

Final Internal Audit Report

Main Accounting (Reduced Scope) 2018/19

June 2019

Distribution: Executive Director of Resources(Final only)
 Director of Finance Investment and Risk
 Head of Finance, Resources and Accountancy

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

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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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 The Corporate Finance Team is responsible for the reconciliation of the creditors and debtors control accounts, and the production of final accounts. The Oracle Support Team is responsible for setting up new account codes, controlling and reconciling interfaces between feeder systems and Oracle, and clearing general ledger suspense accounts.
- 1.2 This audit was undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. Key Issues

- 2.1 There were no priority 1 or 2 issues in this report. The priority 3 issue is included under item 3 below.

3. Priority 3 Issue

Action Proposed by Management	Findings
<p>1) We agree with this proposal and will take steps during subsequent closedowns to update timetables with completion dates during the closedown process.</p>	<p>The closedown timetable for financial year end should be updated regularly when key objectives have been completed.</p> <p>The Head of Finance, Resources and Accountancy advised that, whilst the closedown timetable for 2017/18 had been prepared and regular meetings held confirming that key objectives were being completed on time, the actual timetable spreadsheet was not updated. The Head of Accountancy provided a Statement of Accounts spreadsheet, which detailed when the objectives were completed and approved, but this information was not transferred to the closedown timetable. The 2018/19 close down is in progress.</p> <p>Where the closedown timetable is not updated regularly, there is a risk that key end of year objectives will be missed or not completed in accordance with the required timetable.</p>

TERMS OF REFERENCE

Main Accounting

1. INTRODUCTION

- 1.1 The Corporate Finance Team is responsible for the reconciliation of the creditors and debtors control accounts, and the production of final accounts. The Oracle Support Team is responsible for setting up new account codes, controlling and reconciling interfaces between feeder systems and Oracle, and clearing general ledger suspense accounts.
- 1.2 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes
- 2.2 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 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Journal Entries;	0	0	0
Year-End Procedures; and	0	0	1
Budgetary Control	0	0	0
Total	0	0	1

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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