

Report To:	Audit Committee	Date:	23 August 2016
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	AC/10/16/AF/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	Internal Audit Progress Report - 4 April to 29 July 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 4 April to 29 July 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 Two internal audit reports have been finalised since the last Audit Committee meeting:-
- LSFR Debtors; and
 - Post Implementation Review – Vehicle Tracking System.
- 2.2 These reports contain 7 issues categorised as follows:-

Red	Amber	Green
0	1	6

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

Stage	Number of Reports
Final Report	9
Draft Report	4
Fieldwork Complete	0
Fieldwork in Progress	0
Planning	0
Not started/Deferred	1
Total	14

2.4 The fieldwork for the 2016/17 plan is now underway and the current status of the plan is as follows:-

Stage	Number of Reports
Final Report	0
Draft Report	1
Fieldwork Complete	0
Fieldwork in Progress	4
Planning	5
Not started/Deferred	7
Total	17

2.5 In relation to Internal Audit follow up, there were 7 items due for completion by 30 June 2016 of which 5 items have been reported as completed by management and action in relation to 2 items has been revised. The current status report is attached at Appendix 2. **Appendix 2**

2.6 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 April to 29 July 2016.

Aubrey Fawcett
Corporate Director Environment, Regeneration & 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 Two internal audit reports have been finalised since the last Audit Committee meeting in April 2016.
- 5.2 The fieldwork for the 2015/16 audit plan is now complete and the current status of the plan is as follows:-

Stage	Number of Reports
Final Report	9
Draft Report	3
Fieldwork Complete	0
Fieldwork in Progress	0
Planning	0
Not started/Deferred	2
Total	14

- 5.3 The fieldwork for the 2016/17 plan is now underway and the current status of the plan is as follows:-

Stage	Number of Reports
Final Report	0
Draft Report	1
Fieldwork Complete	0
Fieldwork in Progress	4
Planning	5
Not started/Deferred	7
Total	17

- 5.4 There are 8 current action points being progressed by officers. There were 7 actions due for completion by 30 June 2016 of which 5 items have been reported as completed by management and action in relation to 2 items 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 April to 29 July 2016**

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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 were two audit reports finalised since the April 2016 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	
LSFR – Debtors	0	1	6	7
Performance Review – Vehicle Tracking System	N/A	N/A	N/A	
Total	0	1	6	7

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 1 April 2016.

LSFR - Debtors

- 2.2 Government grants, council tax and non-domestic rates collectively dominate the financing of Council services. However, the income due from the provision of chargeable services represents a fourth source of funding which must also be managed effectively. During 2014/15 almost 10,000 debtors' accounts were issued with a total value of £9.6 million. Although Services raise debtors' accounts, Finance has a critical role in administering the collection of payments, allocating incoming payments and issuing reminders for non-payment.
- 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 in relation to the management of Debtors.
- 2.4 The overall control environment opinion for this audit was **Satisfactory**. There was one AMBER issue summarised as follows:

Managing customer accounts with credit balances

The computerised Debtors system usually matches customer payments to outstanding debtors' accounts. However, when a payment from a customer has incomplete details it can be held as "unmatched" income within their customer account pending allocation. Through our fieldwork we identified a high number of customer accounts which hold unallocated income of over £500 each. Effective arrangements are not in place to routinely match higher value unallocated income held within customer accounts to outstanding debtors' accounts or issue refunds.

The total value of outstanding debtors' accounts may be incorrectly stated when customer payments are not matched to debtors' accounts but are instead held within customer accounts as unallocated income.

- 2.5 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 30 September 2016.

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

PIR - Vehicle Tracking System

2.6 A key objective of the Environmental and Commercial Services Directorate Plan was to carry out a Vehicle, Plant and Equipment Efficiency Review. In order to optimise and review ongoing efficiencies in fleet usage, the review addressed the need for a Vehicle Tracking System (VTS).

Fleet and Transport Services introduced a Vehicle Tracking System into their fleet in June 2013 serving 230 vehicles. This system is a powerful management tool that can provide the Service with information that can be used to identify cost savings, greater efficiencies and Best Value.

2.7 The objective of this review was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk and control procedures surrounding the Vehicle Tracking System which ensure that benefits anticipated by the Business case in relation to the Vehicle Tracking System have been realised.

2.8 A questionnaire was sent out to 47 key users of the Vehicle Tracking System over 11 different service areas throughout the Council to gather information on the following key areas of the original business case:

- Vehicle Utilisation;
- Ownership, responsibility and management of information of the vehicle tracking system;
- Policy and legal requirements; and
- Management information produced from the tracking system.

2.9 The overall response rate was 96% and the quality of the information provided in the returns was high. Overall feedback was that the vehicle tracking system has greatly improved management's ability to monitor operational service delivery on a real time basis and has been positively received. However it was identified that further training on the full functionality of the system was required in terms of the management information capabilities which are in the early stages of development in some Services.

2.10 In conclusion, the review identified that overall the anticipated benefits of implementing a vehicle tracking system have been achieved. There has been very good performance in terms of fuel efficiencies with a reduction in fuel costs of £60,000 in the first year. However there is scope to roll out the system to more users and for Services to make more use of the suite of management information available in order to drive further efficiencies in vehicle utilisation.

Management are confident that the system will continue to assist them to drive further improvements in vehicle efficiencies across Services and some recommendations for improvement have been identified for consideration by management.

3. Audit Plan for 2015/16 – Progress to 29 July 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	Deferred to 2016-2017 Plan						
Facilities Management - Cleaning	✓	✓	✓	✓	✓	✓	January 2016
Limited Scope Financial System Reviews							
General Ledger	✓	✓	✓	✓	✓	✓	February 2016
Debtors	✓	✓	✓	✓	✓	✓	August 2016
Regularity Audits							
CSA IHSCP	✓	✓	✓	✓	✓	✓	February 2016
CSA Education	✓	✓	✓	✓	✓	✓	April 2016
Post Implementation Review							
Vehicle Tracking System	✓	✓	✓	✓	✓	✓	August 2016
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.						
Self-Directed Support	This work will be included in the Fraud Risk Assessment work during 2016/2017.						

4. Audit Plan for 2016/17 – Progress to 29 July 2016

Planned Audit Cover	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews							
Corporate Health and Safety	✓	✓	✓	✓	✓		
Facilities Services – Catering	✓						
Building Services Unit	✓						
Project Assurance Reviews							
Valuing Roads Network Assets	✓	✓	✓				
Performance Audits							
LGBF/SOLACE Indicators	✓	✓	✓				
Corporate Fraud Reviews							
Council Tax Reduction Scheme	Fieldwork underway – see section 5 for detailed activity						
School Inventory Procedures	Fieldwork underway – see section 5 for detailed activity						
Blue Badge Applications	Planning underway						
Corporate Governance							
Annual Governance Statement 2015-2016	Input provided by CIA.						
Projects/Key Change Initiatives							
Complaints Handling Working Group	Input provided by CIA via Steering Group and People Sub-Group.						
Other Work							
National Fraud Initiative	Planning underway – see section 5 for detailed activity						
Serious Organised Crime Risk Assessment	Planning underway – see section 5 for detailed activity						
SPOC Liaison with DWP	Ongoing – see section 5 for detailed activity						

5 Corporate Fraud Activity

The undernoted table sets out progress to date on corporate fraud activity in the period 27 March to 29 July 2016:

Area of Activity	Progress to 29 July 2016
Council Tax Reduction Scheme	Review is underway. To date 111 home visits have been carried out. 36 visits identified errors in discounts being applied. 16 of these have now been corrected resulting in £23,232 cost savings consisting of overpayments (£16,384) and future savings (£6,848) The remaining 20 errors have still to be calculated by Council Tax.
School Inventory Procedures	Fieldwork is now complete and report is being drafted.
Creditors – Duplicate Payments	Not started.
Non-Domestic Rates	Not started.
Blue Badge Scheme	Planning for this review is underway.
Serious Organised Crime Checklist	Planning for this review is underway.
NFI	Work to complete the Fair Processing Compliance return is underway with Services. The return is due by 30 September 2016.
SPOC Liaison	32 referrals have been made to DWP. 59 LAIEF requests have been actioned.
Whistleblowing Investigations	4 investigations are underway. One Investigation Report has been finalised and a summary of the report has been included at Section 7 of this report.

6 Ad hoc activities undertaken since the previous Audit Committee

- 6.1 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.
- 6.2 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 information in relation to FOI requests.
 - Providing support to HSCP review of Access to Medication within Homecare.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 30 JUNE 2016

Summary: Section 1 Summary of Management Actions due for completion by 30/06/16

There were 7 actions due for completion by 30 June 2016, 5 of which have been reported as completed by management and action in relation to 2 items has been revised.

Section 2 Summary of Current Management Actions Plans at 30/06/16

At 30 June 2016 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 30/06/16

At 30 June 2016 there was a total of 8 current audit action points.

Section 4 Analysis of Missed Deadlines

At 30 June 2016 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 31.03.16**

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	2	2		
Health and Social Care Partnership (HSCP)	5	3	2	
Education, Communities and Organisational Development				
Total	7	5	2	

* 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 30.06.16**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Environment Regeneration and Resources	
Due for completion September 2016	2
Due for completion March 2017	1
Total Actions	3
Health and Social Care Partnership	
Due for completion August 2016	2
Total Actions	2
Education, Communities and Organisational Development	
Due for completion October 2016	2
Due for completion January 2017	1
Total Actions	3
Total current actions:	8

**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 30.06.16**

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 Manager	30.09.16*
LSFR Debtors (May 2016)		
Managing Customer Accounts with Credit Balances Management will introduce a process which actively manages all unallocated income held within customer accounts which both exceed £500 each and have existed for more than three months. In addition, this exercise will include quarterly reporting to relevant Finance staff regarding progress on clearing these higher value credit balances.	Revenues and Customer Services Manager	30.09.16

* 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 30.06.16**

SECTION 3

Health and Social Care Partnership

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>	Service Manager Homelessness	31.08.16*
<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>	Service Manager Homelessness	31.08.16*

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	31.10.16*
<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
Homelessness F/Up (January 2015)	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.	31.03.15 31.03.16 30.06.16	31.08.16	Issues have been identified in relation to obtaining reports from the SDM system which would allow the reconciliation to be undertaken. A report has now been identified which will be used to undertake the first reconciliation.
Homelessness F/Up (January 2015)	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.	31.03.15 31.03.16 30.06.16	31.08.16	This will be implemented as part of the reconciliation process.
Property Assets Management (October 2014)	Property Management System PAMIS (Amber) The project plan will be implemented.	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 Education (March 2016)	Authorising and monitoring expenditure (Amber) Heads of Establishment will counter-sign all expenditure requisitions which exceed £150.	31.05.16	31.10.16	This has been revised to enable full checks to be carried out by School Support Managers following their revised remits.

**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
Facilities – Cleaning (December 2015)	<p>Managing Cleaning Services delivered to external customers (Amber) Management will ensure that;</p> <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. 	30.04.16	30.09.16	Work is progressing but has been delayed due to staff availability.

**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 30 June 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	114	0	0	2
2014/2015	77	65	0	3	9
2015/2016	52	29	0	5	18
Total	909	871	0	8	30

*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.