

Report To:	Audit Committee	Date:	19 April 2016
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	AC/07/16/AF/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	Internal Audit Progress Report – 1 February to 24 March 2016		

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 1 February to 24 March 2016 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 has been finalised since the last Audit Committee meeting:

- Control Self Assessment – Education

2.2 This report contain 5 issues categorised as follows:

Red	Amber	Green
0	2	3

2.3 The fieldwork for the 2015/16 audit plan is almost complete and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	7
Draft Report	5
Fieldwork Complete	0
Fieldwork in Progress	0
Planning	1
Not started/Deferred	1
Total	14

2.4 In relation to Internal Audit follow up, there were 14 items due for completion by 31 March 2016 of which 7 items have been reported as completed by management and action in relation to 7 items has been revised. The current status report is attached at Appendix 2. **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 1 February to 31 March 2016.

Aubrey Fawcett
Corporate Director Environment, Regeneration and Resources

4.0 BACKGROUND

- 4.1 In April 2015, the Audit Committee approved the current Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2015-16.
- 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 reports have been finalised since the last Audit Committee meeting in February 2016.
- 5.2 The fieldwork for the 2015/16 audit plan is almost complete and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	7
Draft Report	5
Fieldwork Complete	0
Fieldwork in Progress	0
Planning	1
Not started/Deferred	1
Total	14

- 5.3 There are 17 current action points being progressed by officers. There were 14 actions due for completion by 31 March 2016 of which 7 items have been reported as completed by management and action in relation to 7 items has been revised.
- 5.4 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
1 February to 31 March 2016**

Section	Contents	Page
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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 There was one audit report finalised since the February 2016 Audit Committee, which is identified below, together with a summary of the gradings of the issues identified. In Section 2 we have provided a summary of the main findings from the review.

Reports finalised since previous Audit Committee	Grading			Total Number of Issues
	Red	Amber	Green	
Control Self Assessment - Education	0	2	3	5
Total	0	2	3	5

Other activities

Risk Management

- 1.3 Risk Management is the subject of separate reporting to Audit Committee and a full report is submitted separately on a bi-annual basis.

Internal Audit Action Plan Follow Up

- 1.4 The current status of Internal Audit Action plans is set out as an attachment at Appendix 2 to this report.

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

- 2.1 We have provided below a summary of the key findings from the final reports issued after 29 January 2016.

Control Self Assessment - Education

- 2.2 Control Self-Assessment is a process through which the adequacy and effectiveness of internal controls are examined, with the goal of providing assurance that key objectives are being met. It allows Heads of Establishments and selected staff to participate in the assessment of internal controls and develop action plans to address any weaknesses that may be identified. In turn these action plans assist in evaluating risks which, if not properly addressed, could undermine the achievement of key objectives. Furthermore, Control Self-Assessments can increase awareness of internal control issues and motivate staff to carefully design and implement control processes.
- 2.3 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding a number of key risks faced by Education Services such as budgetary control, procurement and the Delegated Management of Resources (DMR) scheme.
- 2.4 The overall control environment opinion for this audit was **Satisfactory**. There were 2 AMBER issues summarised as follows:

Financial training for Heads/Depute Heads of Establishment and Principal Teachers

Senior teaching staff expect support services, like finance, to operate effectively. It is important that senior teaching staff have an adequate understanding of financial matters such as budgetary control and procurement. Although support staff usually progress financial matters for senior teachers, we have identified the following issues;

- the financial training needs of Heads/Depute Heads of establishment and Principal Teachers have not been formally assessed;
- existing training arrangements are often informal in nature, with training not being logged;
- refresher training in financial matters is not formally provided; and
- the role of Education Headquarters in organising training has not been fully specified.

It is more difficult to achieve accountability over financial matters whenever officers have not been adequately trained. Also, without adequate training in financial matters senior teaching staff may find it more challenging to oversee financial matters and are more likely to over-rely on School Finance Officers

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

Authorising and monitoring expenditure across Education establishments

Designated officers within establishments organise tasks associated with day-to-day expenditure. The duties undertaken by these officers must be adequately separated to help promote accountability. Following discussions with officers we have identified some issues as follows;

- requisitions for higher value expenditure are not always counter-signed by Heads of Establishment to approve the justification of the order;
- monthly budget monitoring reports are not always signed-off by Heads of Establishment and School Finance Officers; and
- some authorised signatory lists include officers, such as Clerical Assistants and Teachers, who do not need to be included on those lists.

Heads of Establishment are not able to account for high value expenditure when they are not aware of such requisitions. In addition, monthly budget monitoring meetings are not evidenced when budget monitoring reports are not subject to sign-off. Furthermore officers may misunderstand their roles where they are included on authorised signatory lists in error.

- 2.6 The review identified a total of 5 issues, 2 of which we consider to be individually significant and an action plan is in place to address all issues by 31 January 2017.

3. Audit Plan for 2015/16 – Progress to 29 January 2016

Planned Audit Cover	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews							
HR Operations – Recruitment and Selection	✓	✓	✓	✓	✓	✓	January 2016
Learning Disability Services – Client Money Arrangements	✓	✓	✓	✓	✓	✓	January 2016
ECS – Overtime Claims	✓	✓	✓	✓	✓		
Corporate Health and Safety	✓						
Facilities Management - Cleaning	✓	✓	✓	✓	✓	✓	January 2016
Limited Scope Financial System Reviews							
General Ledger	✓	✓	✓	✓	✓	✓	February 2016
Debtors	✓	✓	✓	✓	✓		
Regularity Audits							
CSA IHSCP	✓	✓	✓	✓	✓	✓	February 2016
CSA Education	✓	✓	✓	✓	✓	✓	April 2016
Post Implementation Review							
Vehicle Tracking System	✓	✓	✓	✓	✓		
Parking Enforcement Scheme	✓	✓	✓	✓	✓		
Performance Reviews							
SOLACE Indicators	✓	✓	✓	✓	✓	✓	October 2015
VFM – Technical Services	✓	✓	✓	✓	✓		
Corporate Governance							
Annual Governance Statement 2014-2015	Input provided by CIA.						
Projects/Key Change Initiatives							
Information Governance and Management	Input provided by CIA via Information Governance Steering Group.						
Complaints Handling Working Group	Input provided by CIA via Steering Group and People Sub-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.
 - Provision of relevant input to short-life complaints handling working group.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 31 MARCH 2016

Summary: Section 1 Summary of Management Actions due for completion by 31/03/16

There were 14 actions due for completion by 31 March 2016 of which 7 have been reported as completed and action in relation to 7 items has been revised.

Section 2 Summary of Current Management Actions Plans at 31/03/16

At 31 March 2016 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/03/16

At 31 March 2016 there was a total of 17 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 March 2016 there was a total of 7 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 31.03.16**

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	1		1	
Health and Social Care Partnership (HSCP)	12	6	6	
Education, Communities and Organisational Development	1	1		
Total	14	7	7	

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

**INVERCLYDE COUNCIL INTERNAL AUDIT
 REPORT TO AUDIT COMMITTEE ON
 STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
 SUMMARY OF CURRENT MANAGEMENT ACTION PLANS AS AT 31.03.16**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Environment Regeneration and Resources	
Due for completion April 2016	5
Due for completion June 2016	2
Due for completion March 2017	1
Total Actions	8
Health and Social Care Partnership	
Due for completion May 2016	1
Due for completion June 2016	5
Total Actions	6
Education, Communities and Organisational Development	
Due for completion May 2016	1
Due for completion October 2016	1
Due for completion January 2017	1
Total Actions	3
Total current actions:	17

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.03.16**

SECTION 3

Environment Regeneration and Resources

Action	Owner	Expected Date
Property Assets Management (October 2014)		
Property Management System (PAMIS) (Amber) The project plan will be implemented.	Property Assets Manager	31.03.17*
Facilities Services – Cleaning (December 2015)		
Managing Cleaning Services delivered to external customers (Amber) Management will ensure that; <ul style="list-style-type: none"> • best practice in contract management is followed in relation to external customers of the cleaning service. This exercise will involve obtaining advice from the Corporate Procurement Manager and the relevant Council solicitor; and • new contract bids strike an appropriate balance between recovering the variable costs of service delivery (including the living wage) and producing a profit which contributes to fixed costs. This exercise will involve obtaining advice from the relevant Principal Accountant. 	Facilities Team Leader	30.04.16
Managing vacancies and absences amongst cleaning staff (Amber) Facilities management will; <ul style="list-style-type: none"> • liaise with senior HR staff to identify controllable bottlenecks within the process for filling vacancies. In turn, the relevant staff in both services will agree changes to processes which are under their control; and • liaise with HR to examine options for organising the completion of self-certification forms by staff who are absent for less than seven days. These options will include determining the role of cleaning supervisors, linking completion of the forms to Return to Work interviews and holding completed forms locally rather than at Cleaning headquarters. 	Facilities Team Leader	30.04.16
HR management will, in conjunction with senior Facilities Management staff, examine factors which can inadvertently protract long term absence cases and formulate appropriate solutions.	HR Manager (Operations)	30.06.16

* 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 31.03.16**

SECTION 3

Environment Regeneration and Resources (Continued)

Action	Owner	Expected Date
Managing cleaning services delivered to Council services (Amber) Management will: <ul style="list-style-type: none"> • update the formula used to allocate cleaning staff resources to each site whilst allowing for budget savings. This exercise will include comparisons with the formulae used by a sample of other Scottish local authorities • develop a process for resourcing and planning a programme of replacement cleaning equipment. The resourcing of this programme will be undertaken in consultation with the relevant Principal Accountant. • in conjunction with the relevant Principal Accountant, examine the options for fully recharging the cost of cleaning to all internal services. This exercise will consider introducing quarterly cleaning recharges to all services. • agree service level agreements with all major services receiving the cleaning service. 	Facilities Service Manager	30.04.16
	Facilities Service Manager	30.04.16
	Facilities Service Manager	30.04.16
	Facilities Service Manager	30.06.16

Health and Social Care Partnership

Action	Owner	Expected Date
Client Accounts – HSCP (March 2014)		
Managing client and trust accounts across HSCP teams (Amber) HSCP management will; <ul style="list-style-type: none"> • ensure that implementation of policy for clients and trust accounts is fully co-ordinated across relevant HSCP teams. This will include fully specifying and agreeing staff roles across and within teams; • ensure that all relevant officers are fully trained in the revised processes for managing clients and trust accounts. 	Service Manager (Mental Health and Wellbeing)	30.06.16*
	Service Manager (Mental Health and Wellbeing)	30.06.16*

* 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 31.03.16**

SECTION 3

Health and Social Care Partnership (Continued)

Action	Owner	Expected Date
Homelessness F/Up (January 2015)		
<p>Processing Housing Benefits Income (Amber) A reconciliation of the total income posted to the SDM System against the income received via FMS will be introduced.</p> <p>Evidence will be generated which supports the above measure such as FMS and SDM printouts which are signed and dated by the staff involved.</p>	<p>Service Manager Homelessness</p>	<p>30.06.16*</p>
<p>Writing-off Irrecoverable Rent Arrears (Amber) Management will agree with Finance the:-</p> <ul style="list-style-type: none"> a) calculation of the gross rent charge for the Inverclyde Centre in line with the existing policy, taking account of the furnished flats rent set by Housing Providers and the weekly void rent charge; b) procedure for and the frequency of posting the rent charge, the void rents and the arrears to the general ledger; c) establishment of a budget for a provision for bad debts in the general ledger, in line with the Council bad debt policy; and d) introduction of a monthly reconciliation between the rent outstanding in the SDM system and the arrears figure in the Balance Sheet, to be undertaken by the Homelessness Service. 	<p>Service Manager Homelessness</p>	<p>30.06.16*</p>
CSA – HSCP (December 2015)		
<p>Compliance with SSSC Registration (Amber) Business Support Co-ordinators are currently working with relevant managers to implement a robust process which will review all SSSC management information and action any recommendations arising from their review.</p>	<p>Business Support Co- Ordinator</p>	<p>31.05.16*</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 31.03.16**

SECTION 3

Education, Communities and Organisational Development

Action	Owner	Expected Date
CSA – Education (March 2016)		
<p>Financial Training for Senior Management (Amber) School Support Managers will, in consultation with relevant Education Headquarters and Finance officers;</p> <ul style="list-style-type: none"> • assess the financial training needs of Heads/Depute Heads of Establishment and Principal Teachers and maintain adequate records of those training needs; • ensure that training in financial matters is delivered uniformly across all establishments and strike an appropriate balance between formal and informal training; • organise refresher training in financial matters for Heads/Depute Heads of Establishment and Principal Teachers; • organise the consistent logging of training in financial matters; and • ensure that financial best practice is formally and routinely shared across all establishments. 	School Support Managers	31.01.17
<p>Authorising and monitoring expenditure (Amber) Heads of Establishment will counter-sign all expenditure requisitions which exceed £150.</p>	Heads of Establishment	31.05.16
<p>School finance officers will review authorised signatory lists to ensure that only those officers who require authoriser status within FMS are included on those lists.</p>	Education HQ	31.10.16

* 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
Client Accounts – HSCP (March 2014)	<p>Managing client and trust accounts across HSCP teams (Amber) HSCP 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 HSCP teams. This will include fully specifying and agreeing staff roles across and within teams. 	30.11.14 31.03.16	30.06.16	Policy and Procedures have now been agreed and will be rolled out across all teams by end of June.
Client Accounts – HSCP (March 2014)	<p>Managing client and trust accounts across HSCP teams (Amber) HSCP Management will;</p> <ul style="list-style-type: none"> • ensure that all relevant officers are fully trained in the revised processes for managing client and trust accounts. 	28.02.15 30.06.15 31.03.16	30.06.16	Policy and Procedures have now been agreed and will be rolled out across all teams by end of June.
Homelessness F/Up (January 2015)	<p>Processing Housing Benefits Income (Amber) A reconciliation of the total income posted to the SDM System against the income received via FMS will be introduced.</p>	31.03.15 31.03.16	30.06.16	Work has started to undertake the first reconciliation. Issues have been identified for new clients added to SDM and a new procedure is being agreed with Housing Benefits team. The reconciliation will then be finalised and procedures updated.
Homelessness F/Up (January 2015)	<p>Processing Housing Benefits Income (Amber) Evidence will be generated which supports the above measure such as FMS and SDM printouts which are signed and dated by the staff involved.</p>	31.03.15 31.03.16	30.06.16	This will be implemented as part of the reconciliation process.

**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 F/Up (January 2015)	<p>Managing Rent Arrears (Amber) Management will agree with Finance the:-</p> <ul style="list-style-type: none"> a) calculation of the gross rent charge for the Inverclyde Centre in line with the existing policy, taking account of the furnished flats rent set by Housing Providers and the weekly void rent charge; b) procedure for and the frequency of posting the rent charge, the void rents and the arrears to the general ledger; c) establishment of a budget for a provision for bad debts in the general ledger, in line with the Council bad debt policy; and d) introduction of a monthly reconciliation between the rent outstanding in the SDM system and the arrears figure in the Balance Sheet, to be undertaken by the Homelessness Service. 	<p>30.06.15 31.03.16</p>	30.06.16	A voids report is available from SDM which will be reviewed to finalise the budgets. The monthly reconciliation will be completed thereafter.
Property Assets Management (October 2014)	<p>Property Management System PAMIS (Amber) The project plan will be implemented.</p>	31.03.16	31.03.17	Information for some modules has now been populated and training has now been provided to other users of the system on other key modules. It is anticipated that work on populating information for these modules will be completed by 31 March 2017.
CSA – HSCP (December 2015)	<p>Compliance with SSSC Registration (Amber) Business Support Co-ordinators are currently working with relevant managers to implement a robust process which will review all SSSC management information and action any recommendations arising from their review.</p>	31.03.16	31.05.16	Work is progressing with HR to update information for relevant staff to allow this to be input to Chris 21. Once system is updated Chris 21 will send automated emails re renewals to staff and line managers.

**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 March 2016.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2008/2009	214	213	0	0	1
2009/2010	194	194	0	0	0
2010/2011	118	118	0	0	0
2011/2012	62	62	0	0	0
2012/2013	76	76	0	0	0
2013/2014	116	110	0	2	4
2014/2015	77	60	0	4	13
2015/2016	35	9	0	11	15
Total	892	842	0	17	33

*This part of the table sets out the total number of current actions not yet due at the date of the follow up report. The AMBER actions are included in Section 3 of the follow up report.