

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 15 September 2021

Subject: Internal Audit Plans 2020/21 and 2021/22 – Progress to 18 August 2021

1. Purpose

1.1 The purpose of this report is to advise Members of progress at 18 August 2021 against the Internal Audit Plans for 2020/21 and 2021/22.

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 plans for 2020/21 and 2021/22 were approved by the Audit Committee on 17 June 2020 and 10 March 2021 respectively. This report provides information on the progress in implementing the plans.

3.2 When audit reports are issued by Internal Audit, an action plan is agreed with management in relation to issues highlighted by the audit report. Progress on implementing the actions is monitored by Internal Audit on a monthly basis and regularly reported to the Audit Committee.

4. Main Issues

4.1. The annual audit plan sets out the audit coverage for the year utilising available staff resources to enable the Shared Service Manager – Audit & Fraud to provide the annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.

4.2 A new risk-based audit methodology was implemented during 2020/21. For each audit, one of 4 audit opinions is expressed:

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

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

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

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

4.4 Since the Audit Committee meeting in June 2021, three audits have been finalised as follows:

Reports finalised since last Audit Committee	Grading			Total
	Red	Amber	Green	
Rent Arrears	0	2	2	4
Pupil Equity Funding	0	2	4	6
Homelessness – Performance Indicators	0	1	0	1
Total	0	5	6	11

4.5 Rent Arrears (July 2021)

4.5.1 The aims and strategy of the Council as regards rent collection are set out in the Council's Rent Collection Policy approved by the Corporate Services Committee in September 2020. The policy sets out the methods to be employed by Housing and Debt Recovery officers in the prevention and recovery of rent arrears. The value of Gross Rent Arrears at 31 March 2021 was £4,225,755 and this represented 10.35% of total rent due for the year 2020/21.

4.5.2 Rent arrears are managed by a combination of the work of Housing Operations and the Debt Recovery Team. From February 2020 it was agreed that Housing Operations team would concentrate on new tenants allocated properties from 3rd November 2019, the date the new Integrated Housing Management System went

live and for all rent arrears up to £500. Therefore any existing tenants prior to that date who fell into arrears would be dealt with by the Debt Recovery Team.

- 4.5.3** The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by West Dunbartonshire Council in relation to the management of Rent Arrears within Housing Operations. The work undertaken by the Debt Recovery Team to recover rent arrears has been excluded from this review as this area was subject to a separate audit in 2019.
- 4.5.4** The overall control environment opinion was **Satisfactory**. There were 2 **AMBER** issues identified as follows:

Lack of Meetings to Monitor levels of Rent Arrears (AMBER)

Prior to the onset of the Covid-19 pandemic in late March 2020, the Arrears Co-ordinator held fortnightly meetings with team leaders. The purpose of these meetings is to review with team leaders the performance of their teams and planned interventions to recover unpaid rent. However, the meetings stopped due to the Covid-19 restrictions and staff absence, and have not yet resumed.

Where there are no regular monitoring meetings between Co-ordinators and their teams there is a risk that Rent Arrears procedures are not being followed in relation to the recovery of rent arrears and the Council is not collecting the maximum amount of rent it is due.

Lack of formal process for granting access to Integrated Housing Management System (AMBER)

Through discussions with staff it was identified that there are no formal procedures in place for granting access for new staff to the Integrated Housing Management System. In addition, there is no regular review process in place to ensure that access levels remain appropriate or that leavers or employees who have transferred to another team or department have had their access levels revoked.

Where there are no formal procedures in place for granting access to IHMS, there is a risk that the system may be accessed by unauthorised persons or that employees may be granted the incorrect access levels. In addition unauthorised access to information in the IHMS could lead to the Council being in breach of Data Protection Legislation.

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

4.6.1 Pupil Equity Funding (July 2021)

- 4.6.2** Pupil Equity Funding (PEF) was introduced by the Scottish Government in February 2017. It is additional funding made available directly to schools to help close the poverty related attainment gap. Schools are allocated £1200.00 for each child on their role from P1 to S3 who are registered for free school meals.

Head Teachers have discretion in how their school's allocation may be used subject to the key principles set out in the Scottish Government's PEF National Operational Guidance which was updated in May 2020 and included reference to Covid-19.

4.6.3 The total amount of PEF allocated to the Council was £3,425,880 for 2018/19, £3,356,520 for 2019/20, £3,166,556 for 2020/21 and £3,797,765 for 2021/22.

4.6.4 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 Pupil Equity Funding.

4.6.5 The overall control environment opinion was **Satisfactory**. Areas of good practice were identified in areas of sharing of good practice and sharing of resources for example via google classroom which continued to be offered remotely throughout the pandemic. There were two **AMBER** issues identified as follows:

Process for Identification of Aggregate Spend (AMBER)

There is currently no process in place which would anticipate and identify aggregate spend in relation to Pupil Equity Funding.

As there is no process in place which identifies aggregate spend and completion of documentation which could assist with this process is currently optional, there is a risk of non-compliance with the Council's procurement procedures.

Exit Planning (AMBER)

Through discussions with Education management it was identified that although schools are supported to look at ways of mainstreaming activities and interventions where possible as funding will not continue indefinitely, there is no formalised/documented exit plan.

As there is no formalised exit plan in place, this may lead to business continuity issues or expenditure being incurred which is not budgeted for.

4.6.6 The review identified 6 issues, 2 of which we consider to be individually significant and an action plan is in place to address all issues by 31 December 2021.

4.7 Homelessness – Performance Indicators (August 2021)

4.7.1 Home at the Heart is West Dunbartonshire Council's (WDC) first Rapid Rehousing Transition Plan (RRTP) for the period 2019/20-2023/24. The plan was developed in partnership with key stakeholders including the West Dunbartonshire Health and Social Care Partnership and local Registered Social Landlords.

4.7.2 The RRTP has a number of key objectives and has developed a set of Performance Indicators (PIs) for the RRTP to measure how well these objectives are being achieved. The PIs are measured using data from WDC's current homelessness system (AVD) and are monitored at regular RRTP meetings. Updates are also provided to the Housing and Communities Committee which outlines progress in

relation to RRTP and will include some of these PIs. An annual progress report is also provided to the Scottish Government in relation to achieving RRTP objectives.

4.7.3 The objective of the audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance and controls over the key risks faced by the WDC in relation to the measurement and reporting of the RRTP performance indicators within the Homelessness service.

4.7.4 The overall control environment opinion was **Satisfactory**. There was one **AMBER** issue identified as follows:

Lack of Independent Check of Performance Indicators (AMBER)

There is no independent check carried out on the performance indicators produced to ensure that the information reported was complete and accurate. However, audit testing of 4 PI measures identified that 3 had been correctly calculated but there was a small difference in the PI calculated for the 4th indicator due to rounding which was not material (less than 1%).

Where an independent check is not in place there is a risk that PIs are not completely and accurately measured, calculated and reported.

4.7.5 The review identified one issue which we consider to be individually significant and an action plan is in place to address this issue by 31 August 2021.

4.8 The 2020/21 Annual Audit Plan is almost complete and current status is as follows:

Stage	Number of Audits
Final Report	6
Draft Report	0
Fieldwork Complete	0
Fieldwork	2
Planning	0
Deferred to 21/22	3
B/f 19/20 Audits completed in 20/21	5
Total	16

4.9 The detailed Annual Audit Plan progress to 18 August for the 2020/21 annual audit plans is set out at Appendix 1. Progress in completing the plan was hampered as a result of staff illness and an unforeseen vacancy arising in the team in February 2021. The vacancy has now been filled and it is anticipated that fieldwork for the remaining audits will now be completed by September 2021. For audits currently in progress, there are no significant issues arising from work to date and therefore we do not anticipate any impact on the overall audit opinion reported in the 2020/21 Annual Report and Assurance Statement.

4.10 The 2021/22 Annual Audit Plan is underway and current status is as follows:

Stage	Number of Audits
Final Report	0
Draft Report	0
Fieldwork Complete	0
Fieldwork	0
Planning	3
Not Started	8
B/f 20/21 Audits completed in 21/22	5
Total	16

4.11 In relation to audit work for IJB, 2 audits are planned and reports will be provided to management and reported to HSCP Board Audit and Performance Committee.

4.12 In relation to the Valuation Joint Board, planning is underway for the audit work that will be carried out during 2021/22.

4.13 In relation to the Leisure Trust, planning is underway for the audit work that will be carried out during 2021/22.

4.14 The detailed Annual Audit Plan progress to 18 August for the 2021/22 annual audit plans is set out at Appendix 2.

4.15 Internal and External Audit Action Plans

In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There were 4 actions due for completion by the end of July, none of which have been implemented. Revised completion dates have been set for all 4 actions.

Work is ongoing with services to ensure action plan dates agreed are realistic. The status report at 31 July 2021 is provided at Appendix 3.

In relation to external audit action plans, actions arising from the 2019-2020 Audit are being reviewed by Audit Scotland as part of their 2020/21 Annual Audit Plan, which was presented to Audit Committee on 10 March 2021, and implementation status will be reported as part of their Annual Report for 2020/21.

4.16 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).

Ongoing Corporate Fraud Team Work

- 4.17 From 1 April to 31 July 2021, 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	28,190
Council Tax Single Person's Discount	14,817
National Fraud Initiative	10,244
J/W Housing Benefit/Council Tax Reduction	0
Non DWP Housing Benefit	64,711
Non DWP Council Tax Reduction	420
Administrative Penalty	1,260
Total	£119,642

- 4.18 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

- 4.19 The National Fraud Initiative (NFI) is a series of biennial exercises run by the Cabinet Office and Audit Scotland to identify or prevent fraud and error by matching electronic data held by public bodies. Participating bodies are required to investigate data discrepancies within a timescale and report back on any savings.
- 4.20 The most recent biennial exercise for 2020/21 was released data to Councils in January 2021 providing matched datasets for organisations to investigate. There is an expectation that organisations would examine all "High Risk" matches and a proportion of the other matches too. WDC applies a risk-based approach to the NFI matches in the medium and low risk categories.
- 4.21 Services are progressing with investigations and a status report on the 2020/21 exercise is included on the Agenda for the September 2021 meeting of the Audit Committee.

Benchmarking

- 4.22 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 seven other Councils, these being:
- Argyll and Bute;
 - Clackmannanshire;
 - East Dunbartonshire;
 - Falkirk;
 - West Lothian;
 - Inverclyde;
 - Stirling.
- 4.23 Regular meetings continue to take place during 2021 to review performance against agreed performance indicators and identify other areas for sharing of

best practice. Relevant action will be taken where improvements are identified. The outcome of this review will be reported to Committee when completed.

5. People Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 As a result of Corporate Fraud Team activity, actual recoveries, charges and re-billings of £119,642 from 1 April to 31 July 2021 have been identified, against an annual target of £225,000. The comparative figure for the same period in the prior year was £120,007.

6.2 There are no procurement implications arising from this report.

7. Risk Analysis

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

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

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

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

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Date: 18 August 2021

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Appendices: 2020-21 Annual Audit Plan – Progress to 18 August 2021 (Appendix 1)
2021-22 Annual Audit Plan – Progress to 18 August 2021 (Appendix 2)
Status of Internal Audit Action Plans to 31 May 2021 (Appendix 3)

Background Papers: Audit Committee – 17 June 2020: Internal Audit Annual Plan 2020/21
Audit Committee – 10 March 2021: Internal Audit Annual Plan 2021/22
Audit Committee – 21 March 2018: Counter Fraud and Corruption Strategy
Internal Audit Reports - Copies available on request

Wards Affected: All wards