

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 21 February 2024

Subject: Internal Audit Plan 2023/24 – Progress to 24 January 2024

1. Purpose

- 1.1** The purpose of this report is to advise Members of progress at 24 January 2024 against the Internal Audit Plan for 2023/24.
- 1.2** The report also advises Members of:
- recently issued Internal Audit reports and action plans
 - the status of implementation progress relating to action plans from previously issued Internal Audit reports.

2. Recommendations

- 2.1** It is recommended that Members note the contents of this report.

3. Background

- 3.1** The annual audit plan for 2023/24 was approved by the Audit Committee on 8 May 2023. This report provides information on the progress in implementing the plan.
- 3.2** When audit reports are issued by Internal Audit, an action plan is agreed with management in relation to issues highlighted by the audit report. Progress on implementing the actions is monitored by Internal Audit on a monthly basis and reported to the Audit Committee.

4. Main Issues

- 4.1.** The annual audit plan sets out the audit coverage for the year utilising available staff resources to enable the Shared Service Manager – Audit & Fraud to provide the annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.
- 4.2** In accordance with the risk-based audit methodology, for each audit, one of four audit 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.

- 4.3** Detailed findings and recommendations reported to management are graded using the following criteria:

Red	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	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 Internal Audit) within reasonable timeframe. Overseen to completion by Chief Officer/Head of Service.
Green	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. Managed by service owner. Not reported in Audit Committee papers.

- 4.4** There were two audit reviews finalised since the last Audit Committee in December 2023:

Complaints Handling

- 4.5** By definition local councils are elected bodies that provide frontline services to local residents and external organisations that represent the interests of their local communities. Service users may complain whenever failures in service occur, including perceived failures. Therefore the Council must have effective processes and controls in place for managing complaints.
- 4.6** The objective of this audit was to provide management and the Audit Committee with an assessment on the adequacy and effectiveness of the governance, risk management and control procedures in relation to the corporate complaints process.
- 4.7** The review focused on the high-level processes and procedures in relation to the handling of corporate complaints and concentrated on identified areas of perceived higher risk such as valid complaints not being completely and accurately recorded, acknowledged and responded to in a timely manner or arrangements not being in place to improve service delivery by learning lessons from valid complaints.

4.8 The overall control environment opinion was **Requires Improvement**. One RED and 4 AMBER issues were identified as follows:

Lack of centralised recording of complaints (Red)

Complaints handling should demonstrate structured interactions between complainants and staff and comply with the Scottish Public Sector Ombudsman (SPSO) Model Complaints Handling Procedures (MCHP) and it is essential that all complaints received are recorded and investigated in a timely manner.

The Corporate Complaints team log all complaints received on a central spreadsheet and send details of the complaint to the relevant service for investigation. However, the audit identified that where services receive complaints directly, these are not always recorded, or are recorded locally and are not routinely sent to the Corporate Complaints team to record on the central spreadsheet. We were not able to reconcile complaint records held locally against the central spreadsheet.

This has resulted in some complainants experiencing delays in receiving an acknowledgment or responses to their complaints which may result in adverse criticism of the Council's complaints handling process. There is also a risk that corporate reporting on complaints is not complete and does not allow for root cause analysis of complaints and identifying any lessons learned.

Managing complainants who contact Councillors, MSP's and Chief Officers directly (Amber)

It is the democratic right of service users to contact any council representative to lodge a complaint. Some service users wrongly assume that complaints must be addressed via email directly to Councillors, MSP's and Chief Officers to facilitate quick responses. For these situations it is unknown if compliance can be demonstrated with the MCHP's, as in most cases there are no formal logs retained.

Complaints received via Democratic Services and the Leadership Support Team are recorded but there are no internal processes to ensure these are passed on to be formally logged by the Complaints team.

The WDC Complaints online process requires the complainant to complete a standard form, which is formally logged and recorded by the corporate complaints team. This results in Councillors, MSP'S and Chief Officers only becoming involved at designated and appropriate stages of the complaints process. It is difficult to effectively manage complaints when complainants and officers are not supported by clear and adequately communicated internal complaints processes to support compliance with the MCHP. It is important complainants understand the staged process of their individual complaint at the outset which will assist them in terms of expectations and the next steps to take if the resolution to their complaint is not satisfactory.

Adequacy of complaints procedures (Amber)

Complainants and staff expect procedures to support them in achieving reasonable outcomes. During our fieldwork we identified a lack of internal guidance to support compliance with the SPSO MCHP. We identified the following areas where guidance would be beneficial:

- the MCHP's are available on the intranet for services to follow, however there are no internal processes to support these procedures in relation to specific staff roles, responsibilities and information flows at each stage of the complaints process including prescribed timescales and management sign-off;
- there is no step by step guidance for staff to follow for all complaint pathways to ensure that all complaints are handled in accordance with the MCHP;
- guidance to distinguish between valid complaints as opposed to requests for service or information could be clearer;
- there is a lack of clarity concerning the recording of complaints which are resolved quickly. We understand that all complaints are not always recorded or logged when dealt with successfully by services;

It is essential that all relevant staff have access to and fully understand the complaints procedures they require to perform their role.

Adequacy of complaints reporting (Amber)

The reporting arrangements for complaints must be linked to the accountability of services. However the audit identified the following issues in relation to reporting of complaints:

- oversight of complaints is not fully in place at each level of management across all council services, as the reports produced and presented quarterly at Performance & Monitoring Review Group and annually to the Audit Committee only include those complaints logged and recorded by the Corporate Complaints team. It is therefore difficult to determine the levels of complaints received and dealt with directly by services;
- due to the limitations in some services in relation to recording complaints the frequency of reporting at each level of management has not been determined;
- lack of centralised system limits the ability to undertake root cause analysis and identify any lessons learned;
- complaints performance indicators are illustrated on reports produced by the Corporate complaints team for those complaints they formally log, however it is unclear whether all services meet the staged complaints performance indicators set in the MCHP due to the limitations in formally logging.

Without adequate oversight of complaints at each level of management it is difficult to demonstrate compliance with the MCHP's. Also, infrequent and inadequate reporting of complaints may cause some external stakeholders to conclude that the council does not regard complaints as a priority.

Training arrangements for staff involved in handling complaints (Amber)

Effective management of complaints involves training staff, especially those on the frontline and their supervisors. The audit identified some issues with the current training arrangements, namely:

- the training needs of services on handling complaints should be developed;
- expected mandatory training in handling complaints has not been fully determined across relevant posts responsible for investigating and responding to complainants;
- there is no formal complaints training timetable for complaints handling Council Staff.

Successful implementation of the complaints handling procedures is unlikely to be achieved without training of staff. If mandatory training and good internal processes are not introduced to staff responsible for complaints handling it may result in non-compliance with complaints handling procedures.

- 4.9** The audit identified five significant control issues and an action plan is in place to address all issues by 31 March 2024.

FM Catering - Stock Control

- 4.10** WDC is committed to providing healthy, nutritious, good value meal options to pupils from early years up to secondary schools. Catering staff prepare around 1 million meals per annum and all catering staff are trained in food hygiene and all hold an Elementary Food Hygiene Certificate and receive regular refresher training. All kitchens follow the HACCP guidance and comply with Environmental Health legislation. All menus which are standardised (rolling menus) comply with the Scottish Government's Schools (Health Promotion and Nutrition) (Scotland) Act 2007 and with Healthy eating in schools - guidance 2020.
- 4.11** 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 West Dunbartonshire Council in relation to FM Catering – Stock Control.
- 4.12** The scope of the review focused on the high-level processes and procedures in relation to FM Catering Stock Control and concentrated on identified areas of perceived higher risk such ensuring catering supplies ordered, received and utilised were valid, checked and recorded, regular stock checks were undertaken and wastage/disposal of stock was accurately recorded and checked.
- 4.13** The overall control environment opinion was **Satisfactory**. Areas of good practice were identified including stock areas were found to be in order and stock rotation was being carried out.

There were 5 Amber issues identified as follows:

Lack of Documented Procedures (Amber)

The audit identified a lack of documented internal procedures to support staff who deal with catering stock control. Gaps identified include:

- Incorrect stock sheets/shopping lists were being used at the two high schools visited;
- Issues with the completion, saving and storage of stock spreadsheets/templates; and
- No formal guidance on use of premises, equipment and foodstuff for personal purposes.

Where documented procedures are not in place this may result in errors and inconsistent approaches.

Insufficient Staffing of Stock Count Processes (Amber)

When counting stock, good practice suggests that there should always be two staff involved in carrying out this process with one counting and the other checking. It was identified that from three out of the four schools visited, monthly and annual stock counts are carried out predominantly by one member of staff with only occasional assistance from another member of staff.

Where two members of staff are not involved in the stock count process, this could result in errors or omissions going undetected.

Lack of Independent Check of Stock Check Documentation (Amber)

Audit testing of stock checks carried out at a sample of establishments for periods 5-7 identified some issues as follows:

- The audit identified that there is no independent check undertaken of stock checks carried out by management to ensure completeness and accuracy of the process.
- Audit testing identified some issues including:
 - The Catering Managers at the two secondary schools visited are not using the correct spreadsheet to record the monthly stock count information resulting in some items requiring to be manually added to the spreadsheet. However these manual entries are not included in the spreadsheet formula which provides the final stock count figure. In some instances, this resulted in an incorrect Final Stock Count figure being reported on the management form;
 - Within the stock form spreadsheets, cells containing formula are not protected. This includes prices that should only be changed/updated by the Food & Nutritional Coordinator; and
 - Catering Managers lack sufficient knowledge and understanding of working with spreadsheets.

Where there is no independent check of stock checks there is a risk that errors in stock control figures arise or inconsistent practices are not being identified.

Inadequate Process for Approval of Invoices (Amber)

It is the responsibility of the approver of each invoice to review all transactions to ensure that all financial accounting details, receipts and the correct VAT has been recorded correctly. However, due to the high volume of invoices received, the Facilities Officer is unable to carry out detailed checking of invoices for validity.

Without suitable checks, invoices could be paid for items which are not authorised or appropriate.

Lack of checking Compliance with the Shopping List (Amber)

Monthly service reviews are carried out by Team Leaders, however stock is not checked for compliance to the Shopping List as part of the service review. In addition, although Food for Life Compliance visits are carried out, details of the visits are not documented.

Where adequate checks are not undertaken or recorded, management cannot be confident that stock held is compliant with the approved Shopping List.

- 4.14** The audit identified nine issues, five of which we consider to be individually significant and an action plan is in place to address all issues by 30 September 2024.
- 4.15** The status of the 2023/24 audit plan is attached at Appendix 1.
- 4.16** In relation to audit work for the Integration Joint Board, the 2023/24 is underway with regular reporting to the Integration Joint Board Audit & Performance Committee.
- 4.17** In relation to the Valuation Joint Board, planning for the 2023/24 audit plan has not started.
- 4.18** In relation to the Leisure Trust, the 2023/24 audit plan is underway.
- 4.19** Internal and External Audit Action Plans
In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There were 8 actions due for completion by the end of December, 6 of which have been reported as completed by management and the completion date relating to 2 actions has been revised. The status report at 31 December 2023 is provided at Appendix 2.
- 4.20** Ongoing Corporate Fraud Team Work
The Corporate Fraud team's day to day work continues to focus on referrals relating to council tax reduction/single person discounts, joint working with DWP in relation to housing benefit and council tax reduction, referrals relating to housing tenancies and investigating relevant national fraud initiative matches.
- 4.21** The Internal Audit Team and the Corporate Fraud Team continue to work together as appropriate in order to ensure a joined-up approach to fraud investigation and detection for example in relation to whistleblowing enquiries.

National Fraud Initiative

- 4.22** The National Fraud Initiative is a series of biennial exercises run by the Cabinet Office and Audit Scotland to identify or prevent fraud and error by matching electronic data held by public bodies. Participating bodies are required to investigate data discrepancies within a set timescale and report back on any savings.
- 4.23** The matches for the 2022 exercise have now been received and investigations are underway. To date 690 matches have been investigated with 13 frauds being detected totalling £20,823 relating to Housing Benefit or Council Tax Reduction Scheme matches which are being recovered.

Benchmarking

- 4.24** In accordance with the Council's Strategic Improvement Framework, the Council's Internal Audit service continues to be part of a benchmarking group which involves seven other Councils.
- 4.25** Meetings will continue to take place during 2024 to review performance and identify other areas for sharing of best practice.

5. People Implications

- 5.1** There are no people implications.

6. Financial and Procurement Implications

- 6.1** The Corporate Fraud Team activity can result in actual recoveries, charges and re-billings. The total amount of annual recoveries, charges and re-billings identified will be included in the Internal Audit Annual Report for 2023/24.
- 6.2** There are no procurement implications arising from this report.

7. Risk Analysis

- 7.1** There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide a reasonable level of assurance over the Council's system of internal financial control to those charged with governance. The main basis for providing assurance is coverage of the planned risk-based audits. Every endeavour is made to ensure that no material slippage occurs in risk-based audits by concentrating resources on these audits.

8. Equalities Impact Assessment (EIA)

- 8.1** There are no direct equalities impacts arising from the report however where an agreed action results in a change in process this will be considered for equalities impact by the relevant service.

9. Consultation

- 9.1** This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

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Date: 24 January 2024

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Appendices: 2023/24 Annual Audit Plan – Progress to 24 January 2024
(Appendix 1)
Status of Internal Audit Action Plans at 31 December 2023
(Appendix 2)

Background Papers: Audit Committee – 8 May 2023: Internal Audit Annual Plan
2023/24
Audit Committee – 21 March 2018: Counter Fraud and
Corruption Strategy
Internal Audit Reports - Copies available on request

Wards Affected: All wards

