

A meeting of the Audit Committee will be held on Tuesday 25 April 2023 at 3pm.

Members may attend the meeting in person or via remote online access. Webex joining details will be sent to Members and officers. Members are requested to notify Committee Services by 12 noon on Monday 24 April 2023 how they intend to access the meeting.

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

Please note that this meeting will be live-streamed via YouTube with the exception of any business which is treated as exempt in terms of the Local Government (Scotland) Act 1973 as amended.

Further information relating to the recording and live-streaming of meetings can be found at the end of this notice.

IAIN STRACHAN
Head of Legal, Democratic, Digital & Customer Services

BUSINESS

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NEW BUSINESS		
4.	Internal Audit Annual Strategy and Plan 2023-24 Report by Head of Legal, Democratic, Digital & Customer Services	p
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7.	National Fraud Initiative Exercise 2022-23 – Update Report by Head of Legal, Democratic, Digital & Customer Services	p
8.	Indicative External Audit Plan for the year ended 31 March 2023 Report by Chief Financial Officer	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.

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Enquiries to – Lindsay Carrick - Tel 01475 712114

Report To: Audit Committee **Date:** 25 April 2023

Report By: Head of Legal, Democratic, Digital and Customer Services **Report No:** AC/09/23/IS/APr

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

Subject: INTERNAL AUDIT PROGRESS REPORT – 30 JANUARY TO 31 MARCH 2023

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 30 January to 31 March 2023 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 30 January to 31 March 2023.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

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 2 internal audit reports finalised since the last Audit Committee meeting in February 2023:

- Climate Change – Utilities Management
- Education – Control Self-Assessment

3.4 These reports contained 9 issues categorised as follows:

Red	Amber	Green
0	6	3

3.5 The 2022/23 audit plan is now underway and the current status is as follows:

Stage	Number of Reports
Final Report	6
Draft Report	0
Fieldwork Complete – report N/A	2
Fieldwork Complete	1
Fieldwork in Progress	3
Planning	1
Deferred to 23/24 audit plan	2
Total	15

3.6 In relation to internal audit action plans there were 2 actions due for completion by 31 March 2023, both of which have missed the deadline set by management. The current status report is attached at Appendix 2.

3.7 An update on the current status of GREEN audit action plans is attached at Appendix 3.

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 30 January to 31 March 2023.

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
30 January to 31 March 2023**

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 two 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 reviews.

Reports finalised since previous Audit Committee	Grading			Total Number of Issues
	Red	Amber	Green	
Climate Change – Utilities Management	0	3	2	5
Education - CSA	0	3	1	4
Total	0	6	3	9

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 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 27 January 2023.

Climate Change – Utilities Management

- 2.2 Inverclyde Council is committed to playing its part in dealing with the issue of climate change. This has been demonstrated by the signing of Scotland's Climate Change Declaration and through previous Carbon Management Plans and the approval of the Council's current Net Zero Strategy by the Environment & Regeneration Committee in October 2021 setting a target of 72.5% reduction in carbon footprint by 2031 and achieving net zero by 2045. The Council's current Climate Change Plan includes a target for 94% of non-domestic buildings to have heating and cooling supplied using low carbon technologies by 2032. Buildings are one of the largest sources of carbon emissions for the Council. There are currently approximately 130 buildings in the Council/HSCP portfolio. Energy use in buildings is a significant carbon emitter for the Council/HSCP, accounting for nearly 9,000 tonnes CO₂e and 77% of the overall carbon footprint in 2019/20. Water is used throughout the Council estate. Water has a carbon impact from both supply and use and its disposal to sewer for treatment. In 2019/20 emissions from water were 255 tonnes CO₂e which is 2.2% of the total 2019/20 carbon footprint.
- 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 utilities management.
- 2.4 The review focused on the high-level processes and procedures in relation to utilities management and concentrated on identified areas of perceived higher risk, such as utility usage within the Council estate is not efficient or is not accurately and completely monitored on a regular basis, utility bills are not completely and accurately processed in a timely manner or emission reduction targets are not being achieved.
- 2.5 The overall control environment opinion for this audit was **Satisfactory**. There were 3 AMBER issues identified as follows:

Adequacy of resources to progress actions from the Net Zero Strategy (Amber)

Inverclyde Council's Net Zero Strategy sets out the Council's commitment to achieving net zero by 2045. Another two strategies introduced by the Scottish Government are the Heat in Buildings Strategy and the Local Heat and Energy Efficiency Strategies (Scotland) Order (LHEES). The Net Zero Strategy will be implemented through a series of 5 year action plans, in particular in relation to utilities management, through a schedule of energy projects including review of Automatic Meter Reading provision, investing in additional devices for all utilities and an increase in resources to assist in the development of the LHEES.

Through discussions with the Interim Head of Property Services, it was identified that Scottish Government funding will be used to secure a Team Leader Energy and Climate Change Officer and a technician post to assist with the actions required from the Net Zero action plan. However, at the time of the review, recruitment had commenced for the additional resources but the positions have not yet been filled.

Where adequate resources are not in place to progress agreed actions, there is a risk that the Council may not make adequate progress in achieving net zero targets set by the Scottish Government.

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

Collation and reporting of emissions results (Amber)

One of the key tasks of the Carbon Reduction Officer is to monitor, collate and report emissions data from the consumption of utilities across the council estate. The Carbon Reduction Officer extracts the emissions data manually from utility billing spreadsheets and reports the results to the Climate Change Group and to the E&R Committee on an annual basis.

Through a walkthrough of the process, it was identified that there are currently no written procedures for the monitoring, collation and reporting of emissions data and the calculation of the emissions data involves a lot of manual intervention to provide complete and accurate results. In addition, there is a single person dependency in relation to the emission data calculation and there is no independent check of the data collated. Also, we identified an error in the example reviewed.

Where written procedures do not exist, there is a risk that staff may not carry out procedures in a consistent manner, or at all.

Where there is no independent check of the emissions data, management cannot be confident that the total results reported internally and externally are complete and accurate.

Lack of Records Retention Policy (Amber)

In order to comply with the Code of Practice on the Discharge of Functions by Public Authorities under the Freedom of Information (Scotland) Act 2002, Inverclyde Council has developed a policy for the retention and disposal of electronic/paper documents and records.

Within this policy, services should use a retention schedule to record documents and records that should be permanently preserved or disposed of when no longer required. Through discussions with the Carbon Reduction Officer, it was identified that although all Planning services have developed a retention schedule, both hard copy and electronic records in relation to utilities management since March 2011 have been omitted from the retention schedule and have therefore not been archived or disposed of according to the policy.

Where documents or records in relation to utilities management have not been included on the retention schedule or are not retained or disposed of in accordance with the retention policy, there is a risk that utilities management information is being held for longer than necessary which is costly to the Council in terms of physical storage space and server space and may not comply with the with the Freedom of Information (Scotland) Act 2002 where information should be easily accessible to respond to Freedom of Information requests.

- 2.6 The review identified 5 issues, 3 of which we consider to be individually significant and an action plan is in place to address all issues by 31 May 2024.

Education – Control Self Assessment

- 2.7 Control Self-Assessment is a process through which the adequacy and effectiveness of internal controls are examined, with the goal of providing assurance that key objectives are being met. It allows Heads of Establishments and selected staff to participate in the assessment of internal controls and develop action plans to address any weaknesses that may be identified. In turn these action plans assist in evaluating risks which, if not properly addressed, could undermine the achievement of key objectives. Furthermore, Control Self-Assessments can increase awareness of internal control issues and motivate staff to carefully design and implement control processes.

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

- 2.8 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding a number of key risks faced by Education Services.
- 2.9 The review focused on the high-level processes and procedures in relation to all Education establishments and concentrated on identified areas of perceived higher risk, such as ensuring that Education establishments fully comply with council policies and procedures in relation to attendance management and the school funds procedural manual.
- 2.10 The overall control environment opinion was **Satisfactory**. There were 3 AMBER issues identified as follows:

Establishment of school funds written constitution and school funds committee (Amber)

As part of the procedures within the School Funds Manual each educational establishment must have a written constitution that states the purpose of the School Funds and provides clear guidance on how the school funds should be administered which is overseen by a School Funds Committee. Through review of the CSA returns and discussions with some Heads of Establishment, it was identified that 24 out of 39 establishments do not have a written school funds constitution and 32 out of 39 establishments have not set up a school funds committee in accordance with the school funds procedural manual.

In addition, it was identified that currently 33 establishments do not have a regular minuted school funds committee meeting.

Where educational establishments do not produce a written constitution, have not set up a school funds committee or do not minute meetings of the school funds committee, there is a risk that staff may not carry out tasks correctly resulting in non-compliance with the school funds procedural manual.

Recording of fund-raising events (Amber)

Throughout the school year, a number of fund-raising events are organised to raise money for school funds. It is important that management are aware of all planned fund-raising events to ensure that all income and expenditure is completely and accurately recorded in a timely manner.

The school funds procedures include the use of a calendar to record fund-raising events which can be checked by management to ensure all income and expenditure relating to fund-raising events have been completely and accurately recorded in the school funds records.

However, through review of the CSA returns and discussions with some Heads of Establishment it was identified that 5 educational establishments do not record their fund-raising events on the school calendar and no other checks take place.

Where fund-raising events are not recorded on the school calendar, management cannot be confident that all events have been included in the overall income and expenditure records which may result in theft, loss or misappropriation of school funds.

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

Compliance with the attendance management policy (Amber)

Through review of the CSA returns and discussions with some Heads of Establishment, it was identified that 5 out of 39 establishments require initial training and 6 out 39 establishments require refresher training in relation to attendance management. Review of CSA returns also identified that staff at 10 establishments have not updated their CPD log after the attendance management training has been completed.

In addition, where an employee's pattern of attendance gives cause for concern, the Head of the Establishment should issue a letter of concern to inform the employee that their attendance at work is unsatisfactory and that concern has been noted. Through review of the CSA returns it was identified that 2 Heads of establishment currently do not issue a letter of concern but instead discuss the absence with the absentee where a form is completed and retained. In relation to absence statistics, it was identified that 7 out of 39 establishments do not report absence statistics to relevant senior management. 3 establishments out of the 7 that do not report absence statistics had noted that they required clarification on the process for reporting absence statistics.

Where training in relation to attendance management has not been carried out, there is a risk that staff may not carry out tasks in a consistent manner resulting in non-compliance with the Council's attendance management policy.

- 2.11 The review identified 4 issues, 3 of which we consider to be individually significant and an action plan is in place to address all issues by 31 December 2023.

3 Audit Plan for 2022/2023 – Progress to 31 March 2023

Planned Audit Coverage	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
Residential Care – Children’s Services (b/f)		✓	✓	✓	✓	✓	✓	October 2022
Workforce Planning Arrangements		✓	✓	✓	✓	✓	✓	October 2022
Supplier Management		✓	✓	Deferred to 2023/24 audit plan				
Cyber Security Arrangements		✓	✓	✓	✓	✓	✓	February 2023
Freedom of Information Arrangements		✓	✓	✓	✓	✓	✓	February 2023
Climate Change – Utilities Management		✓	✓	✓	✓	✓	✓	April 2023
Limited Scope Financial Reviews								
Debt Recovery		✓	✓	✓				
Project Assurance Reviews								
Learning Disability Hub (b/f from 2021-22)		✓	✓	No report required. Audit advice and support provided to project.				
Swift Replacement System (Social Work IT System)		✓		Planning is underway in relation to audit support required at testing and implementation phases of the project.				
Corporate Fraud Reviews								
Discretionary Payments	Fieldwork is complete. Draft findings being prepared for discussion with management.							
Client Accounts – Quarterly Checks	Quarterly checks underway. No significant issues identified to date.							
Catering – Quarterly Stock Checks	Not yet started. Work in this area will be deferred to the 2023/24 audit plan.							
Education Establishment Placing Requests	Validity checks are complete. No significant issues identified.							
Regularity Audits								
Education CSA		✓	✓	✓	✓	✓	✓	April 2023
Corporate Purchase Cards – Quarterly Checks	Fieldwork underway for Q1 2023.							
Corporate Governance								
Annual Governance Statement 2021-22	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	22/23 Exercise has started – see section 4 of report for more information.							
Carry forward from 2021/22 Audit Plan	Reports finalised: Self-Directed Support; Public Protection; Covid-19 Response; and Employee Expenses.							
Inverclyde IJB	40 days allocated to IJB audit plan. Two audits were planned and have been completed.							

4 Corporate Fraud Activity

- 4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 30 January to 31 March 2023:

National Fraud Initiative Exercise					
In relation to the 2022/2023 Exercise, matches relating to the relevant datasets have been received and progress is as follows:					
Matches received	Number investigated	No issues	Fraud	Error	Value of Fraud/Error
1589	214	211	0	3	£3,097.56
The Council Tax Single Person Discount recheck exercise was refreshed in March 2023 and the results to date are as follows:					
Matches received	Number investigated	No issues	Fraud	Error	Value of Fraud/Error
8932	1123	1090	29	4	£28,508.45
Discretionary Payments – 2022-2023					
Fieldwork is complete. Draft findings being prepared for discussion with management.					
Client Money Accounts Quarterly Checks – 2022-2023					
Quarterly checks are underway.					
Catering – Quarterly Stock Checks – 2022-2023					
Not yet started. Will be deferred to 2023/24 audit plan.					
Education Establishment Checks 2022-2023					
Validity confirmation checks are complete. No significant issues identified.					

- 4.2 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 £58,460.28.
- 4.3 The team is also progressing whistleblowing and other enquiries as follows:

File Ref	Description	Status
Other enquiries		
22/16	Potential discrepancy in school funds.	Included in Education CSA review at section 2 of the report.
22/52	Allegation that one organisation is being favoured over other organisations.	Investigation complete. No irregularity identified.
22/92	Allegation of unlicensed HMO and flat conversion.	Closed – referred to HSCP, Revenues and Benefits and Trading Standards.
Whistleblowing enquiries		
22/102	Complaint that individual is claiming SPD but resides with another adult.	No fraud established.
22/110	Complaint that council vehicle is parked outside supermarket every week on double yellow lines.	Referred to Service for investigation.

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 4.3 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 MARCH 2023

Summary: Section 1 Summary of Management Actions due for completion by 31/03/2023

There were 2 actions due for completion by 31 March 2023 and both actions have missed the deadline set by management.

Section 2 Summary of Current Management Actions Plans at 31/03/2023

At 31 March 2023 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/03/2023

At 31 March 2023 there were 20 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 March 2023 there were 4 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 31.03.2023**

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)	1	0	1	
Environment, Regeneration & Resources	1	0	1	
Total	2	0	2	

* These actions are included in the 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)
SUMMARY OF CURRENT MANAGEMENT ACTION PLANS AS AT 31.03.2023**

SECTION 2


CURRENT ACTIONS BY DIRECTORATE

HSCP	
Due for completion July 2023	1
Total Actions	1
Education, Communities and Organisational Development	
Due for completion May 2023	2
Due for completion June 2023	3
Due for completion August 2023	2
Due for completion December 2023	2
Total Actions	9
Environment and Regeneration	
Due for completion April 2023	1
Due for completion May 2023	1
Due for completion June 2023	2
Due for completion January 2024	1
Due for completion May 2024	1
Total Actions	6
Chief Executive	
Due for completion April 2023	1
Due for completion May 2023	1
Due for completion June 2023	2
Total Actions	4
Total current actions:	20


**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 31.03.2023**




SECTION 3

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

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

P Homelessness (Report Issued August 2021)

Description	Status	Original Due Date	Due Date	Assigned To
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. 		31-Mar-2022	31-July-2023*	Service Manager (Homelessness and Addictions)


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 31.03.2023**




SECTION 3

P Employee Expenses (Report Issued August 2022)

Description	Status	Original Due Date	Due Date	Assigned To
High Mileage Claims (Amber) 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	30-Apr-2023	Head of Roads and Transportation

P Cyber Security Arrangements (Report Issued January 2023)


Description	Status	Original Due Date	Due Date	Assigned To
Staff Training in Relation to Cyber Security (Amber) Management will ensure that the cyber security course is included as a mandatory course for all new employees to complete prior to being given access to the Council ICT network.		30-Jun-2023	30-Jun-2023	ICT Manager/Head of OD, Policy and Communications
Staff Training in Relation to Cyber Security (Amber) Management will ensure that an exercise is completed to ensure that all existing employees on the Council ICT network have completed the relevant mandatory training courses by 30 June 2023 and staff who have not completed the relevant courses will have their network access suspended. Progress on this exercise will be overseen by the Information Governance Steering Group.		30-Jun-2023	30-Jun-2023	ICT Manager/Head of OD, Policy and Communications
Staff Training in Relation to Cyber Security (Amber) The planned phishing exercise is actioned as soon as possible to measure staff awareness of the risks of cyber security.		30-Apr-2023	30-Apr-2023	ICT Manager

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 31.03.2023**

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
<p>Overdue External Assessments and Accreditations (Amber) The ICT Manager will ensure that both the PSN compliance/IT Health Check and the Cyber Essentials accreditation for 2021/22 are submitted for assessment as soon as possible.</p>		31-May-2023	31-May-2023	ICT Manager




	Climate Change – Utilities Management (Report Issued February 2023)
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Description	Status	Original Due Date	Due Date	Assigned To
<p>Adequacy of resources to progress actions from the Net Zero Strategy (Amber) Property Services Management will liaise with the appropriate services to ensure that:</p> <ul style="list-style-type: none"> • the Energy & Climate Change Team Leader post is put in place; • the Energy & Climate Change Technician post will be considered in terms of potential internal candidates who will be displaced as part of the on-going Property Services restructure. Depending on the outcome of the restructure, this post may require to be advertised externally; • the Carbon Reduction Officer will transfer to Property Services by April 2023 to form part of the Energy and Climate Change Team; • the agreed actions within the Net Zero Strategy action plan are progressed as soon as additional staff are in place. 		30-Jun-2023	30-Jun-2023	Interim Head of Property Services
<p>Adequacy of resources to progress actions from the Net Zero Strategy (Amber) Management will ensure that all scheduled work is monitored, updated and reported to Committee on a regular basis.</p>		31-Jan-2024	31-Jan-2024	Interim Head of Property Services


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)
CURRENT MANAGEMENT ACTIONS AS AT 31.03.2023**

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
Collation and reporting of emissions results (Amber) Management will ensure that: <ul style="list-style-type: none"> written procedural documentation is developed for the monitoring, collation and reporting of emissions data; a copy of the procedural documentation is retained and made available for all new members of staff; 		31-May-2023	31-May-2023	Interim Head of Property Services
Collation and reporting of emissions results (Amber) Management will ensure that a process to evidence periodic review on a regular basis is introduced, which includes version control.		31-May-2024	31-May-2024	Interim Head of Property Services
Collation and reporting of emissions results (Amber) Management will ensure that an independent check is completed for all emissions calculations. Evidence of the independent check should be retained		30-Jun-2023	30-Jun-2023	Interim Head of Property Services

	Education CSA 2022-23 (Report Issued March 2023)
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Description	Status	Original Due Date	Due Date	Assigned To
Establishment of school funds written constitution and school funds committee (Amber) The Head of Education will brief all Heads of Establishment on requirements.		31-May-2023	31-May-2023	Head of Education




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 31.03.2023**

SECTION 3



Description	Status	Original Due Date	Due Date	Assigned To
<p>Establishment of school funds written constitution and school funds committee (Amber) Head of Establishment/School Business Co-ordinator will ensure that the following actions are completed in time for the start of the August 2023 term:</p> <ul style="list-style-type: none"> • all relevant educational establishments produce a written constitution for approval by the committee; • all relevant educational establishments set up a school funds committee in accordance with the school funds procedural manual; • all relevant educational establishments schedule a regular school funds committee meeting; and • each committee meeting is recorded including key actions 		31-Aug-2023	31-Aug-2023	Heads of Establishment/School Business Co-ordinator
<p>Establishment of school funds written constitution and school funds committee (Amber) The Policy and Commissioning Team Leader/School Business Officers will carry out a review to ensure the required actions are in place.</p>		31-Dec-2023	31-Dec-2023	Policy & Commissioning Team Leader/School Business Co-ordinator
<p>Recording of fund-raising events (Amber) The Head of Education will brief all Heads of Establishment to ensure that all relevant educational establishments record each fund-raising event on the school calendar as soon as each event has been organised.</p>		31-May-2023	31-May-2023	Head of Education
<p>Recording of fund-raising events (Amber) A check of the calendar will be incorporated into the school funds checklist confirming that all transactions arising from fund-raising activity have been included in the income and expenditure records.</p>		31-Aug-2023	31-Aug-2023	Heads of Establishment/School Business Co-ordinator




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 31.03.2023**

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
<p>Recording of fund-raising events (Amber) The Policy and Commissioning Team Leader and School Business Officers will carry out an internal check on the actions.</p>		31-Dec-2023	31-Dec-2023	Policy & Commissioning Team Leader/School Business Co-Ordinator
<p>Management of the attendance management policy (Amber) Management will ensure that:-</p> <ul style="list-style-type: none"> • attendance management training is built into Head of Establishment induction training; • joint training on attendance management between Education and HR is completed by all relevant staff; • all relevant staff record the attendance management training on their individual CPD file; • where applicable, the Head of Establishment issues a letter of concern to an absent staff member when appropriate; • an absence report is sent to all Heads of Establishment; and • absence statistics reporting is added as a standing agenda item at SMT meetings to ensure all issues are identified and resolved in a timely manner. 		30-Jun-2023	30-Jun-2023	Policy & Commissioning Team Leader/HR Manager

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)
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
Homelessness (August 2021)	<p>Adequacy of policies and procedures (Amber) Management will:</p> <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. 	<p>31.03.22 30.11.22 31.03.23</p>	31.07.23	<p>The rent management policy has been drafted and will be presented to SMT and CMT for approval by 30 April 2023.</p> <p>The review of arrangements for implementation and reporting of the policy will be carried out by 31 July 2023.</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>
Employee Expenses (August 2022)	<p>High Mileage Claims (Amber) The service will carry out a refreshed value for money study that takes into account the current situation and will make recommendations accordingly.</p>	31.03.23	30.04.23	<p>Work has been undertaken and a report is being prepared for CMT.</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 at 31 March 2023.

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	44	0	0	1
2019/2020	43	41	0	2	0
2020/2021	36	33	0	1	2
2021/2022	24	21	0	0	3
2022/2023	50	22	0	17	11
Total	317	277	0	20	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.

Agreed Action/Responsibility	Original Action Date	Current Action Date	Comment
2017/18 Social Work IT System (SWIFT) Replacement System			
<p>Management will consider at an early stage how best to formally document checks undertaken by officers when introducing the system which will replace the Social Work IT System (SWIFT) financials modules.</p> <p>HSCP Finance Manager</p>	31.03.2020	30.04.2024	<p>System was procured in June 2022. This will be in line with detailed implementation plan which has been agreed with supplier. Expected go live date is April 2024.</p>
<p>Management will document the user requirements for regular and accurate management information when introducing the system which will replace the Social Work IT System (SWIFT) financials modules.</p> <p>HSCP Finance Manager</p>	31.03.2020	30.04.2024	<p>System procured June 2022. Finance, Performance and Information staff will be fully involved in implementation of new finance modules to ensure accuracy and availability of required management information for both data and financial/budgetary purposes.</p>
<p>Provided that the system which will replace the Social Work IT System (SWIFT) has the capability then management will consider carrying out a pilot study with one volunteer care home supplier to introduce payment notices as an alternative to processing its invoices.</p> <p>HSCP Finance Manager</p>	31.03.2021	30.11.2024	<p>System was procured June 2022. Revised date to take account of implementation timetable which has a go live date of April 2024.</p>
2018/19 Corporate Purchase Cards			
<p>The Procurement and Building Services Manager will review all relevant existing suppliers who do not attract a discount and liaise with the suppliers where possible to obtain a discount for prompt payment.</p> <p>Procurement and Building Services Manager</p>	30.06.2019 31.12.2022	30.06.2023	<p>Spend Analysis has now been implemented within the Council and supports the delivery of this action.</p> <p>Discussions are ongoing with suppliers to attract discounts.</p>
2020/21 Corporate Procurement Off-Contract Spend			
<p>Management will update the Procurement Manual.</p> <p>Corporate Procurement Manager</p>	30.04.2021	30.06.2023	<p>Procurement Manual is updated on an ongoing basis. The next version is scheduled to be issued to the DPO group by the end of March 2023 with a further refresh to be issued by Q2 2023/24.</p>

Agreed Action/Responsibility	Original Action Date	Current Action Date	Comment
2020/21 Homelessness			
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 (Addictions and Homelessness)	31.03.2022	30.04.2023	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.
2021/22 Self Directed Support			
Financial reviews will be undertaken in line with CIPFA guidance on Direct Payment reviews. HSCP Finance Manager	31.03.2023	31.07.2023	A revised action plan date of 31 st July 2023 has been set. Officers were dealing with a backlog of reviews and from 1 st April anticipate applying the CIPFA guidance
New procedures regarding payments run for Self-Directed Support Option 1 will be issued in line with implementation and development of the replacement the Social Work IT System (SWIFT) system. HSCP Finance Manager	31.03.2024	N/A	Not yet due.
2022/23 Employee Expenses			
Where resources and capacity allow, HR will examine the self-service solution contained within Chris21 for travel and subsistence claims as part of the "New Ways of Working Project" which currently runs until June 2023. Head of OD, Policy and Communications	30.06.2023	N/A	Not yet due.
2022/23 Workforce Planning			
Management will develop, in conjunction with the Workforce Planning & Development Group, a risk register for the People & OD Strategy which focusses on its priority and high risk work streams and will draw on an updated HR risk register. Head of OD, Policy and Communications	31.12.2022	31.03.2023	On track.

Agreed Action/Responsibility	Original Action Date	Current Action Date	Comment
2022/23 FOI Arrangements			
<p>Training plan to address key process coverage including the reports which are routinely run to support manage timescales effectively.</p> <p>Training to be provided to identified officer(s) to develop skill for completing the statutory reporting for FOIs</p> <p>Training to be provided to identified officer(s) to make necessary changes, create new users and reset passwords in the system.</p> <p>Legal Service Manager</p>	30.04.2023	N/A	Not yet due.
<p>One off sample check to be undertaken using data from January to March 2023 to check:</p> <ul style="list-style-type: none"> - underlying causes for late responses; - use of exemption Section 17 - Information not held; - use of other relevant exemptions to ensure being correctly used; - standard of responses and adherence to overall process requirements. <p>Legal Services Manager</p>	30.06.2023	N/A	Not yet due.
<p>Finalise the completion of the review of the Council's Publication Scheme and Guide to Information.</p> <p>Send a reminder to each Service that information held by them, wherever appropriate, should be published promptly and proactively, without the need for individuals to submit formal information requests.</p> <p>Legal Services Manager</p>	30.04.2023	N/A	Not yet due.
<p>Services currently without a shared FOI email inbox will be asked to consider introducing a shared email inbox for the receipt of FOI and EIR requests</p> <p>Legal Services Manager</p>	30.04.2023	N/A	Not yet due.

Agreed Action/Responsibility	Original Action Date	Current Action Date	Comment
All FOI Guidance and Workpro Guidance for officers to be reviewed and updated and thereafter uploaded to intranet. Legal Service Manager	30.04.2023	N/A	Not yet due.
2022/23 Climate Change – Utilities Management			
Property Services will ensure that the quarterly meter reading exercise is resumed once additional resources have been employed within the Energy & Climate Change Team. Interim Head of Property	31.05.2023	N/A	Not yet due.
Property Services will put arrangements in place to ensure that: <ul style="list-style-type: none"> • Finance Services are added to the standard mailing list that the Legal & Democratic Services utilise for advising of the disposal of assets; • a regular reconciliation is completed between the spreadsheet held by Finance Services and the list held by Property Services to ensure that the property list for utility billing is complete and accurate and up to date. 	01.04.2023	N/A	Not yet due.

Report To: Audit Committee

Date: 25 April 2023

Report By: Head of Legal, Democratic,
Digital and Customer Services

Report No: AC/13/23/IS/APr

Contact Officer: Andi Priestman

Contact No: 01475 712251

Subject: EXTERNAL AUDIT ACTION PLANS - CURRENT ACTIONS

1.0 PURPOSE

1.1 For Decision

For Information/Noting

1.2 The purpose of this report is to advise Members of the status of current actions from External Audit Action Plans at 31 March 2023.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members note the progress to date in relation to the implementation of external audit actions.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

- 3.1 External Audit regularly report findings and action plans to relevant Council Officers and the Audit Committee as part of their annual audit plan.
- 3.2 A follow up process is in place to allow follow up of current external audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to CMT and the Audit Committee.
- 3.3 The Chief Internal Auditor co-ordinates follow up reporting on current actions arising from External Audit Action Plans on a monthly basis with regular reporting to CMT and the Audit Committee.
- 3.4 There was one action due for completion by 31 March 2023 which has been reported as completed by management.
- 3.5 There are 3 current external audit action being progressed by officers. These are set out in the status report at Appendix 1.

4.0 PROPOSALS

- 4.1 The Audit Committee is asked to note the progress to date in relation to the implementation of external audit actions

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

There is a risk that failure to implement agreed audit actions in a timely manner could result in an inability to provide a reasonable level of assurance over the Council's system of internal control to those charged with governance.

5.3 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

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

7.0 LIST OF BACKGROUND PAPERS

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

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
AT 31 MARCH 2023

Summary: Section 1 Summary of Management Actions due for completion by 31/03/2023

There was one action due for completion by 31 March 2023 which has been reported as completed by management.

Section 2 Summary of Current Management Actions Plans at 31/03/2023

At 31 March 2023 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/03/2023

At 31 March 2023 there were 3 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 March 2023 there were no audit action points where the agreed deadline has been missed.

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

SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.03.2023

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 and Regeneration	0				
Health and Social Care Partnership (HSCP)	0				
Education and Communities	1	1			
Total	1	1			

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

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

SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 31.03.2023

SECTION 2





CURRENT ACTIONS BY DIRECTORATE

Chief Executive	
Due for completion June 2023	2
Total Actions	2
Environment and Regeneration	
Due for completion April 2026	1
Total Actions	1
Total current actions:	3

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

CURRENT MANAGEMENT ACTIONS AS AT 31.03.2023

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
Annual Report to Members on the 2021/22 Audit (November 2022)				
Heritage Assets Valuation review (New) Officers within Finance and Cultural Services will progress a revaluation of the heritage assets prior to the closure of the 2022/23 Accounts.		30-Jun-2023	30-Jun-2023	Chief Financial Officer/ Corporate Director, Education, Communities & OD
Estimation and judgement disclosure (B/f) A review has not been carried out for the 2021/22 Accounts due to limited time and resource. A review will be progressed taking into account the approach taken by other Councils.		30-Jun-2023	30-Jun-2023	Finance Manager (Environment & Technical)
Internal Controls (B/f) Management will carry out a review and ensure appropriate controls are implemented on a timely basis to address the reported weakness.		31-Mar-2023	31-Mar-2023	Head of OD, Policy & Communications
Local Development Plan (B/f) The preparation of the LDP will commence in February 2023 and be complete in April 2026.		30-Apr-2026	30-Apr-2026	Corporate Director Environment & Regeneration

Action Status



Overdue



In Progress



Completed

**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 actions where the original action date has been missed.				

Report To: Audit Committee **Date:** 25 April 2023
Report By: Head of Legal, Democratic, Digital and Customer Services **Report No:** AC/10/23/IS/APr
Contact Officer: Andi Priestman **Contact No:** 01475 712251
Subject: INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2023-24

1.0 PURPOSE

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to present the Internal Audit Annual Strategy and Plan for 2023-2024.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members approve the Internal Audit Annual Strategy and Plan for 2023-2024.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

- 3.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising governance, risk management and control by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 3.2 The requirement for an Internal Audit function derives from local government legislation, including Section 95 of the Local Government (Scotland) Act 1973, which requires authorities to make arrangements for the proper administration of their financial affairs. Proper administration includes Internal Audit.
- 3.3 The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 3.4 It is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk and meetings have been held with Directors and Heads of Service as appropriate. Each area has been assessed against a broad range of risk criteria and a risk score has been generated based on probability factors such as current control environment, results of last audit and time since the last audit.
- 3.5 Account has also been taken of the risks identified in the Council's Corporate, Directorate and Service Risk Registers.
- 3.6 Outlined below are the current risk factors influencing our proposed audit coverage for 2023-2024:
- Succession planning is an integrated, systematic process of identifying, developing and retaining existing employees who have the potential to fill critical positions which become vacant. Internal Audit will review the Council's arrangements for succession planning.
 - Internal Audit will review the process to ensure commercial waste is being collected promptly and efficiently by the council and that all income from commercial waste collection and disposal is properly collected and accounted for.
 - Building Standards enforce the regulations that prescribe minimum standards which can reasonably be expected to be achieved in buildings and building operations. Internal Audit will review the governance, risk management, and control procedures that are in place to ensure these are adequate and effective.
 - The Council has an embedded supplier management process which aims to provide a consistent and effective approach when managing suppliers. Internal Audit will review the adequacy and effectiveness of the supplier management process in place across the Council.
 - The UK Government launched the UK Shared Prosperity Fund in April 2022 and Inverclyde Council has been allocated funding over a 3 year period. The Council has prepared an investment plan which will allocate funding across the 3 themes set out by the UK Government. An assurance framework will be in place and Internal Audit will provide advice and support on the relevant governance, risk management and internal controls in relation to the assurance framework.
 - ASN Transport – a value for money review will be undertaken to ensure that current modes of transport are providing best value for the Council.
 - Swift Replacement System – quality assurance will be provided at the implementation stage of the project focusing on systems and user acceptance testing processes on a corporate basis. Internal Audit will review the risk management, governance and control processes to ensure that these are adequate and effective.

- The Cashless Catering system is being replaced during 2023-24. Internal Audit will provide audit advice and support during the implementation phase of the project.
- The Council operates an Attendance Management Policy which is designed to provide support for employees who are ill and to improve attendance levels across the council. Internal Audit will review the adequacy and effectiveness of the attendance management arrangements across the Council.

3.7 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

4.0 PROPOSALS

4.1 The Audit Committee is asked to approve the Internal Audit Annual Strategy and Plan 2023-24.

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

The role of Internal Audit is to provide Audit Committee with assurance on the Council's governance, risk management and internal control arrangements. Consideration of this report enables the Audit Committee to discharge its responsibility for approving the Internal Audit Strategy and Plan and monitor its performance.

5.3 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

6.1 Discussions have taken place with Directors and Heads of Service as appropriate in relation to the proposed annual audit plan coverage.

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

7.0 LIST OF BACKGROUND PAPERS

7.1 None.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2023-2024**1. Introduction**

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

2. Internal Audit Objectives

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

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

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

3. Risk Assessment and Audit Planning

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

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2023-2024

- 3.3 The Audit Universe is risk assessed each year to determine the Annual Audit Plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Each area within the Audit Universe is assessed for impact against a number of broad risk categories as follows:
- Strategy Risks associated with the setting and achievement of strategic objectives.
 - Economy Risks associated with the economy in which Inverclyde Council operates.
 - Reputation Risks associated with threats to Inverclyde Council's name and standing in the sector.
 - Customer Risks associated with customer relationships.
 - Legal/Regulatory Risks associated with the requirement to comply with a wide range of statute.
 - Financial Risks associated with financial loss or inefficiency.
 - Technology Risks associated with application systems, their integrity, security and development.
 - Management Information Risks associated with the provision of information for decision-making purposes.
 - Human Resources Risks associated with people, eg recruitment, succession, development, motivation and morale etc.
 - Operations Risks associated with the business operating process.
 - Business Continuity/Resilience Risks associated with disaster scenarios which would threaten the continuing operation of Inverclyde Council.
 - Security Risks associated with security over customer and Inverclyde Council's assets.
 - Stakeholder Risks associated with management of stakeholder expectations (eg Government or local communities)
 - Fraud Risks associated with asset misappropriation, corruption and financial statement fraud.
- 3.4 Account has also been taken of the risks identified in the Council's Corporate, Directorate and Service Risk Registers and risks identified by external scrutiny bodies through the Local Scrutiny Plan.
- 3.5 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2023-2024**4 Service Delivery**

- 4.1 The provision of the internal audit service is through a directly employed in-house team. The Chief Internal Auditor is provided through a shared service arrangement with West Dunbartonshire Council.
- 4.2 In relation to the total staff days allocated to the 2023-2024 plan, each member of staff completes a resource allocation spreadsheet for the year which is split between annual leave, public holidays, training days, general administration and operational plan days. The combined operational plan is 720 days which will be resourced as follows:

Team Member

Audit Practitioner – 180

Audit Assistant – 180

Senior Corporate Fraud Officer – 180

Corporate Fraud Officer – 180

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

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

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2023-2024

5 Proposed Audit Coverage 2023-2024

- 5.1 The proposed audit coverage is set out in the table below. This includes a range of risk based reviews, limited scope financial reviews and regularity audits.
- 5.2 The Plan contains a contingency provision that will be utilised during the year in response to unforeseen work demands that arise eg special investigations and provision of ad hoc advice.

Audit Area	Service Area	Risk Score	Staff Days
Risk-Based Audit Reviews			
Supplier Management (deferred from 2022/23)	Corporate	8680	25
Succession Planning	Corporate	8400	25
Attendance Management	Corporate	8100	25
Building Standards	ERR	7885	25
ASN Transport	ECOD	7800	20
Commercial Waste Income (Billing and Collection)	ERR	7200	30
Total			150
Limited Scope Financial System Reviews			
Non-Domestic Rates	Finance	4410	20
Total			20
Advisory Reviews			
Education – Cashless Catering Replacement System	ECOD	N/A	15
UK Shared Prosperity Fund Assurance Arrangements	ERR	N/A	15
Total			30
Project Assurance Reviews			
SWIFT Replacement System Implementation	HSCP	N/A	15
Total			15
Corporate Fraud Reviews			
Employee Expenses	Corporate	N/A	12
Client Accounts – Quarterly Checks	HSCP	N/A	12
Catering – Quarterly Stock Checks	ECOD	N/A	12
Education Establishment Placing Requests	ECOD	N/A	10
Total			46
Regularity Audits			
Education – CSA	ECOD	-	25
Corporate Purchase Cards – Quarterly Checks	Corporate	-	20
HSCP – Imprest	HSCP	-	20
Total			65
Corporate Governance Reviews			
Annual Governance Statement (2022/2023)	Corporate	-	10
Total			10
Other Work			
Audit follow up	Corporate	-	15
National Fraud Initiative Investigations	Corporate	-	170
National Fraud Initiative 2022 Monitoring	Corporate	-	14
Other Investigations	Corporate	-	95
SPOC Liaison with DWP	-	-	15
IJB – Internal Audit Service	-	-	40
Contingency	-	-	20
C/f from 2022-2023 Audit Plan	-	-	15
Total			384
Total Staff Days			720

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2023-2024

6 Quality and Performance

- 6.1 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
- 6.2 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on quality, efficiency and effectiveness. For 2023-2024 these have been set as follows:

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

- 6.3 Actual performance against targets will be included in the Internal Audit Annual Assurance Report for 2023-2024.

Report To:	Audit Committee	Date:	25.04.2023
Report By:	Head of Legal, Democratic, Digital and Customer Services	Report No:	AC/11/23/IS/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	ANNUAL GOVERNANCE STATEMENT 2021/22 – UPDATE ON IMPROVEMENT ACTIONS		

1.0 PURPOSE

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to advise Members of the status of improvement actions arising from the Council's 2021/22 Annual Governance Statement.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members note the progress to date in relation to the implementation of the improvement actions identified in the 2021/22 Annual Governance Statement.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

- 3.1 The Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE) set the standard for local authority governance in the UK. The Framework was updated in 2016 and has applied to Annual Governance Statements prepared for the financial year 2016/17 onwards.
- 3.2 The revised Framework assists local government in taking responsibility for developing and implementing an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist local authorities to review and account for their own approach to governance.
- 3.3 In order to demonstrate its commitment to sound governance, the Council publishes a governance statement on an annual basis.
- 3.4 The Annual Governance Statement is the formal statement that recognises, records and publishes the Council's governance arrangements as defined in the CIPFA/SOLACE Framework.
- 3.5 The Annual Governance Statement is based on the annual self-assessment exercise undertaken by Heads of Service against key aspects of the Council's Local Code of Good Governance.
- 3.6 As part of the AGS exercise for 2021/22 there were 7 improvement actions identified. There were 6 improvement actions due to be completed by 31 March, 4 of which have been completed. The 7 improvement actions and their current status are set out at Appendix 1.

4.0 PROPOSALS

- 4.1 The Annual Governance Statement for 2021/22 identified 7 improvement actions which are set out at Appendix 1 together with the current status.
- 4.2 The Audit Committee is asked to note the progress to date in relation to the implementation of the improvement actions identified in the Annual Governance Statement for 2021/22.

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

There is a risk that failure to implement agreed improvement actions in a timely manner could result in an inability to provide a reasonable level of assurance over the Council's system of internal control to those charged with governance.

5.3 **Strategic**

This report relates to strong corporate governance.

6.0 **CONSULTATIONS**

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

7.0 **LIST OF BACKGROUND PAPERS**

7.1 Annual Report and Accounts 2021/22. Copies available from Andi Priestman, Chief Internal Auditor.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?	Current Status at 27 March 2023
1	Workforce planning arrangements require to be refreshed in a number of services in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies.	Workforce plans are in place which determine future workforce needs and implement solutions to ensure that organisational needs are aligned with the Council's people strategy.	Workforce plans will be reviewed during 2022-2023 to identify any gaps between current and future needs, identifying solutions to ensure the right resources are in place at the right time to deliver the Council's short and longer term objectives.	Corporate Management Team (Supported by Head of OD, Corporate Policy and Communications) 31 March 2023	Completed.
2	Discussions are ongoing with key suppliers in some services to determine business continuity arrangements for cyber security risks.	Business continuity arrangements with key suppliers fully consider cyber security risks.	Business continuity plans and service impact analysis documents will be updated during 2022-2023 to reflect cyber security risk mitigations with key suppliers.	Directors (Supported by CRMT/CCS) 30 September 2022 Revised date: 31 March 2023	The review of business continuity plans is undertaken on an annual basis, with the next Council-wide review scheduled for January to March 2023. This work is now complete. The Service Business Continuity Template has now been adapted to ensure that all service managers formally confirm that this element of resilience has been considered and adopted with key suppliers. This action is almost complete.

<p>As part of the ongoing agreement of contracts with key suppliers, these suppliers provide the Council's procurement team/applicable services with an overview of their cyber resilience arrangements as part of the tendering process to embed resilience.</p>					
<p>Completed.</p>	<p>Head of OD, Corporate Policy and Communications 31 October 2022 Revised date: 31 March 2023</p>	<p>Service review guidance documentation will be reviewed and updated during 2022-2023 to reflect best practice guidance for services undertaking service reviews.</p>	<p>Service review documentation is in place which assists services to improve the efficiency and effectiveness of service quality and processes which continues to ensure ongoing financial sustainability.</p>	<p>Current service review guidance documentation is being reviewed to ensure this remains fit for purpose in order to improve the Council's efficiency and effectiveness and assist in addressing financial sustainability.</p>	<p>3</p>
<p>Completed. Included in Digital Modernisation update to P&R on 21 March 2023.</p>	<p>Information Governance Group 31 March 2023</p>	<p>The document retention and disposal process will be reviewed by the Information Governance Steering Group. This exercise will incorporate the corporate expansion of the use of EDRMS. A business case for this is being prepared by end October 2022.</p>	<p>The use of EDRMS is maximised as far as possible to reduce the reliance on hard copy records and automate retention policy requirements.</p>	<p>Processes for document retention and disposal of records are currently being reviewed by the Council's Information Governance Steering Group to ensure the use of EDRMS is maximised within Services.</p>	<p>4</p>

5	<p>Some service risk registers were not reviewed on a regular basis during 2021-22 due to other work priorities as a result of Covid.</p>	<p>Service risk registers are reviewed on a regular basis to ensure risk assessments are maintained up to date which will allow directorate and corporate management teams to monitor and report on relevant key risks.</p>	<p>A new process is being developed to incorporate service risk registers within the Pentana system. This will include an automated reminder for risk owners to carry out a review of service risk registers to ensure risk assessments are maintained up to date and there is regular reporting to directorate and corporate management teams on the status of key risks.</p>	<p>Directors (Supported by Chief Internal Auditor) 31 October 2022 Revised date: 30 June 2023</p>	<p>All service risk registers were reviewed and updated by 31 October 2022. The new process for managing risk registers through Pentana is under development and will align with the new strategic planning and performance management framework being implemented from 1 April 2023. This will require training for risk owners on the new process to update risks on Pentana and generate relevant reports. This action will be revised to 30 June 2023 to allow for the preparation of the risk registers for the new CDIPS.</p>
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6	<p>BCS framework has been developed and is being implemented within all Education establishments as part of the move over to the corporate network. The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19.</p>	<p>Business Classification Scheme is fully implemented within all Education establishments.</p>	<p>A revised schedule was discussed with ICT. An update was provided to the June 2022 meeting of the Audit Committee as this is an outstanding audit action.</p> <p>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.</p>	<p>Corporate Director, Education, Communities and Organisational Development 30 June 2023</p>	<p>On track. The M365 solution has been implemented. Education are finalising the structure and user permissions for the business classification scheme which will then be implemented by ICT.</p>
7	<p>An assessment has been undertaken by officers of compliance with the CIPFA Financial Management Code which confirms that the Council is compliant with the main aspects of the Code. This needs to be formally adopted by the Council.</p>	<p>The Council has formally adopted the CIPFA Financial Management Code.</p>	<p>A report will be presented to Audit Committee then to Policy and Resources Committee highlighting the CIPFA Financial Management Code and the formal adoption of the Code by the Council.</p>	<p>Interim Director, Finance and Governance 30 November 2022 Revised date: 31 January 2023</p>	<p>Completed. Included in Finance Update to P&R in January 2023.</p>

Report To:	Audit Committee	Date:	25 April 2023
Report By:	Head of Legal, Democratic, Digital and Customer Services	Report No:	AC/12/23/IS/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	CIPFA AUDIT COMMITTEE GUIDANCE – 2022 UPDATE		

1.0 PURPOSE

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to advise Members of the results of the self-assessment exercise in relation to the updated CIPFA guidance on Audit Committees within Local Authorities and the improvement actions identified.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members note the results of the self-assessment exercise carried out by Audit Committee Members in relation to the updated guidance for Audit Committees and consider and approve the resulting improvement plan.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

3.1 CIPFA guidance for Audit Committees was updated in October 2022 in the publication "Audit Committees: Practical Guidance for Local Authorities and Police" (2022 Edition"). This publication represents CIPFA's view of best practice for audit committees in local authorities throughout the United Kingdom. The 2022 version contains some appendices, including:

- Self-Assessment of Good Practice; and
- Evaluating the impact and effectiveness of the Audit Committee.

3.2 These appendices set out key areas for self-assessment and evaluation including Audit Committee Purpose and Governance; Functions of the Audit Committee; Membership and Support; and Effectiveness of the audit committee.

3.3 This CIPFA publication also includes a 2022 Position Statement on audit committees in local authorities which sets out roles and responsibilities and good practice principles for audit committees. In particular, CIPFA is clear that audit committees are a key component of an authority's governance framework, their purpose being to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The Position Statement also sets out the core functions of an audit committee being as follows:

- Maintenance of governance, risk and control arrangements;
- Financial and governance reporting; and
- Establishing appropriate and effective arrangements for audit and assurance.

3.4 CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements.

3.5 It is important that the Council's Audit Committee demonstrates a high level of compliance with best practice guidance on Audit Committees in order to ensure that it can evidence its effectiveness as a scrutiny body and as a foundation for strong corporate governance.

3.6 The self-assessment exercise was issued for completion by Audit Committee members in March 2023.

4.0 PROPOSALS

4.1 The self-assessment exercise was completed by 8 out of 11 Members of the Audit Committee. The self-assessment confirmed that the Audit Committee is generally compliant with the guidance however some areas of improvement were identified as follows:

1. Develop an annual report from the Audit Committee to the Council which sets out compliance with the CIPFA Position Statement 2022; results of the annual evaluation; development work undertaken and planned improvements; and how the Audit Committee has fulfilled its terms of reference and the key issues escalated in the year.
2. Committee timetable to facilitate a private meeting of the Audit Committee with internal and external audit.
3. Consideration of lay/co-opted members to the Audit Committee.
4. Regular evaluation of knowledge, skills and training needs of the Chair and committee members and a programme of training put in place taking account of areas identified within the 2022 guidance.
5. Consider a stand-alone report on the Annual Governance Statement to assist Audit Committee members in their scrutiny of wider assurance arrangements.

- 4.2 It is recommended that Members note the results of the self-assessment exercise carried out by Audit Committee Members, and consider and approve the resulting improvement plan set out at appendix 1.

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

The review of the updated guidance will ensure that the Audit Committee will maximise the opportunity for effective scrutiny and to fulfil its governance role.

5.3 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

- 6.1 The self-assessment exercise was circulated to Audit Committee Members for completion, Relevant Officers were asked to provide updates to the report as appropriate.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 CIPFA Guidance on Audit Committees 2022. Copies circulated to Audit Committee members.

Improvement Area	Improvement Action	Responsibility/Date
<p>Audit Committee Purpose and Governance</p> <p>Effectiveness of the Committee</p>	<p>Develop an annual report from the Audit Committee to the Council which sets out compliance with the CIPFA Position Statement 2022; results of the annual evaluation; development work undertaken and planned improvements; and how the Audit Committee has fulfilled its terms of reference and the key issues escalated in the year.</p>	<p>Head of Legal, Democratic, Digital and Customer Services</p> <p>30 June 2023</p>
	<p>Develop a stand-alone report on the Council's wider governance and assurance arrangements as part of the annual review of the Annual Governance Statement for Audit Committee consideration each year.</p>	<p>Head of Legal, Democratic, Digital and Customer Services</p> <p>30 June 2023</p>
	<p>Review the Terms of Reference for the Audit Committee.</p>	<p>Head of Legal, Democratic, Digital and Customer Services</p> <p>31 October 2023</p>
<p>Functions of the Audit Committee</p>	<p>Review overall Committee timetable to facilitate a private meeting of the Audit Committee with internal and external audit during 2023/24 and beyond.</p>	<p>Head of Legal, Democratic, Digital and Customer Services</p> <p>30 June 2023</p>
<p>Membership and Support</p>	<p>A regular evaluation of knowledge, skills and training needs of the Chair and committee members will be undertaken and a programme of training put in place taking account of areas identified within the 2022 guidance.</p>	<p>Head of Legal, Democratic, Digital and Customer Services</p> <p>30 June 2023</p>
<p>Membership and Support</p>	<p>Once the programme of training for audit committee members has been completed, an exercise to consider the addition of lay/co-opted members to the audit committee members will be undertaken.</p>	<p>Head of Legal, Democratic, Digital and Customer Services</p> <p>30 June 2024</p>

Report To:	Audit Committee	Date:	25 April 2023
Report By:	Head of Legal, Democratic, Digital and Customer Services	Report No:	AC/14/23/IS/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	NATIONAL FRAUD INITIATIVE EXERCISE 2022-23 - UPDATE		

1.0 PURPOSE

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of this report is to update Members on the current position with regard to the National Fraud Initiative in Scotland 2022/2023 Exercise.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that Members note the contents of this report and agree that further updates are provided to Audit Committee as part of the Internal Audit Progress report outlining the Council's progress with the 2022-2023 exercise.
- 2.2 It is recommended that Members note that the results of the 2022-2023 exercise will be reported to the February 2024 Audit Committee.

Iain Strachan
Head of Legal, Democratic, Digital and Customer Services

3.0 BACKGROUND AND CONTEXT

3.1 The NFI in Scotland is now well established with this being the 9th biennial exercise since 2006/07. The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. The NFI remains the largest national fraud detection and prevention scheme that can provide data matches within and between public bodies. Its key features are that it:

- acts as a deterrent to potential fraudsters.
- identifies errors and fraud thus enabling appropriate action to recover money and/or press criminal charges.
- can provide assurances, similar to a regular health check, that systems are operating well and can also identify where improvements are required.
- operates across boundaries between public bodies in different sectors and countries.
- represents value for money in terms of the efficiencies deliverable through centralised data processing and identifying targeted high priority matches.

3.2 The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. A match does not automatically mean that there is a fraud or error and investigations are required to enable the correct conclusion to be drawn for each match. Bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.

3.3 Public bodies spend billions of pounds of taxpayers' money for the benefit of the Scottish population, providing services and financial assistance to all citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also some individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.

3.4 Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete data sets and can therefore limit the gaps available for fraudsters to manipulate and can help identify those that have. It also supports bodies to identify and implement process and control improvements that should reduce future errors and the costs of correcting these errors.

3.5 Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The National Fraud Initiative (NFI) exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

4.0 PROPOSALS

4.1 For 2022/23, a number of data matches were released during January and February 2023. Inverclyde Council has received 1,589 matches which are set out in Appendix 1.

4.2 The 2022/23 NFI exercise will be monitored by Internal Audit as part of the 2023/24 Annual Audit Plan. Training and support will be provided to Services responsible for investigating the matches and an update on progress will be provided on a regular basis to Audit Committee.

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 Finance

There are no direct financial implications arising from this report, however the initiatives described in this report are intended to detect fraud and error which can cause financial loss to the Council.

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					

5.3 Legal/Risk

The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. This can lead to process risks being identified during the investigation of matches and internal controls being strengthened to reduce the risk of fraud and error recurring in the future and improve the Council's control environment.

5.4 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

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

7.0 LIST OF BACKGROUND PAPERS

7.1 Report no: AC/14/22/AP/APr - National Fraud Initiative Exercise – Update Report October 2022

Area	Number of Matches Received	Number of Matches Processed	Outcome			Value of fraud or error
			No issue	Fraud	Error	
Housing Benefit to Housing Benefit	1	1	1	0	0	
Housing Benefit to Housing Tenants	3	3	3	0	0	
Housing Benefit to Taxi Drivers	6	6	6	0	0	
Housing Benefit to DWP Deceased	14	14	14	0	0	
Payroll to Payroll	73	0	0	0	0	
Payroll to Pensions	2	0	0	0	0	
Payroll to Creditors	22	0	0	0	0	
Housing Benefit to Waiting List	4	4	4	0	0	
Blue Badge	327	28	28	0	0	
Council Tax Reduction Scheme to Payroll	102	46	46	0	0	
Council Tax Reduction Scheme to Pensions	46	18	15	0	3	£3,097.56
Council Tax Reduction Scheme to Council Tax Reduction Scheme	1	1	1	0	0	
Council Tax Reduction Scheme to Housing Tenants	1	1	1	0	0	
Council Tax Reduction Scheme to Taxi Drivers	64	7	7	0	0	
Council Tax Reduction Scheme to Housing Benefit Claimants	1	0		0	0	
Council Tax Reduction Scheme to DWP Deceased	24	24	24	0	0	
Duplicate Creditors	797	1	1	0	0	
VAT Overpaid	60	60	60	0	0	
Procurement - Payroll to Companies House	41	0	0	0	0	
Total	1589	214	211	0	3	£3,097.56

Report To:	Audit Committee	Date:	25 April, 2023
Report By:	Chief Financial Officer	Report No:	FIN/28/23/AP
Contact Officer:	Alan Puckrin	Contact No:	01475 712090
Subject:	INDICATIVE EXTERNAL AUDIT PLAN FOR THE YEAR ENDED 31 MARCH 2023		

1.0 PURPOSE AND SUMMARY

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of this report is to allow Members to review the Indicative External Audit Plan for the year ended 31 March 2023 and to seek clarification from the Council's External Auditors, KPMG, on any matters contained in the Plan.
- 1.3 A finalised version of the Plan will be presented to the Audit Committee now scheduled for 29 June 2023.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee note the contents of the Indicative External Audit Plan for the year ended 31 March 2023 and that the final version of the Plan will be presented to the Committee on 29 June 2023.

Alan Puckrin
Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 Each year the Council's appointed External Auditors produce an Audit Plan highlighting key items relevant to the audit of the Council's annual accounts and wider scope matters.
- 3.2 The newly appointed External Auditors, KPMG, continue to assess and review information provided by the Council and other parties and as such the External Audit Plan for 2022/23 is indicative at this stage. It is intended that the final Plan will be presented to the Audit Committee on 29 June which is the date when the unaudited Annual Accounts for 2022/23 are scheduled to be presented to Committee.
- 3.3 Officers from KPMG will be present at Committee and answer any questions that Members may have on the contents.

4.0 PROPOSALS

- 4.1 It is proposed that Committee review the Plan and seek clarification from the Council's External Auditors on any relevant matters.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) 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 Finance

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					

5.3 Legal/Risk

The Indicative Plan highlights a number of assessed risks identified and the approach the External Auditors propose to take to review management approach to addressing these risks.

5.4 Human Resources

There are no HR matters arising.

6.0 CONSULTATION

6.1 The Corporate Management Team have discussed the Indicative Plan and the areas covered.

7.0 BACKGROUND PAPERS

7.1 None

Indicative External Audit Plan for the year ended 31 March 2023

Inverclyde Council

DRAFT FOR DISCUSSION

25 April 2023

Key contacts

Your key contacts in connection with this report are:

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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code").

This report is intended for the benefit of Inverclyde Council ("the Council") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report and it will not be quoted or referred to, in whole or in part, without our prior written consent. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scoping and purpose section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Introduction

To the Audit Committee of Inverclyde Council

We are pleased to have the opportunity to meet with you on 25 April 2023 to discuss our anticipated approach to the audit of the financial statements of Inverclyde Council, as at and for the year ending 31 March 2023.

Our audit plan incorporates key changes required as a result of changes to both *International Auditing Standard (ISA) UK 315: Identifying and assessing the risks of material misstatement* and *ISA 240: The auditors responsibilities relating to Fraud*.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

This report is indicative at this stage, as we complete our planning and risk assessment work, and sets out our approach to setting materiality and likely audit risks as well as other salient aspects of our approach. We will issue a final audit planning memorandum in June for discussion at the next Audit Committee.

The engagement team

Michael Wilkie is the engagement leader on the audit. Michael will lead the engagement and is responsible for the audit opinion. Christopher Paisley will be the manager responsible for the audit and will be responsible for overseeing the delivery of our audit. Other key members of the engagement team include Henry Lau (Assistant Manager).

Yours sincerely,
Michael Wilkie
11 April 2023

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion that is also important.

We define 'audit quality' as being the outcome when audits are:

- **Executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.

Restrictions on distribution

This report is intended solely for the information of those charged with governance of Inverclyde Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Indicative Materiality (Group and Council)

Total group expenditure*
£376.1m

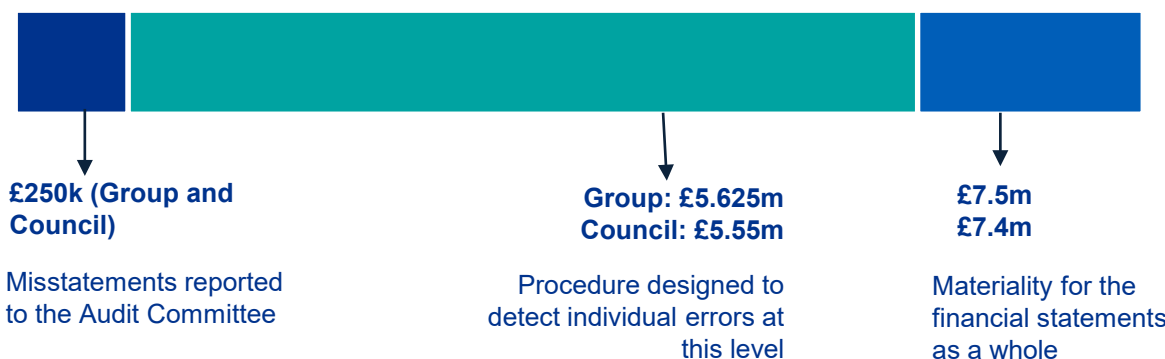
Total council expenditure*
£373.7m

*Based on 2021-22 financial statements.



Indicative Group materiality
£7.5m
2% of total expenditure

Indicative Council materiality
£7.4m
2% of expenditure



Our materiality levels

The materiality levels outlined above is indicative and will be confirmed in our final Audit Plan in June. We determine materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We expect to use a benchmark of total expenditure (excluding asset impairments and defined benefit pension charges) which we consider to be appropriate as it reflects the scale of the Authority’s services and we consider this most clearly reflects the interests of users of the Authority’s accounts. To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of performance materiality. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as directors’ salary information in the remuneration report.

Reporting to the audit committee

Under ISA 260, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Council and its Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.25 million.

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Expected audit risks and our audit approach

Our planning and risk assessment is ongoing at the time of preparing this report, and therefore this section of our report sets out the expected audit risks we anticipate to focus on and to take up significant audit time. This risk assessment is subject to change and we will provide an updated set of risks as applicable, in our updated plan in June 2023.

Our risk assessment draws upon our knowledge of the industry and the wider economic environment in which Inverclyde Council operates.

We also use our regular meetings with senior management to update our understanding and take input from component audit teams and internal audit reports.

We will update our risk assessment once we have completed our detailed planning procedures and provide a further update in our Audit Plan and Strategy.

Relevant factors affecting our risk assessment

Significant risks

- | | |
|---|---|
| 1 | Valuation of land and building
(revaluation required by the Code) |
| 2 | Retirement benefit obligations
(assumptions and methodology) |
| 3 | Fraud risk from income recognition and expenditure
(presumed risk per ISA 240) |
| 4 | Fraud risk from management override of controls
(presumed risk per ISA 240) |
-

Expected audit risks and our audit approach

Valuation of land and buildings

Significant audit risk

Risk: The carrying amount of land and buildings differs materially from the fair value

The value of the Council’s Other Land and Buildings at 31 March 2022 was £362.0m, in addition to Schools PPP assets of £93.8m.

The Code requires that where land and buildings are subject to revaluation, their year end carrying value should reflect the fair value at that date. Any asset valuation carries with it risks of estimation uncertainty. The size of the land and buildings balance relative to our expected materiality means that the risk of a material difference between carrying value and fair value is increased.

The Council is planning to commission a full revaluation of 20% of its land and buildings, excluding infrastructure assets, in addition to indexation being applied to the remaining assets not formally revalued.

Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Avison Young, the valuers used in developing the valuation of the Council’s properties at 31 March 2023;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the Code;
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information, such as floor plans, and to previous valuations, challenging management where variances are identified;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation, including the use of relevant indices and assumptions around physical and functional obsolescence;
- We will perform inquiries of the valuers in order to verify the methodology that was used in preparing the valuation and whether it was consistent with the requirements of the RICS Red Book and the Code;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the Code; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Expected audit risks and our audit approach

Risk of retirement benefit obligations

Significant audit risk

Risk: An inappropriate amount is estimated and recorded for the defined benefit obligation

The valuation of the Local Government Pension Scheme (Strathclyde Pension Fund) relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions should be derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Additionally this year, the updated triennial valuation as at 31 March 2022 will be reflected in the accounts. This means that we will need to perform additional procedures around new data inputs to the valuation such as updated membership data.

Planned Response

Control design:

- Testing the design and operating effectiveness of controls over the provision of membership information to the actuary who uses it, together with management's review of assumptions, to calculate the pension obligation.

Benchmarking assumptions:

- Challenging, with the support of our own actuarial specialists, the key assumptions applied, being: the discount rate; inflation rate; and mortality/life expectancy against externally derived data.
- Challenging the rate of increase in pensionable salaries assumption, by comparing it to other evidence such as business and transformation plans and our understanding of Government and staff expectations.

Assessing transparency:

- Considering the adequacy of the disclosures in respect of the sensitivity of the deficit to these assumptions.
- Assessing if the disclosures within the financial statements are in accordance with the 2022-23 Code's requirements.

Expected audit risks and our audit approach

Risk from income recognition and expenditure

Significant audit risk

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. This requirement is modified by Practice Note 10, issued by the FRC, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Income

We consider that the Council's significant income streams, which include taxation and non-specific grant income are likely to be free of management judgement or estimation. At the planning stage, we do not consider recognition of the remaining income sources to represent a significant risk for the Council as there are limited incentives and opportunities to manipulate the way income is recognised, and these are not likely to be materially inappropriate. We did not identify any such errors or manipulation in the prior year. **We therefore plan to rebut this risk and do not incorporate specific work into our audit plan in this area beyond our standard fraud procedures.**

We will continue to assess this as we complete our planning and risk assessment and report any changes to Audit Committee in June.

Expenditure

We consider that there is not a risk of improper recognition of expenditure in respect of payroll costs (including pension adjustments), financing and investment expenditure, or depreciation. These costs are routine in nature and are at less risk of manipulation. This relates to a significant proportion of council expenditure.

We have not at this stage rebutted the assumed risk in respect of the remaining expenditure of and consider the risk will be most likely to arise in respect of cut-off of expenditure around year-end, which at the planning stage we consider could result in a risk around the completeness (understatement) or existence (overstatement) of accrued expenditure and payables.

We will continue to assess this as we complete our planning and risk assessment and report any changes to Audit Committee in June.

In response to the expected significant risk relating to recognition of non-pay expenditure, we will include procedures to:

- compare the outturn with the in year budget monitoring, considering variances;
- compare the year-end accruals and payables balances with those recognised at 31 March 2022 to identify any new accruals as well as any recorded in the prior period which have not been recognised at 31 March 2023;
- test expenditure cut-off including a search for unrecorded liabilities; and
- test transactions focusing on the areas of greatest risk in terms of subjectivity, which provide the most opportunity to manipulate the year-end outturn, including creditors, accruals, prepayments and provisions to challenge completeness and existence of these balances.

Expected audit risks and our audit approach

Management override of controls

Significant audit risk

The risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

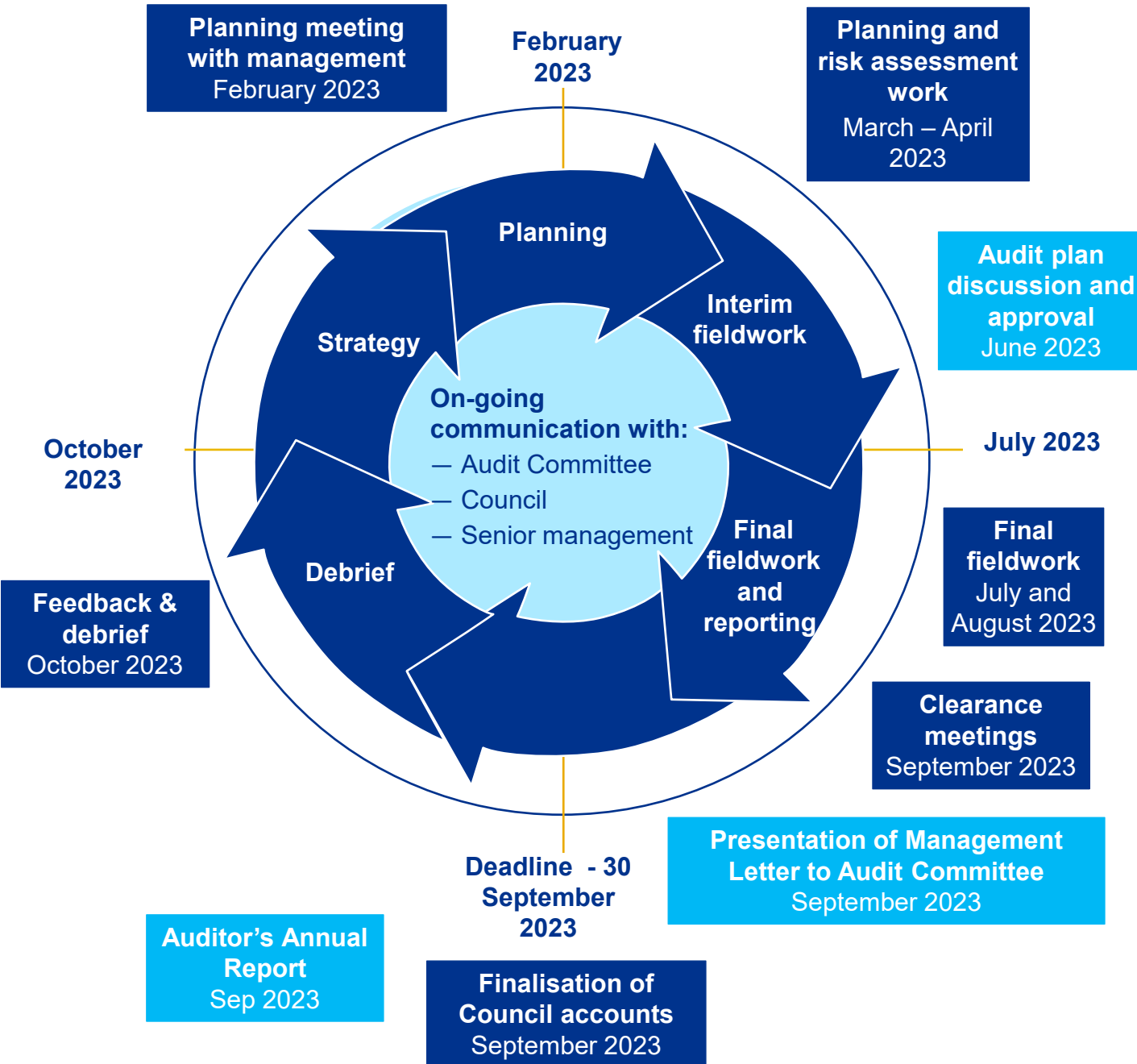
We have not identified any specific additional risks of management override relating to this audit.

Planned response

- Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we will evaluate the design and implementation of the controls in place for the approval of manual journals posted to the general ledger to ensure that they are appropriate.
- We will evaluate the design and implementation of general IT controls.
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting revenue or expenditure recognition around year-end, or journals linked to our other recognised significant risks.
- We will assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- We will review the appropriateness of the accounting for significant transactions that are outside the Council’s normal course of business, or are otherwise unusual.
- We will assess the controls in place for the identification of related party relationships and test the completeness of the related parties identified. We will verify that these have been appropriately disclosed within the financial statements.

Audit cycle and expected timetable

Our 2022/23 schedule



- Key Events
- A(RA)C communications



Wider scope and best value approach

Inverclyde Council

Wider scope and best value

Approach

We are required to assess and provide conclusions in the Annual Audit Report in respect of four wider scope dimensions: financial sustainability; financial management; vision, leadership and governance; and use of resources to improve outcomes.

We set out below an overview of our approach to wider scope and Best Value requirements of our annual audit. We have not, at this stage of our planning, identifies any significant wider scope risks. We will provide narrative on these and other areas in the Annual Audit Report where relevant.

Risk assessment

We consider the relevance and significance of the potential business risks faced by local authorities, and other risks that apply specifically to the Council. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Council's own assessment of the risks it faces, and its arrangements to manage and address its risks.
- Evidence gained from the work of the predecessor auditor, including the response to that work.
- The work of other inspectorates and review agencies, through the Local Area Network ("LAN") which is established for each council.

Linkages with other audit work

There is a degree of overlap between the work we do as part of the wider scope and Best Value audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Council's organisational control environment, many aspects of which are relevant to our wider scope and Best Value audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and wider scope and Best Value work, and this will continue. We consider information gathered through the shared risk assessment and the Audit Commission's five strategic priorities when planning and conducting our work.

Wider scope and best value

Approach (continued)

· Identification of significant risks

The Code identifies a matter as significant 'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'

If we identify significant wider scope and Best Value risks, we will highlight the risk to the Council and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Council, inspectorates and other review agencies.
- Carrying out local risk-based work to form a view on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

· Concluding on wider scope and Best Value

At the conclusion of the wider scope and Best Value audit we will consider the results of the work undertaken and assess the assurance obtained against each of the wider scope audit dimensions and Best Value, regarding the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our wider scope and Best Value conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.

· Reporting

We will update our assessment throughout the year and should any issues present themselves we will report them in our Annual Audit Report.

We will report on the results of the wider scope and Best Value audit through our Annual Audit Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

Wider scope and best value

Approach (continued)

Financial Sustainability

Financial Sustainability looks forward to the medium and longer term to consider whether the Council is planning effectively to continue to deliver its services or the way in which they should be delivered.

Audit Approach

- We will consider the Council's long term financial plans and its ability to adapt to the changing landscape in local government funding. This will involve consideration of the 2022-23 budget and longer term financial plans from 2023-24 and beyond.
- We will monitor the Council's key performance indicators and performance reporting, to identify any trends requiring further investigation. We will consider any overspends against budget where demand has caused a significant strain on funding, as well as underspends against budget due to staff slippages where roles have been hard to fill.
- We will inquire with officers surrounding their reporting to members surrounding the assumptions and judgements made in forecasting future funding and expenditure pressures.
- We will consider how major capital projects are planned to be funded, including the revenue and capital consequences.

Financial Management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Audit Approach

- We will consider the Council's systems and processes for budget setting and monitoring.
- We will review the financial results to 31 March 2023 compared to budget to consider if there are indications that savings are not being delivered as planned.
- We will consider the Council's approach to setting a balanced budget for 2023-24 and considering implications and delivery of the budget in our Annual Audit Report.

Wider scope and best value

Vision, Leadership and Governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Audit Approach

- We will consider the effectiveness of scrutiny and governance arrangements, by evaluating the challenge and transparency of the reporting of financial and performance information.
- We will continue to report on how the Council supports and maintains decision making, and conclude on its effectiveness.
- We will consider how officers present impact on equalities through equality impact assessments when members debate motions and actions. This will include, but is not limited to reporting on how the Council is committed to equal opportunities through internal activities (such as training, procurement and policy development), demonstration of diversity in the workforce, review of equal pay and policy development to eliminate potential areas of discrimination.
- We will also consider how the council reports on its equality and fairness responsibilities to the public and its communities.

Use of Resources to Improve Outcomes

Use of Resources to Improve Outcomes is concerned with how effectively resources are used to provide services.

Audit Approach

- We will specifically consider statutory performance indicators, performance reporting and arrangements to provide for continuous improvement in respect of the Performance and outcomes audit programme.
- In the context of the Council's capital plan and procurement procedures, we will consider arrangements to provide value for money.



Appendices

Mandatory communications

Type	Statement
Management's responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor's responsibilities	Our engagement letter with Audit Scotland communicates our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities - Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other information	Our engagement letter with Audit Scotland communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Auditor's responsibilities – wider scope and best value	Our value for money methodology slide on pages 12 -15 set out our responsibilities for reporting on wider scope and best value. We have set out on these pages the methodology we will adopt in discharging our responsibilities in these areas.
Independence	Our independence confirmation on page 20 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.

Confirmation of independence

Assessment of our objectivity and independence as auditor of the Inverclyde Council (“the Council”)

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP’s objectivity and independence, the threats to KPMG LLP’s independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP’s objectivity and independence to be assessed. This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings.

Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

We have considered the fees charged by us to the council and its affiliates for professional services provided by us during the reporting period. No non-audit services are expected to be provided during 2022/23.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully
KPMG LLP

Audit team and rotation

Your audit team has been drawn from our specialist public sector audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit director and firm.

	<p>Michael Wilkie is the director responsible for our audit. He will lead our audit work, attend the Audit Committee and be responsible for the opinions that we issue.</p>
	<p>Christopher Paisley is the senior manager responsible for our audit. He will co-ordinate our audit work, attend the Audit Committee and ensure we are co-ordinated across our accounts and wider scope work.</p>
	<p>Henry Lau is the in-charge responsible for our audit. He will be responsible for our on-site fieldwork. He will complete work on more complex section of the audit.</p>

To comply with professional standard we need to ensure that you appropriately rotate your external audit director. There are no other members of your team which we will need to consider this requirement for:



This will be Michael’s first year as your engagement lead. He can therefore complete a further 9 years before rotation.

Responsibility in relation to fraud

We are required to consider fraud and the impact that this has on our audit approach. We will update our risk assessment throughout the audit process and adapt our approach accordingly.

Management responsibilities

Adopt sound accounting policies.
With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.
Establish proper tone/culture/ethics.
Require periodic confirmation by employees of their responsibilities.
Take appropriate action in response to actual, suspected or alleged fraud.
Disclose to Audit Committee and auditors:

- Any significant deficiencies in internal controls; and
- Any fraud involving those with a significant role in internal controls

KPMG's response to identified fraud risk factors

Accounting policy assessment.
Evaluate design of mitigating controls.
Test effectiveness of controls.
Address management override of controls.
Perform substantive audit procedures.
Evaluate all audit evidence.
Communicate to Audit Committee and management.

KPMG's identification of fraud risk factors

Review of accounting policies.
Results of analytical procedures.
Procedures to identify fraud risk factors.
Discussion amongst engagement personnel.
Enquiries of management, Audit Committee, and others.
Evaluate broad programmes and controls that prevent, deter, and detect fraud.

KPMG's identified fraud risk factors

—Whilst we consider the risk of fraud at the financial statement level to be low for the Council, we will monitor the following areas throughout the year and adapt our audit approach accordingly:

- Income recognition;
- Cash;
- Procurement;
- Management control override; and
- Assessment of the impact of identified fraud.

Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of management

Financial Statements

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;
- maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures;
- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate Council;
- maintaining proper accounting records; and
- preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer- term financial sustainability of the body.

Further, it is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Audited bodies are responsible for providing the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.

Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of management

Prevention and detection of fraud and irregularities

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Corporate governance arrangements

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including Audit Committees or equivalent) in monitoring these arrangements.

Financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified;
- compliance with any statutory financial requirements and achievement of financial targets;
- balances and reserves, including strategies about levels and their future use;
- how they plan to deal with uncertainty in the medium and longer term; and
- the impact of planned future policies and foreseeable developments on their financial position.

Best Value, use of resources and performance

The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of auditors

Appointed auditor responsibilities

Auditor responsibilities are derived from statute, this Code, ISAs, professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries, remuneration reports, grant claims and whole of government returns;
- notify the Auditor General when circumstances indicate that a statutory report may be required;
- participate in arrangements to cooperate and coordinate with other scrutiny bodies (local government sector only);
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies:
 - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;
 - suitability and effectiveness of corporate governance arrangements; and
 - financial position and arrangements for securing financial sustainability.

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.

Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of auditors
<p>General principles</p> <p>This Code is designed such that adherence to it will result in an audit that exhibits these principles.</p>
<p>Independent</p> <p>When undertaking audit work all auditors should be, and should be seen to be, independent. This means auditors should be objective, impartial and comply fully with the FRC ethical standards and any relevant professional or statutory guidance. Auditors will report in public and make recommendations on what they find without being influenced by fear or favour.</p> <p>Our independence confirmation letter (Appendix two) discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p> <p>We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.</p>
<p>Proportionate and risk based</p> <p>Audit work should be proportionate and risk based. Auditors need to exercise professional scepticism and demonstrate that they understand the environment in which public policy and services operate. Work undertaken should be tailored to the circumstances of the audit and the audit risks identified. Audit findings and judgements made must be supported by appropriate levels of evidence and explanations. Auditors will draw on public bodies’ self-assessment and self-evaluation evidence when assessing and identifying audit risk.</p>
<p>Quality focused</p> <p>Auditors should ensure that audits are conducted in a manner that will demonstrate that the relevant ethical and professional standards are complied with and that there are appropriate quality-control arrangements in place as required by statute and professional standards.</p>

Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of auditors
<p>Coordinated and integrated</p> <p>It is important that auditors coordinate their work with internal audit, Audit Scotland, other external auditors and relevant scrutiny bodies to recognise the increasing integration of service delivery and partnership working within the public sector. This would help secure value for money by removing unnecessary duplication and also provide a clear programme of scrutiny activity for audited bodies.</p>
<p>Public focussed</p> <p>The work undertaken by external audit is carried out for the public, including their elected representatives, and in its interest. The use of public money means that public audit must be planned and undertaken from a wider perspective than in the private sector and include aspects of public stewardship and best value. It will also recognise that public bodies may operate and deliver services through partnerships, arm’s-length external organisations (ALEOs) or other forms of joint working with other public, private or third sector bodies.</p>
<p>Transparent</p> <p>Auditors, when planning and reporting their work, should be clear about what, why and how they audit. To support transparency the main audit outputs should be of relevance to the public and focus on the significant issues arising from the audit.</p>
<p>Adds value</p> <p>It is important that auditors recognise the implications of their audit work, including their wider scope responsibilities, and that they clearly demonstrate that they add value or have an impact in the work that they do. This means that public audit should provide clear judgements and conclusions on how well the audited body has discharged its responsibilities and how well they have demonstrated the effectiveness of their arrangements. Auditors should make appropriate and proportionate recommendations for improvement where significant risks are identified.</p>



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