



**Internal Audit Report**

Final

Strategic Finance

**Review of General Ledger Operations**

March 2011

## **1 INTRODUCTION**

This report has been prepared as a result of the Internal Audit review of the General Ledger Operations within Strategic Finance as part of the 2009/2010 Internal Audit programme.

The Council's General Ledger System, Oracle Financial Management (FMS) was updated during 2005/2006 and is accessible to each Department in the Council.

Management and administration of Oracle FMS is the responsibility of the Council's Head of Strategic Finance in conjunction with the Corporate Accounting Manager.

A review of some aspects of General Ledger Operations is undertaken each year by Internal Audit as part of the annual audit plan. Last year's audit concentrated on internal recharges. This year Internal Audit will mainly look at entries to the financial management system.

## **2 AUDIT SCOPE AND OBJECTIVES**

The main objective of the 2010/11 audit is to ensure that entries to the Financial Management System (FMS) are accurate and that there are appropriate controls in place to ensure:

- Closing Year balances are correctly authorised.
- Data input to the system is properly authorised.
- Data from feeder systems are timelessly transferred to the ledger.
- Output properly reflects the financial data within the system.
- Output is produced in accordance with prescribed timetable.

## **3 RISK ASSESSMENT**

As part of the audit process, the risk register was reviewed to identify any areas that needed to be included within the audit.

It was noted that the Main Accounting System is a key component in addressing the following high level risks:

- Failure to meet capital/revenue spending targets, thus contributing to financial inefficiency,
- Failure to have a robust internal control process and system
- Financial management processes need to be aligned with structures

and Council's objective.

#### **4 CORPORATE GOVERNANCE**

The Main Accounting System forms the record base for monitoring the Council's financial performance and position. The Annual Accounts, prepared from the FMS, form the basis of communicating the financial position and performance.

An annual review of the effectiveness of the system of internal control is carried out by the council and this is reported in the Statement on Internal Control (SIC).

#### **5 MAIN FINDINGS**

- A Sample of accounts was checked to ensure that the balances that were transferred from one year to the next were correct. A report for each account sampled was taken as evidence; the result of the testing was satisfactory.
- A sample of cost centre maintenance forms and account centre maintenance forms was taken and checks were carried out to ensure that only authorised persons complete the forms. The result of the testing was satisfactory.
- A sample of journals was taken to ensure they were correctly authorised and that there is adequate segregation of duties when inputting onto the financial management system. The result of the testing was satisfactory.
- Debtors and cash receipting was sample checked to ensure they are transferred to the ledger on a daily basis. The result of the testing was satisfactory.
- A sample of cost centres were reviewed across departmental services and their balances checked against the information held within the financial management system. The result of the testing was satisfactory.
- A test was undertaken in order to ensure compliance with the prescribed timetable. The results were satisfactory.

#### **6 RECOMMENDATIONS**

No recommendations were identified as a result of this audit.

## **7        AUDIT OPINION**

Based on the findings from testing that was carried out on the financial management system, we can conclude that there are adequate procedures and controls in place.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## **8        ACKNOWLEDGEMENTS**

Thanks are due to the:

- Finance Manager, Corporate Accounting
- Senior Accounting Assistant, Corporate Accounting
- Trainee Accountant, Corporate Accounting

for their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

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