

AUDIT OF CORE FINANCIAL SYSTEMS 2010/2011 (Undertaken as part of the 2011/12 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 2010/2011:
 - Housing Benefits
 - NDR
- 2 Control self-assessments were obtained from the relevant managers for the following core financial systems:
 - Housing Rents
 - Corporate Accounts Payable
 - Corporate Accounts Receivable
 - Council Tax
 - Payroll
 - Treasury Management
- 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 2010/2011 financial records for the full reviews to confirm the application of key controls and a minimum of 3 transactions were used for walkthrough testing.
- 5 For 2010/11 Treasury Management was included in the core financial systems reviews for the first time as agreed with the External Auditors. A full review was carried out in 2010/11 and this was a green report. Overall 90% of the expected controls were found to be in place and operating effectively, 4% were substantially in place with a further 6% partially in place. 6 recommendations have been made to address the weaknesses identified, 4 were rated as medium risk and 2 was rated as low risk. The most significant weakness related to a loan for 20 million pounds only having authorisation via an email. As part of the 11/12 Audit Plan the systems documentation was reviewed and updated and walkthrough tests were carried out.
- 6 In addition, it has also been agreed that as part of the 2011/12 Audit Plan capital expenditure will also be included in the core financial systems reviews. Ongoing work by Internal Audit is being undertaken on the Implementation Plan and a capital expenditure review will be further undertaken in the second half of the financial year.

Audit Opinion

- 7 Overall out of a total of 19 key controls reviewed, 14 (74%) were fully operating, 3 (16%) was substantially operating and 2 (10%) were partially operating. In total 4

recommendations were made, which were all medium risk. All 4 recommendations have been agreed for implementation.

Full Key Control Reviews

8 The position for each system reviewed is shown below:

SYSTEM	NUMBER OF CONTROLS	FULLY OPERATING	SUBSTANTIALLY OPERATING	PARTIALLY OPERATING	NOT OPERATING	OVERALL RATING ¹
Housing Benefits	8	4	3	1	0	93%
NDR	11	10	0	1	0	95%
Overall	19	14 (74%)	3 (16%)	2 (10%)	0 (0%)	94%

9 For the HB system overall, 80% of the elements of the controls were operating effectively, with a further 3% substantially operating and 17% partially operating. Each of the 8 key controls is made up of a number of individual elements that were each tested. Therefore 4 key controls are fully in place, 3 key controls are substantially in place and 1 key control is partially in place. 3 recommendations have been made to address the weaknesses identified which are all rated as medium risk.

10 For the NDR system overall, 92% of the elements of the controls were operating effectively, with a further 4% substantially operating and 4% partially operating. Each of the 11 key controls is made up of a number of individual elements that were each tested. Therefore 10 key controls are fully in place and 1 key control is partially in place. 1 recommendation has been made to address the weakness identified, and 1 weakness identified was immediately actioned during the review and no further recommendation is therefore made. The 1 recommendation made is rated as medium risk.

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