					
2788	2639	2496	17	126	£23,993.94
Recheck Report – Single Person Discount (Refreshed in January 2020)					
3799	1130	1086	20	10	£27,362
Stock and Inventory Quarterly Checks – 2019-2020					
Fieldwork is complete. No significant issues have arisen.					
Employee Expenses Quarterly Checks – 2019-2020					
Fieldwork is complete for 2019/2020. A new Travel and Subsistence policy was approved in September 2019. Compliance with the new policy will be undertaken as part of the 2020-2021 Annual Audit Plan.					

4 Corporate Fraud Activity (Continued)

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

File Ref	Description	Status
19/20 19-34	Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-40	Recheck SPD > Taxi Drivers	Fraud established. Account updated and liable party rebilled.
19/20 19-72	Recheck SPD > Payroll/Pension	Fraud established. Account updated and liable party rebilled.
19/20 19-122	CTR > Taxi Driver	Closed – no fraud detected.
19/20 19-123	CTR > Payroll	Passed to Finance for adjudication 4/9/19.
19/20 19-124	CTR > Payroll	Passed to Finance for adjudication 3/9/19.
19/20 19-126	CTR > Payroll	Closed – no fraud detected.
19/20 19-128	CTR > Taxi Driver	Closed – no fraud detected.
19/20 19-129	CTR > Taxi Driver	Closed – no fraud detected.
19/20 19-130	CTR > Taxi Driver	Closed – no fraud detected.
19/20 19-131	CTR > Taxi Driver	Closed – no fraud detected.
19/20 19-134	CTR > Taxi Driver	Closed – no fraud detected.
19/20 19-135	CTR > Taxi Driver	Closed – no fraud detected.
19/20 19-136	CTR > Taxi Driver	Closed – no fraud detected.
19/20 19-137	CTR > Taxi Driver	Closed – no fraud detected.
19/20 19-138	CTR > Taxi Driver	Closed – no fraud detected.
19/20 19/144	CTR > Pension	Ongoing Investigation.
19/20 19-148	CTR > Pension	Passed to Finance for adjudication 17/9/19.
19/20 19-151	HB/CTR > Pension	Passed to Finance for CTR adjudication 12/9/19.
19/20 19-152	CTR > Pension	Passed to Finance for CTR adjudication 12/9/19.
19/20 19-154	CTR > Pension	Passed to Finance for adjudication 3/9/19.
19/20 19-160	CTR > Pension	Closed – error identified. No financial impact.
19/20 19-161	CTR > Pension	Fraud established. Account updated and liable party rebilled.
19/20 19-162	CTR > Pension	Passed to Finance for adjudication 11/9/19.
19/20 19-171	Recheck SPD > Payroll	Passed to Finance for adjudication 7/10/19.
19/20 19-192	CTR > Pension	Ongoing investigation.
19/20 19-194	Recheck SPD > Payroll/Insurance	Closed – no fraud detected.
19/20 19-216	Recheck SPD > Pensions	Ongoing investigation.
19/20 19-237	Recheck SPD > DWP	Fraud established. Account updated and liable party rebilled.

4 Corporate Fraud Activity (Continued)

File Ref	Description	Status
19/20 19-249	Recheck SPD > Payroll	Ongoing investigation
19/20 19-250	Recheck SPD > Taxi Driver	Ongoing investigation

4.3 SPOC Liaison 2/12/19 – 31/1/20

DWP Referrals	3 this period	35 to date
LAIEF requests actioned	12 this period	56 to date

4.4 Whistleblowing/Referrals

Files closed/being investigated since the last Audit Committee are as follows:

File Ref	Description	Status
19/20 19-199	Employee Fraud – timekeeping/ duties irregularity.	Draft findings reported to management for information and comment.
19/20 19/221	Discrepancies in Client Accounts.	Ongoing investigation.
19/20 19/223	Misuse of disabled bays in school premises.	Closed - Irregularity identified. Advice provided and actioned.

4.5 In addition, the status of other enquiries received between 2/12/2019 and 31/1/2020 is as follows:

Blue Badge Enquiries					
Number of Enquiries	Misuse Identified		No misuse	Ongoing	
22	15		2	5	
Council Tax Referrals (Whistleblower/Services)					
Number of Enquiries	Fraud Established	No Fraud	Referred to Finance	Referred to External Agency	Ongoing
5	1	0	2	0	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.
- Investigations as set out at sections 4.4 and 4.5 of the report.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 31 JANUARY 2020

Summary: Section 1 Summary of Management Actions due for completion by 31/01/2020

There was one action due for completion by 31 January which has been reported as completed by management.

Section 2 Summary of Current Management Actions Plans at 31/01/2020

At 31 January 2020 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/01/2020

At 31 January 2020 there were 6 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 January 2020 there was 1 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 31.01.2020**

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

Completed actions:

Action	Owner	Completion Date
Waste Management (September 2019)		
Adequacy of Contract Monitoring Procedures (Amber) Management will ensure that: <ul style="list-style-type: none"> • the central spreadsheet is updated with new contract details and communicated to staff; • as part of the invoice authorisation process, a check of the contract price is carried out to ensure accuracy of the calculated income; • arrangements are put in place to recover the income owed to Inverclyde Council due to the incorrect pricing structure being applied in error; and • formal contractual agreements will be put in place regarding hard plastics and gully and street sweeping. 	Team Leader Environmental Services	31.01.20

**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 31.01.2020**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

HSCP	
Due for completion December 2019	1
Due for completion November 2020	1
Total Actions	2
Education, Communities and Organisational Development	
Due for completion February 2020	1
Due for completion June 2020	1
Due for completion August 2020	2
Total Actions	4
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 31.01.2020**

SECTION 3

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)	31.03.2020*
HSCP Contract Management (July 2019)		
Adequacy of Contract Management Framework documentation (Amber) The finalised guidance will be formally reviewed for its effectiveness within a year of its being applied in practice.	Service Manager (Quality and Development)	30.11.2020

Education, Communities and Organisational Development

Action	Owner	Expected Date
HR Safe Recruitment Checks (November 2019)		
Monitoring the timeliness of processing of HR safe recruitment checks (Amber) HR management will review these issues as part of the work being undertaken in respect of Good Work Plan legislation along with the internal review/short life work group involving HR and Home Care. This work will be balanced with examining available national benchmarking data in order to identify whether Inverclyde is in line with average timescales and subject to available resources within HR.	HR and OD Manager	30.06.20

* 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 31.01.2020**

SECTION 3

Education, Communities and Organisational Development (Continued)

Action	Owner	Expected Date
Education Control Self Assessment (January 2020)		
Inefficient Use of ICT Systems (Amber) Pilot for corporate transition is due to commence in three schools – Inverclyde Academy, Ardgowan Primary and St Michael’s Primary.	Head of Education	14.02.2020
Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.	Head of Education	14.08.2020
Staff will be given corporate e-mail address access and use of corporate printers.	Head of Education	14.08.2020

* 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
Stock and Inventory Control (March 2019)	<p>Adequacy of Stock Controls within Inverclyde Centre for Independent Living (Amber)</p> <p>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.</p>	31.12.19	31.03.20	Issues were encountered at the procurement stage. The system has now been procured and will be implemented by 31 March 2020.

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO CMT 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 2020.

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	49	0	0	4
2018/2019	45	35	0	1	9
2019/2020	18	9	0	5	4
Total	427	404	0	6	17

*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.

Report To:	Audit Committee	Date:	25.02.2020
Report By:	Corporate Director Environment Regeneration and Resources	Report No:	AC/04/20/SA/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	EXTERNAL AUDIT ACTION PLANS - CURRENT ACTIONS		

1.0 PURPOSE

1.1 The purpose of this report is to advise members of the status of current actions from External Audit Action Plans at 31 January 2020.

2.0 SUMMARY

2.1 The Chief Internal Auditor co-ordinates follow up reporting on current actions arising from External Audit Action Plans on a monthly basis with regular reporting to CMT and the Audit Committee.

2.2 There was one action due for completion by 31 January 2020 which has been reported as completed by management.

2.3 There are 2 current external audit actions being progressed by officers.

2.4 The CMT has reviewed and agreed the current status of actions.

3.0 RECOMMENDATIONS

3.1 It is recommended that members note the progress to date in relation to the implementation of External Audit actions.

Scott Allan
Corporate Director Environment Regeneration and Resources

4.0 BACKGROUND

- 4.1 External Audit regularly report findings and action plans to relevant Council Officers and the Audit Committee as part of their annual audit plan.
- 4.2 A follow up process is in place to allow follow up of current external 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 STATUS

- 5.1 There was one action due for completion by 31 January 2020 which has been reported as completed by management.
- 5.2 There are 2 current external audit actions being progressed by officers.
- 5.3 The CMT has reviewed and agreed the current status of actions.

6.0 IMPLICATIONS

6.1 Finance

There are no direct financial implications arising from this report.

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					

6.2 Legal

There are no direct legal implications arising from this report.

6.3 Human Resources

There are no direct HR implications arising from this report.

6.4 Equalities

There are no direct equalities implications arising from this report.

6.5 Repopulation

There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

- 7.1 Relevant Officers were asked to provide updates to the report as appropriate.

8.0 LIST OF BACKGROUND PAPERS

8.1 External Audit reports. Copies available from Andi Priestman, Chief Internal Auditor.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
AT 31 JANUARY 2020

Summary: Section 1 Summary of Management Actions due for completion by 31/01/2020

There was one action due for completion by 31 January 2020 which has been reported as completed by management.

Section 2 Summary of Current Management Actions Plans at 31/01/2020

At 31 January 2020 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/01/2020

At 31 January 2020 there were 2 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 January 2020 there were no audit action points where the agreed deadline had been missed.

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.01.2020

SECTION 1

Area	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*	No action proposed
Chief Executive	0				
Environment, Regeneration and Resources	1	1			
Health and Social Care Partnership (HSCP)	0				
Education, Communities and Organisational Development	0				
Total	1	1			

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

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 31.01.2020

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Environment, Regeneration and Resources	
Due for completion February 2020	1
Due for completion March 2020	1
Total Actions	2
Total current actions:	2

Completed Actions:

Action	Owner	Completion Date
2018/2019 Annual Audit Report (September 2019)		
Fixed Asset Register Address software issues with supplier and identify time in the year end timetable for further checks of reasonableness of entries.	Finance Manager (Environment and Corporate)	31.01.20

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 31.01.2020

SECTION 2

Environment, Regeneration and Resources

Action	Owner	Expected Date
2018/2019 Annual Audit Report (September 2019)		
Management commentary Management commentary will be comprehensively reviewed as part of the 2019/20 accounts preparation.	Chief Financial Officer	31.03.20
Inflation contingencies Review of all contingencies will be carried out during the 2020/21 Budget exercise.	Chief Financial Officer	28.02.20

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
There are no current action plans which have missed their original deadline.				

Report To:	Audit Committee	Date:	25.02.2020
Report By:	Corporate Director Environment, Regeneration and Resources	Report No:	AC/05/20/SA/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	INTERNAL AUDIT - ANNUAL STRATEGY AND PLAN 2020-2021		

1.0 PURPOSE

- 1.1 The purpose of this report is to present the Internal Audit Annual Strategy and Plan for 2020-2021 to Members for approval.

2.0 SUMMARY

- 2.1 The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 2.2 The Audit Universe contains all areas that have been identified for review and an assessment has been undertaken of the risk relating to each area based on a number of criteria. Account has also been taken of the risks identified in the Council's Corporate, Directorate and Service Risk Registers and risks identified by external scrutiny bodies through the Local Scrutiny Plan.
- 2.3 It is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk and meetings have been held with Corporate Directors and Heads of Service as appropriate. Each area has been assessed against a broad range of risk criteria and a risk score has been generated based on probability factors such as current control environment, results of last audit and time since the last audit.
- 2.4 In addition, the annual audit plan includes areas of proactive work in relation to corporate fraud reviews.
- 2.5 Furthermore, to meet the requirements of External Audit, the Annual Plan will include limited scope reviews of financial systems that are not subject to a full scope review or will not be covered in the External Audit Annual Audit Plan to maximise audit coverage and reduce duplication.
- 2.6 The proposed Annual Audit Strategy and Plan for 2020-2021 is attached at Appendix 1. The Plan contains a contingency provision that will be utilised during the year in response to unforeseen work demands that arise eg special investigations and provision of ad hoc advice. Appendix 1
- 2.7 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members approve the Internal Audit Annual Strategy and Plan for 2020-2021.

Scott Allan
Corporate Director
Environment, Regeneration and Resources

4.0 BACKGROUND

- 4.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising governance, risk management and control by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 4.2 The requirement for an Internal Audit function derives from local government legislation, including Section 95 of the Local Government (Scotland) Act 1973, which requires authorities to make arrangements for the proper administration of their financial affairs. Proper administration includes Internal Audit.
- 4.3 The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

5.0 CURRENT POSITION

- 5.1 It is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk and meetings have been held with Corporate Directors and Heads of Service as appropriate. Each area has been assessed against a broad range of risk criteria and a risk score has been generated based on probability factors such as current control environment, results of last audit and time since the last audit.
- 5.2 Account has also been taken of the risks identified in the Council's Corporate, Directorate and Service Risk Registers and risks identified by external scrutiny bodies through the Local Scrutiny Plan.
- 5.3 Outlined below are the current risk factors influencing our proposed audit coverage for 2020-2021:
 - Core functions of the Homelessness Service include trying to prevent homelessness, assessing clients, managing accommodation options and resettlement work. The audit will review the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks in relation to Homelessness Services.
 - As part of annual audit planning process, corporate procurement is a key risk area that is reviewed each year. For the 2020-2021 Internal Audit will carry out an audit of off-contract spend to ensure compliance with relevant regulations, policies and procedures.
 - Inverclyde Council as a licensing authority carries out the administration of licensing in relation to activities for which licences are required, including the licensing of taxis, private hire cars and their drivers, as specified in the Civic Government (Scotland) Act 1982. Internal Audit will review the adequacy and effectiveness of control procedures in place to meet the legislative requirements.
 - Overtime is used as a means to manage fluctuations in workload and staff resources. The discretionary use of overtime can be effective in balancing workloads and capacity to ensure seamless delivery of services. Internal Audit will review the adequacy and effectiveness of control procedures in place in relation to overtime.
 - From 1 April 2020, new charges will come into force in relation to garden waste. Internal Audit will review the adequacy and effectiveness of control procedures in place to ensure that income is completely and accurately received in a timely manner.
 - Through the Control Self-Assessment process carried out in Education establishments in 18/19, a number of issues were highlighted in relation to ParentPay administration procedures. A new policy was finalised in January 2020 which has taken on board the issues identified and Internal Audit will review levels of compliance with the new policy and related guidance across establishments.
 - A number of key projects are underway within the Council. Internal Audit will carry out project assurance reviews to ensure that project management guidelines are being complied with.

- 5.4 The proposed Annual Audit Strategy and Plan for 2020-2021 is attached at Appendix 1. The Plan contains a contingency provision that will be utilised during the year in response to unforeseen work demands that arise eg special investigations and provision of ad hoc advice. The plan also includes proposed resources for providing Internal Audit support to the Integrated Joint Board.
- 5.5 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

6.0 IMPLICATIONS

Finance

- 6.1 The work required to deliver the Annual Internal Audit Plan will be contained within the existing Internal Audit budget. The Chief Internal Auditor role is provided through a shared service arrangement with West Dunbartonshire Council.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Internal Audit	Various	2020-2021			

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 Discussions have taken place with Corporate Directors and Heads of Service as appropriate in relation to the proposed annual audit plan coverage.
- 7.2 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

8.0 LIST OF BACKGROUND PAPERS

- 8.1 Internal Audit Annual Plan 2020-2021. Available from Andi Priestman, Chief Internal Auditor.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2020-2021

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) set out the requirement for the Chief Internal Auditor to prepare a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.2 The Chief Internal Auditor must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations and priorities.
- 1.3 The audit plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.
- 1.4 The strategy shall be reviewed on an annual basis as part of the audit planning process.

2. Internal Audit Objectives

- 2.1 The definition of internal auditing is contained within the PSIAS as follows:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 The primary aim of the internal audit service is to provide assurance services which requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 2.3 The internal audit service also provides advisory services, generally at the request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 2.4 The internal audit service supports the Chief Financial Officer in his role as Section 95 Officer.

3. Risk Assessment and Audit Planning

- 3.1 The internal audit approach to annual audit planning is risk-based and all areas which may be subject to audit review are contained within an Audit Universe which is subject to formal review, at least annually.
- 3.2 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2020-2021

3.3 The Audit Universe is risk assessed each year to determine the Annual Audit Plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Each area within the Audit Universe is assessed for impact against a number of broad risk categories as follows:

- Strategy Risks associated with the setting and achievement of strategic objectives.
- Economy Risks associated with the economy in which Inverclyde Council operates.
- Reputation Risks associated with threats to Inverclyde Council's name and standing in the sector.
- Customer Risks associated with customer relationships.
- Legal/Regulatory Risks associated with the requirement to comply with a wide range of statute.
- Financial Risks associated with financial loss or inefficiency.
- Technology Risks associated with application systems, their integrity, security and development.
- Management Information Risks associated with the provision of information for decision-making purposes.
- Human Resources Risks associated with people, eg recruitment, succession, development, motivation and morale etc.
- Operations Risks associated with the business operating process.
- Business Continuity/Resilience Risks associated with disaster scenarios which would threaten the continuing operation of Inverclyde Council.
- Security Risks associated with security over customer and Inverclyde Council's assets.
- Stakeholder Risks associated with management of stakeholder expectations (eg Government or local communities)
- Fraud Risks associated with asset misappropriation, corruption and financial statement fraud.

3.4 Account has also been taken of the risks identified in the Council's Corporate, Directorate and Service Risk Registers and risks identified by external scrutiny bodies through the Local Scrutiny Plan.

3.5 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2020-2021

4 Service Delivery

- 4.1 The provision of the internal audit service is through a directly employed in-house team. The Chief Internal Auditor is provided through a shared service arrangement with West Dunbartonshire Council.
- 4.2 In relation to the total staff days allocated to the 2020-2021 plan, each member of staff completes a resource allocation spreadsheet for the year which is split between annual leave, public holidays, training days, general administration and operational plan days. This spreadsheet is reviewed and updated each period by each member of staff against time charged to timesheets.

The combined operational plan is 760 days which will be resourced as follows:

Team Member

Audit Practitioner – 190

Audit Assistant – 190

Senior Corporate Fraud Officer – 190

Corporate Fraud Officer – 190

The Chief Internal Auditor does not directly carry out the assignments included in the annual audit plan but provides the quality review and delivery oversight of the overall plan. As such, no direct time is included within the plan. Where there are any resource issues which may impact on delivery of the plan, this will be reported to Audit Committee at the earliest opportunity.

- 4.3 Given the range and complexity of areas to be reviewed it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The PSIAS requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Internal Auditor), CCAB or equivalent and be suitably experienced. The internal auditor posts must also be CMIIA/CCAB or equivalent with previous audit experience.
- 4.4 Internal audit staff members identify training needs as part of an appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development. All training undertaken is recorded in a personal training record for CPD purposes.
- 4.5 Internal audit staff members require to conform to the Code of Ethics of the professional body of which they are members and to the Code of Ethics included within the PSIAS. An annual declaration is undertaken by staff in relation to specific aspects of the Code.
- 4.6 Following each review, audit reports are issued in draft format to agree the accuracy of findings and agree risk mitigations. Copies of final audit reports are issued to the Corporate Director, Head of Service and Service Manager responsible for implementing the agreed action plan. A copy of each final audit report is also provided to External Audit.
- 4.7 The overall opinion of each audit report feeds into the Internal Audit Annual Report and Assurance Statement which is presented to the Audit Committee and is used by the Chief Financial Officer in the preparation of the Annual Governance Statement.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2020-2021

5 Proposed Audit Coverage 2020-2021

5.1 The proposed audit coverage is set out in the table below. This includes a range of risk based reviews, limited scope financial reviews and regularity audits.

5.2 The Plan contains a contingency provision that will be utilised during the year in response to unforeseen work demands that arise eg special investigations and provision of ad hoc advice.

Audit Area	Service	Risk Score	Staff Days
Risk-Based Audit Reviews			
Homelessness	HSCP	8160	30
Corporate Procurement – Off Contract Spend	Corporate	6532	40
Taxi Licensing	ERR	6399	30
Overtime	Corporate	6032	30
Garden Waste Permits Income	ERR	5568	15
Total			145
Limited Scope Financial System Reviews			
Cash and Banking		6888	25
Creditors		6525	25
Total			50
Project Post-Implementation Reviews			
Alcohol and Drugs Partnership Redesign	HSCP	7656	20
Parent Pay	Education	6496	20
Total			40
Project Assurance Reviews			
Greenock Ocean Terminal	ERR	6960	15
CLD 3 Year Plan	ECOD	5800	15
Total			30
Regularity Audits			
Employee Expenses – Quarterly Checks		N/A	50
Client Accounts – Quarterly Checks		N/A	50
Corporate Purchase Cards – Quarterly Checks		N/A	50
Total			150
Corporate Governance Reviews			
Annual Governance Statement (2019/2020)	Corporate	-	10
Total			10
Other Work			
Audit follow up	Corporate	-	20
National Fraud Initiative	Corporate	-	100
CTRS – Discounts and Exemptions	Corporate	-	80
SPOC Liaison with DWP	-	-	10
Fraud Awareness Training	Corporate	-	10
IJB – Internal Audit Service	-	-	20
Contingency	-	-	35
Grant Verification	Roads and Transportation	-	10
C/f from 2019-2020 Audit Plan	-	-	50
Total			335
Total Staff Days			760

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2020-2021

6 Quality and Performance

- 6.1 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
- 6.2 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on quality, efficiency and effectiveness. For 2020-2021 these have been set as follows:

Measure	Description	Target
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%
4. Audit Budget	Percentage of audits completed within budgeted days.	80%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%
8. NFI recommended matches	Percentage of National Fraud Initiative recommended matches investigated within timescales.	100%
9. NFI other matches	Percentage of National Fraud Initiative other matches investigated within timescales.	90%
10. DWP liaison	Percentage of cases referred to/ actioned for DWP within DWP timescales.	100%
11. Staff compliance with CPD	Number of training hours undertaken to support CPD	100
12. Management engagement	Number of meetings with CMT and DMTs as appropriate	1 per quarter

- 6.3 Actual performance against targets will be included in the Internal Audit Annual Assurance Report for 2020-2021.

Report To:	Audit Committee	Date:	25 February 2020
Report By:	Chief Financial Officer	Report No:	FIN/20/20/AP
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	External Audit Plan 2019/20		

1.0 PURPOSE

- 1.1 The purpose of the report is to present the External Audit Plan for 2019/20 produced by Audit Scotland.

2.0 SUMMARY

- 2.1 Appendix 1 contains the Annual Audit Plan 2019/20 prepared by the Council's External Auditors, Audit Scotland.
- 2.2 Representatives from Audit Scotland will be in attendance at the meeting on order to present the Plan and answer any questions.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Committee note the Annual Audit Plan 2019/20.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council's External Auditors, Audit Scotland have submitted their plan for the audit of the 2019/20 annual accounts. This plan is attached at Appendix 1.
- 4.2 Representatives from Audit Scotland will be in attendance at the meeting on order to present the Plan and answer any questions.

5.0 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

5.2 Legal

There are no legal issues arising from the content of this report.

5.3 Human Resources

There are no direct staffing implications in respect of the report.

5.4 Equalities

There are no equalities implications in this report.

5.5 Repopulation

There are no repopulation implications in this report.

6.0 CONSULTATIONS

- 6.1 The Plan has been discussed with the Chief Financial Officer and the Chief Internal Auditor.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 None

Inverclyde Council

Annual Audit Plan 2019/20



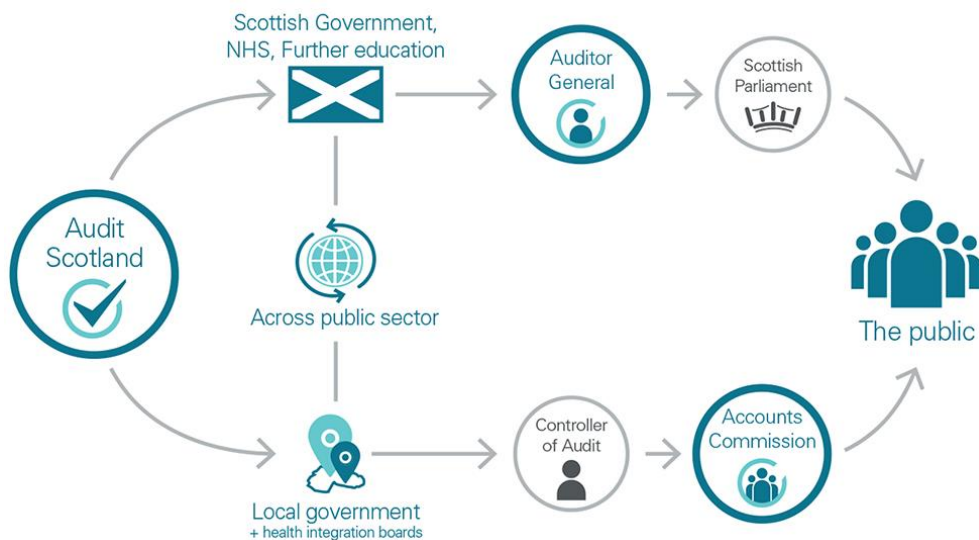
 AUDIT SCOTLAND

Prepared for Inverclyde Council
January 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Risks and planned work	4
Audit scope and timing	8

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit including the audit of Best Value.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.


Adding value


3. We aim to add value to the Inverclyde Council through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the Inverclyde Council promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for Inverclyde Council. We have categorised these risks into financial statements risks and wider dimension risks, as detailed in [Exhibit 1](#).

Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls to change the position in the financial statements.</p>	<p><i>Owing to the nature of this risk, assurances from management are not applicable in this instance.</i></p>	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Identification and evaluation of significant transactions that are outside the normal course of business.
<p>2 Risk of fraud in income recognition.</p> <p>As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. Inverclyde Council receives a significant</p>	<p>The 2019/20 Internal Audit Annual Plan includes reviews where the risk of fraud is considered including:</p> <ul style="list-style-type: none"> Tipping Permits 	<ul style="list-style-type: none"> Detailed testing of revenue transactions focusing on the areas of greatest risk. Testing the operation of key controls over council tax and NDR income.

	Audit Risk	Source of assurance	Planned audit work
	<p>amount of income from several sources including income from fee and charges funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<ul style="list-style-type: none"> • Residents Parking Scheme • Stock/Inventory Control – Quarterly Checks <p>In addition, the plan also includes oversight of the National Fraud Initiative and progress reports are provided on a regular basis.</p> <p>Furthermore, compliance with relevant financial policies and regulations is reviewed as part of the annual governance process.</p>	<ul style="list-style-type: none"> • Analytical procedures on income streams.
3	<p>Risk of fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. Inverclyde Council incurs significant expenditure in areas such as welfare benefits, social care payments and grants where there is an inherent risk of fraud.</p>	<p>The 2019/20 Internal Audit Annual Plan includes reviews where the risk of fraud is considered including:</p> <ul style="list-style-type: none"> • Tipping Permits • Residents Parking Scheme • Employee Expenses – Quarterly Checks • Corporate Purchase Cards – Quarterly Checks <p>In addition, the plan also includes oversight of the National Fraud Initiative and progress reports are provided on a regular basis.</p> <p>Furthermore, compliance with relevant financial policies and regulations is reviewed as part of the annual governance process.</p>	<ul style="list-style-type: none"> • Detailed testing of expenditure focusing on areas of greatest risk, such as grant awards, social care payments and housing benefit transactions. • Testing the operation of controls over social care payments.
4	<p>Risk of error in areas of estimation and judgement</p> <p>There is a significant degree of subjectivity in the measurement and valuation of non-current assets, pensions, accruals and provisions. The extent of judgement involved increases the risk of material misstatement and requires a specific audit focus.</p>	<p>The Council has clearly defined procedures in place, including, where appropriate, the use of experts to make significant estimations and judgements.</p> <p>All estimations and judgements are reviewed by qualified finance staff.</p>	<ul style="list-style-type: none"> • Assessment of the scope, independence and competence of the professionals engaged in providing estimates for non-current assets and pensions. • Review appropriateness of actuarial assumptions and results including comparison with other councils. • Establish officer's arrangements for ensuring the completeness and accuracy of professional estimations for non-current assets and pensions.

 Audit Risk	Source of assurance	Planned audit work
		<ul style="list-style-type: none"> Review actual experience of significant estimates made in the prior year. Review the bad debt policy in relation to council tax Review officers' assessment of other significant accruals and provisions at the year end Sample check the calculations and assessment of depreciation on non-current assets

Source: Audit Scotland

Reporting arrangements

5. Audit reporting is the visible output for the annual audit and is detailed in [Exhibit 2](#). All outputs will be published on our website: www.audit-scotland.gov.uk.

6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

7. We will provide an independent auditor's report to Inverclyde Council and the Accounts Commission for Scotland setting out our opinions on the annual accounts. We will provide the members of Inverclyde Council and the Accounts Commission for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	31 January 2020	25 February 2020
Management Report	31 March 2020	28 April 2020
Independent Auditor's Report	30 September 2020*	24 September 2020
Annual Audit Report	30 September 2020*	24 September 2020

* These dates represent the certification deadline for the 2019/20 local government accounts. However, we will agree an audit timetable to report the findings from the audit to those charged with governance prior to the certification of the annual accounts

Audit fee

8. The proposed audit fee for the 2019/20 audit of Inverclyde Council is £253,060 (£248,140 in 2018/19). In determining the audit fee, we have taken account of the risk exposure of the council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 25 June 2020.

9. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit Committee and Accountable Officer

10. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

11. The audit of the annual accounts does not relieve management or the Audit Committee as those charged with governance, of their responsibilities.

Appointed auditor

12. Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

13. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

14. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Inverclyde Council and the associated risks
- assessing the key systems of internal control, and establishing the impact of any identified weaknesses
- identifying major transaction streams, balances and areas of estimation and understanding how the council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

15. We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

Statutory other information in the annual accounts

16. We also review and report on statutory other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

17. We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in other information.

Materiality

18. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

19. We calculate materiality at different levels as described below. The calculated materiality values for Inverclyde Council are set out in [Exhibit 3](#).

Exhibit 3 Materiality values



Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure based on the latest audited accounts for the year ended 31 March 2019.	£3.5 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality. This is based on the high extent of judgement in the balances relating to non-current assets, pensions, accruals and provisions, the level of monetary errors identified in prior years, and the high volume of transactions processed.	£1.75 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 3% of planning materiality.	£100,000

Source: Audit Scotland

Timetable

20. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4 Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	25 June 2020
Submission of unaudited annual accounts with working papers package to audit	25 June 2020
Latest date for receipt of assurances from group's component auditors	24 August 2020
Latest date for final clearance meeting with Chief Financial Officer	4 September 2020
Agreement of audited unsigned annual accounts	11 September 2020
Issue of annual audit report, letter of representation and proposed independent auditor's report	
Consideration of audited annual accounts and audit reporting by those charged with governance	24 September 2020 (tbc)
Latest date for signing independent auditor's report	30 September 2020

Internal audit

21. Internal audit is provided by the in-house internal audit section at Inverclyde Council. As part of our planning process we carried out an early assessment of the internal audit function and concluded that it has sound documentation standards and reporting procedures in place and generally operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

22. The Chief Internal Auditor has now taken on a shared management role, covering both West Dunbartonshire and Inverclyde Councils. Steps are being taken to expand the peer review arrangements in place at West Dunbartonshire Council to include Inverclyde Council, which is a requirement of PSIAS that had not previously been met at Inverclyde Council.

Using the work of internal audit

23. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

Audit dimensions

24. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

25. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

26. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the council's financial sustainability in the medium term (two to five years) and longer term (longer than five years). We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term

- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether Inverclyde Council can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

27. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the council has arrangements in place to ensure systems of internal control are operating effectively
- whether the council can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely financial performance
- how the council has assured itself that its financial capacity and skills are appropriate
- whether the council has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

28. The Scottish Government will set out their draft budget plans on 6 February 2020. This is in advance of the UK government's budget which is planned for 11 March 2020. Councils have a duty to set council tax by 11 March although some councils, including Inverclyde, have in recent years set the council tax before 11 March and then subsequently approved a budget at a later date. The Council intend to adopt this approach again in setting the 2020/21 budget.

Governance and transparency

29. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the council can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others such as ALEOs)
- whether there is effective scrutiny, challenge and transparency of decision-making
- the quality and timeliness of financial and performance reporting.

Value for money

30. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the council can:

- provide evidence that it is demonstrating value for money in the use of its resources
- demonstrate that there is a clear link between money spent, output and outcomes delivered
- show that outcomes are improving.

Best Value

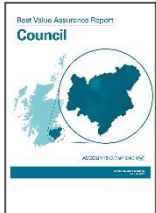
31. The Accounts Commission for Scotland agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincided with the new five-year audit appointments. Auditors started using the framework for their audit work from October 2016.

32. A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five-year audit appointment, both through the ongoing annual audit work, and through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- The annual audit report for each council that will provide a rounded picture of the council overall.
- An annual assurance and risks report that the Controller of Audit will provide to the Accounts Commission for Scotland that will highlight issues from across all 32 council annual audit reports.
- A Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission for Scotland at least once in a five-year period.

33. The seven councils on which a BVAR will be published during the fourth year of the new approach are listed in [Exhibit 6](#). Reports will be considered by the Accounts Commission for Scotland in the period between March and November 2020.

Exhibit 6 2019/20 Best Value Assurance Reports

	Aberdeenshire Council	Dundee Council
	Argyll and Bute Council	Falkirk Council
	City of Edinburgh Council	Moray Council
	North Ayrshire Council	

Source: Audit Scotland

Strategic plan for the five-year appointment

34. As part of our responsibility to report on the audit dimensions over the current audit appointment, the areas of proposed audit work we have identified are outlined in [Exhibit 7](#). During 2019/20 we will monitor the council's progress in implementing the actions from the BVAR, specifically looking at the progress on City Deal arrangements and the measurement of impact on strategic outcomes.

Exhibit 7 Strategic plan

Dimension	2016/17 & 2017/18	2018/19	2019/20	2020/21
Financial sustainability	Development of longer-term financial planning	Reserves		
Financial management	Financial governance and resource management	Succession planning		

Governance and transparency	Vision and Leadership Governance, decision making and scrutiny Community engagement / empowerment	Openness and transparency Equalities Corporate initiatives and outcomes	Measuring impact on outcomes	Community engagement / empowerment
Value for money	Performance / outcomes Transformational change Partnership working		Review of City Deals	

Source: Audit Scotland

Independence and objectivity

35. Auditors appointed by the Accounts Commission for Scotland must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

36. The engagement lead (i.e. appointed auditor) for Inverclyde Council is Brian Howarth, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Inverclyde Council.

Quality control

37. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

38. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Accounts Commission for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

39. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Inverclyde Council

Annual Audit Plan 2019/20

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