

A meeting of the Audit Committee will be held on Tuesday 19 October 2021 at 3pm.

Members may attend the meeting in person or via remote online access. Webex joining details will be sent to Members and Officers prior to the meeting. Members are requested to notify Committee Services by 12 noon on Monday 18 October how they intend to access the meeting.

In the event of connectivity issues, Members are asked to use the *join by phone* number in the Webex invitation.

Information relating to the recording of meetings can be found at the end of this notice.

ANNE SINCLAIR
Interim Head of Legal Services

BUSINESS

1. Apologies, Substitutions and Declarations of Interest	Page
PERFORMANCE MANAGEMENT	
2. Internal Audit Progress Report 4 April to 24 September 2021 Report by Interim Service Director Corporate Services and Organisational Recovery	P
3. External Audit Plans – Current Actions Report by Interim Service Director Corporate Services and Organisational Recovery	P
NEW BUSINESS	
4. Internal Audit Annual Report and Assurance Statement 2020/21 Report by Interim Service Director Corporate Services and Organisational Recovery	P
5. Annual Review of Risk Management Activity 2020/21 Report by Interim Service Director Corporate Services and Organisational Recovery	P

The reports are available publicly on the Council's website and the minute of the meeting will be submitted to the next standing meeting of the Inverclyde Council. The agenda for the meeting of the Inverclyde Council will be available publicly on the Council's website.

Please note that the meeting will be recorded for publishing on the Council's website. The Council is a Data Controller under UK GDPR and the Data Protection Act 2018 and data collected during any

recording will be retained in accordance with the Council's Data Protection Policy, including, but not limited to, for the purpose of keeping historical records and making those records available.

By entering the online recording or attending the chambers in person, please acknowledge that you may be filmed and that any information pertaining to you contained in the video and oral recording of the meeting will be used for the purpose of making the recording available to the public.

Enquiries to - **Lindsay Carrick** - Tel 01475 712114

Report To: Audit Committee **Date:** 19.10.2021
Report By: Interim Service Director **Report No:** AC/05/21/AP/APr
 Corporate Services and
 Organisational Recovery
Contact Officer: Andi Priestman **Contact No:** 01475 712251

Subject: INTERNAL AUDIT PROGRESS REPORT – 4 APRIL TO 24 SEPTEMBER 2021

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 24 September 2021 is attached as an Appendix Appendix 1 to this report since its content is essential to the understanding of the Council's control environment.

2.0 SUMMARY

- 2.1 There were 3 internal audit reports finalised since the last Audit Committee meeting in April 2021:
- Cash and Banking (2020/21)
 - Homelessness (2020/21)
 - Taxi Licensing (2020/21)

- 2.2 These reports contained 11 issues categorised as follows:

Red	Amber	Green
0	3	8

- 2.3 The 2020/21 plan is complete.
- 2.4 The fieldwork for the 2021/22 is underway and the status is as follows:

Stage	Number of Reports
Final Report	0
Draft Report	0
Fieldwork Complete	0
Fieldwork in Progress	6
Planning	0
Not started	7
Total	13

2.5 There were 2 actions with an interim update due for completion by 31 August 2021 which has been provided by management. A further update will be provided on both actions to the January Audit Committee. The current status report is attached at 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 24 September 2021.

Alan Puckrin
Interim Service Director
Corporate Services and Organisational Recovery

4.0 BACKGROUND

- 4.1 In February 2020 and February 2021, the Audit Committee approved the Internal Audit Annual Plans which detailed a programme of activity to be undertaken during 2020-21 and 2021-22.
- 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 were 3 internal audit reports finalised since the last Audit Committee meeting in April 2021:
- Cash and Banking (2020/21)
 - Homelessness (2020/21)
 - Taxi Licensing (2020/21)

5.2 The 2020/21 Internal Audit plan is complete.

5.3 The fieldwork for the 2021/22 plan is underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	0
Draft Report	0
Fieldwork Complete	0
Fieldwork in Progress	6
Planning	0
Not started	7
Total	13

- 5.4 There were 2 actions with an interim update due for completion by 31 August 2021 which has been provided by management. A further update will be provided on both actions to the January Audit Committee. The current status report is attached at Appendix 2.
- 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 24 September 2021**

Section	Contents	Page
1	Audit work undertaken in the period	1-2
2	Summary of main findings from reports issued since previous Audit Committee	2-5
3	Audit Plan for 2021-2022 – progress to 24 September 2021	6
4	Corporate Fraud Activity	7-8
5	Ad hoc activities undertaken since the previous Audit Committee	9

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 were 3 audit reviews finalised since the April 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 review.

Reports finalised since previous Audit Committee	Grading			Total Number of Issues
	Red	Amber	Green	
Cash and Banking	0	0	3	3
Homelessness	0	2	2	4
Taxi Licensing	0	1	3	4
Total	0	3	8	11

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 1 April 2021.

Cash and Banking

- 2.2 All Council income is processed through a computerised cash receipting system. Both the Cash and Banking staff and the Customer Service staff process income payments for a range of Council Services such as Council Tax, Domestic and Non-Domestic rates, debtor invoices and taxi licences which can be received via direct debits, bank credits, cheques via post or cash over the counter at the Customer Service Centre.
- 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 cash and banking.
- 2.4 The review focused on the high level processes and procedures in relation to cash and banking and concentrated on identified areas of perceived higher risk, such as ensuring income transactions are valid and accurately recorded and processed correctly in a timely manner and that income reconciliations are completely and accurately performed on a daily basis. At the time of fieldwork, due to lockdown restrictions, cash on site was at a minimum, therefore we excluded face to face cash transactions from the review.
- 2.5 The overall control environment opinion for this audit review was **Strong**. There were 3 Green issues identified which if implemented would enhance the control environment.
- 2.6 The review identified 3 issues, none of which we consider to be individually significant and an action plan is in place to address all issues by 30 September 2021.

Homelessness

- 2.7 The HSCP's Homelessness Service supports Inverclyde residents who have become homeless or are concerned that they may become homeless within the near future. Core aims of the service include trying to prevent homelessness from occurring and assessing service users housing needs. The service also provides eligible service users with temporary accommodation and housing related support work.

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

Homelessness (Continued)

- 2.8 Temporary accommodation comprises of flats within the Inverclyde Centre and properties which are leased from local Registered Social Landlords (RSLs). This accommodation is used before resettling service users within permanent accommodation, which is usually sourced from RSLs. During 2020/21 the service was operationally and financially impacted by the Covid-19 pandemic. Net expenditure on Homelessness Services of approximately £1.1m was supplemented by pandemic related expenditure of £712,000. The service required additional temporary furnished flats and also had to make use of Bed & Breakfast accommodation.
- 2.9 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 the Homelessness Service.
- 2.10 The review focused on the high level processes and procedures in relation to the Homelessness Service and concentrated on identified areas of perceived higher risk, such as not securing appropriate accommodation for all service users whenever they present as homeless and not effectively managing the rental income and expenditure which is incurred when providing service users with temporary accommodation. Where appropriate and to the extent possible, we excluded those aspect of the Homelessness Service which are reviewed by the Care Inspectorate and Scottish Housing Regulator. In addition, due to Covid-19 restrictions we did not review specific cases but instead concentrated on management's policies and procedures for controlling or mitigating identified risks. We have placed reliance on the work undertaken by the Care Inspectorate and Scottish Housing Regulator.
- 2.11 The overall control environment opinion for this audit review was **Satisfactory**. There were 2 AMBER issues identified as follows:

Adequacy of Homelessness Policies & Procedures (AMBER)

Staff within the Homelessness Service use a number of policies, procedures and standard forms when providing housing support and temporary accommodation. However, through discussions with Homelessness and HSCP Accountancy staff we have identified some gaps in the rent management policy and procedures documentation which require to be updated.

In addition, we understand that procedures are not yet finalised for a number of key tasks.

Also, through our review of a sample of Homelessness procedures we found that version control has not been consistently or fully applied.

Whenever gaps exist in operational procedures there is a risk that tasks are not completely and accurately performed in a consistent manner, particularly where there is an absence of key staff. Staff may not use approved procedures whenever those procedures have not been fully version controlled.

Compliance with Records Retention & Disposal Policy Requirements (AMBER)

When providing eligible service users with housing support and temporary accommodation, Homelessness staff gather details of applicant's household composition and the circumstances which triggered their application. Staff used paper based case files up until an electronic records management system became operational during April 2021. According to the Council's records management policy these paper records are meant to be disposed of five years after the last action has occurred.

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

Homelessness (Continued)

However, we understand that due to staff changes and other operational priorities a considerable backlog of hard copy files are awaiting disposal.

Prescribed retention periods will be breached when information supplied by homeless service users is retained for longer than necessary.

- 2.12 The review identified 4 issues, 2 of which we consider to be individually significant and an action plan is in place to address all issues identified by 30 June 2022.

Taxi Licensing

- 2.13 The Licensing section is responsible for the administration of a large number of licences and permits under the Civic Government (Scotland) Act 1982 (as amended). Inverclyde Council is responsible for issuing taxi driver vehicle and operator licences for the Inverclyde area.

The Council must ensure that it uses the licensing powers available to ensure that drivers have been sufficiently vetted before the issuance of a licence, that licences are issued accurately and completely and in a timely manner in order to deliver an efficient and effective service to customers. Currently there are 290 taxi and private hire care operator licences and 565 tax driver licences in operation.

- 2.14 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 in relation to Taxi Licensing.
- 2.15 The review focused on the high level processes and procedures in relation to taxi licensing and concentrated on identified areas of perceived higher risk, such as the complete and accurate processing of taxi licensing applications and ensuring that taxi licenses are issued in accordance with the procedures required by statute or delegated powers.
- 2.16 The overall control environment opinion for this audit review was **Satisfactory**. There was one AMBER issue identified as follows:

Adequacy of Address Checks on Licensing Renewal Applications (AMBER)

As part of the taxi licensing process, the Licensing team carry out a number of checks on each new application form, including checking that the address on the new application matches the address on the applicant's driver's licence. Where the address on the licence does not match the application form, the Licensing staff contact the applicant to prompt the applicant to update the driver's licence to their current address and provide a copy of the new updated driver's licence once this has been actioned.

However, through walkthrough it was identified that where an application for a renewal is received and the address entered on the application form for a renewal does not match the information already stored on the licensing database for that applicant, the Licensing staff do not carry out any further checks on the address of the applicant.

Where the address on a renewal application does not match the address held on the database there is a risk that this information may be fraudulent where adequate checks are not undertake to verify the information provided.

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

Taxi Licensing (Continued)

- 2.17 The review identified 4 issues, one of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2022.

3 Audit Plan for 2021/2022 – Progress to 24 September 2021

Planned Audit Coverage	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
Learning Disabilities Service – Transitioning to Adult Services		✓	✓	✓				
Trading Standards	✓							
Registration Process – Births, Deaths and Marriages		✓	✓	✓				
Self-Directed Support	✓							
Residential Care – Childrens’ Services	✓							
Limited Scope Financial Reviews								
Insurance		✓	✓	✓				
Project Assurance Reviews								
Greenock Ocean Terminal (b/f from 2020-21)	✓							
Devolved School Management		✓	✓	✓				
Corporate Fraud Reviews								
Employee Expenses – Quarterly Checks	Fieldwork not started.							
Client Accounts – Quarterly Checks	Fieldwork not started.							
Catering – Quarterly Stock Checks	Fieldwork underway.							
Regularity Audits								
Education CSA	✓							
Corporate Purchase Cards – Quarterly Checks	Fieldwork underway.							
Corporate Governance								
Annual Governance Statement 2020-21	Complete - Input provided by CIA.							
Other Work								
Council Tax Reduction Scheme/Discounts/Exemptions	Checks are carried out to establish the validity of discounts and exemptions – see section 4							
National Fraud Initiative	Work underway on the 20/21 Exercise. An update will be provided to the October 2021 meeting.							
SPOC Liaison with DWP	Ongoing – see paragraph 4 for detailed activity.							
Covid-19 - Recovery Process – Advice and Assurance	Ongoing – support provided by CIA.							
Inverclyde IJB	40 days allocated to IJB audit plan. Two audits have been planned. One audit is complete.							

4 Corporate Fraud Activity

4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 4 April to 24 September 2021:

National Fraud Initiative Exercise					
In relation to the 2020/2021 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					
45	43	40	1	2	£3736.81
Blue Badge					
373	372	191	0	181	N/A
Council Tax Reduction Scheme					
659	632	632	0	0	£0
Procurement					
46	46	46	0	0	£0
Payroll					
49	2	2	0	0	£0
Creditors					
1117	694	694	0	0	£0
VAT					
69	69	69	0	0	£0
Small Business Bonus Scheme					
45	28	28	0	0	£0
TOTALS					
2403	1886	1702	1	183	£3736.81
The recheck exercise was refreshed in May 2021 resulting in 5301 matches being received and these are now being progressed by officers.					
Matches received	Number Investigated	No issues	Fraud	Error	Value of Fraud/Error
5301	994	994	0	0	£0
Employee Expenses Quarterly Checks – 2021-2022					
A new Travel and Subsistence policy was approved in September 2019. Checks to ensure ongoing compliance with the policy will be undertaken from Q3 2021.					
Corporate Purchase Cards Quarterly Checks – 2021-2022					
Quarterly checks are underway. No significant issues have arisen to date.					
Client Money Accounts Quarterly Checks – 2021-2022					
The new policy was introduced in May 2020. Checks to ensure ongoing compliance with the policy will be undertaken from Q3 2021.					
Catering – Quarterly Stock Checks – 2021-2022					
Stock checks are now underway. No significant issues have arisen.					

4 Corporate Fraud Activity (Continued)

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

NFI Enquiries					
Number of Enquiries	Fraud Established	No Fraud	Referred to Finance	Referred to External Agency	Ongoing
46	0	11	25	1	9

4.3 SPOC Liaison 4 April to 24 September 2021

DWP Referrals	2 this period	2 to date
LAIEF requests actioned	3 this period	3 to date

4.4 Whistleblowing/Other Referrals

Files closed/being investigated since the last Audit Committee are as follows:

File Ref	Description	Status
21-47	Allegation that an organisation had received multiple COVID-19 business grant payments.	Investigation complete. Fully investigated and no fraud identified.
21-48	Allegation that 2 organisations have claimed and received business grant payments for the same property.	Investigation complete. Insufficient information provided to fully investigate the allegation.
21-57	Allegation of fraudulent business grant payments.	Investigation complete. Fully investigated and no fraud identified.

4.5 In addition, the status of other enquiries received between 4 April and 24 September 2021 is as follows:

Blue Badge Enquiries					
Number of Enquiries	Misuse Identified	No misuse	Ongoing		
42	38	2	2		
Council Tax Referrals (Whistleblower/Services)					
Number of Enquiries	Fraud Established	No Fraud	Referred to Finance	Referred to External Agency	Ongoing
17	3	10	2	2	0
Other Enquiries (Services)					
Number of Enquiries	Fraud	No Fraud	Ongoing		
7	0	4	3		

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 4.2 to 4.5 of the report.
 - Provision of ongoing advice and support to service processes impacted by the pandemic and input through CRMT on cyber security and anti-fraud alerts for employees and wider community as appropriate.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 31 AUGUST 2021

Summary: Section 1 Summary of Management Actions due for completion by 31/08/2021

There were 2 actions with an interim update due for completion by 31 August 2021 which has been provided by management. A further update will be provided on both actions to the January Audit Committee.

Section 2 Summary of Current Management Actions Plans at 31/08/2021

At 31 August 2021 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/08/2021

At 31 August 2021 there were 8 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 August 2021 there were 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 31.08.2021**

SECTION 2

Directorate	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*
Health and Social Care Partnership (HSCP)	0			
Education, Communities and Organisational Development	2		2	
Environment, Regeneration & Resources	0			
Total	2		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 31.08.2021**

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

HSCP	
Due for completion November 2021	1
Due for completion March 2022	2
Total Actions	3
Education, Communities and Organisational Development	
Due for completion November 2021	2
Total Actions	2
Environment, Regeneration and Resources	
Due for completion October 2021	1
Due for completion November 2021	1
Due for completion March 2022	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 31.08.2021**

SECTION 3

HSCP

Action	Owner	Expected Date
Refugee Integration Scheme (August 2020)		
Adequacy of information governance and management arrangements (Amber) Management will: <ul style="list-style-type: none"> • develop appropriate data sharing protocols with the Council services and external organisations which the Refugee Integration Team deals with; and • develop a data retention plan for the personal information held by the Refugee Integration Team. 	Service Manager (Children & Families & New Scots Service)	30.11.2021*
Homelessness (August 2021)		
Adequacy of policies and procedures (Amber) Management will: <ul style="list-style-type: none"> • Update the rent management policy and procedures and obtain CMT and committee approval as appropriate; • review the arrangements for implementation and reporting of the Rent Management Policy; • set a date to finalise its review of Homelessness assessment, housing support and case handling procedures; and • ensure that version control is consistently and fully applied to all Homelessness policies and procedures. 	Service Manager (Homelessness and Addictions)	31.03.2022
Compliance with Records Retention and Disposal Policy (Amber) Management will develop a formal plan to organise the annual disposal of homelessness case files which have reached the prescribed retention period, including records which are held electronically.	Service Manager (Homelessness and Addictions)	31.03.2022

Education, Communities and Organisational Development

Action	Owner	Expected Date
Education Control Self-Assessment (January 2020)		
Inefficient Use of ICT Systems (Amber) Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.	Head of Education	Further update to be provide 30.11.2021*
Staff will be given corporate e-mail address access and use of corporate printers.	Head of Education	Further update to be provide 30.11.2021*

* 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 31.08.2021**

SECTION 3

Environment Regeneration and Resources

Action	Owner	Expected Date
Corporate Procurement – Off Contract Spend (October 2020)		
Monitoring and minimising off-contract spend (Amber)		
Management will:		
<ul style="list-style-type: none"> • seek to agree with the Corporate Management Team a course of action for managing and regularly reporting on off-contract spend which exceeds the threshold for tendering goods and services, namely £25,000; and 	Procurement and Building Services Manager	31.12.2021*
<ul style="list-style-type: none"> • examine the extent to which some of the above actions can be automated and also assess the costs and benefits of producing this information. This exercise will include reviewing the role of Designated Procurement Officers in respect of these issues. 	Procurement and Building Services Manager	31.03.2022*
Taxi Licensing (September 2021)		
Adequacy of Address Checks on Licensing Renewals (Amber)		
<ul style="list-style-type: none"> • Licensing staff carry out other checks on the address of each taxi driver licence applicant at renewal stage in circumstances where their address does not match the information held on the database to verify that the applicant is currently residing at the address completed on the application form. A field will be added to the application form asking them to tick (with guidance note) if they have moved address, and if so, we will ask for verification of the up to date address. • any suspicions of fraud will be referred to the Corporate Fraud Team for investigation. 	Interim Head of Legal Services	31.10.2021

* 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
Education CSA (January 2020)	Inefficient Use of ICT Systems (Amber) Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.	14.08.20	30.11.21	<p>The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19. A revised schedule will be discussed and implemented with ICT which is dependent on Education and ICT having capacity to carry out individual audits of needs in each establishment. This requires full access to the buildings and the current Covid situation is making this more difficult to carry out.</p> <p>As part of the new Education Services digital strategy which will go to Education Committee in November, alongside the changes that ICT propose in the wider council digital strategy, Education Services will investigate moving away from the current networks to an alternate cloud based approach. Storage of sensitive or more confidential information would hopefully be able to be moved to a secure cloud based approach. A secure application called Objective Connect is what is being investigated. This is currently used by HSCP for document storage.</p> <p>A further update will be provided to the January Audit Committee.</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
Education CSA (January 2020)	Staff will be given corporate e-mail address access and use of corporate printers.	14.08.20	30.11.21	<p>The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19. A revised schedule will be discussed and implemented with ICT which is dependent on Education and ICT having capacity to carry out individual audits of needs in each establishment. This requires full access to the buildings and the current Covid situation is making this more difficult to carry out.</p> <p>As part of the new Education Services digital strategy which will go to Education Committee in November, alongside the changes that ICT propose in the wider council digital strategy, Education Services will investigate moving away from the current networks to an alternate cloud based approach. Storage of sensitive or more confidential information would hopefully be able to be moved to a secure cloud based approach. A secure application called Objective Connect is what is being investigated. This is currently used by HSCP for document storage.</p> <p>A further update will be provided to the January Audit Committee.</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
Refugee Integration Scheme (August 2020)	<p>Adequacy of information governance and management arrangements (Amber) Management will:</p> <ul style="list-style-type: none"> • develop appropriate data sharing protocols with the Council services and external organisations which the Refugee Integration Team deals with; and • develop a data retention plan for the personal information held by the Refugee Integration Team. 	<p>31.10.20 31.01.21 30.06.21</p>	30.11.21	<p>Work is ongoing with Information Governance team to establish relevant protocols and data retention plan for the Refugee Integration Scheme. Progress has been hampered due to a combination of a rise in new cases, staff absence, staff changes and vacancies and the disruption caused by Covid-19. The team will also be leading on the resettlement of new Afghan refugee families which is the current priority for the team.</p>
Corporate Procurement – Off Contract Spend (October 2020)	<p>Monitoring and minimising off-contract spend (Amber) Management will:</p> <ul style="list-style-type: none"> • seek to agree with the Corporate Management Team a course of action for managing and regularly reporting on off-contract spend which exceeds the threshold for tendering goods and services, namely £25,000; and • examine the extent to which some of the above actions can be automated and also assess the costs and benefits of producing this information. This exercise will include reviewing the role of Designated Procurement Officers in respect of these issues. 	<p>30.09.21</p> <p>30.09.21</p>	<p>31.12.21</p> <p>31.03.22</p>	<p>Good progress has been made to progress the action plan as the following actions are now complete:</p> <ul style="list-style-type: none"> • introduce six monthly expenditure to contracts data matching exercises in order to identify off-contract spend; • produce and review management information regarding expenditure which has never been tendered for and exceeds the regulated threshold of £50,000; and • produce and review management information regarding expenditure which continues to be incurred under expired contracts. <p>New dates have been set for the completion of the final steps of the agreed action plan.</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 2021.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2014/2015	77	77	0	0	0
2015/2016	52	52	0	0	0
2016/2017	66	66	0	0	0
2017/2018	53	49	0	0	4
2018/2019	45	40	0	0	5
2019/2020	43	37	0	3	3
2020/2021	28	16	0	5	7
Total	364	337	0	8	19

*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.

Report To:	Audit Committee	Date:	19.10.2021
Report By:	Interim Service Director Corporate Services and Organisational Recovery	Report No:	AC/06/21/AP/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	EXTERNAL AUDIT ACTION PLANS - CURRENT ACTIONS		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise members of the status of current actions from External Audit Action Plans at 31 August 2021.

2.0 SUMMARY

- 2.1 The Chief Internal Auditor co-ordinates follow up reporting on current actions arising from External Audit Action Plans on a monthly basis with regular reporting to CMT and the Audit Committee.
- 2.2 There was one action due for completion since the last update which was not fully completed due to the departure of a key member of staff and priority being focussed on producing an accurate set of accounts. In addition, work to review the local development plan has been undertaken but due to a number of external factors the expected date of 30 September will not be met. This will be clarified in the Annual Report to Members which is expected by the end of October.
- 2.3 There are 2 current external audit actions being progressed by officers as detailed in appendix 1. External Audit will follow up on previous actions as part of their 2020/21 annual audit.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that members note the progress to date in relation to the implementation of external audit actions.

Alan Puckrin
Interim Service Director Corporate Services and Organisational Recovery

4.0 BACKGROUND

- 4.1 External Audit regularly report findings and action plans to relevant Council Officers and the Audit Committee as part of their annual audit plan.
- 4.2 A follow up process is in place to allow follow up of current external 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 STATUS

- 5.1 There was one action due for completion since the last update which was not fully completed due to the departure of a key member of staff and priority being focussed on producing an accurate set of accounts. In addition, work to review the local development plan has been undertaken but due to a number of external factors the expected date of 30 September will not be met. This will be clarified in the Annual Report to Members which is expected by the end of October.
- 5.2 There are 2 current external audit actions being progressed by officers. External Audit will follow up on previous actions as part of their 2020/21 annual audit.
- 5.3 The CMT has reviewed and agreed the current status of actions.

6.0 IMPLICATIONS

6.1 Finance

There are no direct financial implications arising from this report.

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					

6.2 Legal

There are no direct legal implications arising from this report.

6.3 Human Resources

There are no direct HR implications arising from this report.

6.4 Equalities

There are no direct equalities implications arising from this report.

6.5 Repopulation

There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

- 7.1 Relevant Officers were asked to provide updates to the report as appropriate.

8.0 LIST OF BACKGROUND PAPERS

8.1 External Audit reports. Copies available from Andi Priestman, Chief Internal Auditor.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
AT 31 AUGUST 2021

Summary: Section 1 Summary of Management Actions due for completion by 31/08/2021

There was one action due for completion by 31 August 2021 which was not fully completed by the agreed deadline.

In addition, there is one action due for completion by 30 September which management have advised will not be fully met due to a number of external factors.

Section 2 Summary of Current Management Actions Plans at 31/08/2021

At 31 August 2021 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/08/2021

At 31 August 2021 there were 2 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 August 2021 there were 2 audit action points where the agreed deadline has been missed.

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.08.2021

SECTION 1

Area	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*	No action proposed
Chief Executive	0				
Environment, Regeneration and Resources	2		1	1	
Health and Social Care Partnership (HSCP)	0				
Education, Communities and Organisational Development	0				
Total	2		1	1	

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

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 31.08.2021

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

Environment, Regeneration and Resources	
Due for completion March 2022	1
Completion date to be advised	1
Total Actions	2
Total current actions:	2

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
CURRENT MANAGEMENT ACTIONS AS AT 31.08.2021**

SECTION 3

Environment, Regeneration and Resources

Action	Owner	Expected Date
2019/2020 Annual Audit Report (October 2020)		
Management commentary The 2020/21 Management Commentary will reflect best practice including the presentation of performance against budget.	Chief Financial Officer	31.03.2022*
Local Development Plan A full review of the Council's Local Development Plan is being undertaken and will be submitted for examination by Autumn 2021.	Head of Regeneration and Planning	To be advised*

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
2019/2020 Annual Audit Report (October 2020)	Management commentary The 2020/21 Management Commentary will reflect best practice including the presentation of performance against budget.	31.03.21	31.03.22	Due to the departure of a key member of Finance staff at the year end, not all of the required changes were made as the priority focus was to produce an accurate set of accounts. Any further changes identified as part of the External Audit of the 2020-21 accounts will be actioned.
2019/2020 Annual Audit Report (October 2020)	Local Development Plan A full review of the Council's Local Development Plan is being undertaken and will be submitted for examination by Autumn 2021.	30.09.21	To be advised	The work has been undertaken but due to a number of external factors the expected date of 30 September will not be met. This will be clarified in the Annual Report to Members which is expected by the end of October.

Report To:	Audit Committee	Date:	19.10.2021
Report By:	Interim Service Director Corporate Services and Organisational Recovery	Report No:	AC/07/21/AP/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2020/2021		

1.0 PURPOSE

- 1.1 The purpose of this report is to present the Internal Audit Annual Report and Assurance Statement for 2020/2021, which forms part of the Council's Annual Governance Statement.

2.0 SUMMARY

- 2.1 The Internal Audit Annual Report 2020/2021 is attached as an Appendix to this report for consideration by Committee. The report concludes that the majority of Inverclyde Council's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit. The overall audit opinion is **Satisfactory**. Appendix 1
- 2.2 It is also highlighted that, based on the results of the ongoing audit follow up process during 2020/2021, management has continued to make good progress in implementing agreed action plans arising from Internal Audit reviews.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Audit Committee review and approve the Internal Audit Annual Report and Assurance Statement.

Alan Puckrin
Interim Service Director
Corporate Services and Organisational Recovery

4.0 BACKGROUND

4.1 Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the Section 95 Officer to support the Annual Governance Statement. This report should present an opinion as to the overall adequacy and effectiveness of the organisation's internal control environment.

4.2 The report should also:

- Disclose any qualifications to that opinion, together with reasons for the qualification;
- Present a summary of the audit work undertaken to formulate the opinion including reliance placed on the work by other assurance bodies;
- Draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the statement on internal control; and
- Compare the work undertaken with work planned.

4.3 The Accounting Code of Practice ("ACOP") requires that the Section 95 Officer produces a signed Annual Governance Statement as part of the Council's Annual Report. This report is subject to External Audit scrutiny as part of the year-end audit process.

5.0 CURRENT POSITION

5.1 The Internal Audit Annual Report 2020/2021 is attached as an Appendix to this report for consideration by Committee. The report concludes that the majority of Inverclyde Council's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit. The overall audit opinion is **Satisfactory**.

5.2 It is also highlighted that, based on the results of the ongoing audit follow up process during 2020/2021, management has continued to make good progress in implementing agreed action plans arising from Internal Audit reviews.

6.0 IMPLICATIONS

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 Not applicable. This report summarises the work carried out during 2020-2021 which have been included in separate progress reports to Audit Committee.

8.0 LIST OF BACKGROUND PAPERS

8.1 Internal Audit Progress Reports to Audit Committee in October 2020, and January and February 2021.



Internal Audit Annual Report and Assurance Statement 2020/2021

24 September 2021

CONTENTS	Page
SECTION 1 – INTRODUCTION	1
SECTION 2 – ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE	2
SECTION 3 – INTERNAL AUDIT WORK CONDUCTED	2-5
SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE	6-8

SECTION 1 – INTRODUCTION

Purpose of this report

- 1.1 Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the organisation to inform the Annual Governance Statement. This report constitutes the required statement. As required by PSIAS, this report presents the opinion of the overall adequacy and effectiveness of Inverclyde Council's risk management, control and governance processes based on the work Internal Audit has performed. The scope of internal audit work, the responsibilities of Internal Audit, and the assurance given on the adequacy and effectiveness of the Internal Control System of Inverclyde Council are explained further in Section 4 of this report.

Main objectives of Inverclyde Council's Internal Audit Team

- 1.2 Internal Audit is an assurance function that primarily provides an independent, objective opinion to the Council on the control environment. The overall objective of Internal Audit is to review, appraise and report on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. A secondary objective is to advise management on improvements in internal control systems.

Scope of Inverclyde Council's Internal Audit Team

- 1.3 The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to records and assets deemed necessary by auditors in the course of an audit.

Acknowledgements

- 1.4 The assistance provided by Council staff in the course of the work undertaken by Internal Audit during 2020/2021 is gratefully acknowledged.

SECTION 2 – ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE

Scope

- 2.1 The work undertaken by Internal Audit in 2020/2021 is summarised in Section 3 of this Report.
- 2.2 The overall assessment arising from work undertaken is summarised in paragraphs 2.3 to 2.4 below. In interpreting this assessment, consideration needs to be given to the respective responsibilities of Management and Internal Audit and the related limitations on the assurance that Internal Audit can provide (as explained in Section 4).

Overall assessment

On the basis of Internal Audit work carried out in 2020/2021, the majority of Inverclyde Council's established internal control procedures appeared to operate as intended to meet Management's requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that a number of recommendations were made by Internal Audit to improve controls. The overall opinion is **Satisfactory**.

COVID-19

The significant incident in late March 2020 and the Council's responses as a Category 1 responder during the COVID-19 pandemic tested how well the Council's risk management, governance and internal controls framework has operated during the period. There were examples of innovations, new business processes and solutions, and new technology being embraced in order to deliver services to the community in its role as a Category 1 responder to carry out the following three essential functions: Caring for the Vulnerable; Liaising with Resilience Partners; and Supporting Economic Recovery. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings, conference calls and secure remote access to systems for employees and Elected Members working from home.

Regular reports were presented to Policy & Resources Exec Sub Committee which provided an update in relation to actions and decisions taken under the revised governance arrangements put in place following the Government lockdown on 24 March 2020 and regular COVID-19 Update reports were provided to Policy & Resources Committee throughout the remainder of 2020/21.

All members of the Council's Corporate Management Team and key stakeholders participated in a variety of Local Authority specific Covid-19/Business Continuity response groups supported by the Civil Contingencies Service. A comprehensive Covid-19 Risk Register was developed covering all aspects of service delivery affected by the pandemic which has been maintained on a regular basis.

With significant disruption to how services were delivered and are likely to continue in the medium term, the Council has developed organisational and partnership recovery plans to ensure the Council can continue to meet requirements and achieve the strategic priorities set out in the Corporate Plan. This planning activity considered the reflective learning from the first phase of responding to the pandemic and ongoing engagement with key stakeholders in planning future service provision.

A detailed decision log has been maintained and scrutinised by senior management throughout 2020/21, including approval requirements of any decisions with financial implications for the Council.

Other matters

- 2.3 Summaries of the issues arising in relation to each system or activity covered by Internal Audit work in 2020/2021 have been reported separately to the Audit Committee. Appropriate responses to the recommendations made in internal audit reports have been obtained. When actioned, the recommendations made in the Internal Audit reports should provide management with additional comfort that the system of control operates as intended. It is therefore imperative that the agreed actions are implemented by management.
- 2.4 A monthly follow up process is in place and continues to operate effectively. All actions arising from internal and external audit reviews are captured within a follow up database and are subject to follow up and validation by the CMT and the Chief Internal Auditor on a regular basis, with reporting on progress to the Audit Committee.

SECTION 3 – INTERNAL AUDIT WORK CONDUCTED

Internal audit approach

- 3.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed Internal Audit annual audit plan.

Progress on the 2020/2021 internal audit plan

- 3.2 The Annual Internal Audit Operational Plan 2020/2021 was discussed and agreed with the Audit Committee on 25 February 2020.
- 3.3 Progress against planned audit work for the year to 31 March 2021 can be summarised as follows:-

Planned audit coverage	Status
Risk Based Reviews	
Homelessness	Completed
Corporate Procurement – Off Contract Spend	Completed
Taxi Licensing	Completed
Overtime	Completed
Garden Waste Permits	Completed
IR35 – Off Payroll Regulations	Completed
Limited Scope Finance Reviews	
Creditors	Completed
Cash and Banking	Completed
Project Post-Implementation Reviews	
Alcohol and Drug Redesign	C/f to future audit plan
Parent Pay	Completed
Project Assurance Reviews	
Greenock Ocean Terminal	C/f to 21/22 audit plan
CLD – 3 year plan	C/f to future audit plan
Regularity Audits	
Employee Expenses – Quarterly Checks	Continuous auditing
Corporate Purchase Cards – Quarterly Checks	Continuous auditing
Client Accounts – Quarterly Checks	Continuous auditing

SECTION 3 – INTERNAL AUDIT WORK CONDUCTED (CONTINUED)

Progress on the 2020/2021 internal audit plan (Continued)

Other Work	
National Fraud Initiative 2020-21	A number of Matches have been received during 2021. These will be progressed during 2021/22.
IJB Audit Plan 2020-21	Completed – reported to IJB Audit Committee
COVID-19 Assurance Reviews	Advice and support was provided to Services in relation to the Strategic Business Framework in terms of control design and sample checking of applications processed over the course of 2020/21 did not identify any significant issues.
B/f 2019/20 Audit Plan Reviews	Fieldwork completed and final reports issued for IR35 Off Payroll Working, Refugee Integration Scheme and Sundry Debtors during 2020/21.

3.4 The total number of issues raised is set out in the following table:

Report	Red	Amber	Green	Overall Grading
2020/21 Audit Plan				
Corporate Procurement – Off Contract Spend	0	2	2	Satisfactory
Garden Waste Permits	0	1	4	Satisfactory
Creditors	0	1	1	Satisfactory
Parent Pay – Project Post Implementation Review	0	1	2	Satisfactory
Cash and Banking	0	0	3	Strong
Homelessness	0	2	2	Satisfactory
Taxi Licensing	0	1	3	Satisfactory
2019/20 Audit Plan				
Refugee Integration Scheme	0	6	0	Satisfactory
Sundry Debtors	0	0	8	Satisfactory
IR35 Off Payroll Regulations	0	0	2	Satisfactory
Total	0	14	27	

Progress on Implementation of Action Plans

3.5 A number of action plans were agreed in relation to the reports generated for the 2020/2021 annual audit plan. The following table sets out the total number of actions agreed for each report issued and the status of completion at 31 August as follows:

SECTION 3 – INTERNAL AUDIT WORK CONDUCTED (CONTINUED)

Progress on Implementation of Action Plans (Continued)

Report	No of Actions Agreed	No of Actions Complete at 31/8/21	No of Actions Revised at 31/8/21	No of Actions Not Due at 31/8/21
2020/21 Audit Plan				
Corporate Procurement – Off Contract Spend	7	2	3	2
Garden Waste Permits	3	3	0	0
Creditors	4	2	0	2
Parent Pay – Project Post Implementation Review	3	3	0	0
Cash and Banking	3	2	1	0
Homelessness	4	0	0	4
Taxi Licensing	9	0	0	9
2019/20 Audit Plan				
IR35 - Off Payroll Regulations	2	2	0	0
Refugee Integration Scheme	6	2	4	0
Sundry Debtors	9	9	0	0
Total	50	25	8	17

- 3.6 It is encouraging to note that of the 50 agreed actions subject to follow-up procedures, 25 out of 33 actions (76%) which were due for completion by 31 August 2021 have now been fully implemented. All actions are subject to ongoing follow up by Internal Audit and are included within the Internal Audit action plan follow up reports to the Corporate Management Team and the Audit Committee on a regular basis.

Corporate Fraud Activity

- 3.7 The undernoted table sets out corporate fraud activity in the period 1 April 2020 to 31 March 2021:

Investigations 1/4/2020 to 31/3/2021	
National Fraud Initiative	84 matches were investigated in the period.
Whistleblowing/Service/Other Referrals	44 other enquiries were investigated in the period.
SPOC Referrals 1/4/2020 to 31/3/2021	
DWP	6 referrals were made in the period.
LAIEF	4 referrals were made in the period.
Other Work	
The Corporate Fraud Team provided input to the new processes developed in relation to COVID-19 Business Support Grants. Sample checks were carried out throughout the year as follows:	
100% testing on the First Phase, 50% testing on the 2 nd phase and 25 % on the 3 rd phase with no significant issues arising. The team also carried out 10% testing on the Closure & Restriction Grants which identified that a cross check of the NDR system was not carried out prior to the next 4 weekly payment being made to ensure that any businesses that had closed during the period did not continue to receive ongoing payments. No issues were identified through audit testing and the Service immediately introduced this check.	

SECTION 3 – INTERNAL AUDIT WORK CONDUCTED (CONTINUED)

Ad hoc assignments

3.8 Internal Audit undertook the following ad hoc assignments during 2020/21:

Ad hoc assignment	Status
Co-ordination of Annual Governance Statement and supporting self-assessment processes for 2020/2021.	Completed
Providing input to FOI requests as appropriate.	Completed
Provision of risk control advice to Service in relation to process changes as a result of responding to the Pandemic. Regular attendance at CRMT to provide relevant updates in relation to fraud risk alerts received and risk control advice as required.	Ongoing

Performance Measures

3.9 The following performance measures were in place for 2020/2021:

Measure	Description	Target	Actual
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%	70%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%	70%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%	89%
4. Audit Budget	Percentage of audits completed within budgeted days.	80%	60%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%	100%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%	100%
8. Staff compliance with CPD	Number of training hours undertaken to support CPD.	140	196
9. Management engagement	Number of meetings with CMT and DMTs as appropriate.	4 per quarter	5

Reliance by external audit

3.10 During the year under review, liaison has taken place with the Council's External Auditors through joint attendance at the Audit Committee, meetings, ad hoc discussions and the sharing of audit plans and reports. External audit have indicated that they will consider the findings of the work of internal audit as part of their planning process to minimise duplication of effort and to ensure the total resource is used efficiently and effectively.

SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE

Approach

- 4.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Internal Audit Standards and the agreed annual audit plans. The overall scope of the internal audit work encompasses Inverclyde Council's risk management practices, governance practices and internal controls.
- 4.2 The Annual Audit Plan is based on a formal risk assessment which is revised on an ongoing basis to reflect evolving risks and changes within the Council. The Internal Audit Annual Audit Plan 2020/2021 was discussed and agreed at the Audit Committee on 25 February 2021. In addition, consultation on the content and coverage of the audit plan took place with Corporate Directors and the Chief Executive.

Responsibility and reporting lines of the Chief Internal Auditor

- 4.3 The Chief Internal Auditor reports functionally to the Council's Monitoring Officer and has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. The adoption of these arrangements enables the Council to conform with the reporting line requirements of the International Standard on Auditing ("ISA") (UK and Ireland) 610 and the Public Sector Internal Audit Standards which were adopted by Local Government in the United Kingdom on 1 April 2013.
- 4.4 The Chief Internal Auditor also has a specific responsibility to the Council's s95 Officer to provide assurances which informs the preparation of the Annual Governance Statement for inclusion in the Council's Annual Accounts.

The work of Internal Audit

- 4.5 Internal Audit is an independent appraisal function established by the Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 4.6 In accordance with the principles of Corporate Governance, the Chief Internal Auditor reports with independence and impartiality to the Council's Audit Committee on a regular basis. The Chief Internal Auditor prepares an annual report containing a view on the adequacy and effectiveness of the systems of internal controls.
- 4.7 The Internal Audit team operates in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme of work approved by the Council's Audit Committee. The Annual Audit Plan is based on a formal risk assessment, which is revised on an ongoing basis to reflect emerging risks and changes within the Council.
- 4.8 All Internal Audit reports identifying system improvements or non-compliance with expected controls are brought to the attention of management and include agreed action plans. It is management's responsibility to give proper consideration to Internal Audit reports and take appropriate action on audit recommendations.

SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE (CONTINUED)

The work of Internal Audit

The Chief Internal Auditor is required to confirm that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and accepted the risk of not taking action. Management progress on implementing significant actions, which have been categorised as Red or Amber, is reported to the Corporate Management Team on a bi-monthly basis, and to the Council's Audit Committee on each committee cycle.

Responsibilities of Management and Internal Audit

- 4.9 It is Management's responsibility to maintain systems of risk management, internal control and governance.
- 4.10 Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal Audit cannot be held responsible for internal control failures.
- 4.11 Internal Audit's role includes assessing the adequacy of the risk management, internal controls and governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.
- 4.12 Public Sector Internal Audit Standards (PSIAS) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence. We can confirm that all staff members involved in 2020/21 internal audit reviews were independent of operational processes and their objectivity was not compromised in any way.

Basis of the internal audit assessment

- 4.13 In accordance with the Public Sector Internal Audit Standards, the assessment on risk management, control and governance is based upon:
- Internal Audit work undertaken by the Internal Audit Team during the year to 31 March 2021 (in accordance with the annual audit plan approved by the Audit Committee);
 - The assessments of risk completed during the preparation and updating of the annual audit plan;
 - Reports issued by Audit Scotland, the Council's External Auditors; and
 - Internal Audit's knowledge of the Council's governance, risk management and performance management and monitoring arrangements.

Limitations on the assurance that Internal Audit can provide

- 4.14 It should be noted that the assurance expressed within this report can never be absolute. It is not a guarantee that all aspects of risk management, internal control and governance are adequate. The most that internal audit can provide to the Corporate Director Environment, Regeneration and Resources, s95 Officer and Audit Committee is reasonable assurance based on the work performed.

SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE (CONTINUED)

- 4.15 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from this engagement. These limitations include the possibility of faulty judgment in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 4.16 Organisations and their internal control needs differ by type, size, culture and management philosophy. One organisation's internal control system may be very different from another's in relation to similar processes. Also, decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Satisfactory	<p>Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A limited number of Amber rated issues may have been identified, but generally only green issues have been found in individual audit assignments. • None of the individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.
Generally Satisfactory with some improvement needed	<p>A few specific control weaknesses were noted: generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A number of Amber rated issues identified in individual audit assignments that collectively do not significantly impact the system of internal control. • Red rated issues that are isolated to specific systems or processes. • None of the individual assignment reports have an overall opinion of <i>Unsatisfactory</i>.
Major improvement needed	<p>Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A high number of Amber rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A number of Red rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A small number of individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.
Unsatisfactory	<p>Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • Amber and Red rated issues identified in individual assignments that collectively are widespread to the system of internal control. • A high number of individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.

Report To:	Audit Committee	Date:	19.10.2021
Report By:	Interim Service Director Corporate Services and Organisational Recovery	Report No:	AC/08/21/AP/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	ANNUAL REVIEW OF RISK MANAGEMENT ACTIVITY 2020/2021		

1.0 PURPOSE

- 1.1 The purpose of this report is to present to Committee progress made in 2020/2021 in developing and monitoring a strategic approach to managing risks faced by the Council.
- 1.2 This approach forms part of the Council's overall Corporate Governance Framework.

2.0 SUMMARY

- 2.1 During 2020/2021 the Council continued to value the importance of maintaining the momentum on risk management and progress has been made in the following areas:

- Ongoing review and update of strategic and operational risk registers by Services.
- Maintaining a risk register for the Financial Strategy which allows management to consider the risks to the overall financial position arising from matters contained within the Financial Strategy.
- Maintaining risk management as a key aspect of the Strategic Planning and Performance Management Framework.
- Continuing the advancement of emergency planning, crisis management and business continuity within the Council and fulfil the Council's legislative requirements under the Civil Contingencies Act 2004 in conjunction with the Joint Civil Contingencies Service.
- Promoting the e-learning module on Risk Management for employees as part of the Brightwave corporate training platform.
- A number of fraud risk reviews were included in the 2020/2021 Internal Audit Plan and progress has been reported on a regular basis to Audit Committee.
- Maintaining a specific risk register surrounding the key operational risks in relation to the EU Exit process.
- Maintaining a specific risk register surrounding the key operational risks surrounding the COVID-19 pandemic event.
- Ongoing review and update of health and safety risk assessments in line with Scottish Government guidance in relation to the COVID-19 pandemic.
- Development of risk registers for the Council's Organisational Recovery Plan and the Partnership Recovery Plan.

- 2.2 It is considered important to actively progress the risk management process to achieve further improvement. Officers will continue to review progress against the Audit Scotland BV toolkit relating to Risk Management and initiatives will be undertaken in 2021/2022 where appropriate to ensure the Council meets the requirements of the guidance. This will include a review of the corporate risk register which will be reported to Audit Committee in early 2022.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members note the progress made in 2020/2021 in developing, implementing and monitoring a coherent corporate approach to managing risks faced by the Council and also that a review of the corporate risk register will be carried out and reported to Audit Committee in early 2022.

Alan Puckrin
Interim Service Director
Corporate Services and Organisational Recovery

4.0 BACKGROUND

4.1 The role of Internal Audit in Risk Management is defined as contributing to the management of risk by evaluating and providing assurance on risk management processes. The assurance extends principally to two main areas, firstly that major business risks are being managed and secondly that the Risk Management and Internal Control Framework is operating effectively.

4.2 The responsibility for managing risk lies not with Internal Audit but with service management, with corporate consistency being supported through the Corporate Management Team by the Chief Internal Auditor.

5.0 CURRENT POSITION

5.1 During 2020/2021 the Council continued to value the importance of maintaining the momentum on risk management and progress has been made in the following areas:

- Ongoing review and update of strategic and operational risk registers by Services.
- Maintaining a risk register for the Financial Strategy which allows management to consider the risks to the overall financial position arising from matters contained within the Financial Strategy.
- Maintaining risk management as a key aspect of the Strategic Planning and Performance Management Framework.
- Continuing the advancement of emergency planning, crisis management and business continuity within the Council and fulfil the Council's legislative requirements under the Civil Contingencies Act 2004 in conjunction with the Joint Civil Contingencies Service.
- Promoting the e-learning module on Risk Management for employees as part of the Brightwave corporate training platform.
- A number of fraud risk reviews were included in the 2020/2021 Internal Audit Plan and progress has been reported on a regular basis to Audit Committee.
- Maintaining a specific risk register surrounding the key operational risks in relation to the EU Exit process.
- Maintaining a specific risk register surrounding the key operational risks surrounding the COVID-19 pandemic event.
- Ongoing review and update of health and safety risk assessments in line with Scottish Government guidance in relation to the COVID-19 pandemic.
- Development of risk registers for the Council's Organisational Recovery Plan and the Partnership Recovery Plan.

5.2 It is considered important to actively progress the risk management process to achieve further improvement. Officers will continue to review progress against the Audit Scotland BV toolkit relating to Risk Management and initiatives will be undertaken in 2021/2022 where appropriate to ensure the Council meets the requirements of the guidance. This will include a review of the corporate risk register which will be reported to Audit Committee in early 2022.

6.0 IMPLICATIONS

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 Not applicable. This report summarises the work carried out during 2020-2021.

8.0 LIST OF BACKGROUND PAPERS

8.1 Risk Management Strategy. Copy available from Andi Priestman.