

## AUDIT OF CORE FINANCIAL SYSTEMS 2009/2010 (Undertaken as part of the 2010/11 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 2009/2010:
  - Council Tax
  - Payroll
- 2 Control self-assessments were obtain from the relevant managers for the following core financial systems:
  - Housing Benefits
  - NDR
  - Housing Rents
  - Corporate Accounts Payable
  - Corporate Accounts Receivable
- 3 In addition, to satisfy the requirements of the External Auditors, mangers 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 5 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 2009/2010 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 21 key controls reviewed, 17 (81%) were fully operating, 1 (5%) was substantially operating and 3 (14%) were partially operating. In total 5 recommendations were made, 4 were rated as high risk and 1 was rated as medium risk. 3 of the recommendations made have been agreed for implementation and 2 are being considered by management.

### Full Key Control Reviews

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

SYSTEM	NUMBER OF CONTROLS	FULLY OPERATING	SUBSTANTIALLY OPERATING	PARTIALLY OPERATING	NOT OPERATING	OVERALL RATING <sup>1</sup>
Payroll	10	8	0	2	0	91%
Council Tax	11	9	1	1	0	95%
<b>Overall</b>	21	17 (81%)	1 (5%)	3 (14%)	0 (0%)	93%

<sup>1</sup> Operating controls given a weighting of 2 and partially operating controls given a weighting of 1

- 7 For the Payroll system overall, 81% (22) of the elements of the controls were operating effectively, and 19% (5) were partially operating. Each of the 10 key controls is made up of a number of individual elements that were each tested. Therefore 8 key controls are fully in place and 2 key controls are partially in place. 2 recommendations have been made to address the weaknesses identified, both of which are rated as high risk. The implementation of Civica, in conjunction with SAP has further strengthened the control environment: the remaining weaknesses relate to the lack of a check on authorised signatories on timesheets which are not input via Electronic Self-Service (ESS), and managers not verifying the accuracy of their payroll bills.
- 8 For the Council Tax system overall, 87% of the elements of the controls were operating effectively, with a further 13% partially 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 1 key control was substantially in place and 1 key control is partially in place. 3 recommendations have been made to address the weaknesses identified, 2 were rated as high risk and 1 was rated as medium risk.

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