

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 10 August 2022

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

1. Purpose

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

- Debtors – Limited Scope Finance Review

Debtors

4.5 West Dunbartonshire Council issues in the region of 60,000 invoices each year for goods and services. At 31 March 2022 the total value of the debtors account was approximately £10.6 million. Although services raise debtors accounts, the Accounts Receivable within Finance Service Centre Team are responsible for the billing and collection of all charges levied by for goods and services provided. The Finance Service Centre manages the day to day operation of the Council's policy in this regard such as Financial Regulations and the Corporate Debt Policy.

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 surrounding the key risks faced by the Council in relation to the Debtors process.

- 4.7** The review focussed on the high level processes and procedures in relation to the Debtors process and concentrated on identified areas of perceived higher risk, such as debtors invoices were not valid, accurate or complete or raised in a timely manner and Debtors reconciliations were not being performed.
- 4.8** The overall control environment opinion for this audit review was **Satisfactory**. Areas of good practice were identified including:
- Detailed procedural documentation is in place in relation to the Debtors process.
 - There are a number of different teams who are involved in managing the debtors process i.e. Finance Service Centre Team, Reconciliation Team, Banking and Income control Team ensuring clear segregation of duties and effective internal control.
- 4.9** There were three GREEN issues identified which if implemented would enhance the control environment and an action plan is in place to address all issues by 31 March 2023.
- 4.10** 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	4
Draft Report	2
Fieldwork Complete	1
Fieldwork	0
Planning	0
Deferred to 22/23	4
B/f 20/21 Audits completed in 21/22	5
Total	16

- 4.11** 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 has regained momentum over the last few months to complete the audit plan for 2021/22 and has started the planning for audits in the 2022/23 audit plan. The status of both audit plans is attached at Appendix 1.
- 4.12** In relation to audit work for Integration Joint Board, two planned audits have been finalised.
- 4.13** In relation to the Valuation Joint Board, one planned audit has been finalised.
- 4.14** In relation to the Leisure Trust, one planned audit has been finalised.

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 three actions due for completion by the end of May and all three actions have been reported as completed by management.

Work is ongoing with services to ensure action plan dates agreed are realistic. The status report at 31 May 2022 is provided at Appendix 2.

Ongoing Corporate Fraud Team Work

- 4.16 From 1 April to 30 June 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	2743
Council Tax Single Person's Discount	4307
National Fraud Initiative (Housing Benefit)	12042
National Fraud Initiative (Council Tax/Council Tax Reduction)	3955
National Fraud Initiative (Small Business Bonus Scheme)	0
Joint Working Housing Benefit/Council Tax Reduction	0
Non Department for Work and Pensions Housing Benefit	16538
Non Department for Work and Pensions Council Tax Reduction	0
Covid 19 Business Grants	5250
Administrative Penalty	0
Total	44835

- 4.17 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

- 4.18 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.
- 4.19 The most recent biennial exercise for 2020/21 is now complete and 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 November 2022.

Benchmarking

- 4.20 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.

4.21 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 £44,835 from 1 April to 30 June 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: 15 July 2022

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Appendices: 2021/22 and 2022/23 Annual Audit Plans – Progress to 30 June 2022 (Appendix 1)
Status of Internal Audit Action Plans at 31 May 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