

AUDIT OF CORE FINANCIAL SYSTEMS 2012/2013 (Undertaken as part of the 2013/14 Audit Plan)

Introduction

- 1 A key control review was undertaken on the following systems as part of the agreed approach to the audit of the Authority's core financial systems for the financial year 2012/2013:
 - Payroll
 - Treasury Management
 - Council Tax
- 2 Control self-assessments were obtained from the relevant managers for the following core financial systems:
 - Housing Benefits
 - NDR
 - Housing Rents
 - Corporate Accounts Receivable
 - Corporate Accounts Payable
 - Capital Programme
- 3 In addition, to satisfy the requirements of the External Auditors, managers were asked to review and update systems documentation, Internal Audit undertook walkthrough tests to confirm the actual system in operation for all core financial systems and control self-assessments were obtained for the 6 systems not reviewed.
- 4 The testing strategy used for the reviews was based on CIPFA Control Matrices and also agreed with the external auditors for reliance purposes. A minimum sample size of 24 (2 transactions per month) was used from 2012/2013 financial records for the full reviews to confirm the application of key controls and a minimum of 3 transactions were used for walkthrough testing.

Audit Opinion

- 5 Overall out of a total of 30 key controls reviewed, 21 (70%) were fully operating, 5 (16%) were substantially operating and 4 (14%) were partially operating. In total 14 recommendations were made, 10 of which were medium risk and 4 were low risk. Of the 14 recommendations made, 11 have been agreed for implementation.

Full Key Control Reviews

- 6 The position for each system reviewed is shown below:

SYSTEM	NO OF CONTROLS	FULLY OPERATING	SUBSTANTIALLY OPERATING	PARTIALLY OPERATING	NOT OPERATING	OVERALL RATING ¹
Payroll	9	6	2	1	0	94%
Treasury Management	10	6	1	3	0	85%
Council Tax	11	9	2	0	0	100%
Overall	30	21	5	4	0	93%

¹ Operating controls given a weighting of 2 and partially operating controls given a weighting of 1

- 7 For the Payroll system overall, 81% of the elements of the controls were operating effectively, 4% were substantially operating and 15% were partially operating. Each of the 9 key controls is made up of a number of individual elements that were each tested. Therefore 6 key controls are fully in place 2 key controls are substantially in place and 1 key control is partially in place. Five recommendations have been made to address the weaknesses identified, they were all rated as medium risk. Four recommendations have been agreed for implementation, 1 recommendation is awaiting the outcome of the MINERVA project within Resources,
- 8 For the Treasury Management system overall, 72% of the elements of the controls were operating effectively, 11% were substantially operating and 17% were partially operating. Each of the 10 key controls is made up of a number of individual elements that were each tested. Therefore 6 key controls are fully in place, 1 key control is substantially in place, and 3 key controls are partially in place. Six recommendations have been made to address the weaknesses identified, 5 were rated as medium risk and 1 was rated as low risk. All recommendations have been agreed for implementation.
- 9 For the Council Tax system overall, 90% of the elements of the controls were operating effectively, with 10% substantially operating. Each of the 11 key controls is made up of a number of individual elements that were each tested. Therefore 9 key controls are fully in place and 2 key controls are substantially in place. Three low risk recommendations have been made to address the weaknesses identified to enhance the already strong control environment. One of the 3 recommendations has been agreed for implementation. For 1 recommendation, the target for taking action on the Schedules of Alterations from the Valuation Office Agency has been revised to 30 days which leaves the outstanding risk that the potential increase in yield from new builds may be delayed slightly due to this amendment of target. The remaining recommendation has not been agreed regarding the timescale for quality checks by the Service Manager on authorisations of write-offs. This is a low residual risk however as the quality check will continue to be carried out and forms part of the general housekeeping processes.

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