



**Internal Audit Summary Report  
2015-2016**

**Key Financial Systems**

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# Contents

**Audit:** Key Financial Systems  
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If viewing on-screen, please click on the links below or use the scrolling arrows

1	Introduction.....	3
2	Scope .....	3
3	Findings.....	3
4	Conclusion.....	4
5	Recommendations.....	4
6	Action Plan – Appendix 1 .....	5

# 1 Introduction

- 1.1 Internal audit review all the Key Financial systems on an annual basis as part of the three year cyclical audit plan. In addition, a number of key controls are identified and tested to establish compliance. This testing and the results, are then relied upon by the Council's external auditors Ernst and Young.
- 1.2 This report aims to bring together all the areas tested and any weaknesses identified during the audit.

# 2 Scope

- 2.1 The internal audit team have reviewed the key financial systems as listed below :
  - Creditors
  - Debtors
  - Payroll
  - Housing Benefits
  - Council Tax
  - Non Domestic Rates (NDR)
  - Cash and Bank
- 2.2 The audit also included additional control tests which were identified by internal audit and deemed important to the operation of the system ie. procedure and guidance notes, access rights, parameters updates and data security etc.
- 2.3 This report has been produced to show all the Key Financial Systems and identify all weaknesses found during the reviews. We have already discussed all issues with the responsible officers and reported their comments together with any actions already taken as well as the proposed actions and deadlines dates for those still to be implemented

# 3 Findings

- 3.1 During the previous review, internal audit found there to be a general lack of procedure notes being maintained and updated. This year, we can report that many of these procedures have now been reviewed and updated to reflect the

current arrangements in place. Although new processes were found to be outstanding.

- 3.2 A table showing detailed findings and recommendations can be seen at Appendix 1, together with proposed actions and deadline dates for these to be completed by. Areas of non – compliance and/or weaknesses have been identified as 'system issues' and priority given to those which need to be addressed immediately.
- 3.3 The main area of concern was the lack of control over the completion of bank reconciliations that had taken place during the year 2015-16. This function was passed over from the Accountancy section to the Head Cashier as from the 1 April, 2015. However, no reconciliations had been produced during 2015-16, until the end of the year.

Although, it is appreciated that there is a daily matching process within FMS (Civica), this is not a full bank reconciliation. This is an important key control; full bank reconciliations are essential and must be completed and reviewed on a monthly basis. Audit revisited this issue in April and can now report that there is a new process in place and has been operating since February 2016, also the year end reconciliation has now been completed, reviewed and signed off by the Group Accountant. This will be subject of review by the external auditors.

## **4 Conclusion**

- 4.1 There has been an overall improvement in the number of controls operating satisfactory, with the exception of the bank reconciliation which has been addressed as a matter of urgency.
- 4.2 There are still gaps in procedures notes where new processes have been put in place; however these are currently being completed.

## **5 Recommendations**

- 5.1 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:

Red – Significant issues to be addressed

Amber – Important issues to be addressed

Green – Minor or no issues to be addressed



Chichester District Council  
Internal Audit Report

				check and authorise timesheets correctly.		
<b>Creditors CIVICA</b>	● Significant	3 out of 25 orders reviewed, they were both ordered and authorised for payment by the same officer. Furthermore, one of these also had a family connection, whereby an order was authorised the raising employees' brother.	Due to it's importance, this was raised at the time of audit and a full review of authorisation levels and permissions undertaken. As a result of the review, six individuals were found to be incorrectly set up on Civica.	Corrective actions have already been taken and it is recommended that all new officers set up on CIVICA are reviewed on an annual basis.	Systems Accountant	Completed in early 2016, but needs to be reviewed annually
<b>Debtors CIVICA</b>	● Important	a) No written procedures were found to be in place for raising Credit notes.  b) No up to date procedures were available for unpaid invoices, so to reflect the new traffic light timescales for action.  c) Debt recovery procedures need to be documented and approved, to reflect the current arrangements.	All procedures notes should be completed as soon as possible and reviewed on a regular basis so that they are current.	a) The credit note procedures have been written, and will be 'road tested' by trade waste. In future Services will manage their own administration of credit notes.  b) and c) Will be completed in due course.	Exchequer Manager	Completed for credit notes and the 31 July 2016 for b) and c)
<b>Council Tax Northgate</b>	NA	None	None	None	NA	NA
<b>Housing Benefits Northgate</b>	● Important	a) The 10% accuracy checks on the calculation of benefit entitlement, set up to target areas of potential weakness and	a) The restructure has taken longer than anticipated and which consequently delayed the re-introduction of	a) The new structure has now in place and includes a control	Revenue and Benefits Service Manager	30 June 2016

Chichester District Council  
Internal Audit Report

		identified staff training needs, were not being carried out on a consistent basis. This issue has been reported annually over the past three years. However, these checks are still behind and/or below the 10% target. It was reported in 2014-15 that this Service was in the process of being restructured which would address this issue.	targeted accuracy checks. These checks are essential to ensure that areas of error/weakness together with training needs are identified and rectified as soon as possible.	teams, they will address the checking issue going forward. In addition, claims will only be assessed experienced assessors in future.		
<b>National Domestic Rates</b> Northgate	NA	None	None	None	NA	NA
<b>Bank Reconciliation (Cash and Bank)</b> CIVICA/AIM	● Significant	As from the 1 April 2015 the Bank Reconciliations were taken on by the Head Cashier. At the time of the audit review, the last bank reconciliation to be completed was for the year end 31 March 2015. It is essential that these are brought up to date as soon as possible. It is understood that the delay was due to a new and simpler process is being developed.	a) Although the system does perform a daily auto matching process, there is still a need for monthly bank reconciliations to be completed, reviewed and signed off as correct, on a timely basis. b) In addition written procedure notes need to be produced to reflect the new process.	Due to the backlog, one reconciliation was being prepared covering the period from 1 April 2015 to 29 February 2016 and for monthly recs to be completed thereafter. The YE bank rec is almost complete.	Head Cashier	30 June 2016

**Traffic Light Key**

Significant Issues to be addressed ● Important Issues to be addressed ● Minor/No issues to be addressed ●