

**WEST DUNBARTONSHIRE COUNCIL****Report by Strategic Lead - Resources****Audit Committee: 25 September 2019**

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**Subject: Audit Action Plans****1. Purpose**

**1.1** The purpose of this report is to advise the Committee of:

- Recently issued Internal Audit action plans; and
- Progress made against action plans previously issued contained within Internal Audit and External Audit reports.

**2. Recommendations**

**2.1** It is recommended that Members consider and note the contents of this report and the appended Internal Audit report and action plans.

**3. Background**

**3.1** When audit reports are issued by External Audit and Internal Audit departmental managers agree an action plan in relation to issues highlighted by the audit report. Progress on implementing the actions is monitored and reported to the Audit Committee.

**3.2** At the Audit Committee meeting on 12 June 2019, members agreed:

*“with effect from the Audit Committee meeting on 25 September 2019, onwards, that the following be approved:*

- (i) For planned audit assignments, include an executive summary of each audit report recently issued within the covering report along with action plan to form ongoing monitoring of progress in implementing agreed actions, with the full report being provided via a link to the website; and*
- (ii) For investigation audits, include the executive summary with the addition of further information on the key findings, along with the action plan. Note: There may be occasions when the full investigation report is submitted to the Audit Committee, in which case this will be a redacted version, as appropriate.”*

## **4. Main Issues**

### Internal Audit Report - Social Work Tendering & Commissioning

- 4.1** At the Audit Committee meeting on 12 June 2019, members, in considering the Audit Action Plans report, requested that a full version of the report entitled *Social Work Tendering & Commissioning* was provided at the next Committee meeting to facilitate further scrutiny. This report is included at Appendix 1.

### Action Plans

- 4.2** The Appendices to this report are run in the days leading up to the meeting in order to provide an as up to date a position as possible. There has been a change to the formatting of the action plan content; this has been done in discussion with the Performance and Strategy Team to assist in providing better information to Members and management. Accordingly, the actions are now contained in one document at Appendix 2 to this report as follows:

- Theme 1: Recently Issued Internal Audit Action Plans;
- Theme 2: Incomplete Internal Audit Action Plans;
- Theme 3: Other Internal Audit Action Plans; and
- Theme 4: Incomplete External Audit Action Plans.

## **4.3 New Internal Audit Planned Audit Report**

### **4.3.1** Project 159: Value Added Tax (VAT) (issued August 2019)

An audit was conducted on the accounting procedures around VAT as part of Internal Audit's Planned Programme of Audits for 2018/19 and it is concluded that the systems examined are generally working effectively. The review covered:

- Guidance for processing of VAT transactions;
- Awareness of VAT issues;
- Reconciliation of VAT transactions to ledger and supporting documentation;
- Procedures for calculating and submitting accurate VAT returns;
- Processing of purchase card VAT transactions; and
- Arrangements for storage and retention of all VAT documentation.

The review highlighted the following areas of good practice:

- VAT Reconciliations for West Dunbartonshire Council (WDC), West Dunbartonshire Leisure Trust (WDLT) and Clydebank Property Company (CPC) are prepared in a timely manner using the correct method; and
- VAT Returns are submitted to Her Majesty's Revenue and Customs (HMRC) within the required deadlines. There were no late submissions identified from the audit.

The review also highlighted that opportunities exist to strengthen internal controls and enhance the service provided, the most important of which are listed below:

- VAT receipts for purchase card expenses claims are not always being attached to the claims;
- Purchase card users and approvers would benefit from further VAT guidance such as an e-Learning module;
- The Council's VAT Manual was last updated in 2015 and is 204 pages long and therefore needs to be updated / refreshed. A summarised version would also be of benefit; and
- Admin Support Unit's (ASU) monthly checks of 1 in 5 invoices should include CPC invoices.

A link to the full report is provided here: [VAT Audit Report](#)

#### **4.4 New Internal Audit Investigation Reports**

##### **4.4.1 Project 160: Supplier Invoicing Overcharge (issued July 2019)**

This investigation concluded that the price and unit of measurement of electric cable entered initially into the Servitor system was incorrect. As a result of two purchase orders with a total value of £31,698 were generated by the system. The correct value of the two orders should have been £315. This resulted in an overpayment to a supplier of £31,383 which has subsequently been recovered in full.

Improvement actions have been agreed with management as follows:

- Building Services staff should carry out a reasonableness check on prices shown on invoices before authorising for payment; and
- Within the new Integrated Housing Management System (IHMS), there will be a sample manual check of uploaded catalogue price.

##### **4.4.2 Project 161: Investigation: Garshake Generators (Report Issued September 2019)**

An anonymous allegation was received by Internal Audit relating to the removal of generators from the former Council Offices at Garshake Road, Dumbarton. The scope of the review carried out was to ascertain the circumstances of the removal of these generators.

The report concluded that the anonymous allegation relating to the removal of generators from Garshake was unfounded. Following a request from a senior officer, a member of the Corporate Asset Management team made arrangements with a local business for the removal of the generators in return for a donation to a local charity. However, a better approach would have been to invite local businesses to make a formal bid for the generators. In addition the Council should seek to maximise the return from any asset, including disposals. In terms of the Garshake demolition / disposal, there was an opportunity to obtain additional value from the generators as surplus assets with some value, by putting them on offer to third parties.

The report recommended that the Council should have a formal policy / procedure describing the process for disposing of key Council assets such as buildings, including the removal of furniture / fixtures / fittings / plant prior to the demolition contractor entering the site.

- 4.5** The key areas of work performed by both Internal Audit and External Audit are carried out according to a risk based approach that determines the nature, extent and timing of the required audit assignments.
- 4.6** Internal Audit report recommendations have timescales for completion in line with the following categories:

<b>Category</b>	<b>Expected implementation timescale</b>
<u>High Risk:</u> Material observations requiring immediate action. These require to be added to the department's risk register	Generally, implementation of recommendations should start immediately and be fully completed within three months of action plan being agreed
<u>Medium risk:</u> Significant observations requiring reasonably urgent action.	Generally, complete implementation of recommendations within six months of action plan being agreed
<u>Low risk:</u> Minor observations which require action to improve the efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of senior management.	Generally, complete implementation of recommendations within twelve months of action plan being agreed

## **5. People Implications**

- 5.1** There are no personnel issues with this report.

## **6. Financial and Procurement Implications**

- 6.1** There are neither financial nor procurement implications arising directly from this report.

## **7. Risk Analysis**

- 7.1** There is a risk that failure to implement actions within the agreed timescale may result in weaknesses in internal control arrangements remaining unresolved longer than is desirable.

## **8. Equalities Impact Assessment (EIA)**

**8.1** There are no issues.

## **9. Consultation**

**9.1** This report has been subject to consultation with appropriate Strategic Leads. In addition, services have been consulted in the update of action plans.

## **10. Strategic Assessment**

**10.1** This report relates to strong corporate governance.

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**Stephen West**  
**Strategic Lead - Resources**  
**Date: 18 September 2019**

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**Appendices:** 1: Internal Audit Report: Social Work Tendering & Commissioning; and  
2: Audit Action Plans (Themes 1 to 4).

**Background Papers:** Report to Audit Committee on 12 June 2019: Audit Action Plans

**Wards Affected:** All Wards

