

Report To: Audit Committee **Date:** 21 October 2014
Report By: Acting Corporate Director Environment, Regeneration and Resources **Report No:** AC/88/14/AP/APr
Contact Officer: Andi Priestman **Contact No:** 01475 712251
Subject: Internal Audit Progress Report – 4 August to 26 September 2014

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 4 August to 26 September 2014 is attached as an Appendix to this report since its content is essential to the understanding of the Council's control environment. **Appendix 1**

2.0 SUMMARY

- 2.1 One internal audit report have been finalised since the last Audit Committee meeting:-
- Environmental Health
- 2.2 This report contain a total of 3 issues categorised as follows:

Red	Amber	Green
0	0	3

- 2.3 The fieldwork for the 2014/15 audit plan is underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	1
Draft Report	6
Fieldwork Complete	0
Fieldwork in Progress	2
Planning	2
Not started/Deferred	6
Total	17

- 2.4 In relation to Internal Audit follow up, there were 3 items due for completion by 31 August 2014, of which 2 items have been reported as completed by management and action in relation to one item has been revised. The current status report is attached at **Appendix 2**.
- 2.5 The CMT has reviewed and agreed the current status of actions.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 4 August to 26 September 2014.

Alan Puckrin

Acting Corporate Director Environment, Regeneration and Resources

4.0 BACKGROUND

- 4.1 In April 2014, the Audit Committee approved the current Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2014-15.
- 4.2 Internal Audit regularly reports findings and action plans to relevant Council Officers and the Audit Committee as part of the annual audit plan. A follow up process is in place to allow follow up of current internal audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to CMT and the Audit Committee.

5.0 CURRENT POSITION

- 5.1 One internal audit report has been finalised since the last Audit Committee meeting in August 2014.
- 5.2 The fieldwork for the 2014/15 plan is underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	1
Draft Report	6
Fieldwork Complete	0
Fieldwork in Progress	2
Planning	2
Not started/Deferred	6
Total	17

- 5.4 There are 16 current action points being progressed by officers. Three actions were due for completion by 31 August 2014, of which 2 items have been reported as completed by management and action in relation to one item has been revised.
- 5.5 The CMT has reviewed and agreed the current status of actions.

6.0 IMPLICATIONS

Finance

- 6.1 There are no direct financial implications arising from this report.

Financial Implications:

One off Costs

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

Annually Recurring Costs/ (Savings)

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

Legal

6.2 There are no direct legal implications arising from this report.

Human Resources

6.3 There are no direct HR implications arising from this report.

Equalities

6.4 There are no direct equalities implications arising from this report.

Repopulation

6.5 There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

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

8.0 LIST OF BACKGROUND PAPERS

8.1 File of completed internal audit reports: Available from Andi Priestman, Chief Internal Auditor.



**Audit Committee Report
Report on Internal Audit Activity from
4 August to 26 September 2014**

Section	Contents	Page
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2	Summary of main findings from reports issued since previous Audit Committee	2
3	Audit Plan for 2014-2015 – progress to 26 September 2014	3
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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 One report has been finalised since the August 2014 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	
2014/2015 plan				
Environmental Health	0	0	3	3
Total	0	0	3	3

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 1 August 2014.

Environmental Health

2.2 Environmental Health functions vary in nature and form part of the Safer & Inclusive Communities remit. These functions include food safety, workplace safety, contaminated land, air quality and noise control. Many stakeholders across Inverclyde perceive Environmental Health as a frontline public service. For example, residents could complain about noise emanating from a nearby commercial property. It is therefore important that adequate arrangements are in place to effectively manage Environmental Health functions whilst allowing for local changes and national policy developments.

2.3 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by Inverclyde Council in relation to Environmental Health.

2.4 The overall control environment opinion for this audit was **Strong**. In terms of good practice we found that experienced officers apply established arrangements for investigating noise complaints, issuing fixed penalty notices and monitoring local air quality against national standards.

2.5 The audit identified a total of 3 GREEN issues which, if implemented, will enhance the control environment and an action plan is in place to address all issues by 31 March 2015.

3. Audit Plan for 2014/15 – Progress to 26 September 2014

Planned Audit Cover	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews							
Property Asset Management	√	√	√	√	√		
Environmental Health	√	√	√	√	√	√	October 2014
Libraries and Museums	√	√					
Grounds Maintenance – Whinhill Golf Course	√	√	√	√	√		
Homecare – CM2000 System	√	√	√	√	√		
Corporate Complaints	√						
Quality Assurance - CHCP							
Business Support - CHCP							
Limited Scope Financial System Reviews							
Payroll and Expenses							
Treasury Management	√	√					
Follow Up Reviews							
Homelessness	√						
Regularity Audits							
CSA CHCP	√	√	√	√	√		
CSA Education							
Performance Reviews							
SOLACE Indicators	√	√	√	√	√		
Performance Management - ECS							
Technical Services							
Corporate Governance							
Annual Governance Statement 2013-2014	Input provided by CIA.						
Projects/Key Change Initiatives							
Information Governance and Management	Input provided by CIA via Information Governance Steering Group.						

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 advice in relation to CHCP review of client account procedures.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 31 AUGUST 2014

Summary: Section 1 Summary of Management Actions due for completion by 31/08/14

There were 3 items due for completion by 31 August 2014, and 2 of which have been reported as completed by management and action in relation to one item has been revised.

Section 2 Summary of Current Management Actions Plans at 31/08/14

At 31 August 2014 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/08/14

At 31 August 2014 there was a total of 16 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 August 2014 there was a total of 5 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 31.08.14**

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)	3	2	1	
Education, Communities and Organisational Development				
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 31.08.14**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Community Health and Care Partnership	
Due for completion September 2014	1
Due for completion October 2014	2
Due for completion November 2014	9
Due for completion February 2015	1
Due for completion March 2015	1
Total Actions	14
Education, Communities and Organisational Development	
Due for completion September 2014	1
Due for completion March 2015	1
Total Actions	2
Total current actions:	16

**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 31.08.14**

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)	30.09.14*
Information Governance and Management (May 2009)		
<p>People (Amber) 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	31.10.14*
<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 • Developing an options appraisal in relation to secure archiving facilities for appropriate hard copy records that must be retained in accordance with relevant legislation. 	Corporate Director CHCP	31.10.14*

* 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 31.08.14**

SECTION 3

Community Health & Care Partnership (Continued)

Action	Owner	Expected Date
Client Accounts – CHCP (March 2014)		
Managing client and trust accounts across CHCP teams (Amber)		
CHCP Management will;		
<ul style="list-style-type: none"> • develop and apply a single assessment mechanism for creating new clients and trust accounts. The assessment process will be informed by the experience of other Scottish local authorities whilst complying with relevant legislation. 	Service Manager (Mental Health and Wellbeing)	30.11.14
<ul style="list-style-type: none"> • obtain legal advice regarding the validity of the Community Care client account policy and, if appropriate, the drafting of mandates whereby clients consent to support with managing their personal finances. If appropriate, all existing clients will be requested to sign these mandates. 	Team Lead (Community Care)	30.11.14
<ul style="list-style-type: none"> • introduce the Access to Funds scheme for new and existing clients along with determining the roles of all relevant staff. Initially, a suitable existing case will be used to pilot the move to in-house administration. 	Service Manager (Mental Health and Wellbeing)	30.11.14
<ul style="list-style-type: none"> • review and update the policy for trust accounts to allow for current processes and the ATF scheme. The review will draw on the findings of this audit and best practice obtained from other Scottish local authorities. 	Service Manager (Mental Health and Wellbeing)	30.11.14
<ul style="list-style-type: none"> • introduce a specific mechanism for regularly reviewing, recording and reporting to the DWP changes in client circumstances when corporate appointments apply. This mechanism will ensure that the Council fully meets its legal obligations to the DWP in respect of those clients. 	Team Lead – CMH/Team Lead CC	30.11.14*

* 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 31.08.14**

SECTION 3

Community Health & Care Partnership (Continued)

Action	Owner	Expected Date
<p>Management will ensure clients and trust accounts where next of kin;</p> <ul style="list-style-type: none"> • are available and co-operate are closed by administrative and frontline staff working together and so continue existing practices; • are available but do not co-operate will be closed using a newly developed procedure which allows for the Council's legal obligations and staff roles; and • cannot be traced accounts will be closed in line with legal guidance on remitting unclaimed estates to the relevant government department. The working group will seek legal advice on this subject and Finance will close individual trust accounts when required. 	Service Manager (Mental Health and Wellbeing)	30.11.14
<p>CHCP management will;</p> <ul style="list-style-type: none"> • ensure that implementation of policy for clients and trust accounts is fully co-ordinated across relevant CHCP teams. This will include fully specifying and agreeing staff roles across and within teams; 	Service Manager (Mental Health and Wellbeing)	30.11.14
<ul style="list-style-type: none"> • ensure that all relevant officers are fully trained in the revised processes for managing clients and trust accounts. 	Service Manager (Mental Health and Wellbeing)	28.02.15
<p>Following implementation of the recommendations arising from this review the Working Group will agree a timetable for examining the costs and benefits of using electronic client account management services.</p>	Service Manager (Mental Health and Wellbeing)	31.03.15
<p>Where appropriate the above recommendations will be implemented following consultation with Finance staff and Legal & Democratic Services.</p>		

* 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 31.08.14**

SECTION 3

Community Health & Care Partnership (Continued)

Action	Owner	Expected Date
<p>Reconciling trust bank accounts (Amber) As a one-off exercise Finance staff will work with relevant administration staff and Business Support Co-ordinators to ensure that all trust bank accounts are regularly reconciled against newly created cashbook records.</p>	Finance Supervisor	30.11.14
<p>Clarification will be obtained from the Council's Insurance Officer that insurance cover applies to clients trust account cash balances held within Crown House. If necessary, arrangements will be made to supply the Council's insurer with technical details of the safe used to hold clients monies. In addition, this subject will be examined to ensure that all safes operated in similar circumstances across the CHCP are covered by insurance.</p>	Head of Administration	30.11.14

Education, Communities and Organisational Development

Action	Owner	Expected Date
Travel and Subsistence (June 2010)		
<p>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.</p>	HR Manager (Organisational Development)	31.03.15*
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

* 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
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 01.04.14</p>	30.09.14	The new rent accounting system will allow for the management of rent arrears and write-offs.
Information Governance and Management (May 2009)	<p>People (Amber) 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 01.04.14</p>	31.10.14	<p>A number of Data Protection workshops have been facilitated by Legal Services which have been attended by a number of Services across the Council. Further workshops have been organised for the remainder of 2014.</p> <p>A communication briefing was issued in March and April 2014 to sign-post staff to relevant e-learning modules on Brightwave.</p> <p>New start induction checklist has been reviewed and updated with the requirement that new employees do not get access to corporate information systems until they have completed the e-learning training. A report has been prepared for CMT outlining the new induction process which will include the requirement for mandatory modules to be undertaken prior to allowing new employees to access Council systems.</p>

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

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
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"> • Identifying owners for critical information and systems • Developing an options appraisal in relation to 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	<p>The information classification system was approved at P&R Committee on 13 August 2013.</p> <p>A records management sub-group has been formed and is making progress on the Options Appraisal in relation to secure archiving facilities. Relevant action will then be taken.</p>
Travel and Subsistence (June 2010)	<p>Value for Money – Mileage Claims (Amber) 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.</p>	<p>31.12.10 31.03.11 30.04.11 30.09.11 31.03.12 31.03.14</p>	31.03.15	<p>Proposal was put to the LNCT meeting in September 2014. This will be discussed further at the LNCT meeting in November.</p>
Client Accounts – CHCP (March 2014)	<p>Managing client and trust accounts across CHCP teams (Amber) Management will introduce a specific mechanism for regularly reviewing, recording and reporting to the DWP changes in client circumstances when corporate appointee-ships apply. This mechanism will ensure that the Council fully meets its legal obligations to the DWP in respect of those clients.</p>	31.08.14	30.11.14	<p>Although work is progressing, there is a need to prepare final written procedures to allow for practical guidance for staff.</p>

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

SECTION 5

The following table sets out the total number of agreed actions raised by audit year together with their completion status as at 31 August 2014.

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	212	0	2	0
2009/2010	194	191	0	2	1
2010/2011	118	118	0	0	0
2011/2012	62	62	0	0	0
2012/2013	76	75	0	1	0
2013/2014	116	63	0	11	32
2014/2015	4	0	0	0	4
Total	984	931	0	16	37