



Main Accounting Key Controls Review Assignment Report 2021/22 (Final)

Allerdale Borough Council

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Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards.

Key Dates

Report Stage	Date
Discussion Document Issued	April 2022
Discussion Meeting	July 2022
Final Draft Report Issued	July 2022
Client Approval Received	July 2022
Final Report Issued	July 2022

Report Distribution

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Acknowledgement and Further Information

MIAA would like to thank all staff for their co-operation and assistance in completing this review. This report has been prepared as commissioned by the organisation, and is for your sole use. If you have any queries regarding this review please contact the Audit Manager. To discuss any other issues then please contact the Director. MIAA would be grateful if you could complete a short survey using the link below to provide us with valuable feedback to support us in continuing to provide the best service to you.

https://www.surveymonkey.com/r/MIAA_Client_Feedback_Survey

1 Executive Summary

1.1 Objective

The overall objective of the review has been to provide assurance that the most significant key controls in the areas detailed in the scope below are appropriately designed and operating effectively in practice.

1.2 Opinion

High Assurance	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
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1.3 Key Findings

Overall, the review identified that controls were designed and operating effectively.

We confirmed that the Authority routinely undertakes key control account reconciliations on a monthly basis including the main bank account, disbursements, purchases ledger and creditors ledger. There is a control schedule in place on which progress against each can be monitored. Our review identified 4 reconciliations that had not been completed prior to the agreed deadline, however, the delay was supported by an explanatory comment or completed within a week of the deadline.

There are systematic controls in place which limit the ability to create journals to 11 members of the Finance Team. Sample testing confirmed that all journals are approved by the relevant budget holder using a spreadsheet template prior to creation by a member of the Finance Team, demonstrating that there is a segregation of duties in place.

Discussions highlighted that a Year End Workbook is maintained which highlights the tasks to be completed, responsible officer and deadlines for completion in the approach to year end. There are regular briefings for staff on tasks and any issues are followed up by the Senior Manager – Finance (Deputy s151 Officer). Aged debts are chased on a weekly basis throughout the year and this continues at year end.

The budget for 2021/22 was approved by Full Council in March 2021 and performance against the budget is reviewed on a quarterly basis. There are guidance documents in place to support budget setting and processes in place to allow budget holders to review their position on an ongoing basis.

We confirmed that there are procedure notes in place to support the transfer of the payroll feeder system data to the general ledger. A monthly reconciliation is undertaken and exception reports are produced to identify any variances in pay from month to month. Sample testing confirmed that overtime entries are appropriately approved by managers.

There are procedure notes in place to support the transfer of the revenue & benefits feeder system data to the general ledger. Reconciliations are completed on a weekly basis by the Finance Team and variances followed up by the Shared Service Team. There are controls in place to ensure that access to the system is restricted.

The following provides a summary of the key themes.

Sub Objective	Key Themes
Reconciliations and Journal Adjustments	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • The Authority reconciles key control accounts to the general ledger on a monthly basis. • The Authority maintains a central control schedule to track the completion of monthly key control account reconciliations which is reviewed by the Senior Manager – Finance (Deputy s151 Officer). • There is a segregation of duties between the approver and creator of journals. <p>Areas for noting:</p> <ul style="list-style-type: none"> • We identified 2 reconciliation that were not completed before the agreed deadline or supported by explanatory comments.
Year-End Procedures	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • The Authority maintains a workbook which details the key year end tasks, the responsible officer and the target date for completion which is readily available to the entire team. • Aged debts are pursued sufficiently in the approach to year end. • The main bank account is reconciled to the ledger monthly and all variances are reviewed. All payments are approved by an individual on the bank signatory list. • The Financial Statements for 2020/21 were completed by the Senior Manager – Finance (Deputy s151 Officer) and submitted prior to the agreed deadline. <p>Areas for noting:</p>

Sub Objective	Key Themes
	<ul style="list-style-type: none"> • None identified.
Budgetary Control	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • The Authority’s budget was approved by Full Council in a timely manner and a revised budget was presented in December 2021. • There is a Budget Strategy for 2021/22 and a Budget and Policy Framework Procedure in place to support the setting of the budget. • There are controls in place to ensure that a list of budget holders is updated in the event of new starters and leavers. • Budget holders are able to review their budget position and update their performance against budget on a monthly basis. <p>Areas for noting:</p> <ul style="list-style-type: none"> • None identified
Feeder System Reconciliations	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • Payroll and Revenue & Benefits feeder systems are periodically reconciled against the ledger and there is a segregation of duties between the preparer and reviewer. • Testing on a sample of reconciliations confirmed that variances are identified and reviewed appropriately. • Exception reports comparing staff salaries month on month is produced and any variances greater than £1 are investigated. • There are controls in place to ensure that access to systems is restricted and only provided following management approval. • Sample testing on overtime entries confirmed that all had been appropriately authorised. <p>Areas for noting:</p> <ul style="list-style-type: none"> • None identified.

1.4 Recommendation Summary

The table below summarises the prioritisation of recommendations in respect of this review.

Critical	High	Medium	Low	Total
0	0	0	0	0

2 Engagement Objectives and Scope (Terms of Reference)

2.1 Objective

The overall objective of the review is to provide assurance that the most significant key controls in the areas detailed in the scope below are appropriately designed and operating effectively in practice.

2.2 Scope

The review focused on the key controls within:

- General Ledger

This included all General Ledger key controls and in addition:

- Manual journal adjustments
- Year-end procedures
- Budgetary Controls
- Feeder Systems reconciliations (eg Payroll, Revenues & Benefits.)

The controls reviewed related to the 2021-22 financial year to date.

Appendix A: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or could have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.