

**FROM:** Audit and Risk Manager  
**TO:** Head of Finance  
**C.C.** Chief Executive  
Strategic Finance Manager  
Principal Accountant  
Portfolio Holder (Cllr Hales)

**SUBJECT:** Main Accounting System  
**DATE:** 31 March 2023

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## 1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2022/23, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

## 2 **Background**

- 2.1 The main financial accounting system is the mechanism by which the Council manages its financial affairs. It encompasses the entire system of the monitoring and control of the Council's financial statements.
- 2.2 The accounts are run on Ci Anywhere (finance management system) which has been in place since November 2021 after a successful procurement exercise was completed to replace the previous system used (TOTAL). The current financial year will be the first complete year of using the system, prior to this transactions were journalled across by system administrators.

## 3 **Objectives of the Audit and Coverage of Risks**

- 3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being controlled appropriately or whether there have been issues identified that need to be addressed.
- 3.2 In terms of scope, the audit covered the following risks:
1. Financial data cannot be relied upon for decision making.
  2. Accounts may be misstated if suspense balances are not cleared.

3. Final accounts are not prepared in line with accounting standards and are not produced in a timely manner in line with legislation.
  4. The Council cannot deliver a balanced budget resulting in the issue of a section 114 notice.
  5. Unauthorised transactions are processed with financial irregularities going undetected.
  6. Stress of dealing with year-end processes.
  7. Work spread unevenly amongst teams leading to enhanced pressure on some staff.
  8. Staff in other departments do not provide required information in line with published timetables.
  9. Lack of documented procedures and training on the new system.
- 3.3 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:

Core financial administration processes underpin the Money strand of the Fit for the Future strategy in place.

## 4 Findings

### 4.1 Recommendations from Previous Reports

- 4.1.1 The current position in respect of the recommendations from the previous audit reported in March 2020 were also reviewed. The current position is as follows:

Recommendation		Management Response	Current Status
1	The journal authorisation process should be brought up to date.	The Journal Authorisation Process will be maintained in a more timely manner, with deadlines being set for when approvals need to be made by (within a fortnight of month end for Principal Accountant level, with 1 further week for Strategic Finance Manager authorisations.)	There is a journal process in place for the authorisation and inputting of journals. The majority of journals from the current financial year have been authorised within 7 days with a very small percentage (0.007%) taking more than 7 days.
2	The year-end write off of suspense account balances should be reconsidered as opposed to carrying forward the balances.	The process is to be reviewed in conjunction with the Principal Accountant (Capital & Treasury) and the Accountancy Assistant, to agree the appropriate action. This will be reviewed as part of the 2019/20 final accounts.	This will be done following a significant write off done as part of the 21/22 Statement of Accounts once the final accounts have been signed off by the external auditors.

## 4.2 Financial Risks

### 4.2.1 Risk: Financial data cannot be relied upon for decision making.

The Finance pages on the intranet include user guides and training videos for Ci Anywhere (Finance Management System). These help users with actions such as paying and raising invoices, viewing budget pages and journal entries. The Ci Anywhere interface is sectioned into various roles, with the roles then further broken down into tasks. For example, the "Debtors and Billing" role provides various task options for the user including invoice generation, debtor statements and debtor transactions. The training videos and guidance help to ensure that data is entered correctly onto the system, with authorisation checks in place to help ensure that the data is valid and can be relied upon.

A sample of data was reviewed which included a range of transaction types. Various payments, receipts, journal entries and invoices were all within the sample reviewed. Testing confirmed that in all cases the correct amount had been applied against the cost code and where credits or debits had been applied against an incorrect code this had been corrected with documents uploaded to explain the change.

Although the closing balance at year end would normally be brought forward into the current year, the external auditors have not yet signed off the accounts. Once completed, the closing balances will be updated on the system. There are no earlier balances to view as the finance system was only implemented in November 2021 so this will be the first complete financial year on Ci Anywhere.

### 4.2.2 Risk: Accounts may be misstated if suspense balances are not cleared.

Separate suspense (holding) accounts are set up for both income and expenditure. The accounts are regularly reviewed with items moved to the correct cost code. A sample of suspense accounts was reviewed. Allocations are made in a timely manner and movement of funds is documented with journal entries. It was also confirmed that transfers from the suspense accounts in the sample were completed on a minimum of a monthly basis with some checks being carried out daily.

There are a number of users within Finance who have responsibility for checking the suspense account, with some checking for funds when they need to balance the ledger and others routinely checking on a daily basis. One account was identified as having large sums needing to be journalled to the correct codes. It was confirmed by the accountant responsible that the journalling was in hand and that they expected it to be completed by the end of the week, evidence was provided once this had been completed.

The suspense account balances in the sample were cleared periodically and journalled to the correct code to ensure there is minimal opportunity to misstate the accounts.

### 4.3 Legal and Regulatory Risks

#### 4.3.1 **Risk: Final accounts are not prepared in line with accounting standards and are not produced in a timely manner in line with legislation.**

The Draft Statement of Accounts is publicly available on the Council's website. It provides information explaining the Council's accounting policies in detail. The general principles in place comply with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

There is a timetable / plan in place, for the Accountancy team that details the roles and responsibilities and the procedures to follow when preparing the final accounts. The closing plan also includes a timetable that outlines the key tasks and the expected completion date, the previous year's completion dates and the current assigned officer for the task.

The plan is produced on a spreadsheet that includes a checklist with target and actual completion dates and details who has cross-checked the relevant working papers and when. The working papers are hyper-linked to the checklist.

There is a final accounts work plan in place for the work to be completed by the external auditors. This details the external auditor, the lead WDC officer and the estimated hours required to complete each task. This plan helps to manage the resource availability within the Accountancy team.

The working papers for closing accounts also form the guidance of how to complete the various tasks, as set out in the timetable. The guidance within the working papers includes procedure notes and screenshots clearly showing the user the steps to follow. Read-only access to the folder of working papers was provided for the audit allowing the work completed to be reviewed along with the guidance.

The statement of accounts are produced in line with the Accounts and Audit Regulations 2015. The regulations amendment 2022 require that the accounts and opinion are published by 30 November 2022. WDC has not yet published the final accounts for 2021/22 due to a delay with the external auditor. This delay has been reported at committee and details are published on the Council's website. The 2021/22 Update report, produced by Grant Thornton was reported to the Audit & Standards Committee on the 18 January 2023. The draft statement of accounts was uploaded on 5 September 2022 on the Council's website.

The Audited Statement of Accounts for 2020/21 are the most recently published set of accounts. The sources of revenue and capital finance are identified within the statement. Also provided are the revenue from the various service areas such as Housing and Development as well as sources of finance through government grants and contributions, and interest on

investments. The movement in the Council's financial position across the year is set out including where reserves have been used to meet expenditure. As a billing authority, details of other activities such as Council Tax and Business Rates are also detailed in the statement.

The published accounts are presented in a format consistent with accounting recommendations and requirements and comply with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting. Draft accounts are published with a Public Inspection Notice detailing the availability for the public to inspect and make copies of the accounts within a set time frame. Published accounts begin with a message from the Head of Finance and end with the Annual Governance Statement. No signatures are shown on the published documents but accounts are dated and the Leader and the Chief Executive are named.

#### **4.4 Reputational Risks**

##### **4.4.1 Risk: The Council cannot deliver a balanced budget resulting in the issue of a section 114 notice.**

The Annual budgets are set within the Finance Strategy. The 2022 Strategy ensures that various issues are considered including planned major projects, service changes, costs associated with home / hybrid working, inflation, level of balances and reserves, employee costs, government grants and other relevant considerations and provisions.

The Strategy details the budgets from 2021/22 to 2026/27. The budget details the reserves, expected increases in costs for staff, new homes bonus and grants. The budget also details expected drops in income due to COVID 19 restrictions such as a reduction in building regulations fees, the Spa Centre and car parks income.

The accountancy timetable in place ensures there is resource available to produce a balanced budget. Accountants work alongside service areas reviewing budgets with the officers so any projects or contracts are considered and relevant costs are taken into account. This includes leisure centres, the Waste contract, the Commonwealth Games and the HQ relocation project.

Budget meetings are held with managers throughout the year allowing changes to be considered and implemented. A spreadsheet is updated to reflect these variances which this is then used to update the medium-term Financial Strategy.

There is a Treasury Management Strategy in place which was approved at Cabinet 8 March 2023. The Strategy outlines the management of the Council's borrowing, investments and cash flows, and market transactions.

The risk registers include budgetary risks as appropriate with mitigating controls in place helping to ensure budgetary requirements are managed and planned where possible.

## 4.5 **Fraud risks:**

### 4.5.1 **Risk: Unauthorised transactions are processed with financial irregularities going undetected.**

Officers are set up on Ci Anywhere as standard users, apart from a select few who have been given admin profiles. Standard user profiles cannot authorise their own transactions when using Ci Anywhere. Due to the finance system being new to the Council, admin users are currently set up so they can authorise their own orders. . When setting up the system and uploading historic data, staff with admin profiles can transfer data from the old system to the new system quickly rather than having to wait for it to be authorised. An example of where this had happened was provided and it was confirmed that relevant evidence had been attached to the upload to show that the data moved across to the new system was accurate.

When purchase orders are submitted they must be authorised by another officer. There are 131 officers set up on the system with authorisation rights. Authorisation limits vary for the overwhelming majority of users from £10k to £200k with a small percentage of users able to authorise an unlimited amount. There is an authorisation list available on the system that provides the details of officers who can authorise and the limit set. The system also has a built-in hierarchy so if a user selects someone to approve their transaction who doesn't have the required level of authorisation it will automatically get allocated to someone else.

Journals detail financial transactions and are used for reconciling of accounts and the transfer of information to the general ledger. A sample of journals was reviewed. All the journals in the sample detailed the transaction or transfer required to another cost code giving the amount and details of the cost code to transfer to or from. Each journal was dated and numbered with a unique reference. The majority of the journals in the sample were to transfer funds to or from suspense or holding accounts. In a few cases, journals transferred funds between cost codes where items had been miscoded to the wrong service or subject.

Not all staff with system access can raise a journal. Journal privileges are limited to Accountancy staff and a small number of system users. The system has four levels of users set up for journal purposes:

1. The service user: non-accountant who can raise a journal but cannot authorise them.
2. Finance Assistant: can raise and approve journals up to £50k, including their own.
3. Principal Accountant: have the same system rights as the Finance Assistant; can also approve other journals between £50-£500k
4. Head of Finance and Strategic Finance Manager: can raise a journal (but shouldn't); can approve other journals over £500k.

All journals processed between 1 April 2022 and 24 March 2023 were reviewed (1,377 journals). 262 were for over £50k of which 5 had been

authorised inappropriately by a Finance Assistant where the amount was over £50k (less than 2% of journals over £50k). This was discussed with the Principal Accountant (Systems) who immediately emailed the Accountancy staff reminding them to check the amounts they are approving on journals and to approve only those within their limits.

The level 4 users should ideally not be spending time authorising journals which could be completed by level 2 or 3 users. 150 (12%) journals for amounts between £2.33 and £434,940 had been approved by a level 4 user rather than a level 2 or 3. The system doesn't prevent this from happening and the guidance for level 4 staff is just to ensure they aren't spending too much time completing work that could be done by others.

As the authorisation issue is very minor, almost all the journals were processed correctly (1,372 out of 1,377), and the Principal Accountant has acted promptly to remind staff of their duty, it is felt that a recommendation is not needed at this time.

### **Advisory**

**Consideration should be given to reminding staff of their authorisation limits on a regular basis to ensure that they are authorising journals appropriately.**

## **4.6 Health and Safety Risks**

### **4.6.1 Risk: Stress of dealing with year-end processes.**

Accountants and budget managers are both involved in the year-end process. Once information is received from budget managers, the Principal Revenues Accountant will be tasked as the lead accountant on the overall process and the general fund position. Although the Strategic Finance Manager has acted as the lead this year, this typically is tasked to the Revenue Accountant post which has only recently been recruited to. The Principal Housing Accountant leads on the HRA, and capital and treasury functions are led by the Principal Accountant for that service. The Head of Finance has been involved quite heavily this year in the processes, mainly as part of the transition of staff within the Accountancy team to ensure processes are maintained. Other Principal Accountants provide support in their specialist areas for grants and pensions, system transactions (required for audit), while other staff within the Council provide support for benefits and HR queries.

There is no office manual but the various working papers detail the process for each task, essentially forming a manual broken down into the tasks completed by each accountant. There have been changes to the staff structure over the last year, so staff who have previously completed some of the tasks have been supporting the staff now doing them, providing a one-to-one training opportunity and enabling knowledge to be shared within the team.

The working papers are saved in a shared drive for the Accountancy staff so that they all have access to them. There is an accountancy closure of

accounts guidance document in place. Six of the key staff were contacted to enquire about their roles and to ensure they knew where to find guidance or support if they needed it. Unfortunately, out of the six staff members contacted, only one provided a response confirming they were aware of their responsibilities and knew where to find support and guidance should they need it. A review of the timetable in place shows that tasks are running to plan and meeting target dates and so it is reasonable to assume that staff completing the tasks know where to find additional support and guidance when required.

**4.6.2 Risk: Work spread unevenly amongst teams leading to enhanced pressure on some staff.**

There is a spreadsheet containing information about closing guidance notes. It includes a contact list which details the name of the accountant and the service they are responsible for and an organisation chart with the accountant allocation, and a timetable for deadlines / completion dates for the final accounts.

This spreadsheet sets out the roles of the accountants and the tasks they have been allocated and a comprehensive timetable covering various tasks across the financial year leading up to year end. A Principal Accountant has been tasked with overseeing the overall timetable, managing the staff resource available and providing support when it is identified as needed.

The responsibilities of the Accountancy staff were updated in December 2022 with the services areas split across the staff in a more evenly-distributed way. This update was overdue as the previous system had been in place for a number of years which had meant some accountants had ended up responsible for larger tasks than others, with consequences for workloads. The new responsibilities have been organised to spread the work more evenly and use the skills of the accountant to focus on key areas.

**4.7 Other Risks**

**4.7.1 Risk: Staff in other departments do not provide required information in line with published timetables.**

The Finance pages on the intranet provide documents for staff to use that detail the year end processes and training guidance. The guidance includes a timetable showing deadline dates to complete or submit the information to Accountancy. If the dates are missed the guidance explains that budgets may be impacted and any purchase orders not completed by year end will be automatically applied to the following year.

The information also details the accountant with responsibility for the service area. Last updated in March 2022, this information was correct at the time as it was for the 2021/22 year-end process. A more recent timetable and organisation chart exists for the current year. This will be used for the 2022/23 year-end and was circulated to all budget-managing staff to use for budget meetings from January 2023. Although it has been circulated to appropriate staff this list and timetable has not been published on the



intranet. This is because the intranet is undergoing a refresh with a new intranet due to be launched in April 2023. Rather than use resources to update the current intranet pages, staff are using the time to set up the new pages.

At year-end, accountants set up meetings with the budget managers to ensure variations to the budgets have been considered and purchase orders have been closed. Accountants also encourage monthly meetings to enable them to keep on top of budgets, identifying any potential issues before they arise.

#### **4.7.2 Risk: Lack of documented procedures and training on the new system.**

There is a Finance system page on the intranet for staff. The page provides guidance and documented procedures on how to use Ci Anywhere. The guidance covers simple tasks such as how to log on to more specific tasks like purchasing, closing orders and journal guidance. As well as written guidance there are also a number of training videos. The training and guidance information page was last updated on 1 February 2023.

More specific guidance is available to budget managers in relation to the closure of accounts. This is updated annually and includes details of year-end training sessions which are mandatory for all budget managers to attend. This guidance sets out clear timeframes for officers to follow to enable the Section 151 Officer to sign off the draft accounts by 31 May 2023. For the last two years the deadline had been extended due to the pressures on local authorities caused by the pandemic. This extension has been removed from this year onwards.

The final accounts will be presented at Audit and Standards Committee once an unqualified opinion has been given by Grant Thornton they will be presented at Audit and Standards Committee. It is crucial that the timescales are adhered to and the training and documented procedures all reinforce this.

Budget managers are reminded that missing the deadlines may impact their budget for the following year. Mandatory year end training is provided to all budget managers. There were three sessions run in March 2023 on the 15<sup>th</sup>, 21<sup>st</sup> and 23<sup>rd</sup>. The auditor was able to attend one of the training sessions enabling them to review the information shared.

The session covered a lot of information in under an hour. There were 19 attendees in the session that was attended by the auditor (21 March). The deadlines were reinforced throughout the session along with the importance to meet them. The session covered clearing of accounts to prevent items carrying over automatically, provided guidance on how to complete the steps for the year end processes and encouraged managers to contact their accountant if they had questions.

Attendees were reminded that they need to meet with their accountant by the end of March to complete the year end process and if the accountant hadn't booked in with them, they were encouraged to chase up an appointment. At the end of the session there was a demo of Ci Anywhere showing the attendees some of the useful features which have recently been added to the

system, providing quick view dash boards to help identify suspense items and outstanding orders.

Thirteen staff had attended the training on the 15 March, nineteen on 21 March and thirteen on 23 March. There are just under 60 budget managers. Attendees to the training also included some accountants. With only 45 staff attending it is clear that not all budget managers has booked onto the mandatory training. A mop up session is due to be arranged to ensure all budget managing staff have had the opportunity to attend.

Where additional training needs have been identified, additional training has been offered e.g. the Audit and Risk team had bespoke training on the contracts module as it was considered that it would be a useful tool for them to use when auditing.

## 5 **Summary and Conclusions**

- 5.1 Although the review did not identify any significant weaknesses, a minor 'issue' was identified where an advisory note was reported instead of a recommendation. This is because there is little to no risk if the issue is not addressed.
- 5.2 In overall terms, therefore, we can give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Main Accounting System are appropriate and are working effectively to help mitigate and control the identified risks.
- 5.3 The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	The system of control is generally weak and there is non-compliance with controls that do exist.

Richard Barr  
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