

A meeting of the Audit Committee will be held on Tuesday 27 April 2021 at 3pm within the Municipal Buildings, Greenock.

This meeting is by remote online access only through the videoconferencing facilities which are available to Members and relevant Officers. The joining details will be sent to Members and Officers prior to the meeting.

In the event of connectivity issues, Members are asked to use the *join by phone* number in the Webex invitation.

Please note this meeting will be recorded.

ANNE SINCLAIR
Interim Head of Legal Services

BUSINESS

1. Apologies, Substitutions and Declarations of Interest	Page
PERFORMANCE MANAGEMENT	
2. Internal and External Audit Update to 1 April 2021 Report by Interim Director Corporate Services and Organisational Recovery	P
<p>The documentation relative to the following item has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information being that set out in paragraphs 1, 3 & 6 of Part I of Schedule 7(A) of the Act.</p>	
PERFORMANCE MANAGEMENT	
3. Appendix relative to Item 2 providing information on special investigations	P
<p>Please note that because of the current COVID-19 (Coronavirus) emergency, this meeting will not be open to members of the public.</p> <p>The reports are available publicly on the Council's website and the minute of the meeting will be submitted to the next standing meeting of the Inverclyde Council. The agenda for the meeting of the Inverclyde Council will be available publicly on the Council's website.</p>	

In terms of Section 50A(3A) of the Local Government (Scotland) Act 1973, as introduced by Schedule 6, Paragraph 13 of the Coronavirus (Scotland) Act 2020, it is necessary to exclude the public from the meetings of the Committee on public health grounds. The Council considers that, if members of the public were to be present, this would create a real or substantial risk to public health, specifically relating to infection or contamination by Coronavirus.

Enquiries to – **Lindsay Carrick**– Tel 01475 712114

Report To:	Audit Committee	Date:	27.04.2021
Report By:	Interim Director Corporate Services and Organisational Recovery	Report No:	AC/04/21/AP/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251

Subject: INTERNAL AND EXTERNAL AUDIT UPDATE TO 1 APRIL 2021

1.0 PURPOSE

- 1.1 The purpose of this report is to update the Committee on Internal and External Audit matters. Specifically the report provides an update on the progress against the Internal Audit plan for 20/21 and presents the External Audit Annual Audit Plan 20/21 for information.

2.0 SUMMARY

- 2.1 The following report provides a summarised update on all the relevant aspects of the Audit Committee governance remit in line with the decision of the 7 January Policy & Resources Committee.
- 2.2 The Internal Audit progress report to 1 April is attached at Appendix 1 which sets out the work undertaken by the team since the update to Audit Committee in January 2021. Appendix 1
- 2.3 Internal Audit continues to follow up Internal and External Audit Action Plans. Status reports at 28 February 2021 are attached as appendices to this report. Appendices 2 and 3
- 2.4 Audit Scotland have produced their Annual Audit Plan for 2020-21 which provides an overview of the audit approach to be adopted and describes the outputs the Council can expect to receive. The Plan is attached at Appendix 4. Appendix 4

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members agree to note the update in relation to Internal and External Audit matters in the period from 30 November 2020 to 1 April 2021.
- 3.2 It is recommended that Members agree to note the External Audit Annual Audit Plan for 2020-21 and agree that the Provost is requested to hold a special Council meeting on 28 October 2021 to approve the 2020-21 Annual Accounts.

Alan Puckrin
Interim Director Corporate Services and Organisational Recovery

4.0 BACKGROUND

- 4.1 On 7 January, the Policy & Resources Committee approved the Committee arrangements during the continuing and extended Covid lockdown. One decision was that whilst the Committees would continue, reports would focus on urgent business and be smaller in number.
- 4.2 The following report provides a summarised update on all the relevant aspects of the Audit Committee's governance remit.

5.0 INTERNAL AUDIT UPDATE

- 5.1 There were 2 internal audit reports finalised since the last Audit Committee meeting in January 2021:
- Creditors (Satisfactory)
 - Parent Pay – Post Project Implementation Review (Satisfactory)

Total Number of Issues		
Red	Amber	Green
0	1	5

- 5.2 The fieldwork for the 2020/21 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	0
Fieldwork in Progress	5
Planning	1
Not started/deferred	3
Total	14

- 5.3 The detailed progress report is attached at Appendix 1. There are 5 reviews in progress, 3 of which relate to quarterly reviews. Fieldwork is on target to be completed by the end of May. There are 3 audits which have been deferred to 2021/22 and 2022/23 audit plans as reported to the February Audit Committee. Appendix 1
- 5.4 In relation to Internal Audit action plans, there are 7 current action points being progressed by officers. There were no actions due for completion by 28 February 2021. The current status report is attached at Appendix 2. Appendix 2
- 5.5 In relation to External Audit action plans there are 2 current actions being progressed by officers. There were no actions due for completion by 28 February 2021. The current status report is attached at Appendix 3. Appendix 3
- 5.6 The CMT has reviewed and agreed the current status of Internal and External Audit actions.

6.0 EXTERNAL AUDIT UPDATE

- 6.1 The Council's External Auditors, Audit Scotland, have prepared their Annual Audit Plan for 2020-21 which provides an overview of the audit approach to be adopted and describes the outputs the Council can expect to receive. This is attached at Appendix 4 for noting. Appendix 4
- 6.2 Exhibit 2 of the External Audit Annual Audit plan sets out the key dates for each of the outputs including a target date for providing the Annual Audit Report on 28 October 2021.

7.0 IMPLICATIONS

Finance

- 7.1 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

- 7.2 There are no direct legal implications arising from this report.

Human Resources

- 7.3 There are no direct HR implications arising from this report.

Equalities

- 7.4 There are no direct equalities implications arising from this report.

Repopulation

- 7.5 There are no direct repopulation implications arising from this report.

8.0 CONSULTATIONS

- 8.1 Relevant officers have been consulted in the preparation of this report.

9.0 LIST OF BACKGROUND PAPERS

- 9.1 File of completed internal audit reports: Available from Andi Priestman, Chief Internal Auditor.



**Audit Committee Report
Report on Internal Audit Activity from
30 November 2020 to 1 April 2021**

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 were 2 audit reviews finalised since the January Audit Committee, which are identified below, together with a summary of the gradings of the issues identified. In Section 2 we have provided a summary of the main findings from the review.

Reports finalised since previous Audit Committee	Grading			Total Number of Issues
	Red	Amber	Green	
Creditors	0	0	3	3
Parent Pay – Project Post Implementation Review	0	1	2	3
Total	0	1	5	6

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.

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 28 November 2020.

Creditors

- 2.2 On behalf of Council Services the Finance Service pays suppliers following the provision of various goods and services. Except for purchase card transactions most of the payments made to suppliers are processed through the creditor's module of the Financial Management System (FMS). During 2019/20 the Payables & Income Team processed 37,300 invoices and across the Council overall expenditure on goods and services amounted to £118.22m. It is therefore important that payments made to suppliers are completely and accurately processed in a timely manner.
- 2.3 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to paying creditors.
- 2.4 The review focused on the high level processes and procedures in relation to the input and authorisation of creditor invoices and concentrated on identified areas of perceived higher risk, such as the validity of invoices and not performing regular and accurate creditor reconciliations.
- 2.5 The overall control environment opinion for this audit review was **Satisfactory**. There were 3 GREEN issues identified which if implemented will enhance the control environment and an action plan is in place to address all issues by 30 June 2021.

Parent Pay – Project Post Implementation Review

- 2.6 Following an Education Control Self-Assessment exercise carried out in December 2018 which reviewed the management of school meals, the agreed action points included Education management's review and update of the policy and procedures for managing school meal income, including finalising the ParentPay Support Guidance to include adjustments to online accounts, processing of cash refunds and the management of debit and credit balances. In January 2020, Education Services issued an updated ParentPay Support Guidance to all staff which consists of 8 sections of guidance including adding and removing staff, school meals, refunds, banking, activation, breakfast clubs, school funds and any ongoing tasks carried out by relevant staff in relation to the ParentPay system.
- 2.7 A post-implementation review of the ParentPay Guidance was carried out through a Control Self-Assessment exercise, with the aim of providing assurance that the agreed actions from the Internal Audit 2018 Control Self-Assessment exercise have been actioned and that the procedures and tasks within the updated ParentPay guidance are being completely and accurately carried out in a timely manner.

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

- 2.8 The post-implementation review focused on reviewing the key procedures and tasks in relation to the ParentPay system used in all relevant education establishments and assessed the adequacy and effectiveness of controls in place.
- 2.9 The overall control environment opinion for this audit review was **Satisfactory**. There was one AMBER issue identified as follows:

1. Lack of production of weekly school funds income report and completion of bank reconciliation

The Parent Pay policy states that a school funds report should be produced to record income received on a weekly basis and that a bank reconciliation should be completed on a monthly basis.

Our review of the control self-assessment returns identified the following:

- currently, only 5 out of 26 schools produce a school funds report on a weekly basis and the bank reconciliation on a monthly basis;
- currently, 20 out of 26 schools produce both the school funds report and bank reconciliation either on a monthly or on an ad hoc basis;
- currently, due to COVID-19, one school has postponed the collection of school funds.

Where school funds reports are not produced in a timely manner or at all, there is a risk that the schools are not complying with the policy in relation to the production of income reports.

Where bank reconciliations are not carried out on a regular basis, there is a risk that management may be unable to identify and correct inaccuracies or discrepancies in a timely manner or at all.

- 2.10 There were 3 issues identified, one of which we consider to be significant and an action plan is in place to address all issues identified by 30 April 2021.

3 Audit Plan for 2020/2021 – Progress to 1 April 2021

Planned Audit Coverage	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
Homelessness		✓	✓	✓				
Corporate Procurement – Off Contract Spend		✓	✓	✓	✓	✓	✓	January 2021
Taxi Licensing		✓						
Overtime		✓	✓	✓	✓	✓		
Garden Waste Permits Income		✓	✓	✓	✓	✓	✓	January 2021
Limited Scope Financial Reviews								
Cash and Banking		✓	✓	✓				
Creditors		✓	✓	✓	✓	✓	✓	April 2021
Project Assurance Reviews								
Greenock Ocean Terminal	✓	Deferred to 21/22 Audit Plan						
Parent Pay		✓	✓	✓	✓	✓	✓	April 2021
Project Post-Implementation Reviews								
Alcohol and Drugs Partnership Redesign	✓	Deferred to 22/23 Audit Plan						
CLD 3 Year Plan	✓	Deferred to 22/23 Audit Plan						
Regularity Audits								
Employee Expenses – Quarterly Checks		N/A	N/A	✓				
Client Accounts – Quarterly Checks		N/A	N/A	✓				
Corporate Purchase Cards – Quarterly Checks		N/A	N/A	✓				
Corporate Governance								
Annual Governance Statement 2019-2020	Complete - Input provided by CIA.							
Other Work								
Council Tax Reduction Scheme/Discounts/Exemptions	Checks are carried out to establish the validity of discounts and exemptions – see section 4							
National Fraud Initiative	Work has started on the 20/21 Exercise.							
SPOC Liaison with DWP	Ongoing – see paragraph 4 for detailed activity.							
Inverclyde IJB	20 days allocated to IJB audit plan. One audit is complete.							

4 Corporate Fraud Activity

4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 30 November 2020 to 1 April 2021:

National Fraud Initiative Exercise
In relation to the 2020/21 exercise, relevant datasets have now been uploaded to the NFI system and matches have started to be released to participating organisations from 31 January 2021. To date the Council has received 1745 matches and final matches for other datasets will be received in due course.
The recheck exercise was refreshed in January 2021 resulting in 1986 matches being received and these are now being progressed by officers.
Employee Expenses Quarterly Checks – 2020-2021
A new Travel and Subsistence policy was approved in September 2019. Checks to ensure compliance with the new policy are underway. No significant issues have arisen to date.
Corporate Purchase Cards Quarterly Checks – 2020-2021
Quarterly checks are underway. No significant issues have arisen to date.
Client Money Accounts Quarterly Checks – 2020-2021
The new policy was introduced in May 2020. Testing has been completed for transactions recorded from June to September 2020 and no significant issues were identified. Some minor audit trail issues were identified which will be covered through training with relevant officers.

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

NFI Enquiries					
Number of Enquiries	Fraud Established	No Fraud	Referred to Finance	Referred to External Agency	Ongoing
49	0	8	27	0	14

4.3 **Whistleblowing/Referrals**

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

File Ref	Description	Status
20/21 20/72	Potential Theft of Council Stock	Report issued to management with recommendations for improvement. Copy of findings included in private appendix.
20/21 20/82	Potential Theft of Council Equipment	Report issued to management with recommendations for improvement. Copy of findings included in private appendix.

4 Corporate Fraud Activity (Continued)

4.4 In addition, the status of other enquiries received between 30/11/20 and 01/04/21 is as follows:

Blue Badge Enquiries					
Number of Enquiries	Misuse Identified		No misuse	Ongoing	
11	11		0	0	
Council Tax Referrals (Whistleblower/Services)					
Number of Enquiries	Fraud Established	No Fraud	Referred to Finance	Referred to External Agency	Ongoing
1	0	0	0	0	1
Other Enquiries (Whistleblower/Services)					
Number of Enquiries	Fraud		No Fraud	Ongoing	
8	1		6	1	

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 4.2 to 4.4 of the report.
- Provision of ongoing advice and support to service processes impacted by the pandemic and input through CRMT on cyber security and anti-fraud alerts for employees and wider community as appropriate.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 28 FEBRUARY 2021

Summary: Section 1 Summary of Management Actions due for completion by 28/02/2021

There were no actions due for completion by 28 February 2021.

Section 2 Summary of Current Management Actions Plans at 28/02/2021

At 28 February 2021 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 28/02/2021

At 28 February 2021 there were 6 current audit action points.

Section 4 Analysis of Missed Deadlines

At 28 February 2021 there were 3 audit action points where the agreed deadline had been missed.

Section 5 Summary of Action Plan Points by Audit Year

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 28.02.2021**

SECTION 2

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

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

In addition, for the undernoted actions which were not yet due, discussions have taken place with management and due dates have been rescheduled as follows:

Action	Due Date	Current Status
Corporate Procurement – Off Contract Spend (October 2020)		
Monitoring and minimising off-contract spend (Amber)	30.04.2021	Management has asked for the action date to be rescheduled to allow for consideration of the actions by the new Procurement and Building Service Manager. New date 30.09.2021
Using the Financial Management System (FMS) to manage off-contract spend (Amber)	31.03.2021	Management have advised that work on this action has progressed but further discussion is required with the new Procurement and Building Services Manager. Relevant action will then be taken. New date 30.06.2021

**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 28.02.2021**

SECTION 2

In addition for one action with a completion date of 30 June 2021, this has been completed by management as follows:

Action	Due Date	Current Status
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.	30.06.2021	The Elms system has been purchased and is now in place. Stock recording is now more accurate.

**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 28.02.2021**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

HSCP	
Due for completion June 2021	1
Total Actions	1
Education, Communities and Organisational Development	
Due for completion April 2021	1
Due for completion August 2021	2
Total Actions	3
Environment, Regeneration and Resources	
Due for completion June 2021	1
Due for completion September 2021	1
Total Actions	2
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 28.02.2021**

SECTION 3

HSCP

Action	Owner	Expected Date
Refugee Integration Scheme (August 2020)		
Adequacy of information governance and management arrangements (Amber) Management will: <ul style="list-style-type: none"> • develop appropriate data sharing protocols with the Council services and external organisations which the Refugee Integration Team deals with; and • develop a data retention plan for the personal information held by the Refugee Integration Team. 	Service Manager (Children & Families & New Scots Service)	30.06.2021*

Education, Communities and Organisational Development

Action	Owner	Expected Date
Education Control Self Assessment (January 2020)		
Inefficient Use of ICT Systems (Amber) Once the pilot has been completed, the corporate transition will be implemented for the remaining schools. Staff will be given corporate e-mail address access and use of corporate printers.	Head of Education	01.08.21* Interim Update
	Head of Education	01.08.21* Interim Update
Parent Pay (March 2021)		
Lack of production of weekly school funds income report and completion of bank reconciliation (Amber) Education Services Management will ensure that: <ul style="list-style-type: none"> • all schools produce a school funds report on a weekly basis; • all schools complete a school funds income bank reconciliation on a weekly basis; and • both the school funds report and the bank reconciliation will be checked by the School Business Support Assistant and signed off by the Head Teacher/Head of Establishment. 	Cluster School Business Support Co-Ordinators	30.04.2021

* 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 28.02.2021**

SECTION 3

Environment Regeneration and Resources

Action	Owner	Expected Date
Corporate Procurement – Off Contract Spend (October 2020)		
<p>Monitoring and minimising off-contract spend (Amber) Management will:</p> <ul style="list-style-type: none"> • within available resources, seek to introduce six monthly expenditure to contracts data matching exercises in order to identify off-contract spend and if possible, undertake these exercises every three months; • produce and review management information regarding expenditure which has never been tendered for and exceeds the regulated threshold of £50,000. This information will focus on expenditure which has not been reported to the relevant Service Committee; • produce and review management information regarding expenditure which continues to be incurred under expired contracts; • seek to agree with the Corporate Management Team a course of action for managing and regularly reporting on off-contract spend which exceeds the threshold for tendering goods and services, namely £25,000; and • examine the extent to which some of the above actions can be automated and also assess the costs and benefits of producing this information. This exercise will include reviewing the role of Designated Procurement Officers in respect of these issues. 	<p>Procurement and Building Services Manager</p>	<p>30.09.2021</p>
<p>Using the Financial Management System (FMS) to manage off-contract spend (Amber) FMS team will explore the use of an additional data field and liaise with Corporate Procurement as to the data to be captured.</p>	<p>Finance Manager (Environment and Technical)</p>	<p>30.06.2021</p>

* 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 (January 2020)	Inefficient Use of ICT Systems (Amber) Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.	14.08.20	01.08.21 Interim Update	The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19. A revised schedule will be discussed and implemented with ICT which is dependent on Education and ICT having capacity to carry out individual audits of needs in each establishment. This requires full access to the buildings and the current Covid situation is making this more difficult to carry out.
Education CSA (January 2020)	Staff will be given corporate e-mail address access and use of corporate printers.	14.08.20	01.08.21 Interim Update	The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19. A revised schedule will be discussed and implemented with ICT which is dependent on Education and ICT having capacity to carry out individual audits of needs in each establishment. This requires full access to the buildings and the current Covid situation is making this more difficult to carry out.

**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
Refugee Integration Scheme (August 2020)	<p>Adequacy of information governance and management arrangements (Amber) Management will:</p> <ul style="list-style-type: none"> • develop appropriate data sharing protocols with the Council services and external organisations which the Refugee Integration Team deals with; and • develop a data retention plan for the personal information held by the Refugee Integration Team. 	<p>31.10.20 31.01.21</p>	30.06.21	Work is ongoing with Information Governance team to establish relevant protocols and data retention plan for the Refugee Integration Scheme. Progress since November 2020 has been hindered by the recent departure of the DPO.

**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 28 February 2021.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
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	40	0	0	5
2019/2020	43	36	0	3	4
2020/2021	16	6	0	3	7
Total	352	326	0	6	20

*This part of the table sets out the total number of current actions not yet due at the date of the follow up report. The AMBER actions are included in Section 3 of the follow up report.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
AT 28 FEBRUARY 2021

Summary: Section 1 Summary of Management Actions due for completion by 28/02/2021

There were no actions due for completion by 28 February 2021.

Section 2 Summary of Current Management Actions Plans at 28/02/2021

At 28 February 2021 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 28/02/2021

At 28 February 2021 there were 2 current audit action points.

Section 4 Analysis of Missed Deadlines

At 28 February 2021 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 28.02.2021

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

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

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

SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 28.02.2021

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Environment, Regeneration and Resources	
Due for completion March 2021	1
Due for completion September 2021	1
Total Actions	2
Total current actions:	2

Since the update to January 2021 Audit Committee, the following action has been completed:

Action	Owner	Completion Date
2019/2020 Annual Audit Report (October 2020)		
Internal Controls It was agreed as part of the interim report in May 2020 that Management would review and ensure the controls currently in place are implemented on a timely basis to address the reported weaknesses.	Head of Organisational Development, Policy and Communications	31.12.2020

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
CURRENT MANAGEMENT ACTIONS AS AT 28.02.2021**

SECTION 3

Environment, Regeneration and Resources

Action	Owner	Expected Date
2019/2020 Annual Audit Report (October 2020)		
Management commentary The 2020/21 Management Commentary will reflect best practice including the presentation of performance against budget	Chief Financial Officer	31.03.2021
Local Development Plan A full review of the Council's Local Development Plan is being undertaken and will be submitted for examination by Autumn 2021 .	Interim Director Environment and Economic Recovery	30.09.2021

**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 external action plans which have missed their original deadline.				

Inverclyde Council

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

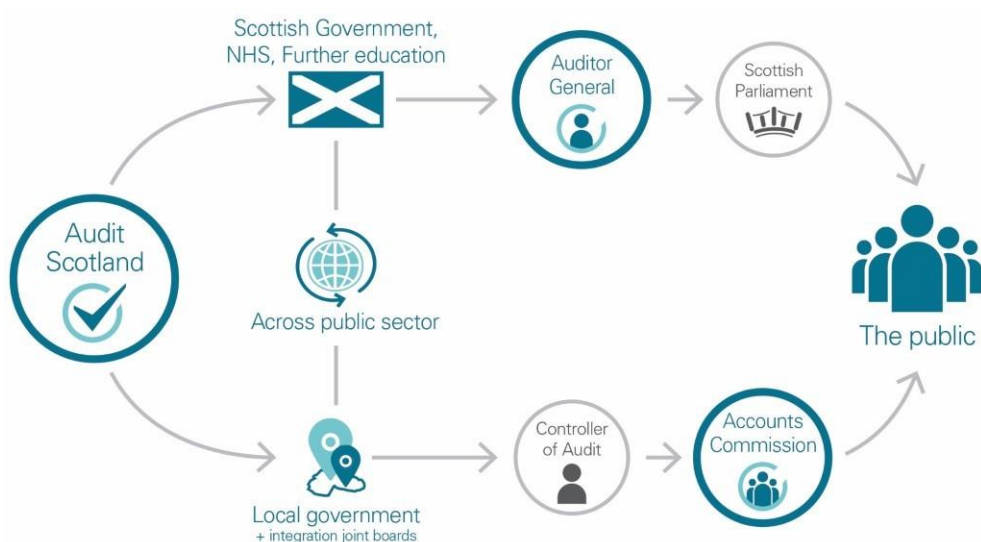
Prepared for Inverclyde Council

March 2021

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.

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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.
- 3.** The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses, and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.
- 4.** Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

Adding value

- 5.** We aim to add value to 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 Inverclyde Council promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

- 6.** 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, although the COVID-19 risk has elements of both. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

2020/21 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</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"> • Use of data analytics to carry out detailed testing of journal entries. • Review and assessment 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 material misstatement caused by 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 and pension assets/liabilities. This subjectivity represents an increased risk of misstatement in the financial statements.</p> <p>A material uncertainty was disclosed in the 2019/20 accounts over non-current asset valuations as a result of the Covid-19 pandemic. The council has a rolling programme of valuations with 2020/21 being a valuation year for land and buildings.</p> <p>Given categories of assets have not been subject to valuation since the impact of Covid-19, there is a risk of material uncertainty over non-current asset valuations in the 2020/21 accounts.</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 valuations are reviewed by qualified finance and property 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. • Walkthrough the process of valuation to understand the basis for significant judgements • Establish officers' arrangements for ensuring the completeness and accuracy of professional estimations for non-current assets and pensions. • Establish officers' arrangements for getting assurances over the impact of Covid-19 on the accuracy of non-current assets not subject to valuation in year. • Review actual experience of significant estimates made in the prior year.
<p>3 Risks relating to COVID-19</p> <p>COVID-19 has had a significant impact on the council in the 2020/21 audit year:</p> <ul style="list-style-type: none"> • Financial management - additional funding and expenditure. CoSLA analysis indicates that council income has 	<p>Throughout 2020/21, Budget Monitoring Reports have separately identified COVID costs and stripped these out of the net position. COVID costs and funding are reported each cycle to</p>	<ul style="list-style-type: none"> • Establish the additional funding streams the council has received in year; what it has been spent on; the impact on outturn and reserves; and how this is

increased by 9 per cent and over £1.3bn of additional support to business has been routed through Councils as a result of COVID-19.

- **Financial reporting** – The council is projecting a surplus on outturn of £1.4 million but reports a balanced position in relation to COVID-19 income and expenditure. COVID-19 may have affected bad debt experience and the position of organisations in the wider group.
- **Financial management** - The Scottish Government has allowed for flexibility to be applied to certain areas of council funding and accounting practices.
- **Financial reporting** - The Council require to make judgement on the correct accounting treatment in relation to additional funding arrangements – whether the council is acting as agent or principle.
- **Fraud and controls** - There is an increased risk of fraud for some COVID-19 related grants. Due to the nature of the schemes, there may not have been adequate consideration of internal control frameworks and the impact of remote working.
- **Group** - COVID-19 raised issues over going concern for some of the council's group bodies in 2019/20. Given the economic impact which has been felt during 2020/21, there is an increased risk to the going concern principle for some of the group components.
- **Performance** - COVID-19 grants have been disbursed at different rates across councils and there are different experiences of rejection rates.

Policy & Resources Committee.

The Council contributed to and use the CoSLA COVID grants tracker information to ensure all grants are accounted for.

Treatment of grants between Agency/Principal is being agreed at a national level and communicated via LASAAC.

The Council has been in regular contact with key Partners throughout the pandemic and provided letters of comfort where required with projected costs built into the COVID cost reporting.

The Council has complied with all Scottish Government reporting requirements.

As part of the 2020/21 Internal Audit Plan, support and assistance has been provided to Services responsible for administering COVID-19 related grants. This has included walkthroughs of the control procedures in place and sample testing of applications processed.

The Council has also participated in the 2020/21 NFI exercise in relation to business grants and matches are expected to be received by 31 March 2021. This will be reviewed by Internal Audit.

Internal Audit also participates in the Scottish Local Authority Investigators Group where shared learning and fraud intelligence alerts have taken place.

reported in financial statements.

- Review of any Scottish Government and CIPFA/LASAAC guidance on accounting.
- Discussions with management during the year to consider the accounting treatment of significant business grants and use of financial flexibilities.
- Review of disclosures and balances in annual accounts to ensure that this is consistent with any guidance issued.
- For the most significant grants (by value), establish the conditions attached and the associated controls implemented over these.
- Confirm existence and operation of these controls by completing a walkthrough.
- Review potential NFI data matches.
- Establish the impact on collection rates and assess the impact on the bad debt provision.
- Consider the impact of COVID-19 in the wider group including furlough and any issues raised by component auditors.
- Consider the impact of any increased funding by the council on classification of group components.
- Early engagement with appropriate component auditors.
- Assess any national reporting of business grant performance and discuss any issues with officers.

Wider dimension risks

4 Financial sustainability

The council has revised its Financial Strategy to incorporate the impact of

The 2021/22 Budget was approved on 18 March 2021 with a clear

- Review the development of the two-year budget strategy.
-

COVID-19 known at that time. This forecasts a budget gap of £17 million for the three-year period to 2023/24. The Financial Strategy highlights that significant savings will need to be achieved to address funding gaps.

It is likely that there will be further cost pressures to the council on top of the immediate response to the COVID-19 crisis. There is a risk to the long-term financial sustainability of the council given the additional cost pressures.

approach for 2022/23 agreed.

The 2021/24 estimated funding gap has been reviewed and is now £9.6 million after 3% annual Council Tax increases.

The Policy & Resources Committee receives a cyclical update on COVID cost pressures and funding which runs from 2020 to 2023.

- Consider the 2021/22 revenue budget and required savings target.
- Review the financial monitoring during the year, including the use of reserves and delivery of planned savings.

Source: Audit Scotland

7. We have considered the risk of fraud in relation to ISA 240, including over income recognition and over expenditure in accordance with Practice Note 10. We have rebutted the presumption that a material risk exists, with the exception of management override above. This is on the basis of the extent of income and expenditure which is received and issued to other parts of the public sector (including Scottish Government Funding and expenditure on the Integration Joint Board, NHS boards and other councils).

8. For the areas that are subject to some risk, we have considered the incidence of fraud using National Fraud Initiative and Counter Fraud Service outcomes. We have assessed that the volume of transactions that would need to be fraudulent to prove a material risk is implausible.

9. Our audit testing is directed towards testing significant and unusual transactions and towards assessing accounting estimates to address any residual risk, as part of our standard fraud procedures. We review controls over key areas of risk and will review any additional controls required due to COVID-19 additional funding and expenditure.

Reporting arrangements

10. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

11. 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 officer(s) to confirm factual accuracy.

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

Exhibit 2 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	9 April 2021	27 April 2021

Management Report	4 June 2021	24 June 2021
Independent Auditor's Report	28 October 2021	28 October 2021
Annual Audit Report	28 October 2021	28 October 2021

Source: Audit Scotland

Audit fee

13. The agreed audit fee for the 2020/21 audit of Inverclyde Council is £259,830 (£253,060 in 2019/20). In determining the audit fee, we have taken account of the risk exposure of Inverclyde 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 by 30 June 2021.

14. 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

15. 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.

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

Appointed auditor

17. 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.

18. 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

19. 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 which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- 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.

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

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with the financial reporting framework;
- 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.

Other information in the annual accounts

21. 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.

22. 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 statutory other information.

Materiality

23. 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

24. 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 for the year ended 31 March 2020 based on the latest audited accounts.	£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.	£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 thousand

Source: Audit Scotland

Timetable

25. 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 report and accounts by those charged with governance	24 June 2021
Latest submission date of unaudited annual report and accounts with complete working papers package	30 June 2021
Latest date for receipt of assurances from Group's Component Auditors	27 August 2021
Latest date for final clearance meeting with Section 95 Officer	8 October 2021
Agreement of audited unsigned annual report and accounts Issue of annual audit report, letter of representation and proposed independent auditor's report	15 October 2021
Consideration of audited annual accounts and audit report by those charged with governance	28 October 2021
Latest date for signing of independent auditor's report	28 October 2021

Internal audit

26. Internal audit is provided by the in-house internal audit section at Inverclyde Council. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). ISA (UK) 610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. This includes:

- the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

27. We will report any significant findings to management on a timely basis.

Using the work of internal audit

28. International 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

29. 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

30. 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

31. 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 financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. 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

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

Governance and transparency

33. 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 Inverclyde 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 on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

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

- the timely and appropriate distribution of new COVID related grants
- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered.
- that outcomes are improving.
- there is sufficient focus on improvement and the pace of it.

Best Value

35. The Accounts Commission 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.

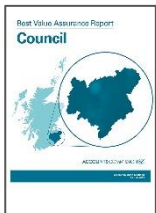
36. A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five-year audit appointment, both through the ongoing annual audit work, and through discrete 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 Commission 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 at least once in a five-year period.

37. The four councils on which a BVAR will be published during the fifth year of the new approach are listed in [Exhibit 6](#). Reports will be considered by the Accounts Commission in the period between March and November 2021.

Exhibit 6

2020/21 Best Value Assurance Reports

	Aberdeen City Council	Falkirk Council
	South Ayrshire Council	
	East Dunbartonshire Council	

Source: Audit Scotland

38. The work planned in Inverclyde Council this year will focus on following up on the council's progress on recommendations identified in the Best Value Assurance Report published in June 2017. The results of this work will be reported in the Annual Audit Report.

Independence and objectivity

39. Auditors appointed by the Accounts Commission or Auditor General 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.

40. 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

41. International Standard on Quality Control 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.

42. 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 Auditor General 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.

43. 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 2020/21

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