

A meeting of the Audit Committee will be held on Thursday 26 June 2025 at 3pm.

Members may attend the meeting in person or via remote online access. Webex joining details have been sent to Members and officers. Members are requested to notify Committee Services by 12 noon on Wednesday 25 June 2025 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 and as noted above.

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LYNSEY BROWN
Head of Legal, Democratic, Digital & Customer Services

BUSINESS

****Copy to follow**

1.	Apologies, Substitutions and Declarations of Interest	Page
NEW BUSINESS		
2.	Internal Audit Annual Report and Assurance Statement 2024-2025 Report by Chief Internal Auditor	p
3.	Annual Report on the Audit Committee 2024-2025 Report by Chief Internal Auditor	p
4.	Review of Local Code of Governance and Interim Annual Governance Statement 2024-2025 Report by Interim Chief Financial Officer	p
5.	Internal Audit Annual Strategy and Plan 2025-2026 Report by Chief Internal Auditor	p
<u>PERFORMANCE MANAGEMENT</u>		
6. **	Unaudited Annual Accounts for the Year Ended 31 March 2025 Report by Interim Chief Financial Officer	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.

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Enquiries to – Lindsay Carrick – Tel 01475 712114

Report To:	Audit Committee	Date: 26 June 2025
Report By:	Chief Internal Auditor	Report No: FIN/35/25
Contact Officer:	Andi Priestman	Contact No: 01475 712251
Subject:	INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2024-2025	

1.0 PURPOSE

- 1.1 ☐ For Decision ☒ For Information/Noting
- 1.2 The purpose of this report is to present the Internal Audit Annual Report and Assurance Statement for 2024/25, which forms part of the Council's Annual Governance Statement.

2.0 RECOMMENDATIONS

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

Andi Priestman
Chief Internal Auditor

3.0 BACKGROUND AND CONTEXT

- 3.1 Public Sector Internal Audit Standards 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.
- 3.2 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.
- 3.3 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 Accounts. This report is subject to External Audit scrutiny as part of the year-end audit process.

4.0 PROPOSALS

- 4.1 The Internal Audit Annual Report and Assurance Statement for 2024/25 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**.
- 4.2 It is also highlighted that, based on the results of the ongoing audit follow up process during 2024/25, management has continued to make good progress in implementing agreed action plans arising from Internal Audit reviews.
- 4.3 Members are asked to review and consider the Internal Audit Annual Report and Assurance Statement for 2024/25.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 There are no financial implications arising directly from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend This Report	Virement From	Other Comments

Annually Recurring Costs/Savings

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

5.3 **Legal/Risk**

There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide a minimum level of assurance over the Council's system of internal financial control to those charged with governance.

5.4 **Strategic**

This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

6.0 CONSULTATIONS

6.1 Not applicable. This report summarises the work carried out during 2024/25 which have been included in separate progress reports to Audit Committee.

7.0 LIST OF BACKGROUND PAPERS

7.1 Internal Audit Annual Strategy and Plan 2024/25. Internal Audit Progress Reports to Audit Committee in May, June, August and October 2024, and January and March 2025.



Internal Audit Annual Report and Assurance Statement 2024-2025

30 May 2025

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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 The purpose of Inverclyde Council's Internal Audit activity is to provide independent, objective assurance and advisory services designed to add value and improve the Council's operations. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The Internal Audit activity helps Inverclyde Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

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 2024-25 is gratefully acknowledged.

SECTION 2 – ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE

Scope

- 2.1 The work undertaken by Internal Audit in 2024-25 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

- 2.3 On the basis of Internal Audit work carried out in 2024-25, 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** such that controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Other matters

- 2.4 Summaries of the issues arising in relation to each system or activity covered by Internal Audit work in 2024-25 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 internal control operates as intended. It is therefore imperative that the agreed actions are implemented by management.
- 2.5 A monthly follow up process is in place and continues to operate effectively. All actions arising from internal and external audit reviews 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 2024-25 internal audit plan

- 3.2 The Annual Internal Audit Strategy and Plan for 2024-25 was discussed and agreed with the Audit Committee on 27 June 2024.
- 3.3 Progress against planned audit work for the year to 31 March 2025 can be summarised as follows:

Planned audit coverage	Status
Risk Based Reviews	
Supplier Management (b/f from 2023-24)	Deferred to 2025-26 Audit Plan
Succession Planning (b/f from 2023-24)	Completed
Building Standards (b/f from 2023-24)	Completed
Care and Support at Home - Delayed Discharge Arrangements	Completed
Strategic Commissioning	Draft Report
Vehicle Maintenance	Fieldwork
Cyber Security	Fieldwork
Limited Scope Finance Reviews	
Budgetary Control	Completed
Advisory Reviews	
UK Shared Prosperity Fund Assurance Arrangements (b/f from 2023-24)	Completed
Project Assurance Reviews	
Chris21 Upgrade	Fieldwork
Compliance Reviews	
Records Management	Not started
Governance of External Organisation	Fieldwork
ASN Transport Policy (b/f from 2023-24)	Draft Report
Corporate Fraud Reviews	
Discretionary Payments	Not started
Regularity Audit Work	
Education Control Self-Assessment	Completed
Cost of Living Payments	Not started
Catering Stock Control	Deferred to future audit plan
Corporate Governance	
Annual Governance Statement 2023-24	Completed
Other Work	
Council Tax and other investigations	Ongoing
National Fraud Initiative	24/25 Exercise is being progressed
IJB Audit Plan 2024-25	One of two reviews completed

- 3.4 The total number of issues raised from audits finalised by 31 March 2025 is set out in the following table:

Report	Red	Amber	Green	Overall Grading	Previous Grading
2023/24 Audit Plan carry forward audits					
Succession Planning	0	3	0	Satisfactory	N/A
Building Standards	0	0	5	Satisfactory	N/A
UK Shared Prosperity Fund	0	2	1	Satisfactory	N/A
2024/25 Audit Plan					
Care and Support At Home – Delayed Discharge Arrangements	0	2	1	Satisfactory	N/A
Budgetary Control	0	0	2	Strong	Satisfactory
Education CSA 2024-25	0	2	1	Satisfactory	Satisfactory
Total	0	9	10		

Progress on Implementation of Action Plans

- 3.5 A number of actions were agreed in relation to the audit reports generated in relation to the 2024-25 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 March 2025 as follows:

Report	No of Actions Agreed	No of Actions Complete at 31/3/25	No of Actions Revised at 31/3/25	No of Actions Not Due at 31/3/25
2023/24 Audit Plan carry forward audits				
Succession Planning	3	3	0	0
Building Standards	8	8	0	0
UK Shared Prosperity Fund	3	3	0	0
2024/25 Audit Plan				
Care and Support At Home – Delayed Discharge Arrangements	3	0	1	2
Budgetary Control	6	3	0	3
Education CSA 2024-25	3	3	0	0
Total	26	20	1	5

- 3.6 It is encouraging to note that of the 26 agreed actions subject to follow-up procedures, 20 out of 21 actions (95%) which were due for completion by 31 March 2025 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.
- 3.7 There was one audit from the 2023-24 Internal Audit Plan which received a **Requires Improvement** control environment opinion in relation to Managing Attendance and was subject to ongoing audit follow up during 2024-25. A number of agreed actions are now complete however some actions were incorporated into the Chris21 Upgrade project which was planned to be implemented by 31 December 2024 but the timescale has now been revised to 30 September 2025.

Corporate Fraud Activity

3.8 The undernoted table sets out corporate fraud activity in the period 1 April 2024 to 31 March 2025:

Investigations 1/4/2024 to 31/3/2025	
National Fraud Initiative	66 matches were investigated in the period.
Whistleblowing/Service/Other Referrals	78 other enquiries were investigated in the period.
SPOC Referrals 1/4/2024 to 31/3/2025	
DWP	There were 9 referrals in the period.
LAIEF	There were 17 referrals in the period.
Other Work	
Matches for the National Fraud Initiative for the 2024 exercise were received in Q1 2025. Work is ongoing to investigate these matches with regular reporting on progress to Audit Committee.	
There was also proactive work undertaken in relation to reviewing the validity of council tax exemptions to ensure the exemptions remained valid.	
Financial Results	
For 2024-25, the corporate fraud team identified non-NFI overpayments of council tax discounts and exemptions of £136,588.	

Ad hoc assignments

3.9 Internal Audit undertook the following ad hoc assignments during 2024-25:

Ad hoc assignment	Status
Co-ordination of Annual Governance Statement and supporting self-assessment processes for 2023/24.	Completed
Providing input to FOI requests as appropriate.	Completed
Regular attendance at CRMT to provide relevant audit input as required.	Completed

Performance Measures

3.10 The table below sets out performance measures which were in place for 2024-25. Actual performance against target is being calculated and will be reported to the Audit Committee in September.

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

Reliance by external audit

- 3.11 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 and internal control procedures.
- 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 Strategy and Plan for 2024-25 was discussed and agreed at the Audit Committee on 27 June 2024. In addition, consultation on the content and coverage of the audit plan took place with members of the Corporate Management Team.

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.

The work of Internal Audit

- 4.9 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 and to the Council's Audit Committee at each committee cycle.

Quality and Improvement Programme

- 4.10 Public Sector Internal Audit Standards require that a Quality Assurance and Improvement Programme (QAIP) is developed in order to provide assurance that the internal audit activity:
- Is conducted in accordance with an Internal Audit Charter.
 - Operates in an efficient and effective manner.
 - Is perceived to be adding value and improving operations.
- 4.11 An internal self-assessment of internal audit practices has been carried out by Internal Audit every year since the Public Sector Internal Audit Standards became effective on 1st April 2013, with improvements identified and implemented as appropriate.
- 4.12 The Standards also require, as outlined in Standard 1300 "QAIP", that "External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation." An external assessment was carried out by Renfrewshire Council in 2024 which confirmed that the Internal Audit service fully conforms with the requirements of the Public Sector Internal Audit Standards.

Responsibilities of Management and Internal Audit

- 4.13 It is Management's responsibility to maintain systems of risk management, internal control and governance.
- 4.14 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.
- 4.15 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.
- 4.16 Public Sector Internal Audit Standards 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 2024-25 internal audit reviews were independent of operational processes and their objectivity was not compromised in any way.

Basis of the internal audit assessment

- 4.17 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 2025 (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

- 4.18 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.
- 4.19 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.
- 4.20 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.

Opinion Types

Appendix 1

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: 26 June 2025
Report By:	Chief Internal Auditor	Report No: FIN/36/25
Contact Officer:	Andi Priestman	Contact No: 01475 712251
Subject:	ANNUAL REPORT ON THE AUDIT COMMITTEE – 2024-25	

1.0 PURPOSE

- 1.1 ☒ For Decision ☐ For Information/Noting
- 1.2 The purpose of this report is to provide Members with the Annual Report on the Audit Committee for 2024/25.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that Members:
- Review and approve the Annual Report on the Audit Committee for 2024/25.
 - Agree that the report should be presented to a future meeting of the Council in line with best practice guidance.

Andi Priestman
Chief Internal Auditor

3.0 BACKGROUND AND CONTEXT

- 3.1 It is important that the Committee complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a foundation for sound corporate governance for the Council.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition which incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police. This sets out CIPFA's view of the role and functions of an Audit Committee. The CIPFA Audit Committee Guidance includes the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council.

4.0 PROPOSALS

- 4.1 The Annual Report on the Audit Committee for 2024/25 is attached as an Appendix to this report for consideration by Members.
- 4.2 Members are asked to review and approve the Annual Report on the Audit Committee for 2024/25 and agree that the report should be presented to a future meeting of the Council in line with best practice guidance.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

- 5.2 There are no financial implications arising directly from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend This Report	Virement From	Other Comments

Annually Recurring Costs/Savings

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

5.3 Legal/Risk

There is a risk that the Audit Committee does not comply with best practice guidance in relation to demonstrating its effectiveness in providing a foundation for sound corporate governance. The annual report provides this assurance to the Council on the activity of the Committee.

5.4 Strategic

This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

6.0 CONSULTATIONS

- 6.1 Not applicable. This report summarises the work carried out by the Audit Committee during 2024/25.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 CIPFA Guidance on Audit Committees for Local Authorities – October 2022.

Inverclyde Council
Audit Committee
2024/25 Annual Report

Introduction

This annual report has been prepared to inform Inverclyde Council of the work carried out by the Council's Audit Committee during the financial year 2024/25.

Meetings

The Audit Committee met 6 times during 2024/25 comprising meetings on 7 May, 27 June, 20 August and 22 October 2024, 7 January and 4 March 2025 to consider reports relevant to the Audit cycle and other matters as deemed appropriate. Pre-Agenda meetings were also held ahead of Committee meeting involving the Convenor, Vice-Convenor and appropriate officers.

All meetings were held using the Council's hybrid meeting platform to allow remote and physical participation. Meetings have been live-streamed and made available publicly on the Council's live streaming website.

Purpose and Remit

The purpose and remit of Audit Committee is detailed in the Council's Scheme of Administration. The core functions of the Audit Committee are to:

- Consider the Council's arrangements relating to the Accounts;
- Consider the Council's arrangements relating to external audit requirements;
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance;
- Review the adequacy of the Council's governance, risk management and internal control arrangements.
- Consider the Council's arrangements relating to internal audit requirements.

To fulfil this remit, the Audit Committee sought assurance on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control to ensure efficient operations and the highest standards of probity and accountability. This was achieved through reports received from Internal Audit, other Council functions and External Audit with focus in particular on internal control and governance.

At each meeting of the Audit Committee it considered significant findings from Internal Audit reports together with monitoring the progress made by management in completing agreed actions to improve the Council's control environment. It also considered the status of external audit action plans arising from external audit reports received and the indicative external audit annual plan for 2024/25 from the external auditors in May 2025.

The Audit Committee also received reports on:

- Risk Management.
- National Fraud Initiative.
- Public Sector Internal Audit Standards – Internal Audit Quality Assessment.
- The Local Code of Governance and Interim Annual Governance Statement 2023-24.
- Anti-Fraud and Corruption Policy.

Membership of the Audit Committee

In accordance with Inverclyde Council's Standing Orders membership of the Audit Committee comprises 11 Elected Members. The quorum of the Audit Committee is 6 Elected Members.

Every meeting of the Audit Committee during 2024/25 was quorate.

Attendance by Officers

Meetings were attended by the Chief Executive, Chief Financial Officer (or nominated representative), Head of Legal, Democratic, Digital and Customer Services (or nominated representative). Due to the extended period of sickness absence of the Chief Internal Auditor at the start of the financial year, key aspects of the role were supported by West Dunbartonshire Council and Glasgow City Council.

Other senior officers also attended meetings as appropriate for items on the Agenda for which their presence was relevant. Representatives from the Council's external auditors, KPMG, were present at the May and October 2024 meetings.

Audit Committee Activity

The Committee received and considered reports in relation to:

- The internal audit annual report and opinion on the Council's internal control environment.
- Information on the performance and effectiveness of the Internal Audit Team.
- The Internal Audit Team's progress in delivering the planned work and summaries of reports issued and updates on the National Fraud Initiative.
- The Annual Report on Risk Management Activity.

This enabled the Committee to oversee the work in relation to the provision of assurance on the Council's framework of arrangements for risk management, corporate governance and internal control and in terms of corporate counter-fraud arrangements.

Compliance with Best Practice

An external review of Internal Audit was carried out by Renfrewshire Council which confirmed that the Internal Audit service fully conforms with the Public Sector Internal Audit Standards. There were however some areas for improvement identified which have been progressed.

Assurance Statement to the Council

The Audit Committee provides the following assurance to the Council:

- The Council has received the Minutes of the Audit Committee meetings throughout the year.
- The Audit Committee has operated in accordance with its agreed terms of reference, and accordingly with the audit committee principles in the CIPFA Position Statement relating to its Audit functions.
- It did this through reports received from Internal Audit, External Audit, Legal Services and assurances from Management. It focussed on matters of governance, risk management and internal control; giving advice to the Council on the value of the audit process; on the integrity of financial reporting; and on governance arrangements.
- For all audit reports, the Audit Committee considered whether it was satisfied that an adequate management response was in place to ensure action would be taken to manage risk and address concerns on governance, risk management and internal control arrangements. The Audit Committee acknowledges that there is a system in place of ongoing follow-up by Internal Audit and reporting to senior management and the Audit Committee.
- The Audit Committee reviewed the draft audited Annual Accounts for 2023/24.

Conclusion

Based on the reports received and reviewed by the Audit Committee, members are in agreement with the Chief Internal Auditor's annual report and assurance statement which confirmed an overall audit opinion of **Satisfactory** such that that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in 2024/25 and are satisfied that active monitoring and follow up of agreed action plans is in place.

26 June 2025

Report To:	Audit Committee	Date: 26 June 2025
Report By:	Interim Chief Financial Officer	Report No: FIN/37/25
Contact Officer:	Andi Priestman	Contact No: 01475 712251
Subject:	REVIEW OF LOCAL CODE OF GOVERNANCE AND INTERIM ANNUAL GOVERNANCE STATEMENT 2024-25	

1.0 PURPOSE

1.1 ☒ For Decision ☐ For Information/Noting

1.2 The purpose of this report is to:

- Advise Members of the outcome of the annual self-evaluation exercise undertaken of the Council's compliance with its Local Code of Governance; and
- Invite Members to consider the interim Annual Governance Statement that will be included in the 2024-25 Unaudited Accounts.

2.0 RECOMMENDATIONS

2.1 The Committee is asked to:

- Note the outcome of the recent self-evaluation exercise in considering how the Council currently meets the agreed Local Code of Governance, together with the issues identified and improvement actions; and
- Consider the detail of the interim Annual Governance Statement for 2024-25 and approve the actions identified by management to improve the internal control environment.

Angela Edmiston
Interim Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 Inverclyde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Under the Local Government in Scotland Act 2003, the Council also has a statutory duty to make arrangements to secure Best Value, which is defined as continuous improvement in the performance of the Council's functions.
- 3.2 In discharging these responsibilities, Elected Members and the Corporate Management Team are responsible for putting in place proper arrangements for the governance of the Council's affairs, and for facilitating the effective exercise of its functions, including the arrangements for the management of risk.
- 3.3 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and through which it accounts to and engages with communities.
- 3.4 The Council has adopted a Local Code of Governance ("the Local Code") consistent with the seven principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework, "Delivering Good Governance in Local Government" (2016).
- 3.5 Inverclyde Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and publish an Annual Governance Statement.
- 3.6 Following the review of the Audit Committee, carried out in accordance with the contents of the CIPFA publication "Audit Committees: Practical Guidance for Local Authorities and Police" (2022 Edition)", a report was submitted to the Audit Committee meeting on 25 April 2023. One of the actions arising was to submit the draft Annual Governance Statement to the Audit Committee as a stand-alone document for consideration.

4.0 PROPOSALS

- 4.1 The interim Annual Governance Statement for 2024-25 is attached as an Appendix to this report for consideration by Members.
- 4.2 For 2024-25, the review identified the following governance issues:
 - Contract renewals and non-compliant spend analysis is an area of ongoing activity/improvement. Progress has been/continues to be impacted by service staffing levels/resource issues in some areas.
 - Within Physical Assets, a routine review of records is being addressed but requires more regular attention in some service areas.
 - A number of agreed actions from the Managing Attendance audit were incorporated into the Chris21 Upgrade project which was planned to be implemented by 31 December 2024 but the timescale has now been revised to 30 September 2025.
- 4.3 Members are asked to consider the detail of the interim Annual Governance Statement for 2024-25 and approve the actions identified by management to improve the internal control environment.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 There are no financial implications arising directly from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend This Report	Virement From	Other Comments

Annually Recurring Costs/Savings

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

5.3 Legal/Risk

There is a risk that a failure to maintain a local code of governance and develop a framework to support the gathering and updating of the necessary evidence will leave the Council unable to produce a Governance Statement. The current approach to ongoing annual assessment of compliance and reporting to this Committee ensures that the Council can produce a meaningful Governance Statement and the agreed actions will improve compliance requirements on various aspects of key Council policies and procedures, and in turn mitigate against legal and other risks arising.

5.4 Strategic

This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

6.0 CONSULTATIONS

6.1 Relevant officers have been consulted in the self-assessment process, including HR, Legal, Finance and Performance Management.

6.2 The CMT has considered and agreed the interim Annual Governance Statement for 2024-25.

7.0 LIST OF BACKGROUND PAPERS

7.1 CIPFA: Delivering Good Governance in Local Government Guidance (2016). Copy available from Andi Priestman, Chief Internal Auditor.

1. Scope of Responsibility

Inverclyde Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Under the Local Government in Scotland Act 2003, the Council also has a statutory duty to make arrangements to secure best value, which is defined as continuous improvement in the performance of the Council's functions.

In discharging these responsibilities, Elected Members and the Corporate Management Team are responsible for putting in place proper arrangements for the governance of the Council's affairs, and for facilitating the effective exercise of its functions, including the arrangements for the management of risk. The Council has established two Arms-Length External Organisations – Inverclyde Leisure and Riverside Inverclyde – to deliver services more effectively on the Council's behalf, and which report regularly to Elected Members. From 1 April 2016, the Inverclyde Integration Joint Board was established for the formal integration of health and care services between Inverclyde Council and the NHS Greater Glasgow and Clyde.

The Council has adopted a Local Code of Corporate Governance ("the Local Code") consistent with the seven principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework, "Delivering Good Governance in Local Government Framework (2016)". A copy of the Local Code can be obtained from the Corporate Policy Unit, Municipal Buildings, Greenock, PA15 1LY.

This statement explains how Inverclyde Council has complied with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirements for an Annual Governance Statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and through which it accounts to, and engages with communities. It enables the Council to monitor the achievement of its key corporate priorities and strategic objectives set out in the Council's Corporate Plan. It enables the Council to consider whether those objectives have led to the delivery of appropriate value for money services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This governance framework has been in place at Inverclyde Council for the year ended 31 March 2025 and up to the date of the approval of the Statement of Accounts.

3. The Governance Framework

The main features of the Council's governance arrangements are described in the Local Code but are summarised below:

- The overarching strategic vision of the Council is detailed in the Council's Plan which sets out the key outcomes the Council is committed to delivering with its partners, as set out in the Inverclyde Local Outcomes Improvement Plan. Services are able to demonstrate how their own activities link to the Council's vision and outcomes through the Committee and Service Delivery Improvement Plans. Performance management and monitoring of service delivery is reported principally through the Policy & Resources Committee and to other Committees on a regular basis. The Corporate Management Team monitors performance information. The Council publishes information about its performance regularly as part of its public performance reporting requirements at <http://www.inverclyde.gov.uk/council-and-government/performance/>.
- The Inverclyde Alliance Partnership Plan sets out the Alliance's approach for engaging with stakeholders. Consultation on the future vision and activities of the Council is undertaken through the Inverclyde Alliance, and through service specific consultations and the Council actively engages the Council's partners through existing community planning networks.
- Effective scrutiny and service improvement activities are supported by the formal submission of reports, findings and recommendations from Audit Scotland, the external auditor, Inspectorates and the Internal Audit section to the Corporate Management Team, the relevant service Committee of the Council and, where appropriate, the Audit Committee.
- The Council operates within an established procedural framework. The roles and responsibilities of Elected Members and officers are defined within the Council's Standing Orders and Scheme of Administration, Contract Standing Orders, Scheme

of Delegation and Financial Regulations; these are subject to regular review. The Council facilitates policy and decision making through a thematic Committee structure.

- Responsibility for maintaining and operating an effective system of internal financial control rests with the Council's Chief Financial Officer as Section 95 Officer. The system of internal financial control is based on a framework of regular management information, Financial Regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council.
- The Council continues to recognise the need to exercise strong financial management arrangements to manage the financial pressures common to all local authorities and has robust financial control and financial planning processes in place. A self-assessment exercise was completed by officers to assess the level of ongoing compliance with the CIPFA Financial Management Code reported to the Policy and Resources Committee in January 2023 and all improvement actions identified have been completed.
- The Council's approach to risk management is set out in the risk management strategy and is embedded within the Council's Strategic Planning and Performance Management Framework. Reporting on risk management is undertaken and reported regularly to the Policy and Resources Committee and Audit Committee.
- The Council has adopted a code of conduct for its employees. Elected Members observe and comply with terms of the Councillors' Code of Conduct.
- Comprehensive arrangements are in place to ensure Members and officers are supported by appropriate learning and development.
- In line with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption, the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

4. Review of Effectiveness

Inverclyde Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness of the framework is informed by the work of the Corporate Management Team who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and reports from the external auditors and other review agencies and inspectorates.

The review of the Council's governance framework is supported by a process of self-assessment and assurance certification by Heads of Service. Heads of Service were provided with a Self-assessment Checklist to complete and return as evidence of review of seven key areas of the Council's governance framework. As part of this process, Heads of Service were asked to identify their progress on implementing improvement actions identified as part of their 2024-25 assessments and to identify actions they proposed to take during 2025-26 to address service governance arrangements. The Corporate and Service Directors then considered the completed evaluations and provided a Certificate of Assurance for their Directorate. In addition, the review of the effectiveness of governance arrangements and the systems of internal control within the group entities places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

The Inverclyde IJB was established by parliamentary order on 27 June 2015 following approval of the Inverclyde Integration Scheme by the Scottish Ministers. The Integration Scheme was reviewed during 2019-20 and an updated version of the Scheme was prepared but the Covid-19 pandemic led to this being delayed and the existing scheme rolled on into 2020-21 and continued into 2021-22, 2022-23 and 2023-24. The Scottish Government have confirmed that IJBs will be required to review their current integration schemes rather than complete a new scheme. The integration scheme is currently being reviewed by the 6 Greater Glasgow and Clyde IJB's with the IJB Integration Scheme with an anticipated completion date of 30 September 2025.

There were no significant governance issues identified by the review but a number of issues worthy of noting were identified and are detailed in Section 7 together with progress made in implementing improvement actions identified during 2023-2024. We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvement which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

5. Roles and Responsibilities of the Audit Committee and the Chief Internal Auditor

Elected Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Council's Audit Committee operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities.

The Audit Committee performs a scrutiny role in relation to the application of CIPFA's Public Sector Internal Audit Standards 2017 (PSIAS) and regularly monitors the performance of the Council's Internal Audit service. The Council's Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of conformance with the PSIAS. The results of the external assessment of Internal Audit Conformance with PSIAS was undertaken by Renfrewshire Council and reported to the Audit Committee on 20 August 2024. The external assessment confirmed that Internal Audit fully conforms with the requirements of the PSIAS. From 1 April 2025 the new Global Internal Audit Standards came into effect for the UK Public Sector and a transition plan is in place to ensure the Internal Audit service is compliant with the requirements by 31 March 2026.

The Internal Audit service undertakes an annual programme of work, approved by the Audit Committee, based on a strategic risk assessment. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control. Due to an extended period of sickness absence of the Chief Internal Auditor at the start of the financial year, the resilience of the service was tested resulting in some audits from 2023/24 being completed in the first 6 months of 2024/25 which impacted on the completion of the fieldwork for the 2024/25 audit plan. However, the overall audit plan is set within the context of a multi-year approach to audit planning such that key risk areas are reviewed over a 5-year cycle.

The Chief Internal Auditor has conducted a review of all Internal Audit reports issued in 2024-25 and although no systems of internal control can provide absolute assurance, nor can Internal Audit give that assurance, on the basis of the audit work undertaken during the 2024-25 financial year, the annual report and assurance statement prepared by the Chief Internal Auditor concluded that the overall control environment opinion was "Satisfactory" such that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's system of internal control.

6. Compliance with Best Practice

The Council complies with the requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government 2010". The Council's Chief Financial Officer (Section 95 Officer) has overall responsibility for the Council's financial arrangements, and is professionally qualified and suitably experienced to lead the Council's finance function and to direct finance staff.

The Council complies with the requirements of the CIPFA Statement on "The Role of the Head of Internal Audit in Public Service Organisations 2010". The Council's Chief Internal Auditor has responsibility for the Council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the Council's Internal Audit staff. The Internal Audit service generally operates in accordance with the CIPFA "Public Sector Internal Audit Standards 2017".

7. Governance Issues and Planned Actions

The Council continues to recognise the need to exercise strong management arrangements to manage the financial pressures common to all Local Authorities. Regular reviews of the Council's arrangements are undertaken by Internal Audit and overall the Council's arrangements are generally satisfactory. The table below sets out the improvement actions to the governance framework which were identified from the Council's ongoing review and monitoring of the effectiveness of its governance arrangements. These represent corporate initiatives that will be further progressed during 2024-25.

	Where are we now?	Where do we want to be?	How will we know we are getting there?	Who is responsible?
B/F 1	Contract renewals and non-compliant spend analysis is an area of ongoing activity/improvement. Progress has been/continues to be impacted by service	Contract renewals and compliant spend analysis is an embedded service activity.	Actions to improve procurement activity in relation to contract renewals and non-compliant spend analysis are included within	Interim Director Environment 31 March 2026

	staffing levels/resource issues in the Procurement team.		the Physical Assets Service and will be monitored accordingly.	
B/F 2	<p>Within Physical Assets, a routine review of records is being addressed but requires more regular attention in some service areas.</p> <p>Training in areas of Information Assets and Cyber Security requires a general refresh.</p>	Service areas within Physical Assets demonstrate compliance with key aspects of the information governance and management framework.	<p>Improvement actions have been included in Physical Assets Service Plan and will be monitored accordingly.</p> <p>A compliance review of Records Management has been included in the 2025/26 Internal Audit Plan.</p>	<p>Interim Director Environment</p> <p>31 March 2026</p> <p>Chief Internal Auditor</p> <p>30 September 2025</p>
NEW 3	A number of agreed actions from the Managing Attendance audit were incorporated into the Chris21 Upgrade project which was planned to be implemented by 31 December 2024 but the timescale has now been revised to 30 September 2025.	Agreed actions from the Managing Attendance audit have been fully implemented.	Chris21 Upgrade project is complete and audit actions are implemented.	<p>Head of Organisational Development, Policy and Communications</p> <p>30 September 2025</p>

In addition, the status of improvement actions from 2023-24 Annual Governance Statement (AGS) is set out in the undernoted table:

	Agreed Action	Status at 31/3/25	Further Action	Who is responsible?
1	Actions will be included in relevant Service Plans to improve workforce and succession planning and the skills gaps arising from an ageing workforce.	Complete	N/A	N/A
2	Operational guidance and procedures will be reviewed and updated to reflect the Council's revised approach to risk management assessment and reporting via Pentana/Ideagen. Training will be provided to risk owners on the new process.	Complete	N/A	N/A

3	Actions to improve procurement activity in relation to contract renewals and non-compliant spend analysis will be included within the Physical Assets Service	Ongoing	Links to 2024-25 improvement action number 1.	Interim Director Environment 31 March 2026
4	Action to implement the Business Classification Framework within CCER will be included within relevant Committee Delivery and Improvement Plan	Complete	N/A	N/A
5	Improvement actions will be included in Physical Assets Service Plan and monitored accordingly including: <ul style="list-style-type: none"> a routine review of records is being addressed but requires more regular attention in some service areas. Training in areas of Information Assets and Cyber Security requires a general refresh. 	Ongoing	Links to 2024-25 improvement action number 2	Interim Director Environment 31 March 2026

8. Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2024-25 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

Cllr Stephen McCabe
Leader of the Council

Stuart Jamieson
Chief Executive

Report To: Audit Committee

Date: 26 June 2025

Report By: Chief Internal Auditor

Report No: FIN/34/25

Contact Officer: Andi Priestman

Contact No: 712251

Subject: INTERNAL AUDIT ANNUAL STRATEGY AND PLAN – 2025-26

1.0 PURPOSE

- 1.1 ☒ For Decision ☐ For Information/Noting
- 1.2 The purpose of this report is to present the Internal Audit Annual Strategy and Plan for 2025-2026.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that Members approve the Internal Audit Annual Strategy and Plan for 2025-26.

Andi Priestman
Chief Internal Auditor

3.0 BACKGROUND AND CONTEXT

- 3.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising governance, risk management and control by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 3.2 The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to operate a professional and objective internal auditing service which is provided in accordance with recognised internal auditing standards and practices. These standards and practices are set out in the Global Internal Audit Standards (UK public sector) and require Internal Audit to have suitable operational independence from the organisation.
- 3.3 The Global Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 3.4 It is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk and meetings have been held with Directors and Heads of Service as appropriate. Each area has been assessed against a broad range of risk criteria and a risk score has been generated based on probability factors such as current control environment, results of last audit and time since the last audit.
- 3.5 Account has also been taken of the risks identified in the Council's Corporate, Directorate and Service Risk Registers.
- 3.6 Outlined below are the current risk factors influencing our proposed audit coverage for 2025-2026:
- Payroll is a complex process and employee costs form a significant part of the Council's expenditure and it is therefore important to have robust and effective controls in place. Internal Audit will review the adequacy and effectiveness of the payroll process.
 - The Council has recently updated its supplier management process which aims to provide a consistent and effective approach when managing suppliers. Internal Audit will review the adequacy and effectiveness of the supplier management process in place across the Council.
 - Records management is a key element of information governance and management arrangements. Internal Audit will review arrangements in place across Council services to ensure ongoing compliance with relevant policies.
 - The Council's Risk Management Framework was reviewed and updated in November 2023. Internal Audit will review the adequacy and effectiveness of implementation of the revised framework throughout the Council.
 - The Council's Development Management team is responsible for assessing planning applications and ensuring that where development occurs, it is in accordance with the Council's Planning Policies. Internal Audit will review the planning application process to ensure key controls in place are adequate and effective and are being consistently applied.
 - Regularity audits will be carried out in relation to recruitment reference checks and overtime and allowances to ensure that Council policies and procedures are being complied with by services.

- 3.7 Time has also been allocated within the plan to undertake corporate fraud activity including overseeing the National Fraud Initiative 2024 exercise, undertaking whistleblowing and other investigations, and reviewing the ongoing validity of council tax discounts and exemptions.
- 3.8 In accordance with following the public pound, we will undertake an audit of the Inverclyde Leisure Trust. Discussions will take place with senior management regarding the scope of the audit at the planning stage.
- 3.9 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

4.0 PROPOSALS

- 4.1 The Audit Committee is asked to approve the Internal Audit Annual Strategy and Plan 2025-26.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

- 5.2 There are no financial implications arising directly from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend This Report	Virement From	Other Comments

Annually Recurring Costs/Savings

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

5.3 Legal/Risk

The role of Internal Audit is to provide Audit Committee with assurance on the Council's governance, risk management and internal control arrangements. Consideration of this report enables the Audit Committee to discharge its responsibility for approving the Internal Audit Strategy and Plan and monitor its performance.

5.4 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

- 6.1 Discussions have taken place with the Corporate Management Team in relation to the proposed annual Internal Audit plan coverage.
- 6.2 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 None.

2025/26 INTERNAL AUDIT ANNUAL STRATEGY AND PLAN**1. Introduction**

- 1.1 The Global Internal Audit Standards (UK Public Sector) set out the requirement for the Chief Internal Auditor to prepare a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.2 The Chief Internal Auditor must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations and priorities.
- 1.3 The audit plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.
- 1.4 The strategy shall be reviewed on an annual basis as part of the audit planning process.

2. Internal Audit Objectives

- 2.1 The purpose of Internal Audit, as defined within Global Internal Audit Standards is to 'strengthen the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk-based and objective assurance, advice, insight and foresight'.
- 2.2 The primary aim of the internal audit service is to provide assurance services which requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 2.3 The internal audit service also provides advisory services, generally at the request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 2.4 The internal audit service supports the interim Chief Financial Officer in her role as Inverclyde Council's (the Council) Section 95 Officer.

3. Risk Assessment and Audit Planning

- 3.1 The internal audit approach to annual audit planning is risk-based and all areas which may be subject to audit review are contained within an Audit Universe which is subject to formal review, at least annually.
- 3.2 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

2025/26 INTERNAL AUDIT ANNUAL STRATEGY AND PLAN

- 3.3 The Audit Universe is risk assessed each year to determine the Annual Audit Plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Each area within the Audit Universe is assessed for impact against a number of broad risk categories as follows:

Strategy	Risks associated with the setting and achievement of strategic objectives.
Economy	Risks associated with the economy in which the Council operates.
Reputation	Risks associated with threats to the Council's name and standing in the sector.
Customer	Risks associated with customer relationships.
Legal/Regulatory	Risks associated with the requirement to comply with a wide range of statute.
Financial	Risks associated with financial loss or inefficiency.
Technology	Risks associated with application systems, their integrity, security and development.
Management Information	Risks associated with the provision of information for decision-making purposes.
Human Resources	Risks associated with people, e.g. recruitment, succession, development, motivation and morale etc.
Operations	Risks associated with the business operating process.
Business Continuity/Resilience	Risks associated with disaster scenarios which would threaten the continuing operation of the Council.
Security	Risks associated with security over customer and the Council's assets.
Stakeholder	Risks associated with management of stakeholder expectations (e.g. Government or local communities)
Fraud	Risks associated with asset misappropriation, corruption and financial statement fraud.

- 3.4 Account has also been taken of the risks identified in the Council's Risk Registers and risks identified by external scrutiny bodies through local scrutiny arrangements. In relation to the Corporate Risk Register, there are currently 10 key corporate risks which sit above the Council's currently defined acceptable risk boundary and have been considered for audit coverage in 2025/26 as follows:

CRR Reference	Previous Assurance Work	Planned Assurance Work 2025-26
01 Financial Current Risk Score: 16 (January 2025)	Internal Audit Plan: 2024-25 – Budgetary Control 2023/24 – Non-Domestic Rates; Commercial Waste Income – Billing and Collection 2022/23 – Debt Recovery 2021/22 – Insurance 2020/21 – Cash and Banking; Creditors 2019/20 – Sundry Debtors External Audit Annual Audit Plans: 2023/24, 2022/23, 2021/22, 2020/21 and 2019/20	Internal Audit Plan 2025/26 – Payroll Internal Audit follow up exercises External Audit Annual Audit Plan 2024/25

2025/26 INTERNAL AUDIT ANNUAL STRATEGY AND PLAN

CRR Reference	Previous Assurance Work	Planned Assurance Work 2025-26
13 High Level Service Demand – Children and Families Current Risk Score: 16 (January 2025)	New corporate risk identified January 2025.	There are a number of management mitigations/ interventions underway including monthly meetings with operational and finance managers to review Children's placements and packages of care; review of IJB financial strategy; and Children and Families Service Redesign. The Internal Audit Annual Plan 2025/26 has contingency days available to provide any ad hoc advice and support if required.
02 Workforce Current Risk Score: 12 (January 2025)	Internal Audit Plan: 2023/24 – Succession Planning; Attendance Management 2022/23 – Workforce Planning Arrangements 2019/20 – Safe Recruitment External Audit Annual Audit Plan 2023/24 – Thematic Review	Internal Audit Annual Plan 2025/26 –Payroll; Internal Audit follow up exercises External Audit Annual Audit Plan 2023/24 – follow up exercise
03 Council Assets Current Risk Score: 12 (January 2025)	External Audit Annual Audit Plans: 2023/24, 2022/23, 2021/22, 2020/21 and 2019/20	External Audit Annual Audit Plan 2024/25
04 ICT Infrastructure Current Risk Score: 12 (January 2025)	Internal Audit Plan: 2024/25 – Chris21 Upgrade project 2023/24 – Cashless Catering Replacement System 2022/23 – SWIFT Replacement System 2021/22 – SWIFT Replacement System 2020/21 – Parent Pay 2019/20 – Business Support Redesign	Internal Audit follow up exercises Ad hoc support to Chris21 Upgrade project
05 Net Zero Current Risk Score: 12 (January 2025)	Internal Audit Plan: 2022/23 – Climate Change – Utilities Management	There are a number of management actions underway and reported through the Environment and Regeneration Committee Delivery and Improvement Plan.
06 Partnership/ Supplier Failure Current Risk Score: 12 (January 2025)	Internal Audit Plan: 2023/24 – Procurement Compliance 2021/22 – Greenock Ocean Terminal 2020/21 – Corporate Procurement – Off Contract Spend 2019/20 – Governance of Community Groups; HSCP Contract Management	Internal Audit Annual Plan 2025/26 – Supplier Management Internal Audit follow up exercises
07 Information Governance Current Risk Score: 12 (January 2025)	Internal Audit Plan: 2022/23 – FOI Arrangements	Internal Audit Annual Plan 2025/26 – Records Management Internal Audit follow up exercises

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CRR Reference	Previous Assurance Work	Planned Assurance Work 2025-26
People – Demographic Changes Current Risk Score: 12 (January 2025)	Internal Audit Plan: 2023/24 – Succession Planning 2022/23 – Workforce Planning 2024/25 – HSCP Delayed Discharges; HSCP Strategic Commissioning; ASN Transport Policy Compliance	Internal Audit follow up exercises
09 Cyber Attack Current Risk Score: 12 (January 2025)	Internal Audit Plan: 2022/23 – Cyber Security Arrangements 2024/25 – Cyber Security Risk Management	Internal Audit follow up exercises

- 3.5 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

4 Corporate Fraud

- 4.1 Managing the risk of fraud and corruption remains the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Policy.
- 4.2 The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of relevant controls and evaluate the impact on the Council's system of internal control.
- 4.3 In addition, Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud. Through the work of the team, Internal Audit will maintain a fraud risk assessment and deliver a programme of proactive and reactive counter fraud services to help ensure that the Council continues to protect its services from fraud loss. This will include leading on the National Fraud Initiative data matching exercise on behalf of the Council.

5 Service Delivery

- 5.1 The provision of the internal audit service is through a directly employed in-house team. The Chief Internal Auditor is provided through a shared management arrangement with West Dunbartonshire Council.

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- 5.2 In relation to the total staff days allocated to the 2025/2026 plan, a resource allocation spreadsheet is completed for each member of staff which is split between annual leave, public holidays, training days, general administration and operational plan days. The combined operational plan is 675 days which will be resourced as follows:

Team Member	Plan Days
Chief Internal Auditor	90
Audit Practitioner	180
Audit Practitioner	180
Senior Corporate Fraud Officer	45*
Corporate Fraud Officer	180
Total Plan Days	675

*Senior Corporate Fraud Officer post is currently vacant but is anticipated to be filled by December 2025.

- 5.3 The Chief Internal Auditor does not directly carry out the assignments included in the annual audit plan but provides the technical quality review and oversight of the delivery of the overall plan. Time is also set side for overall audit planning, reporting on Internal Audit performance and attending Audit Committee. Where there are any resource issues which may impact on delivery of the plan, this will be reported to Audit Committee at the earliest opportunity.
- 5.4 Given the range and complexity of areas to be reviewed it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The Global Internal Audit Standards UK Public Sector requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Internal Auditor), CCAB or equivalent and be suitably experienced.
- 5.5 Internal audit staff members identify training needs as part of an appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development. All training undertaken is recorded in a personal training record for CPD purposes.
- 5.6 Internal audit staff members require to conform to the Code of Ethics of the professional body of which they are members and to the Code of Ethics included within the Global Internal Audit Standards. An annual declaration is undertaken by staff in relation to specific aspects of the Code.
- 5.7 Following each review, audit reports are issued in draft format to agree the accuracy of findings and agree risk mitigations. Copies of final audit reports are issued to the relevant Head of Service and Service Manager responsible for implementing the agreed action plan. A copy of each final audit report is also provided to External Audit.
- 5.8 The overall opinion of each audit report feeds into the Internal Audit Annual Report and Assurance Statement which is presented to the Audit Committee and is used by the s95 Officer in the preparation of the Annual Governance Statement.

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6 Proposed Audit Coverage 2025-2026

- 6.1 The proposed audit coverage is set out in the table below. This includes a range of risk-based reviews, compliance reviews and regularity audits.
- 6.2 The Plan contains a contingency provision that will be utilised during the year in response to unforeseen work demands that arise e.g. special investigations and provision of ad hoc advice.

Audit Area	Strategic Area	Staff Days
Risk-Based Reviews		
Payroll	Education, Communities and Organisational Development	30
Supplier Management (b/f 2024/25)	Corporate	30
Risk Management	Corporate	30
Planning Applications	Regeneration and Environment	25
Total		115
Compliance Reviews		
Records Management (b/f 2024/25)	Corporate	30
Total		30
ALEO Review		
Inverclyde Leisure Trust	Education, Communities and Organisational Development	25
Total		25
Regularity Audits		
Education Control Self-Assessment	Education, Communities and Organisational Development	25
Section Payments	HSCP	25
Overtime and other allowances – quarterly review	Corporate	30
Recruitment Reference Checks – quarterly review	Corporate	30
Total		110
Corporate Fraud Activity		
National Fraud Initiative	Corporate	120
Whistleblowing and Other Investigations	-	30
Liaison with DWP	-	10
Council Tax Discounts and Exemptions	Finance	30
Fraud Awareness Training	Corporate	5
Total		195
Other Work		
Audit follow up	Corporate	10
IJB – Internal Audit Service	-	20
Audit Planning	-	10
Performance and Quality Assurance	-	30
Audit Committee – reporting and attendance	-	30
Annual Governance Statement 2024-25	-	10
Global Internal Audit Standards Implementation	-	10
Contingency	-	30
Completion of 2024-2025 Audit Plan – ASN Transport Policy; Vehicle Maintenance; Governance of External Organisations; HSCP Strategic Commissioning	-	50
Total		200
Total Staff Days for 2025/26		675

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7 Quality and Performance

- 7.1 The Global Internal Audit Standards require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
- 7.2 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on quality, efficiency and effectiveness. For 2025/2026 these have been set as follows:

Measure	Description	Target
1. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%
2. Final Report	Percentage of final reports issued within 2 weeks of issue of draft report.	100%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%
4. Audit Budget	Percentage of audits completed within budgeted days.	80%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%
8. NFI recommended matches	Percentage of National Fraud Initiative high risk matches investigated within timescales.	100%
9. DWP liaison	Percentage of cases referred to/ actioned for DWP within DWP timescales.	100%
10. Staff compliance with CPD	Number of training hours undertaken to support CPD.	80
11. Management engagement	Number of meetings with CMT and senior management as appropriate.	1 per quarter