

# **West Dunbartonshire Council 2012/13**

## **Review of Governance Arrangements and Main Financial Systems Report**



Prepared for West Dunbartonshire Council  
June 2013

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# Introduction

1. As part of our 2012/2013 audit activity, we undertook a high level review of the governance arrangements and the main financial systems operated by West Dunbartonshire Council (“the Council”), which were identified during our planning process. The purpose of this review was to evaluate whether the Council have sound governance arrangements in place and whether the key internal controls operating within the main financial systems are adequate. It should be highlighted that these reviews were restricted to a subset of the overall controls for each system. Those reviewed were the ones we determined to be the key controls to meet our audit objectives and therefore these reviews do not represent a comprehensive review of the controls in place over any of the specified systems.
2. A listing of the systems reviewed is shown on page 5. The code of audit practice requires us to establish that controls are operating in accordance with our understanding, through discussions with officers, walkthrough tests and tests of control.
3. This report summarises the findings from our reviews highlighting, on an exception basis, where we have identified any governance issues or control weaknesses or areas where procedures are deemed adequate but could be improved further. The issues outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses which may exist. It should be noted that the members and officers of the Council are responsible for the management and governance of the organisation and, as such, communication of issues arising from this audit does not absolve management from its responsibility to address the issues raised and maintain an adequate system of governance, internal control and performance management.
4. In our Annual Audit Plan issued in February 2013 we highlighted issues which could affect the financial statements of the Council. Note that these risks have not been repeated in this report unless we are of the opinion that there has been a material update which it is appropriate to comment on.
5. The co-operation and assistance afforded to audit staff during these reviews are gratefully acknowledged.

# Scope

6. Our review of the Council's governance arrangements drew upon a variety of information sources including committee minute review, council reports, meetings with council officers, corporate and directorate plans and governance documentation such as financial regulations, workforce plans, scheme of delegation and standards of conduct.
7. We identified the key controls and completed walkthrough tests in the following main financial systems:

- |                               |  |
|-------------------------------|--|
| • Trade Payables (Creditors)  | • Council Tax Billing & Collection           |
| • Trade Receivables (Debtors) | • Non Domestic Rates Billing & Collection    |
| • Main Accounting             | • Unified Benefits                           |
| • Payroll                     | • Council Tax / Non Domestic Rates Valuation |
| • Cash & Banking              | • Treasury Management                        |
| • Housing Rents               | •  |

8. Responsibility for the performance of more detailed tests of control on these systems was split between External Audit and the Council's Internal Audit Team. The table below shows how responsibility for the reviews was split.

Audit Scotland	Internal Audit
Trade Receivables	Main Accounting
Cash & Banking	Treasury Management
Council Tax Collection	Council Tax Billing
Non Domestic Rates Collection	Non Domestic Rates Liability
Housing Rents (Billing & Collection)	Housing Rents (Management & Collection of Arrears)
Payroll (New Starts & Leavers)	Payroll (Deductions & Payments)
Trade Payables	

# Summary of Main Finding

9. Overall we are satisfied that the Council's governance arrangements and internal control systems are operating as planned. In particular we note the good progress made by the Council implementing the actions agreed in our 2011/12 Review of Governance Arrangements and Main Financial Systems report. Of the 37 actions agreed in the 2011/12 report:
- 30 are fully complete
  - 1 is partially complete
  - 6 are repeated in this report.
10. Areas where further improvements could be made are highlighted below.

## Finance & Governance

11. **Strategy for the Prevention and Detection of Fraud and Corruption** - In 2011/12 we highlighted that the Council's Strategy for the Prevention and Detection of Fraud and Corruption wasn't located in the Human Resources intranet portal alongside many other council policies. We were given assurances that action would be taken to place the strategy on the Council's internet and intranet sites by 30 June 2012. It is currently not available on the internet site and although it is available within the Internal Audit section of the intranet site it is difficult to locate.

**Action Plan 1**

12. **Business Continuity Plan** - The Civil Contingencies Act 2004 and Civil Contingencies Act 2004 (Contingency Planning) (Scotland) Regulations 2005 requires the Council to have a business continuity plan as part of their duties for planning and responding to emergencies. The Council's business continuity plan was drafted in 2007 but is still to be completed.

**Action Plan 2**

## Review of Internal Audit Files

13. As documented in our Annual Audit Plan issued in February 2013 we planned to place reliance on the work of internal audit in the following areas:
- Payroll
  - Main Accounting
  - Council Tax Billing
  - Treasury Management
  - Non Domestic Rates Liability
  - Housing Rents (Arrears & Collection)

14. We have completed our review of these internal audit files and concluded that we can place reliance upon the work performed.

### Cash and Bank

15. **Bank Reconciliations** – A sample review of bank reconciliations highlighted items in the Council's bank account which take in excess of a month to be posted to the Agresso financial ledger system. Review of the items confirmed that this is predominantly a housekeeping issue caused by resource constraints. Whilst there is a risk of budgetary control reports being inaccurate our sample testing indicates this risk is restricted to low value items. The higher value items (such as council tax, debtor and housing rent income) are processed in their respective systems on a regular basis through bank tapes.

**Action Plan 3**

### Trade Payables (Creditors)

16. **Exception Reporting** – In 2011/12 we highlighted that there was no system of exception reporting for trade payables. There was an intent then to implement reports on issues such as high value payments and outstanding invoices past their payment due date. We note that a high value invoices report is now produced however there is still no exception reporting on outstanding invoices.

**Action Plan 4**

### Trade Receivables (Debtors)

17. **Exception Reporting** – There is currently no system for exception reporting in place for trade receivables. Examples of reports the Council could consider are high value credit notes, high value debtor invoices, potential duplicate invoices, number/level of credit notes by debtor and time taken for debtors to pay.

**Action Plan 5**

### Corporate Procurement Cards

18. **User Profile Review** – An annual check is performed to ascertain continual need for cards and system access however a review of active user profiles on the D.Cal system identified a number of profiles for users who no longer required access to the system. It is recognised that where these users had been cardholders the cards had been deleted and thus there was no financial risk to the Council. Consideration should be given to performing the check more regularly.

**Action Plan 6**

### Non Domestic Rates (NDR) Billing & Collection

19. **NDR Debtor Reconciliation** – A monthly reconciliation is performed between the outstanding debtor balance on the NDR Orbis system and outstanding debtor as per the Agresso ledger. Sample testing identified that these reconciliations are not always authorised and there is

often a considerable time lapse between the performance of the reconciliation and its independent review and authorisation.

### Action Plan 7

- 20. Orbis Super User Access** - The NDR Orbis system has a user profile called 'SUPERUSER' which is used to process system administrator functions. The account enables extensive system access and, as the account user is not readily identifiable, there is an enhanced risk of unauthorised or inappropriate access. It is recognised that a system administration user is required however consideration should be given to allocating this access level to a named staff member and implementing monitoring controls over activity processed by that account.

### Action Plan 8

## Housing Rents

- 21. Reconciliations** – Weekly reconciliations are performed to reconcile the Radius cash receipting system to the Saffron Housing Rents system and also the iWorld benefits system to Saffron. There are also monthly reconciliations to reconcile Radius to the Agresso ledger system. These reconciliations are not signed off as reviewed meaning there is no audit evidence the reviews are performed.

### Action Plan 9

## Information Communication Technology (ICT)

- 22. ICT Change Management** – It is recognised that the Council have change management processes in place for standard changes where the impact of change is known and deemed low risk, and also for monthly planned maintenance. However we identified that:
- Overseeing change management procedures by a Change Advisory Board (CAB) is still to be implemented.
  - After changes have been subject to testing there is not always management authorisation to approve the migration of the change from the test to the live environment.

### Action Plan 10

- 23. Disaster Recovery Plan (DRP)** - A DRP is a documented process or set of procedures to recover and protect the Council's ICT infrastructure in the event of a disaster. The ICT department has recently produced a high level DRP supported by several detailed procedures covering the recovery of a particular application / system. Although the high level DRP is complete further work is required to complete the supporting documentation.

### Action Plan 11

- 24. ICT Project Management** - Although the Council have a project management methodology in place they have recognised it would benefit from a review. We concur there are areas where the methodology could be improved. In particular:
- A business case or options appraisal should be prepared and approved prior to starting a project.
  - Project benefits should be clearly defined to allow them to be measured and tracked.



- The risk management process establishing the link between impact and probability should be clarified.
- The change completion date should be recorded on the 'Change Description' form.

**Action Plan 12**

- 25. Use of unsupported and older software** - The Council is operating many older versions of the common software applications, for example Office 2000 and Windows XP. Support for Office 2000 was withdrawn in 2009 and support for Windows XP is planned to end in 2014. Continuing to use older versions of common applications can cause operational difficulties such as incompatibility with later versions and security problems as the manufacturer will no longer produce security patches.

**Action Plan 13**

# Conclusion

- 26.** On the basis of the work undertaken, we have concluded that overall, we are satisfied that there are adequate governance arrangements and controls operating within the main financial systems.

# Action Plan

Ref. Para. Issue		Responsible Officer	Agreed Action	Action Date
<b>Finance &amp; Governance</b>				
1	11	<b>Strategy for the Prevention and Detection of Fraud and Corruption</b> The Council's Strategy for the Prevention and Detection of Fraud and Corruption is not readily available on the intranet or internet site. <b>Risk:</b> Staff might not be aware of the Council's policy on and approach to dealing with fraud and corruption.	Audit & Risk Manager  The Council's Strategy for the Prevention and Detection of Fraud and Corruption will be placed onto the Internet and Intranet	30 June 2013
2	12	<b>Business Continuity Plan</b> The Council's business continuity plan was originally drafted in 2007 and is still incomplete. <b>Risk:</b> The Council might not be able to deal with an unforeseen event effectively and efficiently.	Audit & Risk Manager  A revised version of the Business Continuity Plan will be published	30 September 2013
<b>Cash and Bank</b>				
3	15	<b>Bank Reconciliations</b> Items in the Council's bank account can take over a month to be posted to the Agresso financial ledger. <b>Risk:</b> The financial ledger might not represent an accurate reflection of the Council's financial position.	Finance Manager  In most instances this is as a result of cashiers requiring to obtain appropriate coding information from departments, however, staff will be instructed to attempt to pursue all postings to the ledger within 4 weeks of receipt in the bank account.	30 June 2013
<b>Trade Payables (Creditors)</b>				

Ref. Para. Issue			Responsible Officer	Agreed Action	Action Date
4	16	<b>Exception Reporting</b> Although there are exception reports produced to monitor high value invoices there is scope to develop exception reporting on outstanding invoices to further enhance control over the trade payables process. <b>Risk:</b> Payments may be made erroneously and the Council might be subject to adverse publicity due to non-compliance with supplier's payment terms.	Business Support Manager	Appropriate exception reports will be created and produced on outstanding invoices and monitored on a regular basis	31 October 2013
Trade Receivables (Debtors)					
5	17	<b>Exception Reporting</b> There are currently no exception reports produced and reviewed to provide enhanced control over issues such as credit notes and duplicate invoices. <b>Risk:</b> Payments, via credit notes or refunds, may be made erroneously.	Business Support Manager	A suite of appropriate exception reports will be generated and monitored on a regular basis	31 October 2013
Corporate Procurement Cards					
6	18	<b>User Profile Review</b> An annual check is performed to ascertain continual need for procurement cards and access to the D.Cal system however a review of active D.Cal user profiles system identified profiles for users who no longer required access. <b>Risk:</b> Staff might have inappropriate access to the DCal system.	Business Support Manager	The check for ongoing need to use/possess procurement cards will be run on a quarterly basis	30 June 2013
NDR Billing & Collection					
7	19	<b>NDR Debtor Reconciliation</b> The monthly reconciliation to ensure the outstanding debtor on the NDR Orbis system and outstanding debtor	Business Support Manager	Relevant officers will be instructed to ensure that the independent review	31 July 2013

Ref. Para. Issue			Responsible Officer	Agreed Action	Action Date
		as per the general ledger is not always subject to independent review and authorisation. When authorisation does occur there can be a significant delay between the performance of the reconciliation and its review. <b>Risk:</b> Reconciliation errors might not be identified and corrected in a timely manner.		and authorisation is done within 1 month of the end date of the period which is being reconciled. Senior officer will monitor and review that this is being managed	
8	20	<b>Orbis Super User Access</b> The NDR Orbis system has a 'SUPER USER' profile which is used for system administration functions. It enables extensive system access and the staff member using it is not identifiable on any audit trail <b>Risk:</b> Staff might have inappropriate access to the Orbis system.	Business Support Manager	The SUPER USER profile will be allocated to a named officer	30 June 2013
<b>Housing Rents</b>					
9	21	<b>Reconciliations</b> There are weekly and monthly reconciliations between the Radius cash receipting system, Saffron rents system, iWorld benefits system and Agresso general ledger. These reconciliations are not signed off as reviewed resulting in a lack of accountability over the review process. <b>Risk:</b> Reconciliation errors might not be identified and corrected in a timely manner.	Business Support Manager / Finance Manager	Relevant officers will be instructed to ensure that the independent review and authorisation is done within 1 month of the end date of the period which is being reconciled. A senior officer will monitor and review that this is being managed	30 June 2013
<b>Information Communication Technology</b>					
10	22	<b>ICT Change Management</b> The Council's ICT change management process could be enhanced by implementing the	ICT Manager	ICT will review readiness for Change Advisory	31 October 2013

Ref. Para. Issue			Responsible Officer	Agreed Action	Action Date
		<p>Change Advisory Board and ensuring changes are authorised by management prior to migration to the live environment.</p> <p><b>Risk:</b> Poorly managed system changes could impact on the stability or integrity of the Council's ICT systems.</p>	ICT Manager	<p>Board for improved management of significant and major changes.</p> <p>ICT will implement an approval stage prior to migration to live environment.</p>	31 August 2013
11	23	<p><b>Disaster Recovery Plan</b></p> <p>The ICT department has recently produced a high level disaster recovery plan however further work is required to complete the supporting documentation which underpins the overall plan.</p> <p><b>Risk:</b> The Council might not be able to protect and/or recover their ICT infrastructure in the event of a disaster.</p>	ICT Manager	ICT will continue to document and test DR plans for each critical system.	31 March 2014
12	24	<p><b>ICT Project Management</b></p> <p>Although the Council have a project management methodology in place they have recognised that it would benefit from a review and update. We concur there are areas where the methodology could be improved and would welcome a review.</p> <p><b>Risk:</b> Projects may not deliver the projected benefits.</p>	ICT Manager & Manager of Organisational Development & Change	A review and update of Project Management processes and procedures will be undertaken. This will include defining project scale (small, medium and large projects) and documentation required for each.	31 December 2013
13	25	<p><b>Use of unsupported and older software</b></p> <p>The Council is operating many older versions of the common software applications, for example Office 2000 and Windows XP. Support for Office</p>	ICT Manager	This recommendation will be progressed as part of ICT Modernisation project when a	30 June 14

Ref. Para. Issue		Responsible Officer	Agreed Action	Action Date
		<p>2000 was withdrawn in 2009 and support for Windows XP is planned to end in 2014</p> <p><b>Risk:</b> Operating older unsupported versions of software may cause incompatibly issues and result in security weaknesses.</p>	<p>standard operating system and version of desktop tools will be agreed and implemented for locations/services within scope of the project and future projects to extend to additional locations/services</p>	