

INTERNAL AUDIT – MONITORING REPORT 31st January 2018

REPORT OF: Audit Manager
Contact Officer: Gillian Edwards
Email: gillian.edwards@midsussex.gov.uk Tel: 01444 477241
Wards Affected: All MSDC Wards
Key Decision: No
Report to: Audit Committee
24th July 2018

Purpose of Report

1. The purpose of this report is twofold; to update the Committee on the progress of the 2018/2019 Internal Audit Plan and to report on the progress made in implementing previously agreed recommendations.

Recommendation

2. The Committee is asked to receive this report.

Background

3. Work Completed

Since the last report, as at 31st January 2018, the following reviews have been completed.

Audit Title	Audit Opinion
Capital Accounting and Asset Management	Substantial Assurance
Treasury Management	Substantial Assurance
Budgetary Control	Substantial Assurance
FMS	Substantial Assurance
Payroll	Satisfactory Assurance
Payments (Creditors)	Substantial Assurance
NNDR (Census by Horsham DC)	Reasonable Assurance
Housing Benefits	Satisfactory Assurance
Census Disaggregation	On Hold
Council Tax	Substantial
ICT Risk Assessment	N/A
Tech Forge FMS Additional Feeder System	Limited Assurance

4. Work in Progress

The reviews in progress and other work that we have undertaken in the period are shown at Appendix A.

5. High priority findings in this period

We identified the following high priority findings in this period.

Payroll 2017/2018

As part of the monthly controls, Payroll reconciliations should be completed between the Payroll system and the General Ledger to ensure that all Payroll transactions have been posted correctly to the General Ledger. These reconciliations should be approved before the end of the following month.

We found that:

There were no reconciliations completed for the period October 2017- January 2018. Also, two out of the six Payroll Reconciliations were approved late for May 2017 (approval date 7th July 2017) and for September 2017 (approval date 15th January 2018). These are an integral part of the control system and these omissions were seen as a control weakness.

In response, the Business Unit Leader for Human Resources commented that “these reconciliations are usually completed on time. A combination of the Payroll Manager’s sickness and annual leave and problems with the general ledger, linked to the new system resulted in delays. Once the general ledger is successfully processing then we will be back to our usual deadlines”.

The Business Unit Leader-HR and Payroll agreed that the monthly reconciliations would be brought up to date by 30th June 2018. However, we have been advised that “Due to the ongoing issues we have had with the XCD system we were unable to produce monthly reconciliations.”

We have been provided with a 2017/2018 year-end reconciliation but has not indicated if any of the reconciliations for 2018/2019 have been completed. We have requested that we are provided with further information on the actions that have been taken to produce these reconciliations from the XCD system.

This is a serious weakness as we are unable to provide assurance that the information held on the Payroll system has interfaced with the general ledger accurately, completely and in a timely manner. It also means that Finance are unable to identify errors or other issues in a timely manner.

We will also complete a post project implementation review for the new XCD HR and Payroll solution later in this financial year.

Tech Forge- Financial Management System (FMS) Additional Feeder System 2018/2019

Tech Forge is a new system which will be operated within the Corporate Estates and Facilities department and will be used to raise invoices and purchase orders, rather than raising these on FMS.

We reviewed new Tech Forge - FMS additional feeder system (Tech Forge) that will be operated within the Corporate Estates and Facilities department.

Under this new system, Finance FMS users will not have access to any invoices for orders that have been placed via Tech Forge by the Corporate Estates and Facilities department. This is an essential requirement of the system. We were advised that the link between FMS and Tech Forge is not yet established as the project was still in the test phase. We have recommended that FMS users should have the ability to review the image of all invoices that are paid for Tech Forge generated Purchase Orders by Corporate Estates and Facilities. This will also be required by Audit and external audit, who may need to have access to the system.

The Senior Information Governance Officer has responded that she will ensure that Finance and other users can have read-only access to the Tech Forge Cloud system allowing them to see the invoices on-line. The Implementation date for the finding is 30th September 2018 and we will report the outcome of our follow up work at the meeting of this Committee on 20th November 2018.

National Fraud Initiative (NFI) 2018-2019 Data Matching for the 25% Single Persons Discount against Council Tax

The NFI details are in the form of data matches that involves comparing computer records held by one organisation against other computer records held by the same or another organisation to see how far they match. Computerised data matching allows potentially fraudulent claims and payments to be identified but the inclusion of personal data within a data matching exercise does not mean that any specific individual is under suspicion. Where a match is found it indicates that there may be an inconsistency that requires further investigation. Therefore no assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.

Our work at Mid Sussex District Council for the National Fraud Initiative for 2018-2019 is work in progress summarised below.

	Total
Population	8,120
Sample	135
Satisfactory	106
Under query with the Council Tax Payer to ascertain the persons living at a property to confirm that the Single Persons Discount was applicable	29
Meet with to BUL Revenues and Benefits to discuss approach to outstanding matches July 2018	Balance

I will provide an update on progress in this area at the next Audit Committee Meeting in September 2018.

6. Follow Up Audits:

We have undertaken these follow ups since the last Audit Committee.

Contracts Register

We have completed a short review of the latest Contracts Register and note that there are more new entries posted indicating that there may be an improvement in compliance with Council procedures. This will tested again when we next audit Procurement later in this financial year.

Data Centre Migration

Whilst we provided an audit opinion of Substantial Assurance for this audit, we identified two areas where improvements could be made in relating to the holding of project documentation centrally and ensuring that staff were trained in project management in light of the imminent departure of a member of IT staff.

We can confirm that Microsoft Teams which stores documents, emails and other project related files is now being used. With regard to training an assigned Project Manager is meeting with the team over the next three weeks to scope the programme

and assign resources. They are reviewing how we manage projects and will apply best practice to help improve how we drive projects in-house.

This work will then form a detailed specification for training and capacity building within the team as well as providing additional capacity to manage the overall programme. I will provide an update on progress towards this in September.

Treasury Management

We found that there was a difference on the bank reconciliation of £45. This was addressed and cleared in April 2018.

Income Collection

During this review, we suggested that the Council should consider insuring against cyber-attacks. This is under consideration and the Head of Corporate Services is in discussion with the Council's insurers. I will report the outcome of these discussion in September.

Background Papers

- Internal Audit reports relating to 2018/2019
- Working papers relating to 2018/2019

Internal Audit Plan 2018/2019

Progress Report as at 30th June 2018

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Capital Accounting and Asset Management	2017/18	Substantial		
Treasury Management	2017/18	Substantial		
Budgetary Control	2017/18	Substantial		
FMS	2017/18	Substantial		
Payroll	2017/18	Satisfactory	1	
Payments (Creditors)	2017/18	Substantial		
NNDR (Census by Horsham DC)	2017/18	Reasonable		
Housing Benefits	2017/18	Satisfactory		
ICT Risk Assessment	2017/18	N/A		
Council Tax	2017/18	Substantial		
Tech Forge FMS Additional Feeder System	2018/19	Limited	1	
B. Work In Progress				
NFI Data Matching	2018/19			
CenSus Disaggregation	2017/18			On hold
Follow Ups				
Procurement	2017/18			
Payroll	2017/18			