

## Agenda Item No. 13

**TITLE**            **Internal Audit Progress Report**

**To:**                **Audit & Accounts Committee**

**Date:**            **29<sup>th</sup> July 2019**

**From:**           **Duncan Wilkinson, LGSS Chief Internal Auditor**

### **1.                PURPOSE**

- 1.1                To report on the main areas of audit coverage for the period 1<sup>st</sup> March to 30<sup>th</sup> June 2019 and the key control issues arising.

### **2.                BACKGROUND**

- 2.1                The role of Internal Audit is to provide the Audit Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.

### **RECOMMENDATION**

- 3.1                Audit & Accounts Committee is requested to consider the contents of this report and approve the updates to the Audit Plan at Section 5.1.

<b><i>Officer contact:</i></b>	
Name:	Duncan Wilkinson
Post:	LGSS Chief Internal Auditor
Email:	Duncan.Wilkinson@Milton-Keynes.gov.uk
Tel:	01908 252089

# **LGSS Internal Audit & Risk Management**

**Cambridgeshire County Council**

*Update report*

*As at 30<sup>th</sup> June 2019*

## Section 1

# 1. FINALISED ASSIGNMENTS

- 1.1 Since the previous Progress Report in March 2019, the following audit assignments have reached completion, as set out below in Table 1.

**Table 1: Finalised Assignments**

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Place & Economy	Bus Service Operators Grant	Grant certification provided		
2.	Place & Economy	Additional Highways Maintenance Grant	Grant certification provided		
3.	Cross-Cutting (Cambridgeshire County Council (CCC)-wide)	Agency Staff Compliance	Satisfactory	N/A	Minor
4.	Cross-Cutting (CCC-wide)	Procurement Compliance	Satisfactory	N/A	Minor
5.	Cross-Cutting (CCC-wide)	Fees & Charges Policy & Compliance	Limited	N/A	Minor
6.	Cross-Cutting (CCC-wide)	Grants to Voluntary Organisations Compliance	Satisfactory	Limited	Minor
7.	Cross-Cutting (CCC-wide)	Development of Project Assurance Framework & Project Management Framework	Production of proposed assurance framework and recommendations on project management.		
8.	Cross-Cutting (CCC-wide)	Use Of Invoices	Good	N/A	Minor
9.	Cross-Cutting (CCC-wide)	European Union (EU) Procurement Regulations Compliance	Good	N/A	Minor

10.	Cross-Cutting (CCC-wide)	Risk Management Review	Good	Good	Minor
11.	Cross-Cutting (CCC-wide)	Performance Management	Good	Satisfactory	Minor
12.	People & Communities	Personal Budgets	Good	N/A	Minor
13.	People & Communities	Foster Care Payments	Satisfactory	Satisfactory	Moderate
14.	People & Communities	Coram Cambridgeshire Adoption Contract	Limited	Limited	Minor
15.	Place & Economy	Transport Contract Management	Satisfactory	Satisfactory	Minor
16.	Place & Economy	Section 106 Funding	Good	Good	Minor
17.	Place & Economy	Ely Bypass	Satisfactory	Limited	Minor
18.	LGSS IT	LGSS IT Disaster Recovery	Limited	Limited	
19.	LGSS IT	LGSS IT Procurement	Limited	Limited	
20.	LGSS IT	LGSS IT Governance	Limited	Limited	
21.	Key Financial Systems	Accounts Receivable	Satisfactory	Satisfactory	Minor
22.	Key Financial Systems	Purchase to Pay	Satisfactory	Satisfactory	Minor
23.	Key Financial Systems	Payroll	Satisfactory	Satisfactory	Minor
24.	Key Financial Systems	General Ledger	Satisfactory	Satisfactory	Minor
25.	Key Financial Systems	Bank Reconciliation	Substantial	Substantial	Minor
26.	Key Financial Systems	Treasury Management	Good	Satisfactory	Minor
27.	Key Financial Systems	Financial Systems IT General Controls	Satisfactory	Satisfactory	Minor

28.	Key Financial Systems	Debt Recovery	Limited	Limited	Minor
-----	-----------------------	---------------	---------	---------	-------

- 1.2 Summaries of the finalised reports with satisfactory or less assurance are provided in Section 4. This excludes the reviews of Grants to Voluntary Organisations Compliance and Transport Contract Management, where the audit reports have already been presented in full at the May 2019 meeting, and the report on Ely Bypass which is being separately presented to Committee in full.
- 1.3 The following audit assignments have reached draft report stage, as set out below in table 2:

**Table 2: Draft Reports**

No.	Directorate	Assignment
1.	People & Communities	Direct Payments Compliance

- 1.4 Further information on work planned and in progress may be found in the Audit Plan, attached as Annex A.

Section 2

## **2. FRAUD AND CORRUPTION UPDATE**

### **2.1 CURRENT INTERNAL AUDIT INVESTIGATIONS:**

A summary of the current investigative caseload of the Internal Audit team is provided below at Table 3. This includes investigations relating to suspected theft, fraud or misuse of funds, which are led by Internal Audit.

**Table 3: Internal Audit Investigations Caseload**

Case Category	Description of activity or risk example	No.	Outcomes
<b>Investigations</b>	FACT Investigation	<b>1</b>	Ongoing support to post-report process.
	Whistleblowing concerns	<b>2</b>	Closed, no concerns.
	Allegations regarding misuse of a Direct Payment	<b>1</b>	Investigation in progress.
	Manor Farm Tenancy Review	<b>1</b>	Draft report stage.
	Libraries cash thefts	<b>2</b>	Referred to police.
	Suspected bank mandate fraud at a school	<b>1</b>	Initial investigation in progress.
<b>Totals</b>		<b>8</b>	

Section 3

### 3 **IMPLEMENTATION OF MANAGEMENT ACTIONS**

- 3.1 The outstanding management actions as at the end of May 2019 are summarised in Table 4 below, which includes a comparison with the percentage implementation from the previous report (bracketed figures).
- 3.2 Please note that as this is the first report of the 2019/20 financial year, percentages will have dropped compared to the final quarterly report of 2018/19, as these figures would have included all actions implemented for the entire previous financial year.
- 3.2 There are currently 16 management actions outstanding. Further detail on all outstanding actions is provided at Annex B.

**Table 4: Outstanding Management Actions (Year To Date)**

	Category 'Essential' recommendations		Category 'Important' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
<b>Implemented</b>	0	0% (0%)	17	52% (73%)	17	52% (73%)
<b>Actions due within last 3 months, but not implemented</b>	0	0% (0%)	8	24% (7%)	8	24% (7%)
<b>Actions due over 3 months ago, but not implemented</b>	0	0% (0%)	8	24% (20%)	8	24% (20%)
<b>Totals</b>	0		33		33	

## **4. SUMMARIES OF COMPLETED AUDITS WITH SATISFACTORY OR LESS ASSURANCE**

### **A. CROSS-CUTTING (COUNCIL WIDE) REVIEWS:**

#### **A.1 Agency Staff Compliance**

Opus LGSS is a joint business venture part owned by Cambridgeshire County Council (CCC) in order to manage the Council's need for agency workers, with the intention of all agency appointments being made via Opus LGSS in the first instance. Internal Audit conducted an audit to test compliance with current procedures and policies in place regarding the appointment of agency staff. This sought to assess the Council's risk of not achieving value for money in its use of agency staff, by ensuring they are not being used inefficiently by filling posts at high costs and/or for long appointment periods.

Internal Audit has given a satisfactory assurance over compliance with the Agency Worker Policy. Overall, compliance had improved from the previous audit in 2017/18, with significant improvements in the approval of extensions to agency staff placements, and sample testing found 100% completion of Disclosure and Barring Service (DBS checks) where these were required.

The primary areas of weakness which remained included a lack of evidenced authorisation for the initial procurement of agency staff, with evidence of authorisation available for 50% of the sample. This does still represent an increase from the finding of the previous audit, where only 25% of cases had evidence of authorisation. The audit also found a lack of recruitment exemptions being completed where non-Opus providers were used, and only 43% of the sample having completed health and safety induction forms.

A number of recommended actions have been agreed with management to address the remaining issues. This includes the introduction of formal reporting to directors and senior managers allowing scrutiny of all agency staff expenditure in their areas, and highlighting any known instances of non-compliance with CCC Agency Worker Policy.

#### **A.2 Fees & Charges Policy Compliance**

In 2015/16, Internal Audit conducted a review of fees and charges at



Cambridgeshire County Council, considering how both statutory and non-statutory fees charged by the Council (for services provided and trading activities) are set each year and reviewed. As the Council did not have an adequate policy framework for this area, a draft Fees & Charges Policy and supporting Best Practice Guidance was produced by Internal Audit. On follow-up by Internal Audit, assurances were provided by key officers that the policy and guidance had been agreed at Strategic Management Team (SMT).

The original remit for this review was to carry out compliance testing in order to ascertain whether the Fees and Charges Policy and Best Practice Guidance are being effectively complied with in practice. However, the initial stages of audit field work determined that the Policy and Guidance have not been communicated or embedded into the organisation at all. Following the commencement of this review, the Fees and Charges page on the Council's external website was updated in order to reflect the new policy, however, Internal Audit has found no evidence that this has been communicated to officers, or that the policy is being used in practice to determine fees and charges across the Council. Without the effective communication of this Policy, Internal Audit cannot conduct an effective compliance review of fees and charges against the Council, and therefore limited assurance over compliance is given.

This review also identified that there is little awareness of the total amount of income collected from fees and charges across the Council. While Internal Audit were able to ascertain a list of all the recorded income from fees and charges, this was with the caveat that there may be income on the relevant cost centres which do not relate to fees and charges and, equally, that fees and charges income may not appear on these cost centres.

Four key recommendations have been agreed as a result of this review:

- The Fees & Charges Policy to be approved by Joint Management Team (JMT).
- An owner of the Fees & Charges Policy to be identified as responsible officer for implementing the policy and ensuring compliance.
- A communication strategy to be developed which raises awareness, focusing particularly on key income areas for the Council.
- A review to be undertaken by Finance to identify any areas where non-statutory expenditure is being subsidised, and a formal approval process to be developed and implemented for any such subsidies.

### **A.3 Development of Project Assurance Framework & Project Management**

Internal Audit conducted a review of Project Management Methodologies in

2017/18. This identified limited assurance over the project management systems in place, and limited assurance over compliance. Following this report, it was agreed that Cambridgeshire's Transformation Team would develop a Council-wide Project Management Framework, in consultation with Internal Audit, Finance, Business Intelligence and other relevant services.

The new framework was launched in early 2018/19. During its development, Internal Audit also identified the need for a Project Assurance process to be introduced at Cambridgeshire, to provide greater assurance over the Council's most high-risk projects. This process would ensure that key strategic projects are subject to review at four key points ('gateways') in the project lifecycle, aligned to the gateways defined in the Project Management Framework developed by Transformation. This was discussed with the other services involved and it was agreed that Audit would lead on developing this process.

Internal Audit has now developed a proposed Project Assurance Framework which has been agreed by JMT. As part of this work, a number of areas for improvement in the existing Project Management Framework were also identified and proposals developed by Internal Audit to address these areas, as follows:

- **Adoption of Project Management Manuals:** There is currently no guide or manual for the Council's Project Management Framework. Internal Audit therefore developed a set of proposed draft manuals, to provide greater support and clarity to Council officers undertaking projects using the Project Management Framework.
- **Enforcement of gateway approvals:** The current Project Management Framework is built around four 'gateway' stages in the project management lifecycle, and officers are required to seek 'approval' to progress to the next stage. Currently, there is no guidance regarding the level of approval which is required at each stage, and project managers may select any member of staff to provide 'approval'. Internal Audit has proposed a formal set of project approval requirements, based on project size and risk profile, to ensure that all projects are subject to challenge and scrutiny from officers with sufficient expertise and seniority and that resources are not wasted on projects which do not fit council priorities, are not deliverable, or are managed poorly.
- **Adoption of the new Project Sizing Tool:** The Council's Project Management Framework includes a project sizing tool, which categorises projects as 'normal' or 'large' ('large' projects including an project over £0.5m). This approach does not currently link to any requirements for approvals, such as those outlined in the Council's Scheme of Financial

Management, or processes for the prioritisation of resource in the IT service, Transformation Team or other services, and the only guidance given is that large projects should “rigorously” apply the Project Management Framework. Internal Audit has therefore developed a new Project Sizing Tool which classifies projects as Small / Medium / Large / Strategic, which links to the new Project Management Manuals and Project Assurance Framework also developed by Internal Audit, and also link to existing approval requirements from the Council’s Scheme of Financial Management and Constitution. It is anticipated that this will assist with prioritisation of resources, defining required approvals and outputs, and programme planning and monitoring.

The Transformation Team are currently in the process of launching the new Project Sizing Tool, Project Management Manuals and approvals framework on CamWeb, the staff intranet.

#### **A.4 Performance Management**

Internal Audit conducted several reviews relating to performance management, and produced a single overarching report. This included a review of the Corporate Key Performance Indicator framework; a review focused on compliance with the framework in the calculation of individual indicators; and a review of performance management within Council directorates.

Internal Audit has given a satisfactory assurance for the adequacy of the performance management system in place. The Council does have a written Performance Management Framework; however, this document has not been updated since 2013, is not communicated/available to officers, and does not reflect many of the performance management processes undertaken by officers in practice.

Equally, while the Performance Management Framework itself requires review, Internal Audit identified that generally, in practice, there are effective processes for performance management being undertaken across the Council. Therefore an opinion of good assurance is given over officer compliance with good practice.

A number of recommendations have been agreed with management, including reviewing and comprehensively updating the Performance Management Framework, and communicating this to ensure it is available to all staff. The updated framework should include guidance on the development and regular review of Key performance indicators (KPIs), and as part of the KPIs review they should be aligned to the corporate strategy. It is also recommended that Business Intelligence

service should consider distinguishing in reporting between KPIs which are designed to drive corporate performance and those which are intended as contextual indicators. It is noted that a review is currently being undertaken around a new corporate strategy and discussions around General Purposes Committee's (GPC's) role in reviewing KPIs, which may further affect the contents of the new framework.

## A.5 Procurement Compliance

As part of the 2018/19 Audit Plan, an audit was undertaken to provide assurance that goods and services are procured in compliance with Cambridgeshire County Council's Contract Procedure Rules, and that value for money is achieved through procurement.

The governance opinion from this audit, based on compliance testing of a sample of eight invoices, was that compliance was satisfactory; this means that the control environment has mainly operated as intended, although errors were detected which should have been prevented. The reasons for this assurance rating resulted from two main issues which became apparent during testing:

- **Joint procurement with a neighbouring authority:** An instance was identified where a project was undertaken jointly between Cambridgeshire County Council and Northamptonshire County Council. Northamptonshire had conducted a procurement to obtain a supplier, and the Cambridgeshire team then used the same supplier. However, the procurement had not been undertaken as a joint procurement, and the Cambridgeshire team did not undertake to confirm whether or not Cambridgeshire's Contract Procedure Rules had been complied with, or obtain a procurement waiver, before using the supplier. There is currently limited guidance available to officers within the Contract Procedure Rules on how to govern such situations, and therefore it has been agreed that the guidance will be reviewed with more detail provided.
- **Procurement waivers:** Two instances were identified involving non-compliance with the Contract Procedure Rules, where no waiver (formerly called a procurement exemption) had been approved. These instances were:
  - A service procuring specialist placements for children without any procurement competition. Staff had believed there was no need to comply with Contract Procedure Rules, basing their procurement activity on the Special Educational Needs (SEN) Code of Practice. Prior to the audit, the service had already recognised that they should have obtained an exemption from Control Procedure Rules, had

obtained a temporary waiver, and were putting in place a Dynamic Purchasing System agreement to ensure that future procurements are compliant.

- Another service had chosen a single supplier from a framework contract and engaged with that supplier without a call for tenders, although the framework contract did not allow direct procurement in this way. No waiver had been requested.

Overall there was a positive direction of travel compared to the previous procurement compliance report. In addition to review of the Contract Procedure Rules, it was agreed that the Deputy Head of Procurement would conduct a communications exercise via the Daily Blog to remind staff of requirements under Contract Procedure Rules, and the availability of Procurement Awareness training. It was also agreed that the Head of Finance would write to budget holders to remind them of their obligations under Contract Procedure Rules.

## **B. PEOPLE & COMMUNITIES DIRECTORATE REVIEWS:**

### **B.1 Foster Care Payments**

Children who become looked after (LAC) and are suitable for fostering are placed in homes either with in-house carers, or with carers working for an external independent fostering agency (IFA). Placements are first sought with suitable in-house carers and if none can be found then a placement is found with an IFA. In Cambridgeshire in October 2018 there were 236 children placed with in-house carers and 293 children in IFA placements. The 2018/19 budget for in-house placements and associated costs was £5.5m and for IFAs was £9.7m. The final LAC overspend in 18/19 was £2.8m. In response to a request by the Director of People and Communities, an audit was undertaken of Cambridgeshire's Fostering Service to provide assurance that value for money is achieved through contract management of fostering placements.

Internal Audit has given satisfactory assurance over the control environment and satisfactory assurance over compliance with the controls. Policies and procedures are in place to govern the management of fostering placements but need to be better communicated. While these are generally effective in driving value for money from foster care contracts, Internal Audit has identified several areas where further improvements, and in some cases significant cost savings, could be made.

A number of recommendations have been agreed with management, which includes seeking recovery of £95,976 of expenditure identified by Internal Audit as relating to over-payments, income which has not been invoiced, and expenditure which does not comply with policy. Audit has also identified the potential for savings

through reducing payments to IFAs in cases where the Council separately funds home-to-school transport and this cost can therefore be excluded from the scope of the contract. Potential savings of c.£390,000 are possible if the current policy of reducing contracts by £75 per week is fully implemented in practice. Due to the scale of the potential savings, an opinion of moderate organisational impact was given.

## **B.2 Coram Cambridgeshire Adoption Contract**

Adoption work in Cambridgeshire is provided by the Coram Cambridgeshire Adoption (CCA) agency, under a five-year contract with Cambridgeshire County Council, with a total value of £5.75m. As this contract is terminating on 31<sup>st</sup> July 2019 and being replaced, a review of the contract was undertaken to identify any learning points or areas for improvement in the tender process for the new contract.

Internal Audit gave limited assurance over the control environment for the adoption contract, and limited assurance over the compliance with controls. Weaknesses within the contract documents related to both the performance monitoring and financial processes. The original contract documents provided limited information on the costs associated with the contract, and no details of what the Council's funding was designed to cover or volume specifics; it was anticipated that a Financial Model would be developed and agreed by the two parties.

A Financial Model was developed by CCA but no formal agreement was reached with CCC regarding the model. The Model includes an expectation for a 1% annual uplift on the cost of the contract, which has never been accounted for in Council budgets. The Financial Model also includes an expectation that the contract will be funded in part by CCA commercially trading in adoption placements. The contract did not specify how the financial burden of any overspends would be shared between the two parties.

There is also ambiguity over the expected performance of the contractor in the Contract Documents. There is nothing in the Contract which enables the Council to monitor the financial performance of the contractor, although the Access to Resources team, who have recently taken over contract management, have developed a new and improved set of Key Performance Indicators (KPIs) which better demonstrate expected performance levels. While this means that the Council is provided with a better view of the performance of the contractor, at present there are still no provisions in place which link the performance of the contractor to the payments made by the Council. Without clauses in the contract which tie the payments to the Contractor to the performance levels achieved, there is no way to hold CCA accountable.



A review of actual payments made under the contract identified £1,004,115.82 of additional payments made to CCA from the commencement for the contract to November 2018. These payments were made for a wide range of different reasons, but were not all supported by contractual amendments or formal approval. It was identified that Cambridgeshire County Council were making payments to cover 50% of a projected deficit of c.£300,000 for the 2018/19 financial year at Coram; this was stated as being in line with 'risk share arrangements', however no such arrangements are specified in the contract or Financial Model.

As a result of the findings of the review, a range of recommended actions have been agreed with the service, to ensure that the Council effectively manages and monitors the new contract, and that contract documentation supports this approach. This includes ensuring that the contract includes provision for Open Book contract reviews and links underperformance to financial penalties, as well as introducing an annual reconciliation on all expenditure by CCC and an annual review of KPIs.

## **C. IT AND INFORMATION GOVERNANCE REVIEWS:**

Three IT audits with a limited assurance opinion have recently been completed by the IT Audit team, based at Milton Keynes, across the three LGSS Partners: Cambridgeshire County Council (CCC), Northamptonshire County Council (NCC) and Milton Keynes Council (MKC). This approach has been taken due to the interdependence of the three Councils for IT provision through the LGSS partnership and there being a single LGSS IT management structure. These audits covered IT Disaster Recovery, IT Procurement and IT Governance.

It should be noted that IT at Cambridgeshire County Council is split between LGSS management and CCC management. These reports have focused on systems of control within LGSS IT, and therefore will not reflect any additional compensating controls in place locally within Cambridgeshire. For this reason the close-out workshop, and implementation of actions resulting from these audits, will include the relevant Cambridgeshire County Council IT and Digital staff.

The newly appointed LGSS IT Director has given his full support to the audit process including making his entire management team available for a close-out workshop to discuss findings and identifying relevant actions. Action plans have been agreed with the Director to improve controls. The Audit & Accounts Committee will have an important oversight role in ensuring these that these plans are completed.

## **C.1 LGSS IT Disaster Recovery**

This is an important aspect of corporate governance and although there is significant weakness in Disaster Recovery arrangements these would materialise into impacts on CCC only if there was significant impairment of one or both of the LGSS datacentres and their communication links. Key findings for Disaster Recovery include:

- Absence of effective alignment between business requirements and IT disaster recovery provision.
- Absence of formalised and agreed IT disaster recovery plans.
- No comprehensive or systematic testing of IT disaster recovery capability. Testing has not taken place after the migration of the disaster recovery capability from Scott House to Northamptonshire County Council's (NCC's) data centre.
- In the event of a total loss of the Cambridgeshire data centre there is no alternative communications link to the Northamptonshire data centre, meaning that Council services would not be accessible unless a minimum of networking services remained available at the Cambridgeshire data centre (and potentially not recoverable in a timely manner).

In considering the actions to address these weaknesses Officers will need to take into account the forthcoming move of the Cambridgeshire data centre from the Shire Hall site including the inter-dependencies with our LGSS partners who have data within the Cambridgeshire data centre. This move is likely to affect both the short and medium/long term approach to Disaster Recovery at Cambridgeshire.

## **C.2 LGSS IT Procurement**

This area is important given the nature of this spend includes both technical and cost issues unique to IT.

- IT expenditure is through Council delegated budgets and not via LGSS. There are potential control weaknesses where the Procurement, Business Services and Policy Team are not fully involved at appropriate stages of procurement or for larger, more complex IT procurements. The risk is value for money is not achieved through joint LGSS procurements.
- Comprehensive and detailed IT procurement information is not received for all areas of IT managed budgets. Risk of this is that joint procurement of IT hardware, software and licences not carried out effectively and in accordance with procurement guidance
- Roles and responsibilities for LGSS and Cambridgeshire CC in relation to IT procurement are not always clearly defined.



- There are potential weaknesses in the proactive monitoring of IT related contract's expiry dates.

### **C.3 LGSS IT Governance**

Effective control in this area should drive a consistent and coordinated focus on aligned objectives and deliverables for both individual councils and the demonstrable delivery of shared service objectives / benefits. Key findings were:

- The IT Strategy is not fully aligned to the wider corporate strategy of the Council and aligned to the strategic IT direction of LGSS. It is difficult to establish how effective IT strategic decisions are carried out at present.
- There are significant weaknesses in the processes of IT risk management at present. IT related risks are not regularly integrated into the corporate risk management process.
- There is no internal IT performance management framework or processes at present.
- At present there is no LGSS IT resource management system, different IT organisational structures between Cambridgeshire CC and Northamptonshire and Milton Keynes, robust IT service plans are not in place, and there are different ways of carrying out IT funding.

Since this audit Cambridgeshire County Council has developed an IT and Digital Strategy with Peterborough City Council which is aligned to both Councils' corporate strategy. This Strategy draws on the relevant aspects of the current LGSS IT Strategy.

## **D. KEY FINANCIAL SYSTEMS REVIEWS:**

### **D.1 Payroll System**

The audit of the Payroll system in 2018/19 has resulted in an opinion of satisfactory assurance over the control environment and satisfactory assurance over compliance with the control environment. This represents a reduction in assurance from the previous audit in 2017/18, when an opinion of substantial assurance was given against both controls and compliance.

The reduced level of assurance primarily reflects the fact that as well as the implementation of a new system, HR Transactions have moved away from checking all activity and have instead adopted a risk-based approach to checking. Internal Audit support this approach in principle, but our work found that the documented approach did not reflect the full range of checks performed and we encountered

difficulties in finding evidence of checks undertaken, especially in the earlier parts of 2018/19.

Our review also found that, especially in the immediate months after implementation of the new ERP Gold system, working practices were not fully embedded as full functionality, including reporting, was not readily available. Furthermore, systems were not in place to ensure timely action was not taken to respond to overpayments.

Recent audit work has found the system is now generally operating as intended. However it should be noted that the reality of adopting a risk-based checking system, as opposed to the previous system of 100% checking of all activity, is that the system is now based on an acceptance that some errors will not be identified. As a result, while this risk-based system is in place, key officers and Members should be aware that the maximum level of audit assurance that may be awarded in future will be Good, and it will not be possible to award Substantial assurance as the previous system received.

This process change therefore represents a change in the risk appetite over the Payroll system.

## **D.2 General Ledger System**

The Council's 'General Ledger' is the record-keeping system which constitutes a record of all financial transactions across the entire organization. The audit of the General Ledger system in 2018/19 has resulted in an opinion of satisfactory assurance over the control environment, and satisfactory assurance over compliance.

The review identified the need to review processes covering changes to the chart of accounts<sup>1</sup> and journal processing<sup>2</sup> as current arrangements do not provide efficient safeguards over the integrity of the Council's General Ledger.

Additionally, the review found that especially in respect of payroll control accounts, unreconciled items have not been cleared on a timely basis.

## **D.3 Accounts Payable System**

---

<sup>1</sup> The Council's 'chart of accounts' is the definitive list of all the separate accounts which are used within the general ledger. This is used by the accounting software to aggregate information.

<sup>2</sup> Journals are transactions which are used to move income, expenditure and budget from one account to another within the General Ledger. For instance, if an item of expenditure was incorrectly charged to the wrong budget, this would be corrected through a journal.

For the Accounts Payable review, an audit opinion of satisfactory assurance was provided for both the control system and compliance with controls. The reduced level of assurance compared to 2017/18, when substantial assurance was given for both controls and compliance, relates to several findings. One significant factor was the occurrence of duplicate payments, although it is important to note that these were not due to fundamental system control weaknesses but rather manual error/intervention.

In addition, the recent implementation of specialist software to identify/prevent duplicate payments should significantly reduce the potential for duplicate payments in the future. Other issues were identified in relation to the supplier amend and manual processes. A lack of compliance with purchasing procedures was identified (namely retrospective purchase orders) but this has reduced during the year.

Detail of agreed recommendations is at Annex C.

#### **D.4 Accounts Receivable System**

For the Accounts Receivable system, an audit opinion of satisfactory assurance was provided for both the control system and compliance with controls. This represented a reduction in assurance compared to 2017/18, when an opinion of good assurance was given for both controls and compliance.

The review of the Accounts Receivable system identified that reporting and Key Performance Indicators (KPIs) in relation to the clearance of suspense items needed to be developed, although Internal Audit analysis found that in practice significant volumes of items were cleared each month. In addition, a customisation of the system functionality designed to allocate part payments to invoices did not operate as intended and had to be turned off in June 2018.

Detail of agreed recommendations is at Annex C.

#### **D.5 Debt Recovery System**

An opinion of limited assurance was given for the control environment and compliance with controls in relation to the Debt Recovery system.

The review of the Debt Recovery system identified that debt reporting needs to be improved, particularly in relation to debt trends, supporting narrative and causal factors, as Internal Audit analysis identified that debt and aged debt levels remain high and that as at February 2019 no write offs had been processed since the start of the year.

The review also identified that automated reminder letters were not in use and manual letters were not being issued in a timely manner.

Detail of agreed recommendations is at Annex C.

## 5. OTHER AUDIT ACTIVITY

### 5.1 UPDATES TO THE INTERNAL AUDIT PLAN 2019/20

In each Progress Report, Internal Audit outlines any proposed changes or updates to the annual Audit Plan in light of additional pressures and/or the evolving risk profile of the Council.

#### 5.1.1 Pressures on the Internal Audit Plan:

The following audits represent areas of pressure on the Internal Audit Plan. To date it has been possible to manage this pressure within the Plan due to four audits which have been identified as no longer required (see Section 5.1.2, below):

- **Manor Farm Tenancy Investigation:** As a result of the complexity of this review being greater than originally expected, it has been necessary to increase the time allowance for the investigation. This has been managed within the existing Investigations time budget, however this will mean that any further investigations identified during the course of the 2019/20 year are likely to create a time pressure which requires further amendments to the Internal Audit Plan.
- **County Farms Process & Practice:** As a result of findings during the course of the investigation into the Manor Farm Tenancy, it has become necessary for Internal Audit to also undertake a full review of the systems and processes within the County Farms Team, as a separate audit report.
- **CHAPS Payments Review:** Internal Audit is undertaking a short health check review on the key controls in the CHAPS payment process, to give extra assurance that the control environment is robust and sufficient to ensure payments are appropriately authorised and to protect the Council against fraud. This follows reports of a CHAPS fraud at a London Borough Council; while there is no reason to believe that the control weaknesses in the affected authority exist in the Cambridgeshire processes, a proactive review to confirm this is recommended. This review will examine system and procedural controls / compliance, including management authorisations, in relation to CHAPS payments.
- **Highways Commercial Group:** Internal Audit has been requested to continue to provide support to the Commercial Group in 2019/20.

### 5.1.2 Proposed revisions to the Audit Plan:

The following audits are proposed for removal from the Internal Audit Plan:

- **Key Inspection Action Plans:** The Executive Director of People & Communities has confirmed that this audit can be removed from the Audit Plan as there are other processes in place to provide assurance.
- **Flood Resilience Fund Grant:** This grant review can be incorporated as part of another grant review in the Audit Plan and therefore a separate review is not required.
- **Broadband Grant:** This audit is not required as the Council has neither received nor spent any Broadband Grant funding in 2018/19.
- **SWIM Grant:** This review is no longer required as the SWIM project has now ended and there is no further expenditure to review.

ANNEX A

## CCC INTERNAL AUDIT PLAN 2019/20

### Summary of Progress:

Total Completed Audits from 2019/20 Audit Plan	2
Total Audits at Draft Report Stage	1
Total “Ongoing” Work <i>(i.e. which does not have a specific end date, but will close at the end of the financial year)</i>	10
Total Open Audits	19
Total Not Yet Opened Audits	50

### Full Audit Plan:

Audit	Status	Quarter Opened	Quarter Closed
VAT	NOT OPENED		
Unannounced Visits	NOT OPENED		
Development of Project Assurance Framework	ONGOING	Q1	N/A
Project Assurance of High Risk Projects	NOT OPENED		
Business Continuity	OPEN	Q1	
Financial Planning, Demand Management and Control	NOT OPENED		
Financial Regulations Monitoring & Compliance, including Delegated Authorities	NOT OPENED		
Capital Project Variations and Overspends	NOT OPENED		
Contract Management - Cambridgeshire Energy Performance Contracting Project	NOT OPENED		
Contract Management - Eastern Highways Alliance	NOT OPENED		
Contract Management - Provision of Community Equipment Services	NOT OPENED		

Contract Management - Home and Community Support Service Framework	NOT OPENED		
Contract Management – Supported Living Services for Adults with a Learning Disability	NOT OPENED		
Contract Management - Integrated Drug and Alcohol Treatment System	NOT OPENED		
Contract Management - Cambridgeshire Lifestyle Services	OPEN	Q1	
High Value Supplier Contract Management Reviews	NOT OPENED		
Business Continuity for Key Contracts	NOT OPENED		
Contract Management Policy and Guidance	OPEN	Q1	
Transformation Fund Benefits Realisation	NOT OPENED		
Fees and Charges Policy & Compliance	NOT OPENED		
Annual Key Policies & Procedures Review	NOT OPENED		
Key Performance Indicators	NOT OPENED		
Corporate Key Performance Indicator Framework	NOT OPENED		
Procurement Governance	NOT OPENED		
Procurement Compliance	NOT OPENED		
Procurement Waivers for Procurement Outside Contract Procedure Rules	NOT OPENED		
Consultancy Policy Compliance	NOT OPENED		
LGSS Law Ltd	OPEN	Q1	
Regulation of Investigatory Powers Act Policy Compliance	NOT OPENED		
Property Asset Disposals & Acquisitions Policy Compliance	NOT OPENED		
County Farms Process & Practice	OPEN	Q1	
Fire Safety Checks	OPEN	Q1	
Most Economically Advantageous Tenders	NOT OPENED		
Rental Income	OPEN	Q1	
This Land Limited	OPEN	Q1	
Annual Whistleblowing Policy Report and Awareness	NOT OPENED		
Direct Payments Compliance	NOT OPENED		
Troubled Families Grant	ONGOING	Q1	N/A
Schools Payroll and Safe Recruitment	NOT OPENED		
Disabled Facilities Grant	OPEN	Q1	
Special Educational Needs Placements	NOT OPENED		



Annual Safeguarding Assurance	NOT OPENED		
Key Inspection Action Plans	CANCELLED		
Provision of Section 17 Financial Assistance	OPEN	Q1	
Strategic Approach to Schools Charging	NOT OPENED		
Adult Social Care Finance	NOT OPENED		
Safeguarding the Assets of Clients in External Establishments	NOT OPENED		
Other People & Communities Risk Based Audits	NOT OPENED		
Safeguarding Clients' Personal Assets - Compliance	NOT OPENED		
Highways Contract Open Book Review	OPEN	Q1	
Highways Commercial Group	ONGOING	Q1	N/A
Street Lighting PFI Open Book Review	NOT OPENED		
Waste PFI Renegotiation of Contract	ONGOING	Q1	N/A
Local Transport Capital Block Funding	OPEN	Q1	
Bus Service Operators	CLOSED	Q1	Q1
Pothole Action Fund	OPEN	Q1	
Cycle City Phase II	OPEN	Q1	
National Productivity Fund	OPEN	Q1	
Safer Roads Funding	OPEN	Q1	
SWIM Grant	CANCELLED		
Cambridgeshire Challenge Fund	NOT OPENED	Q1	
Flood Resilience Fund	CANCELLED	Q1	
Coroners Service	OPEN	Q1	
Additional Highways Maintenance Grant	CLOSED	Q1	Q1
Broadband Grant	CANCELLED		
Complaints Process	NOT OPENED		
Accounts Receivable	NOT OPENED		
Purchase to Pay	NOT OPENED		
CHAPS Payments Review	OPEN	Q1	
Payroll	NOT OPENED		
General Ledger	NOT OPENED		
Bank Reconciliation	NOT OPENED		
Treasury Management	NOT OPENED		
Annual Assurance on Risk Management	NOT OPENED		
Debt Recovery	OPEN	Q1	
Pensions	NOT OPENED		
Risk Management			
Annual Governance Statement/Code of Corporate Governance	NOT OPENED		
General Data Protection Regulations Implementation	NOT OPENED		

Information Technology Audit Plan	NOT OPENED		
Financial Systems IT General Controls	NOT OPENED		
Fraud Referrals			
Fraud Investigations			
Community Transport Investigation 2019 - 20	OPEN	Q1	
Manor Farm Tenancy Review	OPEN	Q1	
Concessionary Travel Investigations (ad hoc)			
National Fraud Initiative	ONGOING	Q1	N/A
Advice & Guidance	ONGOING	Q1	N/A
Freedom of Information Requests	ONGOING	Q1	N/A
Follow-Ups of Agreed Actions	ONGOING	Q1	N/A
Audit Plan	ONGOING	Q1	N/A
Committee Reporting	ONGOING	Q1	N/A
Management Reporting	ONGOING	Q1	N/A
Information Management Board	ONGOING	Q1	N/A
Schools Causing Concern	ONGOING	Q1	N/A

ANNEX B

## Summary of Outstanding Recommendations – under 3 months

(Recommendations as at the end May 2019).

Audit	Risk level	Summary of Recommendation	Target Date	Status
<b>Accuracy of Account Coding on the Financial Ledger</b>	I	<p><b>Data Cleanse of Mis-coded Transactions:</b></p> <p>The focus will be on ensuring that the coding issues are corrected going forward. Given resource pressure within the Finance team, a data cleanse will be undertaken, focusing on correcting more material/high-value items. Internal Audit have agreed to supply information on high-value miscoded transactions identified as part of the review. The intention will be to ensure that material misscoding is corrected by the end of the closedown period.</p> <p>Finance will also develop guidance on how to correctly code shared income/expenditure between Cambridgeshire and Peterborough Councils. This is likely to include re-introducing separate account codes specifically for this type of expenditure.</p>	30/04/19	<p>The Head of Finance noted that an initial review of the mis-coded expenditure indicated that this was not material in respect of the production of the Council's accounts and as such a full data cleanse has not been undertaken.</p> <p><b>Revised target date: TBC</b></p>
<b>Fostering Contract Management</b>	I	<p><b>Failure to recharge other Local Authorities:</b></p> <p>The service should work with Finance to agree an estimate for the true cost of in-house placements. Linked to this, the service's policy and guidance should be updated to include a charging policy for external children placed with in-house carers. It is recommended that this should include the £200 weekly charge for the Council's overheads for maintaining these placements (or an alternative overhead</p>	31/05/19	<p>The Interim Residential and Placements Manager reported that the process of monthly invoicing has been agreed with one Local Authority. The other Local Authorities has been written to regarding recharging placement.</p> <p><b>Revised target date 31.07.19</b></p>

		cost if agreed with Finance) and quarterly invoicing for all such placements.		
<b>Fostering Contract Management</b>	I	<p><b>Overpayments to Level 6 Carers:</b></p> <p>Review the payments to this couple to establish whether they are reasonable and in line with policy, and whether placements with the couple represent value for money in terms of the costs paid per child. Update the file and inform the Business Systems teams of any decisions regarding this couple, ensuring that any decision to continue with varying the usual terms of the foster carer scheme for this couple, if it is confirmed as being value for money, are fully documented with a clear approval from the Head of Service.</p>	31/05/19	<p>The Interim Residential and Placements Manager reported that this is partially complete, mainly due to the historical nature of this agreement and time it has taken to locate the agreement.</p> <p>The agreements have been located and reviewed and shared with Legal Services for a view.</p> <p><b>Revised target date: TBC</b></p>
<b>Annual Assurance on Risk Management</b>	I	<p><b>Directorate Risk Registers are not up to date:</b></p> <p>As a minimum, The C&amp;CS Directorate Risk Registers should be brought up to date and then reviewed on a quarterly basis. The C&amp;CS (now the C&amp;DS) Risk Register will be reviewed by the end of May by the C&amp;DS Management Team</p>	31/05/19	<p>The C&amp;CS Directorate Risk Register is due to be reviewed during July 2019 by the C&amp;CS Management Team.</p> <p><b>Revised target date: 31<sup>st</sup> July 2019</b></p>
<b>Annual Assurance on Risk Management</b>	I	<p><b>Directorate Risk Registers are not reported to the relevant committee:</b></p> <p>The C&amp;CS Directorate Risk Registers should be reported to the relevant Committee at least twice a year. The C&amp;CS (now the C&amp;DS) Risk Register will be reviewed and reported to General Purposes Committee twice a year. Will discuss with Democratic Services to add to the agenda.</p>	31/05/19	<p>The Head of Emergency Planning will meet with Democratic Services to confirm the dates when the C&amp;DS register will be reviewed by the General Purposes Committee.</p> <p><b>Revised target date: 31<sup>st</sup> July 2019</b></p>

<b>Transport Contract Management</b>	I	<p><b>Monitoring Schedule:</b></p> <p>The monitoring procedure should be reviewed and updated. This should include a procedure to ensure that suppliers who are found to have breached the Terms and Conditions of the contract are re-monitored sometime in the next two months, ideally with multiple supplier routes monitored after a breach. A process should also be introduced to ensure that all suppliers are monitored at least once per year. The service should consider introducing reporting to senior management a summary of breaches at the end of each term, with serious breaches and terminations reported immediately at management discretion.</p> <p>The breaches record spreadsheet and monitoring history spreadsheet should be amalgamated into a single document.</p>	31/05/19	<p>The Quality Manager reported that a termly report will be presented to Senior Management at the end of the summer term with a whole year summary report. The monitoring team is reviewing schedules to ensure all suppliers can be monitored yearly.</p> <p>There will be a new process to close the circle of monitoring and breach records to ensure clear visibility of actions taken.</p> <p><b>Revised target date: 30<sup>th</sup> September 2019</b></p>
<b>Transport Contract Management</b>	I	<p><b>Length of Call For Tenders:</b></p> <p>Minimum tender times of at least one week should be established for all regular tenders, and the service should aim to allow more time than this in most cases.</p>	31/05/19	<p>The Quality Manager reported that the actual process are yet to be written up and will send through once written (in conjunction with the new Contracts officer once in Post)</p> <p><b>Revised target date: 31<sup>st</sup> August 2019</b></p>
<b>Transport Contract Management</b>	I	<p><b>Emergency Procurements:</b></p> <p>Emergency contracts should not be let for longer than until the end of the school term, during which time they can be re-tendered using a longer tender time.</p>	31/05/19	<p>The Quality Manager reported that the actual process are yet to be written up and will send through once written (in conjunction with the new Contracts officer once in Post)</p> <p><b>Revised target date: 31<sup>st</sup> August 2019</b></p>

## Summary of Outstanding Recommendations – over 3 months

(Recommendations as at the end May 2019).

Audit	Risk level	Summary of Recommendation	Target Date	Status
3rd Party Assurance	I	<p><b>Contracts do not have third party assurance requirements:</b></p> <p>Officers responsible for commissioning high-value contracts with suppliers, who are likely to hold or process large volumes of personal data, should consider including in their specifications that the Council must be provided with appropriate third party assurance over the security of systems. IT and Procurement officers should be aware of the possibility of including these requirements in specifications, and provide advice and guidance to officers commissioning such contracts.</p>	31/05/18	<p>The Business Intelligence Manager confirmed work is progressing on this recommendation but that it is proving more resource-intensive and taking longer than originally anticipated.</p> <p>The Data Protection Officer said they have been contacting all relevant contract managers to advise them that they need to update their contract with the GDPR amendments, and they have received acknowledgments back from the services that they have done this. Internal Audit received a copy of the contract register and there are instances where the services still needs to reply.</p> <p><b>Revised target date: TBC</b></p>

<b>Direct Payments Compliance</b>	I	<p><b>Monitoring done by Direct Payment Support Services:</b></p> <p>The role of the Direct Payment Support Services in relation to the type and frequency of monitoring they carry out on accounts must be clarified.</p> <p>Direct Payment Monitoring Officers should monitor a sample of trackers with the relevant invoices to ensure Purple/Penderels are paying out money in accordance with the service user's Care and Support plan.</p> <p>Risks: • Service users could misuse their money without detection • The Council may not be getting value for money from their chosen Direct Payment Support Service</p>	30/04/18	<p>The Internal Audit team are now reviewing the direct payments contract processes as part of the 2018/19 Direct Payments audit review. This audit is expected to be completed within the next few weeks. Emerging findings are subject to change as audit work continues but currently it anticipated that this outstanding action will be incorporated into more up to date recommendations in this latest audit.</p> <p>Recommendations are yet to be finalised but will be shortly.</p> <p><b>Revised target date: 31st July 2019</b></p>
<b>Use of Consultants</b>	I	<p><b>Control over Expenditure:</b></p> <p>Procurement should produce a report detailing expenditure on consultants and interims and share this with members of SMT and HR on a quarterly basis. This should improve the ability of senior management and HR to identify and address areas of high spend; areas which may be nearing EU Procurement Thresholds; and areas where consultants or interims have been in post for extensive time periods.</p>	31/01/19	<p>This action is being addressed through the Consultancy Policy work and HR and Procurement took proposals for this to JMT on 7th March 2019.</p> <p>The HR Policy Manager stated that a report on the number of consultants engaged by CCC and spending on these consultants went to JMT on the 27<sup>th</sup> of June where Service Directors committed to reviewing all current consultants placements.</p> <p>A report on the number of consultants/spend is going to the Audit and Accounts committee on the 29<sup>th</sup> of July</p> <p><b>Revised target date: This is expected to be closed as of the current Audit &amp; Accounts Committee Meeting.</b></p>

<b>Use of Consultants</b>	I	<p><b>Succession Planning:</b></p> <p>Several instances were identified by the review of interims remaining in post for significant time periods.</p> <p>A review should be undertaken of all posts currently occupied by interims and plans should be developed to transition these into permanent arrangements through development of existing staff, external recruitment processes etc. Long-term succession plans should be developed for these posts, and other posts which have been occupied by interims over the past three years.</p> <p>When a repeat exemption to contract procedure rules is approved for appointments of consultants or interims, the Procurement team should follow-up with the service to ensure an appropriate long-term solution is being put in place, as at present it appears that while services are prompted to consider alternative arrangements at the point of exemption approval, there is a risk that this is then forgotten about afterwards. Repeat exemptions where Procurement advice is not being taken should be flagged by the Procurement team to senior management at the Council.</p>	31/01/19	<p>Internal Audit has sought to contact the Director of Business Improvement and Development but at the time of writing has not received an update regarding current progress with this action. Audit will continue seeking to obtain an update to provide verbally at the meeting.</p> <p><b>Revised target date: TBC</b></p>
---------------------------	---	---	----------	--



<b>Use of Consultants</b>	I	<p><b>Associate Advisers:</b></p> <p>The framework contract for Associate Advisers was let in 2011 and expired in March 2015. Since then repeat exemptions have been approved.</p> <p>The Associate Advisers framework contract should be re-tendered in an open procurement process immediately.</p>	31/01/19	<p>The Director of Learning advised that the Associate Advisers framework is currently between Legal and Procurement.</p> <p><b>Revised target date: 31st July 2019</b></p>
<b>Use of Consultants</b>	I	<p><b>Independent Persons:</b></p> <p>'Independent Persons' in Children's Social Care are a specialist group of consultants who may be called upon to undertake investigations into social care complaints, according to statutory requirements.</p> <p>The Use of Consultants review identified concerns that individuals are appointed to these roles via word of mouth rather than a formal process. Around £15k was spent with these individuals in 2016/17, so the consolidated spend over several years would breach the £25k threshold at which a procurement process is required.</p> <p>It was therefore recommended that a framework contract should be put in place for Children's Social Care Independent Persons. Identified individuals should be invited to submit bids to join the framework as part of an open procurement process.</p>	31/01/19	<p>Internal Audit are in discussions with the Service Director, Children &amp; Safeguarding, Peterborough &amp; Cambridgeshire regarding this action. The service feel that a framework contract might not be the correct solution, so the service wishes to undertake further review of the current state of expenditure on these roles, and understand how best to commission them in future. Internal Audit will follow this up and support the service in identifying an appropriate solution.</p> <p><b>Next update due: TBC</b></p>

<b>Information Governance Policies</b>	M	<p><b>Asset management policies and procedures:</b></p> <p>A complete physical asset register, listing the council staff member responsible for the asset should be created</p> <p>If assets are not managed or lost there is a risk of data breaches occurring (and not identified) leading to reputational or financial damage.</p>	30/09/17	<p>This action was initially proposed to be closed. However the new Head of IT has indicated that he is keen to seek to implement the action. It is now being addressed by the Application, Database and Business Intelligence Manager through the Gate 0 process for ERP as a new project. Once this is initiated an idea of future timescales can be given.</p> <p><b>Revised target date: TBC</b></p>
<b>Safe Recruitment Compliance</b>	M	<p><b>Flag Overdue DBS Information:</b></p> <p>Internal Audit review identified that DBS checks which are recorded in employee files are not always also recorded on Oracle. To assist HR and managers in easily identifying any overdue DBS information, it was agreed that for all employees involved in regulated activities and who require an Enhanced DBS check, a flag should appear on ERP Gold until DBS information has been entered. This will reduce the risk that follow-up action to ensure all DBS checks are in place may not be undertaken.</p>	31/12/17	<p>The LGSS Head of HR Policy and Projects stated that they need to discuss progress against this action with the Transactions Team.</p> <p><b>Revised target date: TBC</b></p>

ANNEX C

## Recommendations arising from Key Financial Systems Reports

Actions agreed at time of writing.

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
1.	Accounts Payable	<p><b>Non-Commercial Supplier Amendments:</b></p> <p>Internal Audit have reviewed the supplier amendment process and undertaken sample testing. Our review confirmed that the new process requires verification checks to be undertaken to ensure requests to amend commercial supplier bank details is legitimate. However, It was confirmed that verification checks on bank detail changes were not undertaken in relation to non-commercial suppliers. The decision was taken by the Head of Finance Operations.</p>	<p>The decision not to undertake verification checks on bank detail changes in relation to non-commercial suppliers should be endorsed by the Director of Social Care and S151 Officer at each client to ensure they are prepared to accept the increased risk of financial abuse.</p>	<p>The current process for non-commercial suppliers has been in place for in excess of ten years (for instance individual service users). There are no clear ways for AP to check that bank accounts are valid as we are unable to directly contact the payees, therefore there is sole reliance on the service area (council employees) to send in the request. AP would look to seek endorsement from the 151 Officer and Director of social Care at each client. Non-commercial suppliers should all be duly authorised though the service area process prior to the internal form being sent to AP.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: 30.6.2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
2.	Accounts Payable	<b>Bank Detail Amendments</b>  Sample testing of 15 supplier amendments included 6 bank detail amendments. Testing identified that sufficient evidence was not recorded to confirm what verification checks were undertaken.	<p>When any verification checks are undertaken in relation to supplier amendments the Supplier Maintenance Team should record relevant details to evidence that sufficient checks have been undertaken. This would both evidence that the process is operating as intended and support investigations in the event of queries from suppliers or any instances of bank mandate fraud. This should be done in a proportionate manner and Internal Audit considers it would be most efficient to record the following details on the ERP diary note function:</p> <ul style="list-style-type: none"> <li>• date, time and nature of the check undertaken (e.g. 'searched supplier on the internet and called finance department');</li> <li>• the person spoken to at the supplier; and</li> <li>• whether written confirmation of the request from the supplier was required and provided.</li> </ul>	<p>The supplier maintenance team will be reminded to record the details in the diary note functionality as per the recommendation on the ERP diary note function.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: 30.6.2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
3.	Accounts Payable	<p><b>Missing Goods Receipt Tasks:</b></p> <p>Discussions with the Accounts Payable Service Manager established that the way services can respond to missing goods receipt tasks in ERP may create further delays in the payments process. Where a goods receipt (GR) has not been created for an invoice, a workflow task to create a GR is sent to the requisitioner by the AP Team. If the requisitioner creates a GR via this task, the invoice will then be paid via the 3 way match. However, if the requisitioner creates a GR outside of the work flowed task, the three-way match cannot take place unless the requisitioner then matches that GR to the invoice.</p> <p>The need for requisitioners to create a good receipt (GR) within the work-flowed task once an invoice has been received appears to represent partly a design flaw and partly a training need, as requisitioners should be informed that failure to create a GR within the assigned work-flow will lead to problems with payment.</p>	<p>The Accounts Payable Team should conduct an awareness raising exercise to ensure that users are aware of purchasing procedures. This should include guidance on the most efficient way to create a goods receipt when required by missing GR task workflow. This awareness raising exercise could include:</p> <ul style="list-style-type: none"> <li>• Utilising client wide communication methods such as 'Friday Focus' broadcasts.</li> <li>• Updating on-line training material.</li> <li>• Identification of services/individuals that are consistently not complying with purchases procedures and targeted communications to help improve compliance amongst those services/individuals.</li> </ul> <p>Investigation into whether the wording missing GR task workflow could be amended to highlight that end users should complete the GR using the workflow task.</p>	<p>AP are currently reviewing all of the processes and ensuring they are fit for purpose with aligned 'Quick Cards' for end users to ensure that the guides are comprehensive and clear. Process maps will also be published. This exercise is due to be completed by the end of Q2. This exercise will conclude with the publication of all processes relevant to end users to ensure they are aware of the purchasing procedures and how specific system tasks should be actioned.</p> <p>Workshops are held with key service areas where requested and additional training provided. This has been ongoing during 2018/19. In addition we are working with groups of Finance Business Partners so that they have awareness of the PO and GRN processes to support budget holders.</p> <p>Drop in sessions are held as and when required, with refresher sessions also held.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: 31.10.2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
4.	Accounts Payable	<p><b>‘Additional Line’ Approval:</b></p> <p>It is recommended that this method of approving additional spend above tolerances is not used to approve the full value of any invoice as it weakens expenditure controls by not subjecting an invoice to a full 3 way match to confirm that goods/services have been received.</p> <p>Where the full value of an invoice is processed as an additional line it increases the risk of duplicate payments occurring as described in paragraph 5.2.4 above (additional line approval user error). This method for approving the full value of an invoice makes it more difficult/less efficient for budget holders to verify goods/services have been received prior to approving invoices. This increases the risk that budget holders approve invoices in error.</p>	<p>The additional line approval process should not be used to approve the full value of an invoice. Where the PO amount has already been reached, any subsequent invoices should not be paid until either:</p> <ul style="list-style-type: none"> <li>the PO is amended and re-approved; or</li> <li>a new PO is raised and approved.</li> </ul> <p>In either case, a new GR should be created against the PO to provide confirmation that the goods and services have been approved and ensure the 3 way match is used to approve invoices for payment.</p> <p>Additional line approval of an invoices full value weakens otherwise robust controls over expenditure and increases the risk of erroneous or duplicate payments.</p>	<p>AP will no longer use the additional line approval process for the entirety of an invoice. Where an invoice is received and the value of the PO has been reached the service will be required to follow the PO Amend process.</p> <p>The additional line approval process will continue to be used for the part payments of invoices as per the system design.</p> <p>AP are also planning to review the wider processes around draw down orders including the potential for alerts to budget holders when a PO is nearing its limit. However such changes will require a significant amount of development and will have to go through the full Change Request Process with an impact assessment. It should be outlined that we may be restricted by system capabilities and would need to seek Unit 4 advice. This could also increase resource requirements in AP due to additional process steps for AP.</p> <p>It should also be noted that Fiscal will also pick any potential duplicates up should there be an exceptions.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: 31.10.2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
5.	<b>Accounts Payable</b>	<p><b>Multiple Supplier Accounts:</b></p> <p>Where a supplier has different bank accounts for different purposes these cannot be consolidated into one supplier on the system and so multiple suppliers exist in the system.</p> <p>There is a risk that duplicate payments could occur where multiple supplier accounts are set up for each set of supplier bank details. The risk of duplicate payments occurring due to multiple supplier accounts is minor as both suppliers would need to have a valid PO, and as PO numbers are system generated these would both have different numbers. If a duplicate invoice was assigned to the wrong supplier in error the system would flag a warning message to alert the AP processing officer. Whilst this could be overridden the likelihood is considered low and a high level of human error would be required for this scenario to result in a duplicate payment.</p>	<p>A review should be undertaken to identify any multiple supplier accounts that may exist twice in error rather than as required. For any such cases identified the second supplier account should be deleted. This will further reduce the risk of duplicate payments occurring and make supplier maintenance and creditor analysis more efficient in the future.</p>	<p>This review is planned during Q2 or Q3. Ordinarily the data cleanse would be performed earlier but to negate risk of duplicate payments and also to allow transactional continuity we are looking to see if Unit 4 have a supplier merge functionality where if a supplier is deactivated transactional history is moved to the live supplier account.</p> <p>Where there are duplicate suppliers, Fiscal will reduce the risk of potential duplicate payment through the algorithms built in the software that identity duplicate invoice numbers, amounts, dates, etc.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: 31.12.2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
6.	Accounts Payable	<p><b>Direct Coding Process:</b></p> <p>Legacy PO numbers were not migrated from the old system to the new ERP system. This resulted in many invoices carrying a non-ERP PO number that could not be matched in ERP. The agreed work around was to direct code the invoice and workflow to the relevant budget holder to approve the payment. The direct coding functionality is still available in the system. The risk of potential duplicate payments or internal fraud in the future is significantly mitigated by the following:</p> <ul style="list-style-type: none"> <li>• From the 15.9.2018 no invoices with legacy numbers are being accepted;</li> <li>• Invoice payments can only be made to existing ERP suppliers;</li> <li>• Budget holder approval is required for all direct coding invoices; and</li> <li>• The AP Team have implemented a policy to return any invoices without a valid ERP PO number to the supplier.</li> </ul>	<p>The direct coding approval process should no longer be used to approve invoices for payment.</p>	<p>Legacy POs will no longer be accepted and any invoice quoting a legacy PO will be returned to the supplier and the service will be required to raise a new PO. The only exception to this will be the supplier LGSS Law. Due to the volume of aged invoices AP will continue to use direct coding for this supplier until the aged backlog is cleared.</p> <p>It should also be noted that Fiscal will also pick any duplicates that may occur through direct coded LGSS Law invoices.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: 30.6.2019</p>



No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
7.	Accounts Payable	<p><b>Manual Upload Process:</b></p> <p>In this process, details of payments to be made are extracted from source systems and added to a spreadsheet. The spreadsheet is then sent to the AP Team who upload the spreadsheet into ERP. Access to the manual upload spreadsheet is controlled by the AP team and has to be requested by officers. The spreadsheet is designed so that once the officer in the service populates the spreadsheet they click a button that locks the spreadsheet so that it cannot be amended. Another officer is then required to approve the spreadsheet before it is uploaded into ERP by the AP Team.</p> <p>Sample testing of 15 manual upload spreadsheets identified that in 5 cases spreadsheets were not approved by a second officer in the service. They were actually approved by an AP officer. This represents a significant compliance issue as:</p> <ul style="list-style-type: none"> <li>• in these cases there is a lack of appropriate approval and separation of duties in the service; and</li> <li>• it is not appropriate for AP officers to approve manual upload payments.</li> </ul>	<p>The Accounts Payable Team should not upload into ERP any manual upload spreadsheets for payment unless:</p> <ul style="list-style-type: none"> <li>• it has been approved by two officers from the service; and</li> <li>• the approving officer is an appropriate budget holder with sufficient approval limits.</li> </ul>	<p>The AP Team will only upload a spreadsheet for payment into ERP if:</p> <ol style="list-style-type: none"> <li>1. The spreadsheet has been locked and approved by two officers from the service and the second officer is the agreed approver as per the AP Teams list of approvers.</li> <li>2. Where the spreadsheet has not been approved but the accompanying email is from the agreed approver as per the AP Teams list. The email must also provide the number of payments on the spreadsheet and the total value of the payments on the spreadsheet. This will be checked against the spreadsheet to ensure the volume and value match.</li> </ol> <p>In both cases the AP Team will check that the agreed approver has been involved. If not, and if the criteria above are not met the spreadsheet will not be uploaded and sent back to the service. In all cases appropriate evidence will be retained by AP.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: 31.8.2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & <i>Target Date</i>
8.	<b>Accounts Payable</b>	<b>Manual Upload Process (2)</b>  As above.	The Accounts Payable Team should clarify, update and re-issue the procedure document to ensure it makes clear roles and responsibilities in relation to manual upload spreadsheets, in particular for approval and upload	The procedure document will be amended as per the recommendation and will reflect the controls described in the management response to the previous recommendation.	Responsible Manager: Alison Balcombe. Target Date: 31.8.2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
1.	Accounts Receivable	<p><b>Additional Auto-Allocation Process</b></p> <p>Internal Audit confirmed that the built-in ICON and ERP functionality to auto-allocate receipts to the correct customer account and invoice number is operating as intended. However, in an effort to deliver additional allocation functionality, the built in auto-allocation designed to allocate part payments within ERP was customised. This work was undertaken by a consultant who was employed to undertake a range of development and support work prior to go live. This customisation did not work as intended and had to be turned off. It is important to note that this did not have any impact on the accuracy of customer debt balances or the general ledger.</p> <p>Internal Audit confirmed that the customised allocation functionality was turned off 20 June 2018 and has not yet been reactivated in order to prevent re-occurrences of this issue. Were this not the case it is likely that our assurance opinion on the implementation of system controls would be limited.</p> <p>Internal Audit have confirmed with the Business Systems Team that the number of transactions affected by this issue has vastly reduced and that only 155 transactions remain.</p>	<p>Internal Audit recommends that the customised allocation remains switched off permanently.</p> <p>Any decision by the AR Team to re-instate the customised allocation must be endorsed by senior management at all three clients and should be informed by:</p> <ul style="list-style-type: none"> <li>• A resource/benefit analysis including the impact on manual suspense account clearance.</li> <li>• The resources, cost and skills required to ensure the customised allocation delivers as intended.</li> <li>• The testing required to ensure the customised allocation will work as intended.</li> </ul> <p>The customised allocation should not be re-instated on the live system environment until extensive testing categorically proves it will operate as intended and will not have any adverse impact on debt recovery reminder letters or any other system process.</p>	<p>At present there is no plan to re-instate auto allocation, unless Unit 4 have a more sophisticated and robust version of auto-allocation where there is no risk of allocations against incorrect transactions.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: Complete.</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
2.	Accounts Receivable	<p><b>Incorrect Allocations to Suspense</b></p> <p>Sample testing of unallocated receipts identified that 29 of 30 receipts were correctly auto-allocated by ERP to suspense. One case was identified where sufficient information had been provided by the customer to allow for auto-allocation to the correct invoice but the receipt was still allocated to suspense.</p> <p>The Business Systems Team established the reason the auto-allocation failed to allocate to the invoice in this case was due to an issue with a piece of code used in a BizTalk validation table rather than the ERP system itself. This code derives customer/invoice details for matching and had a flaw that in certain circumstances meant that the correct customer and invoice values were not found. The Business Systems Team have analysed this issue have implemented a change which should ensure increased reliability of the BizTalk code and prevent this issue from occurring in the future. It is important to note that this issue does not represent a flaw in ERP, or result in payments not being receipted in the system.</p>	<p>Monitoring should be undertaken by the Business Systems Team on a regular agreed basis to provide assurance that the recently implemented fix in BizTalk is working to ensure that all items that can be are being auto-allocated to the correct customer invoice by the system. Any future instances of this issue in the auto-allocation process should be investigated and reported to the LGSS AR Management Team.</p>	<p>The underlying issue which was fixed in BizTalk relates to a specific coding logic which caused the allocation of a customer receipt to suspense when it could have been correctly allocated. The logic is static and does not change with the variation in data seen through this daily interface. It is not therefore expected that the logic will change in the normal course of events – and so it is unlikely that a regular review will identify any further logic issues with the underlying system code. We propose that a further review is undertaken in Q2 2019/20 to validate this and then either close the action or, if further issues are found, agree a suitable interval for a planned review.</p> <p>The AR Management Team will also work closely with Business System if there are any future instance of this issue.</p>	<p>Responsible Manager: Peter Borley Cox Target Date: 30.9.2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
3.	Accounts Receivable	<p><b>Clearance of Suspense Accounts:</b></p> <p>The timely clearance of suspense items is important as delays in manually allocating receipts to customer invoices and cost centres can have an impact on debt recovery. There are currently no targets or KPIs in relation to the clearance of suspense accounts so it is difficult for Internal Audit to give an opinion on whether items are cleared in a timely manner. However, matters have been identified through testing, analysis and discussions with AR officers:</p> <ul style="list-style-type: none"> <li>AR Staff in the Income Processing Team have reported that there is not yet a formally agreed and documented procedure to govern the review of suspense accounts.</li> <li>The lack of targets/KPIs in relation to suspense clearance makes it difficult to assess performance and required resource levels.</li> <li>Weekly reporting of suspense movement only provides net movement figures rather than the actual number of suspense items cleared, and therefore does not give a complete picture of performance.</li> <li>Reporting to the LGSS Management Board on suspense items only covers the ZICO2 suspense account and does not provide information on aged suspense items.</li> </ul>	<p>A documented procedure to govern the review of suspense accounts should be developed. These procedures should document:</p> <ul style="list-style-type: none"> <li>Roles and responsibilities in relation to review and clearance of all suspense accounts;</li> <li>The prioritisation of suspense accounts, large items and aged items.</li> <li>Realistic targets/KPIs to help ensure that suspense account clearance is timely and how performance will be monitored.</li> </ul>	<p>A full suite of appropriate KPIs are in development within Income. New reports have been produced which are circulated with Finance Business Partners to support unallocated income, particularly complex cases. A full monthly documented reconciliation is now performed to evidence outstanding items as at month end. Service Reviews and drop in sessions are being rolled out during 2019/20 for closer working with Partners.</p> <p>The above actions will be documented in a procedure document that will also cover roles and responsibilities in relation to review and clearance of all suspense accounts and the clearance of suspense items and suspense accounts will be prioritised within Income Processing.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: 31.7.2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & <i>Target Date</i>
4.	<b>Accounts Receivable</b>	<p><b>Aged Suspense Items:</b></p> <p>Internal Audit undertook snapshot analysis of the main ZICO2 suspense account to establish whether aged suspense items were being cleared. This identified that there has been significant reductions in aged items between September 2018 and March 2019 but that a number of items still remain from quarter one of the financial year 2018/19, in particular at NCC.</p>	<p>Aged items should be subject to a targeted review and if they cannot be allocated to invoices they should be removed from suspense and allocated to a fortuitous income code in the same way that suspense items from legacy systems have been.</p>	<p>Following the creation and circulation of the reports to Finance Business Partners, this is also key focus on high volume/high value areas. There are process improvements underway in key areas, such as Libraries. Regularly meetings are being held with appropriate budget holders and Finance Business Partner to continually review this suspense account.</p> <p>A 'write back' process is to be developed in collaboration with Partners to agree a process and timeframe for aged items to be potentially moved into a separate control account.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: 30.9.2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & <i>Target Date</i>
5.	<b>Accounts Receivable</b>	<p><b>Customer Failure to Provide Reference:</b></p> <p>From discussions with AR officers it was established that a significant proportion of items in suspense are the result of customers failing to provide the required/correct reference numbers. Items allocated to suspense could be significantly reduced if customers were educated regarding the need to provide accurate references when making payments.</p>	<p>The Head of Finance Operations should consider undertaking a review of suspense items to establish if there are particular services whose customers consistently fail to provide the required reference numbers. If such services are identified the AR Team should liaise with those services in order to develop communication plans to help educate customers and ensure they provide accurate reference numbers.</p>	<p>There is targeted activity underway in areas which are lacking in information to enable allocation. Commencing in Q1 2019 is a targeted focus on key areas such as Schools and Libraries. In addition information has been provided by LGSS teams, such as Financial Assessments in providing prefixes to customer accounts to enable prompt allocation. We will continue to monitor the descriptions provided by customers and address the data accordingly.</p> <p>Where the customer consistently quotes an unrecognisable description, we are exploring the possibility of creating allocation rules within Icon to manage these payments, which will reduce the number going into suspense. In addition we will also target these customers and request more meaningful information.</p>	<p>Responsible Manager: Alison Balcombe. Target Date: 30.11.2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
6.	Accounts Receivable	<b>Reporting on Suspense Items</b>  Current reporting on suspense items and clearance rates does not include the Customer Suspense account (known as the 999 account) or the Direct To Bank suspense account and is lacking sufficient information to give a complete picture of suspense balances and clearance activity. The Head of Finance Operations is currently developing a suite of KPIs and has confirmed that a review of reporting will be undertaken in conjunction with the LGSS Reporting Team.	Suspense account reporting should be provided to clients on a regular agreed basis and should include: <ul style="list-style-type: none"> <li>• All suspense accounts for each client.</li> <li>• Volumes and values of new suspense items.</li> <li>• Volumes and values of items cleared from suspense.</li> <li>• Volumes and values of aged suspense items.</li> <li>• Performance against agreed KPIs.</li> </ul>	As part of the development of a full suite of appropriate KPIs, a new suite of reports will be developed and provided to clients. The reports will provide data on all suspense accounts and values and volumes of new suspense items, aged suspense items and items cleared from suspense. Reporting will also include ongoing performance against the new KPIs. The frequency of this reporting will be agreed with clients.	Responsible Manager: Alison Balcombe Target Date: 30.9.2019



No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
1.	<b>Debt Recovery</b>	<p><b>Automated Reminders Turned Off</b></p> <p>Automated reminders are currently disabled on the ERP system. At present Debt Recovery officers must manually initiate this process to issue each letter.</p> <p>The Debt Recovery Team report that automated reminder letters are switched off as there is a lack of confidence that that letters produced via the automated process will contain accurate debt balances. It has not been possible for Internal Audit to conduct testing on automated letter accuracy while the system remains switched off.</p> <p>Based on sample testing of 105 debts which were at least 30 days overdue at the point of testing, for the majority of debts first reminder and final notice letters are being issued. At Milton Keynes and Northamptonshire this figure was 90% or greater and at Cambridgeshire 74% of debts tested had a first reminder issued and 68% a final notice.</p> <p>Agreed timelines for letters to be issued are not currently being met.</p>	<p>Internal Audit recommend that automated reminder letters are enabled on the system to ensure initial debt recovery activity is timely and to support effective debt recovery. To facilitate this, a review should be undertaken of the reminder letters process to determine if and when the automated letter functionality should be re-introduced. This review should include:</p> <ul style="list-style-type: none"> <li>• Clarity over the specific reasons why the functionality remains switched off.</li> <li>• An assessment of whether any testing of the automated reminder letter functionality is required prior to re-launching on the system.</li> <li>• Consideration to altering the timelines for reminder letters.</li> </ul> <p>The Head of LGSS Revenues and Benefits should seek agreement from each client regarding re-introducing automated reminder letters and any changes to the current timelines.</p>	<p>Income allocation backlogs delayed the issue of reminders during a large part of 2018/19. Business as usual allocation has been agreed with the income processing team and consideration of turning on auto – reminders is underway. The timelines for issuing of automated reminders are being reviewed before turning on the auto reminders as the service needs to take operational factors into consideration and demand management planning in order to support the demand this creates.</p> <p>An indicator that measures active and inactive debt (i.e. a high % of debt is in the relevant management stage) is being created to measure debt management alongside the value of debts to ensure that action for all debts is taken in a timely manner.</p> <p>A review of invoices raised and cleared in 2018/19 across all clients does not indicate that the lack of automated reminders has impacted on overall collection, with in year collection above or near 90% for all clients. It should further be noted that the increase in reported debt will also be due to the lack of write-offs undertaken in 2018/19.</p>	<p>Responsible Manager: Robin Bates Target Date: 30 September 2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
2.	Debt Recovery	<p><b>Debt Write Off Approval:</b></p> <p>Sample testing of debt write-offs identified that in 7 out of 10 cases the debt had been written off on the General Ledger without the work flow having been completed and, therefore, without all of the appropriate authorisations. This means that debts can and have been written off without Budget Holder and Debt Recovery Manager approval.</p> <p>This issue was raised during our review and is currently being investigated by the Service Delivery Manager at MKC who is liaising with the Business Systems Team. There has not been a root cause or solution identified yet but initial investigations suggest that there is a technical issue or issues that in some cases is causing the work flow to close before it is completed.</p>	Investigations into the root cause and potential fixes to address the issue of write offs being processed without appropriate authorisations in the system should be completed as a matter of priority. Any fixes identified or new processes developed should be robustly tested before implementation on the live system.	Whilst Debt Recovery can assist, advise and test this, the resolution sits within the functional development team in Business systems and until a new solution is provided a manual bulk write-off process has been put in place.	Responsible Manager: Peter Borley Cox Target Date: 30 September 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
3.	Debt Recovery	<b>Debt Write Off Reconciliation</b>  A factor in the issue above (debt had been written off on the General Ledger without the write off work flow having been completed) not being identified prior to Internal Audit testing is that the system does not have a reconciliation report to support Debt Recovery Managers in ensuring that all write offs processed have been updated to the General Ledger and that all write offs on the General Ledger have been appropriately authorised.	Debt Recovery Managers should liaise with Business Systems Team to develop a reconciliation report within the system to identify any write offs that have not been properly authorised, processed and updated on the General Ledger.	The bulk write-off of invoices is a workaround process and is more time consuming than the intended workflow approval system, however resource will be applied to it whilst we await a revised process from Business Systems. The requirement for a suite of reconciliation reports was identified by debt recovery during implementation but has not yet been delivered by the Functional Development team. It will be included as a requirement as part of the overall review of the write off process	Responsible Manager: Robin Bates Target Date: 30 September 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
4.	<b>Debt Recovery</b>	<p><b>Debt Recovery Write Offs</b></p> <p>As at the end of February 2018 Internal Audit analysis identified that no write offs had been processed at CCC although there were 475 items with a value of £243,613.63 had been proposed for write off and were awaiting review and authorisation.</p> <p>Given the high level of aged debt and the relatively low number of proposed write offs in 2018/19 there is a risk that further bad debt exists which will require write-off, but has yet to be identified. When write offs are not reviewed in a timely manner there is also a risk of inaccurate financial reporting.</p>	<p>The Debt Recovery Team should undertake a review of potential write offs covering:</p> <ul style="list-style-type: none"> <li>• debts currently proposed for write-off;</li> <li>• debts over 12 months old to establish any cases where recovery activity has been exhausted and that therefore should be written off.</li> </ul> <p>Any debts that are identified as suitable for write off should be sent to budget holders for approval and written off in ERP as a matter of priority. The approval requirements for write offs within the Debt Recovery Service should be agreed and implemented within ERP as a matter of priority so that the appropriate officers can process any proposed write offs in a timely manner. This is essential to ensuring that the system controls over write offs are implemented as designed and complied with in practice. This should include the process by which budget holders may request write-off of a debt which should be communicated to budget holders.</p>	<p>Work has already commenced on cleansing the aged debt to identify potential write-off cases with a view that there will be a bulk write off process whilst we await a solution from the Business Systems team. In addition work is underway to discuss with partners their requirements with regard to a revised write-off process, including a change to the approval process for write off – to agree values that can be delegated by partners.</p> <p>All of these changes are part of the prioritisation of the next 12 months ERP programme of work.</p>	<p>Responsible Manager: Robin Bates Target Date: 30 September 2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
5.	Debt Recovery	<b>Debt Reporting:</b> The Internal Audit review identified scope for improvements in debt reporting to provide a full picture of debt to all relevant stakeholders.	Detailed information on debt should be reported to each client on a regular and agreed basis. This reporting should include: <ul style="list-style-type: none"> <li>• Clearly presented aged debt analysis with a particular emphasis on increases in long term debt.</li> <li>• Narrative on causal factors of debt levels and trends.</li> <li>• Information on remedial action to address high and increasing aged debt levels.</li> <li>• Detailed information on proposed and confirmed write offs.</li> <li>• Detail and analysis of the highest debtors.</li> <li>• Information on invoices raised and debts collected</li> <li>• Information on debts collected as a result of debt recovery activity/the performance of Debt Recovery Teams.</li> </ul>	A review of reporting across all clients has been undertaken and a draft reporting pack template has been issued for stakeholder comments and will be issued in June 2019 covering all of these points.	Responsible Manager: Robin Bates Target Date: 30 June 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
6.	Debt Recovery	<b>Debt Reporting (2)</b>  See above.	Debt reports relating to Cambridgeshire were based on the previous directorate structure rather than reflecting the current structure of the Council. Therefore, there is a risk that debt figures by directorate are not accurate as some cost centres may not be included in the correct directorate.  Debt activity and analysis reporting for Cambridgeshire should be updated to ensure it accurately reflects the cost centres and debt balances in each directorate.	Changes to the directorate structure in Cambridgeshire had not been communicated to Debt Recovery. Enquires are now underway to determine the correct structure and identify the changes required within ERP Gold hierarchy to match that.	Responsible Manager: Robin Bates Target Date: 30 September 2019
1.	ERP Gold IT Controls	<b>Disaster Recovery Resilience:</b>  To date there has not been a successful disaster recovery test of ERP Gold including its interfaces to the Cambridge data centre.  <u>Risk:</u>  Negative impact on Council's service delivery and financial control if some or all of the ERP Gold functionality is impaired.	1. Necessary technical work needs to be undertaken to enable ERP Gold and its interfaces to enable successful cutover to Cambridge.  2. A full test of ERP Gold cutover to Cambridge data centre, including interfaces, will be undertaken following the completion of 1 above.		Head of IT Northamptonshire Head of Business Systems and Change Target Date: 1 July 2019

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
2.	<b>ERP Gold IT Controls</b>	<p><b>Disaster Recovery Cutover</b></p> <p>ERP Gold cutover arrangements to the Cambridge data centre for ERP Gold are not documented in any business continuity plan. Partner Councils unable to plan business continuity arrangements due to no documented Return To Operation (RTO) in the event that of cutover to Cambridge has been activated.</p> <p><u>Risk:</u></p> <p>Clients unaware of the Return to Operation figure for some or all of ERP Gold functionality in the event of cutover of ERP Gold to the Cambridge data centre.</p> <p>Loss time in restoring ERP functionality through not having a business continuity plan that includes cutover to Cambridge in its scope.</p>	<p>The Business Systems and Change Business Continuity Plan (BCP) should include cutover arrangements to Cambridge for ERP Gold in its scope. The BCP should document a Return to Operation (RTO) time period for ERP Gold in the event that cutover over to the Cambridge is necessary.</p> <p>The ERP Gold programme Board should be informed of Business Continuity arrangements including testing of BC arrangements and the RTO for Cambridge cutover.</p> <p>Note: The completion of this action is dependent on the delivery of MAP1</p>		<p>Head of IT Northamptonshire Head of Business Systems and Change Target Date: 1 July 2019</p>

No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & Target Date
3.	ERP Gold IT Controls	<p><b>User/Role configuration:</b></p> <p>It is important that the system has been configured to enforce appropriate separation of duties/roles, including high risk role combinations. To date there is no review of high-risk ERP Gold role combinations.</p> <p><u>Risk:</u></p> <p>Fraud leading to financial loss for the partner Councils.</p>	<p>The Business Systems &amp; Change team should review high risk ERP Gold role combinations with the business process owners in Accounts Payable, Receivable, Income Processing and HR Transactions &amp; Payroll. The review should articulate the risk of such combinations (if any) e.g. "Maintain a fictitious vendor and enter a Vendor invoice for automatic payment".</p> <p>The review should identify management actions taken e.g. role(s) removed from users or alternatively a business justification for retaining the high risk role combination roles and sign off by a senior officer e.g. LGSS Finance Director.</p>		Head of Business Systems & Change Target Date: 1 September 2019
4.	ERP Gold IT Controls	<p><b>Systems Access:</b></p> <p>Access to the system is secure and only available to those who need access to specific modules. The ERP Gold User Access Policy is not communicated to users.</p> <p><u>Risk:</u></p> <p>Lack of user awareness of ERP Gold User Access Policy leads to data breach</p>	<p>The ERP Gold User Access Policy needs to be communicated to users at the three partner councils.</p>		Head of Business Systems & Change Target Date: 1 July 2019



No.	Report	Issues & Risks (Precis)	Recommendation	Management Response	Manager Responsible & <i>Target Date</i>
5.	ERP Gold IT Controls	<p><b>Audit Trail:</b></p> <p>Audit logs are maintained and reviewed for inappropriate activity and to support investigations and data breaches</p> <p>Only 5 of 93 ERP Gold database table audit trails are switched on. No review to identify any compensating application audit trails.</p> <p><u>Risk:</u></p> <p>Inability to investigate fraudulent use of ERP Gold due to lack of evidence.</p>	<p>The Business Systems and Change team should undertake a review to ensure there are audit trails in place for key AR, AP, GL and HR processes, either at the application or database levels.</p> <p>In some instances the Head believes that the issue is access permission levels rather than lack of audit trials e.g. audits trails that disappear once a transaction is completed. In these instances user permissions will need to be changed.</p>		<p>Head of Business Systems &amp; Change</p> <p>Target Date: 1 October 2019</p>