

Review of **financial** **systems**

Copeland Borough Council

Audit 2010/11

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Introduction

1 My Audit Plan for 2010/11 sets out the work I need to do to meet my responsibilities under the Code of Audit Practice (the Code). I am required by the Code to consider the annual accounts and whether they give a true and fair view of the Council's financial position. The background to this and my audit approach are shown in appendix 1.

2 As part of my work each year I must understand the systems that record the transactions that lead to material figures in your annual accounts. I do this by documenting and 'walking through' the systems to ensure the controls within the Council's main financial systems work as intended. Controls are in place to safeguard the Council's assets and to ensure that transactions are accounted for correctly.

3 Table 1 shows a summary of the systems that lead to material figures in the Council's accounts.

Table 1: **Material financial systems**

General ledger	Payroll	Accounts payable
Accounts receivable	Loans	Investments
Cash receipting	Asset register	Housing Benefits
NNDR	Council tax	Improvement Grants

Source: Audit Commission

4 This report summarises the findings from my review of the Council's financial systems. I am finalising my review of the Council's IT control environment as supporting evidence only received from the Council in mid June 2011.

Main conclusions

5 The Council needs to improve the controls operating within some of its systems to safeguard its assets and ensure that transactions are correctly recorded within the statement of accounts.

6 I have identified some control weaknesses in the Council's systems and made recommendations to improve arrangements. Appendix 2 provides a full summary of the issues I identified and the Action Plan, agreed with officers, is at appendix 3.

7 I have made recommendations to improve and formalise arrangements for:

- prompt raising of NNDR bills for new businesses;
- timely reconciliation of the Valuation Office ratings listing to the Academy system for NNDR;
- undertaking quality checks on housing benefits claims; and
- data sharing within the improvement grants team.

Appendix 1 Background and audit approach

Background

International Standards on Auditing (ISAs) set out the professional practice I must follow in auditing the Council's accounts. They allow me to test systems on a cyclical basis under my agreed testing strategy. I gain assurance over the assertions the Chief Finance Officer makes when she authorises the accounts for issue by testing controls within a system. These assertions are listed below.

Revenue Accounts

- Occurrence: the transaction has occurred and relates to the Council.
- Completeness: amounts relating to the transactions have been recorded in full.
- Accuracy: amounts relating to the transactions have been recorded accurately.
- Cut-off: transactions have been recorded in the correct accounting period.
- Classification: transactions have been recorded in the correct codes/headings.

Balance sheet

- Existence: transaction or event has occurred.
- Rights and obligations: the Council owns or is entitled to use it.
- Valuation and allocation: amounts relating to the transactions have been recorded accurately.
- Completeness: amounts relating to the transactions have been recorded in full.

Disclosure

- Classification: amounts are recorded under the correct description.

Audit approach

My audit approach is to annually refresh my audit documentation of each material system and identify the key controls within the system. I then walk a transaction through the system to confirm that controls exist and operate as expected.

Where controls are in place, and I can test them, and they work as intended, I can place reliance on them to support the entries in the statement of accounts. However, if I find controls are not working properly and cannot rely on their operation to provide audit assurance, I have to undertake additional audit work. The audit fee is based on an assumption that controls are operating effectively.

The ISAs also require me to understand the key elements of your Information Technology (IT) control environment and to consider any risks of material misstatement arising from identified weaknesses. I am finalising my review of the Council's IT control environment as supporting evidence only received from the Council in mid June 2011.

I have updated my documentation of the Council's fixed asset register for 2010/11. I will complete my walkthrough of this system as part of my final accounts work on the asset register.

I seek to rely on the work of Internal Audit wherever possible.

Appendix 2 Audit findings

Table 2: **Audit findings**

Finding	Risk	Recommendation
NNDR		
<p>My testing identified delays of over two months before new businesses notified to the Council are input into the Academy system and an NNDR bill raised.</p>	<p>Delays in collecting NNDR from new businesses.</p>	<p>R1 Promptly input all new businesses into the Academy system so NNDR bills are raised quickly.</p>
<p>There have been delays in reconciling the weekly Valuation Office ratings listing to the Rateable Value and number of hereditaments on the Academy System during 2010/11. In early November 2010 the latest reconciliation was 19 May 2010. Although the timeliness of this reconciliation improved during the year, the team is experiencing delays again.</p>	<p>Information on the Academy system is out of date. Delays in issuing new bills.</p>	<p>R2 Ensure weekly reconciliation of the Valuation Office ratings listing to the Academy system.</p>
Housing benefits		
<p>There is a lack of clarity over the level of checking to be undertaken on housing benefits claims. My testing identified that for the month of August 2010 checks were only made on the 16 and 17 in August 2010 because relevant staff were on annual leave.</p>	<p>Level of quality checking is wrong. Quality checks delayed and become ineffective.</p>	<p>R3 Clarify the quantity of quality check to be undertaken on benefits claims. Ensure arrangements in place for this to happen when relevant staff are absent.</p>

Finding	Risk	Recommendation
Improvement grants		
<p>The improvement grants team has a 'monitoring spreadsheet' which records details of all payments made against each claim. This is used in the monthly reconciliation to the general ledger. The monitoring spreadsheet is password protected. However, the Grants Officer had been on long term sick leave. No other members of staff had the password so could not access the spreadsheet. As a result, the monthly reconciliation was not being undertaken.</p>	<p>Delays in reconciling between improvement grants paid and the General Ledger.</p>	<p>R4 Ensure there are appropriate data sharing practices in the improvement grants team.</p>

Appendix 3 Action plan

Recommendations	
Recommendation 1	
Promptly input all new businesses into the Academy system so NNDR bills are raised quickly.	
Responsibility	RBS Shared Service - Revenues Manager
Priority	High
Date	Actioned
Comments	More resources have been put into the visiting officer inspections to ensure NNDR bills for newly constructed properties are raised more promptly.
Recommendation 2	
Ensure weekly reconciliation of the Valuation Office ratings listing to the Academy system.	
Responsibility	RBS Shared Service - Revenues Manager
Priority	High
Date	Actioned
Comments	A Rating Officer is now in post, one of whose specific tasks is to process and reconcile the valuation schedule on a weekly basis.
Recommendation 3	
Clarify the quantity of quality check to be undertaken on benefits claims. Ensure arrangements in place for this to happen when relevant staff are absent.	
Responsibility	RBS Shared Service - Performance Manager
Priority	High
Date	30 September 2011
Comments	Recommendation agreed and actions will be clarified by the end of September.
Recommendation 4	
Ensure there are appropriate data sharing practices in the improvement grants team.	
Responsibility	Housing Renewals Manager
Priority	Medium
Date	Actioned
Comments	The spreadsheet is now on the shared drive.

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