Appendix C
External Audit Reports

Generated on: 10 September 2014

West Dunbartonshire COUNCIL

Action Status	
🟥	Cancelled
🔴	Overdue; Neglected
🔺	Unassigned; Check Progress
▶	Not Started; In Progress; Assigned
✅	Completed

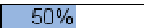| **Project** 13. Annual Report on the 2011/12 Audit										
Risk Identified	Action Status Progress Bar	Original Due Date of Action	Actual Due Date of Action	Sub-Action Code	Planned Management Action	Sub-Action Progress Bar	Sub-Action Status Icon	Sub-Action Due Date	Sub-Action Assigned To	Sub-Action Latest Note
4. Debt Levels: A comparative review of the draft financial statements of all 32 local authorities highlighted that the Council has some of the highest levels of debt per head of population, as a proportion of fixed assets and as a	83%	31-Mar-2013	30-Nov-2013	CS/EAAP/092a	The Council's Treasury Policy is reviewed on an annual basis to ensure that the Council operates within Prudential limits and that the debt repayments are affordable.	100%	✅	31-Mar-2013	Stephen West	Treasury Strategy and Prudential Indicators for 2013/14 agreed by Council on 27 March 2013.
				CS/EAAP/092b	A financial plan has been developed identifying required rent increases in order to service the debt. This plan will remain under review in order to consider its ongoing affordability.	50%	🔴	30-Sep-2013	Stephen West	Work on updating the investment strategy completed during the first week in September and on 9 September 2014

proportion of net spend. *Risk: Servicing the debt may not represent value for money and may have a detrimental impact on service delivery.*								Corporate Finance staff have a meeting with Housing managers to review the position and what it means for the investment strategy.
			CS/EAAP/092c	The General Fund debt includes future payments for PPP schools which a number of other Councils do not have. The cost of servicing these repayments will continue to be planned within the Council's financial strategy. Future options for new capital investment are under consideration in the long term capital plan and means of funding these which minimise effect on the revenue account are under consideration.	100% ✅	06-Feb-2013	Stephen West	In setting the Council budget for 2013/14 the appropriate PPP costs were budgeted.
10. Scottish Housing Quality Standards: The Council have a duty to ensure 100% of housing stock complies with SHQS by 2015. Retention of the housing stock affords greater control over delivery of SHQS but also creates additional financial pressure on the Council. *Risk: The Council*	88%	31-Mar-2015	31-Mar-2015	CS/EAAP/098a	In agreeing to retain the Council's housing stock, members were presented with details as to the level of investment to fund the achievement of SHQS and the expected levels of rent increases required to pay for the borrowing required to fund the improvements. Progress towards achieving SHQS will be monitored by HEED and the Chief Executive.	83% ▶	31-Mar-2015	Helen Turley	The Council has reported 83% compliance with the SHQS which is 8% ahead of the target (75%) and is reflective of a proactive strategic approach to housing asset management.
				CS/EAAP/098b	In addition the HRA capital plan is aligned to the achievement of SHQS on time and linked to the expected performance	83% ▶	31-Mar-2015	Helen Turley	Stock Condition Survey completed and incorporated into HRA Capital Plan to 6 February

Risk Identified	Action Status Progress Bar	Original Due Date of Action	Actual Due Date of Action	Sub-Action Code	Planned Management Action	Sub-Action Progress Bar	Sub-Action Status Icon	Sub-Action Due Date	Sub-Action Assigned To	Sub-Action Latest Note
may fail to meet the SHQS 2015 deadline.					improvement arising from the use of flexible framework contracts it is expected that SHQS will be attained on time.					2014 Council.
				CS/EAAP/098c	CMT monitors progress in relation to the capital plan on a regular basis and this is also regularly reported to HEED Committee and Council.	100%	✓	31-Mar-2015	Richard Cairns	Reports to SAMG/SMT and then to CMT.

Project 15. Annual Report on the 2012/13 Audit

Risk Identified	Action Status Progress Bar	Original Due Date of Action	Actual Due Date of Action	Sub-Action Code	Planned Management Action	Sub-Action Progress Bar	Sub-Action Status Icon	Sub-Action Due Date	Sub-Action Assigned To	Sub-Action Latest Note
4. Financial Pressure: The Council currently has an assumed cumulative funding gap of £21.68 million over the period 2013/14 - 2016/17 and continues to face an increase in demand for services due to the current economic climate and changes in demography. **Risk: The Council may not be able to generate efficiencies and savings to bridge the funding gap.**	62%	31-Aug-2016	31-Aug-2016	CS/EAAP/117a	The Long Term Financial Strategy going to Council on 30 October 2013 asks CMT to identify efficiencies for forward planning to meet the anticipated gap.	100%	✓	30-Oct-2013	Stephen West	Updated Long Term Financial Strategy provided to and agreed by Council on 30 October 2013.
				CS/EAAP/117b	Updates of the Long Term Financial Strategy will be presented to Council on at least an annual basis to update the projections as new information becomes available.	25%	▶	31-Aug-2016	Stephen West	Long Term Financial Strategy provided to Council on 30 October 2013. Further updates will be provided on an ongoing annual basis.

6. Rent Arrears: The Council have the fifth highest gross housing rent arrears as a proportion of HRA dwelling rents in Scotland. This is likely to be further impacted by welfare reform and the rent increases required to fund the capital programme designed to meet the SHQS by 2015. **Risk: Escalation of rent arrears may lead to a significant loss of income and jeopardise delivery of the HRA capital programme.**	66% 04-Feb-2015	04-Feb-2015	CS/EAAP/119a	The position of rent collection will be monitored and reported as part of the regular budgetary control process.	100% ✅	30-Nov-2013	Stephen West	Rent collection is reported to HEED Committee and Council as part of Budgetary Control report on HRA revenue account on a regular basis. The rent collection performance is considered in relation to the income and bad debt provision position.
			CS/EAAP/119b	The expected impact of welfare reform will be provided for within new revenue budgets for the HRA	33% ▶	04-Feb-2015	Stephen West	Work on producing the HRA budget for 2014/15 and onwards has commenced and is progressing well. This process includes consideration of likely impact of welfare reform on ability to collect rents. This will continue into future years.

Project 16. WDC 2013/14 Review of Governance Arrangements and Main Financial Systems Report. Issued June 2014.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
1. Strategy for the Prevention and Detection of Fraud and Corruption The Council's Strategy for the Prevention and Detection of Fraud and Corruption requires to be updated to reflect the 2010 Bribery Act. Risk: Staff might not be aware of the policy on, and approach to, instances where the Council is exposed to bribery.	The Council's Strategy for the Prevention & Detection of Fraud and Corruption will be updated to include mention of the Bribery Act 2010	✅	100%	30-Jun-2014	30-Jun-2014	Colin McDougall	Complete. An updated version of the Strategy for the Prevention and Detection of Fraud and Corruption has now been prepared which refers to the Bribery Act 2010.
2. NFI Training Three of the Council's registered NFI users have not completed the online training package. Risk: Inappropriate and inefficient usage of the NFI system.	Council Staff involved in NFI activity will complete the online training packages which are provided	✅	100%	30-Sep-2014	30-Sep-2014	Colin McDougall	Complete.
3. NFI Reporting Internal and external reporting of NFI progress is limited and intermittent. Risk: The extent to which the NFI exercise can act as a deterrent is not maximised.	Officers will consider approaches to the wider publication.	✅	100%	31-Aug-2014	31-Aug-2014	Colin McDougall	Complete. A press release on this matter was issued on 31st July 2014 and staff responsible for the annual Public Performance report have been provided with information to enable appropriate content to be included in that document.
4. Bank Reconciliations (R) Items in the Council's bank account can take over a month to be posted to the	In some cases, it is not possible to post income due to lack of information received	✅	100%	30-Jun-2014	30-Jun-2014	Karen Shannon	Complete.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
Agresso financial ledger. Risk: The financial ledger might not represent an accurate reflection of	from the source documentation. Staff have been reminded of the importance of timely and accurate postings and asked to take every reasonable step to post within 4 weeks.						
5. Bank Imprest Accounts The Council has 140 imprest accounts held with five different banks and a further 33 petty cash holdings which are not held in a bank. Sample testing has highlighted concerns about compliance with Council practice in relation to: - the financial institutions selected to hold some of these accounts - the naming convention for accounts - discrepancies in the authorised signatory list Consideration should be given to performing a detailed review of the management of imprest accounts as part of the 2014/15 Internal Audit plan. Risk: There are insufficient controls in place to safeguard Council funds held in imprest accounts.	A full review of the current policy will be carried out. The 140 imprest accounts will also be review to ensure the title on the account and the signatories are correct. Departments will be reminded of their responsibility to ensure they advise Finance of any changes to their signatory list. Thereafter, an annual housekeeping exercise will be introduced to validate the accounts.	▶	40%	31-Oct-2014	31-Oct-2014	Karen Shannon	Action has been taken to update the names on a number of accounts and further checks are ongoing
6. Radius System Administration The Radius cash receipting system has five user profiles	The system admin accounts will be reviewed and reduced where possible.	✅	100%	31-Aug-2014	31-Aug-2014	John Martin; Karen Shannon	July 14. IT Admin accounts reviewed and updated as per Audit action.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
which are used for system administration functions. It enables extensive system access and the staff member using it is not identifiable on any audit trail. Risk: Staff might have inappropriate access to the Radius system.							
7. Exception Reporting (R) There are no exception reports produced to identify outstanding invoices past their payment due date. Risk: The Council might be subject to adverse publicity or financial penalties due to non-compliance with supplier's payment terms.	The section will investigate putting in place exception reports for payments processed but not paid.	✅	100%	30-Jun-2014	30-Jun-2014	Karen Shannon	Report developed to identify items processed but not yet paid and will be reviewed on a regular basis.
8. Supplier Masterfile Changes Sample testing identified instances where no documentation could be provide to support changes made to supplier bank details. Risk: Unauthorised or inappropriate changes to supplier bank details can increase the risk of fraud.	All back up to be scanned and file in a folder on the shared drive. Creditors staff have been reminded that supporting documentation must be retained for bank/payment detail changes.	✅	100%	31-May-2014	31-May-2014	Karen Shannon	Procedures for supplier masterfile changes were updated and all staff instructed to save back up to file in shared folder.
9. NDR Debtor Reconciliation (R) The monthly reconciliation to ensure the outstanding debtor on the NDR Orbis system reconciles to the outstanding debtor as per	The workload within the team has now been adjusted with the aim to meet the target deadline for reconciliation and independent review. The reconciliation and review	✅	100%	30-Jun-2014	30-Jun-2014	Karen Shannon	Complete

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
the general ledger is not always performed in a timely manner and it not subject to independent review and authorisation. Risk: Reconciliation errors might not be identified and corrected in a timely manner.	are currently up to date						
10. Orbis Super User Access The NDR Orbis system has a 'SUPER USER' profile which can be used for system administration functions, predominantly as a backup to four named system administrator profiles. It enables extensive system access and any staff member using it is not identifiable on any audit trail. Risk: Staff may make inappropriate changes to the Orbis system which they will not be accountable for.	The role of super user is allocated to named individuals in ICT. Currently the user called 'superuser' still exists and we will consider options to either close this access, or if not possible to better monitor activity.	✅	100%	30-Jun-2014	30-Jun-2014	John Martin; Karen Shannon	Section Head to undertake checks on an ad hoc basis - likely to be once a month.
11. Employee Validity Check On a monthly basis the payroll department send details of current employees to section managers to verify the validity of employees on the payroll system. Managers are only asked to respond on an exceptions basis. Nil returns are not required. Risk: There is a lack of accountability over	Payroll will ensure relevant Line managers confirm changes to establishments every 6 months. This will be done in July 14 and every 6 month thereafter. "Nil" returns will be required.	✅	100%	31-Jul-2014	29-Aug-2014	Graham Hawthorn	ICT developing a data extract to be posted to a secure location for Managers to access - this will minimise the administration around the data validation exercise and ensure that employee data is stored securely. As this is the first occurrence of the exercise, additional testing carried out to ensure robustness of process. Data validation sign-off template finalised.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
employee validity checks being performed.							Level of Manager to receive validation email now confirmed and ready for issue. Final extract to be run week commencing 04/08/14 and email issued. ICT progressing network folder access for managers and updating data extract for validation. GH to issue email to all managers week commencing 25/08/2014. Manager email issued 27/08/2014. Process in place for check to be carried out biannually.
12. Accessing Own Payroll Records The control to review instances where staff access their own payroll records excludes staff with the 'FRONTIER' system access permissions. Risk: Inappropriate amendments to payroll records might not be identified.	A report will be developed to allow monitoring of all staff with full FRONTIER' system access permissions.	✅	100%	30-Jun-2014	30-Jun-2014	Colin McDougall	Complete.
13. Disaster Recovery Plan (R) The ICT department has produced a high level disaster recovery plan however further work is required to complete the supporting documentation which underpins the overall plan.	Underlying technology at WDC is changing and the DR plan will be produced to reflect the changing environment.	▶	25%	30-Jun-2015	30-Jun-2015	Brian Miller	July 14. A change to the due date has been agreed with External Auditor as the underlying technical infrastructure will change as part of the ICT Modernisation project delivery.

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
Risk: The Council might not be able to protect and/or recover their ICT infrastructure in the event of a disaster.							
14. ICT Change Management (R) The Council have not yet introduced the Change Advisory Board to oversee the change management process. Risk: Poorly managed system changes could impact on the stability or integrity of the Council's ICT systems.	WDC has introduced Information Technology Infrastructure Library Change Management processes and has a change manager role in place. The change management processes are a best practice framework and are not prescriptive but rather a framework to adapt. WDC therefore accept this risk.	✅	100%	30-Jun-2014	30-Jun-2014	John Martin; Brian Miller	Complete.
15. Use of unsupported and older software Microsoft ended support for Windows XP and Microsoft Office 2003 on 8 April 2014; this means that if a security flaw is discovered, Microsoft will not release an update to fix it. Risk: Operating older unsupported versions of software may result in security weaknesses.	In addition to major investment in ICT Modernisation Project, WDC has purchased the extended support for XP.	✅	100%	30-Jun-2014	30-Jun-2014	John Martin; Brian Miller	Complete.

NB: "R" in recommendation title denotes that this action is repeated from the 2012/13 report