

HIGHLAND AND WESTERN ISLES VALUATION JOINT BOARD

10 June 2025

Agenda Item	12a
Report No	VAL/12/25

Internal Audit Report – Review of CiA Financials

Report by Strategic Lead (Corporate Audit), Highland Council

Summary

Details are provided of the audit review of CiA Financials and a copy of the report is attached.

Internal Audit Reports

Every Internal Audit report issued contains an audit opinion based upon the work performed in respect of the subject under review. There are five audit opinions which can be provided:

- (i) Full Assurance: There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- (ii) Substantial Assurance: While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iii) Reasonable Assurance: Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iv) Limited Assurance: Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
- (v) No Assurance: Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

Since the last update to the Board there has been one audit report issued relating to a review of the CiA Financial System. This report has the audit opinion of “Substantial Assurance” with one medium priority recommendation made. This action has been completed as agreed.

Recommendation

The Board is asked to consider the Internal Audit findings and audit opinion provided, and to raise any relevant points with the Strategic Lead (Corporate Audit).

Designation: Strategic Lead (Corporate Audit)

Date: 30th May 2025

Author: Donna Sutherland, Strategic Lead (Corporate Audit), Highland Council

Internal Audit Final Report

Office of the Assessor and Electoral Registration Officer

CiA Financials

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	0

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Distribution:

Assessor and Electoral Registration Officer
Depute Electoral Registration Officer and Business Manager

Report Ref: JVB 24/25 02
Draft Date: 29/01/25
Final Date: 26/02/25

1. Introduction

- 1.1 The CiA Financials system was introduced by Highland Council (HC) on 01/04/24 to replace Integra, the existing corporate finance system used by the Assessor. The audit examined the Assessor's use of the new system, in particular the processes for budgetary control and the purchasing of goods and services. The audit also looked at controls around system access and permission levels and whether sufficient training had been provided to users appropriate to their role.

The Assessor's budgeted revenue expenditure for 2024/25 was £3.690m, 76% of which related to staff costs. Therefore, the controls in place to ensure the accuracy and completeness of payroll costs were examined.

2. Main Findings

2.1 *System access, permissions and training provision*

This objective was fully achieved. There were 8 members of staff with access to CiA, 3 with budget holder permissions and 5 with input user permissions. 7 out of 8 users required access to carry out their current duties and the permission levels for all users was appropriate. 1 input user did not currently use CiA as part of their day-to-day duties, but access was retained as a contingency in case cover was required for an upcoming maternity vacancy within the Central Admin Team.

All 7 members of staff who currently used CiA felt that they had been provided with sufficient training to allow them to carry out their duties and had completed appropriate training on Traineasy.

2.2 *Budgetary control and monitoring*

This objective was partially achieved. Provision of the budget monitoring information and reports was a HC Corporate Finance responsibility. The 2024/25 financial year reports were not available until October 2024 due to a delay in budgets being uploaded to CiA. A full monitoring report for the period from 01/04/24 to 30/09/24 was then provided to the budget holder by HC Corporate Finance at this time. Once received, the monitoring reports were comprehensively reviewed by the budget holder and

contained all of the information required to allow for effective budget monitoring. These reports were now being provided quarterly, and Budget Holder Dashboards were being developed which would give budget holders instant and direct access to real-time budget monitoring information. It was hoped these would be available in early 2025 but in the interim budget holders were given some access to general and payroll ledger information in CiA. This functionality had not yet been utilised by the Assessor due to some access issues, but it would be explored once these were resolved. In the interim, reliance would be placed on the quarterly monitoring reports until such time as the Dashboards were made available.

A revenue budget monitoring report for the period 01/04/24 to 30/09/24 was presented to a meeting of the Highland and Western Isles Valuation Joint Board (the Board) on the 20/11/24 but not on 23/09/24 as budget information had not been available at the time of this meeting. The report noted that some significant work had been undertaken on monitoring for the period up to 30/09/24 however, there were still some outstanding queries with HC Corporate Finance. It was anticipated that a fuller monitoring report would be presented to the Board in early 2025.

2.3 *Purchasing of goods and services*

This objective was substantially achieved. A sample of 10 out of 497 creditor invoices processed on CiA since 01/04/24 was examined. All invoices had been uploaded to CiA but, only 7 out of 10 were supported by a purchase order and goods received note. Contrary to the requirements of Financial Regulations, for 3 out of 10 a purchase order had not been raised ahead of the invoice being received from the supplier. These had now been added to a spreadsheet which listed all supplier contract arrangements to ensure that POs were raised prior to invoices being submitted by these suppliers going forward. There had been appropriate segregation of duties for all sampled invoices whereby all purchase orders and non-PO invoices had been entered by an input user and approved by a budget holder. All of the sampled transactions had been allocated to an appropriate general ledger code.

A sample of 10 out of 147 purchase card transactions processed on CiA since purchase card functionality went live at the end of May 24 was also examined. Supporting documentation had been uploaded to CiA by the card holder for all sampled transactions, they had been reviewed and authorised by an appropriate budget holder to ensure segregation of duties and allocated to an appropriate general ledger code. There was no set deadline by which a cardholder must process their transactions and submit for approval, but all card holders were sent reminders once a week about outstanding transactions and if still outstanding after 3 months, then this would be followed up by the HC Purchase Card Administrator. All of the sampled purchase card transactions were processed within 3 months of the date they had been uploaded to CiA.

2.4 *Accuracy and completeness of payroll costs*

This objective was partially achieved. Detailed payroll information was provided as part of the same monitoring report process detailed in section 2.2. Once the information had been received for the period 01/04/24 to 30/09/24, the budget holder carried out a comprehensive check to ensure that employees were being paid the correct amounts and that costs were coded correctly in the general ledger. This review identified that payroll costs for 5 members of staff had been coded to the wrong Assessor's cost centre in the general ledger and a sample of 3 of these was examined. Journals had been requested by the budget holder for 39 out of 40 lines of expenditure which required to be recoded totalling £29,570.90. 1 transaction for £9.17 had been omitted in error from the journal request, but this had now been corrected. All requested journals had been actioned by HC Corporate Finance. A request was submitted to the HC HR Resolver Team on the 05/11/24 to amend the HR source coding for these members of staff so that they would be correct for the December 2024 pay and onwards. However, they were still appearing incorrectly in the most recent monitoring report covering period 01/10/24 to 31/12/24. This was followed up again with the HR Resolver Team on the 10/01/25 but at the time of writing, a response had not yet been received. A review of the most recent budget monitoring report by the budget holder also identified that the forecasted salary costs for 2025/26 were not accurate for

every member of staff. If not corrected this could hinder effective payroll budget preparation and monitoring going forwards. This was highlighted to HC Corporate Finance and was currently being investigated by them. While the wrong totals were recorded on the budget monitoring report for 2025/26, the correct payroll amounts were being paid to staff in the current year. (see action plan M1).

3. Conclusion

3.1 The Assessor had systems and controls in place for all of the financial processes examined as part of the audit. There were instances where these processes could not be fully applied, in particular the frequency with which budget and payroll information was monitored and reviewed. However, this was due to delays in the implementation of CiA which is out with the Assessor's control. There are still some outstanding issues to be resolved with the HC Corporate Finance and HR Resolver Teams in relation to the recording of payroll costs and the Assessor should continue to pursue this as a matter of urgency.

The audit opinion reflects the way in which the Assessor used CiA Financials and is not an opinion on the effectiveness of the CiA system itself.

4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
M1	Medium	<p>Payroll costs for 5 members of staff had been coded to the incorrect cost centre in the general ledger. Requests to correct this had been sent to the HC HR Resolver Team but these had not yet been actioned.</p> <p>The forecasted salary costs for 2025/26 were not accurate for every member of staff. If not corrected this could hinder effective payroll budget preparation and monitoring going forwards.</p>	<p>Payroll costs should be accurately recorded against the correct cost centre. Budgeted salary costs should also be accurately recorded. Inaccuracies identified should be resolved with the HC Corporate Finance and HR Resolver teams and corrected as a matter of urgency.</p>	<p>Progress has been made with the HR Resolver Team to amend cost centre information. Some journals require to be carried out and this will be completed by the end of the financial year (31/03/25). The recent announcement by The Highland Council that integra codes will no longer be used by Payroll should resolve this problem going forward.</p>	Depute ERO/Business Manager	31/03/25