

A meeting of the Audit Committee will be held on Tuesday 7 May 2024 at 3pm.

Members may attend the meeting in person or via remote online access. Webex joining details have been sent to Members and officers. Members are requested to notify Committee Services by 12 noon on Monday 6 May 2024 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.

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

VICKY POLLOCK
Interim Head of Legal & Democratic Services

BUSINESS

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2. Internal Audit Progress Report – 31 January to 31 March 2024 Report by Interim Head of Legal & Democratic Services	p
3. External Audit Action Plans – Current Actions Report by Interim Head of Legal & Democratic Services	p
NEW BUSINESS	
4. External Audit Plan for the Year Ended 31 March 2024 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:	7 May 2024
Report By:	Interim Head of Legal and Democratic Services	Report No:	FIN/24/24/AP/LA
Contact Officer:	Vicky Pollock	Contact No:	01475 712139
Subject:	INTERNAL AUDIT PROGRESS REPORT – 31 JANUARY to 31 MARCH 2024		

1.0 PURPOSE AND SUMMARY

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 31 January to 31 March 2024 is attached at Appendix 1 since its content is essential to the understanding of the Council's control environment.

1.4 Appendix 2 provides an update on all outstanding Red and Amber actions as at 31 March 2024.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee note the progress made by Internal Audit in the period from 31 January to 31 March 2024.

2.2 It is recommended that the Committee note that the 2024/25 Internal Audit Plan will be presented to Committee on 27 June 2024.

Vicky Pollock
Interim Head of Legal and Democratic Services

3.0 BACKGROUND AND CONTEXT

3.1 In April 2023, the Audit Committee approved the Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2023-24.

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 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 three internal audit reports finalised since the last progress update to Audit Committee:

- Education CSA
- HSCP Imprests
- Procurement Manual Compliance

3.4 These reports contained 8 recommendations categorised as follows:

Red	Amber	Green
0	3	5

3.5 The current status of the 2023/24 audit plan is as follows:

Stage	Number of Reports
Final Report	7
Draft Report	0
Fieldwork Complete – report N/A	0
Fieldwork Complete	1
Fieldwork in Progress	2
Planning	2
Not Started	3
Deferred	2
Total	17

3.6 In relation to internal audit action plans there were 8 actions due for completion by 31 March 2024. Three actions are now complete, the completion date relating to the other five actions have been revised. The current status report is attached at Appendix 2.

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

4.0 PROPOSALS

4.1 It is recommended that Committee agree to note the progress made by Internal Audit in the period from 31 January to 31 March 2024.

4.2 It is recommended that the Committee note that the Internal Audit Plan for 2024/25 will be presented to the 27 June Audit Committee.

5.0 IMPLICATIONS

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

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

5.2 Financial Risk

There are no financial implications arising directly from this report.

One off Costs

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

Annually Recurring Costs/ (Savings)

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

5.3 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.

5.4 Human Resources Risk

There are no human resources implications arising directly from this report.

5.5 Strategic

This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

6.0 CONSULTATION

6.1 Relevant officers have been consulted on the report.

7.0 BACKGROUND PAPERS

7.1 File of completed internal audit reports: Available from the Interim Head of Legal & Democratic Services.



**Audit Committee Report
Report on Internal Audit Activity from
31 January 2024 to 31 March 2024**

Section	Contents
1	Audit work undertaken in the period
2	Summary of main findings from reports issued since previous Audit Committee
3	Audit Plan for 2023-2024 – progress to 31 March 2024
4	Corporate Fraud Activity
5	Ad hoc activities undertaken since the previous Audit Committee
6	Special Investigations- None this period

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

Reports finalised since previous Audit Committee	Grading			Total Number of Issues
	Red	Amber	Green	
HSCP Imprest	0	0	4	4
Procurement Manual Compliance	0	1	1	2
Education CSA 2023-24	0	2	0	2
Total	0	3	5	8

Internal Audit Action Plan Follow Up

1.4 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 31 January 2024.

Procurement Manual Compliance- Regulated Procurement (March 2024)

- 2.2 This audit was conducted between November 2023 and January 2024 in accordance with the 2023/24 Internal Audit Plan, as agreed by the Audit Committee.
- 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 complying with the Procurement Manual as it relates regulated procurement exercises.
- 2.4 The review focused on the high-level processes and procedures in relation to complying with regulated procurement exercises and concentrated on identified areas of perceived higher risk, such as not adequately implementing the Fair Work First policy and not maintaining required documentation when managing regulated procurement exercises.
- 2.5 The overall control environment opinion for this audit review was **Satisfactory**. In terms of good practice, the audit found during its fieldwork evidence of effective communications between various corporate and Service-based officers to award regulated contracts. Also, there was evidence to indicate that core requirements of the procurement manual are being appropriately implemented by relevant officers.
- 2.6 The review identified 1 Amber and 1 Green finding and an action plan is in place to address these issues by 28 February 2025.

Education Control Self-Assessment (2023/24) (April 2024)

- 2.7 This audit was conducted between November 2023 and January 2024 in accordance with the 2023/24 Internal Audit Plan, as agreed by the Audit Committee
- 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 inventories and the special leave.
- 2.10 The overall control environment opinion for this audit review was **satisfactory**. However, isolated control issues were identified in relation to: -
- currently, there are some areas of non-compliance with inventory procedures; and
 - currently, there are issues in the management of special leave across some education establishments and no regular reports are generated for scrutiny by senior management.
- 2.11 The review identified 2 Amber findings and an action plan is in place to address these issues by 30 June 2024.

HSCP- Imprest (March 2024)

- 2.12 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 operating HSCP imprests.
- 2.13 The review focused on the high-level processes and procedures in relation to HSCP imprests and concentrated on identified areas of perceived higher risk, such as not holding more cash than necessary and not processing unauthorised imprest transactions.
- 2.14 The overall control environment opinion for this audit review was **Satisfactory**. In terms of good practice, the audit found during its fieldwork that imprest holders and their supervisors demonstrated commitment to the proper management of HSCP imprests, for example by obtaining receipts, promptly recording transactions and controlling access to cash balances.
- 2.15 The review identified 4 Green findings and an action plan is in place to address these issues by 30 September 2024.

**INVERCLYDE COUNCIL – REPORT ON INTERNAL AUDIT ACTIVITY
FROM 31 JANUARY 2024 TO 31 MARCH 2024**

APPENDIX 1

3 Audit Plan for 2023/2024 – Progress to 31 March 2024

Planned Audit Coverage	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
Supplier Management (b/f from 2022/23)	Deferred to 2024/25 Annual Audit Plan – replaced by Procurement Compliance audit in 2023/24							
Procurement Compliance		✓	✓	✓	✓	✓	✓	May 2024
Succession Planning		✓	✓	✓				
Attendance Management		✓	✓	✓	✓	✓	✓	January 2024
Building Standards		✓	✓	✓	✓			
ASN Transport	Fieldwork deferred to 2024/25 Annual Audit Plan.							
Commercial Waste Income (Billing and Collection)		✓	✓	✓	✓	✓	✓	October 2023
Limited Scope Financial Reviews								
Non-Domestic Rates		✓	✓	✓	✓	✓	✓	March 2024
Advisory Reviews								
Education – Cashless Catering Replacement System		✓	✓	Audit advice and support will be provided to the project.				
UK Shared Prosperity Fund Assurance Arrangements		✓	✓	✓				
Project Assurance Reviews								
Swift Replacement System (Social Work IT System)	Not started - Audit support will be provided at testing and implementation phases of the project.							
Corporate Fraud Reviews								
Employee Expenses	2023-24 checks are underway.							
Client Accounts – Quarterly Checks	2023-24 checks are underway							
Catering – Quarterly Stock Checks	Not started.							
Education Establishment Placing Requests	Not started.							
Regularity Audits								
Education CSA		✓	✓	✓	✓	✓	✓	May 2024
HSCP Imprests		✓	✓	✓	✓	✓	✓	May 2024
Corporate Purchase Cards – Quarterly Checks	Q3 2023-24 checks are underway. Q1/Q2 report finalised – see section 2 for more information.							
Corporate Governance								
Annual Governance Statement 2022-23	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 is being progressed – see section 4 of report for more information.							
Carry forward from 2022/23 Audit Plan	Report finalised: Debt Recovery; Corporate Purchase Cards; Client Accounts.							
Inverclyde IJB	20 days allocated to IJB audit plan. Two advisory reviews have been planned. One is complete.							

4 Corporate Fraud Activity

- 4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 31 January 2024 to 31 March 2024:

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
1770	551	443	1	117	£6,340
The significant increase in “Error outcomes” from the last update mainly relates to a review of “Blue Badge Parkin Permit – DWP Deceased” data (288 matches) where a number of BB’s had not been cancelled after the badge holder had passed away. A notional value of £650 per badge is recorded in these circumstances but excluded from the value of £6,340 reported above. Refresher training has been provided to staff concerned and processes established to capture this data in real time.					
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
9803	1805	1747	34	24	£60,830
* New datasets matches have been released relating to HMRC information in November 2023 which has increased the total number of matches received.					
New dataset matches have been released relating to HMRC information in November 2023 which has increased the total number of matches received. These data sets relate to Council Tax Reduction matching with HMRC Property Ownership. HMRC Earning and Capital and HMRC Household Composition respectively, contained within recheck. Reviews of the data matches are ongoing.					
Employee Expenses – 2023-2024					
Quarterly checks are underway for 2023-24. Review carried out during December 2023 – January 2024 with a small number of issues identified. Points arising/draft report have been prepared for review – ongoing.					
Client Money Accounts Quarterly Checks – 2023-2024					
Checks underway					
Catering – Quarterly Stock Checks – 2023-2024					
Not yet started.					
Education Establishment Checks 2023-2024					
Not yet started.					

- 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 2023 these enquiries have resulted in the identification of overpayments of council tax discounts and exemptions of £101,278.

**INVERCLYDE COUNCIL – REPORT ON INTERNAL AUDIT ACTIVITY
FROM 31 JANUARY 2024 TO 31 MARCH 2024**
APPENDIX 1

4.3 The team is also working alongside Finance to establish the validity of Community Care Grants. At 31 March, 24 visits have been carried out for applications totalling £21,541 resulting in £8,391 being refused and £3,387 paid out but subsequently identified as unused or unable to validate.

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

File Ref	Description	Status
Whistleblowing Enquiries		
23/59	Fraudulent grant applications	Investigation completed and reported
Other enquiries		
23/84	Fraudulent CT discount	Case passed to service 9.2.24.
23/85	Fraudulent CT discount	No fraud established 14.2.24.
23/86	Fraudulent CT discount	No fraud established 5.3.24

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 and other work as set out at sections 4.2 to 4.4 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 2024

Summary: Section 1 Summary of Management Actions due for completion by 31/03/2024

There were eight actions due for completion by 31 March 2024. Three actions are complete, the completion date for five actions have been revised.

Section 2 Summary of Current Management Actions Plans at 31/03/2024

At 31 March 2024 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/03/2024

At 31 March 2024 there were 20 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 March 2024 there were 6 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 31.03.2024**

SECTION 1

Directorate	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	No response received*
Environment and Regeneration	2		2	
HSCP	1	1		
Education and Communities	5	2	3	
Total	8	3	5	

* 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 31.03.2024**

SECTION 2


CURRENT ACTIONS BY DIRECTORATE

HSCP	
Due for completion April 2024	1
Total Actions	1
Environment and Regeneration	
Due for completion April 2024	3
Due for completion May 2024	1
Due for completion June 2024	1
Due for completion November 2024	1
Total Actions	6
Education Communities and Organisational Development	
Due for completion April 2024	5
Due for completion May 2024	2
Due for completion June 2024	4
Completion date to be advised	2
Total Actions	13
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 31.03.2024**





SECTION 3

P Homelessness (Report Issued August 2021)

Description	Status	Original Due Date	Due Date	Assigned To
<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. 		31-Mar-2022	31-Mar-2024*	Service Manager (Homelessness and Addictions)

P Employee Expenses (Report Issued August 2022)

Description	Status	Original Due Date	Due Date	Assigned To
<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-Mar-2023	30-Apr-2024*	Director Environment and Regeneration


Action Status			
	No response received		Missed original due date
	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 31.03.2024**





SECTION 3

P	Climate Change – Utilities Management (Report Issued February 2023)
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Description	Status	Original Due Date	Due Date	Assigned To
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	Head of Physical Assets

P	Commercial Waste Income – Billing and Collection (Report Issued August 2023)
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Description	Status	Original Due Date	Due Date	Assigned To
Managing the Collection of Commercial Waste Income (Amber) Management will: <ul style="list-style-type: none"> following discussions with the Chief Financial Officer, seek Committee approval during January for the annual rise in commercial waste charges. If this change is agreed with Finance Services, then arrange to issue existing customers with commercial waste debtors accounts on the first working day of March and September each year; co-ordinate as necessary with relevant Finance staff regarding the accrual of commercial waste income into the new financial year; ensure that the Commercial Services Officer makes regular use of the FMS historical age report to identify unpaid accounts within two weeks of second reminder letters having been issued by Finance staff. In turn, the Commercial Services Officer will arrange for the suspension of uplifts pending payment of unpaid accounts; and 		30-Apr-2024	30-Apr-2024	Service Manager (Grounds & Waste)





Action Status			
	No response received		Missed original due date
	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 31.03.2024**

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
<ul style="list-style-type: none"> arrange for the Service Co-ordinator to contact the Finance FMS Team to explore the option of using a spreadsheet upload into FMS as a means of raising debtors accounts. 				
<p>Documenting contractual relationships with commercial waste customers (Amber) Management will:</p> <ul style="list-style-type: none"> consult the relevant Legal Services Manager regarding the best means of documenting the contractual relationship between the Council and commercial waste customers. In addition, this exercise will ensure that the trade waste agreement form reflects any planned changes to the timetable for billing existing customers; and confirm that the commercial waste policy is both up to date and is also suitable to represent the terms and conditions of service for customers. An updated policy will also be published on the Council's website and routinely issued to prospective customers when they request quotations from the Commercial Services Officer. 		31-Jan-2024	30-Apr-2024*	Service Manager (Grounds & Waste)


Action Status			
	No response received		Missed original due date
	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 31.03.2024**





SECTION 3

P Client Accounts – Quarterly Checks 2022/23 (Report Issued September 2023)

Description	Status	Original Due Date	Due Date	Assigned To
Inaccurate Transaction Records – Amber Management have agreed that a review will be undertaken of the overall management of the corporate appointee process with a view to streamlining and modernising the functions.		30-Apr-2024	30-Apr-2024	Head of Finance, Planning and Resources, HSCP

P Corporate Purchase Cards – Quarterly Checks 2023/24 (Report Issued October 2023)

Description	Status	Original Due Date	Due Date	Assigned To
VAT guidance for users of corporate purchase cards (Amber) The Procurement Manager will develop appropriate guidance for purchase card users regarding the processing and receipting of transactions which include VAT. This exercise will also include obtaining appropriate VAT advice from relevant Finance staff and issuing the subsequent guidance to all cardholders and their supervisors.		31-Jan-2024	30-Jun-2024*	Corporate Procurement Manager









Action Status			
	No response received		Missed original due date
	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 31.03.2024**

SECTION 3

P	Attendance Management (Report Issued December 2023)
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Description	Status	Original Due Date	Due Date	Assigned To
<p>Inefficient process for the notification, recording and monitoring of absences. (Red)</p> <p>Proposal to Digital Modernisation Board for budget to implement new system/system upgrade including ICT support.</p> <p>Develop a project plan to implement new/upgraded IT system with improved absence management module with opportunities for self-service</p>	 	 28-Feb-2024 30-Jun-2024	 28-Feb-2024 30-Jun-2024	<p>Head of OD, Policy and Communications</p>
<p>Attendance Management Training (Amber)</p> <p>HR management will review mandatory training courses for approval by Corporate Management Team to include attendance management as an area of focus.</p>		31-May-2024	31-May-2024	<p>Head of OD, Policy and Communications</p>
<p>Self-Referrals in place for all directorates of the Council and HSCP.</p>		31-Mar-2024	30-Apr-2024*	<p>Team Leader – Health and Safety</p>
<p>Generating Absence Reports for follow up actions (Amber)</p> <p>As part of the project implementation plan review functionality for managers access to Chris21 to generate absence reports.</p>		31-Mar-2024	30-Apr-2024*	<p>Head of OD, Policy and Communications</p>
<p>Implement a corresponding timetable for generating the reports by management.</p>		30-Apr-2024	30-Apr-2024	<p>Head of OD, Policy and Communications</p>
<p>Issue a reminder to Heads of Establishment to update the return to work spreadsheet with any outstanding actions from the monthly open absence report on a regular basis.</p> <ul style="list-style-type: none"> • Pilot- March 2024 • Roll-Out- June 2024 	 	31-Mar-2024 30-Jun-2024	31-Mar-2024 30-Jun-2024	<p>Service Manager Education Resources</p> <p>Service Manager Education Resources</p>

Action Status			
	No response received		Missed original due date
	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 31.03.2024**

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
Heads of Establishment will report to senior management on the current position of each action on a regular basis.		30-Jun-2024	30-Jun-2024	Service Manager Education Resources
Security, retention and disposal of attendance management files (Amber) All service-based electronic attendance management files will be reviewed and retained for one year and destroyed in accordance with the Council's retention and disposal of Documents and Records (electronic/paper) policy.		3 months after implementation of Chris21 self-service module		ECMT
Any existing duplicate paper files in relation to attendance management are destroyed.		3 months after implementation of Chris21 self-service module		ECMT

P Procurement Manual Compliance – Regulated Procurement (Report Issued - March 2024)

Description	Status	Original Due Date	Due Date	Assigned To
Managing regulated procurement exercises (Amber) Management will review the procurement manual to more fully reflect the actual allocation of procurement tasks undertaken by Procurement staff and relevant Service officers including appropriate input from the Designated Procurement Officer (DPO) group.		30-Nov-2024	30-Nov-2024	Corporate Procurement Manager

Action Status			
	No response received		Missed original due date
	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 31.03.2024**





SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
Management will introduce a formal programme of sample checks on regulated contracts following the issue of award letters.				

P	Education Control Self-Assessment 2023/24 (Report Issued – April 2024)
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Description	Status	Original Due Date	Due Date	Assigned To
<p>Non-compliance with inventory procedures (Amber) (Amber)</p> <ul style="list-style-type: none"> all relevant educational establishments should complete random inventory check throughout the course of the financial year; and the Central Responsible Officer should submit the Composite Inventory Certificate to Finance Services by 12 May each year 		30-Apr-2024	30-Apr-2024	Head Teachers & School Business Co-ordinators

Description	Status	Original Due Date	Due Date	Assigned To
<p>Non-compliance with inventory procedures (Amber)</p> <ul style="list-style-type: none"> inventory files are restricted to relevant authorised members of staff; inventory items are added to the inventory records at the point of receipt; 		31-Mar-2024	30-Apr-2024*	Head Teachers & School Business Co-ordinators


Action Status			
	No response received		Missed original due date
	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 31.03.2024**

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
<ul style="list-style-type: none"> all relevant educational establishments complete an annual inventory check by 31 March each year and complete the Annual Inventory Check Certificate (Form INV9) which should be submitted to the Central Responsible Officer for each cluster by 21 April each year. 				

Description	Status	Original Due Date	Due Date	Assigned To
<p>Management of special leave (Amber)</p> <p>Management will ensure that:</p> <ul style="list-style-type: none"> educational establishments comply with the terms and conditions of the Family Friendly Policy in relation to the allocation of special leave. A reminder will be given to Heads of Establishments at HOE meeting in May 2024, followed up with an email. 		31-May-2024	31-May-2024	Head Teachers

Description	Status	Original Due Date	Due Date	Assigned To
<p>Management of special leave (Amber)</p> <p>Management will ensure that:</p> <ul style="list-style-type: none"> additional training on special leave is provided and will include training on specific categories of special leave to be entered into the SEEMIS system; and reports will be developed for special leave granted for scrutiny by senior management. 		30-Jun-2024	30-Jun-2024	School Business Co-ordinators

Action Status			
	No response received		Missed original due date
	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
Employee Expenses (August 2022)	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.	31.03.23 31.08.23 30.11.23 31.03.24	30.04.24	A number of high mileage users are now using fleet resources to address reductions in mileage claims. A further report was presented to CMT on 24 April 2024 with options for consideration.

**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
Commercial Waste Income – Billing and Collection (August 2023)	<p>Documenting contractual relationships with commercial waste customers (Amber) Management will:</p> <ul style="list-style-type: none"> • consult the relevant Legal Services Manager regarding the best means of documenting the contractual relationship between the Council and commercial waste customers. In addition, this exercise will ensure that the trade waste agreement form reflects any planned changes to the timetable for billing existing customers; and • confirm that the commercial waste policy is both up to date and is also suitable to represent the terms and conditions of service for customers. An updated policy will also be published on the Council's website and routinely issued to prospective customers when they request quotations from the Commercial Services Officer. 	31.01.24 31.03.24	30.04.24	<p>The review took longer than anticipated. The Service has now revised the trade waste agreement and contract documents and the Commercial Waste Policy has been updated.</p> <p>All documents were published on the Council's website on 19 April 2024.</p>

**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
Corporate Purchase Cards (October 2023)	VAT guidance for users of corporate purchase cards (Amber) The Procurement Manager will develop appropriate guidance for purchase card users regarding the processing and receipting of transactions which include VAT. This exercise will also include obtaining appropriate VAT advice from relevant Finance staff and issuing the subsequent guidance to all cardholders and their supervisors.	31.01.24	30.06.24	Some additional work is required across all parties to progress and complete the action. Therefore, the target completion date of 31 st January 2024 has not been met, however there will be a sharp focus on this and it should be delivered by no later than the end of June 2024.
Attendance Management (December 2023)	Attendance Management Training (Amber) Self – Referrals will be in place for all directorates of the Council and HSCP	31.03.24	30.04.24	Management hierarchies confirmed and shared with Occupational Health provider to input into system to allow manager referrals. Guidance documents shared with services. Self referrals in place. Occupational Health provider advised they have an IT issue causing problems for an area of the HSCP. This has been escalated and resolution is anticipated during April 2024.
	Generating Absence Reports to follow up actions (Amber) As part of the project implementation plan, review functionality for managers access to Chris21 to generate absence reports.	31.03.24	30.04.24	E mail issued to Heads of Service 19 April outlining how to generate reports and advising of new regular updates from HR Team.

**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

<p>Education Contol Self-Assessment 2023/24 (April 2024)</p>	<p>Non-compliance with inventory procedures</p> <ul style="list-style-type: none"> • inventory files are restricted to relevant authorised members of staff; • inventory items are added to the inventory records at the point of receipt; • all relevant educational establishments complete an annual inventory check by 31 March each year and complete the Annual Inventory Check Certificate (Form INV9) which should be submitted to the Central Responsible Officer for each cluster by 21 April each year. 	<p>31.03.24</p>	<p>30.04.24</p>	<p>The issue has been raised at a school business co-ordinator meeting and actions, responsibilities and timescales set. Points one and two are fully complete.</p> <p>Most INV9s have been submitted. The due date is now 30 April.</p>
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**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 2024.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2017/2018	53	50	0	0	3
2018/2019	45	44	0	0	1
2019/2020	43	43	0	0	0
2020/2021	36	35	0	0	1
2021/2022	24	21	0	0	3
2022/2023	49	40	0	2	7
2023/2024	41	7	1	17	16
Total	291	240	1	19	36

*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 RED and AMBER actions are included in Section 3 of the follow up report.

Report To:	Audit Committee	Date:	7 May 2024
Report By:	Interim Head of Legal & Democratic Services	Report No:	FIN/23/24/AP/LA
Contact Officer:	Vicky Pollock	Contact No:	01475 712139
Subject:	EXTERNAL AUDIT ACTION PLANS - CURRENT ACTIONS		

1.0 PURPOSE AND SUMMARY

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to advise Members of the status of current External Audit actions at 31 March 2024.

2.0 RECOMMENDATIONS

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

Vicky Pollock
Interim Head of Legal & Democratic Services

3.0 BACKGROUND AND CONTEXT

- 3.1 External Audit report findings and action plans to relevant officers and the Audit Committee as part of their annual audit plan.
- 3.2 The Chief Internal Auditor co-ordinates follow up reporting on current actions arising from External Audit Action Plans with regular reporting to CMT and the Audit Committee.
- 3.3 There were three actions due for completion by 31 March 2024, all of which are completed.
- 3.4 There were 12 current external audit actions due over the period 31 March 2024 and 1 April 2027. 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 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(s) is(are) agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & 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

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.

5.4 Human Resources

There are no human resources implications arising directly from this report.

5.5 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

6.1 Relevant Officers were asked to provide updates and the Corporate Management Team have reviewed the responses and completion dates.

7.0 BACKGROUND PAPERS

7.1 2022/23 External Audit Annual Report.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
AT 31 MARCH 2024

Summary: Section 1 Summary of Management Actions due for completion by 31/03/2024

There were three actions due for completion by 31 March 2024, all of which are completed.

Section 2 Summary of Current Management Actions Plans at 31/03/2024

At 31 March 2024 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/03/2024

At 31 March 2024 there were 12 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 March 2024 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 31.03.2024

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	2	2			
Environment and Regeneration	0				
Health and Social Care Partnership (HSCP)	0				
Education and Communities	1	1			
Total	0				

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

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

SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 31.03.2024



SECTION 2





CURRENT ACTIONS BY DIRECTORATE

Chief Executive	
Due for completion March 2024	2
Due for completion June 2024	3
Due for completion September 2024	1
Total Actions	6
Education and Communities	
Due for completion March 2024	1
Due for completion June 2024	1
Due for completion April 2027	1
Total Actions	3
Environment and Regeneration	
Due for completion April 2024	1
Due for completion June 2024	1
Due for completion April 2026	1
Total Actions	3
Total current actions:	12

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
CURRENT MANAGEMENT ACTIONS AS AT 31.03.2024**

SECTION 3




Description	Status	Original Due Date	Due Date	Assigned To
Annual Report to Members on the 2021/22 Audit (November 2022)				
Local Development Plan (B/f) The preparation of the LDP will commence in February 2023 and be completed by April 2026.		30-Apr-2026	30-Apr-2026	Director, Environment & Regeneration
Annual Report to Members on the 2022/23 Audit (November 2023) – Financial Statements				
Central Corporate Risk Register (Priority 2 Recommendation) Recommendation: We recommend that the Council introduces a Corporate Risk Register which features any risks above a centrally-agreed threshold score, in order that the Council and its Committees are able to assure themselves regarding the sufficiency of response to risks arising. Management Response: Whilst the thematic committees now receive risk registers which highlight risks relating to each committee’s remit and strategic objectives, the refreshed Corporate Risk Register will be presented to Audit Committee then Policy & Resources Committee in January/February 2024 and will be prepared in line with the Strategy which is anticipated to be approved in November 2023. The Corporate Risk Register will then be reported to both Committees on an ongoing basis moving forward.		31-Mar-2024	31-Mar-2024	Chief Executive/Head of Legal, Democratic, Digital & Customer Services



Action Status			
	No response received		Missed original due date
	In Progress		Completed

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

CURRENT MANAGEMENT ACTIONS AS AT 31.03.2024

SECTION 3


Description	Status	Original Due Date	Due Date	Assigned To
<p>Formal process for Head of Service impairment reviews (Priority 3 recommendation) Recommendation: We recommend the impairment review process is amended to include the requirement for Heads of Service to provide a positive return confirming whether any impairment indicators have arisen during the year.</p> <p>Management Response: Instruction in year end pack will be amended and Officers will ensure returns are received, including nil returns, from all Heads of Service in future.</p>		30-Jun-2024	30-Jun-2024	Finance Manager (Environment & Technical)
<p>Continuing to improve integrity of Fixed Asset Register (Priority 2 recommendation) Recommendation We recommend that a further data integrity and cleansing exercise is undertaken in 2023/24 to ensure the integrity of entries across all fields in the FAR.</p> <p>Management Response: Data integrity review of FAR will be added to the Year End timetable and carried out on an annual basis.</p>		30-Jun-2024	30-Jun-2024	Finance Manager (Environment & Technical)
<p>Infrastructure Assets (Priority 2 recommendation) Recommendation: We recommend that should Management wish to meet this requirement they will need to carry out a retrospective review of the methodology used to account for the infrastructure assets and update the methodology accordingly to ensure compliance with the guidance. This weakness did not</p>		30-Jun-2024	30-Jun-2024	Finance Manager (Environment & Technical)





Action Status			
	No response received		Missed original due date
	In Progress		Completed

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

CURRENT MANAGEMENT ACTIONS AS AT 31.03.2024

SECTION 3




Description	Status	Original Due Date	Due Date	Assigned To
<p>impact upon our planned audit approach.</p> <p>Management Response: It is intended to continue to use both statutory overrides for the 2023/24 annual accounts. Officers will continue to review methodology to ensure compliance however this is considered a national issue. Officers will therefore keep abreast of national developments.</p>				
Annual Report to Members on the 2022/23 Audit (November 2023) – Wider Dimension and Best Value				
<p>Fraud, Bribery and Corruption procedures and other policies out of date (Priority 2 recommendation) Recommendation: We recommend that all out-of-date policies are prioritised for updating and review / approval by Council or appropriate Committee as soon as is practicable.</p> <p>Management Response: The Corporate Quality Improvement Group has approved a corporate template for all policies and CMT are currently confirming all policies and their next review dates with an update due to go to Policy & Resources Committee in February 2024. A timetable for updating all policies will be approved as part of that report, with a suitable prioritisation.</p>		31-Mar-2024	31-Mar-2024	<p>Head of Legal, Democratic, Digital & Customer Services</p> <p>March 2024 (for completion of timetable for updating of policies) All policies on new review timescales - March 2025</p>





Action Status			
	No response received		Missed original due date
	In Progress		Completed

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

CURRENT MANAGEMENT ACTIONS AS AT 31.03.2024

SECTION 3




Description	Status	Original Due Date	Due Date	Assigned To
<p>Reporting on Best Value achievement and delivery (Priority 2 recommendation) Recommendation: We recommend implementation of a process to report on overall best value achievement and delivery.</p> <p>Management Response: An approach to reporting and evaluation of best value at a council level will be devised and incorporated into the Inverclyde Council Performance Management Framework by March 2024, with implementation of the approach in 2024-25.</p>		31-Mar-2024	31-Mar-2024	Head of OD, Policy and Communications
<p>Locality plans (Priority 2 recommendation) Recommendation: We recommend that locality plans are updated in line with the new partnership and council plan.</p> <p>Management Response: The review of Inverclyde’s locality planning model which will include refreshing locality plans will follow the conclusion of the Community Council review.</p>		30-Jun-2024	30-Jun-2024	Corporate Director (Education, Communities & Organisational Development)
<p>Equality group involvement in plan (Priority 2 recommendation) Recommendation: We recommend that a specific equality group within the council is identified and involved in the strategy setting process.</p> <p>Management Response: Equality groups will be involved in the development of the next Council Plan</p>		01-Apr-2027	01-Apr-2027	Head of OD, Policy and Communications





Action Status			
	No response received		Missed original due date
	In Progress		Completed

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

CURRENT MANAGEMENT ACTIONS AS AT 31.03.2024

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
from 2027 and in the mid term review of the Partnership Plan in 2028.				
<p>Workforce planning (Priority 3 recommendation) Recommendation: We recommend that workforce plans are refreshed on a timely basis.</p> <p>Management Response: Refreshed workforce plans within Environment and Regeneration will be produced by June 2024.</p>		30-Jun-2024	30-Jun-2024	Director, Environment & Regeneration
<p>Asset Management Strategy (Priority 3 recommendation) Recommendation: We recommend timely review and update of both strategies.</p> <p>Management Response: The Corporate Asset Management Strategy is scheduled to be updated and adopted by April 2024.</p> <p>The ICT Strategy is due to be updated and adopted by September 2024.</p>	 	30-Apr-2024 30-Sep-2024	30-Apr-2024 30-Sep-2024	Head of Physical Assets Head of Legal, Democratic, Digital & Customer Services

Action Status			
	No response received		Missed original due date
	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



Report To:	Audit Committee	Date:	7 May 2024
Report By:	Chief Financial Officer	Report No:	FIN/21/24/AP
Contact Officer:	Matt Thomson	Contact No:	01475 712256
Subject:	EXTERNAL AUDIT PLAN FOR THE YEAR ENDED 31 MARCH 2024		

1.0 PURPOSE AND SUMMARY

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of this report is to present the External Audit Plan for the year ended 31 March 2024 to Committee for discussion and noting.
- 1.3 Representatives from KPMG will attend the meeting to present the Plan and answer any questions.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that, having sought clarification on any relevant matters, the Committee note the contents of the External Audit Plan for the year ended 31 March 2024.

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, wider scope and best value matters.
- 3.2 The Council’s External Auditors, KPMG, have prepared the Audit Plan for the year ended 31 March 2024 and this is attached as appendix 1.
- 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 note 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
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)		X
Equalities, Fairer Scotland Duty & 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 Plan highlights several assessed audit risks identified and the approach the External Auditors propose to take to address these risks.

5.4 Human Resources

There are no HR matters arising.

5.5 Strategic

The Plan sets out the proposed approach to assessing several areas including financial sustainability, financial management, vision, leadership and governance, use of resources to improve outcomes and best value and as such contributes towards strong corporate governance.

6.0 CONSULTATION

6.1 The Chief Executive, Monitoring Officer and Chief Internal Auditor have been consulted on the contents of the Plan.

7.0 BACKGROUND PAPERS

7.1 None.



External Audit Plan for the year ended 31 March 2024

Inverclyde Council

28 March 2024

Key contacts

Your key contacts in connection with this report are:

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Wider scope and best value approach	11
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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 7 May 2024 to discuss our anticipated approach to the audit of the financial statements of Inverclyde Council, as at and for the year ending 31 March 2024.

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.

The engagement team

Michael Wilkie is the engagement leader on the audit. Michael will lead the engagement and is responsible for the audit opinion. Taimoor Alam 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 Richard Yang (Assistant Manager).

Yours sincerely,
Michael Wilkie
28 March 2024

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.

Materiality (Group and Council) and Group audit scope

Total group expenditure*
£432m (PY**: £376m)

Total council expenditure*
£427m (PY**: £374m)

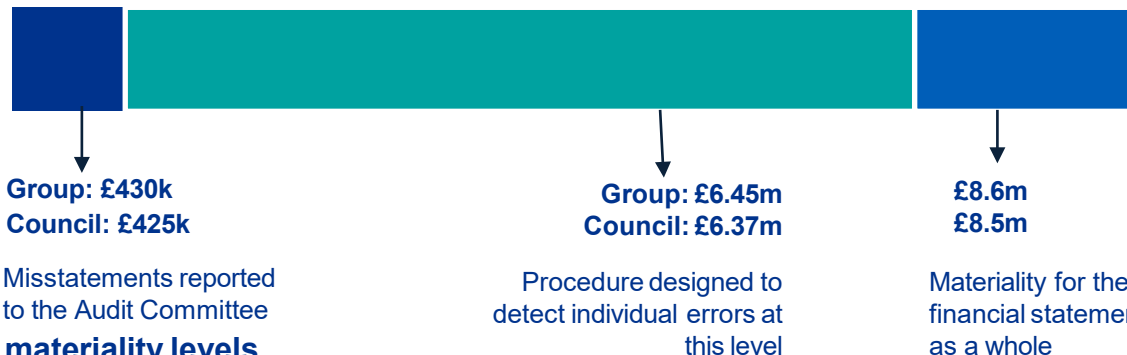


Group materiality
£8.6m (PY: £7.5m)
2% (PY: 2%) of total expenditure

Council materiality
£8.5m (2021: £7.4m)
2% (2021: 2%) of total expenditure

*Based on 2022-23 financial statements.

**Based on 2021-22 financial statements.



Our materiality levels

The materiality levels outlined above are set based on 2022/23 audited financial statements. If actual total group expenditure as per the draft financial statements varies materially from the prior period figure, we will revisit our materiality assessment. 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 £0.425 and £0.43 million respectively.

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

Group Audit Scope

We have assessed, from a group perspective, that Council is the only individually significant component and accordingly subject to a full scope audit.



Audit risks and our audit approach

This section of our report sets out the expected audit risks we anticipate to focus on and to take up significant audit time.

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) |
-

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 2023 was £386m, in addition to Schools PPP assets of £96m.

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 commissions a full revaluation of a portion of its land and buildings 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 2024;
- 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. Further, we will consider the reasonableness of management's assessment in respect of assets not subject to valuation;
- 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.

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.

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 Code's requirements.

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 May.

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 concluded that there is a significant risk around fraudulent expenditure recognition, specifically relating to the cut-off of expenditure. This arises from a combination of incentives, including the incentive to deliver the overall budget outturn for the year, as well as incentives within services locally to use but not exceed allocated budgets by year-end.

In response to the significant risk relating to cut-off 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 2023 to identify any new accruals as well as any recorded in the prior period which have not been recognised at 31 March 2024;
- 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.

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.

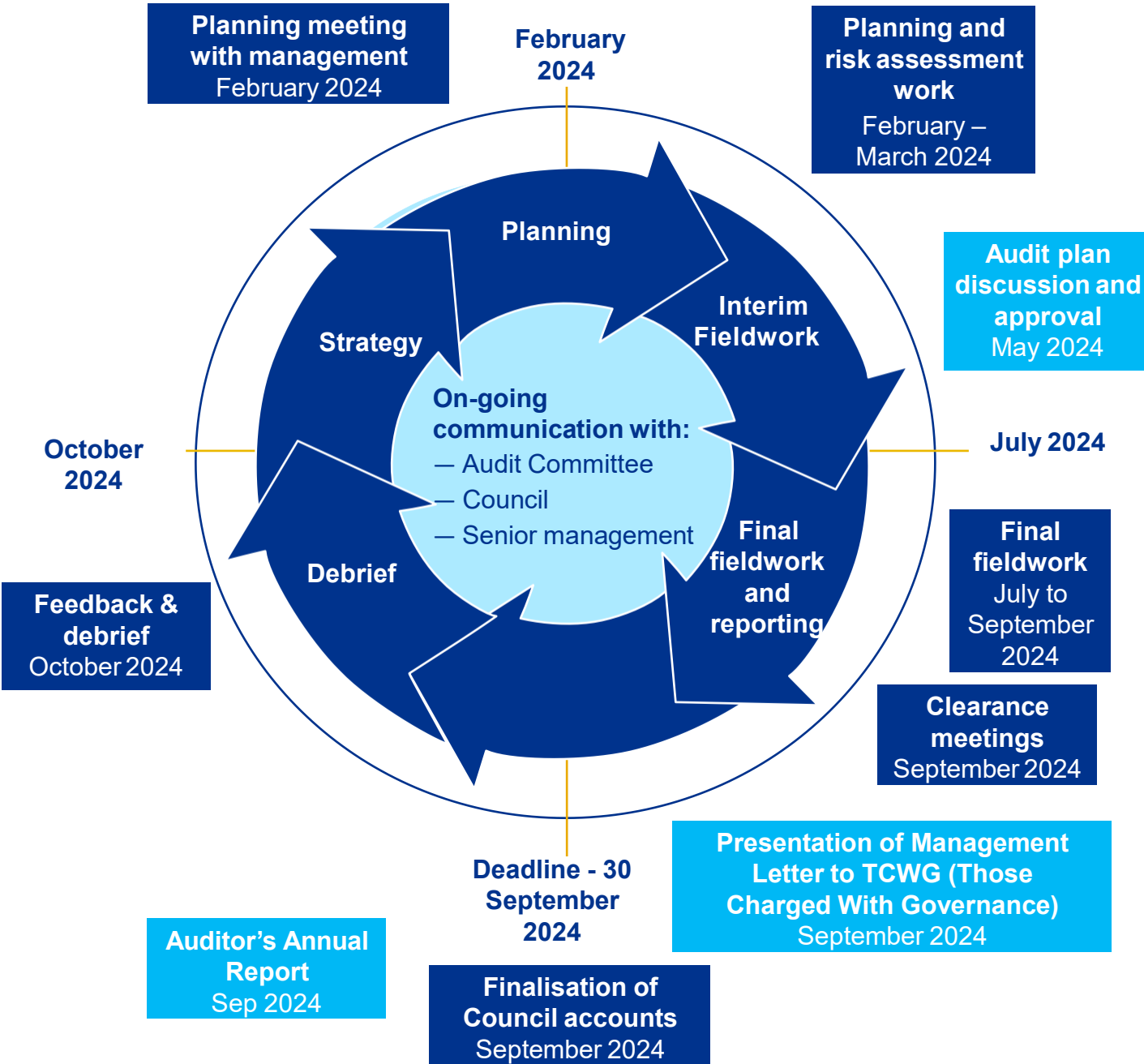
We have not identified any specific additional risks of management override relating to this audit.

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 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 2023/24 schedule



- Key Events
- A(RA)C communications



Wider scope and best value approach

Inverclyde Council

Wider Scope and Best Value

Wider Scope Approach

The Code of Audit Practice sets out four areas that constitute the wider scope of public audit in Scotland: 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 requirements of our annual audit.

Local Risk assessment

We are required to consider the arrangements in place for the wider-scope areas when undertaking annual risk assessment with a view to preparing the Annual Audit Plan.

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and have summarised the results of our assessment and our planned response on the following pages.

National Risk assessment

Guidance may supplement auditors' own local risk assessments where there are particular areas of national or sectoral risk that the Auditor General and Accounts Commission wish auditors to consider. However, there are no such risks specified for 2023/24.

Wider Scope and Best Value

Wider Scope Approach (continued)

Financial Management

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

Risk Assessment

As part of our previous year audit we noted that:

A budget monitoring system is in place.

Overall financial systems of internal control are operating effectively.

There are established procedures for preventing and detecting fraud.

An established Internal Audit system is in place.

We further noted that policies and procedures need to be reviewed and refreshed on a timely basis.

As part of our planning work we noted that a report was presented to the Council in their meeting dated 29 February 2024 to consider the Revenue Budget for 2024/26.

Based on above we have not identified any significant risks in relation to financial management.

Planned Audit Response

We will continue to review the financial management arrangements in place.

We will follow-up on the progress made in relation to our prior year recommendations.

Wider scope and best value

Wider Scope 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.

Risk Assessment

As part of our previous year audit we noted that the Council has a number of arrangements in place, in relation to financial sustainability, including a medium term financial strategy, capital programme and reserves strategy.

We have not identified any significant risk in relation to financial sustainability.

Audit Approach

- We will continue to consider the Council's long term financial plans, as well as underlying specific plans, and its ability to adapt to the changing landscape in local government funding. This will involve consideration of the 2024-25 budget and longer term financial plans.
- We will inquire with officers regarding 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 and implemented, including the revenue and capital consequences of the same.

Wider scope and best value

Wider Scope Approach (continued)

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.

Risk Assessment

As part of our previous year audit we noted that:

- Council has strategic planning arrangements in place
- Governance arrangements are appropriate and operated effectively.
- Arrangements are in place in relation to security, challenge and transparency

We further noted that process is underway in relation to development of service plans to support the overarching council plan.

Based on above we have not identified any significant risk in relation to the Council's arrangements around vision, leadership and governance dimension of the wider scope audit.

Audit Approach

We will continue to review the arrangements in place in relation to vision, leadership and governance.

We will follow-up on the progress made in relation to our prior year recommendations including recommendations identified as part of the best value report, in the previous year, relating to Leadership in the Development of the Council's Strategic Priorities.

Wider Scope and Best Value

Wider Scope Approach (continued)

Use of Resources to Improve Outcomes

Use of Resources to Improve Outcomes is concerned with demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes

Risk Assessment

As part of our prior year audit we noted that Performance management arrangements provide a sound basis for improvement.

We further noted that From April 2023, the Council moved to a new planning model, known as Committee Delivery and Improvement Plans which lay out the targets for 2023/24 at committee level. Service delivery plans along with the targets for the future years were in the process of development

Based on above we have not identified any significant risk in relation to the Council's arrangements around use of resources to improve outcomes.

Audit Approach

We will continue to review the relevant arrangements in place including arrangements in place in relation to compliance with the effective of performance reporting requirement as part of the best value audit.

We will follow-up on the progress made in relation to development of the service delivery plans and associated targets.

Wider Scope and Best Value

Best Value Approach

Local government bodies have a duty under the Local Government in Scotland Act 2003 to make arrangements which secure Best Value. Best Value is continuous improvement in the performance of the body's functions.

The wider scope of core annual audit activity in local government includes the statutory duty of auditors under section 99(1)(c) of the Local Government (Scotland) Act 1973 (the 1973 Act) to be satisfied that bodies have made proper arrangements to secure Best Value.

Paragraph 60 of the Code of Audit Practice (2021) extends this responsibility to other sectors and requires auditors to consider the arrangements put in place by Accountable Officers to meet their Best Value obligations.

The audit of Best Value in councils is fully integrated within the annual audit work. We are required to evaluate and report on the performance of councils in meeting their Best Value duties.

There are the following five aspects to auditors' work:

- Following up previous improvement actions.
- Risk based consideration of themes.
- Assessing the effectiveness of performance reporting.
- Thematic reviews.
- Contributing to Controller of Audit reports.

Follow up

This involves follow up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports, Best Value thematic reports and Annual Audit Reports.

We will establish the progress made against the actions, make judgements on the pace and depth of improvements and report judgements in the Annual Audit Report where relevant.

Risk based consideration of themes

The statutory guidance which councils are required to follow sets out seven Best Value themes. The guidance details for each of the themes what a council should be able to demonstrate to achieve Best Value

We will consider the Council's arrangements in respect of the themes to identify any risks and will report findings, judgements and improvement actions in the Annual Audit Report.

Wider scope and Best Value

Best Value Approach (continued)

Assessing the effectiveness of performance reporting.

Theme 3 in the Best Value statutory guidance is the effective use of resources, an element of which is performance reporting.

We are required to carry out work on performance reporting annually.

We will:

- determine and report on the effectiveness of the Council's processes for reporting and scrutiny of performance against its priorities;
- report in the annual audit report on whether the Council can demonstrate a trend of improvement over time in delivering its priorities
- assess whether the Council has made proper arrangements for preparing and publishing the statutory performance information in accordance with the Statutory Performance Information Direction.

Thematic review – workforce innovation

We are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2023/24 is on the subject of workforce innovation.

We will consider how the Council is responding to the current workforce challenge through building capacity, increasing productivity and innovation.

We are required to report our conclusions on the thematic review in a separate management report.

Controller of Audit reports

The Controller of Audit also reports to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five-year audit appointment.

The Council is not in-scope for this reporting in the current cycle.

Wider Scope and Best Value

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 seek to avoid duplication of audit effort by integrating our financial statements and wider scope and Best Value work.

Reporting and concluding on wider scope and Best Value

At the conclusion of the wider scope and Best Value work we include relevant observations and recommendations in the Annual Audit Report.

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 and the best value thematic report.

Other core annual audit activities

Other Audit Outputs

Paragraph 81 of the Code of Audit Practice (2021) advises that the following other outputs may be required from appointed auditors as core annual audit activity in accordance with guidance from Audit Scotland:

- Certificates on grant claims and similar returns prepared by audited bodies.
- Assurance statements for Whole of Government Accounts returns or other consolidation schedules.
- Reports on summary financial information.

Information Returns

Paragraph 104 of the Code of Audit Practice requires appointed auditors to complete information returns as a core annual audit activity. The information returns required for 2023/24 are as follows:

Contributions to performance audit work

Current Issues Returns

Fraud Returns

National Fraud Initiative

Contributing to Technical Guidance Notes (TGNs).

Further core annual audit activity undertaken by appointed auditors and their teams also includes the responsibilities and activities set out in chapter 7 of the Guidance on planning the annual audit 2023/24 annual audits of public bodies.



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 wider-scope and best value methodology slide on pages 12 -20 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 23 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 2023/24.

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>Taimoor Alam is the 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, wider scope and best value work.</p>
	<p>Richard Yang 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 second year as your engagement lead. He can therefore complete a further 8 years before rotation.

Fees

Audit Scotland has completed a review of funding and fee setting arrangements for 2023-24. An expected fee is calculated by Audit Scotland to each entity within its remit. This expected fee is made up of four elements:

- Auditor remuneration (** average of Tender values)
- Audit Scotland Pooled costs
- Audit Scotland Audit Support Costs
- Audit Scotland sectoral cap adjustment

The expected fee for each body assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for the audit.

Entity	2023/24	2022/23
Auditor Remuneration **	£247,720	£233,700
Pooled Costs	£9,030	£0
PABV Contribution	£62,010	£55,820
Audit Support Costs	£0	£8,860
Sectoral Cap Adjustment	(£2,240)	£240
TOTAL AUDIT FEES (Incl VAT)	£316,520	£298,620

Source: Audit Scotland

Billing arrangements

Fees will be billed by Audit Scotland in accordance with a billing schedule as outlined in correspondence with management.

Basis of fee information

In line with our standard terms and conditions the fee is based on the following assumptions:

- The Board's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied; A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-forms as necessary. Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

If there are any variations to the above plan, we will discuss them with you and agree any additional fees before costs are incurred wherever possible.

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>

KPMG's 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. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

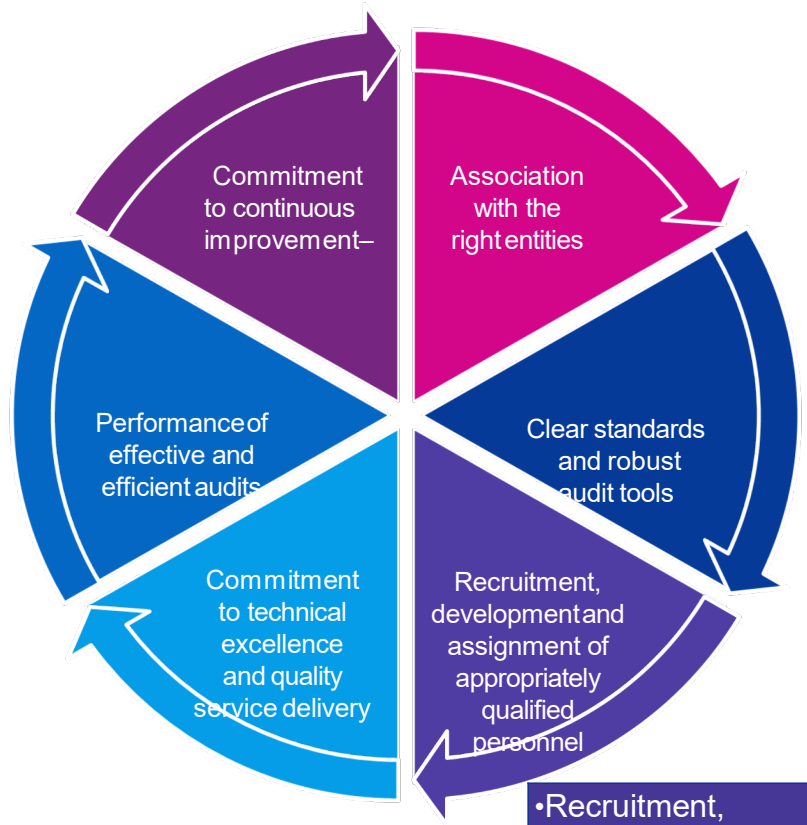
- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



Source: KPMG



ISA (UK) 315 Revised: Overview

Summary

In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after 15 December 2021.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to

- (i) promoting consistency in effective risk identification and assessment,
- (ii) modernising the standard by increasing the focus on IT,
- (iii) enhancing the standard’s scalability through a principle based approach, and
- (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period. Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

Source: KPMG

ISA (UK) 315 Revised: Overview (continued)

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

ISA (UK) 240 Revised: changes embedded in our practices

Summary and background

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor’s responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor’s obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revision
<p>Risk assessment procedures and related activities</p>	<p>1 Increased focus on applying professional scepticism – the key areas affected are:</p> <ul style="list-style-type: none"> the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence, remaining alert for indications of inauthenticity in documents and records, and investigating inconsistent or implausible responses to inquiries performed. <p>2 Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud.</p> <p>3 We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.</p>
<p>Internal discussions and challenge</p>	<p>We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.</p>



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