

Summary of Internal Audit Report Findings - Reports Issued 14/06/2018 To 14/10/2018

<u>Audit Entity</u>	<u>Level Of Assurance From Audit</u>	<u>Recommendations</u>	<u>Priority</u>	<u>Responsibility</u>	<u>Management Response</u>
PR07 2017/18 - FMS Support / Replacement	Limited	Orders Not Raised In Advance All staff need to be reminded that orders must be raised before goods are ordered or services commissioned. Order authorisers must be vigilant when authorising orders and ensure that any issues or concerns are raised with the order requestor, and where necessary the Budget Holder / Budget Manager.	Medium	Carolyn Martlew	Agreed: A report will be generated capturing instances where it appears that an order has not been raised prior to ordering goods or commissioning services. This will be distributed to Directors and Budget Holders for further investigation/ necessary action to be taken. Directors and Budget Holders need to ensure that buyers/ authorisers within their cost centres are complying with the Council's Financial Regulations when procuring goods and services on behalf of the Council.

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PR07 2017/18 - FMS Support / Replacement	Limited	<p>Orders Not Raised By True Buyer</p> <p>The “Create User” facility should be tested by the Finance Department to ensure that it operates effectively and follows the appropriate authorisation process. It is critical to maintain adequate controls that the Buyer selected is then required to complete the GRN or SRN as part of the process. An adequate audit trail must be in place to evidence this.</p> <p>If (after testing) this facility is deemed appropriate, the option for departments to nominate a “Create User” within their departments can be provided. Clear guidance on how this facility works should be issued by the Finance Department.</p> <p>In the event that the facility is not deemed appropriate, users should be reminded that the practice of raising orders on behalf of others is not permitted.</p>	Medium	Alan Smith & Simon Ball	The “Create User” function will be tested to ensure it follows an appropriate authorisation process and that an adequate audit trail is in place to evidence this.

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PR07 2017/18 - FMS Support / Replacement	Limited	<p>Authorisation Levels</p> <p>Based on the order analysis, it is recommended that additional authorisation levels should be included. Levels of £250k, £500k and £1m should be introduced. Directors and Group Heads should then assess the delegated levels within their areas.</p> <p>In particular, the authorisation levels for Directors and Group Heads should be reviewed. It is suggested that £1m may be more appropriate.</p> <p>The users who appear to have inappropriate levels for their roles will be highlighted to the relevant Director for review.</p> <p>Increases to authorisation levels must be requested by the associated Director and authorised by the S151 Officer. Increased levels should not be requested unless there is a justifiable need. There needs to be a balance between effective service delivery and the risks associated with providing an increased authorisation level.</p>	Medium	Carolyn Martlew	<p>Agreed:</p> <p>A review of the authorisation levels allocated to the Senior Management Team (the Chief Executive, Directors and Group Heads) will be undertaken. Recommendations will be made to the Group Head of Corporate Support to discuss with Directors any revisions to the authorisation levels currently allocated.</p> <p>Internal Audit Comment:</p> <p>The users who appear to have inappropriate levels for their roles will be highlighted to the Group Head of Corporate Support to incorporate into discussions with Directors.</p>

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PR07 2017/18 - FMS Support / Replacement	Limited	<p>Audit Trail</p> <p>The audit trail function should be improved in the system; this should be tested by the Finance Department to ensure there is an adequate trail for changes that occur.</p> <p>Users should be reminded that any amendments to orders must provide the authoriser with adequate detail for the authorisation to be given. Ideally, if possible, the system should flag the order as an increase to the authoriser.</p> <p>The mandatory requirement for the Procurement Compliance form should be implemented for applicable orders. Orders should not be able to proceed if the user fails to complete this</p> <p>Notification should also be sent to the Procurement Department if the increase is greater than 10% (subject to a minimum original order value of £50,000). Advice must be obtained from the Procurement Department before progressing as additional actions for compliance with procurement requirements and other internal procedures may be appropriate.</p> <p>Authorisers must be satisfied that the increase is justifiable before authorising any increases.</p> <p>In instances where an order is reallocated to an alternative authoriser (because the original authoriser has left the Council), notification should be issued to the new authoriser.</p>	Medium	Alan Smith & Simon Ball	<p>Agreed: The audit trail function within the system will be tested including investigating whether amended orders can be flagged to users.</p> <p>Agreed: The system does not have the facility to make the Procurement Compliance Form mandatory. Finance will liaise with Procurement to develop a report to meet requirements.</p> <p>Agreed A notification will now be sent to users in respect of reallocated orders (because the original authoriser has left the Council).</p> <p>Internal Audit Comment: As an interim measure, whilst Finance investigates system changes, Internal Audit will run monthly comparison reports to identify order increases and seek explanations from appropriate managers.</p>

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PR07 2017/18 - FMS Support / Replacement	Limited	<p>Variance Tolerance Level</p> <p>It is recommended that the variance tolerance level is reviewed and if deemed appropriate it should be increased. An appropriate variance level should be adopted and no manual intervention should be undertaken by Finance if this variance is exceeded. This should remain subject to review.</p> <p>The known exceptions should be reviewed to assess whether they can follow the standard process.</p>	Medium	Carolyn Martlew	<p>Agreed:</p> <p>This function should not be used; any mismatches should follow the standard process and be sent back to the order originator for investigation/ resolution. The absence of the audit trail makes it difficult to identify the cases where this has been undertaken and the associated variances/ values. At this time, the tolerance level will remain at 2p.</p>
PR07 2017/18 - FMS Support / Replacement	Limited	<p>Different Processes For Goods And Services</p> <p>It is recommended that the GRN process is removed to make the process less complicated for users and reduce the mismatches that occur. This should only be completed once it has been tested by the Finance Department to ensure there are no negative implications.</p>	Medium	Alan Smith & Simon Ball	<p>Agreed:</p> <p>This will be investigated with the intention that there is only one process for ordering/ receipting that is applied to goods and services. Once completed, User Guides and training can be carried out.</p>

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PR07 2017/18 - FMS Support / Replacement	Limited	<p>Invoice Processing Delays</p> <p>All users should be reminded that:</p> <ul style="list-style-type: none"> •Invoices should be promptly passed to the Finance Department if received by the originating department •The order value accuracy is critical to the automatic processing of invoices. Inaccuracies cause additional work for the original buyer, the authoriser, the Finance Department and potentially a delay in payment to the supplier •The GRN and SRN should be completed when the goods and/or services are received, the invoice should not be the prompt for the GRN/SRN <p>Finance should investigate the benefits of scanning taking place within the Finance Department, including the option of scanners with the facility to capture data for automatic upload.</p>	Medium	Alan Smith & Simon Ball	<p>Agreed: This will be re-emphasised to users.</p> <p>Agreed: Initial enquiries will be made into scanning including scanners with the facility to capture data for automatic upload.</p> <p>Additional Comment: There have been issues where invoices are received without an order number. When the system was implemented users were advised that if this occurs the invoice will be sent back to the supplier. To date this has not been applied. However, if deemed necessary this will now be actioned as a means of educating users and suppliers that an order must be obtained by the user and quoted by the supplier</p>
PR07 2017/18 - FMS Support / Replacement	Limited	<p>System Issue Processing Credit Notes</p> <p>Whilst it is recognised why it was necessary to increase the order value to process the subsequent invoices, the issue regarding credit notes needs to be resolved with the vendor as soon as possible.</p> <p>Where Finance staff are required to make alterations within the system under their 'administration' role to facilitate processing, notes and supporting documentation should be held on the system to support actions taken to ensure that other users can identify the status of an order</p>	Medium	Alan Smith & Simon Ball	<p>Agreed: The issue in relation to this case has now been resolved. Finance will monitor the application of credit notes to ensure the system balance is adjusted accordingly.</p> <p>Where applicable, documents will be paper clipped on to the system to support actions taken. The audit trail (when applied) will improve traceability.</p>

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PR07 2017/18 - FMS Support / Replacement	Limited	System Reports Further work on the system reports should be undertaken by the Finance Department in consultation with the vendor where necessary. It is important that these reports are complete and accurate.	Medium	Alan Smith	Agreed: The specific issue detailed above has been raised with the vendor. Future reporting requirements will be agreed with users and actions taken to ensure they meet user requirements and that reports are complete & accurate
PR07 2017/18 - FMS Support / Replacement	Limited	User Friendly Screens Investigations into 'soft painting' the end-user screens should be undertaken. It is recognised that resources available to complete this may be limited. Therefore, the Finance Department will need to assess the benefit that would be derived from investing the resources in achieving this.	Medium	Alan Smith	Agreed: This will be investigated

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RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards- Corporate Procedure</p> <p>1. The Corporate Credit Card Procedure should be updated and increased in content that is specific to the Council with procedures for cardholders. The procedure should include what expectations there are from the Council in terms of use, approval of and evidence of expenditure. All existing cardholders must sign up to the new procedures for retention of their current cards.</p> <p>2. Expenditure should be subject to review and sign off by an appropriate manager within the department. A template document and guidance should be provided for managers to achieve consistency across the Council.</p> <p>3. Compliance should be monitored by the Finance Department. In the event of non-compliance with the procedures (following appropriate communication and escalation), the individual's credit card should be cancelled.</p>	Medium	Sian Southerton/ Carolyn Martlew/ Kevin Beacher	<p>1. Agreed</p> <p>2. Agreed: This will form part of the procedures and be monitored by Finance.</p> <p>3. Agreed</p>
RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards- Authorisation and cancellation</p> <p>4. Notification of leavers should be sent to the Finance Department by the Human Resources Department. This will enable Finance to liaise with the individual cardholder and manager to initiate an appropriate date for cancelling the card.</p>	Medium	Karen Pearce	<p>4. Agreed: appropriate members of the Finance Department have now been identified and added to the notification email.</p> <p>Comment from the Senior Accountant: this process should avoid delays in the cancellation of cards which could place the Council at unnecessary risk of unauthorised expenditure.</p> <p>There are also additional areas within the Finance Department that would benefit from this notification.</p>

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RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards- Approval and Evidence</p> <p>5. The Corporate Credit Card Procedures should include the requirement that expenditure is reviewed within the department by an appropriate manager before being passed to the Finance Department. The creation of a template document to assist in the completion of this will aid consistency across the Council.</p> <p>It should also detail the requirements for evidence/ receipts to be included by the cardholder for management review and information for the Finance Department.</p> <p>6. In the event that a receipt was not obtained or cannot be provided to managers/ Finance Department then the reason for this must be documented.. This should be reviewed by the manager as part of the overall review and passed to the Finance Department.</p> <p>The combination of a Corporate Procedure, sign off by managers within the department and monitoring by the Finance Department should ensure that the requirements for receipts/ evidence become an embedded part of the process.</p>	Medium	Sian Southerton/ Kevin Beacher	<p>5. Agreed</p> <p>6. Agreed</p>

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RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards- Cash withdrawals</p> <p>7. Receipts for cash expenditure should be submitted to a manager for approval (along with receipts to support other transactions as per Recommendation 2) and then passed to the Finance Department for allocation on the financial management system. This will enable any VAT to be reclaimed where appropriate. This requirement should be included in the Corporate Procedure.</p> <p>8. In the event that a receipt was not obtained or cannot be provided to managers/ Finance Department then the reason for this must be documented. This should be reviewed by the manager as part of the overall review and passed to the Finance Department. A petty cash balance should also be recorded and reported to Finance.</p> <p>9. Overall monitoring of compliance with the procedures should be undertaken by the Finance Department.</p> <p>10. A suspense account should be set up by the Finance Department to maintain a balance of the petty cash held by the Community Safety Department. A similar approach should be adopted for other departments that withdraw cash where deemed necessary.</p> <p>11. A formal process should be established within the department for cash held by employees that are leaving the Council. It is recommended that an appropriate manager reviews the final statements of the cardholder. This should be undertaken before they leave so that any queries and discrepancies can be appropriately investigated/ resolved. In the event that a cash balance is held and reallocated within the department an adequate</p>	Medium	Finance & all relevant credit cardholders	<p>7 & 8. Agreed in part: expenditure should be supported by receipts and provided to the department. However, the nature of the funding arrangements in the specific circumstance/ area that has been identified is not VAT reclaimable.</p> <p>9. Agreed</p> <p>10. Not Agreed: due to the value of these transactions, it is not deemed necessary to create a suspense account. It will be possible to derive and monitor the balance of petty cash held by individuals via the template form once implemented.</p> <p>11 & 12. Agreed</p>

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		<p>audit trail should be maintained and the Finance Department should be notified.</p> <p>12. If (in exceptional circumstances only) it is necessary for cash to be transferred to another employee within the team, this should be formally approved by a manager and Finance should be notified.</p>			

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RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards - Sufficient Department Payment Methods</p> <p>13. Departments need to ensure there are sufficient methods of payment available to meet operational requirements. Individual employees should not be in a position where it is necessary to use their personal financial resources, albeit temporarily.</p>	Medium	Georgina Bouette/ Satnam Kaur	<p>Georgina Bouette</p> <p>13. Agreed: an extension on the limit for this particular cardholder has now been applied. It has not been necessary for personal finances to be used since the extension.</p> <p>It would be useful for the new Corporate Credit Card Procedure to include timescales for administering cards/ adjustments to limits so that managers are aware/ can consider this.</p> <p>Satnam Kaur</p> <p>Agreed: The entire service is undergoing wholesale review. For obvious reasons some areas have been given greater priority i.e. Health & Safety. Within the next 12 months the credit card issue will be resolved as it forms part of a bigger picture in terms of the use of emergency/ temporary accommodation.</p> <p>In the two cases identified, it was not possible for a corporate credit card to be used. In the first case there was no corporate credit cardholder available as it was out of office hours. In the second case, the accommodation provider would only accept payment in person. There was no corporate credit cardholder available to complete this.</p>

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RE04 2018/19 - Purchase Ledger	Limited	<p>Corporate Credit Cards - Approval</p> <p>14. The Corporate Credit Card Procedure should reiterate to cardholders that they must never pass their card for use to another employee. The card is for use by the individual and is not a department card. In the event that a request to pay using the card is made to the cardholder, they must only do so only upon receipt of a formal documented request with appropriate approval.</p> <p>15. Finance should establish alternative arrangements for a card to be available in the absence of the named cardholder. It may also be appropriate to make staff aware that there is a corporate credit card held by the Finance Department for certain types of payments (subject to the appropriate approval/ authorisation within their department).</p>	Medium	Sian Southerton/ Carolin Martlew	<p>14. Agreed: This will be incorporated into the procedure. The cardholders are also currently provided with instructions on viewing their accounts online so that they can monitor the transactions. This guidance will be reissued with the new procedure.</p> <p>15. Agreed: an alternative cardholder will be identified.</p>

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