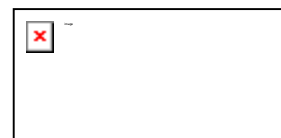


Audit and Corporate Governance Committee Report



Joint Report of Head of Finance / Strategic Director and Capita

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AGENDA ITEM NO
7

Financial management systems issues

Purpose of Report

1. The aim of this report is to identify the key controls within Agresso, the financial management information system (FMIS), and to report where officers believe controls are adequate, operating effectively, and that working practices are in accordance with approved procedures and contractual responsibilities. It will also seek to highlight where they do not believe this is the case at present.
2. Where controls are inadequate, the report will confirm measures that are being taken to bring effective controls into place.

Background

3. As part of the financial services contract Capita are contracted to provide a number of new financial systems. It has implemented the revenue and benefits Academy system at this council and at the Vale of White Horse District Council with little disruption to services. However the implementation of Agresso, the FMIS, has been more

problematic. At this council Agresso replaced 'Powersolve' and Radius Icon.

4. Agresso comprises of 9 modules, the four major ones being a general ledger (GL), an accounts payable (AP) function for the payment of invoices, and accounts receivable (AR) module for the raising of debtor accounts and a purchase module that allows a single electronic procurement and payment process.

5. Agresso was installed by Capita in April 2007 and the council encountered initial problems with the payment of invoices and the raising of debtor accounts. These two main problems have been resolved but officers have remained concerned at the control within the system.

6. This committee's remit is to satisfy itself with regards the control environment within which we operate, at the council at the meeting of 26 September 2007 the Chairman invited representatives from Capita to the next meeting of the Committee to report on the adequacy of controls within Agresso. This report has been prepared by officers of the council and members of Capita. Officers and staff of both organisations will be in attendance at the meeting to answer members' questions.

Financial Information Management System – Agresso

7. The nine modules that comprise Agresso are:
 - General Ledger (GL)
 - Accounts Payable (AP)
 - Accounts Receivable (AR)
 - Bank Reconciliation (BR)
 - Agresso Purchasing (PO)
 - Sales Orders (SO)
 - Workflow (WO)
 - Planner (PL)
 - Systems Administration (SA)

8. The data within each module is either:

- input manually (e.g. staff raising orders)
 - posted via an external electronic interface (e.g. from the cash receipting system, payroll) or
 - posted between Agresso modules (e.g. from AP to GL)
9. The controls within the system are to ensure all data is correct and is posted in a timely manner. The following tables detail the main controls within each module. Officers have assessed the main controls and have reported if the system control is being operated as designed or not. It should be noted that in a number of instances where the systems own control mechanism is not yet fully functioning the required control reconciliations are being carried out outside of Agresso for example Bank Reconciliations.
10. Appendix 1 gives details of outstanding tasks as at the end of November 2007 (including responsible officers and expected completion dates) for each control not yet fully functioning that requires further action.

Summary

11. Although a number of controls within Agresso are not working as they are designed to operate, in most instances alternative external controls have been put in place. These are not as efficient and the proper system controls need to be implemented as soon as possible. Actions to address the areas of control that are currently not adequate are a high priority.

Conclusion

12. The control environment within Agresso requires further work to bring it up to a satisfactory level. Capita and officers are aware of the actions that are required. One of the functions of this committee is for it to satisfy itself with regards the control environment within the council. To this end the committee may wish to receive an update on the attached action plan at its next meeting.

General Ledger (GL) – Table A

Process area:	Control	Adequate /Inadequate	O/S Action	Compl
1. Manual transaction entry ie: journals / posting opening balances	System set up “Data control”/ user access -/self verification / management review	✓	A1/A3	Data to pos verification identi
2. Enquiries – integrity & access	System set up “Data control”/ user access	X	A2	Data enqui mean
3. Maintenance of standard reports – ie: VAT return / Trial balance	Control of chart of accounts updates to standard reports and relations amended.	X	A4	Repor in rela repor
4. Automatic postings – controls for interfaces	System set up “Data control”/ user access -/self verification / management review	✓	A3	
5. Period End Routines – control of opening / closing accounting periods	System set up “Data control”/ user access -/self verification / management review	X	A3	Perio stand perio
6. Suspense / error account controls	System set up “Data control”/ user access -/self verification / management review and sign off	✓	A5	Susp mana
7. Maintenance of Chart of Accounts	System set up “Data control”/ user access -/self verification / management review and sign off	X	A4	Chan accou

Accounts Payable (AP) – Table B

Process Areas:	Control	Adequate /Inadequate	O/S Action
1. Supplier Master file controls	System set up “Data control”/ user access – segregation of duties /self verification / regular management review and sign off	X	
2. Invoice registration routines	Segregation / user access / batch control / review and sign off	✓	B2

3. Clear / authorisation of invoices for payment	System set up "Data control"/ user access – approval limits & authorised officers / sign off >£10k / review and sign off	✓	A1 / B2 B3
4. Payment & remittance process controls	Segregation / user access / review and sign off	✓	B2
5. Reporting enquiries	User access / data control	✓	B5
6. Maintenance & corrections	User access / data control	✓	B1/B5
7. Suspense / error account controls	User access / regular review and sign off	✓	B4

Accounts Receivable (AR) – Table C

Process Areas:	Control	Adequate /Inadequate	O/S Actio
1. Customer master file controls – account details , bank account numbers etc.	System set up "Data control"/ user access – segregation of duties /self verification / regular management review and sign off	X	C1/C
2. Routines around the processing of manual invoices.	System set up "Data control"/ user access –authorisation of invoices for approval / regular management review and sign off	✓	C3
3. Payments & reversals – matching against individual accounts	User access – segregation of duties / regular management review and sign off	X	C2
4. Debt collection and write off routines	user access – automated procedures / regular management review & sign off / reporting	X	C3/6
5. Suspense / error account controls	user access – segregation of duties /self verification / regular management review and sign off	✓	C5

Bank reconciliations – Table D

Process Areas:	Control	Adequate /Inadequate	O/S Action	Comments
1. Transaction entry controls ie: opening balances	User access / reporting / review and sign off	✓	D1/D2	Payments Nov, and not reconciled allow for au
2. Statement upload routines	User access / reporting / review and sign off	✓	D1/D2	Adequate k
3. Enquiries & reporting	System set up /User access / reporting / review and sign off	X	D1/D3	Functionality manually o
4. Automatic matching routines	System set up /User access / reporting / review and sign off	X	D1/D3	Being utilis per above,
5. Manual matching routines	User access / reporting / review and signed off	X	D1/D3	Being utilis per above,
6. Correction of historic items arising from bank reconciliation process	User access / reporting / review and sign off	X	D1/D4	Historic iter process – c accountan

Purchase Orders – Table E

Process Areas:	Control	Adequate /Inadequate	O/S Action
1. Fixed Registers – products & product groups	System set up “Data control”/ user access / authorisation of new products	X	E1
2. Requisition creation procedures	System set up “Data control”/ user access – approval limits & authorised officers / sign off >£10k / review and sign off	✓	E2
3. Goods received	Authorisation required for any changes to	✓	

entry	GRN from PO		
4. Order enquiries & reports	System set up "Data control"/ user access	X	A1/E3
5. Invalid transactions	User access / reporting / review and sign off	✓	

Sales Orders(SO) – Table F

Process Areas:	Control	Adequate /Inadequate
1. Fixed Registers	System set up "Data control"/ user access – segregation of duties /self verification / regular management review and sign off	✓
2. Creating sales orders / batch input	Segregation / user access / review and sign off	X
3. Credit notes / goods returned	System set up "Data control"/ user access – approval limits & authorised officers / sign off >£10k / review and sign off	X
4. Invoicing procedures	Segregation / user access / review and sign off	✓
5. Price adjustments & discounts	User access / data control	✓
6. Maintenance & corrections	User access / data control	✓

Workflow (WO) – Table G

Process Areas:	Control	Adequate /Inadequate	O/S Action	Comments
1. Automated tasks	System set up “Data control”/ user access	N/A	G1	Workflow not i scoping of any Activity Plan (
2. Non- automated tasks	System set up “Data control”/ user access	N/A	G1	Workflow not i scoping of any Activity Plan (
3. Distribution rules set-up	System set up “Data control”/ user access	N/A	G1	Workflow not i scoping of any Activity Plan (
4. Maintenance of distribution rules	System set up “Data control”/ user access	N/A	G1	Workflow not i scoping of any Activity Plan (

Planner (PL) – Table H

N/A – Module not implemented. Capita have yet to load budgets into Planner. Action H1

Systems Admin & interfaces (SA) – Table I

Process Areas:	Control	Adequate /Inadequate	O/S Action:
1. Archiving	Access and availability of data / back up and restore procedures	✓	11
2. Backup & restore routines		✓	12
3. Interface routines completed timely / regularly	Management reports / review and sign off	✓	13
4. Cash interface review /correction of errors	System set up “Data control”/ user access - /self verification / management review	✓	13
5. Payroll interface – review & correction of	System set up “Data control”/ user access - /self verification / management review	✓	13

errors	Reporting / review		
6. HB interface controls / review	System set up "Data control"/ user access - /self verification / management review	X	14
7. System availability		X	12