

Cyngor Sir Gâr Carmarthenshire County Council

Archwiliad Mewnol Internal Audit

MWWFRS

Main Accounting System

**Final Internal Audit Report
2023/24**

15th November 2023

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1. INTRODUCTION

Background

One of the main objectives of the main accounting function is the maximisation of MWWFRS' financial resources, and the establishment and monitoring of sound and efficient financial control within the Service.

The Authority utilises Unit4 ERP as its financial management system. This is an integrated system that comprises the general ledger, accounts payable and accounts receivable modules.

The main accounting function is fundamental to the Service and, as such, is subject to an annual review.

Scope and Objectives

The Main Accounting System was reviewed to ensure that:

- Budgets are recorded and controlled appropriately.
- The coding structure is applied in accordance with recognised procedures.

Associated Risks

The risks that were considered in the review are as follows:

- Budgets may not be approved prior to implementation; expenditure would not be able to be monitored accurately against budgets and management information would not be accurate with the possibility that large variances or misappropriations may occur and go undetected.
- Budgets can be manipulated to disguise failures in service delivery.

2. GENERAL OPINION

Following the review of the Main Accounting System, it is pleasing to report that the procedures associated with the main accounting system continue to operate to a high standard. The Budget Guidance document provides guidance for officers responsible for budgetary control, and was up to date having been reviewed and updated in March 2023.

At the time of the Internal Audit review, testing to ensure 2022-23 end of year balances had been brought forward accurately in the financial management system could not be completed as balances had not yet been brought forward. The statement of accounts was approved by the Fire Authority on the 25th September 2023, and was subsequently signed off by Audit Wales on the 5th October 2023. Internal Audit has been advised that work is currently being undertaken for the balances to be brought forward on the financial management system. It is important to ensure that balances are brought forward on a timely basis.

The Budget Guidance document provides clarification in relation to the classification of virements, and the appropriate levels of authorisation for virements and budget reclassification virements. Testing was carried out on all three virements that had been actioned at the time of the audit for the year 2023-24; two of which were budget reclassification virements. All were found to have been actioned correctly, utilising the correct forms, with the correct levels of authorisation.

MWWFRS Finance Department processes all journal transactions other than batch uploads, which are processed by Carmarthenshire County Council (CCC), as part of the Service level Agreement. A random sample of 5 journal transactions was tested, all of which transpired to be batch uploads; all were found to have been appropriately authorised prior to submission to CCC for processing, and all had been completed on the appropriate journal template forms, utilising a supporting journal spreadsheet, with adequate details/reasons documented. Testing did, however, identify one instance where amendments were made to the journal spreadsheet following errors identified during the processing of the journal transactions; these amendments were not subsequently approved by an appropriate authorising officer. It would be prudent to ensure that any amendments to the details of journal transactions are appropriately approved.

In addition, testing of financial codes was undertaken; no errors or issues in relation to the coding of transactions were identified, and in the instances where it appeared that income was coded as negative expenditure and vice versa, all appeared appropriate and legitimate. It was, however, identified that the process for the setting up, amendment and closure of financial codes was not always operating as expected. It was found that four amendments did not have appropriate authorisation or supporting documentation completed. Consideration should be given to documenting the process for inclusion in the Budget Guidance to ensure that all staff are clearly aware of the process, documentation to be completed, and authorisation requirements.

A review of suspense accounts was completed which identified five open accounts, two accounts of which were currently being utilised. Activity on these accounts appeared reasonable, and the accounts were being reviewed and cleared on a regular basis. There were no balances to be carried forward to 2023/24 from the previous financial year, demonstrating that these accounts were completely cleared at the year end.

3. ASSURANCE RATING

The post review assurance level for systems relating to Main Accounting System is categorised as follows:

Assurance Level	Description for Assurance Level
High	<p>Good controls consistently applied.</p> <p>Low risk of not meeting objectives.</p> <p>Low risk of fraud, negligence, loss, damage to reputation.</p>

4. SUMMARY OF RECOMMENDATIONS

The audit findings and recommendations are detailed in Section 5, together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below:

Priority	3*	2*	1*	Total
Number of recommendations	0	0	1	1

5. FINDINGS AND ACTION PLAN

Finding 1: Financial Code Amendments	
Testing identified four instances where amendments to financial codes did not have appropriate authorisation or supporting documentation completed.	
Recommendation 1	Priority level
<p>Consideration should be given to documenting the process for the amendment of financial codes, for inclusion in the Budget Guidance, to ensure that all staff are clearly aware of the process, documentation to be completed, and authorisation requirements.</p> <p>All amendments should have adequate supporting documentation available that has been approved appropriately.</p>	*
Management Response 1	Responsible Officer
<p>The 4 instances identified relate to account rule changes to account codes linked to the Construction Industry Scheme (CIS). It is proposed to document the process for the amendment of existing financial codes into a finance specific guidance "Unit4 ERP (Agresso) System Admin Guidance".</p> <p>Where there are amendments requested to existing financial codes by a member of the Finance Team, the relevant authorised officers in the Finance Team should be copied in on any e-mail requests. No specific authorisation requirements are deemed necessary for amendments to existing financial codes.</p>	Head of finance
	Implementation Date

Audit Assurance Ratings

Assurance Level	Description for Assurance Level
High	Good controls consistently applied. Low risk of not meeting objectives. Low risk of fraud, negligence, loss, damage to reputation.
Acceptable	Moderate Controls, some areas of non-compliance with agreed controls. Medium / low risk of not meeting objectives. Medium / low risk of fraud, negligence, loss, damage to reputation.
Low	Inadequate controls. High Risk of not meeting objectives. High risk of fraud, negligence, loss, damage to reputation.

Recommendation Priorities

***** Priority 1 - Fundamental Weaknesses**

Control issues to be addressed as a high priority. These relate to issues that are fundamental and material to the system of internal control at a service level.

Recommendation should be introduced as a high priority.

**** Priority 2 - Strengthen Existing Controls**

Action required to avoid exposure to significant risks. These relate to issues that procedures do exist but require strengthening.

Implementation is strongly recommended.

*** Priority 3 - Minor Issues**

Action required which should result in enhanced control or better value for money. These are issues arising that would, if corrected, improve the internal control environment in general but are not vital to the overall system of internal control.

Implementation of recommendation is desirable to comply with best practice guidance.