

Thurrock Council

Standards & Audit Committee

Internal Audit Progress Report 2016/17

Date of Committee: 15th November 2016

Introduction

The internal audit plan for 2016/17 was presented to the Standards & Audit Committee on 15th March 2016. This report provides an update on progress against that plan since the meeting on the 14th June 2016.

Table showing reports issued as Final, in Draft or Work in Progress

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Acquisitions & Disposals (excluding council houses)*	Final	Red	2	2	0
Recruitment & Selection*	Final	Red	1	8	2
Gas Inspections	Final	Green	0	1	1
Gifts, Interest & Hospitality	Final	Green	0	0	1
Shop Premises	Draft with client		N/A	N/A	N/A
Housing Allocations	Final	Amber/Green	0	4	1
HR Leavers Process	Draft with client		N/A	N/A	N/A
Car Parking - Follow up	Final	Amber/Green	0	0	8
Business User and Travel Allowances	Draft with Audit		N/A	N/A	N/A
Third Party Spend (under £75k)	Final	Advisory	2	3	1
Procurement in Schools	Final	Advisory	0	3	1
No Recourse to Public Funds	Work in Progress	Advisory	N/A	N/A	N/A
Recruitment & Selection Follow up	Final	Good progress	0	1	0
Core Assurance					
Housing Rents	Work in Progress		N/A	N/A	N/A
Payroll	Work in Progress		N/A	N/A	N/A

* Presented to Standards & Audit Committee 29th September 2016 so not detailed in this report.

Work for which no reports are generated

The Internal Audit Service has been supporting the Corporate Fraud & Investigation Directorate on two on-going internal investigations.

Troubled Families Programme – At very short notice, we audited a 15% sample of claims to determine there was adequate evidence to support the outcomes on which the grant claim was submitted. We were required to test at least 10% of claims. We provided advice on 1 claim which was subsequently removed. The grant claim was

submitted in September. It was also agreed that more notice will be provided in future to enable better resource planning.

Changes to plan

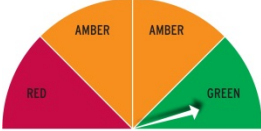
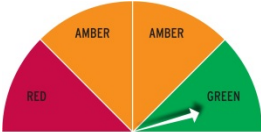
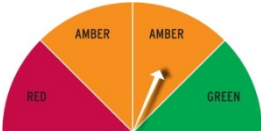
- Adult social care – services and staff coming back in-house due to suppliers not meeting the costs of the service through the rates they were paid by the Council, resulting in the service being handed back. This is likely to be an on-going and potentially increasing risk. The TUPE process appears to have been fragmented. Internal Audit have been asked to carry out an advisory piece of work to review the transfer process and identify any lessons learned to ensure that if this happens again, the process is much more robust and smooth.
- No Recourse to Public Funds – The original piece of work was around children and adults. Following an initial meeting with both services, there were only 2 cases within Adult Services and only 1 of those was live. However, within Children’s Services there are a number of cases and it is felt the numbers are likely to increase in the future. Therefore, it was agreed to concentrate purely on Children’s Services for this review.
- Highways & Environment – changes to service have resulted in this work being superseded with new accounting arrangements having been developed between the services and Corporate Finance and a new basis for cross service charging based upon 1 large upfront payment per year, rather than multiple smaller payments.
- Highways contracts – Following a meeting with the Head of Transportation & Highways, this piece of work has been deferred. It was stated that there are currently a number of smaller contracts dealing with various aspects of highways maintenance which made management and monitoring complicated. As a result, these have been parcelled together into one large contract which is currently out to tender. In addition, the service are changing to a new asset management system and are in the process of undertaking data transfer. As a result, it would be difficult and time consuming to determine that any data used for testing purposes is accurate and complete.

Progress has been made on the implementation of the recommendations of the Safeguarding of Assets (Appointeeship & Deputyship), which is included in detail below. At the time the report was issued, 1 low and 2 medium recommendations had been actioned; 1 was superseded due to the change of bank and the process for dealing with the estates of deceased clients which is now handled directly by the bank; and, 3 recommendations had not reached their implementation date. Members requested an update on 3 recommendations which were outstanding following the issue of the final report which was presented to the June meeting. Assurances have been obtained from the service and all 3 recommendations have been actioned. The original recommendations and management responses were as follows:

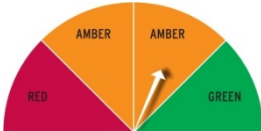
Original Recommendation	Updated Response
Safe audits should be carried out on a bi-monthly basis and be signed off by 2 people, with physical items being reconciled against seal references within property lists.	All items now placed in sealed bags and bi monthly audits commenced. Next due Oct 16.

Original Recommendation	Updated Response
It is recommended that the Casper case management system is fully populated and staff are trained in its use.	Bank reconciliation in Casper commenced in Aug 16, now being done on a weekly basis
It is recommended that invoices raised by the Council for any costs associated with providing services to clients are paid regularly.	Full client review of debt position undertaken 16/6 and full update provided to debtor. Customer Finance did not want a bi-monthly meeting, as such but all reminder invoices are now given to Financial Management Officer.

Key Findings from Internal Audit Work

Assignment: Gas Inspections	Opinion: Green	
Headline Findings: Our review of Gas Inspections identified 1 medium and 1 low recommendation around the adequacy of the control framework. All 4 low recommendations from the previous audit had been implemented.		
Action and Response	Responsible Officer	Date
<p>Action - It is recommended that every effort should be made to recover debts due to the Council, as a result of having to obtain a warrant and carry out a forced entry to a Council property to carry out a gas check. Invoice request forms should be submitted to the Debt Recovery team so they can collect the debt on behalf of the service. The services failure to follow the Council's procedures in respect of debt collection is likely to have resulted in financial loss to the authority.</p> <p>Response – The Housing Department are aware of the requirement to improve the recharge process. This process is currently under a departmental review and it is proposed the new process will be in place and operational by 1st December 2016. This process will then seek to recover all expenditure associated with obtaining Court warrants to undertake gas servicing.</p>	Housing Asset Investment & Delivery Manager	Dec 2016
Assignment: Gifts, Interests & Hospitality	Opinion: Green	
Headline Findings: Our review of Gifts, Interests and Hospitality did not identify any issues or areas of concern around the adequacy of the control framework. There were good controls around the following areas which were reviewed as part of the audit process: policies and procedures; contact lists were up to date; declarations were submitted within the approved timeframes; declarations of interest forms were in place for all members and all but 1 senior manager who was a recent appointment; there was an opportunity for members to declare any interests before all committee meetings. The 2 low recommendations from the previous audit had been implemented.		
Assignment: Housing Allocations	Opinion: Amber/Green	
Headline Findings: Our review of Housing Allocations identified 4 medium and 1 low recommendation around the adequacy of the control framework. All 4 low recommendations from the previous audit had been implemented.		
Action and Response	Responsible Officer	Date
<p>Action - It is recommended that the documentation relating to appeals is scanned onto the Novalet system as soon as possible so progress can be monitored. The date of the appeal decision should also be logged on the appeal spreadsheet to ensure it is kept up to date.</p> <p>Response – Has been built into the procedure.</p>	Allocations Team Leader Allocations Manager	August 2016

<p>Upon receipt all appeals and reviews are logged on the management spreadsheet and attached to the application. A note is also placed on the application stating which officer it has been passed to. Officers have also been reminded that they need to complete the spreadsheet upon completion of the appeal or review. This has been fed into 6 month PDR reviews.</p>		
<p>Action - It is recommended that the four weeks rent in advance should always be taken from applicants who are not already, or cannot prove their eligibility to Housing Benefits as they may not qualify. This will reduce the likelihood of arrears accumulating if benefits are not payable at the time the tenancy starts.</p> <p>Response – The sign up process does state that the applicant must prove their eligibility to claim HB if they do, they only pay 4 weeks water rates and any Top up. If they can't prove this they must pay 4 weeks full rent up front. Refresher training to be given to all EO's by their Team Leaders.</p>	<p>Tenancy Manager & Team Leaders</p>	<p>November 2016</p>
<p>Action - All staff should sign a Declaration of Interest Form annually. The line manager should also make them aware that under the Council's Code of Conduct, they must declare any potential conflict as it arises, so the work can be reallocated to someone who has no personal interest. This will reduce the likelihood of staff being accused of potential misconduct or fraud.</p> <p>Response – This needs confirming with HR as if it applies to Allocation staff it should apply to all staff in Housing</p>	<p>Allocations Manager</p>	<p>Sept 2016</p>
<p>Action - Housing need to adopt, and make staff aware of, a consistent naming convention to ensure all files can be located using the same search criteria. Guidance should be sought from the Objective team on the best way to do this. This will ensure there is an audit trail to support all tenancy transfers and inspections. In addition, transfer inspections should be carried out as soon as possible, preferably prior to the transfer date, to ensure tenants do not end up in arrears for repairs needed to their former property.</p> <p>Response – EO's were instructed on naming documents at the introduction of EDRMS. Refresher training to be rolled out to all EO's on correct naming procedure.</p>	<p>Tenancy Manager & Team Leaders</p>	<p>November 2016</p>

<p>Assignment: Car Parking - Follow up</p>	<p>Opinion: Amber/Green</p>	
<p>Headline Findings: Our follow-up review of Car Parking did not identify any issues or areas of significant concern around the adequacy of the control framework. However, it did identify 8 low level recommendations resulting in the Amber/Green assurance opinion. The original report, which was generated as the result of a service review in 2013, identified significant weaknesses in the service and resulted in 4 high, 6 medium and 1 low recommendation. Usually, the follow up review would just look at the implementation of high recommendations and obtain management assurance over the medium and low recommendations. However, as the service has undergone a review during this period, a full internal audit of the service was undertaken and an assurance opinion was provided. This highlighted that whilst the recommendations from the original</p>		

report had been implemented, there were still some minor issues that needed to be addressed.

Assignment: Third Party Spend (under £75k)

**No opinion
provided for
advisory reports**

Advisory

Headline Findings: Our advisory review of Third Party Spend (under £75k) identified 2 high, 3 medium and 1 low recommendation around the adequacy of the control framework. A more detailed management summary and action plan, including management responses, is currently being considered by Director's Board.

Assignment: Procurement in Schools

**No opinion
provided for
advisory reports**

Advisory

Headline Findings: Our advisory review of Procurement in Schools identified 3 medium and 1 low recommendation around the adequacy of the control framework. The review was undertaken by selecting 5 out of the 16 maintained schools at random for testing purposes, carrying out the review process and then providing a final report to all the schools highlighting the key findings and any good practice identified during the review process. The following issues were identified and recommendations made to assist all schools in tightening up their controls:

- **Finding** - A review of the case evidence was undertaken for 48 orders selected from a sample of 5 maintained schools' financial reports. It was established that 24 of the 48 purchase orders required a minimum of 3 quotes to support an evaluation of quotes and tenders. Of the 24 quotations checked, it was confirmed that 13 of them could support that they provided value for money and the reasons for selection were documented. An evaluation of price, or price and quality, was evident through the emails, governing body minutes and notes provided. However, it was noted that the evaluation of quotations was not always apparent in the evidence provided, particularly as the relevant minutes in these cases were not always available at the time of audit. Where a full tender had taken place, evidence was confirmed in the form of a more comprehensive evaluation report. However, supporting documentation was not available to support the evaluation of tenders in two cases, primarily where a project management company was employed.

Recommendation - The results of the evaluation of quotes and tenders should be retained on file, including unsuccessful supplier's quotes or tenders, and reported to the relevant committee in line with the school's financial regulations. Even where this is carried out by a project management company, the school should obtain a copy for their records. This will help to support the fact that a value for money approach has been adopted.

- **Finding** - A sample of purchase orders from each school sampled was obtained and a review of the dates undertaken. In some cases, the invoice date was earlier than the purchase order; however, the paid date was on or after the purchase order date. Three non-purchase orders were found, but on further review were cross referenced to a previous order. A further review of the nature of works carried out or goods received was undertaken. This helped to determine the type of work, suppliers involved and total cost, as part of a mini spend analysis across schools. This was generally satisfactory.

Recommendation - Purchase orders should be raised before the invoice is received. This will ensure that funds have been committed appropriately, approved in advance and management reports are up to date and accurate.

- **Finding** - A sample of 48 high and low value purchase orders, covering the last 3 years, was taken from 5 schools and reviewed. All samples were reviewed to confirm that value for money had been achieved. Although some purchases were tendered and others were quotes, an analysis of the spend indicated that some schools were using the same suppliers for ICT and goods and services. In some cases, spend with these suppliers had reached significant levels and may, depending on the services/works carried out, have reached EU limits. Occasional building work was not always supported by quotations as individual projects were deemed under quotation levels. However, the aggregated spend on works with the same supplier took them over the threshold for obtaining quotes/tenders as per the school's financial regulations. It was noted that some schools had considered the procurement of maintenance work or renovation work with a long term view. It was established through sampling that some schools had been able to secure discounts for purchases of supplies and equipment. However, a tender exercise for the procurement of catalogue items had not been carried out. Over the period of 3 years covered by the review, the total spend with these suppliers meant the tender limit had been exceeded.

Recommendation - Schools should consider adopting a strategic approach to their procurement

activity and analyse their cumulative spend with suppliers as part of the budget planning process. Not only should this include reviewing higher spend projects but should also look at regular purchases. Undertaking a spend analysis provides an opportunity to identify areas of high spend, in the short and long term, and to work with the Council's Procurement team and/or work directly with suppliers to obtain the best prices for goods and services. This would assist the school by providing better value for money, improved financial planning and ensure compliance with the relevant procurement rules and regulations.

- **Finding** - By sample, it was established that within the 48 purchase orders selected from the 5 schools, there was evidence of 4 exempted procurement activities. Although there were supporting emails and evidence of approval in 1 case, 3 other exemptions were not fully supported by the appropriate authorisations.
- **Recommendation** - It is recommended that any exemptions from tendering or obtaining quotations need to be documented and reported to governors in accordance with the School's regulations. In addition, the appropriate approvals are also required. This ensures the process is open and transparent.