

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 15 February 2023

Subject: Internal Audit Plans 2021/22 and 2022/23 – Progress to 18 January 2023

1. Purpose

1.1 The purpose of this report is to advise Members of progress at 18 January against the Internal Audit Plans for 2021/22 and 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 plans for 2021/22 and 2022/23 were approved by the Audit Committee on 10 March 2021 and 15 June 2022 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 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 Four audit reviews have been finalised since the Audit Committee meeting in November 2022 as follows:

- Housing Waiting Lists
- Vehicle Tracking System
- Financial Assessments Process – Health and Community Care
- Corporate Purchase Cards

Housing Waiting Lists

4.5 Councils are required under the Housing (Scotland) Act 2014 to undertake rolling reviews of Housing Lists to confirm that those persons on the lists confirm that they should remain. No rolling reviews of the West Dunbartonshire Council Housing Lists were carried out for a number of years prior to 2022. There were a number of reasons for this including:

- In April 2019 a major restructure of the Housing Service was implemented. More specialisation was introduced with Housing Officers concentrating on specific areas of work rather than their overall broad job specification.
- The Council brought on line the new Integrated Housing Management System (IHMS) from November 2019 replacing the previous SAFFRON system.
- The onset of Covid-19 and subsequent lockdowns in 2020 and 2021.

- 4.6** This resulted in a significant increase in the number of housing applicants listed as active on the Council's Housing Waiting lists. There were 6,659 applications listed as active at 31st July 2021. In addition the lack of proper maintenance of Housing Waiting lists during this period led to an increase in the number of queries raised under the National Fraud Initiative exercise in 2020. One of the Housing Operations Co-ordinators was given responsibility for maintaining the Housing Waiting Lists. This involved reviewing the existing Housing Waiting Lists with a view to ensuring the lists reflected the true number of active applications and the reinstatement of annual rolling reviews as required by legislation. The review was carried out during November/December 2021 and the final adjustments resulting from the review were updated on IHMS by the end of March 2022. This reduced the number of active applicants on the waiting lists to 4,737.
- 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 West Dunbartonshire Council in relation to the Council's Housing Waiting Lists.
- 4.8** The review focussed on the high level processes and procedures in relation to management of Housing Waiting Lists.
- 4.9** The overall control environment opinion for this audit review was **Satisfactory**. There was one AMBER issue identified as follows:

Timely review and investigation of Waiting List National Fraud Initiative (NFI) Matches

The National Fraud Initiative exercise is conducted on a biennial basis by the Cabinet Office and overseen by Audit Scotland. A high number of matches relating to Waiting Lists were identified through the 2018 and 2020 exercises however the audit identified that only a small proportion of matches were processed by the deadlines set by the Cabinet Office.

Where matches identified by the National Fraud Initiative are not reviewed and investigated in a timely manner there is a risk that fraud and error is not identified or control improvements are not put in place to reduce the risk of fraud and error in the future.

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

Vehicle Tracking System

- 4.11** In 2010 West Dunbartonshire Council procured a Vehicle Fleet Emissions Monitoring and Tracking System to assist with the management of its vehicle fleet and emissions monitoring. Tracking equipment (Tom Tom Work) has been installed in 380 vehicles and the system permits each vehicle to be tracked via satellite and provides information, both live and historical, concerning vehicle fuel use, CO2 emissions, position, movements, travelling speed, driving incidents and operational status. Management Information can be extracted from the system using standard or bespoke reports which can be exported to Excel or in PDF format.

- 4.12** The primary aims and objectives of the system are to:
- Reduce vehicle fuel usage and therefore CO2 emissions.
 - Improve the safety and security of operatives, vehicles and equipment.
 - Increase efficiency through providing management with information on vehicle utilisation.
 - Improve customer service through quicker response to requests and complaints through the identification of vehicles closest to service requirement.
 - Identify the location of fleet vehicles at any time.
 - Provide information relevant to the requirements of the Council's Management of Workplace Transport and Occupational Road Risk policy and to address the Driving at Work Guidelines published by the HSE/DfT which places responsibility on the Council to manage work related road safety.
- 4.13** 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 Vehicle Tracking System.
- 4.14** The overall control environment opinion was **Satisfactory**. There were three AMBER issues identified as follows:

Lack of Formal Process for Authorising User Access to Vehicle Tracking System

The audit identified that there is no formal process in place for granting authorised users access to the information generated by the Webfleet Vehicle Tracking system nor are regular reviews carried out to ensure all access levels remain appropriate and leavers are removed from the system.

Where there is no formal process in place for granting access to the Webfleet Vehicle Tracking System, there is a risk that the system may be accessed by unauthorised persons or that employees may be granted the incorrect access levels.

Lack of tracking units in hired vehicles

The audit identified that tracking units were not installed in hire vehicles including long term hires thereby restricting the monitoring of their use by management. Currently there are 127 long term hire vehicles in use by Council services however there are not enough tracking device units to enable installation in all vehicles.

Where tracking units are not installed in hire vehicles there is a risk that the vehicle cannot be effectively monitored in the same way as Council owned vehicles for the benefit of both management and the vehicle driver should an adverse driving event occur.

Under Utilisation of Vehicle Tracking System

The audit identified that a number of managers in Services that use Council owned or hire vehicles are not aware of the full functionality of the vehicle tracking system and would benefit from refresher training. The responses to the CSA questionnaire also identified that a number of services had not nominated a relevant user to monitor, analyse and report management information provided by the system.

The under-utilisation of the Tracking System may impact on the realisation of the benefits set out in the business case.

Where a nominated user has not been appointed to monitor, analyse and report on vehicle information there is a risk that services cannot demonstrate that relevant vehicles are being efficiently and effectively utilised to improve service delivery.

- 4.15** The audit identified 5 issues, 3 of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2023.

Financial Assessments Process – Health and Community Care

- 4.16** West Dunbartonshire Health and Social Care Partnership (WDHSCP) is responsible for the planning and the delivery of high quality health and social care services to and with the communities of West Dunbartonshire. The service users receiving care and support from the HSCP may be required to contribute towards the cost of the services they receive. The services they receive will always be based on their needs and the charge will be based on their ability to pay. Therefore a Financial Assessment of the individual's income and capital is carried out to ensure the amount an individual will be charged is set in accordance with their ability to pay. The charges guidelines are detailed out in the WDHSCP Charging Policy for Non-Residential Care Services 2022/2023 and Charging for Residential Accommodation Guidance Updated 31 March 2022.
- 4.17** The objective of this audit was to provide management and the Audit Committee with a review on the adequacy and effectiveness of the governance, risk management and controls surrounding the Financial Assessment process within Health and Community Care.
- 4.18** The review focussed on the high level processes and procedures in relation to the Financial Assessment process within Health and Community Care and concentrated on identified areas of perceived higher risk, such as the financial assessment process is not completely and accurately carried out in a timely manner or financial assessment reviews were not being carried out.
- 4.19** The review focussed on the Financial Assessment process within Health and Community Care service only. The Financial Assessment processes carried out by other HSCP service areas will be subject to separate audits.
- 4.20** The overall control environment opinion was **Satisfactory**. There were three AMBER issues identified as follows:

Adequacy of Invoice Generation Process – Non-residential chargeable services

Financial assessments for non-residential services within Health and Community Care are calculated in Excel. Until June 2022 the Excel calculations were sent to the Finance team by email for invoicing purposes. In June 2022 a change in process was introduced and the Excel calculation was input to the Individual Resource Framework form (IRF2) in the CareFirst system. However, due to this change, invoices were not issued to service users for the non-residential

chargeable services between 6th June and 2nd September 2022 as the notification to Finance was not automatic and no manual workaround was in place.

Where invoices for the services provided are not raised, income due is not received.

Action was taken immediately on this issue and all accounts are up to date.

No independent review of the Financial Assessment calculation

Social Workers within the Adult Care Team and the Community Older People's Team carry out the Financial Assessment process and calculate the cost for the non-residential services provided.

The supporting documentation required for the Financial Assessment is checked at the service user's home after which the Financial Assessment calculation is carried out in Excel and input to the IRF2 form in the CareFirst system.

However, the calculation is not independently checked by another officer for accuracy and completeness. In addition a copy of the supporting documentation is not retained for verification by another officer.

Where there is no independent check of the calculation process and supporting documentation is not available, there is a risk that calculations are not completely and accurately carried out.

Annual Review of Financial Assessment Calculation

COSLA's Guidance on Charging Policy states that - *charges will be reviewed in April each year to coincide with increases to pensions and benefits.*

The Audit highlighted that within the Adult Care Team and Community Older Peoples Team the annual review of Financial Assessments is not being carried out.

There is therefore a risk that correct costs will not be calculated for the chargeable services provided and therefore correct payments are not received.

- 4.21** The audit identified 6 issues, 3 of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2023.

Corporate Purchase Cards

- 4.22** The Council's purchasing cards are supplied by the Royal Bank of Scotland. They are used typically for the purchase of high volume, low value goods and services. Corporate purchase cards provide a simple to use, flexible system that can improve the efficiency of the order and payment process, reduce internal costs and allow goods to be obtained more quickly. The cards are used across all services with approximately 660 in circulation and are administered by the Finance Service Centre.
- 4.23** 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 use of corporate purchase cards.

- 4.24** The overall control environment opinion was Satisfactory. One AMBER issue was identified as follows:

Lack of Checking Process for Leavers

A weekly report of all leavers generated from the Council's Workforce Management System is issued to the Finance Service Centre for action, however there is no checking process to ensure corporate purchase cards assigned to leavers have been cancelled. We identified three instances where purchasing cards assigned to employees who had left the Council were still active.

Failure to cancel a card may result in the card being used fraudulently.

- 4.25** The audit identified four issues, one of which we consider to be individually significant and all actions are now complete.
- 4.26** The fieldwork for the 2021/22 Annual Audit Plan is now complete and fully reported to Audit Committee.
- 4.27** Full delivery of the 2021/22 audit plan was delayed due to unanticipated staff turnover, staff absence and completion of 2020/21 audit plan. The team has regained momentum and the planning and fieldwork for audits in the 2022/23 audit plan is well underway. The status of the 2022/23 audit plan is attached at Appendix 1.
- 4.28** 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.
- 4.29** In relation to the Valuation Joint Board, planning for the 2022/23 audit plan has commenced.
- 4.30** In relation to the Leisure Trust, planning for the 2022/23 audit plan is complete and fieldwork is underway.
- 4.31** Internal and External Audit Action Plans
In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There were 7 actions due for completion by the end of December and all actions have been reported as completed by management. The status report at 31 December 2022 is provided at Appendix 2.

Ongoing Corporate Fraud Team Work

- 4.32** From 1 April to 31 December 2022, 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	30,925
Council Tax Single Person Discount	15,147

National Fraud Initiative (Housing Benefit)	39,075
National Fraud Initiative (Council Tax/Council Tax Reduction)	32,806
National Fraud Initiative (Small Business Bonus Scheme)	0
Joint Working Housing Benefit/Council Tax Reduction	0
Non Department for Work and Pensions Housing Benefit	98,159
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	£236,133

4.33 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

4.34 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.

4.35 The 2022 biennial exercise is now underway and datasets have been submitted to the Cabinet Office. Matches will be released from the end of January 2023.

Benchmarking

4.36 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.

4.37 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 £236,133 from 1 April to 31 December 2022 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: 18 January 2023

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Appendices: 2022/23 Annual Audit Plans – Progress to 18 January 2023
(Appendix 1)
Status of Internal Audit Action Plans at 31 December 2022
(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