



Special Meeting of Audit Committee

Date: Thursday, 8 June 2023

Time: 10:00

Venue: Civic Space, 16 Church Street, Dumbarton, G82 1QL

Contact: Ashley MacIntyre, Committee Officer <u>ashley.macintyre@west-dunbarton.gov.uk</u>

Dear Member

Please attend a special meeting of the **Audit Committee** as detailed above.

The business is shown on the attached agenda.

Yours faithfully

PETER HESSETT

Chief Executive

Distribution:

Councillor Karen Conaghan (Chair) Councillor Ian Dickson Councillor Jonathan McColl (Vice Chair) Councillor James McElhill Councillor Michelle McGinty Councillor John Millar Councillor Martin Rooney Councillor Hazel Sorrell Mr C Johnstone

All other Councillors for information

Chief Executive Chief Officers

Date of issue: 1 June 2023

AUDIT COMMITTEE

THURSDAY, 8 JUNE 2023

<u>AGENDA</u>

1 APOLOGIES

2 DECLARATIONS OF INTEREST

Members are invited to declare if they have an interest in any of the items of business on the agenda and the reasons for such declarations.

3 ANNUAL REPORT ON THE AUDIT COMMITTEE 2022/23 5 - 9

Submit report by the Chief Officer – Resources providing the Audit Committee Chair's 2022/23 Annual Report on the Audit Committee.

4 INTERNAL AUDIT PLAN 2022/23 – PROGRESS TO 22 MAY 11 - 35 2023

Submit report by the Chief Officer – Resources advising of progress at 22 May 2023 against the Internal Audit Plan for 2022/23.

5 INTERNAL AUDIT ANNUAL REPORT TO 31 MARCH 2023 37 - 51

Submit report by the Chief Officer – Resources advising of the work undertaken by Internal Audit in respect of the 2022/23 Annual Audit Plan and advising of the contents of the Assurance Statement given to Members of West Dunbartonshire Council, the Chief Executive and the Section 95 Officer (Chief Officer – Resources) in support of the Annual Governance Statement.

6 EXTERNAL AUDIT ENQUIRIES – 2022/23 ACCOUNTS 53 – 59

Submit report by the Chief Officer – Resources informing of the External Auditor's requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations as part of their audit of the Council's Statement of Accounts for 2022/23 and allowing members to comment on the response related to 'Those Charged with Governance'.

7 CODE OF GOOD GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2022/23

Submit report by the Chief Officer – Resources regarding the above.

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

Audit Committee: 8 June 2023

Subject: Annual Report on the Audit Committee – 2022/23

1. Purpose

1.1 The purpose of this report is to provide members with the Audit Committee Chair's 2022/23 Annual Report on the Audit Committee.

2. Recommendations

- **2.1** It is recommended that members:
 - Review and endorse the Chair's Annual Report on the Audit Committee for 2022/23.
 - ii) Agree that the report should be presented to a future meeting of the Council in line with best practice guidance.

3. Background

- **3.1** It is important that the Committee fully 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. 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.
- **3.2** The Audit Committee Chair's 2022/23 Annual Report, attached at Appendix 1, provides assurance to the Council over the activity of the Audit Committee.

4. Main Issues

- **4.1** The Audit Committee Chair's 2022/23 Annual Report is appended with the main issues identified being:
 - The Audit Committee has met four times during the financial year with every meeting being quorate.
 - The Audit Committee sought assurance on the adequacy and effectiveness of the Council's systems of corporate governance and internal control for efficient operations and for 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.

• The Audit Committee has provided assurance to the Council as detailed in the appendix.

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 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.

8. Equalities Impact Assessment (EIA)

8.1 There is no requirement for an EIA.

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.

Laurence Slavin Chief Officer - Resources Date: 8 June 2023

| Person to Contact: | Andi Priestman, Shared Service Manager – Audit & Fraud E-mail: andi.priestman@west-dunbarton.gov.uk |
|--------------------|--|
| Appendix: | Annual Report on the Audit Committee 2022/23 |
| Background Papers: | N/A |
| Wards Affected: | All Wards |

West Dunbartonshire Council <u>Audit Committee</u> 2022/23 Annual Report from the Chair

Introduction

This annual report has been prepared to inform West Dunbartonshire Council of the work carried out by the Council's Audit Committee during the financial year 2022/23.

Meetings

The Audit Committee met five times during 2022/23 comprising meetings on 15 June, 10 August and 9 November 2022, 15 February and 3 May 2023 to consider reports relevant to the Audit cycle and other matters as deemed appropriate. Pre-Agenda meetings were also held ahead of Committee involving the Chair and appropriate officers.

The purpose and remit of Audit Committee as detailed in the Council's Standing Orders is to:

- Monitor, and make recommendations on the development of the Audit activity of the Council.
- Scrutinise the monitoring and review activity of the thematic and regulatory committees.

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 annual audit report to members and controller of audit for 2021/22 from Audit Scotland in November 2022 and the external audit strategy memorandum for 2022/23 from the newly appointed external auditors in May 2023.

The Audit Committee also received reports on:

- Prudential Indicators and Treasury Management.
- Risk Management.
- National Fraud Initiative.
- Annual Complaints Report 2021-2022.
- CIPFA Guidance for Audit Committees.
- The Internal Audit Charter.
- Code of Good Governance and the Annual Governance Statement.

The minutes of Audit Committee meetings are first confirmed as a correct record at the next Audit Committee before being remitted to Council for approval.

Membership of the Audit Committee

In accordance with West Dunbartonshire Council's Standing Orders membership of the Audit Committee comprises eight Elected Members and two Lay Members with Lay Members not being members of any political party. The quorum of the Audit Committee is three Elected Members.

The Chair of the Audit Committee is from the Opposition (as is the Vice Chair). The committee has two Lay Members, however one position is vacant and being recruited to.

Attendance by members of the Committee at Audit Committee meetings in 2022/23 was as follows:

| Member | Date of Meeting | | | | | | | |
|------------------|-----------------|-----------------|----------------|-----------------|-----------|--|--|--|
| | <u>15/06/22</u> | <u>10/08/22</u> | <u>9/11/22</u> | <u>15/02/23</u> | 3/05/23 | | | |
| Cllr K Conaghan | Present | Present | Present | Present | Present | | | |
| (Chair) | | | | | | | | |
| Cllr I Dickson | Present | Apologies | Present | Present | Present | | | |
| Cllr C Edward | Present | Present | - | - | - | | | |
| Cllr J McColl | Present | Present | Present | Apologies | Present | | | |
| Cllr J McElhill | Present | Present | Present | Present | Present | | | |
| Cllr M McGinty | Present | Present | Present | Present | Present | | | |
| Cllr J Millar | Apologies | Present | Present | Apologies | Apologies | | | |
| Cllr M Rooney | Present | Present | Present | Present | Present | | | |
| Cllr H Sorrell | - | - | Present | Apologies | Present | | | |
| Lay Member Chris | Present | Apologies | Present | Present | Present | | | |
| Johnstone (from | | | | | | | | |
| 12/12/18) | | | | | | | | |

Every meeting of the Audit Committee during 2022/23 was quorate.

Attendance by Officers

All meetings were attended by the Chief Executive, Chief Officer – Resources and the Shared Service Manager - Audit & Fraud.

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 - Audit Scotland - were present at June, August and November 2022 meetings and the newly appointed external auditors from Mazars were present at the meetings in February and May 2023.

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, 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 Committee acknowledges that all the audit recommendations are input to Pentana, the Council's performance management system, and that there is a system in place of ongoing follow-up by Internal Audit and reporting thereon.
- The Audit Committee has received and considered material to fulfil its scrutiny role on treasury management activity.
- The Audit Committee reviewed the audited Annual Accounts for 2021/22 alongside Audit Scotland's report on their annual audit for 2021/22.

Conclusion

Based on the reports received and reviewed by the Committee they are in agreement with the Shared Service Manager – Audit & Fraud's annual audit report which confirms that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in 2022/23. I am satisfied that active monitoring and follow up of recommendations is in place in respect of agreed management action.

Councillor Conaghan Chair of the Audit Committee 8 June 2023

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 8 June 2023

Subject: Internal Audit Plan 2022/23 – Progress to 22 May 2023

1. Purpose

- **1.1** The purpose of this report is to advise Members of progress at 22 May 2023 against the Internal Audit Plan for 2022/23.
- **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 2022/23 was approved by the Audit Committee on 15 June 2022. 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** 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 |
|-------|--|
| Neu | • |
| | 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** Three audit reviews have been finalised since the Audit Committee meeting in May 2023 as follows:
 - Creditors (Limited Scope Finance Review)
 - Occupational Therapy Waiting Times
 - Fleet Management

Creditors

- **4.5** The Finance Service Centre (FSC) provide Accounts Payable (AP) support across Council wide. The services are responsible for ordering, authorising and receiving goods and services. Service admin teams process the invoices and authorisation is carried out via the online Batch Header Form. WeBuy has a separate authorisation process via the system.
- **4.6** The Corporate Administration Support (CAS) Team input all invoice transactions to Agresso and send the payment files to FSC. FSC carry out a number of checks including supplier payment details before arranging payment. The invoices are paid within the pre-set timescales of 30 working days from the date the invoice is received.

- **4.7** 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 surrounding the key risks in relation to the Creditors process.
- **4.8** The audit focused on the high level processes and procedures in relation to the Creditors process and concentrated on identified areas of perceived higher risk such as invoices were not valid, payments were not complete and accurate or creditor account reconciliations were not being performed.
- **4.9** The overall control environment opinion for this audit review was **Satisfactory**. Areas of good practice were identified including:
 - Detailed procedural documentation is in place within the AP and CAS teams to carry out the Creditors process effectively.
 - There are a number of different teams involved in managing the Creditors process i.e. AP Team, CAS Team, Reconciliation Team, Banking and Income control Team ensuring clear segregation of duties and effective internal control.
- **4.10** There were 3 GREEN issues identified which if implemented would enhance the control environment and an action plan is in place to address all issues by 30 September 2023.

Occupational Therapy – Waiting Times

- **4.11** The Occupational Therapy team within the West Dunbartonshire Health and Social Care Partnership (WDHSCP) is responsible for the planning and the delivery of high quality care therapy services to Older People (age over 65) and Adults (age 16 to 65) in the Community.
- **4.12** The aim of the service is to:
 - Promote faster recovery from illness.
 - Prevent unnecessary acute hospital admission.
 - Prevent premature admission to long term residential care.
 - Support timely hospital discharge.
 - Maximise independent living.
- **4.13** All Client referrals for occupational therapy services are submitted via the Carefirst system. All referrals are screened by appropriately qualified practitioners and are prioritised as high, medium or low.
- **4.14** Target response times for occupational therapy assessments are:
 - High up to 48 hours.
 - Medium 10–15 working days
 - Low 5–6 weeks.

- **4.15** 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 surrounding the Occupational Therapy Waiting Times process within WDHSCP.
- **4.16** The audit focused on the high level processes and procedures in relation occupational therapy waiting times and concentrated on identified areas of perceived higher risk such as referrals from other services and agencies are not prioritised in a timely manner or case management processes are not adequate and effective.
- **4.17** Due to officer capacity issues within the service area we were unable to review some aspects of the scope of this audit, in particular complaints, task monitoring procedures and the adequacy of procedural documentation.
- **4.18** The overall control environment opinion was **Requires Improvement**. There was one RED issue and two AMBER issues identified as follows:

Lack of capacity to manage current occupational therapy workloads (Red) The current demands for services in Occupational Therapy are outweighing the current staff resources available resulting in growing backlogs for clients with needs prioritised as medium and low.

Occupational Therapy referrals are prioritised as high, medium or low. Due to current capacity levels resources have been directed to ensuring the high priority cases are assessed. This has resulted in excessive waiting times for clients who have been prioritised as medium or low. Medium or low priority needs are classed as not requiring an urgent assessment and our analysis of current waiting times at January 2023 showed that a significant number of clients are waiting in excess of 6 months for an assessment. In addition, there is no subsequent review undertaken of clients with medium or low rated needs who have been waiting for a significant amount of time for an assessment to ensure their needs have not changed.

The current demands for services in Occupational Therapy are outweighing the current staff resources available resulting in growing backlogs for clients with needs prioritised as medium and low.

Occupational Therapists are currently working under extremely stressful conditions to manage their workloads. There is a risk of further staff sickness levels and a number of vacancies have arisen due to staff leaving.

Blue badge application backlog (Amber)

The Occupational Therapy team are responsible for carrying out the assessment process prior to issuing a blue badge, some of which requires a face to face assessment to validate the application. As of January 2023, there was a backlog of 220 blue badge applications requiring to be assessed which was an increase of 173 applications since October 2022.

During lockdown Blue Badge applicants requiring verification could not be invited for face to face assessments, to validate the application and a high number of badges were granted to applicants on a temporary basis for one year without the formal face to face assessment process being completed. A number of these applications have now reached the renewal date and require to be formally assessed. This has contributed to the current backlog of Blue Badge applications awaiting approval.

At the time of the audit, the recorded longest waiting time for a blue badge assessment in the Clydebank area was 25 weeks and in Dumbarton 19 weeks.

Adequacy of management information (Amber)

Occupational therapy admin team produce a monthly performance report detailing a snapshot of client waiting times in relation to occupational therapy for the date that the report is produced. The report is sent to Heads of Service, Senior Managers and team leaders for information and action as appropriate. However the audit identified that there are no variances highlighted in relation to prior months wait times to allow trend analysis to be undertaken nor are the waiting times published in wider performance management information reports. It is also not clear who is responsible for acting on any adverse trends identified.

4.19 The audit identified 3 significant issues and an action plan is in place to address all issues by 30 November 2023.

Fleet Management

- **4.20** Fleet Management includes the strategic and operational management of the Council fleet of over 600 vehicles. This includes the preparation of strategic plans including the vehicle replacement programme that lists all vehicles and their specifications for replacement. Fleet & Waste Services also manage the fuel consumption through a combination of bunkered fuel stores at Elm Road and Richmond Street depots and fuel cards allocated to service user of fleet vehicles across the Council.
- **4.21** 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 Fleet Management.
- **4.22** The audit focused on the high level processes and procedures in relation fleet management and concentrated on identified areas of perceived higher risk such as the adequacy of fleet management strategies and plans, the use of fuel cards and the measurement of vehicle efficiency and emissions. The scope did not cover vehicle maintenance or the operational use of the vehicle tracking system as these have been subject to separate audits in 2021/22 and 2022/23.

4.23 The overall control environment opinion was **Requires Improvement**. There were 5 AMBER issues identified as follows:

Adequacy of Strategic Planning in relation to Fleet Management (Amber)

The last Asset Management Plan prepared for Fleet Management was for the period 2012 to 2021 and requires to be reviewed and updated to reflect the Council's Strategic Plan for 2022-2027. In addition, progress on the plan has not been monitored and reported to Committee and the current fleet replacement programme is currently 2 years behind schedule.

Where progress against the plan is not adequately monitored and reported, there is a risk that the Council is not actively managing its fleet in an effective and efficient manner in order to achieve best value.

Payment of Invoices without checking (Amber)

Fuel cards are used by a number of Services and invoices are received on a weekly basis for processing by Fleet & Waste Services. Limited checks are undertaken by the service prior to payment. In addition, fuel card receipts are submitted to Fleet & Waste Services by relevant services however these are not checked and authorised by service management.

Where fuel card receipts are not checked and authorised by service management or are not checked to invoices received there is a risk that fraud and error may go undetected.

Lack of Review and Update of Driver and Vehicle information within Fortress Fuel System (Amber)

Fortress is a stand-alone electronic system used by Fleet & Waste Services to manage and monitor bunkered tank fuel. The system holds a list of all Council drivers authorised to draw fuel from the tanks and keys allocated to vehicles and machinery. From a review of the system reports it was identified that there has been no regular review of the driver or key information since the system was first installed to ensure the information is complete, accurate and up to date. There are currently 6973 drivers listed on the system and there are 1030 keys listed which is in excess of the current active number of drivers and vehicles or machinery in use.

Lack of measuring of individual vehicle efficiency / Co2 emissions (Amber)

The functionality of the existing Fleet Management 3 main electronic systems namely Fleet Masters (repairs & maintenance), Fortress (fuel consumption) and Vehicle Tracking System (vehicle usage) can be used to monitor vehicle statistics such as mileage, fuel consumption and repairs, however at present there is no reporting generated from any of these systems to monitor Co2 emissions or monitor vehicle efficiency. For Co2 emissions a standard approach is followed using the manufacturer's rating but this could be looked at further as part of the net zero strategy and the transition to electric vehicles.

Single Person Dependency in Transport Administration (Amber)

There is currently one staff member responsible for the administrative functions of the Fleet & Waste Services. Detailed procedures are not in place for all key tasks undertaken, which risks disruption should that staff member leave the service or be absent for an extended period of time. In addition there is the risk that there is insufficient controls in place to ensure the integrity of transactions undertaken within the administration function.

- **4.24** The audit identified 6 issues, 5 of which we consider to be individually significant and an action plan is in place to address all issues by 1 April 2024.
- **4.25** The fieldwork for the 2022/23 Annual Audit Plan is almost complete and the status of the plan is attached at Appendix 1.
- **4.26** In relation to audit work for the Integration Joint Board, the agreed audit plan is being progressed with regular reporting to the Integration Joint Board Audit & Performance Committee.
- **4.27** In relation to the Valuation Joint Board, planning for the 2022/23 audit plan is complete and a draft report is being prepared.
- **4.28** In relation to the Leisure Trust, planning for the 2022/23 audit plan is complete and a final report has been issued.

4.29 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 April, 7 of which have been reported as completed my management and action dates in relation to 1 actions have been missed and a revised date set. The status report at 30 April 2023 is provided at Appendix 2.

Ongoing Corporate Fraud Team Work

- **4.30** 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.
- **4.31** 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

- **4.32** 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 timescale and report back on any savings.
- **4.33** The matches for the 2022 exercise have now been received and investigations are underway. To date 76 matches have been investigated but no fraud or error has been detected.

Benchmarking

- **4.34** In accordance with the Council's Strategic Improvement Framework, services should undertake benchmarking activity with the equivalent function in other Councils. Therefore, the Council's Internal Audit service has entered into a benchmarking group which involves seven other Councils, these being:
 - Argyll and Bute;
 - Clackmannanshire;
 - East Dunbartonshire;
 - Falkirk;
 - West Lothian;
 - Inverclyde; and
 - Stirling.
- **4.35** Meetings will continue to take place during 2023 to review performance against agreed performance indicators 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. Financial results for 2023/24 will be included in the next update to Audit Committee in August 2023.
- 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.

Laurence Slavin Chief Officer - Resources Date: 22 May 2023

| Person to Contact: | Andi Priestman, Shared Service Manager – Audit & Fraud E-mail: andi.priestman@west-dunbarton.gov.uk |
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| Appendices: | 2022/23 Annual Audit Plan – Progress to 31 March 2023 (Appendix 1) Status of Internal Audit Action Plans at 31 March 2023 (Appendix 2) |
| Background Papers: | Audit Committee – 15 June 2022: Internal Audit Annual Plan 2022/23 Audit Committee – 21 March 2018: Counter Fraud and Corruption Strategy Internal Audit Reports - Copies available on request |
| Wards Affected: | All wards |

2022-2023 Internal Audit Annual Audit Plans – Progress to 31 May 2023

| 2022-23 Plan Audit/Status | Not Started | Planning | Fieldwork | Fieldwork Complete | Draft Report | Final Report | Date Reported to Audit Committee |
|---|---|---------------|-------------------------------|-----------------------|-----------------|-----------------|-------------------------------------|
| Risk-Based Reviews | | | 1 | | | | |
| Learning Disabilities Services – Financial Monitoring of Contracts | Deferred to 2023/24 Audit Plan. There is currently a redesign planned for LDS financial monitoring processes. Audit resource will be provided to the project and terms of referen will be agreed. | | | | | | |
| Fleet Management | | ✓ | ✓ | ✓ | ✓ | ✓ | June 2023 |
| Occupational Therapy Waiting Times | | ✓ | ✓ | ✓ | ✓ | ✓ | June 2023 |
| Financial Assessment Process | | ✓ | ✓ | ✓ | ✓ | ✓ | February 2023 |
| Housing Repairs and Maintenance | | ✓ | | | | | August 2023 |
| Corporate Procurement – Supplier Management | | ✓ | ✓ | ✓ | ✓ | ✓ | May 2023 |
| Vehicle Maintenance | | ✓ | ✓ | ✓ | ✓ | | August 2023 |
| Void Management | | ✓ | | | | | August 2023 |
| Housing Waiting Lists | | ✓ | ✓ | ✓ | ✓ | ✓ | February 2023 |
| Parent Pay | | ✓ | ✓ | ✓ | ✓ | ✓ | May 2023 |
| Off Payroll Working | | ✓ | ✓ | ✓ | ✓ | ✓ | June 2023 |
| Corporate Purchase Cards | | ✓ | ✓ | ✓ | ✓ | ✓ | February 2023 |
| Limited Scope Financial System Reviews | | | | | | | |
| Non-Domestic Rates | | \checkmark | ✓ | | | | August 2023 |
| Creditors | | ✓ | ✓ | ✓ | ✓ | ✓ | June 2023 |
| Compliance Reviews | | | | | | | |
| Health and Wellbeing Policy | Deferred | to 2023/24 A | Audit Plan. | | | | |
| Other Work | | | | | | | |
| Integration Joint Board – Internal Audit Service | The internal audit annual plan for 2022/23 is nearing completion. Progress updates will be provided to the HSCP Board Audit & Performance Committee. | | | | | | |
| Valuation Joint Board – Internal Audit Service | The inter | nal audit ann | ual plan for 2 | 022/23 is nea | aring comp | letion. | |
| Leisure Trust – Internal Audit Service | The inter | nal audit ann | ual plan for 2 | 022/23 is cor | nplete. | | |
| National Fraud Initiative | Matches | for the 2022/ | 23 Exercise h | nave been red | ceived and | l investigat | tions are underway. |
| 2021/2022 Audit Plan Completion | | | ised during 20 em and Over | | ors, Proje | ct Manage | ement Arrangements; |



REPORT TO AUDIT COMMITTEE ON STATUS OF INTERNAL AUDIT ACTION PLANS AT 30 APRIL 2023

Summary: Section 1 Summary of Management Actions due for completion by 30/04/2023

There were 8 actions due for completion by 30 April 2023, 7 of which have been reported as completed by management and one actions has missed the deadline set by management.

Section 2 Summary of Current Management Actions Plans at 30/04/2023

At 30 April 2023 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 30/04/2023

At 30 April 2023 there were 21 current audit action points.

Section 4 Analysis of Missed Deadlines

At 30 April 2023 there were 8 audit action points where the agreed deadline had been missed.

Section 5 Summary of Action Plan Points by Audit Year

REPORT TO PMRG ON STATUS OF INTERNAL AUDIT ACTION PLAN POINTS SUMMARY OF ACTION PLANS DUE FOR COMPLETION BY 30.04.2023

SECTION 1

| Strategic Area | No. of Actions Due | No. of Actions Completed | Deadline missed Revised date set* | Deadline missed Revised date to be set* |
|-------------------------------------|--------------------------|--------------------------------|--|--|
| Housing and Employability | 2 | 2 | | |
| Supply, Distribution and Property | 1 | 1 | | |
| HSCP – Health and Community Care | 5 | 4 | 1 | |
| Total | 8 | 7 | 1 | |

* These actions are included in the Analysis of Missed Deadlines – Section 4

SECTION 2

CURRENT ACTIONS BY STRATEGIC AREA

| Supply, Distribution and Property | | | | | |
|-----------------------------------|----|--|--|--|--|
| Due for completion December 2023 | 1 | | | | |
| Total Actions | 1 | | | | |
| Roads and Neighbourhood | | | | | |
| Due for completion June 2023 | 6 | | | | |
| Due for completion August 2023 | 1 | | | | |
| Due for completion December 2023 | 1 | | | | |
| Due for completion April 2024 | 4 | | | | |
| Total Actions | 12 | | | | |
| HSCP - Health and Community Care | | | | | |
| Due for completion May 2023 | 1 | | | | |
| Due for completion August 2023 | 1 | | | | |
| Due for completion November 2023 | 3 | | | | |
| Due for completion December 2023 | 1 | | | | |
| Total Actions | 6 | | | | |
| Education Learning and Attainment | | | | | |
| Due for completion June 2023 | 2 | | | | |
| Total Actions | 2 | | | | |
| Total current actions: | 21 | | | | |

SECTION 3

Current Internal Audit Action Plans

IHMS Stores and Stock Management (Report issued January 2022)

| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By |
|----------|---|--------|----------------------|-------------|---------------------------------|--|
| IAAP/104 | Lack of Stock Control Process for Direct Purchases of UPVC Units (Rating reduced to Amber) An inventory of sizes/ types/hands/styles of uPVC windows and doors will be developed for inactive orders. A plan will be put in place to install all units where feasible. Any unusable units will be dealt within in line with the Council's management of obsolete stock procedures. | | 31-Mar-2023 | 31-Dec-2023 | Building Services Manager | Chief Officer – Supply, Distribution and Property |

Employee Expenses (Report issued May 2022)

| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By |
|----------|--|--------|----------------------|-------------|---|---|
| IAAP/111 | Lack of Co-ordination and Management of Pool Vehicles (Amber) A working group has been established to review pool car procedures which is being chaired by the Chief Officer Shared Services Roads & Neighbourhood. The CAS team will be responsible for maintaining pool vehicle records. A review is currently being carried out of procedures to make this process more efficient. Cost Savings Analysis will be carried out on an annual basis and reported as appropriate. | | 01-Oct-2022 | 30-Jun-2023 | Shared Fleet and Waste Services Manager | Chief Officer – Roads and Neighbourhood |
| IAAP/113 | Identification of High Levels of Claims by Teams & Individuals for Recommendation of Pool Car Use (Amber) A working group has been established to review pool car procedures which is being chaired by the Chief Officer Shared Services Roads & Neighbourhood. A list of high mileage claimants has been collated and the working group will assess the users in relation to allocation of pool cars and identify if additional vehicles are required. | | 01-Oct-2022 | 30-Jun-2023 | Shared Fleet and Waste Services Manager | Chief Officer – Roads and Neighbourhood |

| Status Key | | | | | | |
|------------|------------------------------------|------------|---|--|--|--|
| | On track | \bigcirc | Complete | | | |
| | Overdue – revised date required | | Missed original due date -new date set | | | |

SECTION 3

| P M | anagement of Capital Projects (Report Issued July 2022) | | | | | |
|------------|---|------------|----------------------|-------------|----------------------------|---|
| Code | Agreed Action | Statlic | Original Due Date | Due Date | Assigned To | Managed By |
| | Lack of Capital Project Post Implementation Reviews (Amber) Agree timeline for outstanding PPR's and commence in priority order. | \bigcirc | 31-Jan-2023 | 30-Apr-2023 | Corporate Asset Manager | Chief Officer – Supply, Distribution and Property |

| 🕑 H | lousing Waiting Lists (Report Issued January 2023) | | | | | |
|---------------|---|----------|----------------------|-------------|---|---|
| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By |
| IAAP/152 b | Timely review and investigation of National Fraud Initiative Matches (Amber) Training will be organised for additional users on the system. | 0 | 28-Feb-2023 | 30-Apr-2023 | Housing Operations Co- ordinator/ Housing Operations Team Leader | Chief Officer Housing and Employability |
| IAAP/152 c | Timely review and investigation of National Fraud Initiative Matches (Amber) Error report will be requested from IHMS. | I | 30-Apr-2023 | 30-Apr-2023 | Housing Operations Co- ordinator/ Housing Operations Team Leader | Chief Officer Housing and Employability |



SECTION 3

| C V | Vehicle Tracking System (Report Issued January 2023) | | | | | | |
|---------------|--|--------|----------------------|-------------|---|---|--|
| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By | |
| IAAP/147 | Lack of Formal Process for authorising Users Access to Vehicle Tracking System (Amber) Users will be contacted and each service's identified administrator will be given access to review and confirm access rights are correct. | | 31-Mar-2023 | 30-Jun-2023 | Shared Fleet and Waste Services Manager | Chief Officer – Roads and Neighbourhood | |
| IAAP/148 | Lack of tracking units in hired vehicles (Amber) Management will commence a review to assess practical application of tracking devices to Long term hires. | | 31-Mar-2023 | 30-Jun-2023 | Shared Fleet and Waste Services Manager | Chief Officer – Roads and Neighbourhood | |
| | Under Utilisation of Vehicle Tracking System (Amber) All Services operating vehicles with tracking units installed will be contacted and provided with updated Tracking System Procedures and training if required. | | 31-Mar-2023 | 30-Jun-2023 | Shared Fleet and Waste Services Manager | Chief Officer – Roads and Neighbourhood | |
| IAAP/149 b | Under Utilisation of Vehicle Tracking System (Amber) All Service managers that utilise Council owned or hired vehicles should ensure they are aware and are trained on the operational functionality of the Vehicle Tracking System. | | 31-Mar-2023 | 30-Jun-2023 | Service Managers | Chief Officers | |

Financial Assessments Process H&CC (Report Issued January 2023)

| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By |
|---------------|---|--------|----------------------|---------------|-------------------------------------|--------------------------------------|
| IAAP/142 a | No Independent review of the Financial Assessment calculation (Amber) Review of financial assessment processes to ensure that Senior Social Workers are aware of their responsibilities and expectations in relation to checking FA calculations. | 0 | 28-Feb-2023 | To be advised | Integrated Operations Manager | Head of Health and Community Care |
| IAAP/142 b | No Independent review of the Financial Assessment calculation (Amber) Review of systems currently available within care contracts to consider ability to replicate for non- residential charges within ACT/COPT. | 0 | 28-Feb-2023 | To be advised | Integrated Operations Manager | Head of Health and Community Care |

Status Key

| On track | \bigcirc | Complete |
|------------------------------------|------------|---|
| Overdue – revised date required | \bigcirc | Missed original due date -new date set |

SECTION 3

| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By |
|---------------|--|--------|----------------------|---------------|---|--------------------------------------|
| IAAP/142 | No Independent review of the Financial Assessment calculation (Amber) The Head of Health and Community Care will consider meeting with other Heads of Services to discuss the feasibility, and financial and resourcing implications of setting up a centralised team to carry out Financial Assessment Process and calculations for the non-residential services teams. | | 31-Mar-2023 | 31-Aug-2023 | Head of Health and Community Care | Chief Officer HSCP |
| a | Annual Review of Financial Assessment calculation (Amber) Management will carry out a review of financial assessment yearly review processes with senior social workers to consider how current systems can be improved to ensure consistent completion of the reviews within appropriate timescales. | 0 | 28-Feb-2023 | To be advised | Integrated Operations Manager | Head of Health and Community Care |
| IAAP/143 b | Annual Review of Financial Assessment calculation (Amber) The annual review process will be monitored by Head of Service. | 0 | 31-Mar-2023 | To be advised | Head of Health and Community Care | Chief Officer HSCP |

ParentPay (Report Issued February 2023)

| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By |
|----------|--|--------|----------------------|-------------|---|--------------------------------------|
| | Lack of formal debt recovery procedures (Amber) Guidance will be developed which will provide clear procedures and a standard approach, for all staff dealing with debt recovery in schools. The guidance will: Identify the level of debt for the commencement of debt recovery procedures within schools; Identify a de minimis level for passing to the Corporate Debt Team for recovery. | | 30-Jun-2023 | 30-Jun-2023 | Senior Education Officer Policy, Performance and Resource | Chief Officer Education, Learning |
| IAAP/156 | Management of debt within establishments (Amber) Currently debt management procedures are being finalised and these will be implemented once approved by the Education Committee. Heads of Establishments will instruct all staff who require to pay for meals through ParentPay that this must be done in a timely manner, and that debt will not be built up at any time. This will be managed and monitored by Heads of Establishments on a regular basis. | | 30-Jun-2023 | 30-Jun-2023 | Senior Education Officer Policy, Performance and Resource | Chief Officer Education, Learning |

| Status K | ey | | |
|----------|------------------------------------|------------|---|
| | On track | \bigcirc | Complete |
| | Overdue – revised date required | | Missed original due date -new date set |

SECTION 3

| C S | upplier Management (Report Issued March 2023) | | | | | |
|----------|--|--------|----------------------|-------------|--|-----------------------------|
| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By |
| IAAP/158 | HSCP Formal Contract and Supplier Management (Amber) Development of a Contracts Register to be stored centrally and controlled by the CCQ Team. By the due date it will have been developed to include a risk register in RAG format to cover contract start date, end date, extension date, CI scores, spend status, Quality monitoring information. Risk register will also be used to programme in more to review services well ahead of contract end date. | | 31-Dec-2023 | 31-Dec-2023 | HSCP Head of Strategy and Transformation | Chief Officer HSCP Board |

Occupational Therapy – Waiting Times (Report Issued April 2023)

| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By |
|----------|--|--------|----------------------|-------------|--|-----------------------------|
| IAAP/170 | Lack of capacity to manage current occupational therapy workloads (Red) Recruitment to current vacant posts. Limitations apply: availability of suitable, appointable applicants plus national recruitment issue. | | 01-May-2023 | 01-May-2023 | HSCP Head of Health and Community Care | Chief Officer HSCP Board |
| IAAP/171 | Lack of capacity to manage current occupational therapy workloads (Red) Head of Service (HOS)/Integrated Operation Manager (IOM) will review Occupational Therapy establishment across Adult Care and Community Older Peoples Team and consider alternatives to allow effective distribution of workload across Integrated Adult Services. | | 30-Nov-2023 | 30-Nov-2023 | HSCP Head of Health and Community Care | Chief Officer HSCP Board |
| IAAP/174 | Blue badge application backlog (Amber) Head of Service (HOS)/Integrated Operation Manager (IOM) will review Occupational Therapy establishment across Adult Care and Community Older Peoples Team and consider alternatives to allow effective distribution of workload across Integrated Adult Services. | | 30-Nov-2023 | 30-Nov-2023 | HSCP Head of Health and Community Care | Chief Officer HSCP Board |
| IAAP/175 | Adequacy of management information (Amber) HoS to collate 'performance manager reports' which will include trend analysis across a range of services. This will highlight profession specific reports including Occupational Therapy. These will be monitored by IOM / HoS monthly and adverse trends reported via Clinical care and Governance exception reports. Recognising the need to balance risk within the three classifications of priority against available resources requires effective triaging of referrals. | | 30-Nov-2023 | 30-Nov-2023 | HSCP Head of Health and Community Care | Chief Officer HSCP Board |

Status Key

| On track | \bigcirc | Complete |
|------------------------------------|------------|---|
| Overdue – revised date required | | Missed original due date -new date set |

| P FI | Fleet Management (Report Issued May 2023) | | | | | | | |
|----------|--|--------|----------------------|-------------|---|---|--|--|
| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By | | |
| IAAP/176 | Adequacy of Strategic Planning in relation to Fleet Management (Amber) An asset management plan for vehicle fleet will be developed based on the current budget for the vehicle replacement programme. The first plan will focus on priority vehicles which require to be replaced and then a rolling programme will be implemented. | | 01-Apr-2024 | 01-04-2024 | Chief Officer Roads and Neighbourhood | Chief Officer Roads and Neighbourhood | | |
| IAAP/177 | Payment of Invoices without checking (Amber) Procedures documentation to be updated to record requirement for services to check and authorise receipts to Fleet Management prior to reconciling to invoices received. An instruction to be issued to Chief Officers on the new process to ensure that receipts are signed off as checked and approved before being sent to Fleet Management. | | 31-Aug-2023 | 31-Aug-2023 | Chief Officer Roads and Neighbourhood | Chief Officer Roads and Neighbourhood | | |
| IAAP/178 | Lack of Review and Update of Fortress System (Amber) An initial exercise will be undertaken to review and update the driver information held on Fortress through consultations. Half yearly review on an ongoing basis. Review of keys and allocation of a key to a specific vehicle will be implemented as part of the initial exercise. | | 31-Dec-2023 | 31-Dec-2023 | Chief Officer Roads and Neighbourhood | Chief Officer Roads and Neighbourhood | | |
| IAAP/179 | Lack of measuring of individual vehicle efficiency/Co2 emissions (Amber) Management will further consider reporting of Co2 emissions as part of the net zero strategy and transition to electric vehicles. In relation to vehicle efficiency, as fuel efficiency is affected by individual driver style, management will consider whether driver information scores could be collated and provided to management to prioritise or target individual training. | | 01-Apr-2024 | 01-Apr-2024 | Chief Officer Roads and Neighbourhood | Chief Officer Roads and Neighbourhood | | |
| IAAP/180 | Single Person Dependency – Transport Administration (Amber) Roles and responsibilities will be clarified and agreed for what is considered to be a service task and what is considered to be a Corporate Admin Support task. Relevant action to document procedures will then be taken. | | 01-Apr-2024 | 01-Apr-2024 | Chief Officer Roads and Neighbourhood | Chief Officer Roads and Neighbourhood | | |

| Status Key | | | | | | |
|------------|------------------------------------|--|---|--|--|--|
| | On track | | Complete | | | |
| | Overdue – revised date required | | Missed original due date -new date set | | | |

| Code | Agreed Action | Status | Original Due Date | Due Date | Assigned To | Managed By |
|----------|--|--------|----------------------|-------------|---|---|
| IAAP/181 | Single Person Dependency – Transport Administration (Amber) Roles and responsibilities will be clarified and agreed for what is considered to be a service task and what is considered to be a Corporate Admin Support task. Relevant action to document procedures will then be taken. The service will consider developing the skills base of other officers within the wider service and undertake discussion with CAS management to ensure sufficient cross-training of required skills set within the wider CAS team. | | 01-Apr-2024 | 01-Apr-2024 | Chief Officer Roads and Neighbourhood | Chief Officer Roads and Neighbourhood |



REPORT TO AUDIT COMMITTEE ON STATUS OF INTERNAL AUDIT ACTION PLANS ANALYSIS OF MISSED DEADLINES

| Report | Agreed Action | Original Due Date | Revised Date | Management Comments |
|--|--|----------------------------|--------------|---|
| Employee Expenses (May 2022) | Lack of Co-ordination and Management of Pool Vehicles (Amber) A working group has been established to review pool car procedures which is being chaired by the Chief Officer Shared Services Roads & Neighbourhood. The CAS team will be responsible for maintaining pool vehicle records. A review is currently being carried out of procedures to make this process more efficient. Cost Savings Analysis will be carried out on an annual basis and reported as appropriate. | 31-Oct-2023 31-Mar-2023 | 30-Jun-2023 | Fleet Management Service has now met with services who have pool car users. An update was provided to the Pool Car Working Group Meeting on 22 nd March. A high level cost savings analysis has been undertaken and a report will be presented to PMRG. |
| Employee Expenses (May 2022) | Identification of High Levels of Claims by Teams & Individuals for Recommendation of Pool Car Use (Amber) A working group has been established to review pool car procedures which is being chaired by the Chief Officer Shared Services Roads & Neighbourhood. A list of high mileage claimants has been collated and the working group will assess the users in relation to allocation of pool cars and identify if additional vehicles are required. | | 30-Jun-2023 | Fleet Management Service has now met with services who have pool car users. An update was provided to the Pool Car Working Group Meeting on 22 nd March. A high level cost savings analysis has been undertaken and a report will be presented to PMRG. |
| Vehicle Tracking System (Report issued January 2023) | Lack of Formal Process for authorising Users Access to Vehicle Tracking System (Amber) Users will be contacted and each service's identified administrator will be given access to review and confirm access rights are correct. | 31-Mar-2023 | 30-Jun-2023 | Service users will be contacted, a meeting to be held to agree levels of access, training requirements and agree designated service contacts. |
| Vehicle Tracking System (Report issued January 2023) | Lack of tracking units in hired vehicles (Amber) Management will commence a review to assess practical application of tracking devices to Long term hires. | 31-Mar-2023 | 30-Jun-2023 | To be included in discussions with hire companies, additional costs and benefits to be factored in. |

REPORT TO AUDIT COMMITTEE ON STATUS OF INTERNAL AUDIT ACTION PLANS ANALYSIS OF MISSED DEADLINES

| Report | Agreed Action | Original Due Date | Revised Date | Management Comments | | |
|--|--|----------------------|--------------|---|--|--|
| Vehicle Tracking System (Report issued January 2023) | Under Utilisation of Vehicle Tracking System (Amber) All Services operating vehicles with tracking units installed will be contacted and provided with updated Tracking System Procedures and training if required. | | 30-Jun-2023 | Meetings are being held with transport and fleet to develop procedures and links to action IAAP/147. | | |
| Vehicle Tracking System (Report issued January 2023) | Under Utilisation of Vehicle Tracking System (Amber) All Service managers that utilise Council owned or hired vehicles should ensure they are aware and are trained on the operational functionality of the Vehicle Tracking System. | | 30-Jun-2023 | Links to above action. | | |
| Financial Assessments Process H&CC (January 2023) | No Independent review of the Financial Assessment calculation (Amber) The Head of Health and Community Care will consider meeting with other Heads of Services to discuss the feasibility, and financial and resourcing implications of setting up a centralised team to carry out Financial Assessment Process and calculations for the non-residential services teams. | 31-Mar-2023 | 31-Aug-2023 | The feasibility of creating a new 'transactional team' to complete financial assessments/annual review across adult services is being considered. Final consolidation to ensure consistency for financial assessments is underway, with a paper due to IJB in August 2023. | | |
| IHMS Stocks and Stores Management (January 2023) | Lack of Stock Control Process for Direct Purchases of UPVC Units (Rating reduced to Amber) An inventory of sizes/ types/hands/styles of uPVC windows and doors will be developed for inactive orders. A plan will be put in place to install all units where feasible. Any unusable units will be dealt within in line with the Council's management of obsolete stock procedures. | 31-Mar-2023 | 31-Dec-2023 | The units have now been moved to a secure storage location. Programme of installation is ongoing. Management have also been in touch with relevant contractor who have so far failed to uplift their mismeasures. A formal letter will be issued to contractors stating that the units will be disposed of by a certain date to allow them an opportunity to uplift these units. | | |

REPORT TO A ON STATUS OF INTERNAL AUDIT ACTION PLANS SUMMARY OF ACTIONS BY AUDIT YEAR

Status at 30 April 2023

| Audit Year | No of Agreed | No of actions | Current actions by Gra | | |
|------------|--------------|---------------|------------------------|-------|--------|
| | Actions | complete | Red | Amber | Green* |
| 2020/2021 | 25 | 22 | 0 | 1 | 2 |
| 2021/2022 | 51 | 44 | 0 | 3 | 4 |
| 2022/2023 | 51 | 25 | 1 | 16 | 9 |
| Total | 127 | 91 | 1 | 20 | 15 |

* Green actions are within the Council's risk appetite and are therefore not included in Audit Committee reports.

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 8 June 2023

Subject: Internal Audit Annual Report to 31 March 2023

1. Purpose

1.1 The purpose of this report is to advise Members of the work undertaken by Internal Audit in respect of the 2022/23 Annual Audit Plan 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 (Chief Officer - 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 1st April 2013 (revised in 2017) and require that:

"The chief audit executive [WDC: Shared Service Manager Audit & Fraud] 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** Progress reports were provided to the Audit Committee at each meeting during 2022/23 on Internal Audit activity and progress against the annual audit plan.

4. Main Issues

4.1 Internal Audit has implemented a new risk-based audit methodology which means that for each audit, one of the following 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. |

4.2 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 manager. Not reported in Audit Committee papers. |

4.3 The status of the Audit Plan for 2022/23 is set out at Appendix 1. There are no significant issues arising through audit work to date which would impact on the overall audit opinion within the 2022/23 Annual Report and Assurance Statement.

4.4 The 2022/23 Internal Audit Annual Report and Assurance Statement is set out at Appendix 2. There are four overall Audit Opinion types as follows:

| Satisfactory | Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met. 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 | 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. |
| needed | 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 | Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met. |
| | 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 | Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met. |
| | 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>. |

- **4.5** On the basis of Internal Audit work performed in 2022/23, it can be concluded that the majority of the Council's control procedures are operating as expected during the period under review, although it is recognised that work is ongoing with management to continue to make good progress in implementing agreed action plans arising from Internal Audit reviews.
- **4.6** However, there were 2 audits where a **Requires Improvement** rating was given:
 - Occupational Therapy Waiting Times
 - Fleet Management

Therefore the overall audit opinion is **Generally Satisfactory with some improvement needed**.

4.7 Performance indicators for the Audit and Fraud service were reviewed for 2022/23 and actual performance against target is set out at Appendix 3.

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 £255,563 have been identified during 2022/23.
- 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 minimum level of assurance over the Council's system of internal financial control to those charged with governance.

8. Equalities Impact Assessment (EIA)

8.1 There is no requirement for an EIA.

9. Consultation

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

10. Strategic Assessment

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

.....

Laurence Slavin Chief Officer - Resources Date: 8 June 2023

| Person to Contact: | Andi Priestman, Shared Service Manager – Audit & Fraud E-mail: andi.priestman@west-dunbarton.gov.uk |
|--------------------|---|
| Appendices: | Status of Audit Plan 2022/23 Internal Audit Annual Report and Assurance Statement for the year ended 31 March 2023 Performance Indicators 2022/23 |
| Background Papers: | Audit Committee – 15 June 2022: Internal Audit Plan 2022/23 |
| Wards Affected: | All wards |

Audit Plan 2022/23: Completed Audits

| Report Title | Findings Control | | | Control | | |
|--|---|-----------|------------|--------------|----------------|--|
| | Status | | | Green | Environment | |
| | | | | | Opinion | |
| Risk Based Reviews | | | | | · | |
| Vehicle Tracking System | Complete | 0 | 3 | 2 | Satisfactory | |
| Project Management | Complete | 0 | 1 | 1 | Satisfactory | |
| Arrangements | | | | | | |
| Overtime | Complete | 0 | 5 | 1 | Satisfactory | |
| Occupational Therapy – | Complete 1 2 0 Requi | | Requires | | | |
| Waiting Times | | | | | Improvement | |
| Financial Assessment | Complete | 0 | 3 | 3 | Satisfactory | |
| Process | | | | | | |
| Supplier Management | Complete | 0 | 1 | 2 | Satisfactory | |
| Fleet Management | Complete | 0 | 5 | 1 | Requires | |
| | | | | | Improvement | |
| Housing Waiting Lists | Complete | 0 | 1 | 2 | Satisfactory | |
| Parent Pay | Complete | 0 | 2 | 1 | Satisfactory | |
| Corporate Purchase Cards | Complete | 0 | 1 | 3 | Satisfactory | |
| Vehicle Maintenance | Draft report is being prepared. Will be finalised in | | | finalised in | | |
| | 2023/24. | | | | | |
| Off Payroll Working | | | | | being reviewed | |
| | in line with | | | | | |
| | assessment returns. Will be finalised in 2023/24. | | | | | |
| Void Maintenance and | C/f to 2023/24 Audit Plan. These areas will be | | | | | |
| Property Repairs Learning Disability Services | included in a value for money review. Deferred to 2023/24 Audit Plan. There is currently a | | | | | |
| Learning Disability Services | | | | | | |
| | redesign planned for LDS financial monitoring | | | | | |
| | processes. Audit resource will be provided to the project and terms of reference will be agreed. | | | | | |
| Limited Scope Finance Rev | | | | | greeu. | |
| Debtors | Complete | 0 | 0 | 3 | Satisfactory | |
| Creditors | Complete | 0 | 0 | 3 | Satisfactory | |
| Non-Domestic Rates | Fieldwork i | | _ | | | |
| Non-Domestic Mates | 2023/24. | 5 under | way. which | | u uunng | |
| Other Work | 2023/24. | | | | | |
| IJB Internal Audit Service | 2022/23 Au | ıdit Plan | | dite were | planned. One | |
| | | | | | • | |
| Valuation Joint Board | audit complete, other audit at fieldwork stage. 2022/23 Audit Plan - One audit was planned and the | | | | | |
| | | | | • | | |
| WD Leisure Trust | draft report is being prepared. 2022/23 Audit Plan Complete. | | | | | |
| Health and Wellbeing Policy | • | | | | | |
| Compliance Review | part of Attendance Management audit. | | | | | |
| | | | | | | |

Assurance Statement for the year ended 31 March 2023 From the Shared Service Manager – Audit & Fraud

To the Members of West Dunbartonshire Council, the Chief Executive and the Section 95 Officer (Chief Officer - Resources)

As Shared Service Manager - Audit & Fraud of West Dunbartonshire Council, I am pleased to present my annual statement on the adequacy and effectiveness of the internal financial control system of the Group Accounts prepared by the Council for the year ended 31 March 2023.

Respective responsibilities of management and internal auditors in relation to internal control

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal financial control and to monitor the continuing effectiveness of that system. It is the responsibility of the Shared Service Manager – Audit & Fraud to provide an annual overall assessment of the robustness of the internal financial control system.

The Council's framework of governance, risk management and internal control

The Council has a responsibility to ensure that its business is conducted in accordance with legislation and proper standards.

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and how it accounts to communities. It enables the Council to monitor the achievement of its strategic priorities and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The main objectives of the Council's internal control systems are to ensure:

- Adherence to management policies and directives in order to achieve the organisation's objectives.
- Economic, efficient, effective and safe use of resources and assets.
- The relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records.
- Compliance with statutory requirements.

The system of internal control is a significant element of the governance framework. Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control in order to identify and prioritise the risks that would prevent the achievement of the Council's strategic objectives.

The work of internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control processes.

The Council's Internal Audit Section operates in accordance with the *Public Sector Internal Audit Standards* (PSIAS) which have been agreed to be adopted from 1st April 2013 (revised in 2017) by the relevant public sector Internal Audit Standard setters. PSIAS applies the Institute of Internal Auditors International Standards to the UK Public Sector.

PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed in order to provide assurance that 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.

An internal self-assessment of internal audit practices has been carried out by Internal Audit every year since PSIAS became effective on 1st April 2013, with improvements identified and implemented as appropriate. PSIAS also requires, 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".

The last external review was carried out in 2016. The next external review was due to be carried out by 31 March 2021 however this was deferred due to the pandemic. The external review has now been rescheduled for 2023. The internal review confirms a high level of compliance and that the Internal Audit Section generally conforms with the requirements of PSIAS.

The Internal Audit Section undertakes an annual programme of work based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes within the Council. All Internal Audit reports identifying control weaknesses and/or areas of non-compliance with expected controls are brought to the attention of management and the Audit Committee together with appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on audit recommendations. The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Agreed actions arising from Internal Audit reports are followed up on a monthly basis as action dates fall due.

Regular reporting on action plan implementation is provided on a monthly basis to senior management and to each meeting of the Audit Committee.

Internal Audit and Corporate Fraud staff regularly attended the following external user group meetings:

- SLACIAG, the purpose of which is to develop and improve the practice of internal audit activity with Scottish local authorities. It achieves this by meeting to discuss issues of common concern, commissioning work to develop ideas, sharing good practice, working in partnership with other professional / governing bodies and promoting SLACIAG as the representative body for internal audit in local authorities; and
- The Scottish Local Authority Investigators Group (SLAIG): This group consists of fraud practitioners from local authorities in Scotland, with the objectives of:
 - Raising the profile of the counter fraud agenda;
 - Sharing good practice;
 - Raising awareness of the risk of fraud; and
 - Ensuring that fraud is investigated in a professional manner.

COVID-19

The significant incident in late March 2020 and the Council's management as a Category 1 responder during the COVID-19 pandemic has continued to test how well the risk management, governance and internal controls framework operated. The longevity of the Covid-19 pandemic and its extension from 2020/21 into 2021/22 meant that the effect on the Council's businesses, residents and workforce remained an area of concern in 2022/23.

The Council's response to the pandemic and the mobilisation of its staff continued to show the benefits of an agile and proactive workforce using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings and secure remote access to systems to allow remote/home working for a significant number of employees within the Council.

The Covid-19 pandemic and its aftermath is likely to have a lasting impact on income levels, resulting from fundamental changes in social movements, behaviours and preferences.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work undertaken by Internal Audit during the year to 31 March 2023.
- The assessment of risk completed during reviews of the annual audit plan.
- The Code of Good Governance self-assessment process undertaken by the Chief Officers for the services for which they were responsible during the year to 31 March 2023.
- The Council's Annual Governance Statement for the year ended 31 March 2023.
- Reports issued by the Council's External Auditors, Audit Scotland, and other review agencies.
- My knowledge of the Council's governance, risk management and performance management and monitoring arrangements.

Limitation to Resources or Scope of Internal Audit Work

There were no significant threats identified to the independence of the internal audit activity such as inappropriate scope or resource limitations.

Opinion

The report concludes that the majority of West Dunbartonshire Council's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit in 2022/23. The overall audit opinion is **Generally Satisfactory with some improvement needed**.

Signature: Andi Priestman

Title: Shared Service Manager – Audit & Fraud

Date: 22 May 2023

Opinion Types

| Satisfactory | Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met. |
|---|--|
| | 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 | 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. |
| needed | • 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 | Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met. |
| | 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 Requires Improvement or Unsatisfactory. |
| Unsatisfactory | Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met. |
| | 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>. |

Key Performance Indicators – 2022/23

| Measure | Description | Actual | Target |
|----------------------------------|---|------------------|------------------|
| 1. Draft Report | Percentage of draft reports issued within 3 weeks of completion of fieldwork. | 92% | 80% |
| 2. Final Report | Percentage of final reports issued within 2 weeks of draft report. | 54%(1) | 100% |
| 3. Audit Plan Delivery | Percentage of audits completed versus planned. | 80% | 85% |
| 4. Audit Budget | Percentage of audits completed within budgeted days. | 77% | 80% |
| 5. Audit Recommendations | Percentage of audit recommendations agreed. | 100% | 90% |
| 6. Action Plan Follow Up | Percentage of action plans followed up – Internal and External Audit. | 100% | 100% |
| 7. Customer Feedback | Percentage of respondents who rated the overall quality of internal audit as satisfactory or above. | 100% | 100% |
| 8. NFI recommended matches | Percentage of National Fraud Initiative recommended matches investigated within timescales. | 100% | 100% |
| 9. DWP liaison | Percentage of cases referred to/ actioned for DWP within DWP timescales. | 100% | 100% |
| 10. Staff compliance with CPD | Number of training hours undertaken to support CPD | 100 | 100 |
| 11. Management engagement | Number of meetings with CMT and senior management as appropriate | 3 per quarter | 1 per quarter |

(1) Delays were experienced in finalising some audit reports due to officer capacity in some services.

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 8 June 2023

Subject: External Audit Enquiries – 2022/23 Accounts

1. Purpose

1.1 To inform members of the External Auditor's requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations as part of their audit of the Council's Statement of Accounts for 2022/23 and to allow members to comment on the response related to 'Those Charged with Governance'.

2. Recommendations

- **2.1** That the Audit Committee
 - receive, and comment upon, the enquiries for those charged with governance for the 2022/23 Accounts.
 - agree with the draft responses set out in appendix 1 to this report and approve their submission to the Council's external auditors.

3. Background

3.1 As part of the annual approach taken by the Council's external auditors, Mazars, they seek responses to a range of enquiries concerning the Council's approach and reporting arrangements for a number of key areas, in particular related to themes surrounding fraud, litigation, laws and regulations together with some areas specific to the accounts such as related parties and estimates used in the accounts. The responses to these provided by officers will inform the approach taken by Mazars to the audit of the 2022/23 Accounts.

4. Main Issues

4.1. In addition to the enquiries made to officers Mazars also require a response to a number of enquiries relating to the arrangements for identifying, responding to and managing risks around fraud from 'those charged with governance'. Details of the specific enquiries and a proposed response to each is provided in Appendix 1 for members to review and comment on ahead of agreeing the final version for submission to Mazars.

5. People Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 There are no financial implications arising from this report.

6.2 There are no procurement implications arising from this report.

7. Risk Analysis

7.1 There are no specific risk implications arising from this report.

8. Equalities Impact Assessment (EIA)

8.1 There are no direct equalities impacts arising from the report.

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.

Laurence Slavin Chief Officer - Resources Date: 29 May 2023

| Person to Contact: | Laurence Slavin, Chief Officer - Resources E-mail: <u>laurence.slavin@west-dunbarton.gov.uk</u> |
|--------------------|--|
| Appendices: | 1 – External Audit Enquiries to Those Charged with Governance |
| Background Papers: | None |
| Wards Affected: | All wards |

International Standard for Auditing 240 - The auditor's responsibility to consider fraud in an audit of financial statements

1) How does the Committee, in its role as those charged with governance, exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially
 misstated due to fraud or error (including the nature, extent and frequency of these
 assessments);
- identifying and responding to risks of fraud in the organisation, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees of views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the organisation's code of conduct); and
- communicating to those charged with governance the processes for identifying and responding to fraud or error?

Response

The Council's financial statements are prepared by experienced and professionally qualified accountants who are regulated by the standards of their respective institutes. The financial statements reflect the transactions which have been processed by the Council's financial systems. These systems are protected by internal controls and procedures which are regularly reviewed and tested by internal audit and our external auditors. Consequently although the material misstatement cannot be ruled out, its likelihood is low.

The Audit Committee provides oversight and challenge in relation to the financial statements and seeks assurances from the Chief Officer - Resources that the accounts are not materially misstated. Updates are regularly provided to Audit Committee in key areas of the statement, any changes in accounting policies and their impact on the statements.

The Audit Committee plays a key oversight role in relation to fraud and error identification. The committee receives regular progress reports on anti-fraud activities taking place within the Council.

The Council has a code of conduct which describes the standards of conduct and practice which all Council employees should follow. The code of conduct is a key component of the Council's Code of Good Governance.

The Council's Whistleblowing Policy enables any individual to register, in confidence, any concerns regarding alleged misconduct and fraudulent or corrupt activity. This can be found on the Council's website and intranet.

2) How does the Committee oversee management processes to identify and respond to the risk of fraud and possible breaches of internal control? Is the Committee aware of any breaches of internal control during 2022/23? Please provide details.

Response

It is the responsibility of management to develop and maintain sound systems of risk management, governance and internal control. This includes the requirement to identify and respond to any identified breaches of internal control.

However it is noted that internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls and

unforeseeable circumstances.

In terms of oversight, the Council's Internal Audit function plays a key role in this regard. Internal Audit work is not a substitute for management's responsibilities for the design and operation of these systems, and is not responsible for identifying all significant control failures.

However, the Internal Audit team has an important role in providing assurance on the Council's control environment and providing a view on the Council's processes for identifying control failures, and endeavours to plan its work so that work is focused on those areas where there is higher risk. A risk-based audit plan is produced annually based on best practice, taking cognisance of the strategic and operational risk registers and engagement with senior managers. The methodology for prioritising audit work is set out in the audit strategy and plan. Findings are reported as Red, Amber or Green which aligns with the Council's risk management strategy. Red and Amber findings are reported to Audit Committee together with management's agreed actions to address these issues.

The Audit Committee receive a range of assurances/reports during the year which touch upon aspects of internal control. Reports in 2022/23 have included:

- Annual Audit Plans from internal and external audit
- Annual Internal Audit Report and Assurance Statement
- Internal Audit progress reports
- Annual Governance Statement
- Accounting policies, Annual Accounts and External audit Annual Report
- Treasury management annual report and updates
- Regular reports on National Fraud Initiative
- Risk management update on Strategic Risk register

Where deemed necessary the Audit Committee will ask that a relevant officer of the Council is present at Audit Committee meetings to respond to questions on a report being presented.

3) Has the Committee knowledge of any actual, suspected or alleged fraud during the period 1 April 2022 – 31 March 2023? Where appropriate please provide details.

Response

A number of suspected/alleged instances of fraud occurred during 2022/23. These are detailed within the regular reports to Audit Committee. Cases included those relating to housing benefit/council tax and misuse of council resources.

4) Has the Committee any suspicion that fraud may be occurring within the organisation? Please provide details.

- Has the Committee identified any specific fraud risks within the organisation? Please provide details.
- Does the Committee have any concerns that there are areas within the organisation that are at risk of fraud? Please provide details.
- Are there particular locations within the organisation where fraud is more likely to occur? Please provide details.

Response

As with any large and complex organisation there are a range of fraud risks and emphasis on reducing fraud risk is continuous. The results of the NFI, internal audit work and reported fraud show some low value frauds.

Management and the Audit Committee is kept up to date with fraud risks through updates on counter fraud arrangements, Internal Audit and other ad hoc reports.

Fraud risks are acknowledged in key areas. Members and officers are aware of these and the risks are managed through established risk management processes.

5) Is the Committee satisfied that internal controls, including segregation of duties, exist and work effectively? Please provide details.

- If not, where are the risk areas? •
- What other controls are in place to help prevent, deter or detect fraud?

Response

Key controls such as the segregation of duties, management review and supervision and authorisation and approval are evident in each of the Council's core systems. It is acknowledged that maintaining an effective control environment is challenging in a time of reducing resources and a changing operating environment. For this reason, internal audit will have a continued role in supporting the Council in ensuring that an adequate but appropriate control environment is in place.

In overall terms, Internal Audit have concluded that reasonable assurance can be provided on the Council's system of internal control for 2022/23.

6) Is the Committee satisfied that staff are encouraged to report their concerns about fraud, and the types of concerns they are expected to report? Please provide details.

Response

The Council promotes a zero tolerance toward fraud and promotes a culture that enables individuals to identify potential fraud and empowers them to report their concerns in a safe and secure manner to the appropriate people at the right time.

The means by which employees can report fraud are publicised on the Council's intranet... Fraud issues are widely communicated both internally and externally to provides a deterrent to fraudsters by highlighting the Council's commitment to identify fraud and take proactive action to pursue fraudsters.

7) From a fraud and corruption perspective, what are considered by the Committee to be high risk posts within the organisation? Please provide details.

How are the risks relating to these posts identified, assessed and managed? Response

Fraud and corruption, and associated risks, come in many forms and, consequently, it is not easy to specifically identify specific posts where there are greater risks than others. However there is a general recognition that there is an inherent risk of fraud within an organisation like a Council and the risk of fraud is managed through existing controls and procedures which are in place across the organisation. The Committee takes assurance from the work of internal audit, the established fraud policies in place and ongoing embedding of a culture of fraud awareness through a programme of anti-fraud training and the work of the Council's fraud team. This helps ensure that issues identified as a result of Internal Audit work or fraud investigations, result in recommendations to management to address gaps in control to ensure that risks are properly mitigated to acceptable levels. 8) Is the Committee aware of any related party relationships or transactions that could

give rise to instances of fraud? Please provide details.

How are the risks associated with fraud related to such relationships and transactions mitigated?

Response

We are not aware of any related party relationships or transactions that could give rise to instances of fraud.

Disclosure of significant related party relationships is required for both members and officers in positions of influence.

9) Is the Committee aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading? Please provide details.

- Are there particular balances where fraud is more likely to occur? Please provide details.
- Is the Committee aware of any assets, liabilities or transactions that it believes were improperly included or omitted from the accounts of the organisation? Please provide details.
- Could a false accounting entry escape detection? If so, how?
- Are there any external fraud risk factors which are high risk of fraud? Please provide details.

Response

We are not aware of any accounting entries which are suspected to be false or intentionally misleading. Should management become aware of any suspect accounting entries, these would be subject to immediate investigation through Internal Audit.

We are not aware of any assets, liabilities or transactions that have been improperly included or omitted from the Council's accounts. Should any issues arise it is expected that these would be identified through review and approvals processes.

The Council is a complex multidisciplinary organisation so there is a risk that management is unaware that there is some potential false accounting occurring however this is unlikely given the controls in place for processing transactions. An added control in this area is the review by the external audit team who provide added assurance for transactions which are in excess of the materiality value.

Current and emerging risks are identified from a number of sources including the National Anti-Fraud Network (NAFN) and other law enforcement agencies. These are disseminated to relevant Council teams to raise awareness.

10) Is the Committee aware of any organisational, or management pressure to meet financial or operating targets? Please provide details.

• Is the Committee aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets? Please provide details.

Response

The Committee understands that the Council has financial and operating targets to meet and these are delivered and met through normal management arrangements. However we are not aware of any organisational or management pressure to meet financial or operating targets.

Monthly budget monitoring is conducted with Chief Officers and service managers and reconciliations of key balances are conducted monthly, and significant variances are investigated. There is regular reporting on Budgetary Control to relevant committees. International Standard for Auditing 250 – Consideration of laws and regulations in an audit of financial statements

11) How does the Committee gain assurance that all relevant laws and regulations have been complied with. For example:

- Is the Committee aware of the process management has in place for identifying and responding to changes in laws and regulations? Please provide details.
- What arrangements are in place for the Committee to oversee this process?
- Is the Committee aware of the arrangements management have in place, for communicating with employees, non-executive directors, partners and stakeholders regarding the relevant laws and regulations that need to be followed? Please provide details.

• Does the Committee have knowledge of actual or suspected instances where appropriate laws and regulations have not been complied with, and if so is it aware of what actions management is taking to address it? Please provide details.

Response

The Council is subject to a range of legal and regulatory frameworks. The Council has a Local Code of Good Governance and has appointed a Monitoring Officer (Head of Regulatory and Regeneration) to ensure that the Council acts lawfully. All committee reports are subject to legal review and comment to ensure key issues are identified.

The Council's Head of Regulatory and Regeneration is a member of the CMT and is sighted on any new strategic projects or initiatives with the Council's Legal Services having specialist officers who provide legal advice and support to particular service areas. As required, training is provided to officers on particular legal issues, some of it being mandatory, for example around data protection and equalities.

Accepting that there will be minor operational instances of non-compliance, we are not aware of any instances of significant non-compliance during the financial year. This is supported by the annual review of the Local Code of Good Governance.

International Standard for Auditing 501 – Specific consideration of the potential for, and actual, litigation and claims affecting the financial statements

12) Is the Committee aware of any actual or potential litigation or claims that would affect the financial statements? Please provide details.

Response

The Council's financial statements disclose contingent liabilities and any provisions for legal claims. The Council's S95 Officer engages with members of the Council's Senior Management Team, including the Head of Regulatory and Regeneration Service (Council's Monitoring Officer) as part of the annual accounts preparation process to identify any ongoing or potential cases which require disclosure in the financial statements.

International Standard for Auditing 570 – Consideration of the going concern assumption in an audit of financial statements

13) How has the Committee assessed and satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Response

Going concern has been assessed as part of Council's budget setting process in March 2023. The budget setting process requires the Council's s95 Officer (Chief Officer - Resources) to provide a view on the robustness of estimates and the adequacy of reserves.

No issues in relation to going concern were highlighted as part of the report presented alongside the financial accounts to the Council in November 2022.

14) Has the Committee identified any events or conditions since the assessment was undertaken which may cast significant doubt on the organisation's ability to continue as a going concern? Please provide details.

Response

The Council agreed a balanced 2023/24 budget on 1 March 2023 and that report presented future budget gaps that will need to be closed in subsequent years. This is consistent with all Scottish local authorities and reflects the financial climate local authorities are operating in with ongoing real terms funding reductions. The Council delivers a number of non-statutory services which, if required could be reduced or stopped in the event that insufficient funding is made available. Therefore, whilst the Council does have future budget gaps, there are viable options available to close the gap meaning there is risk to the Council's ability to continue as a going concern.