

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer – Resources****Audit Committee: 16 June 2021**

Subject: Internal Audit Plan 2020/21 – Progress to 19 May 2021**1. Purpose**

- 1.1** The purpose of this report is to advise Members of progress at 19 May 2021 against the Audit Plan for 2020/21.
- 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 plan for 2020/21 was approved by the Audit Committee on 17 June 2020. This report provides information on the progress in implementing the plan.
- 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 has been 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 March 2021, one audit has been finalised as follows:

Reports finalised since last Audit Committee	Grading			Total
	Red	Amber	Green	
Building Services Stock Checks	0	2	1	3
Total	0	2	1	3

4.5 **Building Services Stock Checks (May 2021)**

4.5.1 In October 2019 the existing management systems within Housing were replaced with the Integrated Housing Management System (IHMS). Among the systems replaced was the Servitor system which included a stock module and had been used by Building Services stores management to carry out perpetual monthly stock checks as a means to control its stock. However, due to development issues/delays following the introduction of IHMS, Building Services were unable to continue with the monthly stock checks from October 2019. It was therefore decided to undertake a full stock check at 31st March 2020 to confirm the value of stock on hand at that date but due to the onset of lockdown due to Covid-19 in March 2020 a full stock check did not go ahead. It was therefore agreed that a full stock check of stock held at the three main Building Services stores would be undertaken during March 2021 and that a member of Internal Audit would be in attendance and carry out tests to confirm the integrity of the stock checks.

4.5.2 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 Building Services stock checks carried out during March 2021.

4.5.3 The overall control environment opinion was **Satisfactory**. There were 2 **AMBER** issues identified as follows:

Lack of Monthly Stock Checks (AMBER)

Through observation and enquiry it was identified that perpetual or monthly stock counts have not been carried out since IHMS was brought on line in October 2019 due to the lack of relevant reports available from the Integrated Housing Management System (IHMS which would enable perpetual/monthly stock counts to be carried out. In addition, staff responsible for undertaking stock checks have not been adequately trained in the IHMS reporting functionality to enable staff to generate relevant reports without requiring to ask for assistance from the IHMS team.

Where regular stock checks are not undertaken there is a risk that this leads to increased costs involved in undertaking year end stock counts, a greater number of discrepancies between physical stock count and system records and failure to detect fraud in a timely manner.

Lack of Stock Checks on Building Services Vans (AMBER)

Through observation and enquiry at the recent stock checks carried out it was identified that the value of stock control stored in Building Services vans has been shown to have varied greatly between March 2019 and March 2021. However, there has been no count carried out on stock stored in vans since March 2019 to confirm the correct stock levels held.

Where checks on stock stored in Building Services vans is not undertaken on a regular basis this can lead to misleading value being attributed to van stocks in the Council's Financial Statements and there is also the risk of loss or misappropriation of stock which goes undetected.

4.5.4 The review identified 3 issues, 2 of which we consider to be individually significant and an action plan is in place to address all issues by 31 August 2021.

4.6 The 2020/21 Annual Audit Plan is underway and current status is as follows:

Stage	Number of Audits
Final Report	3
Draft Report	0
Fieldwork Complete	1
Fieldwork	4
Planning	0
Not Started/Deferred to 21/22	3
B/f 19/20 Audit Plan – complete	5
Total	16

- 4.7** In relation to audit work for IJB, 2 audits were planned and both audits are complete with reports provided to management and reported to HSCP Board Audit and Performance Committee.
- 4.8** In relation to the Valuation Joint Board, 2 audit reviews were planned and both are complete with reports provided to management.
- 4.9** In relation to the Leisure Trust, fieldwork for the risk-based review is underway and the report has been finalised in relation to follow up of actions arising from previous audit reviews.
- 4.10** The detailed Annual Audit Plan progress to 19 May for the 2020/21 annual audit plans is set out at Appendix 1. Progress has been hampered as a result of staff illness and an unforeseen vacancy arising in the team. The vacancy has now been filled and it is anticipated that fieldwork for the remaining audits will be completed by June 2021.
- 4.11** There are 3 audits which have been deferred to 21/22 audit plan as follows:
- Financial Assessments Process – a process redesign was undertaken in relation to the financial assessments process. The new process will be subject to audit review during 21/22; and
 - Learning Disabilities – Financial Monitoring of Contracts – due to resource constraints it was agreed with Service Management to defer the audit to 21/22 to allow staffing levels to stabilise. This audit will be carried out early in 21/22.
 - Occupational Therapy – Waiting Times – due to impacts arising from Covid-19, this audit will be carried out in 21/22.

4.12 Internal and External Audit Action Plans

In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There were 3 actions due for completion by the end of May, 2 of which are now complete and the completion date in relation to one action has been revised.

Work is ongoing with relevant services to ensure action plan dates agreed are realistic. The status report at 31 May 2021 is provided at Appendix 2.

In relation to external audit action plans a status update on actions arising from the 2019-2020 Audit is set out at Appendix 3.

- 4.13** 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

- 4.14** From 1 to 30 April 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	7,332
Council Tax Single Person's Discount	2,725
National Fraud Initiative	0
J/W Housing Benefit/Council Tax Reduction	0
Non DWP Housing Benefit	10,861
Non DWP Council Tax Reduction	0
Total	£20,918

- 4.15** 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

- 4.16** 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.

- 4.17** 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.

- 4.18** Services are progressing with investigations and a status report on the 2020/21 exercise will be presented to the September 2021 meeting of the Audit Committee.

Benchmarking

- 4.19** 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 six other Councils, these being:

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

- 4.20** Regular meetings will 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.

Stirling Council have also expressed an interest in joining the group and will join the benchmarking meeting scheduled for 21 May 2021.

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 £20,918 from 1-30 April have been identified, against an annual target of £225,000. The comparative figure for the same period in the prior year was £27,355.

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: 19 May 2021

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Appendices: 2021-21 Annual Audit Plan – Progress to 19 May 2021
(Appendix 1)
Status of Internal Audit Action Plans to 31 May 2021 (Appendix 2)
Status of External Audit Action Plans to 30 April 2021
(Appendix 3)

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

Wards Affected: All wards

