WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead – Resources

Audit Committee: 17 June 2020

Subject: Internal Audit Plan 2019/20 – Progress to 20 May 2020

1.   Purpose

1.1   The purpose of this report is to advise Members of progress at 20 May 2020 against the Audit Plan 2019/20.

1.2   The report also advises Members of:

- Recently issued Internal Audit action plans; and
- Progress made against action plans previously issued contained within Internal Audit and External 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 2019/20 was approved by the Audit Committee on 20 March 2019. This report provides information on the progress in implementing the plan to date.

3.2   When audit reports are issued by Internal Audit and External 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

Audit Plan 2019/20
4.1.   The annual audit plan sets out the audit coverage for the year utilising available staff resources to enable the Audit Manager to provide the annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.

4.2   Since the Audit Committee meeting in November 2019, 5 audits have been finalised as follows:

- Members' Expenses (December 2019);
- CM2000 Functionality (February 2020);
- Cash and Banking (February 2020);
- Agresso - Logical Access Controls (May 2020); and
- Rents – Calculation and Collection (May 2020).

These reports identified a total of 11 issues categorised as below:

High	Medium	Low
0	8	3

Members' Expenses (December 2019)

The audit covered the following areas:

- Compliance with Policy & Procedures relating to Members' Expenses;
- Examination of Reimbursement Claims and Payments for Travel Expenses; and
- Examination of Procedures for Use of the Council Car.

Overall the systems in place are generally satisfactory however one Medium issue was identified as follows:

- Currently there is no specific guidance in place for Elected Members relating to Travel and Subsistence. The lack of clear guidance has led to some inconsistencies in claims submitted.

An action plan was agreed by management to ensure that a clear set of Rules and Guidance was drafted by 1 April 2020 for Council approval thereafter. This action is now complete.

CM2000 Functionality (February 2020)

The CM2000 system is used within Homecare to schedule resources to meet service demands. The audit covered:

- Available functionality compared to actual usage;
- Compliance Levels with agreed clocking in and out performance measures;
- Management Information available from the CM2000 system for the efficient running of the Home Care service; and
- Development Plan for the additional CM2000 functionality.

Overall, the systems examined are generally working effectively and the review highlighted the following areas of good practice:

- CM2000 system takes into consideration a number of factors in order to prepare scheduling which ensures a very efficient service delivery for the Homecare Team;
- The system allocates any unscheduled absences e.g. sick leave by best matching various factors to the carers so that overtime costs are kept to a minimum; and
- A new App is being piloted in the Vale of Leven area which, once rolled out, should help with clocking in and clocking out by Homecare staff. This will enhance the Team's ability to meet the overall compliance level target of 90% set by management.

However, the review also highlighted 3 Medium rated findings as follows:

- Currently, compliance with target levels of clocking in and out are not being achieved. Audit testing identified missed clock in or out recordings on CM2000 for a number of Homecare staff. Management have implemented checks on levels of compliance by the Administrative team however due to capacity issues during 2019, these checks were not being performed;
- From a review of a sample of timesheets processed in September 2019, we identified 12 instances where staff were paid for overtime but the corresponding clock bookings had not been registered in the CM2000 system. The total overtime hours claimed were 194.25 totalling £2,423.50; and
- Additional functionality is available on CM2000 in relation to mileage and financial modules. Management have advised that the Mileage module is to be piloted in Dumbarton in March 2020 but no dates have yet been set for rollout to other areas. In relation to the Financial module, management have a plan to introduce this functionality in the future but this has not yet been fully costed.

We have made a number of recommendations and an action plan is in place to address all issues by 31 January 2021.

Cash and Banking (February 2020)
The audit highlighted the following areas of good practice:

- adequate separation of duties;
- daily income management procedures; and
- general cheque control processes.

The review highlighted one Low Risk finding as follows:

- Currently the section maintains a stock of receipt books and these are issued to services as required, a record is maintained of all books issued. However, records are not being maintained of all stock held. The current stock was checked and it was noted that all of the numbers ran sequentially and no stock was missing. An action plan was agreed to maintain a record of all stock held and issued by 29 February 2020. This action is now complete.

Agresso – Logical Access Controls (May 2020)
The audit covered testing of new user requests, amendments to user access, termination of users and review of super user access. The review highlighted one areas of good practice in relation to the processing of requests and terminations in a timely manner.

However, the review also identified one Medium Risk finding and two Low Risk findings as follows:

- Three Super Users to the Agresso system have access mainly to allow them to maintain and update the system as required and process transactions such as feeders and journals sent in by others. However, there are currently no periodic reviews by management of updates/amendments relating to access undertaken by super users (Medium Risk).

Two procedural documents exist pertaining to access controls, however some of the content is out of date and procedures were found to be incomplete in relation to Agresso access control tasks including: creation and amendment of new users and super user access (Low Risk).

- Testing of new user access requests was carried out to ensure that access granted was valid, accurate and complete. However, user requests are retained within outlook in chronological order which meant that searching for specific individual requests of users could be time consuming (Low Risk).

We have made a number of recommendations and an action plan is in place to address all issues by 31 July 2020.

Housing Rent – Calculation and Collection (May 2020)

The following areas were included in the scope of the audit:

- Establish that there is a Rent Collection Policy and that procedures/processes are in place and are subject to regular review and updating;
- Confirm that there is segregation of duties for staff working on rent level reviews, calculation of rent charges, rent collection and the debtors section;
- Confirm annual Rent Reviews are carried out in compliance with Council policy and Procedures and are approved by the Council;
- Confirm with the use of sampling that individual property rents are calculated correctly and all master files are updated with the correct figures; and
- Confirm that the Councils Policies and Procedures have been followed to achieve maximum rents collection.

Excluded from the scope of the review was Rent Arrears as this will be subject to a separate Internal Audit review in 2020/21 due to the introduction of the new Housing Management System.

The review highlighted the following areas of good practice:

- The Council has in place detailed and transparent procedures for the setting of the annual rent levels. This includes the preparation of a number of rent level options which are presented to tenants for consultation before the final rent level is set by the Council; and
- Housing operations operate a soft touch approach with tenants to reduce rent arrears. This includes establishing a good working relationship with tenants in order to assist them in maintaining a sustainable tenancy. The Housing Officers provide advice and assistance to the tenant from the pre-allocation of the property to the end of any tenancy agreement. This includes assisting the tenant to apply for social welfare assistance where appropriate.

However the review also highlighted three Medium Risk findings as follows:

- Monitoring the work of the housing team - the performance of individual Housing Officers is discussed with their Team Leaders at 1 to 1 meetings. However, the meetings are informal and no record is maintained of matters discussed and actions to be taken.

- Accurate and timely identification of rent payment source - Housing staff are finding it difficult and time consuming to identify the source of payments recorded as cash receipts in the QL Integrated Housing Management System (IHMS). Combined under the heading "Cash" are a number of different payment sources including Universal Credit and salary deductions. Additional interrogation of the system is required to fully identify the source of the payment and the period covered by the payment. This makes it difficult and time consuming for Housing Officers to confirm the underlying source of payments and the dates these payments are made.
- Management of Potential Conflicts of Interest - testing identified that not all users of IHMS have completed a Family & Friends declaration. In addition, no list is maintained of employees who have declared an interest in Council properties. Management have still to establish whether functionality exists within IHMS to block access to accounts where a potential conflict of interest may arise. There is a risk therefore that potential conflicts of interest are not adequately managed.

We have made a number of recommendations and an action plan is in place to address all issues by 31 August 2020.

4.2   The current status of the 2019/20 Annual Audit Plan is as follows:

Stage	Number of Audits
Final Report	9
Draft Report	4
Fieldwork Complete	1
Fieldwork	1
Planning	0
Not Started	0
Deferred to 2020/21	1
Total	**16**

4.3   The detailed Annual Audit Plan progress to 20 May 2020 is set out at Appendix 1.

In relation to the audit of Pupil Equity Funding, this audit has been carried forward to the 2020/21 Annual Audit Plan due to an unforeseen vacancy arising in the audit team. However, it is anticipated that the fieldwork for the remainder of the plan will be complete by 30 June 2020.

4.4   Internal and External Audit Action Plans
In relation to audit action plans, these are monitored by Internal Audit on a monthly basis and good progress continues to be made by officers in implementing agreed actions.

The current status is set out at Appendix 2 which includes the following:

1. Recently Issued Internal Audit Action Plans;
2. Incomplete Internal Audit Action Plans;
3. Incomplete Other Internal Audit Action Plans; and
4. Incomplete External Audit Action Plans.

In addition, in relation to the Procurement Follow Up audit carried out in June 2019, 7 further recommendations were agreed by management for implementation by 30 November 2019. Internal Audit carried out a follow up exercise in relation to these 7 actions in December 2019 which confirmed that 4 actions were complete and partially complete for 3 actions. New completion deadlines were set for these 3 actions and Internal Audit has followed up these actions at the agreed action date.

The status of the 3 actions is set out in the undernoted table:

Recommendation/Agreed Action	Internal Audit Opinion
1. Roads - Formalising Reconciliation of Capital Works The existing process for reconciling the records maintained for capital works to the ledger should be formalised and carried out on a regular basis. (Medium Risk) Format will be developed with colleagues in Resources section to improve processes.	A reconciliation is now being performed by the roads service. However, Internal Audit would recommend the frequency of the reconciliation increases to monthly. Currently the reconciliation is handwritten. Internal Audit recommends that it is carried out in excel. Internal Audit has offered support to the team in order to develop a robust reconciliation process. Revised deadline: 31 March 2020 Status at 20 May 2020 – complete.
2. Roads & Greenspace - Revenue Works Records A more comprehensive approach to recording of revenue works should be introduced, including reconciliations. (Medium Risk) Roads - Format to be developed with colleagues in Resources section to ensure full compliance. Greenspace – will replicate capital approach for revenue projects.	Roads – There is not a complete list of revenue works maintained by the team and there are limitations to the reports that can be run from Profess. Rather the team needs to run a report for each contractor including Road Ops in order to get the information required. The reconciliation will only be performed at year end. However, if reconciliations are only performed annually any errors found will not be corrected in a timely basis. We would recommend that the reconciliation for the external contractors should be performed at least monthly. Internal Audit has offered support to the team to develop a reconciliation process. Greenspace – A list of all revenue works within Greenspace has been developed in line with the list of capital works. The reconciliation process mainly looks at individual jobs to ensure the ledger matches the invoices and should be developed further to include all the cost centres within Greenspace to pick up any miscoding errors and should include a sign off by management. Revised completion date: 31 March 2020. Status at 20 May 2020 – complete.

4. Roads - Evidenced Monitoring of Works Introduce a proforma document for both capital and revenue works in order to formally evidence the completion of works and also the decision to release retentions. (Medium Risk) Proforma will be held within each project file and completed following inspection at completion of works. At present payment not made until works inspected.	A new monitoring form was introduced in September 2019 which is to be used for all site visits and includes detail on the work performed and the status of the contract including the value of works undertaken. Roads are still also relying on external firms to carry out some of the monitoring/ surveying for them, although the use of such contactors is reducing. The team have recruited new employees to carry out this role as at November 2019. Internal Audit testing was not able to confirm the use of the monitoring form due to the timing of the form being introduced. Revised completion date: 31 March 2020. Status at 20 May 2020 - complete

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

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

4.6 An annual internal self-assessment against the PSIAS of the Internal Audit function has recently been completed in May 2020, which shows a current compliance level for WDC Internal Audit of 92.3%. It is anticipated that the next external PSIAS review, required every five years, will take place during 2020/21.

Ongoing Corporate Fraud Team Work

4.7 From 1 April 2019 to 31 March 2020, the Corporate Fraud team's day to day work has resulted in actual recoveries, charges and re-billings as detailed below, against an annual target of £225,000.

Description	Amount (£)
Council Tax Reduction	54,952
Council Tax Single Person's Discount	39,874
Scottish Welfare Fund Grant	28,464
National Fraud Initiative	47,562
J/W Housing Benefit / Council Tax Benefit	65,795
Non DWP HB	212,734
Non DWP CTB	5,152
Administrative Penalties	4,273
Landlord Fraud	3,267
Total	**£462,073**

4.9 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

4.10 The National Fraud Initiative (NFI) is a series of bi-annual 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.

4.11 The most recent bi-annual exercise released data to Councils in January 2019, providing matched datasets for organisations to investigate. WDC was provided with a total of 5,955 matched datasets of which 1,242 were described as "high risk" matches and 4,713 additional matches. There is an expectation that organisations will examine all "High Risk" matches and a proportion of the other matches too.

4.12 To date a total of 89% cases have been processed, for which fraud (35 cases) and error (146 cases) amounting to £70,598 has been identified.

Benchmarking

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

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

4.14 The Chief Auditors of these five Councils have met on a regular basis during 2019 in order to discuss their respective ways of working, consider topical issues with the objective being to identify and share best practice. In addition, a set of performance indicators has been developed. Regular meetings will continue to take place during 2020 to review performance against agreed performance indicators and relevant action will then be taken where improvements are identified. The outcome of this review will be reported to Committee when completed.

Structural Changes

4.15 The shared management approach to Internal Audit with Inverclyde Council took effect from 1 January 2020 and the Shared Service Manager – Audit & Fraud is now in post.

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 £462,073 from 1 April 2019 to 31 March 2020 have been identified, against an annual target of £225,000.

6.2   There are no procurement implications arising from this report.

7.   Risk Analysis

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

8.   Equalities Impact Assessment (EIA)

8.1   There are no issues.

9.   Consultation

9.1   This report has been subject to consultation with appropriate Strategic Leads.

10.   Strategic Assessment

10.1 This report relates to strong corporate governance.

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Date: 20 May 2020

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Appendices   2019-20 Annual Audit Plan – Progress to 20 May 2020
                           (Appendix 1)
                           Status of Internal and External Audit Action Plans to 20 May
                           (Appendix 2)

Background Papers: Audit Committee – 20 March 2019: Internal Audit Plan
                           2019/20
                           Audit Committee – 21 March 2018: Counter Fraud and
                           Corruption Strategy
                           Internal Audit Reports - Copies available on request

Wards Affected: All wards