



## Core financial system review of creditor payments and administration

**Committee**            Audit and Standards

**Date of meeting**    17 February 2023

**Date of report**    25 January 2023

### Report by Chief Executive

#### 1. Object of report

To advise the committee on the findings of a core financial system review of creditor payments and administration. This engagement was included in the annual Internal Audit plan 2022/2023.

#### 2. Background

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

Standing data is master file information held in a database for long term use i.e. registered company names, contact details and banking information, which in practice, does not change regularly. This data is used to process payments to creditors.

The Financial Regulations contained within the Governance Manual provide policy and procedural guidance to all staff on creditor payment arrangements. In addition, documented procedural guidance is in place for Finance staff assigned to add new or amend creditor standing data (including bank information) administration.

The objective of this engagement was to assess and evaluate creditor payment processes including standing data administration and test internal controls by undertaking an end to end review incorporating performance data for the 2021/2022 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

The digital corporate finance system incorporates an integrated electronic workflow of creditor payment activities (i.e. requisition to payment).

The engagement found that over 99% of creditor payments made in 2021/2022 were by way of Bank Automated Clearing System (BACS) transfer. A small number of payments were made by cheque. All were supported by corresponding and supporting invoice documentation.

New information and amendments to existing creditor standing data can only be made by designated individuals after receipt of supporting documentation and completion of a validation process. An output report is generated from the digital system to allow substantive

checks to be carried out on new records and changes to standing data. A key internal control in the current system is that payment to creditor(s) is made by cheque until changes to bank account details have been validated.

Creditor to employee and member standing data (bank account matching) testing indicated payments were being made through the correct system(s) with no matches between the two systems.

Engagement testing identified a requirement to review the currency of digital system users and associated privileges.

There is an area for improvement and this area has been addressed by one recommendation. Finance management have agreed to implement the recommendation, which is currently being actioned.

#### 4. Conclusions

Audit and Assurance has undertaken a core financial system review of creditor payments and administration. One recommendation has been agreed from this engagement.

Key controls exist and are applied consistently and effectively in most areas tested in this engagement. Sound assurance in most areas can be taken from the internal controls in place.

#### 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 recommendation 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>
Equalities consequences	<i>None.</i>
Risk consequences	<i>As identified in the report.</i>
Climate Change, Adaptation & Carbon consequences	<i>None.</i>

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**Title** **Director of Finance & Corporate Support**

**Name** Valerie Davidson  
**Title** **Chief Executive**

For further information, please contact *Iain McNicol*, Audit and Assurance Manager on 0141 333 3195.

**Sound assurance  
in most areas**

**Agreed action plan: core financial system review of creditor payment and administration**

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
1	<u>Digital system users and privileges</u> The list of digital system users and associated privileges should be regularly reviewed and updated to ensure its currency.	Low	The currency of digital system users and associated privileges will be reviewed and updated, where appropriate.	Chief Accountant	February 2023