

**WEST DUNBARTONSHIRE COUNCIL**

**Report by Chief Officer – Resources**

**Audit Committee: 15 June 2022**

**Subject: Internal Audit Plans 2020/21 and 2021/22 – Progress to 15 June 2022**

**1. Purpose**

**1.1** The purpose of this report is to advise Members of progress at 31 May 2022 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:

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

<b>Requires Improvement</b>	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
<b>Unsatisfactory</b>	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:

<b>Red</b>	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.
<b>Amber</b>	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.
<b>Green</b>	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 March 2022 as follows:

- Employee Expenses
- Procurement Under £50,000

### **Employee Expenses**

**4.5** Employees who use their own vehicle to carry out essential Council business in the course of their work are entitled to claim, and will be reimbursed, expenses subject to appropriate approval by a nominated Authorising Officer. In the main, claims for reimbursement are made through the HR21 self-service system, paper based forms are only used by employees who do not have access to HR21. For the test period of November 2020 to November 2021 the total mileage claimed was 560,866 miles with a total cost of £251,294. It was identified by the Sustainability Officer that from 2019/20 to 2020/21 there was a reduction of approximately £197,881 in employee mileage due to home working.

**4.6** 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 Employee Expenses.

**4.7** The audit approach was planned to fall in line with the agreed Terms of Reference and included:

- Review and analysis of expenses processed through HR21 for the period November 2020 to November 2021.
- Issue and analysis of internal control questionnaires in order to confirm that controls and procedures were being followed within services including vehicle documentation checks, targeting service areas with high mileage claims.
- Discussions with authorising officers where required.
- Audit testing of employee claims processed to confirm that controls and procedures were being followed and highlight where controls were weak. The audit did not include the review of expense claims for Care at Home employees made via CM2000 which will be subject to a separate audit review.

**4.8** The overall control environment opinion was **Satisfactory**. In terms of good practice, through discussion with the Sustainability Officer it was identified that from 2019/20 to 2020/21 there was a reduction of approximately £197,881 in employee mileage. However, three amber issues were identified as follows:

**Lack of Co-ordination and Management of Pool Vehicles (Amber)**

The list of pool vehicle users for vehicles managed by the Transport Section has not been reviewed and updated since 2019. In addition, cost savings analysis has not been undertaken for 2020/21.

Failure to maintain up to date records and carry out cost saving analysis and reporting of this could result in employees continuing to use their own vehicle resulting in additional expenditure to the Council where employee expenses are paid.

**Non Compliance with Pool Car Guidance (Amber)**

The audit review identified that 30% of employees recorded on the list of Pool Car Users had used their own personal vehicle claiming a total of 15,132 miles at a cost of £6,810 during the period November 2020 to November 2021. Pool Car Users should only claim mileage in emergency or exceptional circumstances.

Failure to adhere to the pool car guidance does not represent best value in terms of loss of financial benefit to the Council where employees continue to claim mileage but have been also been allocated a pool vehicle.

**Identification of High Levels of Claims by Teams & Individuals for Recommendation of Pool Car Use (Amber)**

The audit review identified that there are specific teams of employees that are claiming high levels of mileage. In addition, data is not currently being obtained and analysed to identify such teams or individuals where high mileage is being claimed.

The high mileage claims in private vehicles of some teams and individuals within the Council does not represent value for money and the Council is incurring additional costs where a pool car is a viable alternative. In addition, the high mileage incurred does not positively contribute to the Council's Climate Change Strategy.

- 4.9 The audit identified six issues, three of which we consider to be individually significant and an action plan is in place to address all issues by 31 October 2022.

#### **Procurement – Under £50,000**

- 4.10 Specific Guidance is in place to ensure all of the Council's procurement of goods and services under £50,000 is undertaken in accordance with the Council's Financial Regulations and Standing Orders. Quick Quote is an online quotation facility hosted on Public Contracts Scotland, which is expected to be used for all Council procurement from £10,000 to £49,999.
- 4.11 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 surrounding the key risks in relation to the use of Quick Quote by Services for procurement under £50,000.
- 4.12 The audit approach was planned to fall in line with the agreed Terms of Reference and included:
- Control Risk Self-Assessment exercise and discussions with management and staff within the Corporate Procurement Unit (CPU) with the particular aim of identifying and agreeing risk areas.
  - Examination and evaluation of appropriate documentation, including guidance, reports, procedures and system manuals.
  - Audit testing, particularly walkthrough tests, to confirm that controls and procedures were being followed and highlight where controls were weak.
- 4.13 The overall control environment opinion was **Satisfactory**. We were pleased to note as examples of good practice the current controls in place resulting in the Council's procurement spend compliance being above 97% and the comprehensive guidance available on the intranet for staff for Procurement Below £50k. However, two amber issues were identified as follows:

#### **Fraud Awareness Training (Amber)**

There is no mandatory Council wide Fraud Awareness training for staff in relation to procurement. Fraud training is covered more generally at induction however this has not taken place since March 2020. A new Fraud Awareness E-learning is being developed and is expected to be in place by 30 June 2022.

#### **Data Protection Issue (Amber)**

The audit identified six supplier invoices where details included full names or surnames and an initial which were available to view by any officer with access to Agresso. Under GDPR and Data Protection Act 2018, names are regarded as personal data and should not be processed at this level.

**4.14** The audit identified five issues, two of which we consider to be individually significant and an action plan is in place to address all issues identified by 30 June 2022.

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

<b>Stage</b>	<b>Number of Audits</b>
Final Report	2
Draft Report	3
Fieldwork Complete	2
Fieldwork	0
Planning	0
Deferred to 22/23	4
B/f 20/21 Audits completed in 21/22	5
<b>Total</b>	<b>16</b>

**4.16** Full delivery of the 2021/22 audit plan has been delayed due to unanticipated staff turnover, staff absence and completion of 2020/21 audit plan. The team is now back to full complement and completion of the plan has regained momentum over the last few months with a target completion date of June 2022. As such, the audit plan for 2022/23 is also on the agenda for the June 2022 Audit Committee to take account of any carry forward required at that stage including the 4 audits which are deferred. These have been subject to a further risk assessment and will be undertaken as part of the 2022/23 audit plan.

**4.17** In relation to audit work for IJB, two planned audits are being finalised and reports will be provided to management and reported to HSCP Board Audit and Performance Committee.

**4.18** In relation to the Valuation Joint Board, fieldwork for the planned audit is almost complete.

**4.19** In relation to the Leisure Trust, one planned audit has been finalised.

**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 two actions due for completion by the end of April, one of which have been implemented and the completion date in relation to the other action has been revised.

Work is ongoing with services to ensure action plan dates agreed are realistic. The status report at 30 April 2022 is provided at Appendix 2.

#### Ongoing Corporate Fraud Team Work

- 4.21 From 1 April 2022 to 31 March 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	46,205
Council Tax Single Person's Discount	23,365
National Fraud Initiative (HB)	5,731
National Fraud Initiative (CT/CTR)	18,682
National Fraud Initiative (SBBS)	57,278
J/W Housing Benefit/Council Tax Reduction	0
Non DWP Housing Benefit	127,302
Non DWP Council Tax Reduction	420
SBBS Fraud	5,900
Administrative Penalty	1,260
<b>Total</b>	<b>£284,883</b>

- 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 (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.
- 4.24 The most recent biennial exercise for 2020/21 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.
- 4.26 Audit Scotland are preparing a report on the outcomes relating to the 2020/21 exercise and this will be presented to the next meeting of the Audit Committee in September 2022.

#### Benchmarking

- 4.27 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; and
- Stirling.

4.28 Regular meetings will continue to take place during 2022 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 £284,883 from 1 April 2021 to 31 March 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 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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**Laurence Slavin**  
**Chief Officer - Resources**  
**Date: 15 June 2022**

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**Appendices:** 2021/22 Annual Audit Plan – Progress to 18 May 2022  
(Appendix 1)  
Status of Internal Audit Action Plans at 30 April 2022 (Appendix 2)

**Background Papers:**      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