WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 10 March 2021

Subject: Internal Audit Plan 2020/21 – Progress to 10 February 2021

1.   Purpose

1.1   The purpose of this report is to advise Members of progress at 10 February 2021 against the Audit Plan for 2020/21.

1.2   The report also advises Members of:

- Recently issued Internal Audit reports and action plans; and
- 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 2020/21 was approved by the Audit Committee on 17 June 2020. 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 regularly 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   A new risk-based audit methodology has been implemented during 2020/21. For each audit, one of 4 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 Since the Audit Committee meeting in November 2020, two audits have been finalised as follows:

Reports finalised since last Audit Committee	Grading			Total
	Red	Amber	Green	
Cyber Security (2019/20)	0	4	4	8
Roads Costing System Process	0	2	2	4
Total	0	6	6	12

4.5 Cyber Security (December 2020)

4.5.1 The WDC Risk Register recognises the threat of cyber attack as a strategic risk with a potentially significant impact. The Scottish Government has produced a Cyber Resilience Strategy for Scotland, The Public Sector Action Plan 2017-18 and published a revised Public Sector Cyber Resilience Framework in January 2020. WDC holds a PSN compliance certificate which facilitates dealings with other parties such as the DWP. This certification is obtained where it has been evidenced that a minimum level of controls are in place. A 'multiple layer defence' approach is taken by WDC to achieve an appropriate level of cyber security, for example, there are boundary controls that protect the interface to the internet, servers sit externally and are segregated and end point encryption is in place.

The Information Security Policy Framework provides guidance to all employees with access to WDC computer systems on best practice, acceptable and unacceptable use.

4.5.2 The objective of this audit was to provide management and the Audit Committee with an audit 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 cyber security.

4.5.3 The overall control environment opinion was **Satisfactory**. There were 4 **AMBER** issues identified, however, due to the potential sensitivities in terms of security risk these issues are not detailed within this report. The Chair of the Audit Committee has been fully briefed on the 4 issues.

4.5.4 The review identified 8 issues, 4 of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2021.

4.6 **Roads Costing System Process (February 2021)**

4.6.1 The Roads and Transportation Service manages and maintains the public road network as governed by The Roads (Scotland) Act 1984 within West Dunbartonshire. The Roads Operations unit of the Roads & Transportation Service undertakes the majority of the Council's Roads cyclic maintenance and capital construction work for which there is a complete Costing System Process operated. Roads Services has an annual budget of £4.3 million.

4.6.2 Design and maintenance is the main budget under which jobs are carried out by the Roads Operations service. These works are planned quarterly (e.g. potholing & gully cleaning), yearly (e.g. sign maintenance), Capital works (e.g. roads upgrades), ad-hoc works & emergency reactive work. The Profess costing system used by Roads is a two-sided system representing Roads Service which acts as a client and allocates work to Roads Operations (in-house contractor) and to various external contractors. It was developed as a bespoke system replacing the G/Link previously used by Strathclyde Regional Council. It was brought on line in 2009.

4.6.3 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by West Dunbartonshire Council in relation to Roads Costing System Processes.

4.6.4 The overall control environment opinion was **Satisfactory**. Two **AMBER** issues were identified as follows:

1) **Logical Access to Profess System (Amber)**
There is no formal process in place for approving access to or removal of access from the Profess Costing System for new Roads staff or other Council employees requiring to work on the system. In addition, there is no regular review of access rights granted to ensure access to the system remains appropriate and that employees who have left the Council or changed departments have been removed from the system.

Where there is no formal process in place to ensure access rights to the Profess Costing System are recorded, approved and reviewed on a regular basis, there is a risk that unauthorised users compromise the data within the system.

2)   Closure of jobs in Profess System (Amber)
There is no formal process followed in relation to the closure of completed jobs in the Profess System once all work relevant to a particular job is complete and all costs have been charged to that job. Specifically, the closure of jobs is not subject to an approval process and can be reopened to allow for late invoices to be processed, however appropriate records are not maintained for subsequent review.

Where there is no formal process in place there is a risk that jobs are not closed off properly with all relevant costs charged to jobs.

4.6.5   The review identified 4 issues, 2 of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2022.

4.7   The 2020/21 Annual Audit Plan is underway and current status is as follows:

Stage	Number of Audits
Final Report	2
Draft Report	0
Fieldwork Complete	0
Fieldwork	3
Planning	3
Not Started/Deferred to 21/22	3
Total	11

4.8   In relation to audit work for IJB, 2 audits were planned, one of which is complete and fieldwork in relation to the remaining audit is underway.

4.9   In relation to the Valuation Joint Board, 2 audit reviews were planned and both are complete with reports provided to management.

4.10   In relation to the Leisure Trust, fieldwork for the risk-based review is underway and reports have been drafted in relation to implementation of actions arising from previous audit reviews.

4.11   The detailed Annual Audit Plan progress to 21 October for the 2020/21 annual audit plans is set out at Appendix 1.

4.12   There are 3 audits which have been deferred to 21/22 audit plan as follows:

- Financial Assessments Process – a process redesign was undertaken in relation to the financial assessments process. The new process will be subject to audit review during 21/22; and
- Learning Disabilities – Financial Monitoring of Contracts – due to resource constraints it was agreed with Service Management to defer the audit to 21/22 to allow staffing levels to stabilise. This audit will be carried out early in 21/22.

- <u>Occupational Therapy – Waiting Times</u> – due to impacts arising from Covid-19, this audit will be carried out in 21/22.

In addition, in relation to inventory management, routine stock checks have not been undertaken during 20/21 due to the impact of lockdown. Building Services management have confirmed that stock checks will be performed during February and March for the main sites and Internal Audit will attend each of the stock checks and make any recommendations for improvement at that point.

4.13 <u>Internal and External Audit Action Plans</u>
In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There were 5 actions due for completion by the end of January of which 4 actions have been reported as complete by management and the completion date in relation to one action has been revised.

Work is ongoing with relevant services to ensure action plan dates agreed are realistic. The status report at 31 January 2021 is provided at Appendix 2.

4.14 The Council's Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective April 2013 (updated April 2017) which includes:

- Definition of Internal Auditing;
- Code of Ethics;
- Attribute Standards (responsibility, independence, proficiency, quality); and
- Professional Standards (managing activity, nature of work, engagement planning, performing the engagement, communicating results, monitoring progress, risk management).

<u>Ongoing Corporate Fraud Team Work</u>
4.15 From 1 April to 31 December 2020, the Corporate Fraud team's day to day work has resulted in actual recoveries, charges and re-billings as detailed below, against an annual target of £229,000.

Description	Amount (£)
Council Tax Reduction	58,226
Council Tax Single Person's Discount	22,063
National Fraud Initiative	11,093
J/W Housing Benefit/Council Tax Reduction	13,702
Non DWP Housing Benefit	205,874
Non DWP Council Tax Reduction	23,102
Total	**£334,059**

4.16 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.

<u>National Fraud Initiative</u>
4.17 The National Fraud Initiative (NFI) 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 timescale and report back on any savings.

4.18 The most recent biennial exercise for 2020/21 released data to Councils in January 2021, providing matched datasets for organisations to investigate. There is an expectation that organisations would examine all "High Risk" matches and a proportion of the other matches too. WDC applies a risk-based approach to the NFI matches in the medium and low risk categories. A separate report on the 2020/21 has been provided to the March Audit Committee for information.

Benchmarking

4.19 In accordance with the Council's Strategic Improvement Framework, services should undertake benchmarking activity with the equivalent function in other Councils. Therefore, WDC Internal Audit has entered into a benchmarking group which involves six other Councils, these being:

- Argyll and Bute;
- Clackmannanshire;
- East Dunbartonshire;
- Falkirk;
- West Lothian;
- Inverclyde.

4.20 Regular meetings will continue to take place during 2021 to review performance against agreed performance indicators and identify other areas for sharing of best practice. Relevant action will be taken where improvements are identified. The outcome of this review will be reported to Committee when completed.

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 £334,059 from 1 April to 31 December 2020 have been identified, against an annual target of £229,000. The comparative figure for the prior year to 31 December 2019 was £321,888.

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 systems 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 issues.

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: 10 March 2021

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Appendices:	2021-21 Annual Audit Plan – Progress to 10 February 2021 (Appendix 1) Status of Internal Audit Action Plans to 31 January 2021 (Appendix 2)
Background Papers:	Audit Committee – 17 June 2020: Internal Audit Plan 2020/21 Audit Committee – 21 March 2018: Counter Fraud and Corruption Strategy Internal Audit Reports - Copies available on request
Wards Affected:	All wards