

Internal Audit Progress Report

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Introduction

1. The purpose of this report is to:
 - Provide details of the audit work during the period 12th June to 31st August 2017
 - Advise on progress with the 2017/18 plan
 - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. During the period we have completed 20 County audits, 11 to final report (including 3 consultancy assignments) and 7 to draft report stage as well as finalising 2 school audits.
3. There are currently 16 further audits in progress.

Internal Audit work completed in the period 12th June to 31st August 2017

4. The following audit work has been completed and a final report issued:

High Assurance	Substantial Assurance	Limited Assurance	Consultancy Assignments
<ul style="list-style-type: none">■ Contract Management – Children's Services■ Property Plant & Equipment	<ul style="list-style-type: none">■ Sector Led Approach to School Improvement■ Key Control Testing – Debtors, Pensions & General Ledger■ Adult Care Provider Payments■ Substance Misuse	<ul style="list-style-type: none">■ Accounts Payable■ VAT	<ul style="list-style-type: none">■ Inclusion■ Adult Care Quality Assurance Framework■ Heritage Services

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.

5. Since our last progress report we have issued 6 final reports providing High or Substantial Assurance:

Contract Management – Children's Services**High Assurance**

We reviewed selected Children's Services contracts to assess controls around procurement and contract management. Our work confirmed these are being managed well and in line with Corporate Procurement Rules.

Property Plant and Equipment**High Assurance**

Our review of Property Plant and Equipment involved completing testing on Additions, Disposals, Revaluations and the Accounting treatment of items on the Fixed Asset Register. We also looked at the process for the reconciliation of the Fixed Asset Register to the General Ledger. We confirmed that the key controls around these activities are in place and the majority are working effectively.

Sector Led Approach to School Improvement**Substantial Assurance**

The School Improvement Service moved to a sector led approach in 2016. Through the creation of the Lincolnshire Learning Partnership (LLP), schools have come together as a collective to provide support to Lincolnshire schools, working together to provide resolutions through training and project development.

Our audit focused upon this new process. Overall we are satisfied with the strategy. From discussion with Council representatives of the Lincolnshire Learning Partnership Board (LLPB) as well as examination of key documentation relating to the governance, engagement and financial control of the approach, the framework and structure in place to support school improvement is operating as expected.

We made a small number of recommendations for improvement which share a common theme around documentation and recording.

Debtors, Pensions & General Ledger**Substantial Assurance**

Our review of key controls confirmed that the majority are in place and working effectively. There has been progress around Debtors processes since our audit earlier in the year and strong controls remain in arrangements for the monitoring and reconciliation of the Pension Fund. Processes and controls to ensure the completeness and accuracy of the General Ledger have continued to improve during 2016/17 and we understand that the 'write offs' to the revenue account in 2015/16 will not be repeated. Further work is required around control accounts to agree responsibility for ongoing review and to review, reconcile and clear historic entries.

Adult Care Provider Payments**Substantial Assurance**

Our review sought to provide assurance that there are effective systems and processes in place for the validation and authorisation of payments to providers of care and support for Adults.

We found generally Adult Care Provider payments processes and controls are

working well and being managed effectively. There are strong governance procedures, payment processes and recharge procedures in place and working well. Monitoring is robust and adequate controls are in place to ensure that fraudulent payments are identified.

We made some recommendations for further improvement in relation to separation of duties and exception reporting.

Substance Misuse Contract

Substantial Assurance

We found the Substance Misuse procurement process to be managed well and to comply with the legislative requirements and the Council's Contract Procurement Rules.

The contract is managed by suitably skilled and trained staff that monitor the contract performance robustly. Any underperformance is discussed at the quarterly meeting with the provider.

We made only one recommendation for improvement which relates to timely authorisation of contract variations.

The remaining 2 reports give limited assurance. The management summaries of these reports can be found at appendix 2.

Audits in Progress

6. We have 7 audit's at draft report stage:

- Payroll
- Deprivation of Liberty Safeguards
- Highways New Operating Model
- Wellbeing Contract Procurement and Management
- Contracts – Highways
- ICT Asset Management
- ICT Service Improvement

These will be reported to the committee in detail once finalised.

Payroll

Low Assurance

The payroll report is still at a draft stage. This has been discussed with SERCO and the Milestone 6 project team. SERCO are producing an action plan but resource prioritisation is being balanced to manage the risks surrounding the Milestone 6 project and the TUPE transfer of 200 staff during October 2017. Corporate Management Board is keeping a very close watch on these risks and issues.

The payroll report and other risks and issues have been discussed with the Chair of the Audit Committee and a further meeting is scheduled for October to update on this. The Payroll audit report will be brought to the November 2017 meeting of the audit committee along with an update on progress with actions.

7. We currently have 16 Audits in progress. More details on audits in progress can be found at Appendix 2, which details the entire 2017/18 audit plan.

Other Key Work

8. Other key work undertaken during the period includes:

Inclusion (Consultancy Assignment)

The Inclusive Lincolnshire Strategy was introduced in January 2016, this included the Behaviour Outreach Support Service (BOSS) which went live in September 2016 following a lead period from April 2016. Our work reviewed the Contract Management of BOSS and offered advice and support on this.

We are pleased to report that the Inclusion and Commissioning teams are currently managing the BOSS contract to a high standard.

Concerns were identified by schools with the service provided at an early stage and action was taken by LCC straight away to identify what the issues were and to work with the provider to work through these.

Single Local Growth Fund (Grant Sign Off)

We added a requested audit of the Greater Lincolnshire Local Enterprise Partnership's Single Local Growth Fund. This is a capital grant provided by the Department for Communities and Local Government (DCLG). Our audit signed off the grant; however we did bring some matters to the DCLG attention.

Heritage (Consultancy Assignment)

From April 2019 onwards, the expectation is that the Heritage Service will be run on a zero budget. A Heritage project with a number of different options is underway to identify the best approach.

Our work offers advice and support on Governance, Risk and Controls at 3 key stages in the project lifecycle. During the first phase of support we were able to confirm that progress of the project was on track and there were no significant issues to raise concern.

Quality Assurance Framework (Consultancy Assignment)

We started our guidance role on this review which aimed to support Adult Social Care and Wellbeing to develop a Quality Assurance Framework that will co-ordinate all sources of assurance and provide a complete and up to date picture on quality assurance to the Directorate. Our initial work found that

Wellbeing Team representatives had not been involved in the project to date and were unaware. In fact also working to develop their own quality assurance framework. We have advised that the two groups engage with one another and formulate a joint approach. We will provide further support once this is the case.

Agresso upgrade to Business World On!

The current version of the Council’s ERP system Agresso will not be supported by Unit 4 after the end of December 2017. As a result, the Council and Serco have agreed to upgrade from the current version (4.7) to Milestone 6—now known as Business World On! The work needed to undertake this upgrade is planned for the period May to December 2017 (now February 2018).

Corporate Management Board has asked Internal Audit to provide independent assurance over the Agresso upgrade project - that the system is fit for purpose and ready to ‘Go-Live’ in the 1st March 2018. This assurance work is now in progress.

Performance Information

9. Our performance against targets for 2017/18 is shown in the analysis below:

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed (based on revised plan)	100%	22%	18%
Percentage of recommendations agreed	100%	100%	100%
Percentage of recommendations implemented	100% or escalated	100% or escalated	None due yet
Timescales:			
Draft Report issued within 10 days of completion	100%	100%	100%
Final Report issued within 5 days of management response	100%	100%	100%
Draft Report issued within 2 months of fieldwork commencing	80%	80%	100%
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Good to excellent

10. Our actual percentage of plan complete is 4% behind the profiled target of 22% at the end of August 2017. This is largely due to delays in the 2016/17 resulting in work continuing into April and May. This is a perennial problem which, as a

management team, we are reviewing as part of our review of our annual planning process. Solutions will aim to improve both this issue and improve reporting.

11. Additionally resources through our audit pool, ICT provider and Audit Contractor was not available in Quarter one or part of Quarter 2 meaning delivery of the plan is more loaded into the second half of the year. We project that without any unforeseen delays or issues we will have completed 66% of the plan by end of December 2017.

Appendix 1 - Assurance Definitions¹

<p>High</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 2 – Executive Summaries of Audit Reports providing Limited or Low assurance

Accounts Payable

Background and Context

Following the implementation of Agresso in April 2015 Accounts Payable suffered with significant system problems which resulted in errors and numerous late and duplicate payments. Many issues were generated by problems with workflow and arrangements to scan and process invoices into Agresso via Invoice4.

During 2015/16 our audit work focused on identification of errors and confirming key controls were adequate. Whilst we reported on an improving landscape during the course of the year our work still provided only Limited Assurance that controls were operating as intended and were effective.

During 2016/17 LCC and Serco have undertaken work to address problems and refine processes to improve payment processing performance. Our audit aims to provide assurance on resolution of the issues previously identified and highlighted in the 2015/16 report. In addition this review will extend to cover the whole end to end process seeking to provide assurance that the system is fit for purpose and operating as intended.

Scope

The purpose of our review was to give you independent assurance around purchasing and payment systems to ensure:

- Supplier set up and amendments are accurate and secure
- Staff understand their role and have training, guidance and support
- Purchase orders are raised in accordance with the No PO No Pay policy and appropriately authorised
- Goods receipt and invoicing procedures are followed
- Only bona fide and correct payments are made
- Exception and other reporting is routine

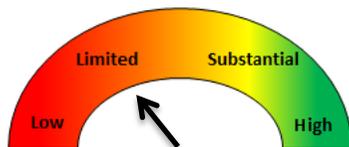
In seeking to provide assurance we have considered the following potential risks:

- Suppliers are created fraudulently or in error
- Supplier details are amended fraudulently or in error
- The system can be accessed by unauthorised users
- Invoices are paid incorrectly, delayed or duplicated

- Payment runs do not occur or are incorrect
- Exception reports have not been processed or checked
- Staff resources and skills are insufficient

This audit has focussed on payment against invoices received by the Council and has not looked at payments made on Purchasing Card, by Purchasing requests or by Payment request forms.

Management Summary



Limited Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – Suppliers are created fraudulently or in error	Green	0	0
Risk 2 – Supplier details are amended fraudulently or in error	Amber	1	0
Risk 3 – System can be accessed by unauthorised users	Amber	0	1
Risk 4 – Invoices are paid incorrectly, delayed or duplicated	Red	2	2
Risk 5 – Payment runs do not occur or are incorrect	Green	0	0
Risk 6 – Exception reports have not been processed or checked	Amber	0	2
Risk 7 – Staff resources or skills are insufficient	Green	0	0

Key Messages



Reporting on AP processes and performance during 2015/16 highlighted significant issues following the implementation of Agresso in April 2015. Changes to processes, particularly the introduction of workflow and invoice scanning rather than direct user input led to the processing of duplicate payments and backlogs of tasks causing payment delays to suppliers. As a result there was also a delay in the introduction of the No PO No Pay policy.

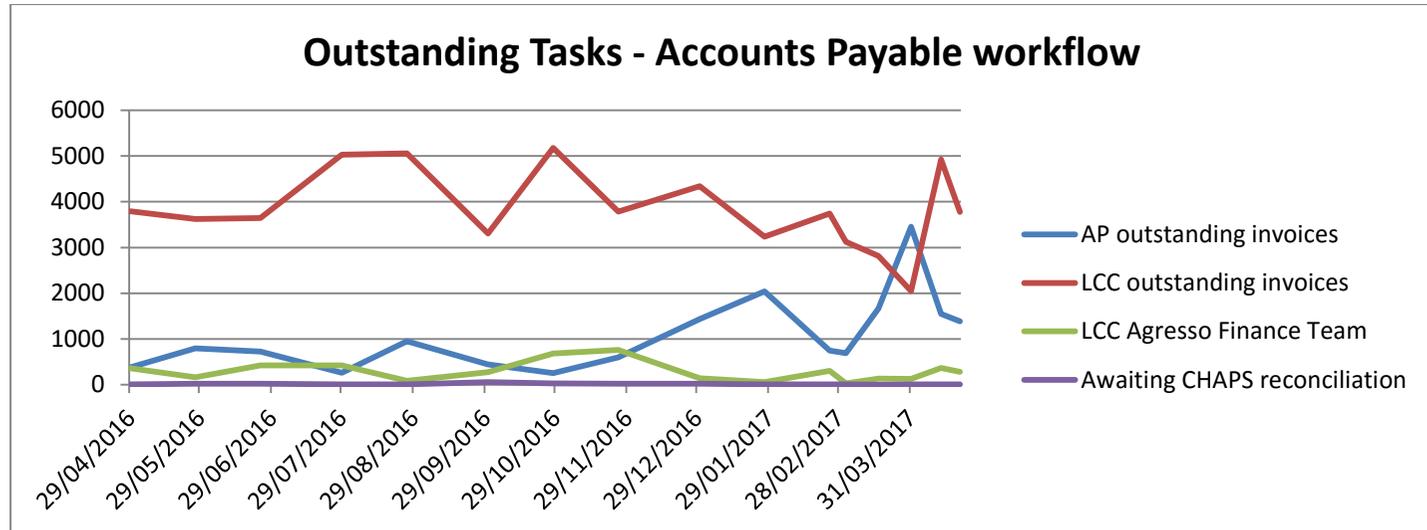
Our review for 2016/17 has confirmed that the performance improvements seen by the end of 2015/16 have continued, and testing demonstrated that key controls around the set up and amendment of Masterdata, the use of Purchase Orders, and authorisation of requisitions and supplier invoices are in place.

Performance information demonstrates that issues remain in the processing of tasks that impacts on timely payment. This is particularly the case for tasks with Council staff and schools. Our review has also identified concerns about some users' access to Agresso which presents a fraud risk and that robust and sustainable controls have not been in place to prevent and detect duplicate payments. As a consequence our assurance remains Limited.

Accounts Payable Workflow

Serco provides performance information around invoices in workflow to LCC management each week – see chart below. Volumes with the Serco AP Team remained at or below 1000 (with an average of 21% invoices being overdue) until peaks in December / January caused by initial system issues following the upgrade to Version 4.7 and at year-end. In contrast, volumes with LCC demonstrate that officers in the Council and schools are not clearing and addressing tasks promptly (in some cases this is for legitimate reasons) and this has resulted in an average of 50% invoices being held in workflow becoming overdue.

Key Messages



Delays and backlogs result in suppliers being paid late and continuing damage to Serco and the Council's reputations. This also increases the risk that suppliers will submit duplicate invoices. We understand that Serco has recently completed work to identify reasons for delays, produced additional reports for monitoring the ageing of tasks and introduced 'task overdue' notifications in Agresso. Serco and the Council should closely monitor how these impact on volumes and continue to look at ways to reduce the number of tasks that are reaching users (through automatic matching) and encourage users to process more promptly.

Duplicates

A team within Finance has been dedicated to identifying and recovering duplicate payments. To date this has resulted in some £1.7m (excluding BACS) being identified for recovery by the Council. The process for identifying potential duplicates has relied on data extraction and comparison by the Internal Audit team and detailed review by Finance.

Key Messages



Whilst there are no standard exception reports to detect duplicates available in Agresso, from April 2017 we understand that the AP Team has developed and introduced a report outside Agresso that mirrors the audit exception report. In 2017/18 this is being run weekly comparing invoices submitted since April 2016 giving the AP team the opportunity to prevent / follow up duplicate payments. Ideally the Council should receive regular updates on both the number of duplicates being identified and their causes.

Discussion with the Serco AP team and Finance staff (who have recently completed some analysis on the causes of duplicate payments) has identified that there are multiple reasons for this issue. These include:

- duplicate invoices scanned to the same supplier which has different supplier ids
- invoices scanned to an incorrect supplier and the duplicate to the correct supplier
- delays in processing invoices results in suppliers submitting duplicate invoices
- invoices scanned into the system are also paid by P card, payment request or CHAPS
- suppliers are submitting duplicate invoices with similar invoice numbers or in some cases completely different invoice numbers
- invoices subsequently identified as incorrect are registered within Agresso which requires scanning staff in Liverpool to extend the number on the revised invoice to process it into the system

Council and Serco management need to assess the identified causes of duplicates and determine what steps can be taken to reduce their occurrence and the risk of incorrect payment, including promoting correct practice and timely processing, and prioritising development of an approach to deleting incorrect invoices registered in Agresso.

To aid fraud prevention it is essential that the Council reminds Agresso users that when they receive invoices relating to missing goods receipt they are responsible for checking that the goods / services have not already been paid for and that a duplicate payment is not being made.

Key Messages



Access

Role allocation within Agresso is controlled by the Council's Agresso Finance Support Team and is designed to ensure there is segregation of duties between masterdata amendments and order / payment processing to protect the Council against fraud. Discussions with officers in the AP Team and the Agresso Finance Support Team has established that the legitimate allocation of roles currently means that some individuals in AP could create payments against the 'sundry' supplier and also amend bank details in a transaction that is part of the payment run. This access increases the risk of a fraudulent payment being processed.

We also identified that there are other users within Serco and the Council (and some leavers) that have AP roles and it is not clear that these are actually needed – their allocation may be historic. We understand that the Agresso Finance Support Team has started to review role allocation. Those relating to AP need to be prioritised and addressed in the short term to address the fraud risk.

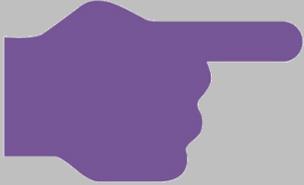
Areas of Good Practice



Our walkthroughs and testing of sample transactions have confirmed that:

- ✓ Set up and amendment of masterdata is well controlled, with supporting information demonstrating validity checks are completed and work flow reflecting segregation of duties between input and approval
- ✓ Invoices were supported by Purchase Orders in accordance with policy and requisitions had been approved by appropriate officers. The scheme of authorisation was seen to be working correctly for higher value purchases

Areas of Good Practice



- ✓ Payment runs are completed timely, supporting reports are checked and retained and approval is sought from the Council's Treasury Manager prior to BACS payment
- ✓ Whilst the volume of transactions on the Payment Run exception report has limited its use during the year, it is evident that the AP Team has been working to clear the entries they can access. Regular daily / weekly routines are now in place to check and clear system exceptions in email accounts, Intelligent Capture and the Exception Handler
- ✓ The AP team managed the retirement of the Team Leader and retained other experienced staff. It is clear that over the last year their knowledge and understanding of Agresso had grown considerably improving awareness of where problems occur and transactions get 'stuck'. The team is in the process of consolidating and adding to procedure notes.

We would like to thank staff in the Council and the Serco AP Team for their help during this audit.

Managing your risks



Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

During our audit work we identified the following significant or high risks that we feel should be considered for inclusion on your service Operational Risk register

- Supplier details are amended fraudulently or in error
- Invoices are paid incorrectly, delayed or duplicated
- Exception reports have not been processed or checked

Management Response



The Council:

We welcome the report and concur that performance has continued to improve over the last year. The Council has, and will continue to work with Serco's AP team to consider how the remaining problems and delays in processing can be addressed. However, it is important to note that despite the position portrayed by Serco's statistics each week, suppliers are raising very few complaints with Financial Strategy's senior managers, and that has been the case for more than a year.

The recommendations to reduce the risk of fraud are welcome.

Serco:

The review of the purchasing controls across our service area seems well balanced and has highlighted some additional areas for improvement during 2017. Particular focus centres around access controls, supplier maintenance, exception & duplicate reporting and suggestions for best practice guidance on managing duplicate payments, which will be added to our existing development list and incorporated into our BAU activities. We have already instigated a number of changes since the report was initially published and we will continue to work with key stakeholders to ensure that the service continues to develop year on year.

We'd also like to thank the audit team for their review and approach throughout the review.

Value Added Tax

Background and Context

Accounting for VAT is a key activity for the Council. HMRC's VAT regulations must be complied with to avoid penalties and interest charges. Given the current financial climate the Council also needs to maximise the VAT it can legitimately reclaim. For 2016/17 the Council reclaimed £53.3m VAT and £12.4m for the period April to June 2017.

VAT has not been reviewed since the implementation of Agresso and there have been problems since April 2015, including with the production of reports to support VAT claims. There are also activities where the Council has been unable to reclaim VAT due to system configuration issues (e.g. the VAT on the fuel element of mileage claims).

The activity is rated Amber on the December 2016 combined assurance map.

Scope

Our review is designed to provide independent assurance that VAT is managed to comply with HMRC's VAT regulations and accounted for correctly within the Council's finance system, Agresso.

Our coverage included review of:

- how VAT is accounted for on purchase orders / payment of invoices / P card transactions / imprest (e-returns) / debtor invoices / general income
- reporting, production of VAT claims, checking and reconciliation
- partial exemption

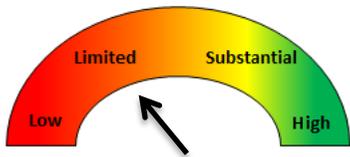
We also considered what action is being taken to address the issues around the VAT on the fuel element of mileage reimbursement.

In seeking to provide assurance we identified the following as the key potential risks in relation to:

- VAT regulations are not complied with
- VAT calculated / reclaimed is incorrect
- Agresso fails to produce the required outputs (reports /returns)

- Staff do not have the necessary knowledge / expertise or staff resources are insufficient
- VAT recovery is not maximised

Executive Summary



Limited Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 - VAT regulations are not complied with.	Red	1	5
Risk 2 - VAT calculation / reconciliation is incorrect.	Amber	0	2
Risk 3 - Agresso fails to produce the required outputs	Amber	0	1
Risk 4 - Staff do not have the necessary knowledge / experience or staff resources are insufficient	Green	0	0
Risk 5 - VAT recovery is not maximised	Amber	1	0

Key Messages



Our review found that the implementation of Agresso has negatively impacted on the efficiency and effectiveness of the Council's VAT processes. The VAT team within Finance have needed to commit significant resource to develop and undertake additional checks to identify and adjust for errors, and there has been an increase in the number of Voluntary Disclosures made to HMRC. As a result the Council has now received VAT penalties (mitigated to £12,751) and this is likely to continue. The level of activity required has also meant that work on partial exemption calculations has not been completed since April 2015.

Since implementation the Council has not been able to reclaim VAT on the fuel element of mileage expenses paid to members of staff. Agresso was not configured to capture the information on fuel type and vehicle CC to make the VAT calculation possible. Based on activity prior to April 2015, the

Key Messages



Council historically reclaimed around £12k a month from this expense – an estimate of around £348,000 since implementation. A solution to account for VAT on mileage is expected to be in place from September 2017, but this will only address future expenses. It does not provide a solution for payments made to date.

Our sample transaction testing indicated a lack of awareness around VAT in some users (Business Support / School Bursars that enter requisitions, recode transactions and use ereturns), particularly what information is needed on supporting documentation to ensure the Council's meets HMRC regulations for reclaiming VAT on expenditure. This is also generating adjustments for the VAT team to complete.

Areas where action / improvements are required if the Council is to avoid future VAT penalties and reduce the resources involved in this work include:

- Review to establish whether / how Agresso and supporting business processes (such as scanning and parking transactions) can be improved to reduce the likelihood of error and therefore the level of checking and manual adjustment needed when compiling the VAT return
- Circulating additional information on the errors being created by Agresso users within the Council and schools to raise awareness of correct procedures and potential financial impact. Whilst guidance is available, management need to consider how regular information can be circulated to improve understanding of VAT with particular emphasis on the details that must be on supporting documentation for VAT to be reclaimed
- Ensure the configuration change needed to account for VAT on the fuel element of employee mileage (and other expenses and deductions affected) is implemented as agreed. The Council also needs to determine how the VAT due for the period April 2015 to August 2017 will be identified and agreed with HMRC. The historic information needed to calculate the VAT is not available in

Key Messages



Agresso

- Complete Partial Exemption calculations as soon as possible to ensure that the recovery of VAT on exempt activities has not exceeded 5% of the Council's total VAT on purchases. We understand work has already started to collect the information needed and this is a task that will be completed by an additional temporary resource joining the team. To date reliance has been placed on the Council's position historically. The VAT Officer completed a specific review around the 'Blue Light' project and decision to 'opt to tax' has been taken.
- Introduce a business process whereby the VAT status of all new 'products' are formally checked with the VAT Officer prior to creation in Agresso to ensure this is correct from the start. Ideally this would be a workflow that ensures review and approval is evidenced. Our testing highlighted errors in the VAT rate applied for some income collected by the Registration Service since April 2015.

Areas of Good Practice



We recognise the work undertaken by the VAT team to ensure the VAT return is as complete and accurate as possible. We have also confirmed:

- VAT reports are run on a timely basis each month and retained for future reference within IMP
- Returns have been completed and submitted each month by the HMRC deadline and authorised by an Officer listed in the scheme of authorisation
- Reconciliations are completed between the VAT return and Agresso each month and evidence of this, along with the checking undertaken is also retained. Detailed spreadsheets highlight all adjustments and the reasons for them to maintain an audit trail

Areas of Good Practice



- The Council has a nominated contact for VAT with other members of staff supporting her. It has been recognised by managers that further resources are required to support the VAT function and a temporary post of Corporate Officer has been recruited to.
- The VAT Officer is very experienced and holds appropriate qualifications. Steps are being taken to address reliance on her with more knowledge being shared with the wider team. The Council also has access to a phone helpdesk operated by PWC for more complex advice.
- Copies of correspondence with HMRC and details of Voluntary Disclosures are retained. There has been active liaison to mitigate financial penalties as far as possible
- There is a VAT manual available to all staff on the intranet. Whilst this was written in 2011 the technical guidance is still correct.
- Guidance is given to staff when there are changes to VAT e.g. recent changes in school meals income where details were included in the schools bulletin.
- Income received from HMRC is monitored to ensure it is received timely and that voluntary disclosures have been actioned correctly.

We would like to thank all staff for their help in undertaking this review.

Managing your risks



Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

During our audit work we identified the following significant or high risks that we feel should be considered for inclusion on your service Operational Risk register.

- VAT regulations are not complied with

Management Response



Please note – overall management response delayed by annual leave.

Appendix 3 – Internal Audit Plan 2017/18

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
					Rating
LCC 2017/18-01 - Procurement & Contract Management - Housing Related Support	To confirm that the Housing Related Support management of the contract s is effective	18/05/2017	09/08/2017		In progress
LCC 2017/18-02 - Procurement & Contract Management - Wellbeing	To confirm that the Wellbeing procurement exercise complied with procedures and adhered to legislation and that the subsequent management of the new contract s is effective	22/05/2017	15/06/2017		Draft Report
					Limited Assurance
LCC 2017/18-03 - Procurement & Contract Management - Sexual Health	To confirm that the Sexual procurement exercise complied with procedures and adhered to legislation and that the subsequent management of the new contract s is effective	12/06/2017			Not Started
LCC 2017/18-04 - Families Working Together	Audit sign off as per the requirements of the grant.	01/08/2017			Not Started
LCC 2017/18-05 - Youth Offending Service Delivery	Assurance that stated improvements following the external review of YOS published December 2015 have been made and sustained. Focus to include: ·Assessment of the QA framework ·Performing of assessment after a significant incident occurs	04/09/2017	25/08/2017		In Progress

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
LCC 2017/18-06 - Transfer of 0-19 Public Health Nurses	Assurance that the governance, risk and monitoring arrangements for this key project are sufficient to ensure delivery of key outcomes for all 8 work streams.	01/08/2017	01/09/2017		In Progress
LCC 2017/18-07 - School Admissions Software	Confirmation that the risks regarding implementation of the new admissions software have been managed to minimise the disruptions to schools.	01/08/2017			Not Started
LCC 2017/18-08 - Special Educational Needs and Disability Reform	Assurance on the embedding of the new SEND framework in key areas of the service. Main focus is data in Mosaic and reporting as this is currently an area of concern.	01/08/2017	25/07/2017		In Progress
LCC 2017/18-09 - Careers Advice	Assurance that the alternative delivery model for careers advice to young people achieves required outcomes.	01/11/2017			Not Started
LCC 2017/18-10 - Quality of Carers Workforce Learning & Development	Assurance that processes in place ensure that the carers support workforce are adequately trained and their quality of work is of the required standard.	16/10/2017			Not Started
LCC 2017/18-11 - Client Contributions Policy	Assurance that the new contributions policy has been fully implemented and is applied consistently to applicable Service Users.	17/07/2017	03/08/2017		In Progress
LCC 2017/18-12 - Integration with Health	Support and Advice on delivery of the plan to integrate Health and Social Care	16/01/2018			Not Started

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
LCC 2017/18-13 - BCF - Disabled Facilities Grants	assurance that adequate governance, monitoring and financial review controls are in place to ensure that District Council's make effective use of funding in line with DOH guidance.	18/12/2017			Not Started
LCC 2017/18-14 - Information Systems Team	Assurance that the impact of the monitoring and adequacy of the information produced by Mosaic on Adult Care Services provided.	01/12/2017			Not Started
LCC 2017/18-15 - Quality Assurance Framework	Assurance that the quality assurance framework for assessing provision both internally and commissioned is robust and aligned to statutory requirements - to include safeguarding.	26/06/2017	24/07/2017	07/08/2017	Phase 1 complete
LCC 2017/18-16 - Deprivation of Liberty Safeguards	Assurance that succession planning is sufficient to enable adequate numbers of capable and competent DOLs specialists to be available.	02/06/2017	02/06/2017		Draft Report
LCC 2017/18-17 - ICT Intelligent Client	Evaluation of the IMT Team acting as an intelligent client in respect of: 1.Delivery of ICT 2.ICT Investment Decisions 3.Project Approval 4.Other critical ICT decision making	04/09/2017			Substantial Assurance In Progress

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
LCC 2017/18-18 - Cyber Security	Assurance over the Council's arrangements for mitigating the latest cyber security threats. Internal Audit shall identify the latest cyber security threats and determine whether the arrangements to protect against them and recover from them are appropriate and adequate.				Not Started
LCC 2017/18-19 - Information Governance	To provide assurance over the effectiveness of the Information Governance policies and procedures. To include follow up of Information Commissioners report and recommendations. (Requested by the Chairman of the Audit Committee).	04/09/2017			Not Started
LCC 2017/18-20 - ICO Cyclical Audit	Delivery of periodic Audits as recommended by the ICO	04/09/2017			Not Started
LCC 2017/18-21 - Security Management	The review will examine the operation of the Security Working Group in ensuring the implementation and operation of an effective security infrastructure (including access controls)	02/10/2017			Not Started
LCC 2017/18-22 - ICT Asset Management	Review of SERCO arrangements for the procurement, recording and disposal of ICT assets and their maintenance.	06/07/2017			Draft Report
LCC 2017/18-23 - ICT Service Improvement	Review of SERCO arrangements for the management of service improvement projects, and the resources, plans and processes in place to effect service improvement through new or improved deployment of ICT resources.	06/07/2017	06/06/2017		Draft Report

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
LCC 2017/18-24 - ICT Infrastructure Security Deep Dive	Audit to comprise of initial review of the key elements of the ICT infrastructure to identify the areas to be subject to a deep dive. The key areas are: 1.Governance 2.Network 3.Operations 4.Removable Media 5.Applications Servers 6.Back ups 7.Laptops, tablets and smart phones 8.Security organisation				Not Started
LCC 2017/18-25 - Emergency Planning Centre - ICT Infrastructure	Review of effectiveness of ICT arrangements and infrastructure within the county emergency centre.	Unknown			Not started
LCC 2017/18-26 - Good Governance Review - Phase 2	Assurance that governance arrangements are working effectively to manage Ethics, Partnerships and Transparency. To be conducted from a member perspective.	01/08/2017	01/08/2017		In progress
LCC 2017/18-27 - Recruitment Processes	Assurance that: 1.Recruitment processes are accessible and ensure that possible candidates are harnessed to apply and don't give up 2.Recruitment follows safer recruitment processes 3.There is compliance with policy 4.Any additional payments are authorised through the right mechanism	01/11/2017			Not Started

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
LCC 2017/18-28 - Agresso - Milestone 6	Consultancy assignment to support and advise on the Governance, Risk and Control during the project to upgrade to Agresso Milestone 6.	01/06/2017	05/07/2017		In Progress
LCC 2017/18-29 - Emergency Planning	Assurance that prevention and response arrangements are effective to minimise disruption in the event of an emergency, to include: 1.Capacity and capability 2.Collaboration and mutual aid 3.Planning and testing of plans	06/09/2017	06/09/2017		In Progress
LCC 2017/18-30 - Establishments	Consultancy project to identify establishments within the LCC portfolio and how audit processes may be developed to provide assurance over these in future.	01/06/2017	04/07/2017		In Progress
LCC 2017/18-31 - Workforce performance and reward	Assurance that there is a consistent and fair approach planned for linking employee increments to performance from 2018/19	01/11/2017			Not Started
LCC 2017/18-32 - Absence Management	Follow up audit to confirm that the actions of the previous audit have been implemented and absence management policy is now being consistently applied.	01/02/2018			Not Started
LCC 2017/18-33 - Performance Management	Assurance over effectiveness of performance management in providing the 2nd line of assurance in the 3 lines model.	01/10/2017			Not Started

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
LCC 2017/18-34 - Budget Management	Assurance that budget management and monitoring arrangements are effective and actioned in line with Council policy and procedures.	01/11/2017			Not Started
LCC 2017/18-35 - Medium Term Financial Planning	Assurance that financial plans are developed to plan future budgets to align to the 4 year funding deal agreed with Government.	01/08/2017	12/07/2017		Draft Report
LCC 2017/18-36 - Capital Programme	Assurance over the governance, decision making and contract management of Capital projects.	22/08/2017	12/07/2017		In Progress
LCC 2017/18-37 - Interfaces with Agresso	Assurance over the interfaces and manual interventions required to load files from other council systems into Agresso, including Mosaic. That the security of files that are loaded into Agresso and that details posted are complete, accurate and timely.	02/01/2018			Not Started
LCC 2017/18-38 - Payroll	Assurance over the entire payroll process and all the key controls within it. To include follow up of prior year agreed actions.	01/02/2018			Not Started
LCC 2017/18-39 - Accounts Payable		01/11/2017			Not Started
LCC 2017/18-40 - Pension Administration	Assurance that revised processes since the implementation of Agresso adequately control pension administration.	02/10/2017	25/08/2017		Not started

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
LCC 2017/18-41 - Fire Pay and Pensions	Assurance that Serco has addressed and rectified the significant issues with Fire and Rescue pay and pension contributions that have occurred since April 2015.	15/06/2017			Not Started
LCC 2017/18-42 - Financial Key Control Testing	Delivery of the key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	02/10/2017			Not Started
LCC 2017/18-43 - Strategic Approach to charging for schools	Assurance that all services offered through the LA commercially to schools are delivered via Edulincs and: 1.that cost recovery follows all accounting rules 2.that services are costed appropriately 3.mechanisms to recover costs ensure that the service receives the income 4.that reporting arrangements enable decision making for the future	26/06/2017	11/09/2017		In progress
LCC 2017/18-44 - Blue Light Collaboration	Assurance that effective programme management is in place to deliver new working arrangements that meet the Council's needs and will be delivered on time and within budget.	20/11/2017			Not Started
LCC 2017/18-45 - Domestic Homicide Review	Assurance that processes for Domestic Homicide reviews meet legislative requirements and reflect best practice. Follow up of published reviews to confirm agreed actions relating to LCC have been taken or are progressing and that lesson learnt are embedded.	01/02/2018			Not Started

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
LCC 2017/18-46 - Waste Strategy follow up	Follow up on the findings of the LWP 16/17 audit to examine progress made	01/03/2018			Not Started
LCC 2017/18-47 - New Highways Operating Model	<p>The audit has been split into two parts. The first part is a review of the project management process that has been followed, ensuring that all expected elements had been completed through the checking of retained documentation and discussion with the project team. While the VFM framework project was part of the larger FOM project, our focus here has been a high level review of just the project management VFM element.</p> <p>The second part has examined the VFM framework itself, looking at the process that has been adopted for the gathering, recording and reporting of performance. This involved shadowing the service and observing the process in full as they gathered information from one of the functions in July 2017. This has allowed us to review the system to ensure it captures and processes the information as expected. We also sought to verify that the process includes the ability to report and monitor performance that does not meet expectations.</p> <p>The key risks that we have identified in this area are:</p> <ol style="list-style-type: none"> 1.The project is not governed effectively 2.ICT systems fail to produce the required outputs 	01/06/2017	23/06/2017		Draft Report
					Substantial Assurance

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
LCC 2017/18-48 - Transport IT and Telematics	Assurance that the process of updating transport IT systems and the real time tracking of Vehicles ensures they a fit for purpose.	02/10/2017			Not Started
LCC 2017/18-49 - Total Transport Project	Assurance that these projects are effectively managed to contribute to the Total Transport Project. Sample of the on going projects may include Non-emergency passenger transport, market development and the procurement process.	01/11/2017			Not Started
LCC 2017/18-50 - Heritage (Phase 1)	Support and advice on arrangements to create a self-sufficient Heritage Service to start transition 2018/19. To include strategic approach and business planning.	01/06/2017	03/07/2017	07/08/2017	Complete
					N/A Consultancy
LCC 2017/18-51 - Telecare Contract	Assurance over the adequacy of the tender processes followed in awarding the telecare contract	12/01/2018			Not Started
LCC 2017/18-52 - Partnerships	Support and advice to the Council on developing a protocol for effective partnership management.	01/11/2017			Not Started
LCC 2017/18-53 - One Public Estate	Assurance that the governance, risk and collaboration within this key project are adequate to deliver the expected outcomes.	01/11/2017			Not started
LCC 2017/18-54 - Single Local Growth Fund	Audit to validate all expenditure on the return has been spend on capital expenditure for approved LGF schemes. In preparation for sign off and return to the DCLG (grant	26/06/2017	12/07/2017	08/08/2017	Complete

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State
	making body).				
					N/A
LCC 2017/18-55 - Telecare Contract Transition		21/08/2017			In progress
LCC 2017/18-56 - Bus Service Operators Grant 2015/16	Audit to validate all expenditure on the return has been spend on eligible schemes. In preparation for sign off and return to the DfT (grant making body).	29/08/2017	29/08/2017		In progress
LCC 2017/18-57 - Bus Service Operators Grant 2016/17	Audit to validate all expenditure on the return has been spend on eligible schemes. In preparation for sign off and return to the DfT (grant making body).	29/08/2017	29/08/2017		In progress
LCC 2017/18-58 - Heritage (Phase 2)	Support and advice on arrangements to create a self-sufficient Heritage Service to start transition by 2018/19. To include Strategic approach and business planning.	20/09/2017	07/09/2017		Planning
LCC 2017/18-59 - Heritage (Phase 3)		15/11/2017			Not started