

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 3 May 2023

Subject: Internal Audit Plans 2022/23 – Progress to 31 March 2023

1. Purpose

1.1 The purpose of this report is to advise Members of progress at 31 March 2023 against the Internal Audit Plans 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 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 Two audit reviews have been finalised since the Audit Committee meeting in February 2023 as follows:

- ParentPay
- Corporate Procurement – Supplier Management

ParentPay

4.5 ParentPay is an online payment solution used in all Primary Schools, Secondary Schools and Early Learning & Childcare Centres. The secure web based application provides a facility for parents and carers to pay online at a time that is convenient, for trips, meals, breakfast clubs etc. and enables the removal of all cash and cheques from establishments. Parents and carers who wish to continue to use cash are able to take advantage of PayPoint facilities in local shops.

4.6 Establishments benefit from using ParentPay in a number of ways including reduced cash handling and banking, and reducing the risks around money being held on establishment premises. The system also allows for improved communication with parents and carers concerning payments and an accurate record is held of all payments made.

- 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 over the key risks faced by the Council in relation to the ParentPay system.
- 4.8 The review focussed on the high level processes and procedures in relation to the ParentPay system tasks and the management of credit and debit balances.
- 4.9 The overall control environment opinion for this audit review was **Satisfactory**. There were two AMBER issues identified as follows:

Lack of Formalised Debt Recovery Guidance (Amber)

There is currently no guidance in place for the recovery of debt and establishments are expected to apply their own procedures and self-manage debt recovery which has resulted in inconsistent practices across the establishments.

Where there is no guidance in place, there is a risk that accrued debt may not be recovered by the Council.

Management of Debt (Amber)

An aged analysis of debtors was undertaken which identified that there is a total debt balance currently of £65,328.28 for pupils and £977.66 for staff relating to school meals. This debt has built up since the system was introduced in 2018. For some cases, pupils have transitioned from primary into secondary school and received a new account on entering secondary school but the debt remains outstanding at the primary school.

From a sample of schools contacted, it was identified that there is no guidance available to staff who are required to deal with staff debt and establishments are expected to self-manage this process. In addition, reports are not produced for Heads of Establishments or Education Management which would identify staff debt that requires action.

Where there is no formal process in place and debt is not pursued in a timely manner, there is a risk that accrued debt may not be recovered by the Council.

- 4.10 There were 3 issues identified, two of which we consider to be individually significant and an action plan is in place to address all issues by 30 June 2023.

Corporate Procurement – Supplier Management

- 4.11 Specific Guidance is in place to ensure that supplier management of the Council's contracts for the procurement of goods and services is undertaken in accordance with the Council's Financial Regulations and Standing Orders.
- 4.12 The preferred Supplier Management method is to use Scorecards within the Public Contracts Scotland – Tender (PCS-T) system for measuring Key Performance Indicators. Where this method is not used, Contract Owners are expected to ensure effective and adequate arrangements are in place for Supplier Management throughout the term of a contract.

- 4.13** The objective of this audit is 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 Supplier Management.
- 4.14** The overall control environment opinion was **Satisfactory**. There was one AMBER issue identified as follows:

HSCP Formal Contract & Supplier Management (Amber)

Through discussions with the HSCP Heads of Service it was identified that other than general monitoring of the financial costs of contracts, there is currently no formal contract and supplier management practiced in line with Council Guidance.

Where formal contract and supplier management is not undertaken there is a risk that HSCP management are unable to demonstrate that high quality services are being delivered.

- 4.15** The audit identified 3 issues, 1 of which we consider to be individually significant and an action plan is in place to address all issues by 31 December 2023.
- 4.16** The fieldwork for the 2022/23 Annual Audit Plan is nearing completion and is on track to be completed by end of May. The status of the 2022/23 audit plan is attached at Appendix 1.
- 4.17** 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.
- 4.18** In relation to the Valuation Joint Board, planning for the 2022/23 audit plan is complete and fieldwork is underway.
- 4.19** In relation to the Leisure Trust, planning for the 2022/23 audit plan is complete and fieldwork is underway.

4.20 Internal and External Audit Action Plans

In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There were 12 actions due for completion by the end of March, 2 of which have been reported as completed by management and action dates in relation to 10 actions have been missed. Revised dates have been set for 8 actions and require to be set for 2 actions. The status report at 31 March 2023 is provided at Appendix 2.

Ongoing Corporate Fraud Team Work

- 4.21** From 1 April to 31 March 2023, the Corporate Fraud team's day to day work has resulted in actual recoveries, charges and re-billings as detailed below, against an annual target of £250,000.

Description	Amount (£)
Council Tax Reduction	39,085
Council Tax Single Person Discount	20,699
National Fraud Initiative (Housing Benefit)	58,665

National Fraud Initiative (Council Tax/Council Tax Reduction)	39,543
National Fraud Initiative (Small Business Bonus Scheme)	0
Joint Working Housing Benefit/Council Tax Reduction	0
Non Department for Work and Pensions Housing Benefit	77,551
Non Department for Work and Pensions Council Tax Reduction	0
Department for Work and Pensions Housing Benefit Error	8,676
Covid 19 Business Grants	5,250
Scottish Welfare Fund Community Care Grant	6,095
Administrative Penalty	0
Total	£255,564

4.22 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.

National Fraud Initiative

4.23 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.

4.24 The 2022 biennial exercise is now underway and datasets have been submitted to the Cabinet Office. Matches were released in January and February 2023.

Benchmarking

4.25 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.

4.26 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 As a result of Corporate Fraud Team activity, actual recoveries, charges and re-billings of £255,564 from 1 April to 31 March 2023 have been identified against an annual target of £250,000.

6.2 There are no procurement implications arising from this report.

7. Risk Analysis

7.1 There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide 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: 31 March 2023

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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