

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead – Resources

Audit Committee: 20 November 2019

Subject: Internal Audit Plan 2019/20 Half Year Progress Report

1. Purpose

- 1.1** The purpose of this report is to advise Members of progress at the half year against the Audit Plan 2019/20.

2. Recommendations

- 2.1** It is recommended that Members note the contents of this report.

3. Background

- 3.1** The annual audit plan for 2019/20 was approved by the Audit Committee on 20 March 2019. This report provides information on the progress in implementing the plan to date.

4. Main Issues

Audit Plan

- 4.1.** The annual audit plan sets out the audit coverage for the year utilising available staff resources to enable the Audit Manager to provide the annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.
- 4.2** The Audit Plan for 2019/20 contained 12 risk based audits on Council systems and processes, together with two computer audits. Of the 12 risk based audits, two are complete and seven are in progress. The two scheduled computer audits for 2019/20 have not yet commenced.
- 4.3.** It is anticipated that the Internal Audit Annual Plan for 2019/20 will be delivered in full within the required timescales.
- 4.4** The Audit Manager is pleased to report good progress across the Council on audit recommendations from completed assignments.
- 4.5** 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);
- Professional Standards (managing activity, nature of work, engagement planning, performing the engagement, communicating results, monitoring progress, risk management).

- 4.6** An annual internal self-assessment against the PSIAS of the Internal Audit function has recently been completed, which shows a compliance level for WDC Internal Audit of 89.74%. It is anticipated that the next external PSIAS review, required every five years, will take place during 2020/21.

Ongoing Corporate Fraud Team Work

- 4.7** During the half year, 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	25,926
Council Tax Single Person's Discount	18,168
Scottish Welfare Fund Grant	9,985
National Fraud Initiative	21,723
J/W Housing Benefit / Council Tax Benefit	42,189
Non DWP HB	71,261
Administrative Penalties	4,273
Landlord Fraud	3,267
Total	£196,792

- 4.9** 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.
- 4.10** The Council's Counter Fraud and Corruption Strategy was approved by the Audit Committee on 21 March 2018. It is proposed to make a slight change at paragraph 13.3 of this Strategy by allowing consideration of progressing to prosecution with a case regardless of financial value rather than the existing lower limit of £1,000. The reason for this change is to allow the option for any case to be progressed through to prosecution. This does of course depend on the circumstances / seriousness of any case and the quality of evidence available that would be required for Court proceedings. By removing a lower limit, it would allow this option where, for example, there are repeat instances of low level monetary fraud by the same person.
- 4.11** In order to enhance governance arrangements and oversight over the Council's counter fraud activity, an Integrity Group has been set up and has so far held two meetings. In addition, Strategic Leads (HSCP – Heads of Service) are now required to complete an annual Fraud Risk Assessment in order to evaluate and assess the risk of fraud occurrence in their service areas and consider what, if any, controls and counter measures are required to reduce or mitigate the risk.

National Fraud Initiative

- 4.12** The National Fraud Initiative (NFI) is a series of bi-annual 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.
- 4.13** The most recent bi-annual exercise was released in January 2019, providing matched datasets for organisations to investigate. WDC was provided with a total of 5,955 matches datasets of which 1,242 were described as “high risk” matches and 4,713 additional matches. There is an expectation that organisations will examine all “High Risk” matches and a proportion of the other matches too.
- 4.14** To date a total of 4,406 cases have been closed off, within which fraud (16 cases) and error (141 cases) amounting to £40,344 being identified to date.

Benchmarking

- 4.15** 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 five other Councils, these being:
- Argyll and Bute
 - Clackmannanshire
 - East Dunbartonshire
 - Falkirk
 - West Lothian
- 4.16** The Chief Auditors of these five Councils have met on a regular basis over the last year in order to discuss their respective ways of working, consider topical issues with the objective being to identify best practice. In addition, a set of performance indicators has been developed. The calculated values for these measures is provided at Appendix 1 – they are all for 2018/19, with the exception of PI 3b where the value for 2019/20 is provided. The WDC values are shown in the first column and it has been agreed that the values for the other Councils will be provided anonymously and these are shown in Appendix 1 as Council A through to Council E.
- 4.17** The benchmarking group will next meet earlier in 2020 in order to discuss further the reasons for variations in the calculated performance indicators across the six Councils. WDC will consider if any changes are required to ways of working in order to effect any improvements.

Structural Changes

- 4.18** A proposal to adopt a shared management approach for the Internal Audit teams of West Dunbartonshire Council and Inverclyde Council has been

approved by both Councils. This will take effect from 1 January 2020 and a handover process is currently in progress.

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 £197,000 for the half year have been identified during the first half of 2019/20, against an annual target of £225,000.

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 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: 7 November 2019

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Appendices Appendix 1: Internal Audit Benchmarking – Performance Indicators for 2018/19

Background Papers: Audit Committee – 20 March 2019: Internal Audit Plan 2019/20

Audit Committee – 21 March 2018: Counter Fraud and Corruption Strategy

Wards Affected: All wards