

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 04 September 2024

Subject: Internal Audit Plan 2023/24 – Progress to 12 August 2024

1. Purpose

1.1 The purpose of this report is to advise Members of progress to 12 August 2024 against the Internal Audit Plan for 2023/24.

1.2 The report also advises Members of:

- recently issued Internal Audit reports and action plans
- the 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 2023/24 was approved by the Audit Committee on 8 May 2023. 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 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 In accordance with the risk-based audit methodology, 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 There were 4 audit reviews finalised since the last Audit Committee in June 2024:

CSA – EDUCATION PROCEDURES (MAY 2024)

4.5 Control Self-Assessment is a process through which the adequacy and effectiveness of internal controls are examined, with the goal of providing assurance that key objectives are being met. It allows Heads of Establishments and selected staff to participate in the assessment of internal controls and develop action plans to address any weaknesses that may be identified. In turn these action plans assist in evaluating risks which, if not properly addressed, could undermine the achievement of key objectives. Furthermore, Control Self-Assessment exercises can increase awareness of internal control issues and motivate staff to carefully design and implement control processes.

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 over the key risks faced by West Dunbartonshire Council in relation to key Education Procedures including administration and management of School/ELCC Funds and Teachers Absence Cover.

4.7 The review focused on the key procedures for all key processes and procedures for School/ELCC Funds and Teachers Absence Cover.

- 4.8 The overall control environment opinion was **Satisfactory**. There were three AMBER issues identified as follows:

Adequacy of School Fund Procedures (Amber)

The current School Fund procedures were last updated in 2006 and don't include tasks and processes which have been introduced since that date such as Parentpay (introduced in 2019), digital banking and the use of debit cards for purchases. There are also processes included in the procedures that are no longer valid such as parents are no longer required to be members of the school fund committee and there are no longer cash and carry purchases.

Where there is no regular review of procedures, there is a risk that staff follow processes which may be out of date and could carry out tasks incorrectly.

School Fund Procedures Not Being Followed (Amber)

Analysis of Control Self-Assessment returns and visits to a sample of four primary schools and one secondary school identified that some procedures are not being followed at all schools. For example monthly bank reconciliations not being prepared or checked, online purchases not being pre-approved and annual statements of income and expenditure not being prepared.

School funds may not be managed appropriately if not following procedures.

Adherence to Finance Procedures - Teacher Absence Cover (Amber)

A spreadsheet to help head teachers manage, monitor and record appropriate expenditure in relation to their supply teacher budget was provided by Finance. However, from the four primary schools visited, one schools was not using the spreadsheet and had not recorded any supply teacher information. The annual supply teacher budget for this school was £2,453, as at 11 March 2024 the overspend against this budget was £469.

Where finance procedures relating to teacher absence cover are not correctly adhered to, schools may not have a clear and accurate record of their budget position.

- 4.9 The audit identified four issues, three of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2025.

Corporate Procurement below £10k (June 2024)

- 4.10 Guidance is in place to ensure all of the council's procurement of goods and services under £50,000 is undertaken in accordance with the Council's Financial Regulations and Standing Orders. For Procurement between £2,000 and £9,999.99 a minimum of 3 written quotes should be sought; for Procurement Below £2,000 officers must ensure best value is met which may involve a quotation procedure.

- 4.11** 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 in relation to procurement below £10,000.
- 4.12** The review focussed on the high level processes and procedures in relation to the procurement below £10,000 and concentrated on identified areas of perceived higher risk, such as failing to comply with guidance and procedures.
- 4.13** The overall control environment opinion was **Satisfactory**. Areas of good practice identified included:
- The current controls in place in the majority of WDC and HSCP services in relation to Procurement Below £10k as identified in the Control Self-Assessment exercise.
 - The review and updating of iLearn Procurement Awareness Training to include specific training for Procurement Below £10k

There was one Amber issue identified as follows:

Procurement Awareness Training (Amber)

All Council employees who engage in any procurement processes must complete the Procurement Awareness iLearn Module. The module takes learners through the procurement zones following two distinct pathways for procurement under £50,000 and above £50,000. There is currently no training with specific reference to Procurement below £10k. Staff are expected to refresh their knowledge on this course every 2 years.

We have been made aware that the Procurement Awareness iLearn Module has been reviewed and revised training developed by the former Procurement Manager prior to leaving WDC in November 2023. This new training includes specific training aimed at Procurement below £10k, the roll out of this training has been delayed as it also contains reference to the new Service Led Low Complexity Procurement guidance, also drafted by the previous Procurement Manager, which is currently sitting with Chief Officer Regulatory & Regeneration for review.

If updated Procurement Awareness Training, including training specific to Procurement Below £10k is not available and staff are not adequately trained there is a risk that relevant reviewed and revised procurement procedures are not carried out correctly

- 4.14** The audit identified two issues, one of which we consider to be individually significant and an action plan is in place to address this issue by 31 August 2024.

Debt Recovery (July 2024)

- 4.15** The Council's ability to deliver services, which meet the needs of its residents and customers, depends heavily on its success in collecting revenue. The Corporate Debt Policy (August 2019) provides guidance on the debt recovery process for Housing Rent, Council Tax, Non-Domestic Rates (NDR), and Sundry debt. The Council has a separate Rent Collection Policy (September 2020) that sets out the

procedures to be followed by the Corporate Debt Team for prevention and recovery of rent arrears. The recovery process operates to maximise debt recovery whilst also ensuring vulnerable individuals are protected.

For the year ended 31 March 2024, the total value of gross rent arrears was £4.4 million (9.44% of the total rent due for the year), Council tax debt was £6.8 million, NDR debt was £2.3 million, and Sundry debt outstanding was £10.2 million.

- 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 in relation to the debt recovery process.
- 4.17** The review focused on the high-level processes and procedures in relation to debt recovery and concentrated on identified areas of perceived higher risk such as appropriate debt recovery actions were not initiated in a timely manner; amount of debts were not calculated accurately and completely; and irrecoverable debts were not accurately and completely written off in a timely manner.
- 4.18** The overall control environment opinion was Satisfactory. Areas of good practice identified included:
- Diligence works are carried out and exhausted before a debt is considered for write off.
 - Detailed management information is produced and submitted for the monitoring of the debts.

There was one Amber issue identified as follows:

Timeliness of irrecoverable debts write off (Amber)

Audit testing identified two instances whereby the Corporate Debt write off processes were not followed in a timely manner for an irrecoverable rent arrears of a former tenant and a sundry debt. Consequently, these debts were held on the system as outstanding for number of months.

Where irrecoverable debts are not submitted for write off in a timely manner and the system not updated accordingly, this will impact on the completeness and accuracy of the total debt amount owing to the Council.

- 4.19** The audit identified three issues, one of which we consider to be individually significant and an action to address this issue was completed during July 2024.

UK Shared Prosperity Assurance Review (June 2024)

- 4.20** The UK Shared Prosperity Fund (UKSPF) launched in April 2022 is the UK Government's main funding to replace European Union (EU) Structural Funds. The core investment principles of the UKSPF are:-
- Communities and Place - to enable places to invest to restore their community spaces and relationships and create the foundations for

economic development and build resilient and safe neighbourhoods through targeted investment and crime prevention.

- Supporting Local Business – to enable places to fund interventions that support local businesses to thrive, innovate and grow.
- People and Skills – to reduce the barriers some people face to employment and support them to move towards employment.

West Dunbartonshire Council SPF funding of £3.8m was allocated in April 2023 by the UK Government in proportion to the population and level of need. The SPF funding period ends in March 2025.

- 4.21** The objective of this audit review 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 in relation to WDC UK Shared Prosperity Fund allocation.
- 4.22** The review focused on the high-level strategies, processes and procedures in relation to WDC allocation of the UK Shared Prosperity Fund and concentrated on identified areas of perceived higher risk, such as alignment of the fund activities with UK government requirements and the adequacy of monitoring of and reporting on those activities including financial and budgetary control arrangements.
- 4.23** The overall control environment opinion was Satisfactory. Areas of good practice identified included:
- WDC have strong controls in place which demonstrate compliance with the UK SPF Assurance and Risk Framework.

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

Inadequate policies and procedures to support closure of the fund

The Shared Prosperity Fund ends in March 2025. There is currently no guidance recorded from the UK Government to support the exit strategy from the fund or proposals to support an extension beyond March 2025.

Data Protection Issue

The audit identified the Ready to Thrive allowance given to vulnerable young people had their full names recorded when payments are input into the Agresso system. This information is available for any officer to view with access to the system.

Financial Monitoring Review Procedures

The finance officer reviews an approximate 20% selection of the monthly SPF transactions posted to the Agresso system, however these selections are not formally recorded nor is the procedure documented.

- 4.24** The audit identified four issues, three of which we consider to be individually significant and an action plan is in place to address all issues by 31st December 2024.
- 4.25** The status of the 2023/24 audit plan is attached at Appendix 1.
- 4.26** In relation to audit work for the Integration Joint Board, the 2023/24 is almost complete with regular reporting to the Integration Joint Board Audit & Performance Committee.
- 4.27** In relation to the Valuation Joint Board, the planned follow up audit has been completed.
- 4.28** In relation to the Leisure Trust, the 2023/24 audit plan is complete.
- 4.29** Internal Audit Action Plans
In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There were five actions due for completion by the end of March, four of which have been reported as completed by management and a revised completion date relating to one action requires to be set. The status report at 30 June 2024 is provided at Appendix 2.
- Ongoing Corporate Fraud Team Work
- 4.30** The Corporate Fraud team's day to day work continues to focus on referrals relating to council tax reduction/single person discounts, joint working with DWP in relation to housing benefit and council tax reduction, referrals relating to housing tenancies and investigating relevant national fraud initiative matches.
- 4.31** 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 for example in relation to whistleblowing enquiries.
- National Fraud Initiative
- 4.32** 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 set timescale and report back on any savings.
- 4.33** Investigations are ongoing in relation to the 2022 exercise and a full report will be provided to the December meeting of the Audit Committee.
- Benchmarking
- 4.34** In accordance with the Council's Strategic Improvement Framework, the Council's Internal Audit service continues to be part of a benchmarking group which involves seven other Councils.

4.35 Meetings will continue to take place during 2024 to review performance and identify other areas for sharing of best practice.

5. People Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 The Corporate Fraud Team activity can result in actual recoveries, charges and re-billings. The total amount of actual recoveries, charges and re-billings identified for 2023/24 is £197,496.

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: 12 August 2024

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Appendices: 2023/24 Annual Audit Plan – Progress to 12 August 2024
(Appendix 1)

Status of Internal Audit Action Plans at 30 June 2024 (Appendix 2)

Internal Audit Reports - Copies available on request

Wards Affected: All wards