

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 17 November 2021

Subject: Internal Audit Plans 2020/21 and 2021/22 – Progress to 18 October 2021

1. Purpose

1.1 The purpose of this report is to advise Members of progress at 18 October 2021 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:

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** No audits have been finalised since the Audit Committee meeting in September 2021.
- 4.5** The 2020/21 Annual Audit Plan is almost complete and current status is as follows:

Stage	Number of Audits
Final Report	6
Draft Report	2
Fieldwork Complete	0
Fieldwork	0
Planning	0
Deferred to 21/22	3
B/f 19/20 Audits completed in 20/21	5
Total	16

- 4.6** The detailed Annual Audit Plan progress to 18 October for the 2020/21 annual audit plans is set out at Appendix 1. Due to unanticipated sickness absence and other priority work the remaining 2 audits were not able to be fully completed by end September. Fieldwork for the remaining 2 audits has now been completed and draft reports are being prepared for management. There are no significant issues arising from these reviews which have an impact on the Annual Governance Statement for 2020-21.

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

Stage	Number of Audits
Final Report	0
Draft Report	0
Fieldwork Complete	0
Fieldwork	1
Planning	2
Not Started	8
B/f 20/21 Audits completed in 21/22	5
Total	16

4.8 In relation to audit work for IJB, 2 audits are being planned and reports will be provided to management and reported to HSCP Board Audit and Performance Committee.

4.9 In relation to the Valuation Joint Board, planning is underway for the audit work that will be carried out during 2021/22.

4.10 In relation to the Leisure Trust, planning is underway for the audit work that will be carried out during 2021/22.

4.11 The detailed Annual Audit Plan progress to 18 October for the 2021/22 annual audit plans is set out at Appendix 2.

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 2 actions due for completion by the end of September, one of which has 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 September 2021 is provided at Appendix 3.

In relation to external audit action plans, actions arising from the 2019-2020 Audit have been reviewed by Audit Scotland as part of their 2020/21 Annual Audit Plan, which was presented to Audit Committee on 10 March 2021. The implementation status of these actions will be included in their Annual Report for 2020/21 which is included as a separate report to this meeting of the Audit Committee.

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 April to 30 September 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	32,673
Council Tax Single Person's Discount	20,128
National Fraud Initiative	22,669
J/W Housing Benefit/Council Tax Reduction	0
Non DWP Housing Benefit	81,462
Non DWP Council Tax Reduction	420
Administrative Penalty	1,260
Total	£158,612

- 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 provided to the March 2022 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 seven other Councils, these being:
- Argyll and Bute;
 - Clackmannanshire;
 - East Dunbartonshire;
 - Falkirk;
 - West Lothian;
 - Inverclyde; and
 - Stirling.
- 4.19** Regular meetings 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.

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 £158,612 from 1 April to 30 September 2021 have been identified, against an annual target of £225,000. The comparative figure for the same period in the prior year was £178,916.

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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Stephen West
Chief Officer - Resources
Date: 18 October 2021

Person to Contact: Andi Priestman, Shared Service Manager – Audit & Fraud
E-mail: andi.priestman@west-dunbarton.gov.uk

Appendices: 2020-21 Annual Audit Plan – Progress to 18 October 2021 (Appendix 1)
2021-22 Annual Audit Plan – Progress to 18 October 2021 (Appendix 2)
Status of Internal Audit Action Plans to 30 September 2021 (Appendix 3)

Background Papers: Audit Committee – 17 June 2020: Internal Audit Annual Plan 2020/21
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