



Core financial systems review of creditor payments

Committee Audit and Standards

Date of meeting 8 June 2018

Date of report 23 May 2018

Report by Assistant Chief Executive

1. Object of report

To advise the committee on the findings of a core financial systems review of creditor payments. This engagement is included in the annual Internal Audit plan for 2017/18.

2. Background

Creditors are organisations or individuals that have provided goods or services to support SPT service delivery, to whom money is owed.

The Financial Regulations contained within the governance manual provide policy and procedural guidance on creditor payment arrangements.

The objective of this engagement was to assess and evaluate the creditor payment system and test internal controls by undertaking an end to end review and to analyse performance data for the 2016/17 financial year.

This engagement tested elements of the internal controls and mitigation against SPT 22: Governance arrangements, as identified in the Corporate Risk register.

3. Outline of findings

SPT's corporate finance system is the Technology One Financial Management System (T1). This digital system provides the corporate financial ledger and an integrated electronic workflow of creditor payment activities (i.e. requisition to payment).

The engagement (January 2018) found that over 99% of the total value of creditor payments made in 2016/17 were by way of Bank Automated Clearing System (BACS) transfer. The balance was made by cheque.

Engagement testing found that Finance staff have allocated tasks to maximise segregation across a range of duties including creditor payments. Sample testing on creditor payment processes including reconciliation and authorisation arrangements was satisfactory.

The engagement identified a requirement to cleanse data held in the T1 system.

There are areas for improvement, and these areas have been addressed by three audit recommendations. Finance management have agreed to implement these recommendations, which are currently being actioned.

4. Conclusions

The Audit and Assurance team has undertaken a core financial systems review of creditor payments. Three recommendations have been agreed from this engagement.

Key controls exist and are applied consistently and effectively in the majority of areas tested in this engagement.

Reasonable assurance can be taken from the controls in place for the areas covered in this engagement.

5. Committee action

The committee is asked to note the contents of this report and agree that the Audit and Assurance Manager submits a follow-up report on the implementation of the recommendations to a meeting in approximately six months.

6. Consequences

Policy consequences	<i>None</i>
Legal consequences	<i>None</i>
Financial consequences	<i>None</i>
Personnel consequences	<i>None</i>
Social Inclusion consequences	<i>None</i>
Risk consequences	<i>As detailed in the report</i>

Name Valerie Davidson

Name Gordon MacLennan

Title Assistant Chief Executive

Title Chief Executive

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Agreed action plan: core financial systems review of creditor payments

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
1.	<p><u>Order dates</u></p> <p>Finance management should produce exception reports from the financial management system to analyse order(s) created after receipt of invoice(s).</p>	Medium	<p>An exceptions report on orders will be produced from the financial management system. This report will be monitored by Procurement staff.</p>	Procurement Manager	March 2018
2.	<p><u>Outstanding (open) orders</u></p> <p>Finance management should undertake a data cleansing exercise on open orders held in the financial management system.</p>	Medium	<p>A data cleansing exercise will be undertaken as part of the Financial year end arrangements.</p>	Procurement Manager	March 2018
3.	<p><u>Creditor payment performance</u></p> <p>Creditor terms require payment to be made within 30 days.</p> <p>Finance management should evaluate the current methodology for key performance information reporting of creditor payment timescales and reasons for invoices not paid within 30 day timescale.</p>	Low	<p>The methodology for collating creditor payment performance information and exceptions will be reviewed.</p>	Chief Accountant	April 2018

High – A fundamental control that should be addressed as soon as possible;

Medium – An important control that should be addressed as a priority;

Low – An issue which is not fundamental but would improve overall control.