



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	IBS Creditors Internal Audit Report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	27 June 2011
Policy Document:	No
Directorate:	Housing
Accountable Cabinet Member:	Councillor C. Malpas

1. PURPOSE

1.1 To update the Committee on progress on implementing the 2010 internal audit report: Creditors (IBS) Review.

2. RECOMMENDATIONS

2.1 The Committee is recommended to note the progress on implementing the recommendations.

3. ISSUES AND CHOICES

3.1 Report Background

3.1.1 The Council completed the implementation of the IBS repairs computer system in July. The audit was carried out shortly after implementation and raised a number of issues that needed to be addressed. These are listed in the Appendix.

3.1.2 Progress is underway on implementing Open Mobile which is due to go live in September 2011. This will involve the use of hand held, mobile technology which will replace current paper based systems.

3.2 Issues

3.2.1 Following implementation there were system and process issues in housing and the interface between housing and finance that led to a backlog of unpaid invoices. This has been successfully dealt with and there is no backlog of invoices. Proper systems are in place and processes are now being followed. Other issues that needed to be addressed are listed on the appendix.

4 BACKGROUND PAPERS

Internal Audit Report
Creditors IBS review
Report No 10-11-NBC 08

Report Author: Christine Ansell
Head of Landlord Services
Ext 8584

APPENDIX

Ref	Specific Risk	Control weakness found and risk rating	Recommendations	Management response	Latest position
1	Procedure Notes may not reflect current working practices leading to an increased risk of error.	The Council does not have formal procedure notes in place for the ordering system. These are in their draft stage. Medium risk.	Detailed procedure notes should be drawn up for IBS. These should be placed on the shared drive or intranet to ensure that all officers can access them with ease. Procedure notes should be reviewed on an annual basis to ensure they are kept up-to-date and relevant.	Agreed. Procedure notes have been produced	Procedure notes have been draw up and this was completed in January 2011
2	User accounts of leavers could be used by others if not disabled or Terminated. Users may have inappropriate access to the system.	Human Resources do not supply a list of new starters, staff who have left or staff who have been promoted, to the IBS System Administrators. Therefore the administrators rely upon the line managers and the teams own knowledge to inform them of these changes in circumstances. Medium risk	A regular list of changes to personnel should be communicated to the IBS System Administrators to enable them to process these changes accordingly.	Agreed HR now send lists through to the Systems Team following all personnel leaving the authority and the system is updated this way. This will be done monthly.	Completed
3	Funds are being committed without appropriate authorisation. An adequate GRNI liability may not be recognised in the accounts Management may not be aware of performance leading to adverse	There are some key exception reports which are either not being performed by the Council or not being reviewed by the Team Leaders using IBS. These include: <input type="checkbox"/> Invoices not supported by orders. <input type="checkbox"/> Goods received not invoiced. <input type="checkbox"/> Prompt payment requirements <input type="checkbox"/> Amendments to master file data Medium risk	The functionality of IBS systems should be investigated to establish exception reports can be run. In particular: 1. Invoices not supported by orders should be reviewed on at least a monthly basis. 2. Goods received not invoiced should be reviewed by team leaders centrally on at least a monthly basis. 3. Performance reports regarding the payment of	Agreed. 1. Reports now checked daily by the Business Support Team Leader. 2. Goods received not invoiced – a report already exists. Team Leaders have been and will continue to be reminded of the report and the processes they should follow. 3. Report produced and	Completed

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	performance against any Council BVPI targets Unapproved changes to employee standing data may be made.		creditors should be circulated to Maintenance Supervisors to identify any adverse performance against key performance indicators on a monthly basis. 4. The Business Support Team Leader should review any changes made to standing data on at least a monthly basis	circulated. 4. Team Leader Business Support will review changes made by Finance to suppliers on a monthly basis – no changes can be made directly into IBS	
4	Unauthorised access to the system leading to misappropriation of Authority's funds.	2 members of staffs who have left the Council still had access on the IBS system. Medium risk	The Council should remove all staff who have left the Council from the access listing, User access should be reviewed on a monthly basis.	Agreed Will be done monthly	Completed
5	Tendering process for quotations cannot be evidenced. The Council may be overcharged if invoice and order amount differences are not investigated. Increased risk of unauthorised transactions Contractors may be unfairly or inconsistently selected.	For 2 out of 25 jobs tested, quotations had not been sought or had not been sought in line with the thresholds identified by the Council. Procedure notes for obtaining quotations for IBS are in draft. Medium risk	Detailed procedure notes for seeking quotations should be finalised. The Department should ensure that these are in line with the Council's general procurement guidance for quotations. These should be placed on the shared drive or intranet to ensure that all officers can access them with ease. Officers have been reminded of the requirement to obtain quotations in line with procedures	Agreed Instructions given. Staff have been reminded again in writing.	Completed

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6	Funds are being committed without appropriate authorisation.	For 1 of 25 purchase orders tested, the purchase order had been raised after the goods had been recorded as received. Low risk	The Council should ensure that purchases are not being made without an authorised requisition and order.	Agreed Instructions given to staff who have been reminded again in writing.	Completed
7	The Uniclass system has historically had many problems and a 'No Assurance' opinion was given over the system in the prior year.	The Uniclass system is still being used for transactions within the Transport department. Medium risk	The Council should review the use of Uniclass for transport transactions and research into the feasibility of using either Agresso or IBS instead.	It has been decided to use the Agresso system and discussions are taking place with the finance department to take this forward	In process
8	Invoices and purchase orders are not matched leading to a delay in payment	Suppliers sometimes send two invoices to cover one purchase order. However, the functionality within IBS to create more than one GRN is currently not being used. Medium risk.	The Council should utilise the functionality to create a second goods received note for one purchase order. This will allow goods which have been split across two invoices to be matched to original purchase orders	Process in place and staff briefed	Completed
9	Orders may be made inappropriately	The system has functionality to place limitations on the maximum amount individuals can raise cumulatively. However, this is not being utilised effectively and has been set at £99,999,999. The risk is mitigated by a built in workflow within IBS which ensures individual orders are authorised in	The Authority should review the restrictions placed on the total amount individuals can raise and consider amending this to a lower level. This will strengthen controls over the maximum orders individuals can raise.	Agreed to consider This is a low risk and there are alternative mechanisms in place that provide the necessary controls. Each user has a financial per transaction limit which also provides control.	Under consideration - Target date 30 July 2011

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		accordance with authorisation limits. Low risk		We need to assess what overall limit per person would be a reasonable amount as we do not want a limit to be reached resulting in a delay to the ordering of repairs.	
10	The Authority is not complying with prompt payment deadlines	The Department is currently not achieving its payment deadlines for invoices. At the time of the audit, on the 21st October 2010, 231 out of 373 invoices, totaling £83,711.13, were listed as being overdue on the Authority's' traffic light report. Medium risk	The Authority should investigate the reasons for the high number of overdue invoices and carry out an exercise to clear the backlog and ensure that processes are in place to prevent this occurring in the future.	Agreed	Completed – there is no backlog of unpaid invoices
11	False suppliers may be created	There is no review or authorisation of new suppliers on the system. Any member of staff can request a new supplier to be set up by Finance. High risk	The Authority should ensure that any requests for new suppliers in the IBS system are authorised by Team Leaders prior to requesting set up from Finance. A listing of all Team Leaders who have approval to authorise should be distributed to the Housing team and to Finance	Agreed New procedure agreed and in place No new suppliers will be added by finance without a signed authorisation form which will contain at least two signatures	Completed
12	Budget information may not	Commitment accounting is not used by the Authority within Housing. This is because the IBS method of	The Finance function should implement commitment accounting	This has been outside our control as it was partly dependent upon	Under consideration

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	acknowledge future commitments. Creditor accruals may be inaccurate.	performing commitment accounting is not deemed to be compatible with Agresso. It is understood that the Finance function plans to implement this within a future implementation phase. Medium risk	within the next system upgrade. This would require purchase orders to be posted to cost centres on Agresso when they are raised	an upgrade of the finance Agresso system. Purchase of the IBS Commitment Accounting Module is under consideration by the Director.	
13	Increased risk of details on IBS being inaccurate.	2 out of 25 job tickets tested had not been authorised. These both related to commercial sector jobs. Low risk	Team leaders should ensure that all job tickets are signed as authorised.	Agreed Instructions issued to staff	Completed
14	Works performed by contractors may not be performed to a satisfactory standard. Suppliers are paid for incomplete jobs. Amounts charged are inaccurate. Goods received may not be accurate	For 2 of 25 purchase orders tested there was no evidence of checks being performed to confirm that the work had been completed and that amounts charged were accurate. Both of these related to works performed by sub contractors for which a post site inspection should have been performed. There is functionality within IBS to prompt post-site inspections to be performed which is currently being developed. For 1 out of 25 purchase orders tested no delivery note could be found. □ Medium risk	The Council should continue to review the functionality of IBS to prompt post site inspections. This should be rolled out across the department, with relevant procedure notes stored on the shared network or intranet. The Council should ensure delivery notes are received, signed for and retained for all orders.	Agreed The functionality for this exists. The printed inspection ticket is the missing element which is being installed. Agreed. A procedure exists for Supervisors to review on a regular basis. Supervisors will be reminded and this will be incorporated into the procedure notes. See Ref 1	Completed
15	Value for money may not be achieved. Contractors may be	The following value for money issues have been noted: • 4 significant contracts between	The Authority should consider renewing their contracts with suppliers to	This will be addressed by the Stores SBR and the DSO SBR. SBR to	SBR for the DSO is about

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	unfairly or inconsistently selected.	<p>the Authority and their suppliers have expired.</p> <ul style="list-style-type: none"> • There is no preferred supplier listing in place. • The Authority does not use any purchasing consortium. <p>High risk.</p>	<p>ensure value for money is achieved.</p> <p>A preferred supplier list should be created. The Authority should review their existing list of suppliers and any management information regarding quality of service provided to identify any preferential suppliers and attempt to negotiate bulk pay discounts. This will ensure value for money is achieved.</p> <p>The Authority should investigate the use of purchasing consortiums and whether any value for money can be gained from use of such organizations.</p>	<p>commence April 2011</p> <p>Those are long term projects and interim arrangements will be put in place with interim short term contracts</p> <p>Void works have been tendered and there is, therefore a preferred supplier system in place for voids.</p>	<p>to commence.</p> <p>Interim arrangements are being put in place.</p>