

## Briefing Note

### Internal Audit Annual Work Plan 2011/12

#### Update - Replacement Finance Systems

##### Payroll

**Background** – A new system, namely Northgate's ResourceLink HR and Payroll system is the first of the replacement systems to be implemented in 2011/12. This system is to replace Frontier's CHRIS 21 (Comprehensive Human Resource Integrated Solution) system which has been in use for a number of years. Northgate Public Services, as part of their contract proposal to manage our corporate services, planned to transfer the Authority's payroll onto ResourceLink.

**Modus Operandi** – South Derbyshire has four payroll's namely salaries, wages, Member's allowances and elections, payments being made monthly, weekly and as necessary, in the case of elections, normally by BACS transfer to employee's bank accounts. Northgate Arinso (Northgate's Human Resources Company) is responsible for administering Resource-Link on behalf of their group. All transferred staff have been paid on this system since last year. South Derbyshire's payrolls will be administered by an off-site shared services bureau, data either being delivered via the postal system or transferred via a secure server connection. The responsibility for payroll lies with the Head of Organisational Development and payroll responsibilities will be administered by human resources staff and the Arinso's nominated staff for South Derbyshire.

**Data Transfer** – The agreed transfer arrangements determined between the Authority and Northgate Arinso for the implementation of ResourceLink envisaged the first payroll payment would be in March 2011 ahead of the start of the 2011/12 financial year. The transfer of employee details and summary totals for retained staff would be undertaken on a parallel changeover basis with both systems operating together until the end of February 2011. ResourceLink becoming the prime system from March 2011 and a dual process operating with the CHRIS system during this month. CHRIS would be the prime payroll system for calculation and payment up to the end of February.

The data held on the CHRIS system including the annual and cumulative totals would be transferred to ResourceLink and periods of each payroll type would be updated from the same data source on both systems as part of the parallel transfer process. The parallel runs were wages, weeks 43-48, salaries and Member's payments December to February. The Dual run was wages week 49, salaries and Members payments for March 2011. Elections payroll was established but no activity envisaged until May 2011. An acceptance process was used with period summaries from each systems being cross-checked. All employee deductions and employers contributions being confirmed.

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### Scope of Audit:

- a. Examination of the parallel run acceptance process and control information for a number of weeks and months to confirm control over the data transfer. Confirm the dual run for wages week 49 and March salaries and Members payments.
- b. Examine the period end summaries for each system for a number of weeks and months.
- c. Verify the employer/employee deduction totals to the general ledger.
- d. Confirm the payroll costing and net pay in the general ledger and cashbook.
- e. Examine ResourceLink's data protection registration, security, user access permissions and privileges.
- f. Determine the arrangements for data input into ResourceLink.

### Progress

Parallel acceptance runs for wages weeks 45-48 and salaries/Members payments for January and February have been tested and verified.

The dual run has been confirmed for wages week 49 and salaries/Members for March 2011.

All the control data and summaries have been examined and verified, minor differences exist primarily because each system has a different way of rounding up the control totals.

Deductions from gross pay have been verified from the CHRIS system but all deductions for March on ResourceLink have still to be verified.

Payroll costing for both systems are present on the general ledger but the ResourceLink system posts individual equal debit and credit entries. CHRIS posts individual entries to cost a monthly salary but a total for all net pay to the cash account. However the overall costs are the same just the detail is different.

There have been some data input issues involving starter forms, overtime claims, tax coding notifications etc missing the pay run, work is continuing in this area.

Access to ResourceLink is currently being facilitated to allow Internal Audit to undertake walkthrough tests and manually check a sample of pay calculations. ResourceLink's administrator permissions, data protection registration, security, user access and their permissions and privileges can also be examined.

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### Summary

The audit is substantially complete with some further work to be undertaken as mentioned above.

The data transfer has been confirmed as accurate.

The records established to evidence the integrity of the system transfer have been produced to a very high standard.

The payroll costing and deductions are being correctly entered into the ledger.

### Financial Management System

**Background** – The system in use up to the end of March 2011 was *Agresso's* New World Financial Management System (version 5.4). This system provides a general ledger, a debtor's module, a creditor's module, and various other modules used in an accounting system.

The Authority in conjunction with Northgate PS have been committed to introduce the latest version of *Agresso* (version 5.53) which promotes to offer improved functionality and is significantly more configurable. Although the system is a sub-version upgrade the variations are such that it is perceived as an entirely new system that requires different ways of working. A new chart of accounts has been introduced and data transfers have been undertaken from the old system.

There are four main processes complete with their components as follows:

#### **Record to Report** – (General Ledger and Planner)

This is the ledger and the budget facility and includes improved reporting facilities

#### **Procure to Pay** – (Requisitions, Purchase Orders, and Accounts Payable)

Essentially the creditors module with e-procurement and work-flow enabling control over procurement spend and facilitating commitment accounting. E-payment facilities including automatic order/invoice matching and payment.

#### **Sales to Cash** – (Sales Invoice requests, Invoicing, Accounts Receivable)

The debtor's module maintaining the records of sundry debtor's invoices used to collect miscellaneous income.

#### **Bank Reconciliation** – (Bank Statement import)

Automated daily bank reconciliation is envisaged and the cashbook is being used as a replacement for the Reality cashbook.

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**Interfaces** – links with other SDDC systems

**Modus Operandi** – The system will operate with a creditor's module, a debtor's module and a general ledger as before. However the system is a step change from the previous version with the system modules having increased functionality.

**Data Transfer** – The system was to be implemented from April 2011 for the start of the 2011/12 financial year. The main databases are Creditors, Debtors and the General Ledger along with bank reconciliation and a cashbook facility.

The general ledger is populated by brought forward balances once the accounts are closed for 2010/11 on the old system and these will be journalled into the new system later in the year. A new chart of accounts has been produced and this is loaded on the new system. The 2011/12 budgets have also been input into the ledger.

In the case of Creditors no purchase ledger is in operation therefore there are no financial balances held at year end. The main data held is supplier records, orders were produced on a separate system and a procedure has been introduced to finalise all outstanding orders.

The Debtors function carries outstanding balances for all types of debtor invoices these have been transferred to the debtor's module in the new system. The records include the value of the original invoice and the amounts outstanding dependent on the payments made.

In the case of cheque reconciliation outstanding cheques will need to be available for matching on the new system.

### Scope of Audit:

- a. Debtors represent the main financial data transfer and the transfer control process needs to be verified.
- b. Creditors master records are non financial supplier details. Determine the basis of transfer and confirm the supplier database.
- c. Determine the treatment of outstanding orders from 2010/11.
- d. Document the basis of the chart of accounts and examine the general ledger.
- e. Determine system security, user access, permissions and privileges etc.
- f. Budget loading and General Ledger brought forward balances will be audited in the annual Main Accounting and Budgetary Control audits as in previous years.

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### Progress

The old system debtor's balances have been loaded onto the new version of *Agresso*. The control data is made up of a report of the balances held on the new system and one from the old, after a number of data loads reconciliation was achieved with just one difference remaining. Internal Audit has verified the reconciliation.

System Access is achieved by all users being given a unique user name and assigned a role. This role is similar to an authorisation table which allocates access to systems, menus, functions etc with privileges and permissions. In the case of an approver or authoriser for procurement the role would contain limits of approval. The current access granted lists have been examined and the analysis of those users granted access and their roles for record to report, sales orders, order requisitioner, approvers, authorisers and goods receivers have been examined.

### Summary

The main financial records transferred on this system are from the old debtor's module to the new version and these have been confirmed.

The control record established to reconcile the transfer balances both data sets.

The users on the user access lists have been confirmed both as to their authorisation and their roles.

The audit is still in progress further work to be undertaken.

Internal Audit is awaiting training and access rights for *Agresso* version 5.53 which is currently being arranged.

### **Academy Cash Receipting and Posting System.**

The anticipated implementation date for this system has been put back to October 2011 and therefore no audit work has commenced.

**Audit Manager**  
**June 2011**