



## **Internal Audit Summary Report 2017-18**

### **Key Financial Systems Audit**

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**Audit:** Key Financial Systems

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# **1 Introduction**

- 1.1 Internal Audit review all the Key Financial Systems annually, this is to ensure that the internal controls identified are relevant and operating effectively. These reviews form part of the Annual Internal Audit Plan which is approved by the Corporate Governance and Audit Committee each year.
- 1.2 Working papers containing all Internal Audit's control testing are made available to the Council's External Auditors Ernst and Young.
- 1.3 The following systems have been identified as key financial systems and therefore included in the review:
  - Asset Management
  - Debtors
  - Creditors
  - Council Tax Reduction
  - Housing Benefits
  - Non Domestic Rates (NDR)
  - Cash and Bank
  - Payroll
  - General Ledger (Civica)

# **2 Scope**

- 2.1 Internal Audit reviewed all of the above systems in order to give assurance that the internal controls are operating effectively and as designed. Each control is tested in accordance with an approved testing strategy, this is based upon population, frequency and type of control, ie. manual or automated.
- 2.2 The format of this report is to raise exceptions only; areas highlighted where improvements should be made. All exceptions raised in this report have already been discussed and actions agreed with the appropriate Service Managers and/or Divisional Manager.

### **3 Areas for Improvement**

- 3.1 The number of exceptions reported on for 2017-18 have reduced from that of the previous year (2016-17), although there are two important procedural reviews that need to be addressed.
- 3.2 All areas where improvements have been identified are reported below in an Action Plan. This plan also shows agreed actions, the responsible officer and target dates.

### **4 Agreed Actions**

- 4.1 The agreed Action Plan can be seen at Appendix 1 to this report.
- 4.2 In order to prioritise actions required, a High, Medium and Low risk factor has been applied to identify issues raised as follows:
  - High – Significant areas of improvement to be addressed
  - Medium – Important areas of improvement to be addressed
  - Low – Minor areas of improvement to be addressed

## 5 Agreed Action Plan – Appendix 1

Key Financial System	Areas for Improvement	Priority	Comments and Agreed Actions	Responsible Officer	Target Date
Debtors (Accounts Receivable)	Original and supporting documentation must be kept for all invoices raised and retained for inspection.	M	A reminder will be issued to all Services that documentation relating to invoices raised must be retained in line with HMRC's Guide to keeping records for tax purposes.	Exchequer Manager	On-going
Council Tax	The review process for pending, suppressed and accounts placed on hold, needs to be formalised.	M	A full review of all procedures post re-structure is due to be completed. This will include the process for reviewing post summons accounts on hold, suppressed or pending.	Taxation Manager	30 September 2018
Payroll	The checklist used for new members of staff, needs to be completed and signed once completed for all starters prior to being placed on the Payroll.	L	Discussed and outstanding checklists are now complete.	HR Officer	Completed

Payroll	Establishment reports need to cover all employees of the Council.	M	Will be completed for all employees in future.	HR Officer	For the 2018-19 Establishment Report
Housing Benefits	<p>The level of accuracy checks and follow up actions varied greatly during 2017-18.</p> <p>Whilst it is appreciated that the Housing Benefits Team was under a period of uncertainty; possible shared service followed by a restructure, a new approach needs to be developed so that accuracy checks are performed on a consistent basis throughout the year. This should not only target areas of risk but also identify training needs for those staff assessing claims where the errors are made.</p>	H	<p>New processes are currently being developed and a Business Support Team has been introduced, one of their functions will be to monitor performance. This will be aided by Northgate software called Performance Monitoring Quality Assurance (PMQA). This software will tag certain areas of concern/risk, such as those attracting subsidy.</p> <p><i>(Although the accuracy checks were inconsistent during 2017-18 there were two forms of monitoring which took place; firstly through the DWP Single Housing Benefit Extract (SHBE) return, which identifies the turnaround in assessing new claims and secondly, the Subsidy claim (BEN 1) was run monthly in order for a reasonableness check to take place, especially on cells such as Overpayments and LA error).</i></p>	Benefits Manager	Procedures are currently being developed with a view to having the PMQA system in place within the next few months. Further testing will be required once this is fully operational.

Asset Management	The reconciliation of the asset register (Civica) to the general ledger (Civica) and Estates records (UNIFORM) had been completed at the year end, however, a formal review could not be evidenced. As this is the primary key control, the year-end reconciliation should be reviewed, signed and dated.	M	<p>The reconciliation is carried out at the year-end by experienced capital accountants, who cross-check each other's work to ensure accuracy. However, due to the early closure of accounts for 2017-18, only a reasonableness check was undertaken by the Group Accountant this year.</p> <p>A formal review will be undertaken prior to the accounts being audited.</p>	Group Accountant (Technical & Exchequer)	This has since been completed. NFA required.
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