

# Tayside Contracts Joint Committee

Interim Audit Report 2016/17



 AUDIT SCOTLAND

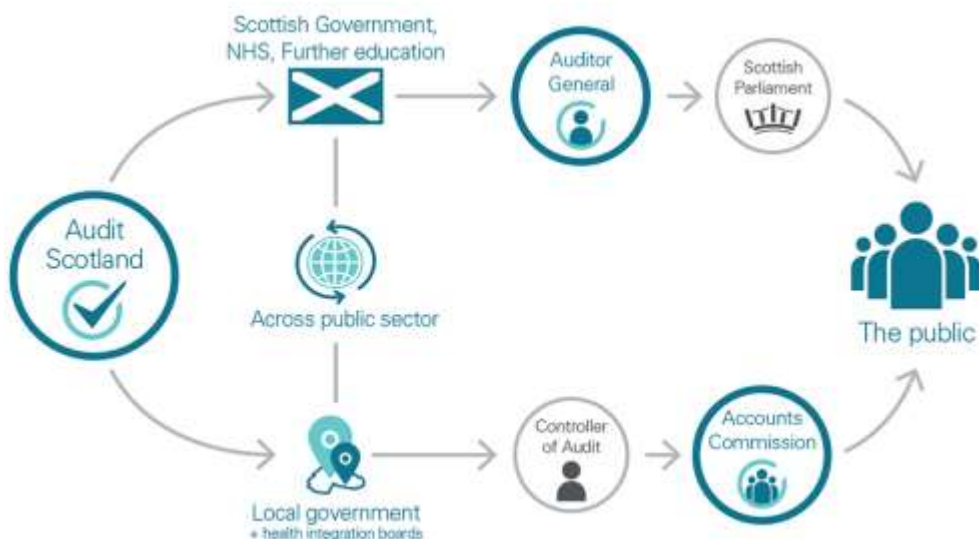
Prepared for Tayside Contracts Joint Committee

May 2017

## 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 Tayside Contract Joint Committee (the joint committee). This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the financial statements. We will use the results of this testing to determine our approach during the 2016/17 financial statements audit.

**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.** Also, under the Code of Audit Practice (2016) we have carried out work on the wider dimension audit. This focusses on financial management, financial sustainability, governance and transparency and value for money.

## Conclusion

**4.** We found that the systems of internal control are generally sound. We did identify one area where a control was not operating as expected and where improvements could be made. This is included in [Exhibit 1](#)

**5.** Findings from our wider dimension work will be reported separately in our Annual Audit Report in August 2017. Some preliminary findings from our work to date are included in Exhibit 1.

## Work summary

**6.** Our 2016/17 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, ledger feeder reconciliations and IT access controls. Additionally, our testing covered budgetary control and monitoring.



Reconciliations



Payroll controls



IT access



Budgets

**7.** In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on testing of controls. Also, where possible we place

reliance on the work of internal audit to avoid duplication of effort. We have considered the work of internal audit as highlighted in our Annual Audit Plan.

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 our 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 the joint committee.

11. Whilst no errors have been identified as a result of our audit work to date, the control weaknesses are set out in [Exhibit 1](#).

## Exhibit 1

### Key findings and action plan 2016/17

Issue and risk identified	Management response	Responsible officer and target date
<b>Financial statements issues and risks</b>		
<b>Reconciliations</b>		
<p>Reconciliations are undertaken appropriately covering a number of areas with the relevant documentation and supporting papers held. Testing highlighted a few areas where improvements could be made including:</p>		
<ul style="list-style-type: none"> <li>there were a few instances where there is no evidence of who has undertaken/ reviewed the reconciliation (e.g. payroll suspense to pay certificates/ Dundee City Council recharge)</li> </ul>	<p>Although externally it was not clear who did the reconciliations, it was transparent internally. We will put names on the reconciliations going forward for ease of external review.</p>	<p>Head of Financial Services - May 2017</p>
<ul style="list-style-type: none"> <li>labour costs reconciliations were not fully reconciled timeously for the job costing system to the general ledger system. At the time of our review of this area, in February 2017, the reconciliations had not been fully reconciled since September 2016</li> </ul>	<p>The reconciliations were being carried out, however due to issues with the finance system upgrade it was never possible to fully reconcile. Reconciliations are now being fully performed timeously.</p>	<p>Head of Financial Services No further action required</p>
<ul style="list-style-type: none"> <li>bank reconciliations highlight £0.166 million that had been carried forward since the implementation of the bank reconciliation module in 2015/16.</li> </ul>	<p>At the introduction of using automated bank reconciliations in February 2016 an opening balance had to be entered into the system (£166k), this is the entry the external auditor is referring to.</p>	<p>Head of Financial Services No further action required</p>

**Risk: financial discrepancies may not be identified and resolved timeously.**

Issue and risk identified	Management response	Responsible officer and target date
<b>Wider dimension issues and risks</b>		
<b>Governance structure</b>		
<p>Tayside Contracts Joint Committee covers all aspects of governance in relation to the joint committee including decision making, scrutiny and audit. There has been no recent review of this structure to ensure the arrangements are effective and in line with recognised best practice.</p> <p><b>Risk: the governance arrangements may no longer be fit for purpose.</b></p>	<p>The minute of agreement establishing Tayside Contracts Joint Committee has been reviewed and further strengthens governance. This is due to be finalised shortly. The new Joint Committee will be asked for their views in terms of scrutiny and audit. Previously the Joint Committee had taken the view that they wanted these issues dealt with by the full committee as opposed to a sub-committee.</p>	<p>Clerk 30 October 2017</p>
<b>Transparency</b>		
<p>The joint committee's website is not being maintained with up to date governance information e.g. Joint committee agendas and minutes and the Anti Fraud and Corruption policy. Key governance information is therefore unavailable for public inspection.</p> <p><b>Risk: stakeholders do not have access to relevant and timely governance information including how the joint committee is taking decisions and how it is using its resources.</b></p>	<p>(a) The website did not have the March 2017 Joint Committee papers on it, which has now been addressed.</p> <p>(b) We have an Anti-Bribery and Corruption policy on the website. While this was previously intended to cover Anti-Fraud, this will now be reviewed and if required a separate Anti-Fraud policy will be implemented and put on our website.</p>	<p>(a) Completed</p> <p>(b) Managing Director 30 September 2017</p>
<b>NFI progress</b>		
<p>The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector.</p> <p>There is little formal reporting of the process or progress to members of the joint committee or senior management, albeit the number of matches is relatively low.</p> <p>The current NFI exercise provided matches in January 2017 and for the joint committee, identified 271 matches, of which 4 were recommended for investigation. A review of 6 of the 'non-recommended' matches has commenced but none of the recommended matches have yet been investigated.</p> <p><b>Risk: fraud may not be identified and resolved timeously.</b></p>	<p>(a) To date there has never been anything to report to the Joint Committee. In future either a section will be added into the yearly audit review report or a separate report will be provided to the Joint Committee detailing any necessary actions taken.</p> <p>(b) These have all been dealt with and procedures put in place to ensure that in future any investigations are completed by 31 March of the year in question</p>	<p>(a) Business Support Manager Immediate</p> <p>(b) Completed</p>

12. 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).

# Tayside Contracts Joint Committee

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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)