

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 13 December 2023

Subject: Internal Audit Plan 2023/24 – Progress to 15 November 2023

1. Purpose

- 1.1 The purpose of this report is to advise Members of progress at 15 November 2023 against the Internal Audit Plan for 2023/24.
- 1.2 The report also advises Members of:
- recently issued Internal Audit reports and action plans
 - the status of implementation progress relating to action plans from previously issued Internal Audit reports.

2. Recommendations

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

3. Background

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

4. Main Issues

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

Strong	In our opinion there is a sound system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion isolated areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.

Requires Improvement	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered inadequate to ensure that the organisation is able to achieve its objectives.

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

Red	In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole. Corrective action must be taken and should start immediately. Overseen to completion by Corporate Management Team.
Amber	In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole. Corrective action must be taken (some exceptions may be agreed with Internal Audit) within reasonable timeframe. Overseen to completion by Chief Officer/Head of Service.
Green	In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness. Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit. Managed by service owner. Not reported in Audit Committee papers.

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

Non-Domestic Rates

- 4.5** Non Domestic rates (NDR) is the charge levied on most non-domestic properties such as shops, offices, pubs, warehouses, factories and other rental properties. It is calculated through the property's Rateable Value, which is determined by the Scottish Assessors Office. Some non-domestic properties will be exempt or eligible to claim NDR Reliefs.
- 4.6** West Dunbartonshire Council Finance Service Centre (FSC) is responsible for ensuring all relevant non-domestic properties within the Council area are invoiced accurately, timeously, for applying any relevant NDR reliefs correctly and ensuring all monies are collected. During 2022/23 the total net NDR income for West Dunbartonshire Council was £86.7m.
- 4.7** The objective of this audit was to assess the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks in relation to the NDR process.

- 4.8** The review focused on the high-level NDR processes and procedures and concentrated on identified areas of perceived higher risk such as all liable properties within West Dunbartonshire were not correctly identified, valued and billed; arrangements were not in place to process NDR reliefs correctly; and NDR reconciliations were not being completely and accurately performed.
- 4.9** The overall control environment opinion was **Satisfactory**. Three AMBER issues were identified as follows:

Lack of review of the NDR Weekly Running Roll

The Revenue and Support Team send the valuation output reports to the NDR Team on a weekly basis for checking rateable values and the completeness and accuracy of chargeable properties. A detailed spreadsheet accompanies the reports and should be signed off to record that the check has been completed. However audit testing of five weekly running rolls identified that the spreadsheets were not signed off as checked and dated in all five cases.

Where evidence of the check is not recorded, management cannot be confident that the check of the weekly running roll is carried out which may result in chargeable properties not being completely and accurately recorded in the NDR ORBIS system and invoiced correctly.

Ongoing Discrepancies between Assessor and Finance NDR Records – Self-catering Units

The December 2022 quarterly reconciliation highlighted discrepancies between the Assessor and NDR ORBIS system records in relation to self-catering units (SCU). Since 2021/22 the NDR team have been experiencing issues whereby a small number of SCUs are not being updated correctly. The NDR team has sought guidance from the assessor on how to treat these cases but has not sought any technical advice from the supplier Northgate or WDC ICT for possible system solutions. Manual workarounds are therefore put in place to reconcile the year end running rolls for 2022 and 2023. Findings recorded for the year ending 31 March 2022 had three properties which required a manual end date to be entered, however this number has increased to twelve. This issue is still to be resolved.

Manual workarounds introduce the risks of fraud or error.

Lack of Independent Review of NDR Relief Applications

NDR reliefs are awarded to ratepayers if they meet established eligibility. The audit focussed on five types of relief based on the highest values awarded during 2022/23. It identified that applications for the Small Business Bonus Scheme Relief and the Empty Property Relief are not independently checked by an independent NDR Team officer.

Where there is no independent review there is a risk that the relief applied is not valid or the applications are not completely and accurately processed.

- 4.10** The audit identified seven issues, three of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2024.

HSCP – Petty Cash Imprests

- 4.11** An imprest account (or petty cash account) is an advance of money given to a service or establishment to allow payment of cash for smaller items in stores with whom the Council does not have a credit account. The HSCP currently has 13 establishments with an imprest account with balances ranging from £150 to £1,950.
- 4.12** Imprests are set up through the use of a bank account, whereby funds are transferred (by BACS) from the main WDC bank account to the establishment imprest bank account. Thereafter, designated employees are able to withdraw cash in accordance with banking guidelines.
- 4.13** The objective of this audit was to assess the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by the Council in relation to Petty Cash Imprests.
- 4.14** The scope of the review covered all key processes for petty cash imprests which was reviewed through a control self-assessment exercise to confirm that controls and procedures were being followed or highlight any required control improvements.
- 4.15** The overall control environment opinion was **Satisfactory**. Areas of good practice were identified including:
- reimbursement requests were within authorised limits.
 - imprest funds were appropriately secured.

Two AMBER issues were identified as follows:

Lack of Segregation of Duties

Segregation of duties is a key internal control intended to minimise the risk of fraud and error by ensuring that no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties.

The audit identified a lack of segregation of duties at seven of the thirteen establishments which operate a petty cash imprest account due to single person dependencies operating at these establishments.

Where appropriate segregation of duties is not in place this increases the risk of fraud or error going undetected.

Adequacy of Procedures

The guidance for the operation of petty cash imprest accounts namely 'Petty Cash Accounts and Petty Cash Procedures' was last updated in 2015 and lacks sufficient guidance for staff involved in the day to day operation and management of petty cash imprests. The audit did however identify that local procedures have been developed in one service area to ensure consistency of approach.

Where there is no regular review of petty cash procedures, there is a risk that staff follow processes which may be out of date and could carry out tasks incorrectly.

- 4.16** The audit identified four issues, two of which we consider to be individually significant and an action plan is in place to address all issues by 30 April 2024.
- 4.17** The status of the 2023/24 audit plan is attached at Appendix 1.
- 4.18** In relation to audit work for the Integration Joint Board, the 2022/23 audit plan is complete and the agreed audit plan for 2023/24 is now underway with regular reporting to the Integration Joint Board Audit & Performance Committee.
- 4.19** In relation to the Valuation Joint Board, planning for the 2023/24 audit plan has not started.
- 4.20** In relation to the Leisure Trust, planning for the 2023/24 audit plan is underway.
- 4.21** Internal and External Audit Action Plans
In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There was one action due for completion by the end of October which has been reported as completed by management. The status report at 31 October 2023 is provided at Appendix 2.

Ongoing Corporate Fraud Team Work

- 4.22** 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.
- 4.23** 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

- 4.24** The National Fraud Initiative is a series of biennial exercises run by the Cabinet Office and Audit Scotland to identify or prevent fraud and error by matching electronic data held by public bodies. Participating bodies are required to investigate data discrepancies within a set timescale and report back on any savings.
- 4.25** The matches for the 2022 exercise have now been received and investigations are underway. To date 667 matches have been investigated with 8 frauds being detected totalling £17,356 relating to Housing Benefit or Council Tax Reduction Scheme matches which are being recovered.

Benchmarking

4.26 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
- Stirling

4.27 Meetings will continue to take place during 2023/24 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. The total amount of annual recoveries, charges and re-billings identified will be included in the Internal Audit Annual Report for 2023/24.

6.2 There are no procurement implications arising from this report.

7. Risk Analysis

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

8. Equalities Impact Assessment (EIA)

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

9. Consultation

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

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

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Date: 15 November 2023

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Appendices:	2023/24 Annual Audit Plan – Progress to 15 November 2023 (Appendix 1) Status of Internal Audit Action Plans at 31 October 2023 (Appendix 2)
Background Papers:	Audit Committee – 8 May 2023: Internal Audit Annual Plan 2023/24 Audit Committee – 21 March 2018: Counter Fraud and Corruption Strategy Internal Audit Reports - Copies available on request
Wards Affected:	All wards