

REPORT TO: Audit and Governance Committee

MEETING DATE: 25 September 2018

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – September 2018

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and to provide an update on the progress against the 2018/19 annual audit plan.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from Internal Audit reports issued during the period July to September 2018 as contained in Appendix 1; and
 - ii. Internal Audit's progress against the annual audit plan for 2018/19 as set out in Appendix 2.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee, final reports have been issued in respect of the following audits: Debtors, Procurement of Goods & Services – Property Maintenance, VAT and Residential Charging.
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations arising from the audits is contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Debtors – Moderate Assurance

- Procurement of Goods and Services (Property Maintenance) – Limited Assurance
 - VAT – Reasonable Assurance
 - Residential Charging – Reasonable Assurance
- 3.4 The progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit’s work and measure progress against the annual audit plan.

4 POLICY IMPLICATIONS

4.1 None.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial – None

6.2 Personnel – None

6.3 Other – None

7 BACKGROUND PAPERS

7.1 None

AUTHOR’S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	17 September 2018

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
DEBTORS**

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2017/18, a review was undertaken of Debtors. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were met

- The Council has a Charging Policy in place – the Policy was approved by Cabinet in January 2015 and sets out the broad principles that govern charging for those services for which the Council has discretion to set a charge.
- Operational procedures are in place to provide guidance to staff in the Sundry Accounts team.

1.3 Areas with Scope for Improvement

- In some cases, there had been delays in invoices being raised following the supply of goods and services by the Council – delays of between 4 months and 15 months were noted. *Risk – loss of income to the Council.*
- There was a lack of adequate checking mechanisms in place to ensure the accuracy and completeness of invoices raised – in some cases, there had been a failure by officers within service areas to correctly enter the quantity and cost fields on to the system, resulting in invoices being issued to customers for incorrect or NIL amounts. *Risk – errors or irregularities may occur and remain undetected.*
- There was a lack of adequate segregation of duties – staff members within Sundry Accounts were undertaking all key tasks including raising sales invoices, allocating amounts received to individual debtor accounts, cancellation of invoices, raising of credit notes, write-off of debts and the suppression of debtor accounts. *Risk – errors or irregularities may occur and remain undetected.*
- There had been a failure to progress the backlog of debts awaiting legal action. *Risk – failure to recover all sums due.*
- The arrangements in place for applying interest to those accounts with a repayment charge require review. *Risk – failure to accurately reflect the amounts outstanding.*
- There was a lack of evidence to indicate that all staff within service areas with responsibility for raising sales orders had been provided with appropriate training and guidance. *Risk – errors may arise and remain undetected.*

1.4 Summary

Based on our review of Debtors, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

September 2018

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.2	Management should ensure that the Council's Charging Policy is reviewed and updated.	Medium	Service Manager – Business Finance	Agreed		December 2018
3.1.3	Management should ensure that detailed procedures on raising sales orders are provided to staff within service areas.	Medium	Corporate Finance Manager	Agreed		October 2018
3.2.1	Management should ensure that invoices are raised promptly for all goods and services provided.	High	Service Areas	Agreed – Service Managers for Roads & Property Maintenance		October 2018
	Management should ensure that all shared costs/rechargeable repairs are invoiced timeously to owners/tenants.	High	Service Manager – Property Maintenance	Agreed – review of recharge procedure to be undertaken		October 2018
	Management should review the appropriateness of the billing periods for certain client groups – invoices should be raised at regular intervals.	Medium	Group Service Manager – Planning and Performance	Agreed – invoices now being raised four weekly or quarterly		In Place
	Management should ensure that the Officer with responsibility for invoicing Section 75 contributions is provided with access to all relevant information.	Medium	Management Systems and Admin Officer	Agreed – access to the Uniform system is now available to the Officer		In Place

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.2	Appropriate checks should be carried out to ensure that customers are charged the correct rate for the goods or services provided.	Medium	Service Areas	Agreed with relevant service managers		October 2018
	Management should ensure that appropriate documentation is held to support all amounts invoiced.	Medium	Service Areas	Agreed with relevant service managers		October 2018
3.2.3	Management should ensure that for all sales orders entered on to the system, the number and value of orders are reconciled to the batch total – where discrepancies are identified, Management should ensure that individual entries are checked prior to logging out of the batch entry process.	Medium	Team Manager, Council Support	Agreed		October 2018
	Management should ensure that for a sample of cases, batch total reconciliations are checked by a person independent of the processor to ensure accuracy and completeness.	Medium	Team Manager, Council Support	Agreed		October 2018
	Management should ensure that for all cases where errors have been identified, revised invoices are issued for the correct amount.	Medium	Team Manager, Council Support	Agreed		October 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1	Management should ensure that a standard invoice cancellation/credit adjustment form is issued to all service areas across the Council.	Medium	Corporate Finance Manager	Agreed – standard form to be issued to all service areas.		October 2018
	Management should ensure that sufficient detail is provided on the invoice cancellation/credit adjustment form to clearly outline the reasons for the cancellation.	Medium	Corporate Finance Manager	Service areas to be reminded to clearly outline the reasons for the cancellation.		October 2018
3.4.1	User access should be reviewed to ensure that the cancellation of invoices, the raising of credit notes, the write-off of debts and the suppression of debtor's accounts is restricted to appropriate members of staff only.	High	Corporate Finance Manager	Segregation of duties is not possible due to the small staff team, however quarterly exception/monitoring reports on credit notes, cancellations, write-offs and suppressions will be reviewed.		December 2018
3.5.1	Management should ensure that appropriate action is taken to clear the current backlog of debts awaiting legal action.	Medium	Corporate Finance Manager/Service Manager – Legal and Procurement	Agreed		October 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.1	<p>Management should ensure that staff members receive regular updates on changes in legislation, which will impact on current processes.</p> <p>Management should establish if repayment charges can be placed on commercial properties where the owner has failed to pay the outstanding invoice.</p>	<p>Medium</p> <p>Medium</p>	<p>Service Manager – Legal and Procurement</p> <p>Corporate Finance Manager</p>	<p>To be confirmed</p> <p>Agreed</p>		<p>October 2018</p>
3.6.2	<p>Management should review the adequacy and effectiveness of the current arrangements in place for applying interest to those accounts with a repayment charge.</p>	<p>Medium</p>	<p>Corporate Finance Manager</p>	<p>Agreed – interest to be updated annually.</p>		<p>March 2019</p>
3.7.1	<p>Management should ensure that appropriate training is provided to staff within service areas with responsibility for raising sales orders.</p>	<p>Medium</p>	<p>Service Areas</p>	<p>Agreed – Corporate Finance Manager/ Team Manager, Council Support</p>		<p>Ongoing</p>

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
PROCUREMENT OF GOODS AND SERVICES
PROPERTY MAINTENANCE**

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the arrangements in place for the procurement of goods and services by the Council's Property Maintenance section was undertaken as part of the Audit Plan for 2017/18. Our main findings, recommendations and action plan from the review form the basis of this report.

1.2 Areas where Expected Controls were Met

- The Council participates in both national (Scotland Excel) and regional frameworks for the procurement of goods and services.
- For two of the frameworks reviewed (Trade Materials and Building and Timber Materials), there was clear evidence of the frameworks operating effectively – for the sample of cases reviewed, the prices being paid by the Council for core items were in agreement with the framework rates.

1.3 Areas with Scope for Improvement

- In some cases, there was a lack of evidence to indicate that the Council's Corporate Procurement Procedures had been properly complied with. *Risk – failure to demonstrate best value.*
- For the procurement of electrical materials, there was a lack of evidence to indicate that goods were being purchased in line with the framework agreement in place – rates for both core and non-core items had been agreed with the supplier independently of the framework and there was a failure to demonstrate best value. *Risk – errors and irregularities may arise and remain undetected.*
- For the procurement of plumbing and heating materials, we found that the vast majority of goods purchased from one supplier were non-core items – the rates had been agreed with the supplier outwith the current framework and had been updated periodically for price increases. *Risk – failure to demonstrate best value.*
- For non-core items, there was a lack of adequate monitoring arrangements in place to ensure that the Council was receiving the discounts specified in the framework agreements. *Risk – failure to obtain best value.*
- The arrangements in place for updating the Orchard job costing system with framework prices require review. *Risk – information held may be inaccurate.*

1.4 Summary

Of the four national frameworks reviewed, we found that there had been a failure to demonstrate best value for two of the frameworks (Electrical Materials and Plumbing and Heating Materials). Internal Audit can only provide limited assurance on the adequacy and effectiveness of the systems of internal control operating within Property Maintenance for the procurement of goods and services. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

September 2018

Action Plan

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.2	Management should ensure that the Council's Corporate Procurement Procedures are fully complied with.	Medium	Service Manager – Property Maintenance	Agreed – in the two cases that were identified, the Service will consider utilising a quick quote exercise and/or a single source application appropriate to the estimated value for the respective period.		November 2018
3.2.2	Management should ensure that the Orchard job costing system is updated to accurately reflect the framework prices.	Medium	Service Manager – Property Maintenance	Agreed – the majority of currently used framework commodity prices are accurately reflected in Orchard. However, those identified as a mismatch will be rectified to correspond to the Scotland Excel framework. Further, the rates established through the proposed revised mini-competition (as per 3.2.3 and 3.2.6) will also be reflected in Orchard.		March 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.3	Management should ensure that for all core electrical items purchased, the rates charged by the supplier are consistent with the framework prices.	High	Service Manager – Property Maintenance	Agreed – the Service will review the existing Scotland Excel framework pricing schedule and for those items where a direct branded match is found on the electrical framework, the Service will ensure that these prices are reflected in Orchard and as such will ensure agreement between framework rates and the invoice price.		December 2018
	Where large volumes of non-core items are being purchased from framework suppliers, management should consult the Procurement section and establish if a mini competition can be undertaken in accordance with the Scotland Excel guidance.	High	Service Manager – Property Maintenance	The large volume non-core items purchased relates to specifically branded electrical commodities. The Service will conduct a mini-competition for these lots.		December 2018
3.2.6	Where large volumes of non-core plumbing and heating materials are being purchased from framework suppliers, management should consult the Procurement section and establish if a mini competition can be undertaken in accordance with the Scotland Excel guidance.	High	Service Manager – Property Maintenance	The large volume non-core items purchased relate to plumbing sanitary ware, showers and accessories. The Service will conduct a mini-competition for these lots.		December 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1	Appropriate monitoring arrangements should be put in place to ensure that the Council is receiving discounts on non-core items as specified in the framework agreements.	Medium	Service Manager – Property Maintenance	<p>The proposed mini competition exercises at 3.2.3 and 3.2.6 will require suppliers to clearly stipulate percentage discount offered on non-core items in line with the Scotland Excel framework.</p> <p>For plumbing and electrical non-core items, the Service will instruct suppliers to clearly indicate on invoices the percentage discount offered for each commodity.</p> <p>For such items, the Service will conduct regular monitoring to ensure the appropriate discounts are being applied.</p>		March 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT VALUE ADDED TAX (VAT)

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Value Added Tax (VAT) was undertaken as part of the Audit Plan for 2018/19. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate arrangements are in place to ensure that the Council complies with the VAT requirements for Local Authorities as set out in legislation.
- Systems are in place to ensure that monthly VAT returns are submitted to HM Revenue and Customs by the due date.
- For the sample of purchases examined, a valid VAT invoice was held to support the input VAT being claimed.
- A designated member of staff within Corporate Finance is the VAT Liaison Officer and has responsibility for the preparation and submission of monthly VAT returns.
- A clear audit trail exists to support both the output and input VAT recorded on the VAT return.

1.3 Areas with Scope for Improvement

- In some cases, purchase cardholders had incorrectly coded transactions on the Cardplus system as outwith the scope of VAT, although a valid VAT invoice was held – for these cases, the Council had failed to reclaim the input VAT. *Risk – failure to recover amounts due.*
- The existing VAT procedures require to be reviewed and updated to ensure that clear guidance is provided to staff on all key aspects of VAT. *Risk – failure to properly account for VAT.*
- There was a lack of evidence to confirm that the annual partial exemption calculation had been verified by a person independent of the preparer to ensure accuracy and completeness. *Risk – errors may occur and remain undetected.*
- In some instances, service areas had incorrectly coded income for VAT purposes. *Risk – failure to properly account for VAT.*
- There was a lack of evidence to indicate that staff with responsibility for processing sales and purchases had received appropriate VAT training. *Risk – failure to properly account for VAT.*

1.4 Summary

Based on our review of Value Added Tax, Internal Audit can provide reasonable assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

September 2018

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.2	Management should ensure that detailed guidance is provided to staff within service areas on all key aspects of VAT.	Medium	Corporate Finance Manager	Agreed – the guidance on VAT will be updated as part of the overall review of the Council’s Charging Policy.		December 2018
3.2.2	Management should ensure that purchase card transactions are correctly coded for VAT purposes.	Medium	Service Managers	Reminders to be issued by Purchase Card Administrator to Cardplus Supervisors.		November 2018
	Management should ensure that where a valid VAT invoice is held, input VAT is identified by cardholders as part of the verification process on the Cardplus system, to enable the Council to reclaim the input VAT.	Medium	Service Managers	As above.		November 2018
	Management should review and update the purchase card instructions on the Council’s e-learning system to ensure that they adequately cover the treatment of VAT.	Medium	Corporate Development Accountant/ Treasury and Banking Officer	Agreed – review will be undertaken.		November 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.1	Management should review the VAT coding of income by service areas to ensure that VAT classifications are correct.	Medium	Corporate Finance Manager	Agreed		December 2018
3.4.1	Management should ensure that the partial exemption calculation is checked by a person independent of the preparer – evidence of the check should be retained on file.	Medium	Corporate Finance Manager	Agreed		March 2019
3.5.2	Monthly VAT returns should be verified for accuracy and completeness prior to submission to HM Revenue and Customs.	Medium	Corporate Finance Manager	Agreed		November 2018
3.6.1	Management should ensure that staff responsible for processing sales and purchases are provided with appropriate VAT training.	Medium	Corporate Finance Manager	Agreed		January 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT RESIDENTIAL CHARGING

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Residential Charging was undertaken as part of the Audit Plan for 2018/19. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate arrangements are in place to ensure that the Council complies with the Charging for Residential Accommodation Guidance (CRAG) issued by the Scottish Government.
- For older adults in nursing or residential care homes, the fees charged by service providers were in accordance with the National Care Home Fee Settlement Award 2018/19.
- For older adults in Council residential care homes, the fees charged were in accordance with the Adult Social Care fee rates for 2018/19.
- Adequate arrangements are in place to ensure that financial assessments are undertaken to assess client contributions towards residential or nursing care.
- A clear audit trail exists on the Mosaic system for all payments made to care home providers.

1.3 Areas with Scope for Improvement

- In some cases, there was a lack of evidence to support the rates agreed with the care provider for clients in receipt of specialist care. *Risk – over or under payments may occur.*
- In some cases, there had been a failure by clients or their representatives to return the annual financial circumstances form together with supporting documentation – for these cases, provisional financial assessments had been undertaken based on an uprating of previous year's income figures. *Risk – changes in capital and income may not be reflected in the financial assessment.*
- The current practice of reducing the client's capital sum during the financial assessment process, to ensure it does not exceed the upper capital threshold, requires review. *Risk – financial assessments may be incorrect.*
- There was a lack of independent checking in place – financial assessments were being prepared and authorised by the same member of staff. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Based on our review of Residential Charging, Internal Audit can provide reasonable assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

September 2018

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	Management should ensure that enhanced rates are only paid to care homes that continue to meet the relevant quality standards.	Medium	Group Service Manager – Planning and Performance	Agreed		October 2018
3.2.2	Management should ensure that adequate evidence is held for clients in residential care, clearly setting out the terms and conditions of the service provision.	Medium	Group Service Manager – Planning and Performance	Agreed – this will be reviewed.		October 2018
3.3.2	Management should ensure that appropriate follow-up action is taken for all provisional assessments – a financial circumstances form together with supporting documentation should be obtained from clients or their representatives.	Medium	Service Manager – Benefits and Financial Assessments	Agreed – the Team plan to revisit these cases to see what further supporting documentation can be obtained from either the service users or their representatives.		October 2018
3.3.3	The current practice of reducing the client's capital sum during the financial assessment process, to ensure it does not exceed the upper capital threshold, should be reviewed.	Medium	Service Manager – Benefits and Financial Assessments	Agreed – Team Leader to implement a process where the assessing officer firstly determines whether the client's income could either be outstripping or falling		October 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3 (cont)				behind their care home costs and depending on this answer, considers whether the client is about to fall into the Council funded bracket or not.		
3.3.4	All financial assessments should be authorised by a person independent of the preparer.	Medium	Service Manager – Benefits and Financial Assessments	All new financial assessments are checked by a second officer, however due to the high volume of annual re-assessments the Team do not have the capacity to extend secondary authorisation, although they do seek secondary authorisation from a colleague in instances where the outcome of their re-assessment is either unexpected or appears incorrect.	Yes	

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

INTERNAL AUDIT PROGRESS REPORT 2018/19

Appendix 2

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
VAT	For all payments processed by the Council, we will examine the arrangements in place to ensure that VAT is correctly accounted for.	September 2018	Completed
Adult Services – Residential Care	We will review the arrangements in place for the assessment and charging of clients in residential care.	September 2018	Completed
IT Systems Access	We will review the IT access controls/access rights in place for all the Council’s main systems.	September 2018	In Progress
Trade Waste Income	We will review the arrangements in place for the billing and collection of trade waste income.	November 2018	
Adult Services – Payments on Schedule	We will review payments on schedule processed through the Mosaic system – our audit will focus on the arrangements in place for the recovery of credit balances.	November 2018	
Schools	We will review the financial arrangements operating within one school to ensure compliance with the financial procedures in place.	November 2018	
Adult Services – Transport	We will review the transport arrangements within Adult Services – as part of the review we will assess if the arrangements in place for securing transport are cost effective and well managed.	November 2018	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Conflicts of Interest	We will examine the arrangements in place for the disclosure of potential conflicts of interest by members of staff.	November 2018	
NDR – Liability	We will continue our audit work on Non-Domestic Rates (NDR) – in 2018/19, we will review the arrangements in place for determining NDR liability.	February 2019	
Planning Enforcement	We will check to ensure that planning enforcement is being carried out in accordance with legislation and Council policy.	February 2019	
Contracts	As part of our annual review of procurement, we will examine a sample of contracts to ensure compliance with the Council’s Corporate Procurement Procedures.	February 2019	
Business Grants and Loans	We will review the arrangements in place for the awarding of grants and loans to businesses within East Lothian.	February 2019	
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	February 2019	
Disclosure Checks	We will review the disclosure checking arrangements in place for members of staff and volunteers working with children and/or protected adults.	February 2019	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Bank Reconciliations	We will check to ensure that appropriate and effective systems of control are in place for the Council's bank accounts.	June 2019	
Council Tax	We will continue our audit work on Council Tax – for 2018/19, our review will focus on the procedures in place for the recovery of Council Tax arrears.	June 2019	
Fixed Assets	We will review the systems in place for maintaining and updating the Council's Fixed Asset Register.	June 2019	
Following the Public Pound	We will review the monitoring arrangements in place for a sample of organisations receiving partnership funding from the Council in 2018/19.	June 2019	
Building Standards	We will examine the arrangements in place for the processing of applications received for building warrants, including the collection of income due to the Council.	June 2019	
Creditors	We will review the procedures in place for processing supplier invoices for payment and we will check to ensure that adequate arrangements are in place for the prevention and detection of duplicate payments.	June 2019	