

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 9 November 2022

Subject: Internal Audit Plans 2021/22 and 2022/23 – Progress to 30 September 2022

1. Purpose

1.1 The purpose of this report is to advise Members of progress at 30 September 2022 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 Two audit review has been finalised since the Audit Committee meeting in August 2022 as follows:

- Capital Projects – Project Management Arrangements
- Overtime

Capital Projects – Project Management Arrangements

4.5 The Council through its Project Management Office developed a Project Management Approach which is a framework for managing and delivering projects. This approach establishes a set of processes, standards reports and templates to help managers manage a project successfully from start to finish. In 2014 the Council established the Capital Investment Team to deliver the Council's key strategic capital projects. This includes the Office Rationalisation Project, Elderly Care Home Modernisation Project in addition to a number of other large capital projects. Once established, the Capital Investment Team developed an enhanced version of the Project Management Approach which is appropriate for the management of large capital projects.

4.6 The Council has completed a number of major capital projects over the last 8 years including:

- Queens Quay Regeneration £15.94M
- District Heating Network £22M
- Office Rationalisation £22M
- Clydebank Leisure Centre £24M
- Lomond Bridge £3.2M
- Schools Improvement £11.2M

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 surrounding the key risks faced by the Council in relation to the management of capital projects.

4.8 The review focussed on the high level processes and procedures in relation to Capital Projects – Project Management Arrangements and concentrated on the adequacy and effectiveness of project governance, monitoring & reporting arrangements.

4.9 The overall control environment opinion for this audit review was **Satisfactory**. There was one AMBER issue identified as follows:

Lack of Capital Project Post-Implementation Reviews

In relation to capital projects, post-implementation reviews should be carried out to ensure that projects have delivered, or are on course to deliver, the intended benefits and to learn lessons. At West Dunbartonshire Council, all post-implementation reviews of capital projects are required to be reported to Audit Committee.

The audit identified that the last report to Audit Committee on capital project post-implementation reviews was in March 2018. Since that date, a number of capital projects have been completed and have been operational for 12 months or more but a post-implementation review has not yet been carried out and reported to Audit Committee.

4.10 There were 2 issues identified, one of which we consider to be individually significant and an action plan is in place to address all issues by 31 January 2023.

Control Self-Assessment - Overtime

4.11 Work in excess of the standard weekly hours should not be a regular occurrence and is discouraged. However, where overtime is found to be unavoidable and previous approval has been given by a senior officer to whom this power has been delegated, payment will be made in accordance with the guidance contained within the Terms & Conditions of Employment. For the test period of 2021/22, the total overtime hours claimed was 222,095 with the sum paid of £3,769,702. For the top 30 claimants, the highest hours claimed was 1,587 and sum paid was £33,412 and the lowest hours claimed in the top 30 was 685 and the sum paid was £14,422.

- 4.12** 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 Overtime.
- 4.13** The audit concentrated on those employees who claimed high levels of overtime of £14,000 or more in the financial year 2021/22.
- 4.14** The overall control environment opinion was **Satisfactory**. There were five AMBER issues identified as follows:

Adequacy of Guidance

Guidance on overtime is contained within the Terms and Conditions of Employment, however this only forms a few short paragraphs which does not provide sufficient guidance for employees and managers.

The control self-assessment exercise confirmed that managers would welcome more comprehensive guidance in relation to overtime.

Without comprehensive guidance, manager may apply an inconsistent approach to overtime claims.

Lack of Common Process/Standard Claim Form

The audit identified that there was no common process in place for the administration and recording of overtime across services including the overtime claim form which is different across services and in some services a claim form is not completed.

Without a standard approach and clear audit trail, there is a risk that errors and irregularities may occur and go undetected.

Lack of Evidence of Pre-approval of Overtime

The audit identified that there was no evidence of management pre-approval for overtime within the services tested. Where discussion has taken place, no written or electronic record is taken and retained.

There is a risk that overtime may be worked which was not approved.

Adequacy of Authorisation of Overtime Claims

The audit identified that, in some services, there was either no authorisation of overtime claims or no evidence of authorisation as supervisors were not recording their signature on overtime claim forms or weekly timesheets where an overtime claim form is not completed.

There is a risk that overpayments of overtime may occur and go undetected.

Non-Compliance with Working Time Directive

One service was unable to confirm if two employees who had worked excessive hours during the period tested had formally opted out of the 48 hour restriction as no agreement was held on file.

- 4.15** The audit identified 6 issues, 5 of which we consider to be individually significant and an action plan is in place to address all issues by 1 November 2022.
- 4.16** The fieldwork for the 2021/22 Annual Audit Plan is now complete and the current status is as follows:

Stage	Number of Audits
Final Report	6
Draft Report	1
Fieldwork Complete	0
Fieldwork	0
Planning	0
Deferred to 22/23	4
B/f 20/21 Audits completed in 21/22	5
Total	16

- 4.17** 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 is now back to full complement and has regained momentum to complete the audit plan for 2021/22 and has started the planning and fieldwork for audits in the 2022/23 audit plan. The status of both audit plans is attached at Appendix 1.
- 4.18** In relation to audit work for Integration Joint Board, the agreed audit plan is being progressed with regular reporting to the Integration Joint Board Audit & Performance Committee.
- 4.19** In relation to the Valuation Joint Board, planning for the 2022/23 audit plan will commence in December 2022.
- 4.20** In relation to the Leisure Trust, planning for the 2022/23 audit plan will commence in December 2022.
- 4.21** 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 September, 3 of which were reported as completed by management and a revised date requires to be set for one action. Work is ongoing with services to ensure action plan dates agreed are realistic. The status report at 30 September 2022 is provided at Appendix 2.

Ongoing Corporate Fraud Team Work

- 4.22** From 1 April to 30 September 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	24,097
Council Tax Single Person's Discount	8,785
National Fraud Initiative (Housing Benefit)	13,789
National Fraud Initiative (Council Tax/Council Tax Reduction)	6,122
National Fraud Initiative (Small Business Bonus Scheme)	0
Joint Working Housing Benefit/Council Tax Reduction	0
Non Department for Work and Pensions Housing Benefit	52,195
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	1,295
Administrative Penalty	0
Total	£120,209

- 4.23** 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

- 4.24** 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.
- 4.25** The most recent biennial exercise for 2020/21 is now complete and Audit Scotland has published a report on the outcomes relating to the 2020/21 exercise. This is on the agenda for the Audit Committee in November 2022.

Benchmarking

- 4.26** 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.

4.27 Meetings will continue to take place during 2022 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 £120,209 from 1 April to 30 September 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: 14 October 2022

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Appendices: 2021/22 and 2022/23 Annual Audit Plans – Progress to 30 September 2022 (Appendix 1)
Status of Internal Audit Action Plans at 30 September 2022 (Appendix 2)

Background Papers: Audit Committee – 02 March 2022: Internal Audit Annual Plan 2022/23
 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