

| AUDIT PANEL | | |
|--------------|-------------------------------|------------------------|
| Report Title | Internal Audit Update Report | |
| Key Decision | No | Item No. |
| Ward | ALL | |
| Contributors | Interim Chief Finance Officer | |
| Class | Part 1 | Date: 10 December 2019 |

1. Purpose of the report

1.1. This report presents members of the Audit Panel with:

- Progress against the internal audit plans – corporate and schools 19/20, and
- Progress of implementation of internal audit recommendations / management actions.

2. Recommendations

2.1. It is recommended that the Audit Panel note the content of this report.

3. Executive Summary

Progress against the corporate internal audit plan 18/19

3.1. With the exception of two reports which remain at draft, all reports are final.

High or Medium recommendations not agreed by management

3.2. There is one recommendation which was not agreed by management, but is currently with the Internal Control Board to decide if it should be implemented or not.

Follow up reviews

3.3. There was one follow-up done since the last meeting.

Management progress against actions agreed

3.4. The number of overdue corporate actions have decreased from 55 % to 24% since the last meeting. This is positive.

3.5. The number of actions taking over 12 months to implement, has also decreased from 29% to 20%. This is positive.

Types of controls for corporate audit actions

3.6. Overall for the year, the top two areas where actions are made continue to be procedures and compliance / legal controls.

Schools – Progress on the 19/20 plan

3.7. Of the 24 schools in the plan, 8 are finalised, 9 are at draft, 3 are at review, and 4 are being written up.

School actions and Follow ups

3.8. As previously discussed there continues to be a lack of resources to chase schools on their progress on management actions. As such internal audit cannot accurately report on outstanding actions position in schools.

3.9. There were no school follow up finalised since the last meeting.

Public Sector Internal Audit Standards (PSIAS) – External Review

3.10. The PSIAS is an external assessment that assesses how internal audit and the Audit Committee (panel) are adhering to the standards. The next one is due at the end of 2020/21.

3.11. Although we met the standards, there were some actions that the audit panel were advised to implement. These are listed along with the current requirements of the standard.

Any other business

3.12. Recruitment to Head of Internal Audit post is not yet complete.

4. Background

4.1. Internal Audit is a statutory service. Its main priority is to provide management and members with independent and objective assurance on the control environment within the Council. This is set out more fully in the Charter.

4.2. The internal audit service consists of an in-house team that is supported by an external service provider.

5. Progress against the corporate internal audit plan 18/19

5.1. With the exception of the two draft audits below, carried over into 2019/20 due to slippage in the project, all are now complete.

- 2018/19-58 - OracleCloud - Financials - Post Implementation
- 2018/19-59 - OracleCloud - HR and Payroll Implementation

5.2. Since the last meeting, 10 corporate reports were finalised from the 18/19 audit plan. The table below shows them with the audit opinion, and number or recommendations. None of the final report opinions differ from the draft reports reported to the Panel in September. Executive summaries for the Limited opinion audits can be found in appendix 3.

| Audit (Corporate) | Date of Final | Audit Opinion | H | M | L | Follow up due |
|------------------------|---------------|---------------|-----------|----|---|---------------|
| | | | Recs made | | | |
| Accounts Payable 18-19 | 21/10/19 | Limited | 2 | 16 | 4 | Yes |

| | | | | | | |
|---|----------|--------------|---|----|---|-----|
| Accounts Receivable and Debt Recovery 18-19 | 21/10/19 | Limited | 2 | 11 | 1 | Yes |
| ASH Aspien - Debt Recovery System | 22/10/19 | Limited | 1 | 9 | - | Yes |
| Banking 18-19 | 17/10/19 | Satisfactory | 1 | 8 | - | n/a |
| Budget Setting and Monitoring 18-19 | 17/10/19 | Satisfactory | - | 6 | 1 | n/a |
| Business Rates 18-19 | 04/10/19 | Substantial | - | 4 | 1 | n/a |
| Council Tax 18-19 | 14/10/19 | Satisfactory | - | 6 | 2 | n/a |
| Icasework IT System | 25/10/19 | Satisfactory | - | 3 | - | n/a |
| Non-Current Assets 18-19 | 10/10/19 | Satisfactory | 1 | 7 | | n/a |
| Payments to Adult Care Providers 18-19 | 04/10/19 | Satisfactory | 2 | 5 | 1 | n/a |

6. Progress against the corporate internal audit plan 19/20

6.1. Of the 33 audits in currently in the corporate plan for 19/20, seven audits / grant claims are in progress:

- Two are at draft report stage;
- One is at quality review stage;
- Three are at fieldwork stage; and
- One grant certification is ongoing.

6.2. The internal audit team have concentrated on completing the schools audit plan, which is near completion (see section 11).

6.3. The core financials, of which there are 17 audits, have started in quarter 3 and will continue into early quarter 4.

6.4. There have been no cancellations or additions to the plan as yet. However, the IT assessment has not yet taken place, pending resources from the contractor, so the IT part of the plan may change.

7. High or Medium recommendations not agreed by management

7.1. From the Accounts Payable 18/19 audit there was one action that wasn't agreed, and another where the owner of the action could not be agreed so defaulted to the new Director of Service until the Internal Control Board has reviewed in December 2019.

8. Follow-up reviews

8.1. There was one follow up review conducted since the last Audit Panel meeting.

- 2019/20-F01 - Adherence to the Local Government Transparency Code – (2018/19-43) - Follow Up. While progress is being made on all the actions, there remains some steps to be completed before this audit can be fully closed. These actions will continue to be chased until closed by the service.

| Rec No | H/M | No of Actions Made | Implemented | In Progress | Not Actioned | No longer applicable | Status |
|--------|-----|--------------------|-------------|-------------|--------------|----------------------|--|
| 1 | M | 8 | 2 | 6 | - | - | 6 out of 8 actions still to be concluded |
| 2 | H | 4 | 3 | 1 | - | - | 1 out of 4 actions still to concluded |
| 3 | M | 2 | - | 2 | - | - | 2 out of 2 actions still to be concluded |
| 4 | M | 1 | - | 1 | - | - | 1 action still to be concluded |
| Total | | 15 | 5 | 10 | - | - | |

9. Progress against Management Actions

Overdue actions

- 9.1. This section reports on the status of management actions since the last meeting.
- 9.2. The cut-off date for management to respond by was the 15/11/19 for those actions due by the 30/11/19.
- 9.3. To accompany the table, appendix 2 lists the individual audits with actions that are overdue and / or show those taking 12 months or more to complete.
- 9.4. The number of overdue actions has decreased to 24%, down from a high of 55%. The current overdue position is set out in the table below with more detail by report at Appendix 2.

| Month of meeting | Current no. of open actions | No. of overdue actions | Percentage of overdue actions |
|------------------|-----------------------------|------------------------|-------------------------------|
| Dec 19 | 200 | 49 | 24% |
| Sep 19 | 191 | 105 | 55% |
| Jul 19 | 151 | 68 | 45% |
| Mar 19 | 183 | 80 | 44% |
| Dec 18 | 170 | 45 | 26% |

Aged analysis report

- 9.5. The aged analysis report shows how long actions are taking to implement. This age analysis is worked out by using current due date for the action against the date of the final report.

| Month of Meeting | No. of recs under 3 mths | No of recs 3 under 6 mths | No of recs from 6+ to 9 mths | No. of rec 9+ to 12 mths | No of recs 12+ to 18 mths | No of recs over 18+ mths | No / % of recs over 12 m |
|------------------|--------------------------|---------------------------|------------------------------|--------------------------|---------------------------|--------------------------|--------------------------|
| Dec 19 | 77 | 69 | 10 | 4 | 20 | 20 | 40 / 20% |
| Sep 19 | 82 | 43 | 4 | 6 | 27 | 29 | 56 / 29% |
| Jul 19 | 37 | 15 | 19 | 7 | 31 | 42 | 73 / 48% |
| Mar 19 | 38 | 34 | 28 | 14 | 29 | 40 | 69 / 38% |
| Dec 18 | 30 | 32 | 32 | 12 | 25 | 39 | 64 / 38% |

- 9.6. The table above highlights the percentage of open actions that are taking over one year to be completed. The percentage of actions taking over 12 months has decreased to 20% from a high of 48% in the summer. This is positive and as noted at the July Audit Panel work continue to update the position on all actions still open from the 2017/18 year or earlier years to get the up to date risk position. Progress on the longer dated actions will continue to be reported to the Internal Control Board and Audit Panel. Please see appendix 2 for details.

10. Control issues found

- 10.1. This section reports on the types of controls as they relate to High or Medium findings. One finding may have more than one control recorded against it. This is because the controls are connected to the management actions.
- 10.2. It shows that the majority of the controls where action is required are in Procedures, Compliance / Legal, and Information Security. This is consistent with the corporate risk register.

| Type of control | From April to Nov 19 | Mar 19 | Jul 19 | Sep 19 | Dec 19 | Running Total |
|---------------------------|----------------------|--------|--------|--------|--------|---------------|
| Authorisation | - | 2 | - | - | 9 | 11 |
| Compliance / Legal | 27 | - | 1 | 16 | 13 | 57 |

| | | | | | | |
|--------------------------------------|-----------|-----------|-----------|-----------|------------|------------|
| Financial / Budget Monitoring | 3 | 1 | - | 4 | 12 | 20 |
| Governance | 5 | 1 | 7 | 7 | 2 | 22 |
| Information Security | 6 | 4 | 7 | 3 | 10 | 30 |
| IT | - | - | - | 2 | 3 | 5 |
| Policies | 2 | 2 | 1 | 1 | 9 | 15 |
| Procedures | 11 | 8 | 10 | 23 | 66 | 118 |
| Reconciliations | 1 | - | - | 1 | 12 | 14 |
| Separation of duties | - | - | - | - | 4 | 4 |
| Other | 6 | 2 | 2 | 9 | 1 | 20 |
| Total per month | 61 | 20 | 28 | 66 | 141 | 316 |

11. Progress against schools' internal audit plan 2019/20

11.1. Fieldwork for all schools' for the 2019/20 audit plan have now been completed. Please see appendix 4 for the full schools' plan. Of the 24 that were in the plan:

- 8 are finalised
- 9 are at draft
- 3 are at quality review stage, and
- 4 are still being written up.

11.2. Please see below the six school audits that were finalised since the last meeting, all of which have received positive opinions.

| Audits (Schools) | Audit Opinion | Date of Final | Recs. Made | | |
|--|---------------|---------------|------------|----|---|
| | | | H | M | L |
| 2019/20-04 - Dalmain Primary 19-20 | Satisfactory | 12/11/19 | - | 11 | 6 |
| 2019/20-05 - Deptford Park Primary 19-20 | Satisfactory | 14/11/19 | 1 | 13 | 5 |
| 2019/20-08 - Holy Cross Catholic Primary 19-20 | Satisfactory | 05/11/19 | - | 11 | 5 |
| 2019/20-14 - Rangefield Primary 19-20 | Substantial | 05/11/19 | - | 7 | 1 |

| Audits (Schools) | Audit Opinion | Date of Final | Recs. Made | | |
|---|---------------|---------------|------------|----|---|
| | | | H | M | L |
| 2019/20-17 - Sandhurst Primary 19-20 | Satisfactory | 07/11/19 | - | 12 | 3 |
| 2019/20-21 - St Stephen's Church of England Primary 19-20 | Substantial | 07/10/19 | - | 9 | 3 |

School actions

- 11.3. There is no change regarding here continues to be a lack of resource to chase schools on their progress on management actions. As such no updates have been received since the last meeting. Until such time as they are updated, internal audit cannot accurately report on the status of the actions.

School follow up reviews

- 11.4. There were no school follow up reviews issued since the last report.

12. Public Sector Internal Audit Standards (PSIAS)

- 12.1. The PSIAS came in to force 2014, (revised for 2017). It is statutory external assessment on how internal audit and the audit committee (panel) are adhering to the standards. It is required to be done every five years. The next one is due at the end of 2020/21. A self-assessment is completed in the years in-between and reported to the Audit Panel as part of the annual assurance review.
- 12.2. On behalf of members, internal audit will perform an exercise next financial year to find an external assessor. Once the exercise is complete, internal audit will suggest the preferred provided to members.
- 12.3. In 2015/16 assessment, although the standards were met, there were some recommendations to consider and implement.
- 12.4. While internal audit implemented all but one of the recommendations, there was an action for members that a previous audit chair / committee agreed not to implement. Internal audit is recommending that members re-consider implementing the recommendation below again in time for the next external assessment.

“R8 The Audit Panel should consider annually completing an effectiveness assessment that includes an assessment of the effectiveness of the internal audit service and HIA.

A number of assessment templates exist. The NHS typically uses one prepared by the Healthcare Financial Management Association (HFMA).”

- 12.5. Please see appendix 5 for a copy of the standards and the revised application note (2019) for further information, and appendix 6 for the last external assessment.

13. Any other business

- 13.1. As declared, the Acting Chief Finance officer has a conflict of interest relative to their substantive post and Director of Corporate Resources, including the role of Head of

Internal Audit. The decision, as previously reported, was made to recruit to a dedicated Head of Internal Audit role. Completion of this recruitment has yet to be completed and is to be prioritised.

14. Legal implications

14.1. There are no legal implications arising directly from this report.

15. Financial implications

15.1. There are no financial implications arising directly from this report.

16. Equalities implications

16.1. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010

17. Crime and disorder implications

17.1. There are no crime and disorder implications arising directly from this report

18. Climate Change and Environmental implications

18.1. There are no specific environmental implications arising directly from this report

19. Background papers.

19.1. There are no background papers beyond the supporting appendices to this report..

If there are any queries on this report, please contact:

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Appendix 1 – Progress on the Corporate Audit Plan - 2019/20

| Audit | Current Milestone | Report Actual Date | Opinion | H | M | L |
|--|-------------------|--------------------|---------|---|---|---|
| 2019/20-29 - New Phone System and BCP (From 18/19) | Draft Report | | | | | |
| 2019/20-30 - Self Service IT Processes 19-20 | Draft Report | | | | | |
| 2019/20-26 - Grounds Maintenance - Contract Management | Review Stage | | | | | |
| 2019/20-25 - Building Security - Contract Monitoring | Fieldwork Start | | | | | |
| 2019/20-27 - School Health - Contract Management | Fieldwork Start | | | | | |
| 2019/20-28 - Family Action - Contract Management | Fieldwork Start | | | | | |
| 2019/20-99 - Supporting Families Programme Grant Certification 19-20 | Fieldwork Start | On going | | | | |
| 2019/20-31 - Oracle HR and Payroll – Post implementation | | | | | | |
| 2019/20-32 - Accounts Payable 19-20 | | | | | | |
| 2019/20-33 - Accounts Receivable and Debt Recovery 19-20 | | | | | | |
| 2019/20-34 - Banking 19-20 | | | | | | |
| 2019/20-35 - Budget Setting and Monitoring 19-20 | | | | | | |
| 2019/20-36 - Business Rates -19-20 | | | | | | |

Appendix 1 – Progress on the Corporate Audit Plan - 2019/20

| Audit | Current Milestone | Report Actual Date | Opinion | H | M | L |
|--|-------------------|--------------------|---------|---|---|---|
| 2019/20-37 - Capital Expenditure 19-20 | | | | | | |
| 2019/20-38 - Client Contribution for Care Provision 19-20 | | | | | | |
| 2019/20-39 - Council Tax 19-20 | | | | | | |
| 2019/20-40 - Direct Payments 19-20 | | | | | | |
| 2019/20-41 - Housing Benefit & Council Tax Reduction Scheme (CTRS) 19-20 | | | | | | |
| 2019/20-42 - Main Accounting 19-20 | | | | | | |
| 2019/20-43 - Asset Management 19-20 | | | | | | |
| 2019/20-44 - Payments to Adult Care Providers 19-20 | | | | | | |
| 2019/20-45 - Payments to Child Care Provider and Foster Carers 19-20 | | | | | | |
| 2019/20-46 - Payroll 19-20 | | | | | | |
| 2019/20-47 - Pensions for LGPS 19-20 | | | | | | |
| 2019/20-48 - Treasury Management 19-20 | | | | | | |
| 2019/20-49 - VAT Audit 19-20 | | | | | | |
| 2019/20-50 - Rogue Landlords Framework 19-20 | | | | | | |

Appendix 1 – Progress on the Corporate Audit Plan - 2019/20

| Audit | Current Milestone | Report Actual Date | Opinion | H | M | L |
|--|-------------------|--------------------|---------|---|---|---|
| 2019/20-51 - Schools' Finance Team 19-20 | | | | | | |
| 2019/20-52 - Lewisham Gateway Development | | | | | | |
| 2019/20-53 - Tendering and Procuring contracts and supplier Resilience 19-20 | | | | | | |
| 2019/20-54 - Office 365 and SharePoint | | | | | | |
| 2019/20-55 - LBL IT Strategy | | | | | | |
| 2019/20-56 - Planning Control Framework | | | | | | |

Appendix 2 - Status of corporate actions.

| Name of Audit (Corporate) | Opinion | Final Report Date | Original no. of actions | Current no. of open actions | Actions Overdue | | Actions taking over 12mth | |
|---|--------------|-------------------|-------------------------|-----------------------------|-----------------|---|---------------------------|---|
| | | | | | H | M | H | M |
| Accounts Payable 18-19 | Limited | 21/10/19 | 31 | 27 | | 1 | | |
| Accounts Receivable and Debt Recovery 18-19 | Limited | 21/10/19 | 21 | 21 | | 1 | | |
| Adherence to the FOIA and DPA 17-18 | Satisfactory | 06/02/18 | 7 | 1 | | | | 1 |
| Adherence to the Local Government Transparency Code | Limited | 12/10/18 | 15 | 10 | | | | 2 |
| Adult Social Care System - Back up and BCP | Limited | 04/04/16 | 3 | 2 | 1 | 1 | 1 | 1 |
| ASH Aspien - Debt Recovery System | Limited | 22/10/19 | 11 | 4 | | | 1 | |
| Banking 16-17 | Limited | 18/05/17 | 9 | 1 | | | | 1 |
| Banking 17-18 | Satisfactory | 22/02/18 | 4 | 3 | | | 2 | |
| Besson Street Project | Satisfactory | 11/06/19 | 9 | 3 | | 3 | | |
| Budget Monitoring and Setting 2017-18 | Satisfactory | 05/12/17 | 5 | 2 | | 2 | | 2 |
| Capital Expenditure 18-19 | Satisfactory | 13/08/19 | 4 | 3 | 1 | 2 | | |
| Client Contribution for Care Provision 18-19 | Limited | 12/08/19 | 26 | 10 | 2 | 1 | | |

Appendix 2 - Status of corporate actions.

| Name of Audit (Corporate) | Opinion | Final Report Date | Original no. of actions | Current no. of open actions | Actions Overdue | | Actions taking over 12mth | |
|---|--------------|-------------------|-------------------------|-----------------------------|-----------------|---|---------------------------|---|
| | | | | | H | M | H | M |
| Complaints (Corporate) | Satisfactory | 06/11/18 | 7 | 3 | | | | 1 |
| Data Breach Management | Limited | 18/05/17 | 5 | 2 | | | | 2 |
| Direct Payments 18-19 | Satisfactory | 23/04/19 | 20 | 4 | | 2 | | |
| Expenses Reimbursed by Payroll 16-17 | Satisfactory | 30/01/17 | 4 | 1 | | 1 | | 1 |
| Garden Waste Service 2017/18 | Satisfactory | 05/01/18 | 8 | 2 | | 2 | | |
| Health Visiting | Limited | 29/05/18 | 9 | 1 | | 1 | | 1 |
| Homelessness Applicants 2017/18 | Satisfactory | 18/05/18 | 6 | 1 | | | | 1 |
| Housing Benefit and Council Tax Reduction Scheme (CTRS) 18-19 | Substantial | 14/03/19 | 1 | 1 | | 1 | | |
| ICT Disaster Recovery | Substantial | 11/04/17 | 2 | 1 | | 1 | | 1 |
| IT Helpdesk - Shared Services | Substantial | 17/05/18 | 3 | 2 | | 2 | | 1 |
| Main Accounting 17-18 | Satisfactory | 06/02/18 | 4 | 3 | | 1 | 1 | 1 |
| Oracle Cloud - Migration 17-18 | No Assurance | 02/07/18 | 3 | 4 | 1 | | 1 | 1 |
| Payments to Child Care Provider and Foster Carers for Looked After Children 18-19 | Limited | 20/08/19 | 11 | 2 | 1 | | | |

Appendix 2 - Status of corporate actions.

| Name of Audit (Corporate) | Opinion | Final Report Date | Original no. of actions | Current no. of open actions | Actions Overdue | | Actions taking over 12mth | |
|---|------------------------|-------------------|-------------------------|-----------------------------|-----------------|---|---------------------------|---|
| | | | | | H | M | H | M |
| Payroll 18-19 | Satisfactory | 08/05/19 | 5 | 5 | | 3 | | |
| Pensions 17-18 | Satisfactory | 15/01/18 | 10 | 1 | | | | 1 |
| Performance Indicators and Service Planning 17-18 | Advisory / Consultancy | 21/07/17 | 8 | 1 | | 1 | | |
| Pooled Budgets and Section 75 Payments | Satisfactory | 20/08/19 | 5 | 5 | | 5 | | 1 |
| Prepaid Cards 16-17 | Limited | 17/03/17 | 9 | 4 | | | | 3 |
| Public Sector Network 16-17 | Limited | 01/02/17 | 3 | 1 | | 1 | | 1 |
| Recording of Safe Guarding – Section 42 Referrals | Limited | 03/07/17 | 10 | 3 | | | | 3 |
| Recruitment Process | Satisfactory | 04/06/19 | 8 | 1 | | 1 | | 1 |
| Schools' Catering Contract 16-17 | Limited | 03/03/17 | 10 | 3 | | 3 | | 3 |
| South London and Maudsley NHS (SLaM) | Satisfactory | 14/07/15 | 3 | 1 | | 1 | | 1 |
| Special Educational Needs | Substantial | 24/06/19 | 4 | 2 | | 2 | | |
| Synergy Application | Satisfactory | 19/06/18 | 4 | 2 | 1 | 1 | | |

Appendix 2 - Status of corporate actions.

| Name of Audit (Corporate) | Opinion | Final Report Date | Original no. of actions | Current no. of open actions | Actions Overdue | | Actions taking over 12mth | |
|------------------------------|--------------|-------------------|-------------------------|-----------------------------|-----------------|----|---------------------------|----|
| | | | | | H | M | H | M |
| VAT 17-18 | Limited | 16/09/18 | 7 | 1 | | | 1 | |
| Vehicle and Fuel Maintenance | Satisfactory | 19/06/17 | 7 | 2 | 1 | 1 | 1 | 1 |
| | | Total | 321 | 146 | 8 | 41 | 8 | 32 |

Accounts Payable 18-19 - Limited

| | Process Areas | High | Medium | Low |
|---|---|----------|-----------|----------|
| ● | 1. New Suppliers and Bank Amendments | - | 1 | - |
| ▲ | 2. Payments | 1 | 8 | 3 |
| ▲ | 3. Reconciliations | 1 | 1 | - |
| ★ | 4. Performance Monitoring | - | - | - |
| ● | 5. Information Security and Business Continuity | - | 3 | - |
| | Total | 2 | 13 | 3 |

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

Introduction

The background for this internal audit are included in the Terms of Reference at the end of this report. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.

A new finance system was introduced in May 2018, Oracle Cloud. Although our sample period was from January 2018 – November 2018, the majority of testing has focused on May 2018 onwards to test the controls which are currently operating.

A limited assurance opinion has been given as a result of the lack of controls in place when processing non-purchase order invoices. This includes the lack of a segregation of duties when processing invoices via the Financial Transactions Team (FTT) and the lack of authorisation for a payment as per delegated limits before a payment reaches Oracle Cloud.

There are also multiple findings relating to the lack of reports that can be produced using Oracle Cloud, as detailed below;

Reconciliation's - E - Procurement Accrual – There is no standard report in Oracle Cloud which can be used for the e-procurement liability reconciliation. This has caused delays to completing the reconciliation during 2018/19.

New Supplier and Bank Amendments - A report listing all supplier set-ups that have taken place could not be generated using Oracle Cloud.

Monitoring Amendments - A report listing all amendments to Oracle Cloud user profiles could not be produced within Oracle Cloud.

Leavers - It was not possible to produce a report from Oracle Cloud to identify and amendments to user profiles and any leavers who had been deleted from Oracle Cloud and the roles that they had.

It should be noted that the CEP / DEP process was not looked at as part of this audit as Internal Audit were unaware that the Customer Services directorate at the time of the audit was still following this process.

**Action 2.1 has not been agreed by management. As there is a query on who should be the owner of action 2.1, it will default to the Director of Service for this audit. If a decision is not made by the time the next ICB meeting takes place, then this action will be taken to them for

Appendix 3 – Limited Executive Summaries

the final decision.

Assurance Opinion and Recommendations Made

Accounts Payable 18-19 has been assigned a rating of Limited. The previous opinion from 2017/18 was satisfactory.

To improve controls, recommendations are agreed by management. The number of recommendations and their categories were:

2 High recommendations, of these 1 was raised in the previous report,

13 Medium Recommendations, of these 2 were raised in the previous report, and

3 Low Recommendations.

Key Findings *indicates reoccurring recommendation

- *E-procurement Accruals reconciliation for October and November were not completed, and there was a delay for March - September which were also not authorised.
- There was a lack of segregation of duties when processing non PO payments via the Financial Transactions Team (FTT). Non PO payments processed via a feeder system had not always been authorised appropriately.
- *The Accounts Payable Liability Reconciliation was not completed in April 2018, and the March 2018 reconciliation was not authorised. It was also not completed promptly from September - November 2018, with these being completed in January 2019.
- *There were four cases where payment was not made within the required time frames. (35 days, 60 days, 90 days and 100 days between invoice date and payment date), Managers are not able to record the reason for the delays on Oracle Cloud.
- A Business Continuity Plan had been developed. However, this had not been tested.
- Exceptions are monitored by the FTT using the Accounts Payable Dashboard. However, regular reports to help with monitoring are not produced.
- Oracle Cloud user manuals could be accessed via the smarter working page on the intranet and via the finance page. However, they were not prominently placed on the finance site which is the logical place to look and this could be confusing for staff. The internal share point site also needed to be reviewed as there were some out of date procedures still accessible here.
- The form used to set up new profiles on Oracle Cloud had too many options to choose from and it might not be clear to officers which option relates to which role on Oracle Cloud. In addition head of service approval was not evidenced in two cases. Supporting procedures had also not been formally documented.
- There was a lack of supporting documentation and evidence of verification checks for supplier set-ups and amendments. One supplier amendment was not processed in a timely manner (12 days).
- There was five instances where approval limits were not aligned to those originally agreed. This included one job role for which the approval limits had changed, but there was a lack of an audit trail to confirm approval for this change. In addition there were two authorisation levels for service group managers and it was not clear if this was needed.
- There was no way to monitor late payment charges as there was no cost code or any other method set-up.
- There were six cases where supporting documentation for non PO payments were not held by Finance or could not be provided by the service on request.

Appendix 3 – Limited Executive Summaries

- There were two instances where a payment on the payment run had failed, however the payment run check sheet had not been updated to reflect this. The treasury had not been notified of the payment amount in relation to one payment of £1,254.32 on the 17th October 2018, as required.
- There were two instances where a PO could have been raised, but it was not. The exceptions list for items that do not require a PO had not been published. The Financial Procedures also need to be updated to reflect the change in the CEP / DEP process as some directorates require them and some no longer do.
- When a person leaves the Council, their user profile is de-activated on Oracle Cloud and there is no record of the job role and approval limits they had. A report listing any amendments, such as additional roles added to a user's Oracle Cloud profile or when a user is de-activated could not be produced in Oracle Cloud.

Areas that worked well

- All payments to suppliers were made via BACS. Suppliers were not paid by cheque.
- Invoices were saved for all POs raised, copies were available to view via Oracle Cloud.
- For raising and authorising of POs on Oracle Cloud, system controls were in place to ensure a segregation of duties between raising and authorising purchase orders and payments runs.
- The Oracle Cloud dashboard allows the Financial Transactions Team to oversee and monitor exceptions for which managers are responsible.
- Daily forensic reports are run to help identify any fraudulent, errors or duplicate invoices and payments.
- All documentation is stored electronically, paper records are no longer required

Accounts Receivable and Debt Recovery 18-19 – Limited

| | Process Areas | High | Medium | Low |
|---|---|----------|-----------|----------|
| ▲ | 1. Raising Invoices | 1 | 4 | 1 |
| ▲ | 2. Income and Debt Recovery | 1 | 3 | - |
| ● | 3. Write-Off's | - | 2 | - |
| ● | 4. Reconciliations | - | 1 | - |
| ● | 5. Performance Monitoring | - | 1 | - |
| ● | 6. Information Security and Business Continuity | - | - | - |
| | Total | 2 | 11 | 1 |

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

Introduction

The background for this internal audit are included in the Terms of Reference at the end of this report. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.

A new finance system was introduced in May 2018, Oracle Cloud. As such it is acknowledged there have been some delays to taking recovery action including sending reminder letters.

It is also noted that some of the debts within the sample had reached the stage where legal action or bailiffs could have been used. However, due to the delays with Oracle, none of these cases could be progressed to this level of recovery action, therefore controls around these processes have not been tested as part of this audit.

The report has been given a limited opinion due to the following issues;

- Two credit notes with a lack of an audit trail including evidence of approval
- Lack of a segregation of duties where the same officer from the FTT is able to raise an invoice and raise the subsequent credit note. Although it was noted separate approval is also required by the relevant manager; and
- Delays in recovery action including sending reminder letters within the required timeframes as per the Debtors Procedure Manual.

Assurance Opinion and Recommendations Made

Accounts Receivable and Debt Recovery 18-19 has been assigned a rating of Limited. The previous opinion from 17/18 was Satisfactory.

Appendix 3 – Limited Executive Summaries

To improve controls, recommendations are agreed by management. The number of recommendations and their categories were:

2 High recommendations, of these 2 were made in the previous report,

11 Medium Recommendations, of these 2 were made in the previous report, and

1 Low Recommendation.

Key Findings *indicates reoccurring recommendation

- *Due to Oracle Cloud implementation in May 2018, debt recovery action including sending reminder letters had been delayed until February 2019.
- *There was a lack of segregation of duties in the processing of credit notes where the person who raised the invoice could also raise the credit note. There was also a lack of an audit trail for two credit memos showing who authorised them. In addition, there were two Adults Social Care credit notes that were not raised within a timely manner (four weeks and eleven weeks).
- *The Accounts Receivable and Accounts Receivable Refunds reconciliations had not been completed on a monthly basis as required due to the delays and issues caused by the Oracle Cloud implementation. However, an annual reconciliation had been completed in March 2019 to cover all of 18/19 for both Accounts Receivable and Accounts Receivable Refunds.
- *There were two debts where a default on an instalment arrangement had occurred and no action taken, and the Financial Information Form had not been completed in both cases as required.
- Disputes were not monitored centrally as required by the Debtors Procedure Manual. Instead individual departments are responsible for resolving disputes which are either received via the debt recovery team and passed to the relevant department, or handled by the department directly.
- It was not possible to monitor or report on debt collection rates as the required report could not be produced in Oracle Cloud.
- The Council does not currently charge clients for late payment of an invoice.
- The Debtors Procedure Manual had not been reviewed since 2017, and several versions of the manual were on the shared drive.
- There was one case where a service should have been stopped as the customer had not paid. However, the service was still being provided. (Commercial Refuse)
- There was one case where income had been manually allocated incorrectly to the wrong invoice, although it was confirmed it was allocated to the correct customer account.
- There was one case where raising a charge against a property was being considered as per the notes recorded on One Oracle. However, the property was sold without the debt being paid and the debt (£4,983.12) had to be written off.
- There was one write-off form that had been annotated, without being initialed to confirm who this was done by. It was also found that documentation was retained in hard copy instead of electronically.
- There were three invoices that were not raised within the required time scales due to delays caused by the departments raising the invoices and the authorising officers. But in two out of the three invoices the delay was also a result of the Financial Transactions Team not processing invoices within the required time scales.

Appendix 3 – Limited Executive Summaries

Areas that worked well

- Invoices included the Councils options for payments printed on the back
- Invoices had been authorised by appropriate officers in all cases
- Once an invoice has been issue, it is not possible to amend or cancel an invoice. A credit note must be raised.
- Debt recovery action in relation to housing benefit cases was evidenced on the ASH recovery system.
- There was a Write-off Policy, and write-offs had been authorised by the appropriate person with documentation retained.

Ash Aspien Debt Recovery System Audit - 2018/2019 - Limited

| | Process Areas | High | Medium | Low |
|---|--|------|--------|-----|
| ● | 1. Application Management and Governance | - | 1 | 1 |
| ● | 2. System Security | - | 3 | 1 |
| ● | 3. Interface Controls and Processing | - | 2 | - |
| ★ | 4. Data Input | - | - | - |
| ★ | 5. Data Output | - | - | - |
| ● | 6. Change Control | - | 1 | - |
| ▲ | 7. System Resilience and Recovery | 1 | 1 | - |
| ● | 8. Support Arrangements | - | 1 | - |
| | Total | 1 | 9 | 2 |

Key ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

Introduction

The background for this internal audit are included in the Terms of Reference at the end of this report. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.

A Limited Assurance Opinion has been assigned to this review. It was not possible to gain assurance that system recovery to the live environment has been achieved. There is therefore a risk that significant data loss occurs in the event of a system failure or disaster.

The London Borough of Lewisham do not have a control in place to ensure that all new and existing users have undertaken formal IT Security Training prior access being granted to the Ash Aspien system. As a corporate process, system security training will be considered as part of the existing on-boarding processes managed outside of the Revenues Project Team.

Assurance Opinion and Recommendations Made

The audit of the Ash Aspien Debt Recovery System has been assigned a rating of Limited.

To improve controls, recommendation are agreed by management. The number of recommendations and their categories were:

- 1 High Recommendation
- 9 Medium Recommendations and
- 2 Low Recommendations.

Key Findings

Appendix 3 – Limited Executive Summaries

- System management responsibilities have not been formally defined for the Ash Aspien System, once the transfer from the Ash Aspien Project Implementation Team to Business-as-usual is completed;
- The password parameters within the Ash Aspien system have not been aligned with the Council Password Policy.
- Unsuccessful login attempts are not monitored and analysed by the Council.
- Interface documentation produced was not deemed sufficient to assist in the timely detection and correction of identified faults.
- The Council has yet to formally define the frequency with which systems data held outside of Ash Aspien is to be reconciled to the debt management system.
- Standard testing documentation has yet to be produced to support the change control process.
- The Ash Aspien System Owner does not receive regular assurance from the Shared ICT Service over the performance of data Backups.
- The Council has been unable to provide the Recovery Time Objective for the Ash system agreed with the ICT Shared Service. In the absence of this document, assurance cannot be given that the system recovery expectations agreed with the ICT Shared Service are consistent with the system recovery requirements defined by the Council.
- The Council has yet to undertake a formal disaster recovery test for the new Ash Aspien system. This is due to take place during the current financial year as part of the annual SQL Disaster Recovery testing and failover process.
- The Council has yet to establish a framework for monitoring performance levels set out in the Ash Service Level Agreement (SLA).

Areas that worked well

- System and user transaction audit trails have been enabled within the Ash Aspien system.
- Data input validation controls are in place, including, format checks, improbable and erroneous data checks and user review checks.
- Data output distribution is controlled through the allocation of user access permissions. Access to the custom report writing tool within Ash Aspien system has been restricted to users with management and system administrator permissions.

A signed support agreement is in place between the Council and Ash Information Systems Limited. This outlines the minimum level of service, including response and resolution targets, along with the licence agreement currently adhered to

Appendix 4 Progress on the Schools' Audit Plan for 2019/20

| Audit | Status | Report date | Assurance opinion | H | M | L |
|---|--------|-------------|-------------------|---|----|---|
| 2019/20-24 - Torridon Primary 19-20 | Final | 02/09/19 | Satisfactory | - | 17 | 1 |
| 2019/20-20 - St Mary's Church of England Primary 19-20 | Final | 08/07/19 | Substantial | - | 9 | 2 |
| 2019/20-04 - Dalmain Primary 19-20 | Final | 12/11/19 | Satisfactory | - | 11 | 6 |
| 2019/20-05 - Deptford Park Primary 19-20 | Final | 14/11/19 | Satisfactory | 1 | 13 | 5 |
| 2019/20-08 - Holy Cross Catholic Primary 19-20 | Final | 05/11/19 | Satisfactory | - | 11 | 5 |
| 2019/20-14 - Rangefield Primary 19-20 | Final | 05/11/19 | Substantial | - | 7 | 1 |
| 2019/20-17 - Sandhurst Primary 19-20 | Final | 07/11/19 | Satisfactory | - | 12 | 3 |
| 2019/20-21 - St Stephen's Church of England Primary 19-20 | Final | 07/10/19 | Substantial | - | 9 | 3 |
| 2019/20-01 - Brindishe Green Primary 19-20 | Draft | | | | | |
| 2019/20-02 - Brindishe Manor Primary 19-20 | Draft | | | | | |
| 2019/20-06 - Drumbeat Special School 19-20 | Draft | | | | | |
| 2019/20-07 - Good Shepherd Catholic Primary School 19-20 | Draft | | | | | |
| 2019/20-11 - Lucas Vale Primary 19-20 | Draft | | | | | |
| 2019/20-13 - Myatt Garden Primary 19-20 | Draft | | | | | |
| 2019/20-19 - St Joseph's Catholic Primary 19-20 | Draft | | | | | |
| 2019/20-23 - Stillness Junior 19-20 | Draft | | | | | |
| 2019/20-18 - St Augustine's Catholic Primary 19-20 | Draft | | | | | |

Appendix 4 Progress on the Schools' Audit Plan for 2019/20

| | | | | | | |
|---|------------------|--|--|--|--|--|
| 2019/20-03 - Clyde Nursery 19-20 | Review | | | | | |
| 2019/20-15 - Rathfern Primary 19-20 | Review | | | | | |
| 2019/20-22 - Stillness Infant 19-20 | Review | | | | | |
| 2019/20-09 - Horniman Primary 19-20 | Being written up | | | | | |
| 2019/20-10 - John Stainer Primary 19-20 | Being written up | | | | | |
| 2019/20-12 - Marvels Lane Primary 19-20 | Being written up | | | | | |
| 2019/20-16 - Rushey Green Primary 19-20 | Being written up | | | | | |