

# Glasgow City Council

Management report 2018/19

**Item 6**

**8th May 2019**



 **AUDIT SCOTLAND**

Prepared for Glasgow City Council

April 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 Glasgow City 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 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. 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).

## Conclusion

4. We identified some control weaknesses during our interim audit work, as summarised in [Exhibit 1](#) overleaf. We will amend our planned audit approach to carry out more focused substantive testing 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. We considered key controls across the main financial systems of the council. Our testing covered areas including periodic bank, payroll and system reconciliations along with payroll exception reporting. Additionally, we reviewed IT access controls and controls over changes to supplier bank details, along with controls for preventing and detecting fraud in areas such as taxation receipts, welfare benefits, grants and other claims.



**Bank reconciliations**



**Payroll controls**



**IT access**

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 use the work of internal audit to avoid duplication of effort.

7. At the time of preparing this report, internal audit was in the process of completing audits on user access controls and SAP feeder system reconciliations. We are not aware of any issues arising from their work that would impact on our planned audit approach. However, we will review this position following consideration of the finalised outputs from internal audit.
8. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during our audit is gratefully acknowledged.

### Risks identified

9. The key control 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 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 Glasgow City Council.

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## Exhibit 1

### Key findings and action plan 2018/19

Issue identified	Management response	Responsible officer and target date
<b>Audit findings</b>		
<b>Reconciliations</b>		
<p>During our controls work, we tested several reconciliations. We identified the following issues:</p> <ul style="list-style-type: none"> <li>• Bank reconciliations: The council's group bank accounts are reconciled periodically to SAP. During audit testing, we noted delays in the production and review of reconciliations. The period 4 reconciliation was not prepared until four weeks after the period end and was not reviewed until nine weeks after the period end. Similarly, the period 7 reconciliation was not prepared until over four weeks after the period end and was not reviewed until six weeks after the period end.</li> </ul> <p><b>Significant delays in conducting and reviewing reconciliations increase the risk of errors and fraud.</b></p>	<p>The bank reconciliations for both periods mentioned were completed later due to staffing availability which has now been addressed.</p>	<p>FS Banking, Governance &amp; Risk Manager</p> <p>Completed</p>

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Issue identified	Management response	Responsible officer and target date
<p><b>Level 2 quality assurance checks</b></p> <p>Level 2 quality assurance checks on the discounts/reliefs awarded for Council Tax, Non-Domestic Rates and Housing Benefits are undertaken weekly by the Quality Assurance Team. However, our testing identified these checks were not carried out between June and August 2018.</p> <p><b>There is an increased risk of errors or fraud occurring in relation to taxation receipts, welfare benefits, grants and other claims.</b></p>	<p>Due to operational requirements, it was agreed that the quality checks were temporarily suspended to enable staff to be redirected to higher priority activities over this period. NDR checks resumed and a more targeted checking regime for council tax has been introduced.</p>	<p>Head of Revenues, Benefits &amp; Collections</p> <p>Completed</p>
<p>Source: Audit Scotland</p>		

### Additional follow-up work

11. In response to the results of our interim work detailed above we will conduct more focused testing of Council Tax and Non-Domestic Rates discounts/reliefs as part of our audit of the 2018/19 financial statements. This issue does not change our planned approach to Housing Benefits testing as this is defined by the requirements of the Department for Work and Pensions (DWP).

### Opportunity for improvement

12. We tested the Level 2 checks carried out by the Quality Assurance Team on Council Tax, Non-Domestic Rates and Housing Benefits discounts/reliefs. We identified that although the results of these weekly checks are held on a shared drive for senior managers to consider, there is no formal sign-off by senior management of these results. Implementing a senior management sign-off on the results of checks would enhance the audit trail and strengthen the key controls in the system.

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)