

# Thurrock Council

## Internal Audit Progress Report

[Audit Committee meeting 28<sup>th</sup> November 2013]

## Introduction

The internal audit plan for 2013/14 was approved by the Audit Committee on 26<sup>th</sup> June 2013. This report provides an update on progress against that plan and summarises the results of our work to date.

### Summary of Progress against the Internal Audit Plan

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Benyon Primary School	Final	Green	0	0	3
Quarry Hill Primary School	Final	Amber/Red	1	3	4
Bonnygate Primary School	Final	Green	0	0	3
Corringham Primary School	Final	Amber/Green	0	2	4
Deneholm Primary School	Final	Green	0	1	3
Stanford-le-Hope Primary School	Final	Amber/Green	0	3	3
Orsett C of E Primary School	Final	Amber/Green	0	2	3
Tudor Court Primary School	Final	Green	0	1	2
Horndon-on-the-Hill C of E Primary School	Final	Amber/Green	0	2	4
Health & Safety Follow-up	Final	Green	0	1	0
Payroll (Oracle) Post Implementation Review	Final	Green	0	1	0
Use of Agency Staff for in-house provider services	Final	Amber/Red	0	6	0
Trading Standards	Final	Green	0	2	2
Little Pirates Nursery School	Final	Green	0	2	0
Neptune Nursery School	Final	Amber/Green	0	3	0
General Ledger (Oracle) Upgrade	Final	Green	0	0	1
Key Performance Indicators	Final	Advisory	N/A	N/A	N/A
Thurrock Adult Community College Crèche	Final	Green	0	2	1
Passenger Transport Framework (Education) -Taxis	Final	Amber/Green	0	2	3
Arthur Bugler Junior School	Final	Amber/Green	0	1	7
Housing Capital Programme (Kitchens & Bathrooms)	Final	Red	5	3	0
Business Continuity (excluding IT)	Final	Green	0	1	3
<b>Core Assurance</b>					
Treasury Management	Final	Green	0	0	2
Bank Reconciliation	Final	Green	0	1	1

## Other Matters

**Planning and Liaison:** Fieldwork is currently being undertaken on the following reviews:

- Reablement Service
- Electrical Testing and Inspections
- Gas Testing and Inspections
- General Ledger
- Council Tax
- NNDR
- Housing Rents
- Adult Social Care Expenditure

The following reports are at draft stage awaiting responses from the client or have been issued recently and will be reported as part of the next progress report:

- Aveley Primary School
- Adult Social Care Income (including debt recovery)
- Chadwell St Mary Primary School
- Equality Standards
- Register of Gifts, Interests & Hospitality
- Environmental Health (Food)

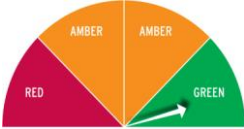

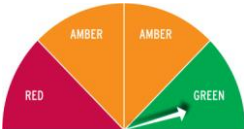
Other work including on core financial audits has been agreed and planned in to commence as follows:

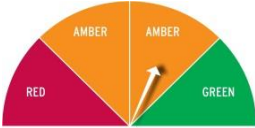

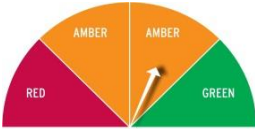
- Sickness Management – Feb 2014
- Cash Receipting – Jan 2014
- Accounts Payable (Creditors) – Jan/Feb 2014
- Accounts Receivable (Debtors) – Jan/Feb 2014
- Housing Benefits – Jan 2014

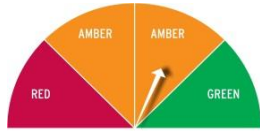
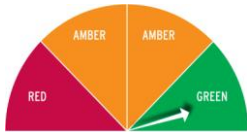
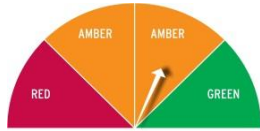
A meeting is being held with the External Auditors on the 14<sup>th</sup> November 2013 to meet the new Audit Manager, Christine Connolly, and to discuss the core financial systems reviews where they will be looking to place reliance upon Internal Audit testing.

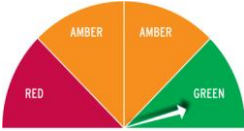
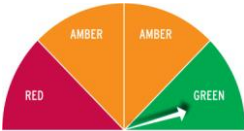
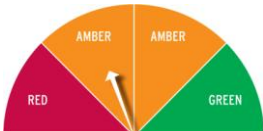
Internal Audit's planning process is due to commence in November 2013. Meetings will be scheduled with all Heads of Service and Directors to discuss the Audit Plan 2014-15.

## Key Findings from Internal Audit Work

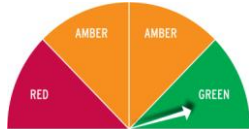
<b>Assignment: Benyon Primary School (now Academy)</b>	<b>Opinion: Green</b>	
Headline Findings: Financial management arrangements within the school were good. There were only 3 low recommendations.		
<b>Assignment: Quarry Hill Primary School (now Academy)</b>	<b>Opinion: Amber/Red</b>	
Headline Findings: Financial management arrangements within the school were not adequate. There were 1 high, 3 medium and 4 low recommendations.		
<b>Action</b>	<b>Responsible Officer</b>	<b>Date</b>
In accordance with the Financial Regulations, tenders must be obtained for orders over £30k and 3 quotes for orders between £5k and £30k. This is to ensure that the school has shown that value for money is being obtained. (High)	Headteacher	ASAP
All purchase orders should be raised before the invoice or the goods are received, to ensure Management Information Reports are up to date. They should be signed as authorised in accordance with the limits stated in the Financial Regulations. (Medium)	Office Manager/ Headteacher	ASAP
The same controls over the collection of dinner money at the 'infant' stage need to be applied to the children in the other building. This will ensure arrears are kept to a minimum. (Medium)	Finance Support Assistant	Immediate
All virements over £10k should be countersigned by either the Chair of the Finance Committee or the Chair of Governors in accordance with the school's Financial Regulations. (Medium)	Headteacher	Immediate
<b>Assignment: Bonnygate Primary School</b>	<b>Opinion: Green</b>	
Headline Findings: Financial management arrangements within the school were good. There were only 3 low recommendations.		

<b>Assignment: Corringham Primary School (now Academy)</b>	<b>Opinion: Amber/Green</b>	
Headline Findings: Financial management arrangements within the school were adequate. There were 2 medium and 4 low recommendations.		
Action	Responsible Officer	Date
Stronger controls are needed to ensure the amount of debt does not increase. Letters should be sent out to parents immediately there is any money owing, with follow ups either by phone or further letters. An escalation process needs to be developed for persistent non-payment when it arises.	Admin Secretary Admin Assistant	ASAP
The school should regularly check their records for children receiving free school meals against the pupil entitlement record report sent to the school by Thurrock Council to ensure only pupils who are entitled to free meals are receiving them.	Admin Assistant	ASAP
<b>Assignment: Deneholm Primary School</b>	<b>Opinion: Green</b>	
Headline Findings: Financial management arrangements within the school were good. There was 1 medium and 3 low recommendations.		
Action	Responsible Officer	Date
Purchase orders need to be raised before the receipt of the goods or services, to ensure Management Information Reports are kept up to date and budgets are not overspent.	Budget Holders Bursar	Immediate
<b>Assignment: Stanford-le-Hope Primary School (now Academy)</b>	<b>Opinion: Amber/Green</b>	
Headline Findings: Financial management arrangements within the school were adequate. There were 3 medium and 3 low recommendations.		
Action	Responsible Officer	Date
Purchase orders should be raised before the receipt of the goods/services to ensure Management Information reports are up to date and budgets are not overspent. Purchases over £5k should be authorised by the Finance Committee in addition to the Head, as per the schools' financial regulations.	Headteacher Office Manager	This recommendation will depend on the requirements of the Board of the Academy
Copies of CRB clearance forms should be kept on file for all staff and the HR provider chased if confirmation is not received within a reasonable timeframe.	Office Manager	Immediate
The school should review its arrangements around school meals arrears to ensure they do not escalate, including whether it would be appropriate to adopt an approach requiring parents to send in a packed lunch when an individual debt reaches a pre-determined level.	Headteacher Office Manager	This will be discussed with the Board of the Academy

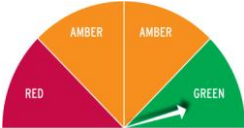
<b>Assignment: Orsett C of E Primary School</b>	<b>Opinion: Amber/Green</b>	
Headline Findings: Financial management arrangements within the school were adequate. There were 2 medium and 3 low recommendations.		
Action	Responsible Officer	Date
All purchase orders should be raised before the date of the invoice, to ensure management information reports are up to date. All purchase orders over the value of £3k must be counter-signed by the Chair of the Finance Committee.	Finance Manager	Immediate
The VAT returns should be sent to Thurrock Council on a monthly basis to enable the authority to reclaim the VAT back in a timely manner.	Finance Manager Headteacher	July 2013
<b>Assignment: Tudor Court Primary School</b>	<b>Opinion: Green</b>	
Headline Findings: Financial management arrangements within the school were good. There was 1 medium and 2 low recommendations.		
Action	Responsible Officer	Date
Purchase orders should be raised before the receipt of the goods or services, to ensure Management Information Reports are kept up to date and budgets are not overspent.	Finance Manager	Immediate
<b>Assignment: Horndon-on-the-Hill C of E Primary School</b>	<b>Opinion: Amber/Green</b>	
Headline Findings: Financial management arrangements within the school were adequate. There were 2 medium and 4 low recommendations.		
Action	Responsible Officer	Date
The Schools' Financial and Management Practices (FAMPS) document needs to be updated to specify the authorisation limits for: ordering (Headteacher, Resources Committee or the full Governing Body); going out to quote; and the limit above which a full tendering exercise needs to be carried out.	Office Manager Clerk	ASAP to next Governors meeting
Letters to pupils owing dinner money must be sent out as soon as the debt is a week old. If the debt is allowed to get too high, the risk is that families will not be able to repay the arrears and the school could lose money.	Office Manager	ASAP


<b>Assignment: Health and Safety Follow-up</b>	<b>Opinion: Green</b>	
<p>Headline Findings: It was pleasing to note that a considerable amount of work has been undertaken since the last audit and this is reflected in the improvement in the assurance opinion provided. There was 1 medium recommendation.</p>		
Action	Responsible Officer	Date
<p>When submitting the list of “Council Senior Management Team Responsibility Areas Where Risk Assessments Have Not Been Produced” to Director’s Board, the Principal Officer (Health &amp; Safety) should include a comparison with the previous quarter to assist the Board in identifying those areas where no progress has been made. Relevant managers can then be chased up to complete their risk assessments.</p>	Acting Head of Public Protection	September 2013
<b>Assignment: Payroll (Oracle) Post Implementation Review</b>	<b>Opinion: Green</b>	
<p>Headline Findings: The payroll migration from the Delphi System to Oracle was successfully undertaken. There was 1 medium recommendation.</p>		
Action	Responsible Officer	Date
<p>Serco should contact the consultants to request copies of the documentation supporting user acceptance testing and supply copies to the Council. This will help the Council to identify lessons learned from the project which could be used to improve future project implementation.</p>	General Manager (Serco)	September 2013
<b>Assignment: Use of Agency Staff for in-house provider services</b>	<b>Opinion: Amber/Red</b>	
<p>Headline Findings: The Manager and staff at Collins House have worked hard to ensure they make the best use of existing and bank staff which has led to a reduction in the use of agency staff. All Provider Services procure their temporary staff through the MSTAIR contract with Comensura Ltd. as required by the Council. There were 6 medium recommendations.</p>		
Action	Responsible Officer	Date
<p>The Extra Care Manager needs to prepare a business case for the recruitment of more permanent staff to offset the heavy reliance placed on agency workers. This should help to reduce the overspend on staffing.</p>	Service Manager - Provider Services	September 2013
<p>The Short Break / Outreach Co-ordinator needs to review staffing levels and prepare a business case to employ more permanent staff highlighting the increase in the number of service users. Once the correct numbers of staff are appointed, bank staff could be used to cover sickness and annual leave which should result in reduced staffing costs.</p>	Service Manager - Provider Services	September 2013
<p>A detailed review of staffing levels at Day Care Centres should be carried out to ensure staff are being used</p>	Service Manager - Provider Services	October 2013

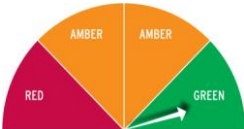
effectively. The review should include a risk assessment to ascertain whether an escort is needed for each bus run. If escorts are to be used permanently, consideration should be given to offering them permanent contracts and using them to carry out additional duties or provide cover at the centres when they are not carrying out their escort duties.		
Casual bank staff should only be used to provide short-term cover for sickness, holidays etc. not as a replacement for filling full time posts on a long-term basis. See 1.2, 1.3 and 1.5 above around the need to review staffing levels and employ the correct mix of full and casual bank staff.	Service Manager - Provider Services	October 2013
Employees must report to the appropriate manager any close personal relationship with another officer in the same section, or area of work, to ensure there is no potential conflict of interest in which they may be involved.	Service Manager - Provider Services	September 2013
The time sheets for agency staff should be formally approved by the relevant establishment manager or in their absence, by a delegated staff member of appropriate seniority, within the agreed time limits. The Head of Service should request an explanation from managers when it is brought to their attention that timesheets were auto-	Service Manager - Provider Services	September 2013

<b>Assignment: Trading Standards</b>	<b>Opinion: Green</b>	
Headline Findings: Overall, the service meets legislative requirements and helps protect businesses and the public from dishonest, fraudulent and/or negligent trading. There were 2 medium and 2 low recommendations.		
<b>Action</b>	<b>Responsible Officer</b>	<b>Date</b>
Once the new system around inspections is in place, a target number of visits should be scheduled every year for high, medium and low risk premises. This should reduce the risk that fraudulent activities will not be identified and appropriate enforcement action be taken.	Principal Officer – Trading Standards	December 2013
Review the ways on which internal resources such as environmental health data, the business rates data, census information on VAT registered businesses etc. could be used to share information in updating the trading standards premises database. This will assist in ensuring the database is complete and relevant properties can be risk assessed and inspected in line with the Trading Standards Risk Assessment Scheme – 2013 guidance.	Principal Officer – Trading Standards	On-going

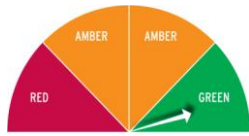


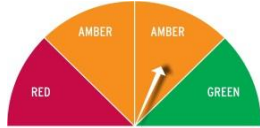
<b>Assignment: Little Pirates Nursery School</b>	<b>Opinion: Green</b>	
<p>Headline Findings: Financial management arrangements within the nursery were good. There were 2 medium recommendations.</p>		
Action	Responsible Officer	Date
All invoices should be signed by the Manager before payment to ensure the payment has been appropriately authorised and the nursery does not pay for items that were either not ordered, or not received.	Nursery Manager	October 2013
Stricter controls are required around the accurate recording of the time spent in the nursery classrooms so that the daily time sheets reflect the actual areas worked in. This will ensure management are always aware of the ratio of adults to children in each class.	Nursery Manager	October 2013

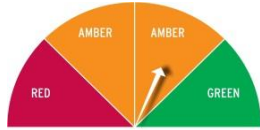
<b>Assignment: Neptune Nursery School</b>	<b>Opinion: Amber/Green</b>	
<p>Headline Findings: Financial management arrangements within the nursery were adequate. There were 3 medium recommendations.</p>		
Action	Responsible Officer	Date
All invoices should be signed by the Manager before payment to ensure that the nursery does not pay for items either not received or not ordered.	Nursery Manager	October 2013
All overtime sheets should be cross-checked against the daily time sheets and signed by the Nursery Manager in addition to authorising the online version. This will ensure only approved overtime that has been worked, is paid for.	Nursery Manager	October 2013
Stricter controls are required around the accurate recording of the time spent in the nursery classrooms so that the daily time sheets reflect the actual areas worked in. This will ensure management are always aware of the ratio of adults to children in each class.	Nursery Manager	October 2013


<b>Assignment: General Ledger (Oracle) Upgrade</b>	<b>Opinion: Green</b>	
<p>Headline Findings: The general ledger was upgraded in April 2012 and controls were put in place to ensure that the system transferred the trial balances correctly at year-end. A sample of the new chart of accounts demonstrated that it was in operation and linked to the old account codes correctly. Further work to refine and re-assign a small number of codes was necessary. There was only 1 low recommendation.</p>		

<b>Assignment: Key Performance Indicators</b>	<b>Opinion: None</b>	<b>Advisory Review</b>
<p>Headline Findings: The Policy, Performance &amp; Partnerships' Team requested Internal Audit to review a sample of Key Performance Indicators as part of the Annual Data Quality Assurance exercise and also to establish whether systems are in place to accurately record data. The total number of indicators monitored by the Council is 63. Internal Audit checked 10 out of 11 high risk indicators, 5 out of 8 medium risk and 5 out of 44 low risk. In total, recommendations were made around 2 high, 2 medium and 1 low risk indicators.</p>		
<p><b>Number of visitors to the Borough's Managed Natural Areas</b> - The processes used to monitor numbers of visitors' needs to be reviewed, in consultation with partner organisations, to determine the best way to obtain more reliable information. In areas where the recreational use is largely dependent on external factors such as weather, time of day, season etc. the choice of an appropriate sampling scheme becomes important in ensuring the statistical validity of the obtained data. (High)</p>	Regeneration & Sustainability Manager	October 2013
<p><b>Number of Apprentices in the Council</b> - The definition of an Apprentice needs to be clarified and the methodology, documents and systems used to collect the data should be documented. A formal request should be made to the relevant departments, at required intervals, to submit details of Apprentice starters and leavers in that period. This would ensure that more accurate and meaningful figures are produced to monitor and report on this indicator. (High)</p>	Learning & Skills Manager	January 2014
<p><b>Proportion of people using social care who receive self-directed support, and those receiving direct payments</b> - Support Plans for clients receiving direct payments, or who have a personal budget, need to be reviewed on an annual basis. (Medium)</p>	Fieldwork Service Manager	On-going
<p><b>Percentage of Municipal Waste sent to landfill</b> - The introduction of sample testing for the weighbridge tickets as part of contract review, will help to identify any errors. A periodic review of the stored tare weights would also be beneficial, to ensure that large fluctuations are identified and investigated. (Medium)</p>	Waste & Recycling Manager	On-going

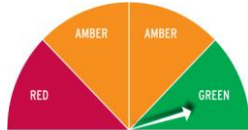
<b>Assignment: Thurrock Adult Community Crèche</b>	<b>Opinion: Green</b>	
<p>Headline Findings: Financial management arrangements within the crèche were good. There were 2 medium and 1 low recommendations.</p>		
Action	Responsible Officer	Date
A business plan to look at different options available to increase the take up of the remaining places within the crèche should be developed. This will assist the College in ensuring it maximises its funding opportunities for the crèche provision.	Crèche Manager Principal	November 2013
All orders for goods/ services should be raised in advance to ensure the correct authorisation is obtained prior to the goods being received or paid for. Failure to do this could result in budget overspends.	Crèche Manager	October 2013

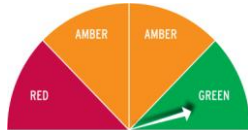
<b>Assignment: Passenger Transport Framework (Education) -Taxis</b>	<b>Opinion: Amber/Green</b>	
Headline Findings: Financial management arrangements within the nursery were adequate. There were 2 medium and 3 low recommendations.		
Action	Responsible Officer	Date
All variations need to be supported by decisions and evidence of changes to rates recorded on the School Transport Manager system. Furthermore, a change control or variation process needs to be outlined. Any limits placed upon the variation amounts and rationale needs to be recorded. This will provide assurance that the service provides value for money and complies with the procurement and contractual obligations.	Team Leader – Passenger Transport	Actioned
Roles and responsibilities need to be clearly defined. An accountable person needs to be in place to oversee the management of the transport contracts in the PTU.	Director of Adult, Health and Commissioning Team Leader, Passenger Transport	October 2013

<b>Assignment: Arthur Bugler Junior School</b>	<b>Opinion: Amber/Green</b>	
Headline Findings: Financial management arrangements within the school were adequate. There were 1 medium and 7 low recommendations.		
Action	Responsible Officer	Date
The school should ensure they reconcile the free school meal list received from Thurrock Council to their own records in a timely manner to ensure only those children entitled to free school meals receive them.	Admin Assistant	Immediate

<b>Assignment: Housing Capital Programme (Kitchens &amp; Bathrooms)</b>	<b>Opinion: Red</b>	
Headline Findings: There were some key weaknesses identified in the reporting of programme delivery, budget management and contract management around the Capital Programme for Kitchens & Bathrooms. There were 5 high and 3 medium recommendations.		
A review of the budget management reporting template is required between Europa Services and Housing to agree a format. Furthermore, a review of Saffron reports is required to ensure financial data can be reconciled and quality of data checked. (High)	Head of Housing, Investment and Development	2 <sup>nd</sup> Aug 2013
Surveyors also need to provide programme managers and Finance with costing information on a regular basis. This will help form the basis for sound financial reporting and reconciliation. (Medium)	Head of Housing, Investment and Development	2 <sup>nd</sup> Aug 2013

Key performance indicators need to be supported by up-to-date project information and be available for review. This will enable the Council to have confidence that the work programme is being delivered efficiently and on time. (High)	Head of Housing, Investment and Development	2 <sup>nd</sup> Aug 2013
Key project documents, identifying project progress and management information, including associated costs, risks and potential problem areas need to be produced. This will provide the Council with the confidence that projects are well managed, delivered efficiently and providing value for money. (High)	Head of Housing, Investment and Development	2 <sup>nd</sup> Aug 2013
Comprehensive contract management information is required, to form an essential part of the overall decision making process. A lack of contract management information may result in a lack of value for money. (High)	Head of Housing, Investment and Development	2 <sup>nd</sup> Aug 2013
Works should not be started without a properly approved works order. This ensures only those works approved are carried out. (High)	Head of Housing, Investment and Development	2 <sup>nd</sup> Aug 2013
Proper formal minutes of contractor meetings should be maintained to provide evidence that issues which could result in variations are being raised with Housing. (Medium)	Head of Housing, Investment and Development	2 <sup>nd</sup> Aug 2013
It is essential to retain tender evaluation documentation to support the tender process. The Council may be at risk of challenge and value for money may be difficult to prove without this documentation. (Medium)	Head of Housing, Investment and Development	2 <sup>nd</sup> Aug 2013

<b>Assignment: Business Continuity (excluding IT)</b>	<b>Opinion: Green</b>	
Headline Findings: In general, the arrangements around the processes to ensure the continued provision of key front line services were robust. There was only 1 medium and 3 low recommendations.		
An up to date business impact assessment and risk analysis are essential to inform the Business Continuity Strategy and Policies. This will ensure that the current risks have been assessed and are being managed.	Acting Principal Officer – Emergency Planning	31 <sup>st</sup> March 2014

<b>Assignment: Treasury Management</b>	<b>Opinion: Green</b>	
Headline Findings: All investments executed, complied with CIPFA and Thurrock Cabinet regulations and standards. All interest income was checked by an independent officer within a suitable timeframe. There were only 2 low recommendations.		

<b>Assignment: Bank Reconciliation</b>	<b>Opinion: Green</b>	
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<p>Headline Findings: In general, bank reconciliations were carried out regularly and any discrepancies were dealt with in a timely manner. There was only 1 medium and 1 low recommendation.</p>		
<p>The Head of Corporate Finance should review the need to allocate more resources to the bank reconciliation process between April and August to ensure that reconciliations are completed on a timely basis, in line with the Council's Finance Rules.</p>	<p>Head of Corporate Finance</p>	<p>June 2014</p>

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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