

Report To: Audit Committee **Date:** 07.01.20

Report By: Corporate Director Environment Regeneration and Resources **Report No:** AC/01/20/SA/APr

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

Subject: INTERNAL AUDIT PROGRESS REPORT – 30 SEPTEMBER TO 29 NOVEMBER 2019

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 2019 is attached as an Appendix 1 Appendix to this report since its content is essential to the understanding of the Council's control environment.

2.0 SUMMARY

- 2.1 There was one internal audit report finalised since the last Audit Committee meeting in October 2019:
- HR Safe Recruitment – Pre-Employment Checks

- 2.2 This report contained 5 issues categorised as follows:

Red	Amber	Green
0	1	4

- 2.3 The fieldwork for the 2019/20 plan is underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	3
Draft Report	1
Fieldwork Complete	1
Fieldwork in Progress	7
Planning	1
Not started	1
Total	14

- 2.4 In relation to Internal Audit follow up, there were 2 items due for completion by 30 November 2019 and both items have been reported as completed by management. Appendix 2 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 30 September to 29 November 2019.

Scott Allan
Corporate Director Environment, Regeneration and Resources

4.0 BACKGROUND

- 4.1 In April 2019, the Audit Committee approved the current Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2019-20.
- 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 There was one internal audit report finalised since the last Audit Committee meeting in October 2019:
- HR Safe Recruitment Checks
- 5.2 The fieldwork for the 2019/20 plan is underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	3
Draft Report	1
Fieldwork Complete	1
Fieldwork in Progress	7
Planning	1
Not started	1
Total	14

- 5.3 There are 4 current action points being progressed by officers. There were 2 action points due for completion by 30 November 2019 and both have been reported as completed by management. Appendix 2
- 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
30 September to 29 November 2019**

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1 Audit work undertaken in the period

Reports issued since last update

1.1 In each audit, one of 4 overall opinions is expressed:

Strong	In our opinion there is a sound system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion isolated areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.
Requires improvement	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered inadequate to ensure that the organisation is able to achieve its objectives.

1.2 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.

1.3 There was one audit review finalised since the October 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	
HR Safe Recruitment Checks	0	1	4	5
Total	0	1	4	5

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 an annual basis.

Internal Audit Action Plan Follow Up

- 1.5 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 27 September 2019.

HR Safe Recruitment Checks

- 2.2 The effective delivery of Council services is partly determined by the recruitment of employees who meet required standards. As part of the recruitment process it is important that safe recruitment checks are applied to all prospective employees. These checks include verifying employees' identity, entitlement to work within the UK and qualifications. An effective process must be in place to manage all of these safe recruitment checks. In addition, these checks must be supported by the retention of appropriate evidence.
- 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 the key risks faced by Inverclyde Council in relation to safe recruitment checks.
- 2.4 The review focused on the high level processes and procedures in relation to safe recruitment checks and concentrated on identified areas of perceived higher risk, such as not completely and accurately carrying out safe recruitment checks in a timely manner and not adequately complying with all relevant legislation and regulation.
- 2.5 The following were excluded from the scope of the review as these would form part of a wider audit of recruitment and selection:
- Arrangements for conducting interviews
 - Process to select prospective employees
- 2.6 The overall control environment opinion for this audit review was **Satisfactory**. There was one AMBER issues identified as follows:

Monitoring the timeliness of processing of HR safe recruitment checks (Amber)

Preferred candidates participate in safe recruitment checks such as verifying their entitlement to work in the UK and obtaining references. Delays in the recruitment process are minimised when these tasks are monitored and undertaken timeously. However, recruitment tracking records do not capture key dates such as:

- the time taken to issue preferred candidates with offer letters;
- when references are requested; and
- when outstanding fitness to work notifications are pursued from the Occupational Health nurse.

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

In addition, whilst necessary, safe recruitment checks can protract the overall recruitment process. Discussions with staff and audit testing have identified that there could be some scope to change the sequencing of safe recruitment checks and review the roles of staff to ensure there are no unnecessary delays.

The time taken by HR to process safe recruitment checks cannot easily be determined when relevant management information is not readily available. In addition, it may be more difficult for Services to maintain their delivery standards whenever avoidable delays within the safe recruitment process arise.

- 2.7 The review identified 5 issues, one of which we consider to be individually significant and an action plan is in place to address all issues by 30 June 2020.

3. Audit Plan for 2019/2020 – Progress to 29 November 2019

Planned Audit Coverage	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
HSCP Contract Management		✓	✓	✓	✓	✓	✓	August 2019
Governance of Community Groups		✓	✓	✓				
HR Safe Recruitment Checks		✓	✓	✓	✓	✓	✓	January 2020
Refugee Integration Scheme	✓							
Waste Management		✓	✓	✓	✓	✓	✓	October 2019
IR35 (c/f 2018-2019)		✓	✓	✓				
Limited Scope Financial Reviews								
Sundry Debtors		✓	✓					
Corporate Fraud Reviews								
Tipping Permits		✓	✓	✓	✓	✓		
Residents Parking Scheme		✓	✓	✓				
Employee Expenses – Quarterly Checks		N/A	N/A	✓				
Regularity Audits								
Stock/Inventory Control – Quarterly Checks		N/A	N/A	✓				
Education Control Self-Assessment (CSA)		✓	✓	✓	✓			
Corporate Purchase Cards – Quarterly Checks		✓	✓	✓				
Project Assurance								
SWIFT Replacement Project	CIA providing quality assurance to project Board.							
Business Support Redesign	CIA providing quality assurance to project Board.							
Corporate Governance								
Annual Governance Statement 2018-2019	Complete - Input provided by CIA.							
Other Work								
Council Tax Reduction Scheme/Discounts/Exemptions	Visits are carried out on establish the validity of discounts and exemptions – see section 4							
National Fraud Initiative	Work on the 2018/19 Data Matching Exercise is almost complete.							
SPOC Liaison with DWP	Ongoing – see paragraph 4 for detailed activity.							
Inverclyde IJB	Internal Audit annual audit plan for 2019/2020 was approved in April 2019 – 45 days allocated to IJB audit plan.							

4 Corporate Fraud Activity

4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 30 September to 29 November 2019:

Council Tax Reduction Scheme 30 September to 29 November 2019					
Number of Home Visits		Number of Errors Identified and Corrected		Total Overpayment/Future Savings	
14		14		£7,699/£5,226	
Council Tax Reduction Scheme – Year to Date					
Number of Home Visits		Number of Errors Identified and Corrected		Total Overpayment/Future Savings	
97		39		£37,016/£24,139	
National Fraud Initiative 2018-2019 Exercise					
Matches have now been received and a detailed review of matches is now underway by Internal Audit and Services.					
Matches received	Number Investigated	No issues	Fraud	Error	Value of Fraud/Error
Housing Benefit					
385	384	372	11	1	£18,283.03
Blue Badge					
201	201	84	0	117	£0
Care Homes					
45	45	45	0	0	£0
Personal Budgets					
7	7	7	0	0	£0
Council Tax Reduction Scheme					
735	704	695	4	4	£2565.66
Procurement					
38	38	38	0	0	£0
Payroll					
67	61	58	0	3	£1556.60
Creditors					
1254	1094	1094	0	0	£0
VAT					
56	0	0	0	0	£0
TOTALS					
2788	2534	2393	15	126	£22,405.29
Recheck Report – Single Person Discount					
1218	1108	1086	15	7	£23,079
Stock and Inventory Quarterly Checks – 2019-2020					
Fieldwork is underway.					
Employee Expenses Quarterly Checks – 2019-2020					
Fieldwork is underway.					

4 Corporate Fraud Activity (Continued)

4.2 Specific NFI cases being reviewed by Corporate Fraud since the last Audit Committee are set out below:

File Ref	Description	Status
18/19 18-09	CT SPD > Pension (Recheck report)	Closed – no fraud established.
18/19 18-84	CT SPD > State Benefits (Recheck report)	Fraud established. Account updated and liable party rebilled.
18/19 18-109	CT SPD > State Benefits (Recheck report)	Fraud established. Account updated and liable party rebilled.
18/19 18-110	CT SPD > Taxi Drivers (Recheck report)	Fraud established. Account updated and liable party rebilled.
19/20 19-34	Recheck SPD > Payroll	Passed to Finance for adjudication 10/5/18.
19/20 19-40	Recheck SPD > Taxi Drivers	Passed to Finance for adjudication 13/5/19.
19/20 19-58	Recheck SPD > State Benefit/ Pension	Fraud established. Account updated and liable party rebilled. Passed to Service to consider sanction.
19/20 19-71	Recheck SPD > Payroll/Pension	Fraud established. Account updated and liable party rebilled.
19/20 19-72	Recheck SPD > Payroll/Pension	Passed to Finance for adjudication 16/5/19.
19/20 19-81	Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-84	Recheck SPD > Deferred Pension	Fraud established. Account updated and liable party rebilled.
19/20 19-95	Recheck SPD > Payroll	Closed – no fraud established.
19/20 19-122	CTR > Taxi Driver	Ongoing investigation.
19/20 19-123	CTR > Payroll	Passed to Finance for adjudication 4/9/19.
19/20 19-124	CTR > Payroll	Passed to Finance for adjudication 3/9/19.
19/20 19-126	CTR > Payroll	Ongoing investigation.
19/20 19-128	CTR > Taxi Driver	Ongoing investigation.
19/20 19-129	CTR > Taxi Driver	Ongoing investigation.
19/20 19-130	CTR > Taxi Driver	Ongoing investigation.
19/20 19-131	CTR > Taxi Driver	Ongoing investigation.
19/20 19-134	CTR > Taxi Driver	Ongoing investigation.
19/20 19-135	CTR > Taxi Driver	Ongoing investigation.
19/20 19-136	CTR > Taxi Driver	Ongoing investigation.
19/20 19-137	CTR > Taxi Driver	Ongoing investigation.
19/20 19-138	CTR > Taxi Driver	Ongoing investigation.
19/20 19-139	CTR > Pension	LA Admin error – account updated.

4 Corporate Fraud Activity (Continued)

File Ref	Description	Status
19/20 19-140	Payroll > Creditors	Procurement irregularity identified. Reported to management with recommendations.
19/20 19-141	CTR > Pension	Fraud established. Account updated.
19/20 19-144	CTR > Pension	Ongoing Investigation.
19/20 19-147	Payroll > Creditors	Admin error identified. Procedures have been updated.
19/20 19-148	CTR > Pension	Passed to Finance for adjudication 17/9/19.
19/20 19-150	Payroll > Creditors	Procurement irregularity identified. Procedures have been updated.
19/20 19-151	HB/CTR > Pension	Passed to Finance for adjudication 12/9/19.
19/20 19-152	CTR > Pension	Passed to Finance for adjudication 12/9/19.
19/20 19-154	CTR > Pension	Passed to Finance for adjudication 3/9/19.
19/20 19-159	CTR > Pension	Fraud established. Account updated and reduction in weekly benefit.
19/20 19-160	CTR > Pension	Passed to Finance for adjudication 27/9/19.
19/20 19-161	CTR > Pension	Passed to Finance for adjudication 15/10/19.
19/20 19-162	CTR > Pension	Passed to Finance for adjudication 11/9/19.
19/20 19-169	Recheck SPD > Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-171	Recheck SPD > Payroll	Passed to Finance for adjudication 7/10/19.
19/20 19-172	Recheck SPD > Deferred Pension/ Payroll	Fraud established. Account updated and liable party rebilled.
19/20 19-192	CTR > Pension	Passed to Finance for adjudication 24/10/19.
19/20 19-194	Recheck SPD > Payroll/Insurance	Passed to Finance for adjudication 25/11/19.
19/20 19-198	Recheck Payroll > Creditors	Fraud established. Account updated and liable party rebilled.
19/20 19-200	Recheck SPD > DWP	Fraud established. No financial impact.
19/20 19-201	Recheck SPD > Other data sets	Fraud established. No financial impact.

4 Corporate Fraud Activity (Continued)

SPOC Liaison 30/9/19 – 29/11/19		
DWP Referrals	2 this period	32 to date
LAIEF requests actioned	8 this period	44 to date

4.4 Whistleblowing/Referrals		
Files closed/being investigated since the last Audit Committee are as follows:		
File Ref	Description	Status
19/20 19-118	External Fraud – Payroll	Report prepared for discussion with management.
19/20 19-199	Employee Fraud – timekeeping/duties irregularity	Ongoing investigation.

4.5 In addition, the status of other enquiries received between 30/9/19 and 29/11/19 is as follows:

Blue Badge Enquiries					
Number of Enquiries	Misuse Identified		No misuse	Ongoing	
20	17		0	3	
Council Tax Referrals (Whistleblower/Services)					
Number of Enquiries	Fraud Established	No Fraud	Referred to Finance	Referred to External Agency	Ongoing
2	0	0	0	0	2

5 Ad hoc activities undertaken since the previous Audit Committee

5.1 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.

5.2 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.
- Investigations as set out at sections 4.4 and 4.5 of the report.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 30 NOVEMBER 2019

Summary: Section 1 Summary of Management Actions due for completion by 30/11/19

There were 2 actions due for completion by 30 November and both actions have been reported as completed by management.

Section 2 Summary of Current Management Actions Plans at 30/11/19

At 30 December 2019 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 30/11/19

At 30 November 2019 there were 4 current audit action points.

Section 4 Analysis of Missed Deadlines

At 30 November 2019 there were no 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 30.11.19**

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	0	0		
Health and Social Care Partnership (HSCP)	2	2		
Education, Communities and Organisational Development	0	0		
Total	2	2		

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

Completed actions:

Action	Owner	Completion Date
HSCP Contract Management (July 2019)		
Adequacy of Contract Management Framework documentation (Amber) Management will finalise the draft guidance on the management of underperforming HSCP service providers. In turn, the final guidance will be: <ul style="list-style-type: none"> • submitted to the Health & Social Care Committee for approval; • included within the next update of the Contract Management Framework; and • communicated to all relevant officers. 	Service Manager (Quality and Development)	30.11.19
Adequacy of Contract Management Framework documentation (Amber) Management will review the monitoring indicators contained within the Contract Management Framework.	Service Manager (Quality and Development)	30.11.19

**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 30.11.19**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Environment, Regeneration and Resources	
Due for completion January 2020	1
Total Actions	1
HSCP	
Due for completion December 2019	1
Due for completion November 2020	1
Total Actions	2
Education, Communities and Organisational Development	
Due for completion June 2020	1
Total Actions	1
Total current actions:	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 30.11.19**

SECTION 3

Environment, Regeneration and Resources

Action	Owner	Expected Date
Waste Management (September 2019)		
<p>Adequacy of Contract Monitoring Procedures (Amber) Management will ensure that:</p> <ul style="list-style-type: none"> • the central spreadsheet is updated with new contract details and communicated to staff; • as part of the invoice authorisation process, a check of the contract price is carried out to ensure accuracy of the calculated income; • arrangements are put in place to recover the income owed to Inverclyde Council due to the incorrect pricing structure being applied in error; and • formal contractual agreements will be put in place regarding hard plastics and gully and street sweeping. 	Team Leader Environmental Services	31.01.20

HSCP

Action	Owner	Expected Date
Stock and Inventory Control (March 2019)		
<p>Adequacy of Stock Controls within Inverclyde Centre for Independent Living (Amber) Funding has been secured to procure a new stock control system which will be used for ICIL equipment. As an interim measure, managers have carried out a manual stock check and a year-end stock check will be carried out by end of March.</p>	Service Manager (Innovation and ICIL)	31.12.19
HSCP Contract Management (July 2019)		
<p>Adequacy of Contract Management Framework documentation (Amber) The finalised guidance will be formally reviewed for its effectiveness within a year of its being applied in practice.</p>	Service Manager (Quality and Development)	30.11.20

* 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 30.11.19**

SECTION 3

Education, Communities and Organisational Development

Action	Owner	Expected Date
HR Safe Recruitment Checks (November 2019)		
<p>Monitoring the timeliness of processing of HR safe recruitment checks (Amber) HR management will review these issues as part of the work being undertaken in respect of Good Work Plan legislation along with the internal review/short life work group involving HR and Home Care. This work will be balanced with examining available national benchmarking data in order to identify whether Inverclyde is in line with average timescales and subject to available resources within HR.</p>	HR and OD Manager	30.06.20

* 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
There are no current actions where the original action plan date has been missed.				

**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 30 November 2019.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2013/2014	116	116	0	0	0
2014/2015	77	77	0	0	0
2015/2016	52	52	0	0	0
2016/2017	66	66	0	0	0
2017/2018	53	47	0	0	6
2018/2019	45	31	0	0	14
2019/2020	12	3	0	4	5
Total	421	392	0	4	25

*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.