

West Dunbartonshire Council

Management Report 2017/18



 AUDIT SCOTLAND

Prepared for West Dunbartonshire Council
May 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Audit findings

Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at West Dunbartonshire Council. 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 2017/18 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 West Dunbartonshire Council:

- 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. Also, we carried out work on the audit dimensions as required by the [Code of Audit Practice](#). This focussed on financial management, financial sustainability, governance and transparency and value for money.

Conclusion

4. We did not identify any issues which present a risk of material misstatement for the 2017/18 financial statements. However we have reported in Exhibit 1 a number of areas where controls were not operating as expected or where improvements could be made to existing procedures. Where appropriate, we will carry out additional audit work in response to these findings. This will enable us to take planned assurance for our audit of the 2017/18 financial statements.

Work summary

5. Our 2017/18 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.

7. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort. We reviewed internal audit's work on Trade Payables and we were able to place appropriate reliance on aspects of this work to support our audit conclusions.

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

Risks identified

9. 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.

10. 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

11. Whilst no errors have been identified as a result of our audit work to date, the control weaknesses set out in Exhibit 1 mean that additional work is required to allow us to obtain the relevant assurances for the audit of the 2017/18 financial statements.

Exhibit 1

Key findings and action plan 2017/18

Issue identified	Management response	Responsible officer and target date
Audit findings		
Access to payroll records		
<p>It was agreed in previous years that the monitoring control report to review payroll staff members access to their own payroll records would be run quarterly and reviewed timeously.</p> <p>We noted that this report was only run and reviewed twice in 2017/18.</p> <p>There is a risk that payroll staff have access to edit their own pay records without there being appropriate controls in place to manage this.</p>	<p>This was missed in Jan and Apr due to staffing changes within the Workforce Management Team and focus on system development. This will commence with immediate effect every quarter as agreed.</p>	<p>Arun Menon 3 June 2018</p>
Payroll validation		
<p>The annual employee validation exercise which commenced in August 2017 was not completed until January 2018. This was 4 months after the internal deadline of 30 September 2018.</p>	<p>This process will continue each year. The delay in completing in 2017/18 was due to slow returns from departments. The communications around this will be elevated in importance with shorter timelines to allow</p>	<p>Arun Menon 30 September 2018</p>

Issue identified	Management response	Responsible officer and target date
<p>This was also highlighted by external audit as an area for improvement in the previous financial year.</p> <p>There is a risk of financial loss to the council if payroll details are incorrect or out of date.</p>	<p>for follow-up in order to obtain a faster turnaround and completion</p>	
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<p>Review of IT access rights to main Council systems</p>		
<p>There is scope for ensuring that user access rights are regularly reviewed by officers. From our testing we found that there were users who still had access to certain systems but had left the organisation.</p> <p>There is a risk that employees have access to systems after they have left the organisation or moved to a different part of the business when this may not be appropriate.</p>	<p>A process is currently in place whereby an automated email is sent from the Council's HR system to relevant system administrators when an employee leaves the Council or changes role within the Council. System Administrators are then required to update access permissions. A reminder will be issued to system administrators to reinforce the importance of following the relevant processes.</p>	<p>Stephen West 15 June 2018</p>
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<p>Completion and review of reconciliations</p>		
<p>During our audit work, from the evidence provided by the Reconciliations Team, we found that some reconciliations were not completed and reviewed timeously.</p> <p>An example of this is the Rents-Income reconciliation for period 1 which was completed on 9 October 2017 and reviewed 11 January 2018.</p> <p>There is a risk that potential errors are not identified, investigated and resolved in a timely manner.</p>	<p>The majority of the reconciliations are prepared and reviewed timeously. There can be exceptions due to the resolution of issues with specific reconciliations taking longer than would be preferred. Also at specific times during the year (e.g. year end, Christmas leave) where reconciliations can be completed and reviewed later than the targeted timescale, however the team will continue to aim to complete all reconciliations within the expected timescales.</p>	<p>Gillian McNeilly ongoing</p>
<hr/>		
<p>Cash handling procedures</p>		
<p>Our audit work identified that cash handling procedures were not operating per the council's policy. We found instances where the kiosk was emptied and cash counted by only one member of staff when it is the council policy that these tasks should be undertaken by two staff members. In addition, we found that in some instances cash control sheets were not fully completed.</p> <p>There is a risk of errors or irregularities not being identified, investigated and resolved timeously.</p>	<p>Customer Services management recognise that in 2017/18 there have been occasions when standards of control did not meet the required levels with regard to cash collection. There were periods of interim management and established team members left to new positions in the Council. Full income reconciliations are in place. We can confirm that the Council no longer collects cash at its One Stop Shops, therefore this issue cannot reoccur.</p>	<p>N/A</p>

Other audit work and discussions

Review of internal audit accounts payable work

12. 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 the internal audit function has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

13. During the year the internal audit team undertook a review of the operation of controls over the accounts payables function, including the controls over access and authorisation rights and changes to suppliers 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.

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

15. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

West Dunbartonshire Council

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