

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager                      **SUBJECT:** New FMS – Balance Transfers

**TO:** Head of Financial Services                      **DATE:** 31 March 2022

**C.C.** Chief Executive  
Deputy Chief Executive (TP)  
Strategic Finance Manager  
Principal Accountants (SL, TS & RW)  
Portfolio Holder (Cllr Hales)

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### 1 Introduction

- 1.1 In accordance with the Audit Plan for 2021/22, an examination of the above subject area has recently been completed by Ian Davy, Principal 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 Council had used two separate finance systems since 2005 - TOTAL for financial management, and PARIS for income management.
- 2.2 The systems had entered their end-of-life status and were not user friendly. As such, it was decided that the systems were no longer fit for purpose. The proposal was, therefore, for the systems to be replaced with a single integrated system.
- 2.3 The project commenced in 2019, with Ci Anywhere being chosen as the new system following a G-Cloud procurement exercise. The official 'go live' date for the new system was 8 November 2021.

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

- 3.1 The audit did not follow the 'normal', risk-based approach, with a specific focus on reviewing the balances that were transferred between TOTAL and Ci Anywhere. There was no need to look at balances on PARIS, as these were imported into TOTAL as part of the normal routines.
- 3.2 This covered a number of specific 'areas':
- Budget
  - General ledger

- Project ledger
- Accounts payable
- Accounts receivable
- Bank reconciliation.

## 4 Findings

### 4.1 Recommendations from Previous Reports

- 4.1.1 This is a one-off audit, so this section is not applicable.

### 4.2 Budget

- 4.2.1 A budget reconciliation spreadsheet had been completed by staff in Accountancy to show the closing position on TOTAL and the corresponding codes that were to be used for the budgets on Ci Anywhere with a reconciliation between the two systems.
- 4.2.2 Extracts were run from TOTAL and Ci Anywhere to ensure that the figures agreed to the reconciliation that had been performed.
- 4.2.3 The figures on TOTAL agreed to those that had been used for the transfer as per the reconciliation spreadsheet held. However, the Ci Anywhere extract was run at a point in time, so a number of account lines did not match to the reconciliation spreadsheet.
- 4.2.4 The relevant Principal Accountant (PA) advised that a virement had been performed following a budget refresh and this resolved the vast majority of the discrepancies. A number of slight coding changes were noted that were not on the virement but these balanced to zero, so there was no issue overall.

### 4.3 General Ledger

- 4.3.1 The PAs advised that a data migration had been performed for each period, with Ripplestone reports being run for the transfers. The codes for the new system were built and a spreadsheet was set up for the journals that converted the codes from those on TOTAL to the new code structure, with a macro being run to create the journals. The spreadsheet could only cope with 2500 (maximum) lines per journal, so there were 17 to 28 journals for each period.
- 4.3.2 Whilst the balances for each period were expected to balance to zero, the individual journals did not balance, so the balances were transferred into a suspense code and that was then reconciled.
- 4.3.3 Testing was performed to ensure that the journals for each period actually balanced to zero, and this proved satisfactory.
- 4.3.4 Due to the total number of codes being transferred for each period (and the fact that the total journals for each period balanced), sample testing (20 TOTAL codes for each period) was undertaken to ensure that the balances were being accurately moved to the new system.

- 4.3.5 A number of anomalies were initially identified. These were discussed with one of the PAs who was able to explain the majority of the variances. These fell into a number of common themes:
- The old TOTAL codes had been 'shared' by more than one manager and when the codes were subsequently journaled, it was identified that they needed to be split into different codes so that reporting could be undertaken correctly.
  - The old TOTAL code was in the wrong area based on current structures.
  - Attempts to merge subjective codes had led to some being incorrect under the new structure so had to be split back out (e.g. different M&E codes and car park income codes).
  - A member of staff had a (TOTAL) cost centre with no management ownership, which isn't allowed on the new system.
  - Incorrect assumptions had been made on where certain codes should sit (despite the list being shared with various staff).
- 4.3.6 He highlighted that the code conversion list produced was based on 'active' TOTAL codes. However, some 'dead' codes (i.e. those that hadn't been used on TOTAL for a long time) had suddenly been used again, so they had to be added back in to Ci Anywhere.
- 4.3.7 The PA also suggested that, if any codes were found to have been fundamentally wrong, he would have expected these to have been flagged by Accountancy staff during the subsequent budget management reviews. However, he advised that very few journals had been required so far.
- 4.3.8 There was one anomaly that could not be resolved at the time of the audit. The amount shown on the TOTAL transfer journals relating to three specific subjective codes for one cost centre did not balance to the amount shown on the new combined code on Ci Anywhere. No other codes on TOTAL relating to the cost centre could be found to account for the difference.
- 4.3.9 However, upon review of the transactions on Ci Anywhere for the relevant period, the discrepancy appears to relate to a number of transactions that appear with a different 'unit' value. This query has been raised with the Principal Accountant but had not been resolved at the time of audit completion. However, as he is aware of the issue and had already agreed to review the codes, no specific recommendation is thought to be warranted.
- 4.4 **Project Ledger**
- 4.4.1 The process followed to transfer the balances and the audit testing in relation to the project ledger was the same as for the General Ledger. A smaller sample was tested due to the number of codes in use. No issues were found with the sampled balances that had been transferred.
- 4.5 **Accounts Payable**
- 4.5.1 An import journal had been prepared by staff in Finance and this was reviewed against extracts from TOTAL and Ci Anywhere to ensure that all outstanding orders had been imported accurately.

- 4.5.2 Two extracts were run from TOTAL (covering both delivered and undelivered orders) and these were checked against the orders on the import. This highlighted 35 orders on TOTAL that were not on the import template.
- 4.5.3 The Senior Financial Services Officer (SFSO) advised that these orders were for non-commercial purposes and these payments are now to be completed by non-order payments. He provided a spreadsheet showing those orders that had been excluded from the import.
- 4.5.4 An export was also run from Ci Anywhere (all orders) from which an extract was performed to show those that had been transferred at the date that TOTAL had been closed down. These figures were compared to the import journal which identified 218 orders that did not match.
- 4.5.5 The SFSO advised that those that had been subsequently cancelled would show as zero on Ci Anywhere now (132 of the 218 variances). The other 86 orders were checked to TOTAL which confirmed that the correct figures had been used on the initial transfer journals.
- 4.5.6 Testing was performed on a sample of these 218 variances (20) to check whether an amendment had been processed on Ci Anywhere. This testing confirmed the original import figures and the new figures in each case.

#### 4.6 **Accounts Receivable**

- 4.6.1 The process for Accounts Receivable was similar to that of Accounts Payable, with import journals having been created by staff in Finance for different aspects of accounts receivable, including payment plans, payments on account and other non-recurring debts.
- 4.6.2 These were reviewed against figures obtained from TOTAL and sampled cases from Ci Anywhere to ensure that the figures had been accurately transferred. No issues were noted with the transfers reviewed.

#### 4.7 **Bank Reconciliation**

- 4.7.1 Due to previous (known) issues with the bank reconciliation process, the bank reconciliation did not balance as at 31 October 2021, so a holding balance had to be posted to Ci Anywhere in order for the ledger to properly balance at the transfer date. Everything else was posted to the suspense code.
- 4.7.2 At the time of the audit testing, the relevant PA advised that these items were being worked through and, once the 'true' opening position is established, anything remaining in the suspense account will be written off.
- 4.7.3 Part of the issue with the old process was the number of different codes used on TOTAL for the bank reconciliation. The journal spreadsheet that was produced showed the relevant codes along with the confirmation of the actual bank balance at that date. It also included the journal correction codes that were used for Ci Anywhere to get the correct opening balance on the new system.

- 4.7.4 These codes were verified to Ci Anywhere to ensure that the journal had been processed correctly.

## 5 **Conclusions**

- 5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the transfer of balances between TOTAL and Ci Anywhere were appropriate and worked effectively.

- 5.2 The assurance bands are shown below:

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

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