

Thurrock Council

Internal Audit Progress Report

[Audit Committee meeting 9th December 2014]

Introduction

The internal audit plan for 2014/15 was presented to the Standards & Audit Committee on 5th March 2014. This report provides an update on progress against that plan. Those reports in italics have already been reported to the Standards & Audit Committee.

Summary of Progress against the Internal Audit Plan

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Members' Allowances	Final	Green	0	1	1
Electrical Testing	Final	Amber/Green	1	0	2
<i>Econogas</i>	<i>Final</i>	<i>Green</i>	<i>0</i>	<i>0</i>	<i>4</i>
<i>Public Health</i>	<i>Final</i>	<i>Green</i>	<i>0</i>	<i>0</i>	<i>1</i>
<i>Building Control</i>	<i>Final</i>	<i>Amber/Green</i>	<i>0</i>	<i>4</i>	<i>0</i>
<i>LiquidLogic Adults System (LAS)</i>	<i>Final</i>	<i>Amber/Green</i>	<i>0</i>	<i>3</i>	<i>3</i>
Core Assurance					
Treasury Management	Final	Green	0	0	1
<i>Cash Receipting</i>	<i>Final</i>	<i>Amber/Green</i>	<i>0</i>	<i>3</i>	<i>1</i>
<i>General Ledger (Oracle)</i>	<i>Final</i>	<i>Green</i>	<i>0</i>	<i>0</i>	<i>1</i>
<i>Accounts Payable</i>	<i>Final</i>	<i>Green</i>	<i>0</i>	<i>1</i>	<i>3</i>
<i>Housing Benefits</i>	<i>Final</i>	<i>Amber/Green</i>	<i>0</i>	<i>0</i>	<i>6</i>
<i>Bank Reconciliation</i>	<i>Final</i>	<i>Green</i>	<i>0</i>	<i>0</i>	<i>1</i>
<i>Payroll</i>	<i>Final</i>	<i>Green</i>	<i>0</i>	<i>1</i>	<i>4</i>
<i>Council Tax</i>	<i>Final</i>	<i>Green</i>	<i>0</i>	<i>1</i>	<i>1</i>
Advisory					
Troubled Families Programme	Final	Advisory	8	2	0
<i>Extra Care</i>	<i>Final</i>	<i>Advisory</i>	<i>5</i>	<i>3</i>	<i>0</i>

We have included a more detailed report at the end of this progress report on the Advisory work carried out around the Troubled Families Programme. Whilst we do not provide an assurance opinion on Advisory reports, there were a number of high level recommendations. A follow-up of this review is currently being undertaken and the results will be reported back to the Standards & Audit Committee.

Other Matters

Planning and Liaison

Fieldwork is currently being undertaken on the following reviews:

- § Corporate Purchase Cards
- § Educational Visits
- § Catering Provision in Schools
- § Thurrock Registrars Office
- § Environmental Health (Pollution Control)
- § Leaseholder Charges
- § Housing Rents
- § Passenger Transport

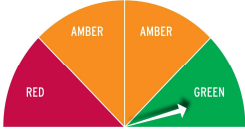
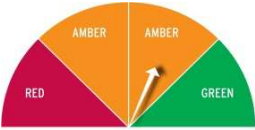
The following reports are at draft stage or debrief meetings are being arranged with the client and will be reported when they are finalised:

- § Contract Procedures
- § Change Control Process (Serco)
- § Adoption
- § Performance Management
- § Disabled Facilities Grants
- § Reablement
- § Charges for non-residential services
- § Community Hubs
- § Asset Management

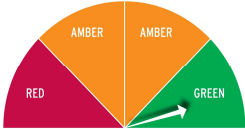
Of the above, the Educational Visits review was substantially completed but due to in-service issues, Internal Audit was asked to temporarily suspend the work. Two of the pieces of work have resulted in an initial assurance opinion of Red so these reports are being further discussed at Head of Service/Director level in line with the Audit Protocol. In one further case above, following the issue of the draft report, the client has requested additional resources are allocated to increase the scope of the review.

In addition, Internal Audit has continued to support the three internal investigations around issues with staff either employed by, or contracted with the Council and to provide the co-ordinating role to set up and assist contacts as part of the work for the National Fraud Initiative.

Key Findings from Internal Audit Work

Assignment: Members' Allowances	Opinion: Green	
<p>Headline Findings: Our review of Members' Allowances identified that there was 1 medium recommendation around the design of the control framework. There was also 1 low recommendation made around the application of the control framework. The 5 recommendations from the previous review had all been implemented.</p>		
Action and Response	Responsible Officer	Date
<p>Action - It is recommended that the case where a Member was being paid 2 Special Responsibility Allowances (SRA) should be reviewed and either the Constitution needs to be changed to reflect Political Group appointments, or, the second allowance should be stopped effective from the new municipal year.</p> <p>Response - The Democratic Services Manager has spoken to the Deputy Monitoring Officer and it was agreed that this was paid in error following advice provided by the previous Monitoring Officer. Therefore, the Constitution does not need revising and the SRA has been stopped. (medium)</p>	Democratic Services Manager	Immediate
Assignment: Electrical Testing	Opinion: Amber/Green	
<p>Headline Findings: Our review of Electrical Testing identified that there was 1 high recommendation around the design of the control framework. There were also 2 low recommendations around the application of the framework. The 5 recommendations from the last review, which included to high and 1 medium recommendation, had all been implemented.</p>		
Action and Response	Responsible Officer	Date
<p>Action - It is recommended that the master asset record is maintained and annual programmes listed in the same location as the master copy. This will help assist the planning of future programmes and identify those properties which have been tested and major works or upgrades included. It is also recommended that the master record is checked against Saffron and events diarised as it is a key document in the planning of maintenance and electrical equipment testing within Council properties. This should trigger a report when a key date is reached which will assist in providing the team with the information they require for the development of future testing programmes, alongside upgrades and capital works identified through decent homes tests.</p> <p>Response - In line with the statutory requirements around gas servicing, Housing are currently creating a programme of planned works to ensure that electrical testing takes place as per the requirement.</p> <p>All certificates will be kept on the Objective EDRMS system and also reflected in the Saffron Housing Management system.</p>	Central Voids Team Manager	Oct 2014

<p>A new planned programme will be created to assess any properties out of compliance to be addressed within the next 6 months. A planned programme of electrical testing will then take place every year to ensure that the Council meets its obligations.</p> <p>In addition to this we are currently undertaking a five year capital programme, whereby all of the council's stock will have an electrical test over the next 5 years. Any properties that fall out of this programme will then be picked up on the additional electrical programme as outlined above.</p> <p>Electrical tests are also carried out on all void properties that are required to be re let.</p>		
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<p>Assignment: Treasury Management</p>	<p>Opinion: Green</p>	
<p>Headline Findings: In general, the design, application and compliance with the control framework was robust. We did not identify any significant issues. There was a Treasury Management Policy that detailed the Council's strategy regarding the borrowing and investment of funds. This was presented to Cabinet on 12th February 2014. Investments were made in accordance with the Policy. There was only 1 low recommendation. The 2 recommendations from the last review had been implemented.</p>		

TROUBLED FAMILIES PROGRAMME

1 Executive Summary

1.1 Introduction

An audit of Troubled Families Programme was undertaken as part of the approved internal audit periodic plan for 2014/15.

The Troubled Families programme was launched by the Prime Minister in 2011 and is led by Louise Casey CB. The Programme was established to improve the lives and outcomes for England's most complex and "troubled families" and to reduce the public costs incurred by these families. It replaces work previously defined as "families with complex needs". The Programme has a clear expectation that the three year Payment By Results (PBR) funding, which it is understood is being extended by a further two years, is used to re-shape public services to create sustainable solutions for families.

The Troubled Family Unit have identified that Thurrock have 360 troubled families, with some already being supported through existing work being carried out with the family.

The specific characteristics of "troubled families" defined by Department of Communities and Local Government (DCLG) are households who have a combination of any three of the following needs.

- Are involved in crime and anti-social behaviour.
- Have children not in school.
- Have adults on out of work benefits and are a high cost to the public purse.
- The DCLG has given Local Authorities flexibility to add a locally agreed 4th criteria. Thurrock's fourth criteria includes the following:-
 - There are adult mental health issues.
 - Domestic violence is involved.
 - Incidences of substance misuse.
 - There are child protection issues.
 - A family member is subject to the Integrated Offender Management programme (IOM).

Funding received to date amounts to £1,088,500.

1.2 Conclusion

The audit tool selected is **Advisory** and as a result, an opinion has not been provided in relation to the control framework for the area under review and the risks material to the organisation's objectives for this area.

Overall, we were unable to confirm the accuracy of the previous claims due to the lack of physical or electronic evidence available at the time of the review. As can be seen from the Action Plan at section 2 below, management accepted all the recommendations and their responses indicate that they are working to address the issues raised. This will be followed up by Internal Audit prior to submission of the next batch of claims.

1.3 Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively.

Limitations to the scope of the audit:

- The scope of the audit will be limited to reviewing processes in place. Conclusions will be based upon sample testing of transactions relevant to the current financial year to date. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

The recommendations address the areas within the scope of the review as set out below:

	Priority		
Risk	High	Medium	Low
The families who are part of the programme might not meet the criteria set down by the Department for Communities and Local Government.	2	1	0
Claims already made may be incorrect resulting in financial loss and reputational damage.	5	1	0
Total	7	2	0

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1	Written evidence should be obtained for every claim being submitted for payment and for those cases already submitted. This will ensure that when spot checks are carried out by the Department for Communities and Local Government (DCLG), there is sufficient evidence to support the claim.	High	Y	All evidence is now being collected. There is an issue with Performance By Results (PBR) claims where the dates are during school holidays.	1/8/14	Troubled Families Co-ordinator
1.2	A sample of matches submitted by Xantura should be checked regularly to ensure the data is accurate. Xantura should also provide reports of data submitted, which should be retained as evidence.	High	Y	All data to Xantura is supplied by Thurrock. Checks are internal. Thurrock will review data matches as part of the claim process. This process will include correcting any inaccurate matches prior to submission. These changes will be recorded in a PBR case management tool supplied by Xantura. Thurrock is implementing Xantura's Insight solution.	1/8/14	Troubled Families Co-ordinator Troubled Families Programme Manager Performance & Information Officer

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
				This product retains details of data supplied, upon which the claims are calculated. In addition Thurrock also keeps its own copy of supplied data.		
1.3	Internal procedures/ guidance should be documented to enable the team to perform consistently and assist with performance management.	Medium	Y	Thurrock is in the process of implementing both Xantura's tools to support identification and PBR monitoring and a case management tool to support wider coordination activities. Our processes and procedures will be robustly documented as part of these implementations	29/09/14	Troubled Families Co-ordinator Xantura Performance & Information Officer
2.1	As recommended by the DCLG Inspector, a review of all claims to date should be carried out to ensure they are sufficiently robust and supported by adequate documentation.	High	Y	Not sending any claims that we have no evidence for.	1/08/14	Troubled Families Co-ordinator Performance & Information Officer Troubled Families Programme Manager
2.1.1	When reviewing data for successes to be claimed, staff should verify this to both the original identification data and the new period data and ensure that both are accurately recorded on the claim sheets.	High	Y	Our new processes and procedures will enable us to validate both the qualification and PBR claim event – and tie this back to data that has been supplied	01.08.14	Troubled Families Co-ordinator Troubled Families Programme Manager Performance & Information Officer
2.1.2	All the claim information should be kept in a central spreadsheet showing exactly what benefits and families the Council are claiming for.	High	Y	Claim information is provided by Xantura and the team. These spreadsheets will be amalgamated and saved in a central location and also documented in the	29.09.14	Troubled Families Co-ordinator Xantura

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
				procedures document. This information will be recorded on the Insight application – which will allow the Council to export these details to a spreadsheet.		
2.1.3	For future claims, a copy of the information entered into LOGASNET should be retained so that the Council have evidence of the correct claims.	High	Y	Completed for August claim on file in claims folder	22 nd August	Troubled Families Co-ordinator
2.1.4	To provide assurance that errors are not reoccurring, the team should introduce internal spot checks on a sample of identified and result based payment claims. The percentage to be spot checked should be determined in accordance with available resources and the risk level of the claim.	Medium	Y	Spot checks of 5% of claims will take place. Checks of original information provided and the new figures that show the improvement. Details of this will be added to the procedures document Validation of details for ALL claims that are made will be integral to the processes and procedures implemented	01.08.14 ongoing	Troubled Families Co-ordinator All
2.1.5	The Section should employ an Administrator/Data Person on a short term contract who could assist with delivery of this programme, perform checks and ensure all claims are supported by adequate documentation. This would also ensure that Practitioners can dedicate more time to family interventions.	High	TBA	Funding dependant	Waiting for extending funding and/or if we are early Starter Dec 14	Troubled Families Co-ordinator

3 Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Risk 1: The families who are part of the programme might not meet the criteria set down by the Department for Communities and Local Government.					
1.1	The families who are part of the programme meet the criteria set down by the Department for Communities and Local Government.	No	<p>A sample of cases submitted for Payment By Results (PBR) was selected. However, it could not be ascertained if the claims were compliant with the selection criteria, and therefore accurate, as there was insufficient supporting documentation, either written or electronic.</p> <p>It is understood that apart from education data, evidence from the Department for Works & Pensions (DWP) and/or European Social Fund (ESF Reed) was obtained either by telephone, face to face or hand written. Therefore, if required by the DCLG, the information needs to be obtained again. If evidence is not kept, the Council could have to duplicate its work and ultimately could lose some of the grant payment.</p>	Written evidence should be obtained for every claim being submitted for payment and for those cases already submitted. This will ensure that when spot checks are carried out by the Department for Communities and Local Government, there is sufficient evidence to support the claim.	High
1.2	Data is accurate	No	Some payments by result are claimed as a result of data matching carried out by Xantura. The Troubled Families Team stated that some of the claims made by data matching were not very accurate as in some cases, they are still working with families for which a claim has been submitted.	<p>A sample of matches submitted by Xantura should be checked regularly to ensure data is accurate.</p> <p>As, it is understood, Xantura can provide accurate reports of data submitted, these should be obtained and kept as evidence.</p>	High

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			Inaccurate data may lead to the household not qualifying for identification or for result-based payments as well as non-compliance with the Data Protection Act.		
1.3	Processes and procedures are documented to aid consistency and continuity.	No	Apart from the Financial framework for the Troubled Families Programme issued by Communities and Local Government, there are no specific procedure documentation for staff on how authorities are to demonstrate compliance with the framework, for example by clearly stating what is to be recorded where and what supporting documentation needs to be retained. A lack of internal procedure documentation may lead to inconsistencies in the recording and supporting of evidence, making it more difficult to demonstrate compliance and decision making	Internal procedures/ guidance should be documented to enable the team to perform consistently and assist with performance management.	Medium
Risk 2: Claims already made may be incorrect resulting in financial loss and reputational damage.					
2.1	Data to be included on a claim is verified for accuracy.		It is understood that the claims' information entered into LOGASNET can be from different sources and a copy of the exact claim submitted was not retained. This has resulted in the DCLG stating that there were some anomalies in the data supplied as claims did not always match the evidence provided.	As recommended by the DCLG Inspector, a review of all claims to date should be carried out to ensure they are sufficiently robust and supported by adequate documentation. When reviewing data for successes to be claimed, staff should verify this to both the original identification data and the new period data and ensure that both are accurately recorded on the claim sheets. All the claim information should be kept in a central spreadsheet showing exactly what benefits and families the Council are claiming for.	High High High

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
				<p>For future claims, a copy of the information entered into LOGASNET should be retained so that the Council have evidence of the correct claims.</p> <p>To provide assurance that errors are not reoccurring, the team should introduce internal spot checks on a sample of identified and result based payment claims. The percentage to be spot checked should be determined in accordance with available resources and the risk level of the claim.</p> <p>The Section should employ an Administrator/Data Person on a short term contract who could assist with delivery of this programme, perform checks and ensure all claims are supported by adequate documentation. This would also ensure that Practitioners can dedicate more time to family interventions.</p>	<p>High</p> <p>Medium</p> <p>High</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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