

Municipal Buildings, Greenock PA15 1LY

Ref: LC

Date: 18 June 2024

A meeting of the Audit Committee will be held on Thursday 27 June 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 Wednesday 26 June 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.

Please note that this meeting will be recorded and made available for viewing on the Council's YouTube channel with the exception of any business which is treated as exempt in terms of the Local Government (Scotland) Act 1973 as amended.

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

LYNSEY BROWN Head of Legal, Democratic, Digital & Customer Services

#### **BUSINESS**

#### \*\*Copy to follow

1.	Apologies, Substitutions and Declarations of Interest	Page
NEW	BUSINESS	
2.	Internal Audit Annual Report and Assurance Statement 2023-2024 Report by Head of Legal, Democratic, Digital & Customer Services	р
3.	Annual Report on the Audit Committee 2023-2024 Report by Head of Legal, Democratic, Digital & Customer Services	р
4.	Review of Local Code of Governance and Interim Annual Governance Statement 2023-2024 Report by Head of Legal, Democratic, Digital & Customer Services	р
5.	Internal Audit Annual Strategy and Plan 2024-2025 Report by Head of Legal, Democratic, Digital & Customer Services	р
PERI	ORMANCE MANAGEMENT	
6. **	Unaudited Annual Accounts for the Year Ended 31 March 2024 Report by Chief Financial Officer	р

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.

Please note: this meeting may be recorded or live-streamed via You Tube and the Council's internet site, where it will be capable of repeated viewing. At the start of the meeting the Provost/Chair will confirm if all or part of the meeting is being recorded or live-streamed.

You should be aware that the Council is a Data Controller under the Data Protection Act 2018. Data collected during any recording or live-streaming will be retained in accordance with the Council's published policy, including, but not limited to, for the purpose of keeping historical records and making those records available via the Council's internet site or You Tube.

If you are participating in the meeting, you acknowledge that you may be filmed and that any information pertaining to you contained in the recording or live-stream of the meeting will be used for webcasting or training purposes and for the purpose of keeping historical records and making those records available to the public. In making this use of your information the Council is processing data which is necessary for the performance of a task carried out in the public interest. If you are asked to speak at the meeting then your submission to the committee will be captured as part of the recording or live-stream.

If you have any queries regarding this and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact the Information Governance team at dataprotection@inverclyde.gov.uk

Enquiries to – Lindsay Carrick – Tel 01475 712114



#### **AGENDA ITEM NO. 2**

Report To: Audit Committee Date: 27 June 2024

Report By: Head of Legal, Democratic, Report No: FIN/37/24/AP

**Digital & Customer Services** 

Contact Officer: Lynsey Brown Contact No: 01475 712223

Subject: INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE

**STATEMENT 2023-2024** 

## 1.0 PURPOSE

1.1 □For Decision □For Information/Noting

1.2 The purpose of this report is to present the Internal Audit Annual Report and Assurance Statement for 2023/24, which forms part of the Council's Annual Governance Statement.

## 2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Audit Committee review and consider the Internal Audit Annual Report and Assurance Statement.
- 2.2 It is recommended that the Committee notes that a summary of the External Quality Assessment and associated Action Plan of the Internal Audit Service will be presented to Committee later this year.

Lynsey Brown Head of Legal, Democratic, Digital & Customer Services

#### 3.0 BACKGROUND AND CONTEXT

- 3.1 Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the Section 95 Officer to support the Annual Governance Statement. This report should present an opinion as to the overall adequacy and effectiveness of the organisation's internal control environment.
- 3.2 The report should also:
  - Disclose any qualifications to that opinion, together with reasons for the qualification;
  - Present a summary of the audit work undertaken to formulate the opinion including reliance placed on the work by other assurance bodies;
  - Draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the statement on internal control; and
  - Compare the work undertaken with work planned.
- 3.3 The Accounting Code of Practice ("ACOP") requires that the Section 95 Officer produces a signed Annual Governance Statement as part of the Council's Annual Accounts. This report is subject to External Audit scrutiny as part of the year-end audit process.

## 4.0 PROPOSALS

- 4.1 The Internal Audit Annual Report and Assurance Statement for 2023/24 is attached as an Appendix to this report for consideration by Committee. The report concludes that the majority of Inverclyde Council's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit. The overall audit opinion is **Generally Satisfactory**. There was one audit review which received a "Requires Improvement" rating in relation to Attendance Management.
- 4.2 It is also highlighted that, based on the results of the ongoing audit follow up process during 2023/24, management has continued to make good progress in implementing agreed action plans arising from Internal Audit reviews.
- 4.3 Members are asked to review and consider the Internal Audit Annual Report and Assurance Statement for 2023/24.

#### 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		Х
Strategic (LOIP/Corporate Plan)	Х	
Equalities & Fairer Scotland Duty		Х
Children & Young People's Rights & Wellbeing		Х
Environmental & Sustainability		X
Data Protection		Х

5.2 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

## Annually Recurring Costs/Savings

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

## 5.3 **Legal/Risk**

There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide a minimum level of assurance over the Council's system of internal financial control to those charged with governance.

## 5.4 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 CONSULTATIONS

6.1 Not applicable. This report summarises the work carried out during 2023/24 which have been included in separate progress reports to Audit Committee.

## 7.0 LIST OF BACKGROUND PAPERS

7.1 Internal Audit Annual Strategy and Plan 2023/24. Internal Audit Progress Reports to Audit Committee in April, June, August and October 2023, and January and March 2024.



Internal Audit Annual Report and Assurance Statement 2023-2024

27 May 2024



# **INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2023-24**

CONTENTS		Page
SECTION 1 -	INTRODUCTION	1
SECTION 2 -	ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE	2
SECTION 3 -	INTERNAL AUDIT WORK CONDUCTED	3-6
SECTION 4 -	SCOPE. RESPONSIBILITIES AND ASSURANCE	7-9



#### **SECTION 1 – INTRODUCTION**

## Purpose of this report

1.1 Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the organisation to inform the Annual Governance Statement. This report constitutes the required statement. As required by PSIAS, this report presents the opinion of the overall adequacy and effectiveness of Inverclyde Council's risk management, control and governance processes based on the work Internal Audit has performed. The scope of internal audit work, the responsibilities of Internal Audit, and the assurance given on the adequacy and effectiveness of the Internal Control System of Inverclyde Council are explained further in Section 4 of this report.

## Main objectives of Inverclyde Council's Internal Audit Team

1.2 The purpose of Inverclyde Council's Internal Audit activity is to provide independent, objective assurance and advisory services designed to add value and improve the Council's operations. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The Internal Audit activity helps Inverclyde Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

## Scope of Inverclyde Council's Internal Audit Team

1.3 The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to records and assets deemed necessary by auditors in the course of an audit.

## **Acknowledgements**

1.4 The assistance provided by Council staff in the course of the work undertaken by Internal Audit during 2023-24 is gratefully acknowledged.



## SECTION 2 - ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE

## Scope

- 2.1 The work undertaken by Internal Audit in 2023-24 is summarised in Section 3 of this Report.
- 2.2 The overall assessment arising from work undertaken is summarised in paragraphs 2.3 to 2.4 below. In interpreting this assessment, consideration needs to be given to the respective responsibilities of Management and Internal Audit and the related limitations on the assurance that Internal Audit can provide (as explained in Section 4).

#### **Overall assessment**

2.3 On the basis of Internal Audit work carried out in 2023/24, the majority of Invercive Council's established internal control procedures appeared to operate as intended to meet Management's requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that a number of recommendations were made by Internal Audit to improve controls. The overall opinion is **Generally Satisfactory.** There was one audit review which received a "Requires Improvement" rating in relation to Attendance Management and an action plan is in place to address all issues identified which is subject to regular monitoring by the CMT and Audit Committee.

#### Other matters

- 2.4 Summaries of the issues arising in relation to each system or activity covered by Internal Audit work in 2023-24 have been reported separately to the Audit Committee. Appropriate responses to the recommendations made in internal audit reports have been obtained. When actioned, the recommendations made in the Internal Audit reports should provide management with additional comfort that the system of internal control operates as intended. It is therefore imperative that the agreed actions are implemented by management.
- 2.5 A monthly follow up process is in place and continues to operate effectively. All actions arising from internal and external audit reviews are subject to follow up and validation by the CMT and the Chief Internal Auditor on a regular basis, with reporting on progress to the Audit Committee.



## **SECTION 3 – INTERNAL AUDIT WORK CONDUCTED**

## Internal audit approach

3.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed Internal Audit annual audit plan.

## Progress on the 2023-24 internal audit plan

- 3.2 The Annual Internal Audit Operational Plan 2023-24 was discussed and agreed with the Audit Committee on 25 April 2023.
- 3.3 Progress against planned audit work for the year to 31 March 2024 can be summarised as follows:

Planned audit coverage	Status
Risk Based Reviews	
Supplier Management (b/f from 2022-23)	Deferred to 2024-25 Audit Plan and replaced
,	by Procurement Compliance Audit.
Procurement Compliance	Completed
Succession Planning	Fieldwork
Attendance Management	Completed
Building Standards	Draft Report
ASN Transport Fieldwork (b/f from 2022-23)	Deferred to 2024-25 Audit Plan
Limited Scope Finance Reviews	
Non-Domestic Rates	Completed
Advisory Reviews	
Education – Cashless Catering Replacement	Audit advice and support provided to the
System	project board.
UK Shared Prosperity Fund Assurance	Draft Report
Arrangements	
Project Assurance Reviews	
Swift Replacement System (Social Work IT	Not started - Audit support will be provided at
System)	testing and implementation phases of the
Composets French Deviews	project.
Corporate Fraud Reviews	2022 24 shocks are underway
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 Request	Not started
Regularity Audit Work	
Education Control Self-Assessment	Completed
HSCP Imprests	Completed
Corporate Purchase Cards – Quarterly Checks	Q3/Q4 2023-24 checks are underway.
Corporate Governance	
Annual Governance Statement 2022-23	Completed - Input provided by CIA.
Other Work	
Council Tax Reduction Scheme / Discounts /	Ongoing.
Exemptions	
National Fraud Initiative	22/23 Exercise is being progressed
IJB Audit Plan 2023-24	One of two reviews complete.



3.4 The total number of issues raised in the risk-based audits is set out in the following table:

Report	Red	Amber	Green	Overall Grading	Previous Grading		
2023/24 Audit Plan							
Commercial Waste Income (Billing and Collection)	0	2	2	Satisfactory	N/A		
Client Accounts – Quarterly Checks	0	1	0	Satisfactory	Satisfactory		
Corporate Purchase Cards – Quarterly Checks	0	2	1	Satisfactory	Satisfactory		
Attendance Management	1	4	1	Requires Improvement	N/A		
Non-Domestic Rates	0	0	3	Strong	N/A		
HSCP Imprest	0	0	4	Satisfactory	N/A		
Procurement Manual Compliance	0	1	1	Satisfactory	N/A		
Education CSA 2023-24	0	2	0	Satisfactory	Satisfactory		
Total	1	12	12				

## **Progress on Implementation of Action Plans**

3.5 A number of action plans were agreed in relation to the risk-based audit reports generated for the 2023-24 annual audit plan. The following table sets out the total number of actions agreed for each report issued and the status of completion at 31 March 2024 as follows:

Report	No of Actions Agreed	No of Actions Complete at 31/3/24	No of Actions Revised at 31/3/24	No of Actions Not Due at 31/3/24
2023/24 Audit Plan				
Commercial Waste Income (Billing and Collection)	7	2	1	4
Client Accounts – Quarterly Checks	2	1	0	1
Corporate Purchase Cards – Quarterly Checks	4	2	1	1
Attendance Management	18	8	2	8
Non-Domestic Rates	5	1	0	4
HSCP Imprest	11	1	0	10
Procurement Manual Compliance	4	0	0	4
Education CSA 2023-24	8	2	1	5
Total	59	17	5	37

3.6 It is encouraging to note that of the 59 agreed actions subject to follow-up procedures, 17 out of 22 actions (77%) which were due for completion by 31 March 2024 have now been fully implemented.



All actions are subject to ongoing follow up by Internal Audit and are included within the Internal Audit action plan follow up reports to the Corporate Management Team and the Audit Committee on a regular basis.

## **Corporate Fraud Activity**

3.7 The undernoted table sets out corporate fraud activity in the period 1 April 2023 to 31 March 2024:

Investigations 1/4/2023 to 31/3/2024		
National Fraud Initiative	551 matches were investigated in the period.	
Whistleblowing/Service/Other Referrals	38 other enquiries were investigated in the period.	
SPOC Referrals 1/4/2023 to 31/3/2024		
DWP	There were 6 referrals in the period.	
LAIEF	There were 30 referrals in the period.	
Other Work		

Matches for the National Fraud Initiative for the 2022 exercise were received in Q1 2023. Work is ongoing to investigate these matches with regular reporting on progress to Audit Committee.

New dataset matches relating to HMRC information were released in November 2023 which has increased the total number of matches received. These datasets relate to Council Tax Reduction matching with HMRC Property Ownership. HMRC Earning and Capital and HMRC Household Composition respectively, contained within recheck. Reviews of these data matches are ongoing.

There was also continued focus on client money accounts and corporate purchase cards checks. Work is ongoing to finalise these reviews.

## **Financial Results**

For 2023-24, the corporate fraud team identified non-NFI overpayments of council tax discounts and exemptions of £101,278.

## Ad hoc assignments

3.8 Internal Audit undertook the following ad hoc assignments during 2023-24:

Ad hoc assignment	Status
Co-ordination of Annual Governance Statement and supporting self-assessment processes for 2022/23.	Completed
Providing input to FOI requests as appropriate.	Completed
Regular attendance at CRMT to provide relevant audit input as required.	Completed



#### **Performance Measures**

3.9 The table below sets out performance measures which were in place for 2023-24. Actual performance against target is being calculated and will be reported to the Audit Committee in August 2024.

Meas	ure	Description	Target
1. Fi	inal Report	Percentage of final reports issued within 2 weeks of draft report.	100%
2. D	raft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%
3. A	udit Plan Delivery	Percentage of audits completed v planned.	85%
4. A	udit Budget	Percentage of audits completed within budgeted days.	80%
5. A	udit Recommendations	Percentage of audit recommendations agreed.	90%
6. A	ction Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%
7. C	ustomer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%
	taff compliance with PD	Number of training hours undertaken to support CPD.	140
	anagement ngagement	Number of meetings with CMT and DMTs as appropriate.	4 per quarter

## Reliance by external audit

3.10 During the year under review, liaison has taken place with the Council's External Auditors through joint attendance at the Audit Committee, meetings, ad hoc discussions and the sharing of audit plans and reports. External Audit have indicated that they will consider the findings of the work of internal audit as part of their planning process to minimise duplication of effort and to ensure the total resource is used efficiently and effectively.



## SECTION 4 - SCOPE, RESPONSIBILITIES AND ASSURANCE

## **Approach**

- 4.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Internal Audit Standards and the agreed annual audit plans. The overall scope of the internal audit work encompasses Inverclyde Council's risk management practices, governance and internal control procedures.
- 4.2 The Annual Audit Plan is based on a formal risk assessment which is revised on an ongoing basis to reflect evolving risks and changes within the Council. The Internal Audit Annual Strategy and Plan for 2023-24 was discussed and agreed at the Audit Committee on 25 April 2023. In addition, consultation on the content and coverage of the audit plan took place with members of the Corporate Management Team.

## Responsibility and reporting lines of the Chief Internal Auditor

- 4.3 The Chief Internal Auditor reports functionally to the Council's Monitoring Officer and has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. The adoption of these arrangements enables the Council to conform with the reporting line requirements of the International Standard on Auditing ("ISA") (UK and Ireland) 610 and the Public Sector Internal Audit Standards which were adopted by Local Government in the United Kingdom on 1 April 2013.
- 4.4 The Chief Internal Auditor also has a specific responsibility to the Council's s95 Officer to provide assurances which informs the preparation of the Annual Governance Statement for inclusion in the Council's Annual Accounts.

#### The work of Internal Audit

- 4.5 Internal Audit is an independent appraisal function established by the Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 4.6 In accordance with the principles of Corporate Governance, the Chief Internal Auditor reports with independence and impartiality to the Council's Audit Committee on a regular basis. The Chief Internal Auditor prepares an annual report containing a view on the adequacy and effectiveness of the systems of internal controls.
- 4.7 The Internal Audit team operates in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme of work approved by the Council's Audit Committee. The Annual Audit Plan is based on a formal risk assessment which is revised on an ongoing basis to reflect emerging risks and changes within the Council.
- 4.8 All Internal Audit reports identifying system improvements or non-compliance with expected controls are brought to the attention of management and include agreed action plans. It is management's responsibility to give proper consideration to Internal Audit reports and take appropriate action on audit recommendations.



#### The work of Internal Audit

4.9 The Chief Internal Auditor is required to confirm that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and accepted the risk of not taking action. Management progress on implementing significant actions, which have been categorised as Red or Amber, is reported to the Corporate Management Team and to the Council's Audit Committee at each committee cycle.

## **Quality and Improvement Programme**

- 4.10 PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed in order to provide assurance that the internal audit activity:
  - Is conducted in accordance with an Internal Audit Charter.
  - Operates in an efficient and effective manner.
  - Is perceived to be adding value and improving operations.
- 4.11 An internal self-assessment of internal audit practices has been carried out by Internal Audit every year since PSIAS became effective on 1st April 2013, with improvements identified and implemented as appropriate.
- 4.12 PSIAS also requires, as outlined in Standard 1300 "QAIP", that "External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation." The current external review was due to be carried out during 2020-21 however this was deferred to 2024 due to the pandemic a draft review was received at the end of May and is being reviewed by Officers. The internal self-assessment exercise undertaken for 2022-2023 confirmed a high level of compliance and that the Internal Audit Section generally conforms with the requirements of PSIAS.

## **Responsibilities of Management and Internal Audit**

- 4.13 It is Management's responsibility to maintain systems of risk management, internal control and governance.
- 4.14 Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal Audit cannot be held responsible for internal control failures.
- 4.15 Internal Audit's role includes assessing the adequacy of the risk management, internal controls and governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.
- 4.16 Public Sector Internal Audit Standards (PSIAS) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence. We can confirm that all staff members involved in 2023-24 internal audit reviews were independent of operational processes and their objectivity was not compromised in any way.



#### Basis of the internal audit assessment

- 4.17 In accordance with the Public Sector Internal Audit Standards, the assessment on risk management, control and governance is based upon:
  - Internal Audit work undertaken by the Internal Audit Team during the year to 31 March 2024 (in accordance with the annual audit plan approved by the Audit Committee);
  - The assessments of risk completed during the preparation and updating of the annual audit plan:
  - Reports issued by Audit Scotland, the Council's External Auditors; and
  - Internal Audit's knowledge of the Council's governance, risk management and performance management and monitoring arrangements.

# Limitations on the assurance that Internal Audit can provide

- 4.18 It should be noted that the assurance expressed within this report can never be absolute. It is not a guarantee that all aspects of risk management, internal control and governance are adequate. The most that internal audit can provide to the Chief Executive, s95 Officer and Audit Committee is reasonable assurance based on the work performed.
- 4.19 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from this engagement. These limitations include the possibility of faulty judgment in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 4.20 Organisations and their internal control needs differ by type, size, culture and management philosophy. One organisation's internal control system may be very different from another's in relation to similar processes. Also, decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.



Opinion Types Appendix 1

Satisfactory	Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.
	<ul> <li>A limited number of Amber rated issues may have been identified, but generally only green issues have been found in individual audit assignments.</li> <li>None of the individual assignment reports have an overall opinion of <i>Requires</i></li> </ul>
	Improvement or Unsatisfactory.
Generally Satisfactory with some	A few specific control weaknesses were noted: generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.
improvement needed	A number of Amber rated issues identified in individual audit assignments that collectively do not significantly impact the system of internal control.
	<ul> <li>Red rated issues that are isolated to specific systems or processes.</li> <li>None of the individual assignment reports have an overall opinion of <i>Unsatisfactory</i>.</li> </ul>
Major improvement needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
	<ul> <li>A high number of Amber rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread.</li> <li>A number of Red rated issues that collectively have a significant impact on some</li> </ul>
	<ul> <li>parts of the system of internal control but are not widespread.</li> <li>A small number of individual assignment reports have an overall opinion of Requires Improvement or Unsatisfactory.</li> </ul>
Unsatisfactory	Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.
	<ul> <li>Amber and Red rated issues identified in individual assignments that collectively are widespread to the system of internal control.</li> <li>A high number of individual assignment reports have an overall opinion of</li> </ul>
	Requires Improvement or Unsatisfactory.



#### AGENDA ITEM NO. 3

Report To: Audit Committee Date: 27 June 2024

Report By: Head of Legal, Democratic, Report No: FIN/38/24/AP

**Digital & Customer Services** 

Contact Officer: Lynsey Brown Contact No:01475 712710

Subject: ANNUAL REPORT ON THE AUDIT COMMITTEE – 2023-24

## 1.0 PURPOSE

1.1 ⊠For Decision □For Information/Noting

1.2 The purpose of this report is to provide Members with the Annual Report on the Audit Committee for 2023/24.

## 2.0 RECOMMENDATIONS

- 2.1 It is recommended that Members:
  - Review and approve the Annual Report on the Audit Committee for 2023/24.
  - Agree that the report should be presented to a future meeting of the Council in line with best practice guidance.

Lynsey Brown Head of Legal, Democratic, Digital & Customer Services

#### 3.0 BACKGROUND AND CONTEXT

- 3.1 It is important that the Committee complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a foundation for sound corporate governance for the Council.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition which incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police. This sets out CIPFA's view of the role and functions of an Audit Committee. The CIPFA Audit Committee Guidance includes the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council.

#### 4.0 PROPOSALS

- 4.1 The Annual Report on the Audit Committee for 2023/24 is attached as an Appendix to this report for consideration by Members.
- 4.2 Members are asked to review and approve the Annual Report on the Audit Committee for 2023/24 and agree that the report should be presented to a future meeting of the Council in line with best practice guidance.

## 5.0 IMPLICATIONS

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

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

5.2 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
		_	-	-	

## Annually Recurring Costs/Savings

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

# 5.3 Legal/Risk

There is a risk that the Audit Committee does not comply with best practice guidance in relation to demonstrating its effectiveness in providing a foundation for sound corporate governance. The annual report provides this assurance to the Council on the activity of the Committee.

## 5.4 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 CONSULTATIONS

6.1 Not applicable. This report summarises the work carried out by the Audit Committee during 2023/24.

## 7.0 LIST OF BACKGROUND PAPERS

7.1 CIPFA Guidance on Audit Committees for Local Authorities – October 2022.

# Inverclyde Council Audit Committee 2023/24 Annual Report

## Introduction

This annual report has been prepared to inform Inverclyde Council of the work carried out by the Council's Audit Committee during the financial year 2023/24.

## Meetings

The Audit Committee met 6 times during 2023/24 comprising meetings on 25 April, 29 June, 22 August and 24 October 2023, 09 January and 05 March 2024 to consider reports relevant to the Audit cycle and other matters as deemed appropriate. Pre-Agenda meetings were also held ahead of Committee meeting involving the Convenor, Vice-Convenor and appropriate officers.

All meetings were held using the Council's hybrid meeting platform to allow remote and physical participation. Meetings have been live-streamed and made available publicly on the Council's live streaming website.

## Purpose and Remit

The purpose and remit of Audit Committee is detailed in the Council's Scheme of Administration. The core functions of the Audit Committee are to:

- Consider the Council's arrangements relating to the Accounts;
- Consider the Council's arrangements relating to external audit requirements;
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance;
- Review the adequacy of the Council's governance, risk management and internal control arrangements.
- Consider the Council's arrangements relating to internal audit requirements.

To fulfil this remit, the Audit Committee sought assurance on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control to ensure efficient operations and the highest standards of probity and accountability. This was achieved through reports received from Internal Audit, other Council functions and External Audit with focus in particular on internal control and governance.

At each meeting of the Audit Committee it considered significant findings from Internal Audit reports together with monitoring the progress made by management in completing agreed actions to improve the Council's control environment. It also considered the status of external audit action plans arising from external audit reports received and the indicative external audit annual plan for 2023/24 from the external auditors in May 2024.

The Audit Committee also received reports on:

- Risk Management.
- National Fraud Initiative.
- CIPFA Guidance for Audit Committees.
- The Local Code of Governance and Interim Annual Governance Statement 2022-23

## Membership of the Audit Committee

In accordance with Inverclyde Council's Standing Orders membership of the Audit Committee comprises 11 Elected Members. The quorum of the Audit Committee is 6 Elected Members.

Every meeting of the Audit Committee during 2023/24 was quorate.

## Attendance by Officers

Meetings were attended by the Chief Executive, Chief Financial Officer (or nominated representative), Head of Legal, Democratic, Digital and Customer Services and the Chief Internal Auditor.

Other senior officers also attended meetings as appropriate for items on the Agenda for which their presence was relevant. Representatives from the Council's external auditors - KPMG - were present at April and June 2023 meetings.

## Audit Committee Activity

The Committee received and considered reports in relation to:

- The internal audit annual report and opinion on the Council's internal control environment.
- Information on the performance and effectiveness of the Internal Audit Team.
- The Internal Audit Team's progress in delivering the planned work and summaries of reports issued and updates on the National Fraud Initiative.
- The Annual Report on Risk Management Activity.

This enabled the Committee to oversee the work in relation to the provision of assurance on the Council's framework of arrangements for risk management, corporate governance and internal control and in terms of corporate counter-fraud arrangements.

## Compliance with Best Practice

During 2023/24 the Audit Committee undertook a self-assessment of the committee's compliance with current best practice. This assessment was against a checklist from the CIPFA guidance "Audit Committees – Practical Guidance for Local Authorities and Police 2022 Edition." In response to this assessment the committee identified some areas for improvement which have been progressed.

# Assurance Statement to the Council

The Audit Committee provides the following assurance to the Council:

- The Council has received the Minutes of the Audit Committee meetings throughout the year.
- The Audit Committee has operated in accordance with its agreed terms of reference, and accordingly with the audit committee principles in the CIPFA Position Statement relating to its Audit functions.
- It did this through reports received from Internal Audit, External Audit, Legal Services and assurances from Management. It focussed on matters of governance, risk management and internal control; giving advice to the Council on the value of the audit process; on the integrity of financial reporting; and on governance arrangements.
- For all audit reports, the Audit Committee considered whether it was satisfied that an adequate management response was in place to ensure action would be taken to manage risk and address concerns on governance, risk management and internal control arrangements. The Audit Committee acknowledges that there is a system in place of ongoing follow-up by Internal Audit and reporting to senior management and the Audit Committee.
- The Audit Committee reviewed the draft audited Annual Accounts for 2022/23.

## Conclusion

Based on the reports received and reviewed by the Audit Committee, members are in agreement with the Chief Internal Auditor's annual report and assurance statement which confirmed an overall audit opinion of **Generally Satisfactory** such that that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in 2023/24 and are satisfied that active monitoring and follow up of agreed action plans is in place.

27 June 2024



#### **AGENDA ITEM NO. 4**

Report To: Audit Committee Date: 27 June 2024

Report By: Head of Legal, Democratic, Report No: FIN/36/24/APr/AP

**Digital & Customer Services** 

Contact Officer: Andi Priestman Contact No: 712710

Subject: REVIEW OF LOCAL CODE OF GOVERNANCE AND INTERIM

**ANNUAL GOVERNANCE STATEMENT 2023-24** 

## 1.0 PURPOSE

1.1 ⊠For Decision □ For Information/Noting

## 1.2 The purpose of this report is to:

- Advise Members of the outcome of the annual self-evaluation exercise undertaken of the Council's compliance with its Local Code of Governance; and
- Invite Members to consider the interim Annual Governance Statement that will be included in the 2023-24 Unaudited Accounts.

## 2.0 RECOMMENDATIONS

#### 2.1 The Committee is asked to:

- Note the outcome of the recent self-evaluation exercise in considering how the Council currently meets the agreed Local Code of Governance, together with the issues identified and improvement actions; and
- Consider the detail of the interim Annual Governance Statement for 2023-24 and approve the actions identified by management to improve the internal control environment.

Lynsey Brown Head of Legal, Democratic, Digital & Customer Services

#### 3.0 BACKGROUND AND CONTEXT

- 3.1 Inverclyde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Under the Local Government in Scotland Act 2003, the Council also has a statutory duty to make arrangements to secure Best Value, which is defined as continuous improvement in the performance of the Council's functions.
- 3.2 In discharging these responsibilities, Elected Members and the Corporate Management Team are responsible for putting in place proper arrangements for the governance of the Council's affairs, and for facilitating the effective exercise of its functions, including the arrangements for the management of risk.
- 3.3 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and through which it accounts to and engages with communities.
- 3.4 The Council has adopted a Local Code of Governance ("the Local Code") consistent with the seven principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework, "Delivering Good Governance in Local Government" (2016).
- 3.5 Inverclyde Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and publish an Annual Governance Statement.
- 3.6 Following the review of the Audit Committee, carried out in accordance with the contents of the CIPFA publication "Audit Committees: Practical Guidance for Local Authorities and Police" (2022 Edition)", a report was submitted to the Audit Committee meeting on 25 April 2023. One of the actions arising was to submit the draft Annual Governance Statement to the Audit Committee as a stand-alone document for consideration.

## 4.0 PROPOSALS

- 4.1 The interim Annual Governance Statement for 2023-24 is attached as an Appendix to this report for consideration by Members.
- 4.2 For 2023-24, the review identified the following governance issues:
  - Contract renewals and non-compliant spend analysis is an area of ongoing activity/improvement. Progress has been/continues to be impacted by staffing levels within the Procurement team.
  - Within Culture, Communities and Educational Resources (CCER) a Business Classification Framework has been developed and implementation is ongoing.
  - Within Physical Assets, a routine review of records is being addressed but requires more regular attention in some areas of the service.

- 4.3 In addition, some actions from the 2022-23 Annual Governance Statement were ongoing through 2023-24:
  - Workforce planning arrangements require to be refreshed in a number of services in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies.
  - Work is ongoing to develop processes and guidance to support the updated Risk Management Strategy at an operational level.
- 4.4 Members are asked to consider the detail of the interim Annual Governance Statement for 2023-24 and approve the actions identified by management to improve the internal control environment.

#### 5.0 IMPLICATIONS

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

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

5.2 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

Annually Recurring Costs/Savings

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

## 5.3 Legal/Risk

There is a risk that a failure to maintain a local code of governance and develop a framework to support the gathering and updating of the necessary evidence will leave the Council unable to produce a Governance Statement. The current approach to ongoing annual assessment of compliance and reporting to this Committee ensures that the Council can produce a meaningful Governance Statement and the agreed actions will improve compliance requirements on various aspects of key Council policies and procedures, and in turn mitigate against legal and other risks arising.

# 5.4 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 CONSULTATIONS

- 6.1 Relevant officers have been consulted in the self-assessment process, including HR, Legal, Finance and Performance Management.
- 6.2 The CMT has considered and agreed the interim Annual Governance Statement for 2023-

## 7.0 LIST OF BACKGROUND PAPERS

7.1 CIPFA: Delivering Good Governance in Local Government Guidance (2016). Copy available from Andi Priestman, Chief Internal Auditor.

## 1. Scope of Responsibility

Inverclyde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Under the Local Government in Scotland Act 2003, the Council also has a statutory duty to make arrangements to secure best value, which is defined as continuous improvement in the performance of the Council's functions.

In discharging these responsibilities, Elected Members and the Corporate Management Team are responsible for putting in place proper arrangements for the governance of the Council's affairs, and for facilitating the effective exercise of its functions, including the arrangements for the management of risk. The Council has established two Arms-Length External Organisations – Inverclyde Leisure and Riverside Inverclyde – to deliver services more effectively on the Council's behalf, and which report regularly to Elected Members. From 1 April 2016, the Inverclyde Integration Joint Board was established for the formal integration of health and care services between Inverclyde Council and the NHS Greater Glasgow and Clyde.

The Council has adopted a Local Code of Corporate Governance ("the Local Code") consistent with the seven principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework, "Delivering Good Governance in Local Government Framework (2016)". A copy of the Local Code can be obtained from the Corporate Policy Unit, Municipal Buildings, Greenock, PA15 1LY.

This statement explains how Inverciyde Council has complied with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirements for an Annual Governance Statement.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and through which it accounts to, and engages with communities. It enables the Council to monitor the achievement of its key corporate priorities and strategic objectives set out in the Council's Corporate Plan. It enables the Council to consider whether those objectives have led to the delivery of appropriate value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This governance framework has been in place at Inverclyde Council for the year ended 31 March 2024 and up to the date of the approval of the Statement of Accounts.

#### 3. The Governance Framework

The main features of the Council's governance arrangements are described in the Local Code but are summarised below:

- The overarching strategic vision of the Council is detailed in the Council's Plan which sets out the key outcomes the Council is committed to delivering with its partners, as set out in the Inverclyde Local Outcomes Improvement Plan. Services are able to demonstrate how their own activities link to the Council's vision and outcomes through the Committee and Service Delivery Improvement Plans. Performance management and monitoring of service delivery is reported principally through the Policy & Resources Committee and to other Committees on a regular basis. The Corporate Management Team monitors performance information. The Council publishes information about its performance regularly as part of its public performance reporting requirements at <a href="http://www.inverclyde.gov.uk/council-and-government/performance/">http://www.inverclyde.gov.uk/council-and-government/performance/</a>.
- The Inverciyde Alliance Partnership Plan sets out the Alliance's approach for engaging with stakeholders. Consultation on the future vision and activities of the Council is undertaken through the Inverciyde Alliance, and through service specific consultations and the Council actively engages the Council's partners through existing community planning networks.
- Effective scrutiny and service improvement activities are supported by the formal submission of reports, findings and recommendations from Audit Scotland, the external auditor, Inspectorates and the Internal Audit section to the Corporate Management Team, the relevant service Committee of the Council and, where appropriate, the Audit Committee.
- The Council operates within an established procedural framework. The roles and responsibilities of Elected Members and officers are defined within the Council's Standing Orders and Scheme of Administration, Contract Standing Orders, Scheme

Appendix 1

- of Delegation and Financial Regulations; these are subject to regular review. The Council facilitates policy and decision making through a thematic Committee structure.
- Responsibility for maintaining and operating an effective system of internal financial control rests with the Council's Chief Financial Officer as Section 95 Officer. The system of internal financial control is based on a framework of regular management information, Financial Regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council.
- The Council continues to recognise the need to exercise strong financial management arrangements to manage the financial pressures common to all local authorities and has robust financial control and financial planning processes in place. A self-assessment exercise was completed by officers to assess the level of ongoing compliance with the CIPFA Financial Management Code reported to the Policy and Resources Committee in January 2023 and all improvement actions identified have been completed.
- The Council's approach to risk management is set out in the risk management strategy and is embedded within the Council's Strategic Planning and Performance Management Framework. Reporting on risk management is undertaken and reported annually to the Audit Committee.
- The Council has adopted a code of conduct for its employees. Elected Members observe and comply with terms of the Councillors' Code of Conduct.
- Comprehensive arrangements are in place to ensure Members and officers are supported by appropriate learning and development.
- In line with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption, the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

#### 4. Review of Effectiveness

Inverclyde Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness of the framework is informed by the work of the Corporate Management Team who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and reports from the external auditors and other review agencies and inspectorates.

The review of the Council's governance framework is supported by a process of self-assessment and assurance certification by Heads of Service. Heads of Service were provided with a Self-assessment Checklist to complete and return as evidence of review of seven key areas of the Council's governance framework. As part of this process, Heads of Service were asked to identify their progress on implementing improvement actions identified as part of their 2023-24 assessments and to identify actions they proposed to take during 2024-25 to address service governance arrangements. The Corporate and Service Directors then considered the completed evaluations and provided a Certificate of Assurance for their Directorate. In addition, the review of the effectiveness of governance arrangements and the systems of internal control within the group entities places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

The Inverclyde IJB was established by parliamentary order on 27 June 2015 following approval of the Inverclyde Integration Scheme by the Scottish Ministers. The Integration Scheme was reviewed during 2019-20 and an updated version of the Scheme was prepared but the Covid-19 pandemic led to this being delayed and the existing scheme rolled on into 2020-21 and continued into 2021-22, 2022-23 and 2023-24. The Scottish Government have confirmed that IJBs will be required to review their current integration schemes rather than complete a new scheme. The integration scheme was due to be considered by Inverclyde Council on 13 June 2024 but has been deferred following a request from the Health Board because of an issue in another IJB.

There were no significant governance issues identified by the review but a number of issues worthy of noting were identified and are detailed in Section 7 together with progress made in implementing improvement actions identified during 2022-2023. We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvement which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Appendix 1

## 5. Roles and Responsibilities of the Audit Committee and the Chief Internal Auditor

Elected Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Council's Audit Committee operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities.

The Audit Committee performs a scrutiny role in relation to the application of CIPFA's Public Sector Internal Audit Standards 2017 (PSIAS) and regularly monitors the performance of the Council's Internal Audit service. The Council's Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of conformance with the PSIAS.

The Internal Audit service undertakes an annual programme of work, approved by the Audit Committee, based on a strategic risk assessment. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

The Chief Internal Auditor has conducted a review of all Internal Audit reports issued in 2023-24 and the Certificates of Assurance from Directors. In conclusion, although no systems of internal control can provide absolute assurance, nor can Internal Audit give that assurance, on the basis of the audit work undertaken during the 2023-24 financial year, the Chief Internal Auditor is able to conclude that a reasonable level of assurance can be given that the system of internal control is operating effectively within the Council.

#### 6. Compliance with Best Practice

The Council complies with the requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government 2010". The Council's Chief Financial Officer (Section 95 Officer) has overall responsibility for the Council's financial arrangements, and is professionally qualified and suitably experienced to lead the Council's finance function and to direct finance staff.

The Council complies with the requirements of the CIPFA Statement on "The Role of the Head of Internal Audit in Public Service Organisations 2010". The Council's Chief Internal Auditor has responsibility for the Council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the Council's Internal Audit staff. The Internal Audit service generally operates in accordance with the CIPFA "Public Sector Internal Audit Standards 2017".

## 7. Governance Issues and Planned Actions

The Council continues to recognise the need to exercise strong management arrangements to manage the financial pressures common to all Local Authorities. Regular reviews of the Council's arrangements are undertaken by Internal Audit and overall the Council's arrangements are generally satisfactory. The table below sets out the improvement actions to the governance framework which were identified from the Council's ongoing review and monitoring of the effectiveness of its governance arrangements. These represent corporate initiatives that will be further progressed during 2024-25.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
B/F 1	Some service workforce and succession plans require to be refreshed in order to develop proposals which address wider issues relating to succession planning due to an ageing profile of some staff groups, staff retention challenges and single person dependencies. For some	Workforce plans are in place which determine future workforce needs and implement solutions to ensure that organisational needs are aligned with the Council's people strategy.	Actions will be included in relevant Service Plans to improve workforce and succession planning and the skills gaps arising from an ageing workforce.	Directors 31 December 2024

	services, a review of training			
	requirements is also required.			
	requirements is also required.			
B/F 2	All service risk registers were reviewed and updated during 2023-24. Minor housekeeping issues were identified for some service risk registers in relation to the re-assessment of risks in line with expected review dates.  The new process for managing risk registers through Pentana/Ideagen will include reminders for ongoing assessment and monitoring of risks and actions in line with committee reporting timetables. This will require training for risk owners on the new process to update risks on Pentana/Ideagen and generate relevant reports.	Risk Management Strategy is supported by operational guidance and risk owners are trained in the new process with regular reporting to relevant committees.	Operational guidance and procedures will be reviewed and updated to reflect the Council's revised approach to risk management assessment and reporting via Pentana/Ideagen.  Training will be provided to risk owners on the new process.	Head of Legal, Democratic, Digital and Customer Services 30 November 2024
NEW 3	Contract renewals and non- compliant spend analysis is an area of ongoing activity/improvement. Progress has been/continues to be impacted by service staffing levels/resource issues in the Procurement team.	Contract renewals and compliant spend analysis is an embedded service activity.	Actions to improve procurement activity in relation to contract renewals and non-compliant spend analysis will be included within the Physical Assets Service	Head of Physical Assets 30 September 2024
NEW 4	Within Culture, Communities and Educational Resources (CCER) a Business Classification Framework has been developed and implementation is ongoing.	Business Classification Framework is implemented across all service areas within CCER.	Action to implement the Business Classification Framework within CCER will be included within relevant Committee Delivery and Improvement Plan	Head of Culture, Communities and Education Resources 31 December 2024
NEW 5	Within Physical Assets, a routine review of records is being addressed but requires more regular attention in some service areas.  Training in areas of Information Assets and Cyber	Service areas within Physical Assets demonstrate compliance with key aspects of the information governance and	Improvement actions will be included in Physical Assets Service Plan and monitored accordingly.	Head of Physical Assets 31 October 2024

Security requires a general refresh.	management framework.	

In addition, the status of improvement actions from 2022-23 Annual Governance Statement (AGS) is set out in the undernoted table:

	Agreed Action	Status at 31/3/24	Further Action	Who is responsible?
1	BCS framework has been developed and is being implemented within all Education establishments. A solutions using the M365 platform is being deployed.	Completed.	N/A	N/A
2	E&R Committee Delivery and Improvement Plan for 2023-24 includes a specific action to improve workforce and succession planning and the skills gaps arising from an ageing workforce.	Ongoing.	Links to 2023-24 improvement action number 1.	Directors 31 December 2024
3	The risk management strategy will be reviewed and updated to reflect the Council's revised approach to strategic planning and performance management.  Operational guidance will also be updated to reflect the revised approach.  A corporate group will be established to oversee the risk management strategy and process.	Ongoing.  The risk management strategy was reviewed and approved by Audit Committee in November 2023.  A Corporate Risk Management Group has been established and meets on a regular basis.  The Corporate Risk Register has been reported to Audit Committee and Policy & Resources Committee and will be subject to regular	Links to 2023-24 improvement action number 2.	Head of Legal, Democratic, Digital and Customer Services 30 November 2024

# Appendix 1

		reporting going forward.		
4	The governance of external organisations process will be reviewed and refreshed to ensure required monitoring processes are undertaken and confirmed through annual reporting on key partnerships to Committee.	Complete.	N/A	N/A

## 8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2023-24 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

Cllr Stephen McCabe Leader of the Council

Louise Long Chief Executive



#### **AGENDA ITEM NO. 5**

Report To: Audit Committee Date: 27 June 2024

Report By: Head of Legal, Democratic, Report No: FIN/40/24/APr/AP

**Digital and Customer Services** 

Contact Officer: Lynsey Brown Contact No: 01475 712710

Subject: INTERNAL AUDIT ANNUAL STATEGY AND PLAN – 2024-25

## 1.0 PURPOSE

1.1 ⊠For Decision □ For Information/Noting

- 1.2 The purpose of this report is to present the Internal Audit Annual Strategy and Plan for 2024-2025. The Plan factors in the current reported risks within the Corporate Risk Register.
- 1.3 There remains a 25 day allowance to be allocated and a proposed audit area will be submitted for approval to the next meeting of the Committee.

#### 2.0 RECOMMENDATIONS

2.1 It is recommended that Members approve the Internal Audit Annual Strategy and Plan for 2024-25 and note that a proposed further audit will be submitted proposed to the next meeting of the Committee.

Lynsey Brown Head of Legal, Democratic, Digital & Customer Services

#### 3.0 BACKGROUND AND CONTEXT

- 3.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising governance, risk management and control by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 3.2 The requirement for an Internal Audit function derives from local government legislation, including Section 95 of the Local Government (Scotland) Act 1973, which requires authorities to make arrangements for the proper administration of their financial affairs. Proper administration includes Internal Audit.
- 3.3 The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 3.4 It is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk and meetings have been held with Directors and Heads of Service as appropriate. Each area has been assessed against a broad range of risk criteria and a risk score has been generated based on probability factors such as current control environment, results of last audit and time since the last audit.
- 3.5 Account has also been taken of the risks identified in the Council's Corporate, Directorate and Service Risk Registers with a new table in 3.4 of appendix 1 allocating the proposed audits to the relevant Corporate Risk Register area.
- 3.6 Outlined below are the current risk factors influencing our proposed audit coverage for 2024-2025:
  - Inverclyde HSCP works closely with colleagues in the acute system across NHS
    Greater Glasgow & Clyde to ensure that service users are discharged to their home as
    soon as services are available in the community. Internal Audit will review the current
    arrangements in place to ensure these remain adequate and effective.
  - The HSCP Strategic Commissioning Plan (2024-27) identifies four strategic priorities for delivery. Internal Audit will review the adequacy and effectiveness of commissioning arrangements to ensure these are aligned to the overall strategic plan.
  - Fleet Services provide and maintain the fleet across all Council services. Vehicles
    and equipment are a critical corporate asset used in the delivery of front line services.
    Internal Audit will review the adequacy and effectiveness of vehicle maintenance
    arrangements.
  - Payroll is a complex process and employee costs form a significant part of the Council's expenditure and it is therefore important to have robust and effective controls in place. Internal Audit will review the adequacy and effectiveness of the payroll process.
  - The Council has recently updated its supplier management process which aims to provide a consistent and effective approach when managing suppliers. Internal Audit will review the adequacy and effectiveness of the supplier management process in place across the Council.
  - ASN Transport a value for money review will be undertaken to ensure that current modes of transport are providing best value for the Council.
  - Records management is a key element of information governance and management arrangements. Internal Audit will review arrangements in place across Council services to ensure ongoing compliance with relevant policies.
  - Budgetary Control As pressure on budgets increases the need for robust budgetary control procedures and processes is paramount. This Financial System Review will review the adequacy of processes/procedures and compliance with them.
  - Unallocated days- There remains 25 days to be allocated to the Audit Plan and the

specific audit area will be recommended to the next meeting of the Committee following further discussions between the Chief Internal Auditor and the Chief Executive.

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

## 4.0 PROPOSALS

4.1 The Audit Committee is asked to approve the Internal Audit Annual Strategy and Plan 2024-25.

## 5.0 IMPLICATIONS

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

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

5.2 There are no financial implications arising directly from this report.

## One off Costs

Cost Centre	Budget Heading	•	Proposed Spend This Report	Virement From	Other Comments

## Annually Recurring Costs/Savings

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

## 5.3 **Legal/Risk**

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

# 5.4 Strategic

This report relates to strong corporate governance.

## 6.0 CONSULTATIONS

- 6.1 Discussions have taken place with Directors and Heads of Service as appropriate in relation to the proposed annual audit plan coverage.
- 6.2 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

## 7.0 LIST OF BACKGROUND PAPERS

7.1 None.

#### 1. Introduction

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

## 2. Internal Audit Objectives

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

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

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

## 3. Risk Assessment and Audit Planning

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

3.3 The Audit Universe is risk assessed each year to determine the Annual Audit Plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Each area within the Audit Universe is assessed for impact against a number of broad risk categories as follows:

Strategy	Risks associated with the setting and achievement of
	strategic objectives.
Economy	Risks associated with the economy in which the
	Council operates.
Reputation	Risks associated with threats to the Council's name
	and standing in the sector.
Customer	Risks associated with customer relationships.
Legal/Regulatory	Risks associated with the requirement to comply with
	a wide range of statute.
Financial	Risks associated with financial loss or inefficiency.
Technology	Risks associated with application systems, their
	integrity, security and development.
Management Information	Risks associated with the provision of information for
	decision-making purposes.
Human Resources	Risks associated with people, e.g. recruitment,
	succession, development, motivation and morale etc.
Operations	Risks associated with the business operating
	process.
Business Continuity/Resilience	Risks associated with disaster scenarios which would
	threaten the continuing operation of the Council.
Security	Risks associated with security over customer and the
	Council's assets.
Stakeholder	Risks associated with management of stakeholder
	expectations (e.g. Government or local communities)
Fraud	Risks associated with asset misappropriation,
	corruption and financial statement fraud.

3.4 Account has also been taken of the risks identified in the Council's Risk Registers and risks identified by external scrutiny bodies through local scrutiny arrangements. In relation to the Corporate Risk Register, the key corporate risks have been considered for audit coverage in 2024/25 as follows:

CRR		Planned Assurance Work
Reference	Previous Assurance Work	2024-25
Financial	Internal Audit Plan:	Internal Audit Plan 2024/25 -
	2023/24 – Non-Domestic Rates;	Budgetary Control; Payroll;
Current Risk	Commercial Waste Income – Billing and	Internal Audit follow up
Score: 16	Collection	exercises
(January 2024)	2022/23 – Debt Recovery	
	2021/22 - Insurance	External Audit Annual Audit
	2020/21 – Cash and Banking; Creditors	Plan 2023/24
	2019/20 – Sundry Debtors	
	-	
	External Audit Annual Audit Plans:	
	2022/23, 2021/22, 2020/21 and 2019/20	

CRR Reference	Previous Assurance Work	Planned Assurance Work 2024-25
Workforce	Internal Audit Plan: 2023/24 – Succession Planning;	Internal Audit Annual Plan 2024/25 –Payroll; Audit follow
Current Risk Score: 12	Attendance Management 2022/23 – Workforce Planning	up exercises
(January 2024)	Arrangements 2019/20 – Safe Recruitment	External Audit Annual Audit Plan 2023/24 – Thematic Review
Council Assets	External Audit Annual Audit Plans: 2022/23, 2021/22, 2020/21 and	Internal Audit Annual Plan- Vehicle Maintenance
Current Risk Score: 12	2019/20	External Audit Annual Audit
(January 2024)		Plan 2023/24
ICT Infrastructure  Current Risk Score: 12	Internal Audit Plan: 2023/24 – Cashless Catering Replacement System 2022/23 – SWIFT Replacement	Internal Audit follow up exercises
(January 2024)	System 2021/22 – SWIFT Replacement System 2020/21 – Parent Pay	
	2019/20 – Business Support Redesign	
Net Zero	Internal Audit Plan: 2022/23 – Climate Change – Utilities	Internal Audit follow up exercises
Current Risk Score: 12	Management	
(January 2024) Partnership/	Internal Audit Plan:	Internal Audit Annual Plan
Supplier Failure	2023/24 – Procurement Compliance 2021/22 – Greenock Ocean Terminal	2024/25 – Supplier Management
Current Risk Score: 12 (January 2024)	2020/21 – Corporate Procurement – Off Contract Spend 2019/20 – Governance of Community Groups; HSCP Contract Management	Internal Audit follow up exercises
Information Governance Current Risk Score: 12 (January 2024)	Internal Audit Plan: 2022/23 – FOI Arrangements	Internal Audit Annual Plan 2024/25 – Records Management Internal Audit follow up exercises
People – Demographic Changes	Internal Audit Plan: 2023/24 – Succession Planning 2022/23 – Workforce Planning	Internal Audit Annual Plan 2024/25 – Delayed Discharges; HSCP Strategic Commissioning; ASN
Current Risk Score: 12		Transport  Internal Audit follow up exercises
Cyber Attack	Internal Audit Plan:	Internal Audit follow up
Current Risk Score: 12	2022/23 – Cyber Security Arrangements	exercises
(January 2024)		

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

# 4 Service Delivery

- 4.1 The provision of the internal audit service is through a directly employed in-house team. The Chief Internal Auditor is provided through a shared management arrangement with West Dunbartonshire Council.
- 4.2 In relation to the total staff days allocated to the 2024/2025 plan, a resource allocation spreadsheet is completed for each member of staff which is split between annual leave, public holidays, training days, general administration and operational plan days.

The combined operational plan is 630 days which will be resourced as follows:

Team Member	Plan Days
Audit Practitioner	180
Audit Practitioner	180
Senior Corporate Fraud Officer	90*
Corporate Fraud Officer	180
Total Plan Days	630

\*Senior Corporate Fraud Officer post is currently vacant but is expected to be filled by October 2024.

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

- 4.3 Given the range and complexity of areas to be reviewed it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The PSIAS requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Internal Auditor), CCAB or equivalent and be suitably experienced.
- 4.4 Internal audit staff members identify training needs as part of an appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development. All training undertaken is recorded in a personal training record for CPD purposes.
- 4.5 Internal audit staff members require to conform to the Code of Ethics of the professional body of which they are members and to the Code of Ethics included within the PSIAS. An annual declaration is undertaken by staff in relation to specific aspects of the Code.
- 4.6 Following each review, audit reports are issued in draft format to agree the accuracy of findings and agree risk mitigations. Copies of final audit reports are issued to the relevant Head of Service and Service Manager responsible for implementing the agreed action plan. A copy of each final audit report is also provided to External Audit.
- 4.7 The overall opinion of each audit report feeds into the Internal Audit Annual Report and Assurance Statement which is presented to the Audit Committee and is used by the s95 Officer in the preparation of the Annual Governance Statement.

# 5 Proposed Audit Coverage 2024-2025

- 5.1 The proposed audit coverage is set out in the table below. This includes a range of risk based reviews, limited scope financial reviews and regularity audits.
- 5.2 The Plan contains a contingency provision that will be utilised during the year in response to unforeseen work demands that arise e.g. special investigations and provision of ad hoc advice. Additionally, there remains an unallocated 25 day allowance for a further audit which elected members will be asked to consider at the next Committee meeting.

Audit Area	Strategic Area	Staff Days
Risk-Based Reviews		
Care and Support at Home - Delayed	HSCP	25
Discharge Arrangements		
Strategic Commissioning	HSCP	20
Vehicle Maintenance	Regeneration, Planning, Public Protection, Fleet and Waste	25
Payroll	Organisational Development, Policy and Communications	25
Supplier Management (B/f from 22/23)	Corporate	20
	Total	115
<b>Limited Scope Financial System Review</b>	S	•
Budgetary Control	Finance	20
<u> </u>	Total	20
Value for Money Reviews		•
ASN Transport (B/f from 23/24)	Education and Communities	20
	Total	20
Compliance Reviews		
Records Management	Corporate	30
<u> </u>	Total	30
Regularity Audits		
Education Control Self-Assessment	Education and Communities	20
Cost of Living Payments	HSCP	20
Catering Stock Control	Education and Communities	20
Corporate Purchase Card Checks	Corporate	20
	Total	80
Corporate Governance Reviews		
Annual Governance Statement (2023/24)	Corporate	5
· ·	Total	5
Corporate Fraud Activity		
National Fraud Initiative	Corporate	150
Whistleblowing and Other Investigations	-	55
Liaison with DWP	-	10
Discretionary Payments	Finance	30
Fraud Awareness Training	Corporate	10
	Total	255
Other Work		
Audit follow up	Corporate	10
IJB – Internal Audit Service	-	20
Audit to be confirmed	To be Confirmed	25
Contingency	-	10
Completion of 2023-2024 Audit Plan	-	40
	Total	105
Total Staff Days for 2024/25		630

## 6 Quality and Performance

- 6.1 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
- 6.2 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on quality, efficiency and effectiveness. For 2024/2025 these have been set as follows:

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