



**Key Financial Systems – 2014-15
Summary Report**

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Audit: Key Financial Systems
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1 Introduction

- 1.1 Every year, as part of the cyclical Audit Plan, internal audit review the Key Financial systems. In addition, we also undertake a number of compliance tests which are then relied upon by the councils External Auditors Ernst and Young.
- 1.2 During 2014-15 we changed our approach and amalgamated both of these independent reviews, in order to work smarter, save time and resources which were stretched due to the retirement of the Senior Auditor and an Auditor who went on maternity leave towards the end of the year.
- 1.3 The Council changed the Financial Management System from Oricle to Civica as from 1 April 2014, which made an impact on the audit of the key financial systems in 2014-15.

2 Scope

- 2.1 The reviews of the council's key financial systems were undertaken during 2014-15 by a number of internal auditors.
- 2.2 The key financial systems are deemed as follows:
 - Creditors
 - Debtors
 - Payroll
 - Housing Benefits
 - Council Tax
 - Non Domestic Rates (NDR)
 - Cash and Bank
- 2.3 Because of the potential changes within the controls operating, each system followed a programme to; a) document the processes, b) walkthrough these processes to confirm our understanding, c) identify and test the key controls to ensure they are operating as designed and d) report on any weaknesses found. A post implementation review has also been carried out and will be reported on separately.
- 2.4 The audit also included additional tests which were deemed important (by internal audit) to the operation of the system ie. procedure and guidance notes, access rights, data security etc.

- 2.5 This report has been produced to bring the reviews of all the key financial systems together and is on an exception basis, so that only the weaknesses found are highlighted. We have discussed these areas with the responsible officers and reported their comments together with proposed actions and deadlines dates for these to be implemented.

3 Summary of Findings

- 3.1 A table of Findings has been produced, see Appendix 1. Areas of non-compliance have been identified as 'System Issues' and priority given to those which need to be addressed immediately.

- 3.2 In order to do this 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

4 Conclusion

- 4.1 In the past External Audit have been able to rely upon the work of internal Audit for testing the controls with key financial systems, but have heavily directed the testing undertaken by internal audit. However, as a result of the work carried out by Internal Audit, in 2014-15, not only did this continue to be the case but in addition internal audit have been instrumental in identifying new controls within those systems, now integrated within the new financial management system, Civica. Such work will benefit both internal and external audit in terms of time spent and concentration of effort.
- 4.2 In the main, controls tested were operating effectively, however it was noted that there was a general lack of guidance/procedure notes being circulated and/or reviewed and updated and for one Service this had previously been reported during 2013-14.
- 4.3 Monitoring arrangements are an essential control within most systems. There was a lack of accuracy checks being undertaken within Housing Benefits and as a consequence may have resulted in a higher level of undetected errors made in the paying of housing benefits. This was also reported in their Certification of claims and returns annual report 2013/14 by Ernst and Young that there was a need to improve the control environment for the assessment of benefit.

- 4.4 Where new parameters are installed within a system, evidence on the testing of these parameters is not always held for audit review. This had been reported on previously.

5 Recommendations

- 5.1 Some Generic Recommendations have been made as follows:

- Guidance and Procedure notes must be reviewed and updated on a timely basis
- Monitoring arrangements are in place in order to identify training needs and training records are maintained.
- Evidence of parameter updates and testing is kept so that it can be provided to audit as evidence of the control operating.

- 5.2 In addition a full and detailed schedule of findings which are service specific together with recommendations and actions required can also be found in Appendix 1.