

Report To: Audit Committee **Date:** 7 January 2014

Report By: Acting Corporate Director Environment, Regeneration & Resources **Report No:** AC/72/14/AP/APr

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

Subject: Internal Audit Progress Report - 30 September to 29 November 2013

1.0 PURPOSE

- 1.1 The purpose of this report is to enable Members to monitor the performance of Internal Audit, to discharge their scrutiny and performance monitoring roles and gain an overview of the overall control environment throughout the Council.
- 1.2 The Monitoring Report from 30 September to 29 November 2013 is attached as an Appendix to this report since its content is essential to the understanding of the Council's control environment. **Appx 1**

2.0 SUMMARY

- 2.1 Two internal audit report have been finalised since the last Audit Committee meeting:-
- Corporate Complaints – Follow Up Audit; and
 - Creditors – Limited Scope Review.
- 2.2 These report contains a total of 12 issues categorised as follows:-

Red	Amber	Green
0	1	11

- 2.3 The 2013/14 audit plan is well underway and the current status of the plan is as follows:-

Stage	Number of Reports
Final Report	5
Draft Report	0
Fieldwork Complete	2
Fieldwork in Progress	2
Planning	1
Not started	3
Total	13

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 30 September to 29 November 2013.

Alan Puckrin
Acting Corporate Director Environment, Regeneration & Resources

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
30 September to 29 November 2013**

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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:

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

1.2 Two reports have been finalised since the August 2013 Audit Committee, which are identified below, together with a summary of the gradings of the issues identified. In Section 2 we have provided a summary of the main findings from the reviews.

Reports finalised since previous Audit Committee	Grading			Total Number of Issues
	Red	Amber	Green	
2013/2014 plan				
Corporate Complaints – Follow Up Review	0	0	5	5
Creditors – Limited Scope Review	0	1	6	7
Total	0	1	11	12

Other activities

Risk Management

- 1.4 Risk Management is the subject of separate reporting to Audit Committee and a full report is submitted separately on a 6-monthly basis.

1.5 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 after 30 September 2013.

Corporate Complaints – Follow Up Review

- 2.2 A corporate complaints handling procedure was approved by the Policy & Resources Committee on 26 March 2013 and became operational on 1 April 2013. This procedure is based on guidance made by the Scottish Public Services Ombudsman (SPSO) and simplifies the previous complaints procedure from 3 stages to 2 stages. The complaints procedure sets out the framework to handle stage 1, frontline resolution complaints and stage 2, complaints which require investigation.
- 2.3 The LAGAN system is used for logging, managing and monitoring complaints. Services are expected to use the feedback given to customers to learn from complaints and improve their service performance. Customer Liaison Officers have been nominated with specific responsibility for implementing the corporate complaints handling procedure within their Service.
- 2.4 The objective of this follow-up audit was to determine the status of the agreed actions arising from the full scope review of Corporate Complaints during 2009/10. Where appropriate, audit testing was also undertaken to confirm that agreed actions continue to be implemented.
- 2.5 The overall control environment opinion for this follow-up review was **Satisfactory** as although there has been some progress in addressing the issues arising from the corporate complaints review through implementation of agreed actions, some of them have not yet been fully completed.
- 2.6 The review identified that a total of 4 out of 9 issues arising from the original audit have been fully implemented and 5 issues were outstanding, however none of which we consider to be individually significant. An action plan is in place to address all issues by 31 March 2015.

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

Creditors – Limited Scope Review

- 2.7 Excluding Clearing House Automated Payment System (CHAPS) payments and purchase card expenditure a significant number of payments made to external suppliers are processed through the creditor's module of the Financial Management System (FMS). These payments are made on behalf of Council Services by the Payments and Control Team, which aims to make accurate payments within pre-set timescales. Although a very limited number of cheques are still issued to creditors the preferred means of payment is by Bankers Automatic Clearing Services (BACS).
- 2.8 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by Inverclyde Council in relation to Creditors.
- 2.9 The overall control environment opinion for this audit review was **Satisfactory**. The review identified one AMBER issue as follows:

Authorisation of New Suppliers and Amendments to Existing Suppliers

A key control over ensuring the validity, completeness and accuracy of the creation of new suppliers and amendments to existing suppliers within the creditor's masterfile is the independent checking of new suppliers details and amendments by another senior staff member within the Payments and Control Team. Through audit testing we identified that in some cases, details of the change had not been recorded. Therefore, management cannot be confident that required checks have been undertaken.

In addition, although a Supplier Audit Report can be generated to show details of all supplier field amended, currently the audit report is not reliable as a result of being temporarily suspended during times when interfaces are uploaded. There is therefore a risk of unauthorised system amendments going undetected.

- 2.10 The review identified a total of 7 issues, one of which we consider to be individually significant, and an action plan is in place to address all issues by 31 March 2014.

3. Audit Plan for 2013/14 – Progress to 2 August 2013

Planned Audit Cover	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews							
Homecare							
Property Maintenance	√	√	√				
Waste Contract Management	√	√	√	√			
Trading Standards							
Client Accounts - CHCP	√	√	√				
School Meals							
Limited Scope Financial System Reviews							
Debt Recovery	√						
Creditors	√	√	√	√	√	√	January 2014
Follow Up Reviews							
Corporate Purchase Cards	√	N/A	√	√	√	√	October 2013
Corporate Complaints	√	N/A	√	√	√	√	January 2014
Performance Reviews							
Statutory Performance Indicators	√	√	√	√	√	√	August 2013
CSA Education	√	√	√	√			
CSA CHCP	√	√	√	√	√	√	October 2013
Corporate Governance							
SSIFC 2012/13	Input provided by CIA.						
Projects/Key Change Initiatives							
Information Governance and Management	Input provided by CIA.						
Annual Governance Statement/Local Code	Input provided by CIA.						
Solace Indicators	Input provided by CIA.						

4 Ad hoc activities undertaken since the previous Audit Committee

- 4.1 From time to time, management will request the assistance of Internal Audit in certain activities that are in addition to the annual Operational Plan. Examples of such activities include investigations of alleged irregularities, review of changes in system procedures etc.
- 4.2 Contingency has been made available in the Operational Plan for such ad hoc activities. Since the previous Audit Committee, ad hoc activity undertaken in the period is as follows:
- Providing relevant input to the information governance working group.
 - Providing relevant input to inform the Council's approach to the Local Code of Governance.
 - Reviewing grant claims submitted in relation to developing a quality bus corridor to the bullring and developing a quality bus corridor on A78 corridor.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 31 OCTOBER 2013

Summary: Section 1 Summary of Management Actions due for completion by 31/10/13

There were 3 items due for completion by 31 October 2013, 2 of which have been reported as completed by management and action in relation to 1 item has been revised.

Section 2 Summary of Current Management Actions Plans at 31/10/13

At 31 October 2013 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/10/13

At 31 October 2013 there was a total of 21 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 October 2013 there was a total of 8 audit action points where the agreed deadline had been missed.

Section 5 Summary of Action Plan Points by Audit Year

**INVERCLYDE COUNCIL INTERNAL AUDIT
 REPORT TO AUDIT COMMITTEE ON
 STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
 SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.10.13**

SECTION 2

Directorate	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*
Environment, Regeneration & Resources				
Community Health & Care Partnership (CHCP)	2	1	1	
Education, Communities and Organisational Development	1	1		
Total	3	2	1	

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

**INVERCLYDE COUNCIL INTERNAL AUDIT
 REPORT TO AUDIT COMMITTEE ON
 STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
 SUMMARY OF CURRENT MANAGEMENT ACTION PLANS AS AT 31.10.13**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Environment, Regeneration and Resources	
Due for completion December 2013	1
Due for completion January 2014	3
Due for completion April 2014	1
Due for completion June 2014	1
Total Actions	6
Community Health and Care Partnership	
Due for completion January 2014	1
Due for completion April 2014	4
Due for completion October 2014	1
Total Actions	6
Education, Communities and Organisational Development	
Due for completion December 2013	1
Due for completion March 2014	7
Due for completion September 2014	1
Total Actions	9
Total current actions:	21

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.10.13**

SECTION 3

Environment, Regeneration and Resources (Continued)

Action	Owner	Expected Date
Corporate Purchase Cards Follow Up Review (August 2013)		
<p>Appropriateness of Authorisation Limits (Amber) The Payments & Control Team will:</p> <ul style="list-style-type: none"> • maintain a list of corporate purchase card holders • validate the list of corporate purchase cardholders annually by contacting relevant Service Managers; and • for each cardholder confirm that their purchase card transaction limit does not exceed their FMS creditors' limit. Purchase card transaction limits which are found to exceed creditor limits will be aligned following discussions between all relevant officers, including Service Managers and Corporate Procurement staff when appropriate. 	Principal Accountant (Exchequer)	31.01.14
Creditors Review (November 2013)		
<p>Authorisation of New Suppliers and Amendments to Existing Suppliers (Amber)</p> <ul style="list-style-type: none"> • The Payments and Control Officer will conduct monthly sample checks on creations and amendments to the creditors' masterfile to ensure that they have all been correctly recorded and evidenced in terms of the operating procedure for creations and amendments to the creditors' masterfile. A log will be maintained to evidence this check. • In the absence of a reliable Supplier Audit Report, the Payments and Control Officer will investigate if it is possible to run a report on changes made to specific fields within the creditors' masterfile e.g. bank details. If such a report is available then it will be run each week and the data checked against the documentation held for creations and amendments to the creditors' masterfile. 	Principal Accountant (Exchequer)	31.01.14

* See Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.10.13**

SECTION 3

Community Health & Care Partnership

Action	Owner	Expected Date
Homelessness (January 2010)		
<p>Writing-off irrecoverable rent arrears (Amber) Management will review current arrears position and consider write off.</p> <p>Management will consider processes and procedures for monitoring bad debts and introduce a system for write offs which will include:</p> <p>(a) Submitting cases to Chief Financial Officer for write off approval in order to comply with Council Financial Regulations</p> <p>(b) Seeking advice from the Social Work Accountant on how to create ongoing bad debt provision to fund write offs</p> <p>(c) maintaining adequate records of all write off activity</p>	Service Manager (Homelessness)	31.01.04*
Information Governance and Management (May 2009)		
<p>Organisation (Red) Information Governance and Management will form part of the corporate training programme for employees new to the Council or when employees are trained in new systems by other colleagues.</p>	Corporate Director CHCP	01.04.14*
<p>People (Red) Security awareness will be promoted using awareness materials such as brochures, posters or web based documents and through structured education/training programmes or computer based training. Training will be made compulsory for all staff to create security positive behaviour.</p>	Corporate Director CHCP	01.04.14*
<p>Information governance and management responsibilities will be specified in job descriptions, or in terms and conditions of employment, including a non-disclosure/ confidentiality clause.</p>	Corporate Director CHCP	01.04.14*
<p>External third parties who need access to the council's information and systems will be required to sign non-disclosure/confidentiality agreements.</p>	Corporate Director CHCP	01.04.14*

* See Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.10.13**

SECTION 3

Community Health & Care Partnership (Continued)

Action	Owner	Expected Date
<p>Process (Amber) Processes will be developed and implemented to strengthen the system of internal control over information governance and management. This will include:</p> <ul style="list-style-type: none"> • Identifying owners for critical information and systems • Ensuring important papers and removable storage media are protected against theft or copying, such as by locking them away, restricting access and via a clear desk policy • Investing in secure archiving facilities for appropriate hard copy records that must be retained in accordance with relevant legislation. 	Corporate Director CHCP	31.10.14*

Education, Communities and Organisational Development

Action	Owner	Expected Date
Travel and Subsistence (June 2010)		
The anomaly in the mileage rates where teachers are paid a higher rate will be further investigated and a common approach adopted which uses the Inland Revenue rate of 45p per mile to ensure that all employees are treated fairly and equitably.	HR Manager (Organisational Development)	31.03.14*
Performance Management (March 2013)		
Managerial capacity and training for implementing performance management (Amber) Develop a series of Planning and Performance Management events.	Corporate Policy Manager	31.03.14
Carry out training needs analysis at events, in conjunction with HR, within the capacity of a small Corporate Policy Team.	Corporate Policy Manager	31.03.14
Roll out training on Inverclyde Performs once CDIPs are entered onto it.	Corporate Policy Manager	31.03.14
Review training on performance management currently available and identify if there are any mandatory elements.	Corporate Policy Manager	31.03.14
Carry out further work with CMT and Elected Members regarding the roll out of the new information on Inverclyde Performs and their scrutiny role.	Corporate Policy Manager	31.12.13

* See Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.10.13**

SECTION 3

Education, Communities and Organisational Development (Continued)

Action	Owner	Expected Date
Control Self-Assessment – Education (April 2013)		
<p>Managing Pupil Transport (Amber) Education management will convene a short life working group to fully identify and actively manage the issues involving contract buses. The working group will:</p> <ul style="list-style-type: none"> • examine greater use of Strathclyde Passenger Transport's complaints procedure; • clarify the role of Schools Support Managers and Headquarters staff in managing pupil transport, including the production of appropriate action plans; and • ask Head Teachers to advise the working group of any other unresolved issues associated with contract buses. 	Policy & Commissioning Team Leader	30.09.14
Business Continuity Management (May 2013)		
<p>ICT Role in Business Continuity Management (Amber) As a joint exercise the Transitional Head of ICT and Civil Contingencies Service will;</p> <ul style="list-style-type: none"> • formalise the ICT Disaster Recovery Plan (DRP). This will include agreeing a timetable for finalising the DRP in order to provide an acceptable minimum standard of BCM preparedness; and • assist the Corporate Management Team (CMT) with determining the restoration order for computer applications. Objective criteria along with ICT technical advice and the BCM framework document will all be used to choose between the relative importance of different computer applications. These criteria will include the need to provide statutory services and protecting the most vulnerable Inverclyde residents. 	Transitional Head of ICT	31.03.14
<p>Business Continuity for Education Establishments (Amber) The Head of Education in partnership with the Civil Contingencies Service will develop appropriate business continuity arrangements which collectively cover all of the Council's Education establishments. This exercise will include appropriate input from School Support Managers and a representative group of Head Teachers and Heads of Establishment.</p>	Head of Education	31.03.14

* See Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
Information Governance and Management (May 2009)	People (Red) External third parties who need access to the council's information and systems will be required to sign non-disclosure/confidentiality agreements.	30.04.10 31.12.12	01.04.14	Regular reporting is undertaken to CMT on action plan progress with relevant updates to P&R Committee. The structure of the working group has now been reviewed and an action plan has been finalised to prioritise the other items in line with the requirements of the Public Records (Scotland) Act 2011. Sub-groups are being established to undertake the specific actions.
Information Governance and Management (May 2009)	Organisation (Red) Information Governance and Management will form part of the corporate training programme for employees new to the Council or when employees are trained in new systems by other colleagues.	30.04.10 31.12.12	01.04.14	Regular reporting is undertaken to CMT on action plan progress with relevant updates to P&R Committee. The structure of the working group has now been reviewed and an action plan has been finalised to prioritise the other items in line with the requirements of the Public Records (Scotland) Act 2011. Sub-groups are being established to undertake the specific actions.
Information Governance and Management (May 2009)	People (Red) Information Governance and management responsibilities will be specified in job descriptions, or within terms and conditions of employment. This will include a non-disclosure/confidentiality clause.	30.06.10 31.12.12	01.04.14	Regular reporting is undertaken to CMT on action plan progress with relevant updates to P&R Committee. The structure of the working group has now been reviewed and an action plan has been finalised to prioritise the other items in line with the requirements of the Public Records (Scotland) Act 2011. Sub-groups are being established to undertake the specific actions.

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
Homelessness (January 2010)	<p>Writing-off irrecoverable rent arrears (Amber) Management will review current arrears position and consider write off.</p> <p>Management will consider processes and procedures for monitoring bad debts and introduce a system for write offs.</p>	<p>30.09.10 31.12.10 31.05.11 30.09.11 31.01.12 30.06.12 31.01.13 31.10.13</p>	31.01.14	This has been delayed due to staff absence and the need to resolve an issue with the RSL regarding the service level agreement.
Information Governance and Management (May 2009)	<p>People (Red) Security awareness will be promoted using materials such as brochures, posters or web based documents and through structured education/training programmes and computer based training. Training will be compulsory for all staff to create security positive behaviour.</p>	<p>31.03.11 31.12.12</p>	01.04.14	Regular reporting is undertaken to CMT on action plan progress with relevant updates to P&R Committee. The structure of the working group has now been reviewed and an action plan has been drafted to prioritise the other items in line with the requirements of the Public Records (Scotland) Act 2011. A recent survey was undertaken to gauge staff awareness which is now being analysed.
Information Governance and Management (May 2009)	<p>Process (Amber) Processes will be developed and implemented to strengthen the system of internal control over information governance and management. This will include:</p> <ul style="list-style-type: none"> • Developing and implementing a data/information classification system • Identifying owners for critical information and systems • Investing in secure archiving facilities for appropriate hard copy records that must be retained in accordance with relevant legislation. 	<p>31.03.11 31.12.12</p>	31.10.14	Regular reporting is undertaken to CMT on action plan progress with relevant updates to P&R Committee. The structure of the working group has now been reviewed and an action plan has been finalised to prioritise the other items in line with the requirements of the Public Records (Scotland) Act 2011. Sub-groups are now being established. The information classification system was approved at P&R Committee on 13 August 2013.

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
Customer Services (April 2012)	<p>Information for Managing the Staff/Customer Interface (Amber) CSC & Corporate Communications Manager to formalise & document procedure in relation to CC keeping CSC updated of any events/relevant information. (Process to be included for Services advising CSC within SLA).</p>	31.10.12	31.12.13	New Corporate Communications Manager in post. SLA for services that are already operational will be in place by December 2013. For new services, an SLA will be developed as part of the take-on process and any corporate communications requirements will be included at that point.
Insurance (August 2012)	<p>Compliance with Record Retention Periods (Amber) The electronic records held in the insurance database will be reviewed in terms of the policy for the retention and disposal of insurance documents, to ensure compliance with retention periods for both electronic and paper records.</p> <p>The capabilities of Figtree will be investigated to determine the requirement to hold paper copy insurance files.</p>	28.02.13 31.05.13	31.01.14	The change to the system has been designed but some technical difficulties require to be resolved. In addition, the implications of the consultation on possible changes to civil damages legislation will require to be considered for impact on the proposed change.

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO CMT ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF ACTION PLAN POINTS BY AUDIT YEAR**

SECTION 5

The following table sets out the total number of agreed actions raised by audit year together with their completion status as at 31 October 2013.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions		
			Red	Amber	Green
2006/2007	26	26	0	0	0
2007/2008	174	174	0	0	0
2008/2009	214	209	4	1	0
2009/2010	194	187	0	2	5
2010/2011	118	118	0	0	0
2011/2012	62	58	0	2	2
2012/2013	76	55	0	10	11
2013/2014	28	6	0	2	20
Total	892	833	4	17	38