



### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that Members note the progress made by Internal Audit in the period from October to November 2009.

**Paul Wallace**  
**Corporate Director**  
**Improvement and Performance**

## **4.0 BACKGROUND**

4.1 None.

## **5.0 IMPLICATIONS**

5.1 Legal: Relevant action plans will bring processes in line with regulatory and legislative requirements where applicable.

Finance: There are no financial implications arising from this report.

Personnel: There are no personnel implications arising from this report.

Equalities: There are no equalities issues arising from this report.

## **6.0 CONSULTATIONS**

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

## **7.0 LIST OF BACKGROUND PAPERS**

7.1 File of completed internal audit reports: By Andi Priestman, Chief Internal Auditor.



**Audit Committee Report**  
**Report on Internal Audit Activity from 28 September to 4 December**  
**2009**

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<b>Section</b>	<b>Contents</b>	<b>Page</b>
1	Audit work undertaken in the period	1
2	Summary of main findings from reports issued since previous Audit Committee	2-3
3	Audit Plan for 2009-2010 – progress to 4 December 2009	4
4	Ad hoc activities undertaken since the previous Audit Committee	5
5	Special Investigations	6-12

**1 Audit work undertaken in the period**

**Reports issued since last update**

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

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

1.2 Four reports have been finalised since the August 2009 Audit Committee, which are identified below, together with a summary of the gradings of the recommendations made to management. In Section 2 we have provided a summary of the main findings from the review.

Reports finalised since previous Audit Committee	Grading			Total Recommendations
	Red	Amber	Green	
<b>2009/2010 plan</b>				
Fairer Scotland Fund	0	0	4	<b>4</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>

**Work in progress on the 2008/2009 internal audit plan**

1.3 Fieldwork for the 2008/2009 Audit Plan is now complete. Draft reports for the 2 remaining reviews have been finalised and are being agreed with management.

**Work in progress on the 2009/2010 internal audit plan**

1.4 The status of work in progress on the 2009/2010 internal audit plan is detailed in Section 3 of this report.

**Other activities**

**Risk Management**

1.5 Risk Management is the subject of separate reporting to Audit Committee and a full report is submitted separately.

**1.6 Internal Audit Action Plan Follow Up**

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 since 28 September 2009.

**2009/2010 Plan**

**Fairer Scotland Fund**

2.2 The Scottish Government allocated £145m to the Fairer Scotland Fund on an annual basis for the 3 years 2008-2011. FSF funds are distributed via Community Planning Partnerships (CPPs) on the basis of need using the Scottish Index of Multiple Deprivation 2006. The allocations to Inverclyde Alliance are £6.47m in 2008/09, £6.12m in 2009/10 and £5.87m in 2010/11. Inverclyde Council, as the “Accountable Body”, has responsibility for ensuring the funds are used only for their intended purpose and the members of the Council’s FSF monitoring team, the Programme Management Support Unit (PMSU), within the Economic & Social Regeneration Service, are responsible for reviewing and assessing the progress of all FSF contracts.

2.3 FSF replaced the Community Regeneration Fund (CRF), Community Voices Fund, Working for Families, Workforce Plus, More Choices More Chances, Financial Inclusion and Changing Children’s Services Fund on 1 April 2008.

2.4 McGregor Regeneration Consultants was commissioned in 2009 to carry out an independent review of the process used to procure Fairer Scotland Fund services. The key objectives of this review were to evaluate the existing financial and performance management framework, undertake a cost-benefit analysis and review the FSF procurement processes. The key findings from the report were that...”Inverclyde Council, as Accountable Body did attempt to apply ‘good practice’ procurement procedures to secure a range of FSF services. On the basis of documentation analysis and interviews, the Council appears to have followed the majority of procurement steps advocated by the UK government in relation to procuring services from the ‘third sector’. This approach was badly needed and is now perceived in Scotland as a model of best practice. However, all practices can be improved.”

2.5 The Internal Audit review of CRF in 2007 identified a number of significant weaknesses surrounding the framework within the Council for management and control of funds awarded to third parties and a Joint Improvement Plan was established to address these shortcomings. This audit review has observed a significant sea change in governance arrangements through the introduction of the commissioning model and strengthening of the monitoring arrangements.

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

2.6 The overall control environment opinion for this audit review was **Satisfactory**. Minor issues were identified as follows;

- Qualitative measures are not being reported on by all projects. This could potentially affect Programme Management Support Unit's ability to assess outcomes for the programme as a whole;
- Currently there is a lack of evidence of control checks being carried out on funds received from the Scottish Government. This could potentially lead to delays in receiving correct fund allocations;
- Advance payments to some FSF contractors were not always made by the due date as agreed in the contract;
- Reports of monitoring visits were not consistently signed off as evidence of an independent check being carried out. This could potentially result in gaps in monitoring visits not being addressed prior to further payments being authorised.

2.7 The review identified 4 issues, none of which we consider to be individually significant. An action plan is in place to address all issues identified by 1 April 2011.



**INVERCLYDE COUNCIL – REPORT ON INTERNAL AUDIT ACTIVITY  
FROM 28 SEPTEMBER TO 4 DECEMBER 2009**

**APPENDIX 1**

**3. Audit Plan for 2009/2010 – Progress to 25 September 2009**

Planned Audit Cover	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report Issued	Report Finalised	Reported to Audit Committee
<b>Education and Social Care</b>							
Homelessness	✓	✓	✓	✓	✓		
<b>Regeneration and Resources</b>							
Fairer Scotland Fund – Monitoring Arrangements	✓	✓	✓	✓	✓	✓	January 2010
<b>Improvement and Performance</b>							
Strategic Partnerships – SOA PM Arrangements	✓	✓	✓	✓			
Treasury Management	✓	✓	✓				
Limited Scope – Cash and Banking	✓	✓	✓				
Corporate Complaints	✓	✓					
<b>Corporate Reviews</b>							
Flexi Scheme	✓	✓	✓	✓	✓		
Travel and Subsistence	✓	✓					
<b>Performance Audits</b>							
Statutory Performance Indicators	✓	✓	✓	✓	✓	✓	October 2009

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

- 4.1 From time to time, management will request the assistance of Internal Audit in certain activities that are in addition to the annual Operational Plan. Examples of such activities include investigations of alleged irregularities, review of changes in system procedures etc.
- 4.2 Contingency has been made available in the Operational Plan for such ad hoc activities. Since the previous Audit Committee, ad hoc activity undertaken in the period is as follows:
- Review of security within new Customer Contact Centre in relation to cash and banking processes, with recommendations for improvement.
  - Review of logical access controls within the SWIFT system, with recommendations for improvement.