

**WEST DUNBARTONSHIRE COUNCIL****Report by Strategic Lead – Resources****Audit Committee: 12 June 2019**

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**Subject: Internal Audit Annual Report to 31 March 2019****1. Purpose**

- 1.1** The purpose of this report is to advise Members of the work undertaken by Internal Audit in respect of the Annual Audit Plan 2018/19 and to advise Members of the contents of the Assurance Statement given to Members of West Dunbartonshire Council, the Chief Executive and the Section 95 Officer (Strategic Lead - Resources) in support of the Annual Governance Statement. This report outlines how audit assurances are obtained.

**2. Recommendations**

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

**3. Background**

- 3.1** The Public Sector Internal Audit Standards (PSIAS) became effective on 1<sup>st</sup> April 2013 (revised in 2017) and require that:

*“The chief audit executive [WDC: Audit Manager] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.*

*The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.*

*The annual report must incorporate:*

- *The opinion;*
- *A summary of the work that supports the opinion; and*
- *A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme”.*

- 3.2** Attached at Appendix A is information on the completion of the key audit work, i.e. systems audits, computer audits and a significant investigation. The Assurance Statement is included at Appendix B. A suite of Key Performance Indicators is detailed at Appendix C.

- 3.3 A six monthly progress report was provided to the Audit Committee during the course of 2018/19.

#### 4. Main Issues

- 4.1 The risk-based systems audits and ICT audits contained within the Audit Plan for 2018/19 are shown in the tables included at Appendix A, showing the number of agreed actions for each of these reports. The numbers in brackets denotes the number of outstanding actions as at 28 May 2019 and the information in the “Comments Column” provides further information on the status of outstanding actions.
- 4.2 Internal Audit recommendations, as detailed in Appendix A, have timescales for completion in line with the following categories:

Category	Expected implementation timescale
<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

- 4.3 On the basis of the key Internal Audit work performed in 2018/19 as summarised in Appendix A, it can be concluded that the Council’s control procedures in key areas are operating as expected during the period under review, although it is recognised that:

- For risk-based audits, 68 recommendations were made by Internal Audit to improve controls of which 30 have now been implemented;
- For ICT audits, 9 recommendations were made by Internal Audit to improve controls of which 4 have now been implemented; and
- For investigations, 46 recommendations were made by Internal Audit to improve controls of which 41 have now been implemented.

- 4.4** The Audit Manager is pleased to report good progress across the Council on audit recommendations and is of the opinion that reasonable assurance can be placed upon the adequacy and effectiveness of West Dunbartonshire Council's systems of governance, risk management and internal control in the year to 31 March 2019. However, in relation to procurement, an Internal Audit report provided to the Audit Committee in December 2018 highlighted that a number of procurement processes had been completed without following the Council's Financial Regulations. This was confirmed by an Audit Scotland review. Improvement plans from both audits have been agreed by management which aim to increase compliance and management processes.
- 4.5** The work of Internal Audit, External Audit and external inspection agencies who reported on the Council's work has been reviewed. Assurances were sought from Strategic Directors and Strategic Leads (HSCP – Heads of Service) on the implementation of action plans and recommendations and the Chief Executive, Strategic Directors and Strategic Leads have been asked to provide assurance statements to the Audit Manager, including their opinion of the control environment operating within their own service areas.
- 4.6** The Internal Audit Annual Report for 2018/19 included at Appendix B includes the Audit Manager's independent and objective opinion as to the adequacy and effectiveness of internal controls within the Council and has informed the Council's annual Governance Statement.

**4.7** A suite of Key Performance Indicators is detailed at Appendix C.

## **5. People Implications**

**5.1** There are no people implications.

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

**6.1** As a result of Corporate Fraud Team activity, actual recoveries, charges and re-billings of £661,000 have been identified during 2018/19, against a target of £225,000.

**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 assurances over the Council's system of internal financial control to those charged with governance.

## **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.

## **10. Strategic Assessment**

**10.1** This report relates to Assuring Our Success through strong financial governance and sustainable budget management.

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Stephen West  
Strategic Lead - Resources  
Date: 29 May 2019

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**Appendices:** 1 - Audit Plan 2018/19: Completed Audits;  
2 - Assurance Statement for the year ended 31 March 2019 from the Audit Manager; and  
3 - Key Performance Indicators

**Background Papers:** Audit Committee – 21 March 2018: Internal Audit Plan 2018/19

**Wards Affected:** All wards