

Stephen West
Strategic Lead – Resources
West Dunbartonshire Council
16 Church Street
Dumbarton
G82 1QL

3rd June 2021

Dear Stephen,

West Dunbartonshire Council – Interim audit testing 2020/21

1. Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control put in place by management. In carrying out this work, we seek to gain assurance that West Dunbartonshire Council:

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

Overall summary

2. From our interim testing we identified one area which represents a risk of material misstatement for the 2020/21 financial statements. We have reported this at point 3 in Exhibit 1, along with the other issues identified from our review. These issues will be reflected in our audit approach and will require us to complete additional testing on NDR reliefs to obtain the required assurances for our audit of the 2020/21 financial statements.

System coverage

3. A key focus of our testing was the verification to source documentation of significant income and expenditure transactions (including staff costs) during 2020/21. As testing was performed prior to the 2020/21 financial year end, the need for additional testing will be considered as part of the financial statements audit to ensure sufficient audit coverage for the full year is achieved.

4. During the interim audit we reviewed the key controls in the following systems:

- General Ledger
- Accounts Receivable
- Accounts Payable
- Payroll
- Cash & Bank
- Non-Domestic Rates
- Council Tax
- Housing Benefit

5. This work involved carrying out walkthroughs of the key controls in each system to confirm they were operating as expected. This covered a number of areas including reviewing reconciliations, payroll validation

checks, payroll exception reporting and changes to supplier bank details. We will use the results of this testing to determine our approach during the 2020/21 financial statements audit.

6. West Dunbartonshire Council is responsible for approving and distributing Covid 19 relief grants across a number of new funding streams. As detailed in our annual audit plan, we will review the controls in place for the payment of these funds, with emphasis on business support grant payments. Our work in this area is ongoing, and we will report our findings when this work is complete.

Risk identification

7. [Exhibit 1](#) sets out the risks we identified from our interim audit work.

8. The issues identified in preparing this management letter are only those which have come to our attention during the course of our normal work and are not necessarily, therefore, all the risk areas that may exist. It remains the responsibility of management to determine the extent of the internal control system appropriate to West Dunbartonshire Council. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.

Acknowledgement

9. The contents of this letter have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit from staff is gratefully acknowledged.

Yours sincerely



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Senior Audit Manager

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Exhibit 1

Key findings

Issue/risk	Management response	Responsible officer and target date
<p>1. User access rights</p> <p>Following our review of user access to the Chris21 (HR and Payroll) system, we identified one instance where a member of IT staff had retained a higher level of access privileges as a result of past operational requirements. We understand this has now been rectified.</p> <p>Carrying out regular reviews of user access listings for all key systems may help identify inappropriate access levels, and is particularly important for organisations where working from home is so prevalent.</p> <p>Risk: Inappropriate user privileges could result in error, fraud or allow access to sensitive data.</p>	<p>Segregation of duty is used across the user access to the system. An ICT user was awarded access in this same regard for operational reasons for system development. Following discussion with audit a new lower access role was created through system access rules rather than segregation of duty.</p> <p>Quarterly reports to review segregation of task agreed and in place for Q4 2020.</p>	<p>Business Support Manager</p> <p>Complete</p> <p>10 May 2021</p>
<p>2. Delays in completing and reviewing feeder system reconciliations</p> <p>Last year we reported delays to reviews of feeder system reconciliations. This exercise provides assurance that the data contained within individual accounting systems and the general ledger are in agreement.</p> <p>Our review of a sample of reconciliations for the Council Tax, Non-Domestic Rates and Housing Benefit systems found again in 2020/21 that a number had not been completed within the expected timescale of no later than one month after the period end, or reviewed within one month of completion.</p> <p>We will review the year end reconciliations for assurance on the figures in the financial statements.</p> <p>Risk: Potential errors are not identified, investigated and resolved in a timely manner.</p>	<p>We aim to complete and review all reconciliations within 1 month, however we recognise that this is not always possible due to other priorities and requirements. In 2020/21 the team required to change working practices due to mandatory working from home and this resulted in reconciliations taking longer than normal. We continue to aim to complete and review all reconciliations within one month of the period end. The completion of reconciliations is a Performance Indicator that is monitored and reported as part of Delivery Plan suite of indicators.</p> <p>Relevant staff have been reminded of the timescales within which it is expected that reconciliations will be completed.</p>	<p>Finance Manager</p> <p>31 May 2021</p>
<p>3. Review of NDR reliefs</p> <p>In previous years, the Non Domestic Rates (NDR) team has carried out a secondary check to ensure that reliefs have been awarded correctly, and are valid. We reported in our 2019/20 Management Letter that, from a sample of 15 NDR reliefs, no evidence was retained for five of these to show that a member of staff has checked the relief was correct and valid.</p> <p>Due to pressures as a result of Covid-19, we understand that no verification was carried out on 'recurring' reliefs in</p>	<p>Reliefs for Mandatory, Discretionary and Disabled relief are verified on award. Relief reviews to be undertaken annually were delayed due to COVID payment priorities arising from changes by the Scottish Government to the Rates charging regime due to COVID and also to support the payment of Business Support Grants. It is worth noting that many of these organisations in receipt of reliefs completed similar declarations for these Business Support Grant payments therefore</p>	<p>Business Support Manager</p> <p>30 June 2021</p>

2020/21, however was carried out for new applications. While we understand the pandemic has placed significant pressures on existing working practices, the council must ensure it is satisfied that discounts and reliefs are free from fraud or error. As a result, we will complete additional testing of NDR reliefs at year-end.

Risk: Without a secondary supervisory check, errors could go unnoticed and invalids reliefs could be granted. This could result in financial loss to the council.

whilst not undertaking the full review the process for grants included the NDR check on Assessors entry and valid declaration. Relief reviews will be undertaken in Quarter 2 of this financial year to ensure most accurate awards are in place.“