

## Summary of Key Audit Findings for Quarter 4 2020/21

### Purchase Cards

- 1.1. Purchase cards are a flexible way for staff to buy goods and services, with the benefits including being able to buy direct from suppliers, enabling more efficient purchasing and better pricing. The Director of Corporate Resources requested a review of purchase card spend throughout the COVID-19 pandemic, to ensure corporate procedures were being followed.
- 1.2. The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:
  - Payments made are for goods and services that are necessary, and solely for Council use.
  - Purchase card expenditure is submitted with robust supporting evidence, and transactions are authorised by an appropriate officer.
- 1.3. Our work identified a number of areas where improvement was required and, as a result, we were only able to provide an opinion of **Partial Assurance**. A number of areas of weakness were identified as part of our work, and in particular, there was a lack of compliance by card holders and authorising managers with the Council's procedures.
- 1.4. In response to this audit, an action plan was agreed with management that included the following:
  - All purchase card users to read and apply the card holder manual guidance.
  - When there is a change of name, or a purchase card is no longer required, the old card should be destroyed, and the cardholder should delete card details from all on-line payment sites.
  - All purchase card users and authorising officers have been reminded of the importance of:
    - Timely card administration
    - The importance and need to clearly document the reasons for their purchases.
    - The requirement to code their transactions appropriately, and attach the appropriate evidence of the purchase to the transaction.
    - The importance and need to claim VAT correctly and, if applicable, to attach appropriate VAT evidence of the purchase.
  - All authorising managers have been reminded of the need to check that appropriate narrative has been added to each transaction; that the transaction has been correctly coded; and that appropriate evidence is attached.
  - It was agreed by the Senior Leadership Team (SLT) in April 2021, that purchase card users who persistently fail to comply with the required process will have their card taken away and may be subject to disciplinary action. Authorising managers may also be subject to disciplinary action if they fail to undertake their management control checks.
  - The purchase card guidance has been updated.
  - Training has been offered, by the Finance and Performance team, to all users and authorisers, including one to one training.

## Accounts Payable

- 1.5. Accounts Payable (AP) is the system through which the Council makes payments to its creditors or suppliers. Between 1 April 2020 and 8 January 2021, 6,436 invoices, with a total value of approximately £120m, had been paid, for goods received or services rendered. The total value is inclusive of the precepts paid to West Sussex County Council for dwellings within the district.
- 1.6. The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:
- Orders are raised for goods, works and services for bona fide services in accordance with the needs of the Council.
  - All payments (including non-order invoices, cheque requisitions and urgent payments) are subject to review and approval to ensure payments are valid and goods, works or services have been received and are correctly processed.
  - Only vendors that meet the needs of the Council and that do not already exist in the TechnologyOne (T1) system are set up. All vendors' details are maintained accurately in T1.
  - Transactions in the Accounts Payable system are completely and accurately transferred to (or reflected in) the General Ledger.
- 1.7. As there had been a recent and extensive review of BACs payments as part of the 2020/21 audit plan, it was agreed that the BACs process would not be reviewed during this audit.
- 1.8. In completing this review, we were able to provide an opinion of **Reasonable Assurance**. We found that the Accounts Payable (AP) system is well controlled as the service operates to a high level of accuracy, and no material processing errors were identified. Payments are authorised by an appropriate level officer. Vendor creation and changes to vendor records are well controlled. We also found that periodic reconciliations are undertaken between accounts payable data and the General Ledger (GL) which are subject to review and approval by a senior officer.
- 1.9. However, some opportunities to strengthen controls further were identified. These included the need to ensure that:
- Officers are reminded that, where invoices are undisputed, these are processed in a timely manner in order to meet the supplier's payment terms.
  - The Council's Finance system, T1, now includes automated controls that provide a low tolerance limit for payment. Where invoices exceed the original value stated (i.e. above this predefined tolerance limit), these invoices will be approved by an appropriate officer.

## Accounts Receivable

- 1.10. The Accounts Receivable function is responsible for ensuring that all income due to the Council is collected effectively and efficiently, banked promptly, and is correctly accounted for. Between 1 April 2019 and 31 March 2020, 34,483 invoices were raised to a value of approximately £20.2m, offset by 1,461 credit notes, with a total value of approximately £1.6m.
- 1.11. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- All income generating activities are identified and accurately raised to customers.
- A customer account maintenance process is in place and operating effectively.
- Amendments to invoices are correct and authorised.
- Collection and debt recovery is managed efficiently and effectively.
- Write-offs are processed accurately and correctly authorised.
- Payments are received and recorded against the correct debtor account in a timely manner.
- Reconciliations between the Debtors system and the General Ledger are undertaken on a regular basis.
- Debt recovery performance is monitored and reported.

1.12. As a result of our work, we were able to provide an opinion of **Reasonable Assurance** in this area. We found that all income generating activities are identified within each directorate, and officers in those teams have been assigned an Accounts Receivable user status within the Finance system. There are regular reconciliations undertaken and discrepancies are investigated that are reviewed and receive appropriate senior officer authorisation. In addition, there is appropriate segregation of duties in the process. The Council's Scheme of Delegation is adhered to and approval is sought from an appropriate officer for the write-off of unrecoverable debt. However, areas for improvement have been agreed with management to ensure that:

- Invoices are raised regularly and promptly, ideally within 10 days of the debt arising and preferably in advance of the service being issued. A reminder will be sent to all staff reaffirming this requirement.
- Sufficient and robust evidence of debt is generated and retained, in case legal action needs to be pursued for non-payment. A reminder will be sent to all staff regarding the information that should be retained.
- Recurring invoices are promptly cancelled. A reminder will be sent to all service users.

## Payroll

1.13. One of the largest areas of expenditure for the Council is the payment of employees for providing frontline and support services. The total gross annual salary costs for the Council for 2019/20 was just under £13.8m. As at September 2020, there were 454 staff employed by the Council, which equates to 401 FTEs (full time equivalents).

1.14. The Payroll function is outsourced to Capita, who are charged with paying employees accurately and in accordance with established policies. Therefore, controls over pay runs and BACs transmissions are not included within the scope of this review.

1.15. The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:

- Starters are properly approved, and pay is calculated and paid from the correct dates.
- Leavers are removed from the payroll in a timely manner and paid correctly and accurately to the correct dates.
- Permanent variations to pay are properly approved, calculated and paid from the correct dates.

- Payroll data is regularly reconciled to the General Ledger.
  - Temporary payments (including additional hours and payment to casual staff) are correctly authorised prior to processing.
  - Changes to data are reviewed, accurately input and authorised.
- 1.16. Due to the COVID-19 pandemic and the associated lockdown restrictions, there have been a number of adaptations to usual working practices, with many officers working remotely at the current time. All testing of starter and leaver documentation was undertaken using Microsoft Teams, with the auditor viewing supporting documentation on this platform. Therefore, this testing was more time consuming than in previous years and, as a result, with the agreement of the Director of Corporate Resources, the scope of the audit was reduced and permanent variations to pay were not reviewed (these will be covered as part of future audits).
- 1.17. As a result of our work, we were able to provide an opinion of **Reasonable Assurance** in this area. We found that there is appropriate separation of duties in the payroll process to reduce the risk of fraud or error. We also found that changes to non-standing payroll data are reviewed, accurately input and authorised. In addition, overpayments are identified, investigated and appropriate action is taken. However, improvements have been agreed with management in a number of areas:
- The process for the verification of new starter identification documents will be strengthened and any copies of employee identification, that are not signed by the appropriate manager and dated on the front, will be rejected by the HR and OD Department.
  - When the Elections team move to a new staff management system, all individuals engaged as casual workers for elections work will be asked to provide copies of their eligibility documents so that these can be checked.
  - Internal guidance will be developed for approving and submitting casual electoral canvasser claims. This will include examples of appropriate submissions. In addition, the paper based casual claim form will be adapted to be more precise and easier for casual canvasser workers to complete. This is an interim measure while an electronic form is developed.

### **Main Accounting**

- 1.18. The corporate Finance system, T1, is the Council's main source of financial information and provides the platform for both the Council's budget management and the production of its statutory accounts.
- 1.19. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- Comprehensive guidance, procedures, and training notes, as well as financial regulations, are in place for the operation of the Main Accounting System in accordance with statutory guidance and accounting standards.
  - Transactions in the feeder system are completely and accurately transferred to (or are reflected in) the General Ledger.
  - Journals are appropriately described, authorised, complete and valid.
  - Suspense and holding accounts are monitored, entries are investigated, and appropriate action is taken to resolve any issues in a timely manner.

- The structure of the main accounting system reflects the structure of the organisation.
  - Bank reconciliations are regularly prepared by an independent finance officer with evidence of separation of duties, with a review of the reconciliation by an appropriate senior officer.
- 1.20. In completing this review, we were able to provide an opinion of **Substantial Assurance** in this area. We found that there is a robust bank reconciliation process undertaken daily that is reviewed and subject to appropriate officer approval. There is segregation of duties between officers within the main accounting system. Evidence is obtained and retained to support journals posted and their approval. In addition, the suspense account is monitored, entries are investigated, and appropriate action is taken to resolve any issues in a timely manner.
- 1.21. There was one area for improvement agreed with management which related to enhancing the internal process notes.