

# Angus Council

Management report 2020/21



 AUDIT SCOTLAND

Prepared by Audit Scotland  
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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 Angus 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 2020/21 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. Also, we are in the process of carrying out work on the audit dimensions as required by the [Code of Audit Practice](#). This work is focussed on financial management, financial sustainability, governance and transparency and value for money.

## Conclusion

4. We identified two control weaknesses as summarised in [Exhibit 1](#) overleaf where we will be carrying out additional work in response to these findings. This will enable us to obtain the required assurance for our audit of the 2020/21 annual accounts.

## Work summary

5. Our 2020/21 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.

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. This is the case for housing rents and council tax. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort.

7. Recommendations in last year's management report have been addressed, with the exception of the first point in [Exhibit 1](#).

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 Angus Council.

## Exhibit 1

### Key findings and action plan 2020/21

Issue identified	Management response	Responsible officer/target date
<p><b>Checks on changes to supplier bank details</b></p> <p>As reported previously, we consider that the council is exposed to the risk of fraud in relation to its procedures for confirming the validity of requests to change a supplier's bank details (for suppliers where the council's annual spend is below a specific value). For changes below this value there is no direct check with these suppliers, using existing contact details held, to confirm that the request is genuine. Officers discussed and</p>	<p>A review of internal controls was undertaken when the supplier bank details issue first arose as a significant issue. A risk assessment was undertaken, and Report 126/11 was submitted to committee with proposals of the additional controls to be put in place. The £(redacted) de minimis was suggested and approved. Given the time that has elapsed since that original report a review will be undertaken to consider if these are still appropriate.</p>	<p>Service Lead (Finance), 27 November 2021</p>

Issue identified	Management response	Responsible officer/target date
<p>accepted that level of risk in prior years and the council continues to accept that risk in 2020/21. This is a common area of attempted fraud.</p> <p><b>There is a risk that a fraudulent request to amend supplier bank details would not be identified until the supplier reported non-payment of an invoice.</b></p>		
<p><b>Timeliness of Northgate Cash Reconciliations</b></p> <p>As part of our work on internal controls over Council Tax and Non-Domestic Rates we review the Cash Reconciliations for the Northgate system. As at March 2021, reconciliations had only been completed to August 2020. Reconciliations for later months were still in progress. As at June 2021, the reconciliations have only been completed to December 2020.</p> <p><b>There is a risk that if reconciliations are not performed timeously then there could be errors that have not been identified. Identifying and clearing reconciling items can be more difficult after several months have passed.</b></p>	<p>The reconciliations for 20/21 are now completed and the first quarter for 21/22 is being worked on. Prior to 20/21 the reconciliation of the month just ended would be completed by the 25th of the following month. The aim is to have this back on track by completing August reconciliation by the 25th Sept.</p> <p>Resources were lost last year to the COVID-19 Business Support grant exercise, additional free school meal faster payments and a long term staff absence. In addition, this task previously wasn't suited for home working so has had to be adapted alongside staff not being suitably equipped at first as well as adjusting to home working.</p>	<p>Service Lead (Revenues, Benefits &amp; Welfare Rights), 27 November 2021</p>

Source: Audit Scotland

## Wider dimension audit work

**11.** In addition to our assessment of the key controls for the financial statements we considered the governance arrangements and control framework for the £35 million Covid-19 grants administered by the council. We reviewed the guidance issued by the Scottish Government and the guidance prepared by the council which sets out the checks undertaken to ensure the validity of applications. We also considered the counter fraud team's work on Covid-19 grants, which has been reported to the Scrutiny and Audit Committee. We walked through the controls in place for the two largest grants (by value):

- Small Business Grant (one-off payments of £10,000 to keep small businesses afloat and retain jobs) with a total spend of £16.5 million;
- Covid-19 Protective Measure Closure Grant (support to specific businesses closed or directly impacted by law) with a total spend of £10.8 million.

**12.** We concluded that appropriate governance arrangements and controls had been put in place by the council and that these controls were operating effectively during 2020/21.

**13.** As the financial statements audit progresses, we will also start our scoping work for the Best Value Assurance Report that will be published next year. This will include engagement with Council members and officers.

**14.** 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).

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