

Report To: Audit Committee **Date:** 22 February 2022

Report By: Interim Director Finance and Corporate Governance **Report No:** AC/04/22/AP/APr

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

Subject: INTERNAL AUDIT PROGRESS REPORT – 29 NOVEMBER 2021 TO 28 JANUARY 2022

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 29 November 2021 to 28 January 2022 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 2022:
- Registration Process – Births, Deaths and Marriages

- 2.2 This report contained one issue categorised as follows:

Red	Amber	Green
0	0	1

- 2.3 The fieldwork for the 2021/22 is underway and the status is as follows:

Stage	Number of Reports
Final Report	2
Draft Report	0
Fieldwork Complete	0
Fieldwork in Progress	6
Planning	3
Not started/Deferred	2
Total	13

- 2.4 Due to delays in finalising some audits from the 2020/2021 annual audit plan it is now planned that the audit of Residential Care – Childrens' Services will be carried forward to the 2022/23 annual audit plan. In addition, although planning for the Learning Disabilities Services audit has been undertaken, fieldwork for the audit will now be carried out in 2022/23 as part of the project assurance review of Learning Disabilities.

2.5 In relation to internal audit action plans there were 2 actions due for completion by 31 December 2021 both of which have been reported as completed by management. In addition there were 3 actions which were completed ahead of the agreed deadline. The current status report is attached at Appendix 2. Appendix 2

2.6 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 29 November 2021 to 28 January 2022.

Alan Puckrin
Interim Director
Finance and Corporate Governance

4.0 BACKGROUND

- 4.1 In February 2021, the Audit Committee approved the Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2021-22.
- 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 2022:
- Registration Process – Births, Deaths and Marriages
- 5.2 The fieldwork for the 2021/22 plan is underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	2
Draft Report	0
Fieldwork Complete	0
Fieldwork in Progress	6
Planning	3
Not started/Deferred	2
Total	13

- 5.3 Due to delays in finalising some audits from the 2020/2021 annual audit plan it is now planned that the audit of Residential Care – Childrens' Services will be carried forward to the 2022/23 annual audit plan. In addition, although planning for the Learning Disabilities Services audit has been undertaken, fieldwork for the audit will now be carried out in 2022/23 as part of the project assurance review of Learning Disabilities.
- 5.4 In relation to internal audit action plans there were 2 actions due for completion by 31 December 2021 both of which have been reported as completed by management. In addition there were 3 actions which were completed ahead of the agreed deadline. The current status report is attached at Appendix 2.
- 5.5 Section 5 of the action plan status report sets out the number of actions by audit year. There is currently a low number of actions for the audit year 2021/22 due to the fact that a number of 2020/21 audits were carried forward and completed during the first 6 months of 2021/22 which has impacted on the commencement of the 2021/22 audit plan. In relation to the 2021/22 audit plan, two audit reports have been finalised and it is expected that fieldwork for the remainder of the plan will be completed by 30 April 2022. The action plan status report which will be reported to the June Audit Committee will include the full year's action plan reporting.
- 5.6 The CMT has reviewed and agreed the current status of actions.

Appendix 2

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.

6.4 Equalities

(a) Has an Equality Impact Assessment been carried out?

YES	
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.	
X	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

X

YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.

NO

6.5 Repopulation

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
29 November 2021 to 28 January 2022**

Section	Contents	Page
1	Audit work undertaken in the period	1-2
2	Summary of main findings from reports issued since previous Audit Committee	2
3	Audit Plan for 2021-2022 – progress to 28 January 2022	3
4	Corporate Fraud Activity	4-5
5	Ad hoc activities undertaken since the previous Audit Committee	6
6	Special Investigations	7

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	
Registration Process – Births, Deaths and Marriages	0	0	1	1
Total	0	0	1	1

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 26 November 2021.

Registration Services – Births, Deaths and Marriages

- 2.2 The Registration Office aims to provide a customer focused service and manage the registration service in an efficient and effective manner which meets the needs of the citizens of Inverclyde. It is responsible for providing the following services:

- Registration of Births, Deaths and Marriages;
- Marriage & Civic Partnership Ceremonies at the Registration Office;
- Marriage & Civic Partnership Ceremonies at outside venues;
- Citizenship Ceremonies;
- Naming Ceremonies;
- Renewal of Vows Ceremonies; and
- Genealogy Searches.

- 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 over the key risks faced by Inverclyde Council in relation to the registration process.

- 2.4 The review focused on the high level processes and procedures in relation to the registration process and concentrated on identified areas of perceived higher risk such as ensuring registration services are carried out in an efficient and effective manner and that adequate arrangements are in place for the security of assets and the storage and maintenance of records. The income received as part of the registration process has been excluded from this review as the income received has already been reviewed in a recent audit of Cash and Banking carried out in 2020/21.

- 2.5 The overall control environment opinion for this audit review was **Strong**. Areas of good practice were identified as follows:

- staff members involved in the registration process have high levels of knowledge and commitment to providing a high quality service; and
- there are robust security measures and procedures in place for the storage and maintenance of registration records.

- 2.6 The review identified 1 GREEN issue which has been addressed by management.

**INVERCLYDE COUNCIL – REPORT ON INTERNAL AUDIT ACTIVITY
FROM 29 NOVEMBER 2021 TO 28 JANUARY 2022**

APPENDIX 1

3 Audit Plan for 2021/2022 – Progress to 28 January 2022

Planned Audit Coverage	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
Learning Disabilities Service – Transitioning to Adult Services		✓	✓	Carried forward to 2022/2023 Audit Plan and planning information will be used to inform the 2022/2023 audit review.				
Trading Standards		✓	✓					
Registration Process – Births, Deaths and Marriages		✓	✓	✓	✓	✓	✓	February 2022
Self-Directed Support		✓	✓	✓				
Residential Care – Childrens' Services	Carried forward to the 2022/23 annual audit plan.							
Limited Scope Financial Reviews								
Insurance		✓	✓	✓	✓	✓	✓	January 2022
Project Assurance Reviews								
Greenock Ocean Terminal (b/f from 2020-21)		✓	✓	✓				
Devolved School Management	Internal Audit has attended a number of meetings of the DSM Working Group and provided advice on the Council's current DSM scheme and implementing the Scottish Government's DSM guidelines for updating the Council's DSM scheme. The draft scheme is currently being reviewed for final feedback.							
Corporate Fraud Reviews								
Employee Expenses – Quarterly Checks	Fieldwork planned for February 2022.							
Client Accounts – Quarterly Checks	Fieldwork planned for February 2022.							
Catering – Quarterly Stock Checks	Fieldwork underway.							
Regularity Audits								
Education CSA		✓	✓	✓				
Corporate Purchase Cards – Quarterly Checks	Fieldwork underway.							
Corporate Governance								
Annual Governance Statement 2020-21	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 underway on the 20/21 Exercise – see section 4.							
SPOC Liaison with DWP	Ongoing – see paragraph 4 for detailed activity.							
Covid-19 - Recovery Process – Advice and Assurance	Ongoing – support provided by CIA.							
Inverclyde IJB	40 days allocated to IJB audit plan. Two audits were planned and both are complete.							

4 Corporate Fraud Activity

4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 29 November 2021 to 28 January 2022:

National Fraud Initiative Exercise					
In relation to the 2020/2021 Exercise, matches have now been received and a detailed review of matches is now underway by Internal Audit and Services and over 99% of investigations are complete.					
Matches received	Number Investigated	No issues	Fraud	Error	Value of Fraud/Error
Housing Benefit					
45	44	40	2	2	£3,898.14
Blue Badge					
373	372	191	0	181	N/A
Council Tax Reduction Scheme					
659	640	632	6	2	£4,182.39
Procurement					
46	46	46	0	0	£0
Payroll					
49	48	48	0	0	£0
Creditors					
1117	1117	1090	0	27	£73,908.59
VAT					
69	69	69	0	0	£0
Small Business Bonus Scheme					
45	43	41	0	2	£9,576.54
TOTALS					
2403	2379	2157	8	214	£91,565.66
The recheck exercise was refreshed in May 2021 resulting in 5301 matches being received and these are now being progressed by officers.					
Matches received	Number Investigated	No issues	Fraud	Error	Value of Fraud/Error
5301	1387	1360	23	4	£26,898.28
Employee Expenses Quarterly Checks – 2021-2022					
A new Travel and Subsistence policy was approved in September 2019. Checks to ensure ongoing compliance with the policy will be undertaken from February 2022.					
Corporate Purchase Cards Quarterly Checks – 2021-2022					
Quarterly checks are underway. No significant issues have arisen to date.					
Client Money Accounts Quarterly Checks – 2021-2022					
The new policy was introduced in May 2020. Checks to ensure ongoing compliance with the policy will be undertaken from February 2022.					
Catering – Quarterly Stock Checks – 2021-2022					
Stock checks are now underway. No significant issues have arisen to date.					

4 Corporate Fraud Activity (Continued)

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
89	30	13	29	0	17

4.3 SPOC Liaison 29 November 2021 to 28 January 2022

DWP Referrals	1 this period	3 to date
LAIEF requests actioned	6 this period	12 to date

4.4 Whistleblowing/Other Referrals

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

File Ref	Description	Status
21-153	Allegation of payment of business grant to ineligible organisation.	Closed – there was no evidence to indicate that the organisation had applied for funding fraudulently. See Section 6 for further information.

4.5 In addition, the status of other enquiries received between 29 November 2021 and 28 January 2022 is as follows:

Blue Badge Enquiries					
Number of Enquiries	Misuse Identified	No misuse	Ongoing		
15	15	0	0		
Council Tax Referrals (Whistleblower/Services)					
Number of Enquiries	Fraud Established	No Fraud	Referred to Finance	Referred to External Agency	Ongoing
2	0	0	0	0	2
Other Enquiries (Services)					
Number of Enquiries	Fraud	No Fraud	Ongoing		
5	0	2	3		

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 4.5 of the report.
 - Provision of ongoing advice and support to services.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 31 DECEMBER 2021

Summary: Section 1 Summary of Management Actions due for completion by 31/12/2021

There were 2 actions due for completion by 31 December 2021 both of which have been reported as completed by management.

In addition, three actions have been implemented ahead of the agreed deadline.

Section 2 Summary of Current Management Actions Plans at 31/12/2021

At 31 December 2021 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/12/2021

At 31 December 2021 there were 4 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 December 2021 there were 2 audit action points where the agreed deadline had been missed.

Section 5 Summary of Action Plan Points by Audit Year

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.12.2021**

SECTION 1

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)				
Education, Communities and Organisational Development				
Environment, Regeneration & Resources	2	2		
Total	2	2		

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

In addition, management has provided an update in relation to completion of the undernoted action ahead of the agreed deadline:

Insurance – Limited Scope Finance Review (November 2021)		
Applying the Council’s Data Retention Policy to the Figtree Insurance System (Amber) Management will begin a rolling programme of deletion of electronic claim records from Figtree starting with earliest claims.	Principal Accountant (Exchequer)	Commencing from 10.01.2022
Corporate Procurement – Off Contract Spend (October 2020)		
Monitoring and minimising off-contract spend (Amber) Management will 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.	Procurement and Building Services Manager	31.03.2022
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)	31.03.2022*

**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 31.12.2021**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

HSCP	
Due for completion March 2022	2
Total Actions	2
Education, Communities and Organisational Development	
Due for completion August 2022	2
Total Actions	2
Total current actions:	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 31.12.2021**

SECTION 3

HSCP

Action	Owner	Expected Date
Homelessness (August 2021)		
Adequacy of policies and procedures (Amber) Management will: <ul style="list-style-type: none"> • Update the rent management policy and procedures and obtain CMT and committee approval as appropriate; • review the arrangements for implementation and reporting of the Rent Management Policy; • set a date to finalise its review of Homelessness assessment, housing support and case handling procedures; and • ensure that version control is consistently and fully applied to all Homelessness policies and procedures. 	Service Manager (Homelessness and Addictions)	31.03.2022
Compliance with Records Retention and Disposal Policy (Amber) Management will develop a formal plan to organise the annual disposal of homelessness case files which have reached the prescribed retention period, including records which are held electronically.	Service Manager (Homelessness and Addictions)	31.03.2022

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.	Head of Education	31.08.2022*
In addition, staff will be given corporate e-mail address access and use of corporate printers.	Head of Education	31.08.2022*

* 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
<p>Education CSA (January 2020)</p>	<p>Inefficient Use of ICT Systems (Amber) Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.</p> <p>In addition, staff will be given corporate e-mail address access and use of corporate printers.</p>	<p>14.08.20</p> <p>14.08.20</p>	<p>31.08.22</p> <p>31.08.22</p>	<p>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.</p> <p>As part of the new Education Services digital strategy which was approved by Education Committee in November 2021, alongside the changes that ICT propose in the wider council digital strategy, Education Services will investigate moving away from the current networks to an alternate cloud based approach. Storage of sensitive or more confidential information would hopefully be able to be moved to a secure cloud based approach. A solution using the M365 platform has been identified which will be in place by May 2022. Deployment of the platform will then start with an anticipated completion date of August 2022.</p>

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

SECTION 5

The following table sets out the total number of agreed actions raised by audit year together with their completion status as at 31 December 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	41	0	0	4
2019/2020	43	38	0	2	3
2020/2021	36	26	0	2	8
2021/2022	6	4	0	0	2
Total	378	353	0	4	21

*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.