

Final Internal Audit Report

Creditors (including P2P)

June 2019

Distribution: Executive Director of Resources (Final only)
 Director of HR
 Director of Finance, Investment & Risk (Final only)
 Head of Finance Service Centre
 Transactional Finance Manager

Assurance Level	Issues Identified	
Substantial Assurance	Priority 1	0
	Priority 2	1
	Priority 3	0

Confidentiality and Disclosure Clause

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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Executive Summary

1. Introduction

- 1.1 Procure to Pay (P2P) is part of the One Oracle application for the ordering of goods and services and the payment of invoices. The only exemption is in respect of temporary staff, procured with Adecco. There are also a number of feeder applications that interface to generate payments via One Oracle, including ROCC, SWIFT and OHMS.
- 1.2 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. Key Issue

Priority 2 Issue

Testing of a sample of 20 requisitions identified six cases where the purchase order was raised after the invoice. **(Issue 1)**

3. Actions and Key Findings/Rationale

Control Area 3: Processing of Invoices		Detailed Finding/Rational – Issue 1				
Priority	Action Proposed by Management					
2	<p>Reports that enable us to identify areas of non-compliance with retrospective purchase orders have been requested as part of the My Resources implementation. The reports are currently under development and will be tested to ensure they are providing the right level of information.</p>	<p>The payment procedures on the Council's intranet detail that, 'it is important that orders are placed on P2P before the actual cost is incurred. As soon as you are aware of a requirement for goods and services, you must raise a requisition on the P2P system. Under no circumstances should requisitions be raised retrospectively (i.e. when goods/services have been delivered).'</p> <p>Testing of a sample of 20 requisitions identified six instances where the requisition (and purchase order) was raised subsequent to the invoice by between 20 and 98 days.</p> <p>As highlighted in the Creditors 2015/16 audit report, since the upgrade to the One Oracle Accounts Payable system in 2015, appropriate exception reports (such as retrospective purchase orders, invoices without a purchase order number quoted and invoices not sent centrally, or hand written) to enable the monitoring of P2P compliance have not been available to be run.</p> <p>Discussion with Accounts Payable Manager confirmed that the monthly monitoring packs still cannot be run off the system, and will not be able to until the new system is implemented in early 2019/20.</p> <p>Where requisitions (and purchase orders) are not raised before the actual cost is incurred, there is a risk that the authorisation and commitment processes are bypassed, which may result in inappropriate purchases and poor budgetary control. Additionally, having a purchase order in place minimises the likelihood of disputes with suppliers and possible legal action.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Transactional Finance Manager</td> <td>31 July 2019</td> </tr> </tbody> </table>	Responsible officer	Deadline	Transactional Finance Manager	31 July 2019	
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Transactional Finance Manager	31 July 2019					

TERMS OF REFERENCE

Creditors (including P2P)

1. INTRODUCTION

- 1.1 Procure to Pay (P2P) is part of the One Oracle application for the ordering of goods and services and the payment of invoices. The only exemption is in respect of temporary staff, procured with Adecco. There are also a number of feeder applications that interface to generate payments via One Oracle, including ROCC, SWIFT and OHMS
- 1.2 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes relating to Business Rates.
- 2.2 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.3 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





- 3.1 This audit examined the Council's arrangements for the following areas relating to Creditors (and number of issues raised):

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Organisational, Management and Legislative Requirements	0	0	0
Amendments to Standing Data	0	0	0
Processing of Invoices	0	1	0
Urgent Payments	0	0	0
BACS Payments and Issue of Cheques	0	0	0
Total	0	1	0

DEFINITIONS FOR AUDIT OPINIONS AND ISSUES IDENTIFIED

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to issues identified are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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