



AUDIT COMMITTEE REPORT

Report Title

Internal Audit Report Creditors Review 2009/10

AGENDA STATUS:

PUBLIC

Audit Committee Meeting Date:	17 May 2010
Policy Document:	No
Directorate:	Housing
Accountable Cabinet Member:	Councillor Beardsworth

1. Purpose

1.1 To consider the response to the internal audit report: Creditors Review 2009/10 as requested by a previous meeting of the committee.

2. Recommendations

2.1 The Committee is recommended to consider the responses to the issues raised by the report.

3. Issues and Choices

3.1 Report Background

3.1.1 The internal audit report 2009/10 into Creditors found a total of 10 medium risk weaknesses and 2 low risk weaknesses. The majority of the weaknesses identified related to the Uniclass repairs system.

3.2 Issues

3.2.1 A number of these weaknesses relate to the design and implementation of the Uniclass system. This system is being phased out and an implementation team is in place to install and develop the new IBS system. The new system is on track to go live in July 2010, earlier than the originally envisaged September date. However, the testing of the financial interfaces has not yet been completed and the target implementation date of September remains in

place.

3.2.2 Interim arrangements have been put in place to address the weaknesses found, the further work will take place with the implementation of IBS to build in additional controls.

3.2.3 Details of the issues and action taken are shown in the appendix.

3.2.4 The 2009/10 report re-raised a number of issues from the previous year, which had not been addressed.

4 Background Papers

4. Internal Audit Report 2009/10
Creditors
Report No 09-10-NBC 13

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Ref	Specific Risk	Control weakness found and risk rating	Recommendations	Management response	Latest position
1	Procedure Notes may not reflect current working practices leading to an increased risk of error.	Re-raised from prior year Procedure notes for the Uniclass System were drawn up in August 2007 and have not been reviewed or issued to officers. Medium risk	Procedure notes should be reviewed and issues to all responsible officers as soon as possible.	Agreed. A new responsive repairs system is due to be implemented during 2010 and system and process notes will be developed for this. Target date Sept 2010.	Procedure notes have been draw up and are in the process of implementation. These will be enhanced further to support the new system
2	Transactions may be made without appropriate authorisation	Re raised and up dated from prior year The Authorised signatory list for Uniclass is not up date . The list has not been updated to include all finance managers and includes some officers who are no longer with the Council Medium risk	The list should be updated with a current list of staff signatures and authorisation levels. All ex-employees should be removed.	Agreed, Will be implemented with immediate effect	Complete
3	Funds are being committed without appropriate authorisation.	Re-raised from prior year It has been noted through discussions with officers that correct procedures are not always followed for purchases made through the Uniclass system. On occasions maintenance staff will purchase and receive products before raising a requisition or order on Uniclass. Medium risk	The Council should ensure that purchases are not being made without an authorised requisition and order. This should be adhered to even after the Uniclass system is replaced.	Agreed. project Board meeting to ensure the new system covers this. Target September 2010	Employees have been instructed that they must obtain an order before any funds are committed. Spot checks will be carried out to ensure this is adhered to. This is also checked at invoice approval stage.
4	Inappropriate or	Re-raised and updated	The functionality of Uniclass	Agreed, to be discussed at project Board meeting to	IBS will log any changes made against the individual who

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	incorrect changes to standing data may go undetected.	from prior year It is not possible to run reports from Uniclass system to indicate changes made to standing data. It is therefore not possible to trace standing data changes and assess these for reasonableness and authorisation Medium risk	systems should be investigated to establish how changes to standing data can be flagged. All changes should be approved before input and/or reviewed following input.	ensure the new system covers this. Target September 2010	made them. In the interim instructions have been issued that no such changes should be made without authorisation.
5	Unauthorised access to the system leading to misappropriation of Authority's funds.	Re-raised from prior year Uniclass does not require users to change their passwords on a regular basis. Low risk	The Authority should ensure that any replacement system has adequate password controls built in.	Agreed, to be discussed at project Board meeting to ensure the new system covers this. Target September 2010	IBS will require password changes on a regular basis.
6	User accounts of leavers could be used by others if not disabled or terminated. Users may have inappropriate access to the system.	Human Resources do not supply a list of new starters, staff who have left or staff who have been promoted, to the Uniclass System Administrators. Therefore the administrators rely upon the line managers and the team's own knowledge to inform them of these changes in circumstances. Medium risk	A regular list of changes to personnel should be communicated to the Uniclass System Administrators to enable them to process these changes accordingly.	A Uniclass Administrator role will be created and HR will be contacted to ensure that a regular list can be provided which will enable the Administrator to update access rights.	Completed
7	Users may have inappropriate	Requests for granting access to the Uniclass system to	All documentation relating to the	The Uniclass Administrator will retain records going	Instructions issued to Uniclass

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	access to the system.	employees or requests for staff to be removed from the system are not retained on the Legacy system (job costing) although it is on the Enterprise (repairs orders) part of the Uniclass system. Medium risk	addition or removal of users should be retained	forward.	Administrator
8	Users may have inappropriate access to the system.	The Uniclass user access list is not reviewed regularly to pick up incorrect access levels. A review is only carried out when a new user needs to be added but cannot be as the Council is close to the maximum user limits as set out in the software license Medium risk	It is recommended that a regular review of access rights is established	The Uniclass Administrator will review the access list on a regular basis going forward.	Completed and on going
9	Contractors may be unfairly or inconsistently selected.	From testing a sample of 25 orders it was noted that although quotations had been received, for 3 out of 25 items tested there was no documented evidence as to how the successful quotation had been selected. In these cases the lowest price quotation was selected, however this should not be the only factor in selecting quotations. Medium risk	It is recommended that the consideration of factors other than price is recorded in the file.	Agree. Target March 2010	Contract now tendered and I place for voids. Selection based on framework of tendered prices.
10	Tendering process for	For 3 out of 25 orders tested from the	All documentation to support orders raised	Agreed, a reminder regarding not using nominal	Completed Departure from these

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	quotations cannot be evidenced. The Authority may be overcharged if invoice and order amount differences are not investigated. Increased risk of unauthorised transactions.	Uniclass system, no supporting documentation for the order, such as an order request or authorisation could be located. For 1 out of 25 items selected for testing no evidence of quotations could be supplied. For 4 out of 25 items tested, the order amount differed from the invoice amount mainly because a nominal value for the order had been used. Medium risk	should be retained on file. Quotations should be obtained in line with the Authorities' purchasing guidelines. The use of nominal values for orders should be avoided and any significant differences between order and invoice values should be investigated by the Authority.	values will be sent to staff. Post inspection checks are in place for orders over £1k and other orders are sample checked.	Procedures is now highlighted at invoice approval stage at which all quotes obtained have to be presented with the successful quote.
11	Increased risk of inappropriate and unauthorised transactions.	It was noted from testing orders through the Uniclass system that 1 out of 25 items had the same person raising and authorising the order. Medium risk	Segregation of duties should be maintained between individuals raising and authorising an order.	Agreed, an instruction regarding having appropriate authorisation will be sent to staff	Completed – instructions given
12	Delays could be encountered in making payments if invoices are not date stamped.	For 7 of 25 Agresso transactions tested the invoice had not been date stamped Low risk	The Authority should ensure that good practice is followed and all invoices are date stamped when received.	Agreed, all invoices received in Exchequers Services must be date stamped on the day in which the invoice is received	Completed – instructions given