

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead – Resources****Audit Committee: 18 November 2020**

Subject: Internal Audit Plans 2019/20 and 2020/21 – Progress to 21 October 2020**1. Purpose**

1.1 The purpose of this report is to advise Members of progress at 21 October 2020 against the Audit Plans for 2019/20 and 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 plans for 2019/20 and 2020/21 were approved by the Audit Committee on 20 March 2019 and 17 June 2020 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 Since the Audit Committee meeting in September 2020, 2 audits have been finalised in relation to the 2019/20 audit plan as follows:

- Taxi Licensing
- Housing Voids

These reports identified a total of 10 issues categorised as below:

High	Medium	Low
6	4	0

A summary of the High and Medium Risk findings relating to the reviews are as follows:

Taxi Licensing (October 2020)

4.3 The review covered the following areas:

- Policies and Procedures;
- Taxi Driver Licences;
- Taxi Operator Licences;
- Booking Office Licences;
- Vehicle Maintenance Checks.

4.4 The review highlighted seven opportunities to strengthen internal controls and enhance the service provided. Six of those were determined to be high priority and one medium priority as follows:

- Update policies and procedures including expanding the requirements for applicants to provide proof of address and proof of identification (high priority);
- Improve the integrity of the data and records kept (high priority);
- Ensure all applicants complete their applications fully and provide valid documentation where required which is retained in full by the licensing team (high priority);
- Increase the checks on proof of identity and proof of address to ensure they are undertaken for all types of licences (high priority);
- A checklist of acceptable forms of identification and address should be developed and additional training should be provided if required. A copy of all supporting documentation should be taken and retained on file. (high priority)
- Introduce guidance for the licensing committee to assist in determining if the applicant is fit and proper to be issued with a licence (high priority); and;
- Information detailing all the conditions that a licence holder should adhere to should be made publicly available. This document should also detail likely sanctions including the loss of a licence if a licence holder doesn't adhere to the licence conditions (medium priority).

4.5 We have made a number of recommendations and an action plan is in place to address issues identified by 31 March 2021.

Housing Voids (October 2020)

4.6 The following areas were included in the scope of the review:

- Ascertain that there are adequate policies and procedures in place and are up to date to ensure that Housing Operations achieves its objectives as regards the turn-around of Void Properties;
- Confirm that void policies and procedures are followed in order that the Council achieves minimum delays in the turn-around of void properties to ensure maximum rents are generated and reduce the rent loss to the Council; and
- Confirm void property performance indicators are calculated accurately and reported to the relevant Council Committee and external agencies.

4.7 The review highlighted the following areas of good practice:

- The Council has replaced its existing software systems for the management and monitoring of its Housing Operations including void properties. On 6th November the Council's new Integrated Housing Management System (IHMS) went live. All existing housing information was successfully migrated to IHMS from the existing Servitor and SAFFRON systems.
- The percentage of rent due which was lost through properties being empty has reduced from 1.05% in 2016/17 to 0.73% in 2018/19. There has also been a reduction in the number of days to turn around void properties from 46.1 days in 16/17 to 23.33 days in 2018/19. The improvements in the PI's are a result of a restructure of the Housing Operations Service and different targets being set internally for the turn-around of void properties depending on agreed categories.

4.8 However the review also highlighted three Medium risk findings as follows:

- Void Management Policy review and update (Medium Risk)

The Housing Operations Service has undergone a major restructure over the last eighteen months and a new Integrated Housing Management System (IHMS) was implemented from 6th October 2019 replacing a number of legacy systems. However the Void Management Policy has not been reviewed or updated to reflect these changes.

- Adequacy of Re-let Standard (Medium Risk)

The Council has set a Re-let Standard for all Void Properties that must be achieved before a property is offered to a new tenant. The Re-let Standard was reviewed in 2016/17 and a new standard drafted in July 2017. However, the draft Re-let Standard has not yet been submitted to the Housing Investment Board for approval.

- Accuracy of Council Tax updates in relation to Voids (Medium Risk)

Management information provided to Council Tax in relation to the update of Council Tax records was not accurate in relation to some properties which were updated retrospectively to reflect a void status. Specifically audit testing identified that some cases were not included in the updates to Council Tax. Adjustments have been made to the system generated report which now incorporates all records which have been updated retrospectively.

4.9 We have made a number of recommendations and an action plan is in place to address all issues by 31 May 2021.

4.10 The current status of the 2019/20 Annual Audit Plan is as follows:

Stage	Number of Audits
Final Report	13
Draft Report	2
Deferred to 2020/21	1
Total	16

4.11 The two remaining audit reports which are in the process of being finalised are in relation to Cyber Security and Third Party Suppliers.

4.12 For 2020/21 audit reviews, a new risk-based audit methodology has been implemented. 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.

4.13 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 Strategic Lead/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.

4.14 Since the Audit Committee meeting in September 2020, one audit has been finalised in relation to the 2020/21 audit plan as follows:

- Council Tax Discounts and Exemptions

This report identified a total of 7 issues categorised as below:

Red	Amber	Green
0	0	7

Council Tax Discounts and Exemptions (October 2020)

4.15 Council Tax was introduced in April 1993 as a means for Local Authorities to collect contributions from households towards the cost of Local Authority services. It is a property tax, with the amount set locally by Councils and charged according to the valuation band of the individual property. There can be exemption from Council Tax liability such as student residences and specific unoccupied dwellings and discounts are available for single occupancy residences, and in other circumstances.

4.16 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 West Dunbartonshire Council in relation to council tax discounts and exemptions.

4.17 The overall control environment opinion was Satisfactory. The review identified 7 **Green** issues which, if implemented by management, would enhance the control environment.

4.18 We have made a number of recommendations and an action plan is in place to address all issues by 31 October 2020.

4.19 The 2020/21 Annual Audit Plan is being progressed and the current status is as follows:

Stage	Number of Audits
Final Report	1
Draft Report	0
Fieldwork Complete	0
Fieldwork	2
Planning	0
Not Started	8
Total	11

4.20 Planning and fieldwork is also underway in relation to audit work for the HSCP Board, Leisure Trust and Valuation Joint Board.

4.21 The detailed Annual Audit Plan progress to 21 October for the 2020/21 annual audit plans is set out at Appendix 1.

4.22 Internal and External Audit Action Plans

In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There were 7 actions due for completion by end of September and dates in relation to all 7 actions have been revised. Work is ongoing with relevant services to ensure action plan dates agreed are realistic. The status report is provided at Appendix 2.

4.23 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

4.24 From 1 April to 30 September 2020, 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 £229,000.

Description	Amount (£)
Council Tax Reduction	24,783
Council Tax Single Person's Discount	15,998
National Fraud Initiative	11,093
J/W Housing Benefit/Council Tax Benefit	13,702
Non DWP HB	111,802
Non DWP CTB	1,538
Total	£178,916

4.25 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

4.26 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.

4.27 The most recent biennial exercise for 2018/19 released data to Councils in January 2019, providing matched datasets for organisations to investigate. WDC was provided with a total of 5,955 matched datasets of which 1,242 were described as "high risk" matches and 4,713 additional matches. There is an expectation that organisations would examine all "High Risk" matches and a proportion of the other matches too.

- 4.28** A total of 89% cases have been processed, which included all high risk matches, and for which fraud (35 cases) and error (146 cases) amounting to £70,598 has been identified. A separate report was presented to the September meeting of the Audit Committee in relation to the 18/19 exercise.
- 4.29** Services within the Council have now prepared and quality assured the datasets required for the 2020/21 exercise. The matches for this exercise will be released from January 2021 and an update report will be presented to Audit Committee in March 2021 on the proposed approach to the 20/21 exercise.

Benchmarking

- 4.30** 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.

- 4.31** Regular meetings continue to take place during 2020 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 £178,916 from 1 April to 30 September 2020 have been identified, against an annual target of £229,000. The comparative figure for the prior year to 30 September 2019 was £196,792.

- 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 assurances 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 systems 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 Strategic Leads.

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

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Date: 18 November 2020

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Appendices 2021-21 Annual Audit Plan – Progress to 21 October 2020
(Appendix 1)
Status of Internal Audit Action Plans to 21 October 2020
(Appendix 2)

Background Papers: Audit Committee – 17 June 2020: Internal Audit Plan
2020/21
Audit Committee – 20 March 2019: Internal Audit Plan
2019/20
Audit Committee – 21 March 2018: Counter Fraud and
Corruption Strategy
Internal Audit Reports - Copies available on request

Wards Affected: All wards