

# West Dunbartonshire Council

Management report 2018/19



Prepared for West Dunbartonshire Council

May 2019

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# Audit findings

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## Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at West Dunbartonshire Council (WDC). This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the annual accounts. We will consider the results of this testing when determining our approach to the audit of the 2018/19 annual accounts.

2. Our responsibilities under the [Code of Audit Practice](#) require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- complies with established policies, procedures, laws and regulations.

3. We are also currently carrying out our work on the audit dimensions as required by the [Code of Audit Practice](#). This will be reported in our 2018/19 Annual Audit Report.

## Conclusion

4. We have identified several control weaknesses as summarised in [Exhibit 1](#) overleaf where we will be carrying out additional work in response to these findings. This will enable us to take planned assurance for our audit of the 2018/19 annual accounts.

## Work summary

5. Our 2018/19 testing covered key controls in a number of areas including bank reconciliations, payroll validation and exception reporting, authorisation of journals, change of supplier bank details and IT access controls. Additionally, we tested controls in the following areas: budget monitoring and control; feeder system reconciliations and controls for preventing and detecting fraud in areas such as taxation receipts, welfare benefits, grants and other claims.



Bank reconciliations



Payroll controls



IT access



Budgets

6. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk based audit approach allows us to take a three-year

cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort.

7. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The assistance we received during the course of our audit is gratefully acknowledged.

## Risks identified

8. The key control and wider dimension risks identified during the interim audit are detailed in [Exhibit 1](#). These findings will inform our approach to the financial statements audit where relevant.

9. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to West Dunbartonshire Council.

## Additional follow-up work

10. Our testing has identified that we will need to perform additional audit work as a result of weaknesses identified and reported below with the new cash receipting system for NDR and Council Tax. We will need ensure that all reconciliations with the general ledger have been completed by the year end. We will also need to increase our sample sizes to enable us to gain assurance over the figures produced by the system for the financial statements.

## Exhibit 1 Key findings and action plan 2018/19

Issue identified	Management response	Responsible officer and target date
<b>Audit findings</b>		
<b>New cash receipting system</b>		
A new cash receipting system; Capita was introduced to the council in October 2018. A number of weaknesses have been identified with its implementation		
An initial system error resulted in the payments analysis report produced by the system showing direct debit payment reversals creating a new debit entry, rather than a credit entry to cancel out the original transaction.	The payments analysis report is being corrected by the system provider. However there are other reports which are being used which provides the correct information and the correct information is being recorded in the ledger.	Section Head – Governance Administration & Financial Control 31 December 2019
In addition, staff have grouped and posted transactions of different types together, which has added to the significant delays in completing the reconciliations for both the NDR and Council Tax systems. Discrepancies are also not being followed up from	The grouping of transactions was done deliberately and will simplify processes. The delay in reconciliations was partly due to the requirement to utilise staff to implement the new system and due to some unplanned staff absence. Management will prioritise the timely completion on reconciliations in such circumstances. The reconciliations referred	Section Head – Governance Administration & Financial Control 30 June 2019

Issue identified	Management response	Responsible officer and target date
<p>prior periods.</p> <p>As at 19 March 2019, the reconciliations available were:</p> <ul style="list-style-type: none"> <li>period 9 for NDR (completed 31 December 2018), and;</li> <li>period 6 for Council Tax (completed 30 September 2018)</li> </ul> <p><b>The delay in completing reconciliations and following up discrepancies, increases the risk of error in the financial statements</b></p>	<p>to are up to date in time for the completion of the financial statements.</p>	
<p><b>Council tax breach of the Friends and Family Policy</b></p> <p>Through discussions with the Section Head – Revenues and Benefits, we were made aware of an instance where a member of staff accessed a family member's council tax account. Unauthorised changes were made to this account, unsupported by any evidence received by the council, at that time.</p> <p>Employees are required to disclose family and friends when they first join the team, but not an ongoing basis. Once disclosed, staff are barred from accessing those accounts.</p> <p><b>There is a risk that employees can access family and friends accounts that have not been disclosed and make unauthorised changes.</b></p>	<p>All staff have been reminded of the Friend and Family policy and the need to strictly adhere to the same. Although the policy states employees must notify of any new friend and/or family members living within our area, employees will now be contacted quarterly by email for an updates to friends and family.</p>	<p>Business Support Manager</p> <p>Complete, and new process now in place.</p>
<p><b>IT access to systems</b></p> <p>From our testing of IT access rights of various systems, we have identified the following weaknesses.</p> <p><u>Payroll</u></p> <p>All users of the Chris21 system require approval of the Section Head. During our testing we identified one instance where a user had been given access but there was no evidence of authorisation.</p> <p><u>Cash &amp; Bank</u></p> <p>Since the implementation of Capita in October 2018, the team have not been following the previous process of reviewing user access to the new system on a monthly basis.</p> <p><u>WeBuy</u></p>	<p>New online form has been developed for all requests to be automatically routed to relevant Section Head for approval only progressing to WMS team to action on confirmation of approval.</p> <p>A process to review user access on a monthly basis will be implemented.</p>	<p>Business Support Manager</p> <p>Complete, new process now in place</p> <p>Section Head – Governance &amp; Administration Control</p> <p>31 July 2019</p>

Issue identified	Management response	Responsible officer and target date
<p>From our sample testing, we identified one member of staff who is set up as an approver on the WeBuy system but is not set up as a formal authorised signatory.</p> <p>We have also identified that there is no formal review of the user listing for those with access to Agresso (the general ledger) moving teams and/or roles within the council.</p> <p><b>There is a risk that employees have inappropriate levels of access to systems.</b></p>	<p>Previous sample testing omitted 1 staff member who should have had Webuy authorisation removed prior to being an authorised signatory. The list of authorised signatories is now up to date and any new authorisers are checked against the authorised signatory list before adding on. The 6 monthly user access check has been updated to include authorised signatory check on new authorisers added since last check.</p> <p>An annual process will be introduced to get confirmation from all managers re validity of staff access to systems. Managers will also be reminded of their responsibility for advising when staff leave the organisation or change roles on an ongoing basis..</p>	<p>Business Partner – Procurement Developments</p> <p>Complete April 2019.</p> <p>Section Head FMIS Support</p> <p>31 July 2019</p>
<b>Segregation of duties – WeBuy</b>		
<p>During the previous year, Internal Audit identified that there were some users with both requisitioner access as well as approver access to authorise orders within the WeBuy system. From our testing we have identified two instances where this was still the case.</p> <p><b>There is a risk that the lack of segregation of duties may result in fraud or error.</b></p>	<p>The requisitioner role has now been removed from one officer's profile as they are an approver. Both approver and requisitioner have now been removed from the other officer's profile.</p> <p>The user access review process was updated to ensure the dual role check takes place during the 6 monthly review</p>	<p>Business Partner – Procurement Developments</p> <p>Complete April 2019</p> <p>Business Partner – Procurement Developments</p> <p>31st May 2019</p>

Source: Audit Scotland

## Review of Internal Audit's work

**11.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carried out an assessment of the internal audit function at the Council. This confirmed that overall the internal audit function has adequate documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS). Some specific areas for note are:

- We reported in our Annual Audit Plan that management and elected members monitor and scrutinise progress on internal audit actions through regular reports to CMT (monthly) and to Audit Committee (at each Committee). From our review of the reports and minutes of the audit committee, we have identified that there are internal audit actions which have not been implemented by the due date agreed. We will report a progress update in our Annual Audit Report.

- We have identified areas for improvement on a specific investigation reported by Internal Audit in 2018. Our findings are reported at paragraph 14.

## **Main Accounting System**

**12.** During the year the Internal Audit team undertook a review of the operation of controls over the main accounting system, including the controls over standing data. We have reviewed this work, with reference to International Standard on Auditing 610 - Using the work of internal auditors, to confirm that we can place reliance on the work of Internal Audit.

**13.** Our review of internal audit's work concluded that this had not identified any significant weaknesses in the main accounting function control environment that could result in a material misstatement in the information produced from the system. However, as a result the weaknesses identified, we will perform additional testing where necessary within the main accounting system as part of our financial statements audit.

## **Investigation: Roads and Greenspace – Allegation of Hospitality and Tendering & Contracting Arrangements**

**14.** As part of our audit responsibilities, we completed an audit review on the investigation of tendering and contracting practices in Roads and Greenspace services. The findings were reported to a special meeting of the Council on 14 May 2019.

**15.** We identified that the time taken by Internal Audit to investigate and report on the allegations to the Audit Committee, between March 2016 and December 2018 was excessive. The format of the Internal Audit report was not appropriate for an investigation of this nature and could not be easily shared with members. The summary findings presented to the Audit Committee in December 2018 lacked the level of detail required by members for them to effectively scrutinise the issues identified.

**16.** In relation to our findings we made the following recommendations:

- The format of all Internal Audit reports should be reviewed, and the level of detail provided to the Audit Committee should be reconsidered.
- Internal Audit should ensure that the scope of future procurement audits adequately covers relevant areas.
- Internal Audit should review how they document complex investigations to ensure clear documentation, in accordance with Public Sector Internal Audit Standards.
- The approach taken to investigating serious allegations should be reviewed. Staff should respond quickly to internal audit queries, to facilitate timely reporting of audit findings. Progress updates to the Audit Committee or appropriate member groups should also be considered.

**17.** Our recommendations have been accepted by the Audit Manager and improvement actions agreed. A number of the improvements have already been implemented and target dates set for the remaining actions. We will monitor and report on progress in our 2018/19 Annual Audit Report.

**18.** All our outputs and any matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# West Dunbartonshire Council

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