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<b>Report To:</b>	<b>Audit Committee</b>	<b>Date:</b>	<b>10 January 2023</b>
<b>Report By:</b>	<b>Interim Director Finance and Corporate Governance</b>	<b>Report No:</b>	<b>AC/01/23/AP/APr</b>
<b>Contact Officer:</b>	<b>Andi Priestman</b>	<b>Contact No:</b>	<b>01475 712251</b>

**Subject: INTERNAL AUDIT PROGRESS REPORT – 26 SEPTEMBER TO 25 NOVEMBER 2022**

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## 1.0 PURPOSE

- 1.1  For Decision  For Information/Noting
- 1.2 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.
- 1.3 The Monitoring Report from 26 September to 25 November 2022 is attached at Appendix 1 since its content is essential to the understanding of the Council's control environment.

## 2.0 RECOMMENDATIONS

- 2.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 26 September to 25 November 2022.

**Alan Puckrin**  
**Interim Director**  
**Finance and Corporate Governance**

### 3.0 BACKGROUND AND CONTEXT

- 3.1 In February 2022, the Audit Committee approved the Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2022-23.
- 3.2 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.
- 3.3 There were no internal audit reports finalised since the last Audit Committee meeting in October 2022.
- 3.4 The 2022/23 audit plan is now underway and the current status is as follows:

<b>Stage</b>	<b>Number of Reports</b>
Final Report	2
Draft Report	2
Fieldwork Complete – report N/A	0
Fieldwork Complete	1
Fieldwork in Progress	4
Planning	3
Not started/Deferred	3
<b>Total</b>	<b>15</b>

- 3.5 Due to staff capacity, work in relation to corporate fraud reviews and investigations has been reprioritised to ensure resource is focussed on the highest risk areas in the meantime.
- 3.6 In relation to internal audit action plans there were no actions due for completion by 31 October 2022. The current status report is attached at Appendix 2.
- 3.7 An update on the current status of GREEN audit action plans was provided to the October meeting of the Audit Committee. It is intended that a further report on the status of GREEN actions will be provided to the April 2023 meeting.
- 3.8 The CMT has reviewed and agreed the current status of actions.

## 4.0 PROPOSALS

- 4.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 26 September to 25 November 2022.

## 5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO	N/A
Financial		X	
Legal/Risk	X		
Human Resources		X	
Strategic (LOIP/Corporate Plan)	X		
Equalities & Fairer Scotland Duty		X	
Children & Young People's Rights & Wellbeing		X	
Environmental & Sustainability		X	
Data Protection		X	

### 5.2 Legal/Risk

Where delays arise in delivering the Internal Audit Plan, there is a risk that this may result in an inability to provide a reasonable level of assurance over the Council's system of internal control to those charged with governance. The main basis for providing assurance is coverage of the planned risk-based audits. Every endeavour is therefore made to ensure that no material slippage occurs in risk-based audits by concentrating resources on these audits.

### 5.3 Strategic

This report relates to strong corporate governance.

## 6.0 CONSULTATIONS

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

## 7.0 LIST OF BACKGROUND PAPERS

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



**Audit Committee Report  
Report on Internal Audit Activity from  
26 September to 25 November 2022**

<b>Section</b>	<b>Contents</b>	<b>Page</b>
1	Audit work undertaken in the period	1
2	Audit Plan for 2022-2023 – progress to 25 November 2022	2
3	Corporate Fraud Activity	3
4	Ad hoc activities undertaken since the previous Audit Committee	4

**1 Audit work undertaken in the period**

**Reports issued since last update**

1.1 In each audit, one of 4 overall opinions is expressed:

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

1.2 Detailed findings and recommendations reported to management are currently graded using the following criteria:

<b>Red</b>	<ul style="list-style-type: none"> <li>In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole.</li> <li>Corrective action must be taken and should start immediately.</li> <li>Overseen to completion by Corporate Management Team.</li> </ul>
<b>Amber</b>	<ul style="list-style-type: none"> <li>In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole.</li> <li>Corrective action must be taken (some exceptions may be agreed with IA) within reasonable timeframe.</li> <li>Overseen to completion by Head of Service.</li> </ul>
<b>Green</b>	<ul style="list-style-type: none"> <li>In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness.</li> <li>Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit (IA).</li> <li>Managed by service owner.</li> </ul>

1.3 There were no audit reviews finalised since the October Audit Committee.

**Other activities**

**Risk Management**

1.4 Risk Management is the subject of separate reporting to Audit Committee and a full report on risk management activity 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 Audit Plan for 2022/2023 – Progress to 25 November 2022**

<b>Planned Audit Coverage</b>	<b>Not started</b>	<b>Planning</b>	<b>TOR Issued</b>	<b>Fieldwork in Progress</b>	<b>Fieldwork Complete</b>	<b>Draft Report</b>	<b>Report Finalised</b>	<b>Reported to Audit Committee</b>
<b>Risk-Based Reviews</b>								
Residential Care – Children’s Services (b/f)		✓	✓	✓	✓	✓	✓	October 2022
Workforce Planning Arrangements		✓	✓	✓	✓	✓	✓	October 2022
Supplier Management		✓	✓					
Cyber Security Arrangements		✓	✓	✓	✓	✓		
Freedom of Information Arrangements		✓	✓	✓	✓	✓		
Climate Change – Utilities Management		✓	✓	✓				
<b>Limited Scope Financial Reviews</b>								
Debt Recovery	✓							
<b>Project Assurance Reviews</b>								
Learning Disability Hub (b/f from 2021-22)		✓	✓	✓				
Swift Replacement System (Social Work IT System)		✓						
<b>Corporate Fraud Reviews</b>								
Discretionary Payments	Fieldwork is complete. Draft findings being prepared for discussion with management.							
Client Accounts – Quarterly Checks	Quarterly checks underway.							
Catering – Quarterly Stock Checks	Not yet started.							
Education Establishment Placing Requests	Validity checks are underway.							
<b>Regularity Audits</b>								
Education CSA		✓						
Corporate Purchase Cards – Quarterly Checks	Not yet started.							
<b>Corporate Governance</b>								
Annual Governance Statement 2021-22	Complete - Input provided by CIA.							
<b>Other Work</b>								
Council Tax Reduction Scheme/Discounts/Exemptions	Checks are carried out to establish the validity of discounts and exemptions – see section 4.							
National Fraud Initiative	20/21 Exercise is complete – see section 4 of report for more information.							
Carry forward from 2021/22 Audit Plan	Reports finalised in relation to Self-Directed Support; Public Protection: Covid-19 Response and Employee Expenses.							
Inverclyde IJB	40 days allocated to IJB audit plan. Two audits are planned which are scheduled to be completed between November 2022 and March 2023.							

### 3 Corporate Fraud Activity

- 3.1 The undernoted table sets out progress to date on corporate fraud activity in the period 26 September to 25 November 2022:

<b>National Fraud Initiative Exercise</b>					
In relation to the 2022/2023 Exercise, the relevant datasets have been uploaded by relevant services by the required deadline. It is anticipated that matches will be received in early 2023 for review and investigation as appropriate.					
The Council Tax Single Person Discount recheck exercise was refreshed in May 2022 and the results to date are as follows:					
Matches received	Number investigated	No issues	Fraud	Error	Value of Fraud/Error
5947	1123	1090	29	4	£28,508.45
<b>Discretionary Payments – 2022-2023</b>					
Fieldwork is complete. Draft findings being prepared for discussion with management.					
<b>Client Money Accounts Quarterly Checks – 2022-2023</b>					
Quarterly checks are underway.					
<b>Catering – Quarterly Stock Checks – 2022-2023</b>					
Not yet started.					
<b>Education Establishment Checks 2022-2023</b>					
Validity confirmation checks are underway.					

- 3.2 The team continues to investigate whistleblowing and other enquiries in relation to DWP benefit, blue badge, and Council Tax referrals. Since 1 April 2022 these enquiries have resulted in the identification of overpayments of council tax discounts and exemptions of £18,283.53.

- 3.3 The team is also progressing whistleblowing and other enquiries as follows:

<b>File Ref</b>	<b>Description</b>	<b>Status</b>
22/16	Potential discrepancy in school funds.	Draft report issued to management for comment.
22/50	Loss of Council Funds.	Final report issued to management together with recommendations for improvement. See Section 6 for further details.
22/52	Allegation that one organisation is being favoured over other organisations.	Ongoing investigation.



**4 Ad hoc activities undertaken since the previous Audit Committee**

- 4.1 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.
- 4.2 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 3.2 to 3.3 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 OCTOBER 2022**

**Summary: Section 1 Summary of Management Actions due for completion by 31/10/2022**

There was one action due for completion by 31 October 2022 which has been reported as complete by management.

**Section 2 Summary of Current Management Actions Plans at 31/10/2022**

At 31 October 2022 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

**Section 3 Current Management Actions at 31/10/2022**

At 31 October 2022 there were 8 current audit action points.

**Section 4 Analysis of Missed Deadlines**

At 31 October 2022 there were 3 audit action points where the original due date 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 31.10.2022**

**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)	0	0		
Education, Communities and Organisational Development	1	1		
Environment, Regeneration & Resources	0	0		
<b>Total</b>	<b>1</b>	<b>1</b>		

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

In addition, one action due for completion by 30 November has been updated as follows:

Description	Original Due Date	Due Date	Status
<p><b>Compliance with Records Retention and Disposal Policy (Amber)</b> 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.</p>	31-Mar-2022	30-Nov-2022*	<p>Hard copy files are now securely stored and labelled with dates of disposal. Business Support require to identify permanent storage facility for archiving of hard copy files going forward.</p> <p>There is a date in the diary for March 2023 for undertaking year end processes including archiving and disposal of both hard and electronic files and a further date is in the diary for end of April 2023 to confirm completion of all tasks.</p> <p><b>Internal Audit comment:</b> Files have been brought up to date and a plan is now in place so risk level has reduced. The action will be monitored as a GREEN action with a revised action date of 30 April 2023.</p>

**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 31.10.2022**

**SECTION 2**


**CURRENT ACTIONS BY DIRECTORATE**

<b>HSCP</b>	
Due for completion January 2023	1
Due for completion February 2023	1
Due for completion March 2023	1
<b>Total Actions</b>	<b>3</b>
<b>Education, Communities and Organisational Development</b>	
Due for completion June 2023	2
<b>Total Actions</b>	<b>2</b>
<b>Environment Regeneration and Resources</b>	
Due for completion March 2023	1
<b>Total Actions</b>	<b>1</b>
<b>Total current actions:</b>	<b>6</b>


**INVERCLYDE COUNCIL INTERNAL AUDIT  
REPORT TO AUDIT COMMITTEE ON  
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)  
CURRENT MANAGEMENT ACTIONS AS AT 31.10.2022**




**SECTION 3**

**P Education Control Self-Assessment (Report Issued January 2020)**

Description	Status	Original Due Date	Due Date	Assigned To
<b>Inefficient Use of ICT Systems (Amber)</b> Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.		14-Aug-2020	30-Jun-2023*	<b>Head of Education</b>
In addition, staff will be given corporate e-mail address access and use of corporate printers.		14-Aug-2020	30-Jun-2023*	<b>Head of Education</b>

**P Homelessness (Report Issued August 2021)**

Description	Status	Original Due Date	Due Date	Assigned To
<b>Adequacy of policies and procedures (Amber)</b> Management will: <ul style="list-style-type: none"> <li>Update the rent management policy and procedures and obtain CMT and committee approval as appropriate;</li> <li>review the arrangements for implementation and reporting of the Rent Management Policy;</li> <li>set a date to finalise its review of Homelessness assessment, housing support and case handling procedures; and</li> <li>ensure that version control is consistently and fully applied to all Homelessness policies and procedures.</li> </ul>		31-Mar-2022	31-Mar-2023*	<b>Service Manager (Homelessness and Addictions)</b>


Action Status	
	Overdue
	In Progress
	Completed

\* See 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 31.10.2022**




**SECTION 3**

**P Residential Care – Children’s Homes (Report Issued August 2022)**

Description	Status	Original Due Date	Due Date	Assigned To
<b>Adequacy of procedural guidance (Amber)</b> Management will ensure that step by step guidance for new and existing staff is developed in partnership with the three homes and a copy retained at all homes;  Management will ensure that the induction process is updated to ensure all new staff know where to access the guidance.		31-Jan-2023	31-Jan-2023	<b>Team Lead, Children’s Residential &amp; After Care Services</b>
		28-Feb-2023	28-Feb-2023	<b>Home Manager/Depute Manager</b>

**P Employee Expenses (Report Issued August 2022)**

Description	Status	Original Due Date	Due Date	Assigned To
<b>Excess Mileage Claims (Amber)</b> HR will issue a reminder regarding home to work mileage and update the hybrid working guidance.		31-Oct-2022	31-Oct-2022	<b>Head of OD, Policy and Communications</b>
<b>High Mileage Claims (Amber)</b> The service will carry out a refreshed value for money study that takes into account the current situation and will make recommendations accordingly.		31-Mar-2023	31-Mar-2023	<b>Head of Roads and Transportation</b>

Action Status	
	Overdue
	In Progress
	Completed

**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
<b>Education CSA (January 2020)</b>	<b>Inefficient Use of ICT Systems (Amber)</b> Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.	<b>14.08.20</b>	<b>30.06.23</b>	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.  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 August 2022. Deployment of the platform will then start with an anticipated completion date of June 2023.
	In addition, staff will be given corporate e-mail address access and use of corporate printers.	<b>14.08.20</b>	<b>30.06.23</b>	

**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
<b>Homelessness (August 2021)</b>	<p><b>Adequacy of policies and procedures (Amber)</b> Management will:</p> <ul style="list-style-type: none"> <li>• Update the rent management policy and procedures and obtain CMT and committee approval as appropriate;</li> <li>• review the arrangements for implementation and reporting of the Rent Management Policy;</li> <li>• set a date to finalise its review of Homelessness assessment, housing support and case handling procedures; and</li> <li>• ensure that version control is consistently and fully applied to all Homelessness policies and procedures.</li> </ul>	<p><b>31.03.22</b> <b>30.11.22</b></p>	<b>31.03.23</b>	<p>The rent management policy is still in progress. The team is still working through arrears. Monthly meeting in place with key staff and identified actions. There is a need to accelerate process to deal with level of historical arrears. Work now done to prevent new arrears in place.</p> <p>Review of procedures is now complete. Scheduled reports from SWIFT and regular caseload reviews ensures governance in place for monitoring.</p> <p>In relation to version control all standard operating procedures are recorded on central log. The team is currently in the process of updating and developing a number of standard operating procedures. Care governance meeting overseen by Head of Service will ratify the procedures.</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 October 2022.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2016/2017	66	66	0	0	0
2017/2018	53	50	0	0	3
2018/2019	45	40	0	0	5
2019/2020	43	41	0	2	0
2020/2021	36	31	0	1	4
2021/2022	24	18	0	1	5
2022/2023	11	8	0	2	1
<b>Total</b>	<b>278</b>	<b>254</b>	<b>0</b>	<b>6</b>	<b>18</b>

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