worcestershire
county council

AUDIT AND GOVERNANCE COMMITTEE
10 MARCH 2023

IT CONTROL RECOMMENDATIONS – PROGRESS REPORT

Recommendation

1. **The Chief Finance Officer recommends that**

   a) **The progress and latest management comments on IT Controls be noted;**

   b) **The Committee considers whether it wishes to receive any further reports on information contained in the report, and;**

   c) **The Committee considers whether there are any issues arising from the report that it wishes to report to the Council.**

Background

2. Members will recall that at the Committee meeting on 30 November 2022, the Committee requested that a report be brought to this meeting on the progress being made on the development of IT systems to improve the management control mechanisms over journals.

3. In March 2021, Grant Thornton completed an IT Audit report for Worcestershire County Council and the Pension Fund. The report included ten recommendations around overall IT Controls. Of these ten, three remain not fully implemented.

4. A reminder of these recommendations, the initial management response to the report, and further management comments captured in February 2023 are attached as an Appendix to this report.

5. As at March 2023, the Finance Systems Team have appointed to two new posts in their structure which will enable faster completion of development work, including the control issues still outstanding.

6. In the 2021/22 Audit Findings Report, Grant Thornton reported that there were inconsistencies in the process for manual journals, with staff theoretically able to use non-manual journal types to enter manual journals. This increases the risk of fraud or error, as it would allow system users to disguise manual journal entries as (for example) payroll journal entries.

7. The Systems Finance Team are currently in discussions with the system developers to explore options to increase the in-system controls. Until there is a resolution, the audit approach for manual journals will be as it was for 2021/22 – a widening of the population data to include all journal types, and an assessment of the users who have input different journal types, to provide assurance that journal entries

are being processed correctly.

8.   A further systems issue that had been identified in previous audits but raised again in 2021/22 was the asset register. Since the introduction of E5, the process of creating assets on the balance sheet at year-end (which uses expenditure data to create a 'prompt file') had resulted in several assets being created, with different values, where one single asset would be more suitable.

9.   Following the upgrade to E5 in June 2022, this issue should now be resolved for 2022/23 year-end, and a solution has been found to amend existing asset balances, by consolidating the fractured asset references into single records.

Contact Points

Specific Contact Points for this report
Michael Hudson, Chief Financial Officer
Tel: 01905 845560
Email: mhudson@worcestershire.gov.uk

Chris Bird, Chief Accountant
Tel 01905 846994
Email: cbird1@worcestershire.gov.uk

Supporting Information

- Appendix: IT Recommendations management comments

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.