

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF MAIN A-C SYSTEM & REVENUE BUDGETARY CONTROL AUDIT FOR 2016-17

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REVIEW OF MAIN A-C SYSTEM & REVENUE BUDGETARY CONTROL AUDIT FOR 2016-17

INTRODUCTION

1. This report sets out the results of our systems based audit of Main Accounting System & Revenue Budgetary Control Audit for 2016-17. The audit was carried out in quarter Q4 as part of the programmed work specified in the 2016-17 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 25/10/16. The period covered by this report is from May 2015 to November 2016.
4. The total Revenue budget for 2016/17 for the authority is £190,045,000.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of:
Access to the system and controls around functions on the system are adequately restricted
Budget monitoring reports are being accurately reported to the relevant committee.

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Reconciliations to Oracle are regularly and accurately taking place
Journals and virements are adequately supported by documentation and authorised.
Controls around setting up new cost centres are sufficiently secure.

8. However we would like to bring to Manager's attention the following issues:
Managers and Accountants are not signing off FBM
Invoices cannot be viewed on the cumulative spend report
User accounts on Oracle for former staff are not being removed
Current Oracle functionality does not allow for logs of activity to be recorded
Budgets have been set which do not accurately reflect the situation within departments.

SIGNIFICANT FINDINGS (PRIORITY 1)

There were no significant findings identified in this review.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

10. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Reports were run from FBM for August for ECHS and September for CEX and ECS to show that budget holders and Accountants are signing off their budget. It was found that 95% of Managers in ECS/CEX sign of their budget within the month, but that only 55% of ECHS budgets had been signed off within the month.</p> <p>Only 76% of CEX budgets for September have been signed off by the relevant accountant, compared with 100% of ECS and ECHS.</p> <p>The December FBM monitoring report was then requested and reviewed. This showed that for ECHS budgets approval was 85% sign off by the relevant budget holder.</p> <p>The CEX and ECS budgets were 100% signed off by the Relevant Accountant for December.</p>	<p>Systems are not in place to identify and alert managers of budgetary failures and to ensure that significant variances are reported to senior management and/or Members as soon as possible.</p>	<p>Managers and Accountants should sign off cost centres under their responsibility on FBM. [Priority 2]</p>
2	<p>There is an issue identified during the audit, that on FBM, not all information is currently available to staff. It was identified that under Cumulative spend, links to invoices are not working.</p>	<p>Systems for identifying and alerting managers on budgetary failures to ensure that significant variances are reported to senior</p>	<p>The issues with Cumulative Spend report should be resolved to enable users to view invoices from the report.</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
		management and/or Members as soon as possible	[Priority 2]
3	<p>Budget Setting The salaries of HR, Audit and Housing were selected to determine they were accurately calculated. This was found to be the case for HR and Housing, though not with Audit, where the wrong spinal points had been recorded resulting in incorrect setting of salaries budget. This has since been resolved.</p>	Inaccurate budgets loaded onto the financial management system	<p>Budgets should be set which accurately reflect the situation within the department.</p> <p>[Priority 2]</p>
4	<p>The review of the report of FIS users and their responsibilities as at 20/05/2015 highlighted that there are 15 generic accounts to access FIS which are not linked to individuals. These include System Administrator account which gives FIS team full admin access to Oracle system. The activity on this account is not subject to any independent monitoring.</p> <p>This issue has previously been raised in both internal and external audit reports of Main Accounting System and is still outstanding. It has also been identified previously that the FIS team are able to amend the bank details of suppliers as well as</p>	Failure to safeguard systems by access controls may give rise to the increased risk of fraud or malicious damage to data	<p>The audit functionality within the Financial Information system should be activated so an audit log is captured of activities undertaken and changes actioned.</p> <p>[Priority 2*]</p> <p>Consideration should be</p>

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	create and approve lproc orders.		made to segregating access to Oracle and to ensure the ability to change bank details of suppliers is not held by the FIS team. [Priority 2]
5	<p>A report was run of all the staff who have access to the financial system. It was identified that 32 former employees and 2 former external auditors are still set up with access to the Financial System. At least 5 of these have not had their access to Bromley systems removed.</p> <p>Of 869 people who are set up on the system with some form of access (for many this is only to lproc), the report shows that 452 have not logged on in 2016/2017.</p> <p>Access to setting up codes is restricted to 22 members of staff, all of who are Accountants. Access to adjusting bank details is restricted to 5 individuals, 3 who work for the Exchequer Contractor Supplier set up team and two who work in the FIS Admin Team.</p>	Failure to safeguard systems by access controls may give rise to the increased risk of fraud or malicious damage to data	User accounts that are no longer required should be deleted or disabled to prevent unauthorised usage. [Priority 2*]

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	It was found four former members of staff who had access to lproc, who have not been removed from the system, 2 of these still have systems accounts.		

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Managers and Accountants should sign off cost centres under their responsibility on FBM.	2	<p>Agreed</p> <p>In ECHS the low budget holder signoff was due in the main to a couple of budget holders who were not available. The Assistant Director agreed these in their absence. Sign off has improved in subsequent monitoring</p> <p>In terms of the Accountant sign off there were some finance staff issues which have now been rectified and the percentages have increased.</p>	Heads of Finance	22/03/17
2	The issues with Cumulative Spend report should be resolved to enable users to view invoices from the report.	2	We were unaware there was a problem with images on that report. No one had reported any problems to us. We are investigating the issue. In future we'll regularly check the report.	Head of Financial Systems	01/04/17

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	Budgets should be set which accurately reflect the situation within the department.	2	Agreed. There were some staffing issues in the relevant finance team that have since been resolved and the budget position has been corrected.	Head of ECHS and CEX Finance	22/03/17
4	The audit functionality within the Financial Information system should be activated so an audit log is captured of activities undertaken and changes actioned. Consideration should be made to segregating access to Oracle and to ensure the ability to change bank details of suppliers is not held by the FIS team.	2*	As explained previously, turning on audit tables comes with a 'health warning' as it could severely impact/effect the performance of the system. The system performance has already slowed since the upgrade to R12. We've introduced some audit reports that have previously satisfied audit. There is a bank account details report run daily by	Head of Financial Systems	01/09/17

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			the Exchequer Contractor Supplier Management Team to track all new bank accounts enter, amended and who made the amendment. This was seen previously as the weakest point in the system. However, we will review the Audit tables again with PDG.		
5	User accounts that are no longer required should be deleted or disabled to prevent unauthorised usage.	2*	As explained in the last audit, to approve a requisition users do not need to log on to the system instead they can approve the requisition via email. Therefore their user record in Oracle is not updated as they haven't logged on. Also budget holders have requested users to be set up for iproc and they have not used it. Their passwords would have timed	Head of Financial Systems	Already in place

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			<p>out so they would be unable to access the system.</p> <p>Regarding former employees - As you are aware there is a general issue with staff not completing Leaver forms when someone leaves. If a form is not completed then we won't receive an automatic request to remove that member of staff from Oracle. I understand that IT are currently reviewing this. We send a list of users to the Accountants yearly for them to check and inform us of any leavers. We also remove users based on emails bounced back when sending out global communications.</p> <p>Regarding LBB AP - Bank Set-up</p>		

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			<p>responsibility– This responsibility is no longer active since R12. However it has been removed from the team members. FIS team do not set up bank accounts. There is an audit report for this that the Exchequer Contractor run daily.</p> <p>The Supplier Management team (SMT) will contact the Finance Officer where they have been unable to amend the bank details in Oracle. Where he has been unable to resolve the issue assistance will be requested from the FIS team.</p>	<p>Head of Exchequer Services/ Exchequer Finance Officer</p>	<p>01/06/2017</p>

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OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.