



SLOUGH BOROUGH COUNCIL

Internal Audit Progress Report

**For the Audit and Corporate Governance
Committee meeting on 18 July 2018**

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RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 INTRODUCTION

The Internal Audit Plan for 2018/19 was approved by the Audit and Corporate Governance Committee on 8th March 2018. This report provides a summary update on progress against that plan and any remaining audits within the 2017/18 plan as at the 6th June 2018.

2016/17 Internal Audit Plan

Since the last Audit and Corporate Governance Committee meeting held in March 2018, we have finalised the following two remaining audits in the 2016/17 plan.

- Follow Up
- Follow Up of Financial Controls

2017/18 Internal Audit Plan

We have finalised eleven 2017/18 reports since the previous Audit and Corporate Governance Committee meeting held in March 2018.

- Adult Social Care Supervision (37.17/18) – **Reasonable Assurance**
- General Ledger (35.17/18) – **Reasonable Assurance**
- Treasury Management (36.17/18) – **Reasonable Assurance**
- Creditors (34.17/18) – **Partial Assurance**
- Debtors (29.17/18) – **Partial Assurance**
- Voids (39.17/18) – **Partial Assurance**
- Chalvey Early Years Centre (7.17/18) – **Reasonable Assurance**
- Budgetary Control – (25.17/18) – **Reasonable Assurance**
- Follow Up Q3 (27.17/18) – **Little Progress**
- Follow Up Q4 (33.17/18) – **Reasonable Progress**
- Business Continuity Plan (40.17/18) - **Advisory**

Of the reports listed above, the Debtors, Creditors and Voids audits resulted in partial assurance opinions being provided over the effectiveness of controls in place, with a number of significant weaknesses identified which require prompt action to be taken the Council. A summary of the review and Medium and High priority management actions from finalised 2017/18 reports, where a partial assurance opinion was given, along with implementation dates and owners has been included within Appendix A below.

2018/19 Internal Audit Plan

We have finalised two 2018/19 reports since the previous Audit and Corporate Governance Committee meeting held in March 2018.

- Contract Procedure Rules (5.18/19) – **Partial Assurance**
- School's Financial Value Standard (3.18/19) – **Reasonable Assurance**

The Contract Procedure Rules audit resulted in partial assurance being provided over the effectiveness of controls in place, with a number of significant weaknesses identified which require prompt action to be taken the Council. A summary of the review and Medium and High priority management actions from finalised 2018/19 reports, where a partial assurance opinion was given, along with implementation dates and owners has been included within Appendix A below.

In addition, we have issued the following reports in draft as part of the Internal Audit Plan for 18/19:

- Baylis Court Nursery School (8th June 2018)
- Claycots School (8th June 2018)
- Follow Up Q1 (21st June 2018)
- Governance – Overview and Scrutiny Effectiveness (15th June 2018)

In addition to the above, the following three assurance reports remain in draft:


- Council Tax (issued 6th December 2017) RSM are liaising with the Council and it is anticipated that this will be finalised shortly.
- Fixed Penalty Enforcement (Issued 19th January 2018) – RSM are liaising with the Council and it is anticipated that this will be finalised shortly.
- Priory School (issued 13th April 2018) RSM are liaising with the Council and it is anticipated that this will be finalised shortly.

2 SUMMARY OF PROGRESS TO DATE 2018/19

Reports shown in bold have been finalised.

Executive summaries and action plans from any negative assurance reports finalised since the previous meeting are appended to the bottom of this progress report.

2018/19 Internal Audit Plan

Assignment area	Timing Per Approved IA Plan	Fieldwork date/status	Draft report	Final report	Opinion	Actions		
						L	M	H
Contract Procedure Rules	Q1	Final Report	18th June 2018	25th June 2018		0	5	3
Schools Financial Value Standard	Q1	Final Report	14th June 2018	26th June 2018		1	3	0
School Reviews - Baylis Court Nursery	Q1	Draft Report	7 th June 2018					
School Reviews - Claycots	Q1	Draft Report	8 th June 2018					
Governance – Overview and Scrutiny Committee	Q1	Draft Report	15 th June 2018					
Follow Up Q1	Q1	Draft Report	21 st June 2018					
Property Services / Neighbourhood Services Building Maintenance	Q1	In QA						
Children's Centres	Q1	In QA						
School Reviews - St Bernard's	Q1	In QA						
Temporary Accommodation Strategy	Q1	In Progress						





Parish Council Governance	Q1	In Progress
Slough Urban Renewal	Q1	Scope Approved
Conflicts of Interest	Q1	Dates Agreed
Policies and Procedures	Q2	Dates Agreed
Follow Up Q2	Q2	Dates Agreed
Financial Planning and Budgetary Control	Q2	Dates Agreed
Whistleblowing	Q2	Dates Agreed
Health & Safety	Q2	Dates Agreed
Adult Social Care - Management of Income	Q2	Dates Agreed
Contracts Management - Osbornes	Q2	Dates Agreed
Buildings Compliance Management	Q2	Dates Agreed
Contracts Management - Buoygues	Q2	Dates Agreed
Workforce Planning	Q3	Dates Agreed
Direct Services Organisation	Q3	Dates Agreed
Council Tax	Q3	Dates Agreed
Follow Up Q3	Q3	Dates Agreed

Housing Benefit	Q3	Dates Agreed
OFSTED Preparedness	Q3	Dates Agreed
Treasury Management	Q3	Dates Agreed
Housing Revenue Account	Q3	Dates Agreed
Business Continuity and Disaster Recovery	Q3	Dates Agreed
General Ledger	Q3	Dates Agreed
Capital	Q3	Dates Agreed
Cash Collection and Management	Q3	Dates Agreed
Debtors Management	Q3	Dates Agreed
Business Rates	Q3	Dates Agreed
Governance - James Elliman Homes	Q3	Dates Agreed
Payroll	Q3	Dates Agreed
Risk Management	Q3	Dates Agreed
Assets	Q4	Dates Agreed
Rent Accounts	Q4	Dates Agreed
Creditors	Q4	Dates Agreed

Fire Safety	Q4	Dates Agreed
Governance	Q4	Dates Agreed
Follow Up Q4	Q4	Dates Agreed
Agresso Self Service	Q4	Dates Agreed
Licensing	Q4	Dates Agreed

2017/18 Internal Audit Plan

Assignment area	Timing Per Approved IA Plan	Fieldwork date/status	Draft report	Final report	Opinion	Actions		
						L	M	H
Creditors	December 2017	Final Report	3 rd April 2018	4 th May 2018		6	5	1
Debtors	November 2017	Final Report	23 rd January 2018	6 th June 2018		2	2	1
Voids*	January 2018	Final Report	29 th April 2018	6 th June 2018		3	4	0
General Ledger	January 2018	Final Report	3 rd April 2018	4 th May 2018		1	2	0
Adult Social Care Supervision	December 2017	Final Report	11 th April 2018	30 th April 2018		4	2	0
Cash Management & Collection / Treasury Management	January 2018	Final Report	9 th April 2018	4 th May 2018		6	2	0

Chalvey Early Years Centre	April 2017	Final Report	13 th July 2017	25 th June 2018		1	4	0
Budgetary Control	July 2017	Final Report	20 th December 2017	25 th June 2018		3	3	0
Follow Up Q3	December 2017	Final Report	16 th January 2018	15 th June 2018	Little Progress			
Follow Up Q4	February 2018	Draft Report	20 th March 2018	20 th June 2018	Reasonable Progress			
Business Continuity Advisory Support	September 2017	Draft Report	4 th June 2018	12 th June 2018	Advisory			
Council Tax	September 2017	Draft Report	6 th December 2017					
Fixed Penalty Enforcement*	November 2017	Draft Report	19 th January 2018					
Annual Governance Statement	March 2018	Draft Statement Issued	25 th May 2018		Advisory			
Data Flow Mapping	September 2017	Advisory – Work complete and output provided to the Council.						
General Data Protection Regulations Readiness	November 2017	This work now forms part of a wider piece of advisory support to the Council from RSM						
Equal Pay Review / Gender Pay Reporting Gap	September 2017	A report on the key findings and further actions required were presented to the Council						
Educational Welfare Service*	August 2017	Change requested by Director of Finance and Resources	Audit replaced by an audit of Procurement Cards					

* Please note change from agreed plan, see details below.

3 OTHER MATTERS

3.1 Changes to the 2018/19 audit plan

Auditable area	Reason for change
	No current changes

3.2 Impact of our work to date on year end opinion

The assurances given in our audit assignments are included within our Annual Assurance Report. In particular, the Committee should note that any negative assurance opinions ('No Assurance' or 'Partial Assurance' opinions) will need to be noted in the annual report and may result in a qualified or negative annual opinion.

Where we have issued 'no assurance' (red) and 'partial assurance' (amber / red) reports, these opinions will impact our 2018/19 Head of Internal Audit Opinion for the Council.

For 2017/18, our annual opinion is a separate agenda item.

3.3 Added value specialist support

Area of work	How this has added value
Health and Safety Compliance Support	<p>We had been requested by the Council to review health and safety compliance in the built environment across the Council's portfolio of directly managed assets. The review was limited to cover gas, electric, asbestos, fire, water management, lifts and CDM. In addition, the review covered CDM related to Highways activities.</p> <p>The review has been issued in draft to the Council and identified the controls that are in place and any gaps in the Council's current health and safety management systems, processes and procedures. This included internal controls for monitoring the performance of partners, and where gaps were identified, recommendations were made and included within an action plan in the report.</p>

3.4 Information and briefings

During 2017/18 we undertook a number of GDPR audits, where we have considered client preparation for the 25th May 2018 changes. We have issued the Council's Section 151 Officer with this benchmarking summary which should be shared with the Audit and Corporate Governance Committee's agenda.

In addition, the following items were highlighted as part of our information briefings since the last Audit and Corporate Governance Committee in March 2018:

A guide to effective partnership working between principal and local councils

The Local Government Association (LGA) and the National Association of Local Councils (NALC) has collectively launched a new guide setting out how principle and local councils can work more effectively in partnership. This guide sets out a series of core principles and explains how, by partnering with different levels of local government, councils can be 'more representative of place, more responsive to citizens, more efficient in continuing to deliver services, and hence more able to fulfil their common purpose.' The guide explains how to 'develop a long-term vision for an area', 'make the case to residents for more local representation', 'engage better with residents through partnering' and 'create new grass-roots partnerships in unparished areas.'

Independent Review of Building Regulations and Fire Safety

Dame Judith Hackitt has published her final report on the 'Independent Review of Building Regulations and Fire Safety.' The report sets out the 'principles for a new regulatory framework' which is intended to produce a 'simple and effective mechanism for driving building safety', 'provide stronger oversight of duty holders with incentives for the right behaviours, and effective sanctions for poor performance' and 'reassert the role of residents.'

Following the interim report, some progress has been made on the recommendations set out, including a consultation on 'restricting or banning the use of desktop studies as a way of assessing the fire performance of external cladding systems.'

The final report makes recommendations relating to 'the key parameters of a new regulatory framework', which involves a new Joint Competent Authority consisting of Local Authority Building Standards, fire and rescue authorities and the Health and Safety Executive to oversee better management of safety risks in multi-occupancy higher risk residential buildings. The approach will allow these bodies to work collaboratively to more 'rigorously assess' the safety of buildings and produce a more 'unified and consistent intervention process.' There are also recommendations regarding clearer roles and responsibilities throughout the design and construction process and during occupation, ways in which residents can express their thoughts and producing a more 'robust and transparent construction products regime.'

Funding for unsafe cladding removal

The Ministry of Housing, Communities and Local Government (MHCLG) has announced funding of approximately £400m for social housing providers to remove and replace dangerous cladding. In light of the Grenfell Tower tragedy, the money will be allocated to local authorities and housing associations to make tower blocks safe, by replacing unsafe cladding. The government will also continue to 'provide financial flexibilities to councils for other essential fire safety measures' and is advising local authorities to take issues regarding cladding into account when 'carrying out reviews of housing conditions in their areas.'

James Brokenshire, Housing Secretary, stated that 'this money will ensure local authorities and housing associations are being given the support they need to get this work done now as well as removing the uncertainty around funding.'

Credible plan to sustain underfunded care sector

The Public Accounts Committee (PAC) has published a report on the adult social care workforce in England. There are around 1.5 million workers across over 20,000 organisations in adult social care. In 2016/17, £15bn was spent by local authorities on commissioning care, largely from independent providers. The report highlights that the adult social care sector is underfunded, with the care workforce suffering from low pay and high turnover of staff. Whilst the sector is in a 'precarious state' the DHSC has not yet stated how it aims to put in place a 'long-term, sustainable funding regime to meet the ever-increasing demand for care.'

The PAC recommends that the DHSC should 'establish quickly the funding local authorities need to commission care at fair prices, to support a workforce of the right size and shape to deliver a sustainable care sector in the long-term' in the upcoming Green Paper. By the end of 2018, it should publish a credible plan and implement it quickly. The report also concludes that the low amounts of funding provided to 'Skills for Care limits the scope and reach of the workforce development initiatives it runs and the extent of its strategic support to the care sector.' The PAC recommend that the DHSC should 'establish and secure the funding Skills for Care needs both to support the training and development of the care workforce fully and to implement the forthcoming workforce strategy.'

Council chiefs sound alarm on Brexit

The New Local Government Network (NLGN) conducted a survey of all council leaders and chief executives across Great Britain. The survey found that 61 per cent believed Brexit would have a 'negative' or 'very negative' impact on their local economy, 12 per cent believed it would have a 'positive' or 'very positive' impact and 26 per cent felt Brexit's impact would be neutral. The survey also found that 68 per cent disagreed or strongly disagreed that their councils were receiving adequate engagement and support from Whitehall to plan for Brexit. Only 4 per cent felt they were receiving adequate support and 27 per cent neither agreed nor disagreed.

Adam Lent, NLGN Director, stated 'the sense that council chiefs feel both pessimistic and unsupported is likely to raise further questions not just about the likely impact of Brexit but also about the extent to which the Government has a grip on preparations ahead of the UK's planned leaving date from the EU of 29th March 2019.'

Proposals to toughen rules on building safety

Sajid Javid, Housing Secretary, has published a consultation detailing tougher new rules to strengthen fire testing for cladding systems on residential buildings. The consultation will look at 'restricting or banning the use of 'desktop studies' as a way of assessing the fire performance of external cladding systems.' If 'desktop studies' are believed to be appropriate, the proposed changes include improving the transparency of assessments, enabling scrutiny of results and ensuring that the studies can only be carried out by properly accredited bodies that have relevant expertise. The proposals are subject to a full consultation that will end on 25 May 2018.

Review of local government finance governance and processes

Sajid Javid has announced details of an independent review of the processes and procedures that underpin the Ministry's governance of the business rates system. The review will be led by Andrew Hudson, Director General for Public Services at Her Majesty's Treasury. Sajid Javid stated that 'as we move towards local government retaining 75% of locally collected business rates, it is vital that the business rates retention system operates as smoothly as possible. This review... will ensure robust processes across the board.'

LGA responds to latest transfers of care figures

Cllr Izzi Seccombe, Chairman of the Local Government Association's (LGA) Community Wellbeing Board has responded to the latest figures published on the delayed transfers of care by NHS England. She stated that 'despite significant funding and resource pressures and increased demand, councils are fulfilling their commitments and managing their budgets to address escalating challenges in adult social care.' She went on to note that the 'government needs to give urgent funding to councils to invest in effective prevention work to reduce the need for people to be admitted to hospital in the first place.'

£215m boost for homelessness services

Heather Wheeler, Homelessness Minister, has confirmed that from 2019 councils will receive a share of over £215m to prevent homelessness. The announcement was made ahead of the Homelessness Reduction Act, coming into force this month, which seeks to significantly reform England's legislation to ensure more people get the help they need when faced with homelessness.

In addition to Homelessness Support Grant funding and implementation of the Homelessness Reduction Act, the government is taking action to address homelessness and rough sleeping through several ways including: 'investing £9 billion to build more affordable housing, including council homes'; and 'a new cross-government Homelessness Reduction Taskforce supported by a panel of experts that will drive forward a new strategy to reduce homelessness.'

Councils' finances risk inconsistent adult social care funding

The Institute for Fiscal Studies (IFS) has published a report on 'Adult social care funding: a local or national responsibility?' The report argues that 'ongoing reforms to local government finance risk a growing funding gap for adult social care and conflict with efforts to provide consistent and high-quality care services across the country.' With the government planning to stop general grant funding for councils from 2020, councils will depend on council tax and business rates, however, income from these taxes are unlikely to keep pace with the rising costs of adult social care services, leaving councils with difficult decisions on which services to prioritise.

If council tax revenues increased by 4.5 per cent annually, adult social care spending could amount to half of all revenue from local taxes by 2035. The challenge then arises with the amount left for other services including children's services and housing, which would then fall on average by 0.3 per cent a year in real terms. Continuing changes to the way local government finance is allocated mean that 'different councils could find themselves with revenues that differ significantly from their spending needs. This is because there is now less redistribution between councils as spending needs and local tax revenues change over time.'

New planning rules

The Prime Minister has launched a revised 'major overhaul to the National Planning Policy Framework' to provide the homes the country needs. Within the last year, the government has delivered over 217,000 new homes but must deliver 300,000 homes a year by 2020. The new Framework provides a 'comprehensive approach for planners, developers and councils to build more homes, more quickly, in the places people want to live.' Councils and developers will now need to work together with community groups to ensure that those affected by the new developments have a say on how they look and feel. It will focus on the following areas: 'greater responsibility,' 'maximising the use of land,' 'maintaining strong protections for the environment,' 'ensuring the right homes are built,' 'higher quality and design' and 'more transparent planning process.'

The consultation on the draft revised text of the National Planning Policy Framework will run until 10 May 2018.

[Read more](#)

Financial sustainability of local authorities

The National Audit Office (NAO) has published a report on financial sustainability of local authorities 2018. Since 2010, successive governments have reduced funding for local government in England, while the changes in funding arrangements has created opportunities, it has also added further pressure for the sector. The present report reviews the developments in the sector and examines whether the Ministry of Housing, Communities and Local Government (MHCLG) together with other departments who have responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities. Key findings of the report include:

- government funding for local authorities has fallen by an estimated 49.1 per cent in real terms from 2010/11 to 2017/18;
- local authorities have had to deal with growth in demand for key services including homelessness services and children's social care, as well as taking in other cost pressures;
- local authorities have protected spending on service areas such as adult and children's social care where they have significant statutory responsibilities, but the amount they spend on areas that are more discretionary has fallen sharply;
- local authorities now spend less on services, and their spending is more concentrated on social care;
- the financial position of the sector has worsened markedly, particularly for authorities with social care responsibilities, compared to the 2014 report; and
- as part of its work for the 2015 Spending Review, the MHCLG identified adult social care as a key area of pressure in the sector.

[Read more](#)

Council tax hikes will not stop service cuts

The Local Government Association (LGA) has warned residents of an increase in council tax for fewer services in 2018/19 throughout many areas in England. A survey of intended council tax changes found that 147 of the 152 'top tier councils' that deal with adult social care will use the additional 3 per cent precept permitted for this service. The LGA found that 108 of the top tier councils will raise council tax by 2.95 per cent or more which will raise £584m, however this will still fall short of the £1.4bn that has been claimed to be lost through central government funding cuts. 64 of the top tier councils would implement the full tax increase of 2.99 per cent as well as 3 per cent for social care. Only five top tier councils intend to hold council tax rates at existing levels this year.


[Read more](#)

New money to build homes stalled by planning

The Ministry of Housing, Communities and Local Government (MHCLG) has announced new funding to accelerate planning processes and help deliver quality new homes. The first wave of the Planning Delivery Fund, which totals £15.8m, has been allocated to allow councils to 'process more applications, implement new reforms and also train planners' to address the housing challenges faced by their local areas. The £15.8m fund has been split into three areas: 'The Joint Working Fund (£9.4 million), Design Quality Fund (£4.82 million) and Promoting Innovation Fund (£1.07 million).' The £15.8m is part of the £25m overall Planning Delivery Fund; allocations for the remaining fund for the year 2019 to 2020 will be dependent on a further bidding round.

[Read more](#)

APPENDIX A: KEY FINDINGS FROM FINALISED 2017/18 AND 2018/19 INTERNAL AUDIT WORK (HIGH AND MEDIUM PRIORITY MANAGEMENT ACTIONS ONLY WHERE PARTIAL OR NO ASSURANCE REPORTS HAVE BEEN ISSUED)

<p>Creditors (34.17/18) – PARTIAL ASSURANCE</p>		<p>6 - Low 5 - Medium 1 - High</p>
<p>New Suppliers and Amendments</p> <p>As the system is unable to produce a report of new supplier or amendments set up, we obtained a list of the suppliers on which a change had been made during the year and selected a sample of ten new suppliers and ten amendments. The ability to maintain a record of amendments was raised as part of the previous report but was not addressed so has been restated. A medium priority action has been agreed.</p> <p>For new suppliers, we identified that in two out of ten cases a new supplier form had not been fully completed but had been approved through the system. In one additional case we identified that the update related to a company being taken over by another, and neither an amendment form or new supplier form had been raised to confirm the legitimacy of the request. There is a risk that the new suppliers had not been appropriately requested prior to being added on the system. A medium priority management action has been agreed.</p> <p>Through review of a sample of ten amendments, five relating to bank detail amendments, three to email addresses, one to a payment address and one that was unable to be identified although further testing identified that this supplier, Go Ape, was a genuine supplier. We noted that in nine cases appropriate verification checks had not been undertaken. If amendments to suppliers are not appropriately monitored, there is a greater risk that fraudulent requests to amend suppliers details may be processed, resulting in inappropriate expenditure made by the Council. These issues were identified previously in the 2016/17 Creditors audit, and we have restated the high priority management action in this area.</p> <p>Invoices and Credit Notes</p> <p>We reviewed a sample of 20 invoices processed from April 2017 to November 2017, and identified that for nine invoices in the sample, a requisition had been raised and approved following the invoice date, and as a result had been raised retrospectively. A lack of control over expenditure could lead to inappropriate purchases being made. This area had been identified as an issue previously, in the 2016/17 Creditors Audit, and a medium priority management action has been restated with regards to ensuring that the Council reject invoices received that do not have an associated purchase order.</p> <p>We identified that five of the sample documented above had not been processed for payment within the required 30-day process, as a result of being sent to the Council in the first instance instead of arvat. As a result, there is a risk of interest charges occurring where invoices are not paid in a timely manner which may have an effect on the Council's compliance with the Better Payment Practice Code and could lead to further charges from suppliers, however none of the sample selected had incurred further charges We also identified that this issue was present with regards to Credit Notes being sent to the Council in the first instance. A medium priority management action has been agreed.</p>		

Authorisation Limits


We confirmed that the authorisation limits had been set in the system, however for one of our sample of ten users, we identified that an inappropriate authorisation level had been set to the account, with the user having approvals up to £50,000 despite them not being a Cost Centre Manager or Service Head. These authorisation limits were set up as per their job role when the Council moved from Oracle to Agresso, with this user limit not having been adjusted following a change Through review of approved invoices by the user we confirmed that he had approved eight invoices, the highest one of which was valued at £49,658.

There is a risk that where users have inappropriate authorisation limits, the Council may make unauthorised expenditure. A **Medium priority** management action has been agreed in relation to this.

Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	All amendments to supplier standing data (including changes to email addresses and bank details) will be supported by a fully completed and authorised form (with any relevant correspondence), clearly evidencing the verification checks undertaken and uploaded to Agresso.	High	31 st May 2018	Barry Stratfull – service lead Finance
2	The Council will reject invoices received that do not have an associated purchase order. The supplier can then be contacted to re-send an invoice with an associated purchase order number (evidencing that the cost has been agreed and authorised appropriately).	Medium	31 st July 2018	Barry Stratfull – service Lead, Finance
3	The Council will investigate and resolve the 'Amendment Logging' issue on Agresso. Changes in supplier details will then be able to be monitored and reviewed	Medium	31 st July 2018	Simon Pallett – service Lead Digital & IT
4	We will review all accesses set up on the Agresso system to confirm that they are appropriate for the role allocated to ensure that all expenditure has been appropriately approved.	Medium	31 st July 2018	Barry Stratfull – Service Lead - Finance
5	The Council will issue guidance to members of relevant staff and suppliers to ensure that: <ul style="list-style-type: none"> Where invoices and credit notes are received from suppliers, they are sent to arvato in a timely manner. Members of staff monitor cost codes to ensure that credit notes have been received and applied 	Medium	31 st August 2018	Barry Stratfull – service Lead, Finance
6	In line with the procedures outlined in the new supplier form, incomplete forms will be reviewed and rejected and sent back to the relevant staff to complete prior to being added to Agresso.	Medium	31 st August 2018	Barry Stratfull – Service Lead Finance

Debtors (29.17/18) – PARTIAL ASSURANCE				2 - Low 2 - Medium 1 - High
<p>Agresso Training</p> <p>Following the 2016/17 Debtors Management report, to mitigate against the risk of raising invoices incorrectly, an agreed management action was agreed in relation to the provision of training for staff that raise invoices. However, we noted that there had been no effective monitoring of training undertaken within Finance.</p> <p>If training is not monitored there is a risk that users could make errors which could lead and inaccurate invoices being raised and inappropriate processing of credit notes. This risk was realised below, as we found that procedures exist to show staff how to process credit notes, however these procedures were not followed, resulting in invoices not being credited in a timely manner. (Medium)</p> <p>Credit Notes</p> <p>While testing a sample of credit notes raised, we found that two of our sample of 20 had not been approved in a timely manner from the date that the credit note was requested. This was due to staff not completing the required fields in Agresso to ensure that the credit note request was sent to be approved. While the guidance for staff clearly indicates the process for processing a credit note, failure to follow a documented process indicates a training need, and could lead to inaccurate accounts being maintained if credit notes are not approved in a timely manner from when they were requested. (Medium)</p> <p>Aged Debtors (Parked Invoices)</p> <p>Through our review of the reported collection figures, we noted a total balance of £2,993,187 for ‘parked’ (parked invoices are invoices which have been stopped from progressing through the Council’s debt management process until further review) invoices on the September 2017 report. From a sample of 11 invoices that had been ‘parked’ directly on Agresso, we noted that there was no record of the individuals who parked the invoices and reasons for parking these invoices had not been clearly documented.</p> <p>If reasons for ‘parking’ invoices are not documented, there is a risk that the Council will not be able to evaluate the appropriateness of the decision making in these instances. This may result in debts that are recoverable being inappropriately deemed irrecoverable, which could result to financial loss. (High)</p>				
Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	The Finance Team at the Council will conduct a review of all parked invoices, to establish whether there are valid reasons for these invoices not being chased.	High	31 st March 2018	Barry Stratfull – Service Lead Finance

2	<p>All invoices where there are no valid reasons for parking will be chased through the Council's debt management process.</p> <p>Linked to the above, reviews of parked invoices will be undertaken by SBC finance on a monthly basis, and the Service Lead Finance will investigate whether Agresso can be amended to remove the ability to park an invoice without approval.</p> <p>The Council will ensure that all staff responsible for raising invoices and credit notes on Agresso undertake training and training records thereof will be maintained.</p> <p>Exception reports of staff who have not taken training will be forwarded to responsible line managers with an instruction for relevant staff members to complete the training. Also, the training will be made mandatory for new starters where their roles include issuing invoices and credit notes on Agresso.</p>	Medium	31 March 2018	Patrick Holmes - Financial Systems Accountant
3	<p>Staff will be required to confirm (with evidence being retained) that they have read and understood the 'Web Based - Self Service Finance Professional Customer and Sales Handbook'.</p>	Medium	31 st March 2018	Barry Stratfull – Service Lead Finance

Voids (39.17/18) – PARTIAL ASSURANCE		3 - Low 4 - Medium 0 - High
<p>Policies and Procedures We found that the Neighbourhood Services Void Property Management Policy did not detail timeframes for each part of the process and therefore did not detail which KPIs are used for monitoring purposes. Also, this did not detail the reporting structure for monitoring voids. While at the time of the audit we did not see any consequences of this, due to the fact that the Voids Team, with Osbornes, are attempting clear the backlog created by Interserve. Voids may therefore not be monitored adequately to address risks identified. (Medium)</p> <p>Pre-inspections From a report of void properties completed since December 2017, we selected a sample of 10 in order to test the voids process. Out of the sample of 10, we identified five instances where a pre-inspection should have occurred due to notification given to Neighbourhood Services. However, for all five, we could not evidence that a pre-inspection check was carried out or attempted. If pre-inspection checks are not carried out, additional works may need to be completed which will increase the period the property remains void. (Medium)</p>		

Recharges

Currently recharges are managed by the Housing Officer, who will notify recharges to the tenant. However, we found that this information is not recorded on CAPITA, with documentation kept by Housing Officer. Therefore, for our sample of 10 properties, we were unable to identify whether any recharges had been issued. This poses a risk that the tenant will not have adequate notification of what works need to be undertaken and thus will not attempt to rectify any issues to avoid a recharge. This increases the work to be undertaken by the Council/Osbornes and therefore could delay the Voids process. **(Medium)**

Void Works

For our sample of 10 properties, we confirmed that the information detailed on the system was accurate and stated the type of void. However, we found the following delays within the voids process:


Process	Number of exceptions from our sample	Target Days	Average number of days from our sample	Highest number of days from our sample
Time between keys received by the Council and handed over to the contractor	8	Not defined	17 days	48 days
Time taken to complete void works by the contractor	8	Routine (10 days)	Routine (42 days)	Routine (58 days)
		Major Works (20 days)	Major Works (43 days)	Major Works (77 days)

*all days listed above are working days

We were informed by the RMI Technical Co-ordinator that there was a backlog of void properties handed over from the previous contractors (Interserve) to the new contractors (Osbourne) which caused delays within the process. Delays were also caused due to issues with staff resources with the contractor. We confirmed that these issues are being addressed within the Voids and Repair Group. Delays within the void process increases the period the property is void and causes less income to be received by the Council. **(Medium)**

Ref	Findings Summary Management Action	Priority	Implementation Date	Manager Responsible
1	<p>The Neighbourhood Services Void Property Management Policy will be updated to include:</p> <ul style="list-style-type: none"> The reporting structure for monitoring voids; 	Medium	May 2018	Business Delivery Team Manager

2	<ul style="list-style-type: none"> • KPIs which are reported on; and • Timeframes for key aspects of the voids process <p>Following this, the Policy will be reviewed and approved by the Scrutiny Panel and communicated out to staff.</p> <p>Pre-inspections will be carried out prior to the tenant moving out, where notice is given. This will be recorded on the CAPITA system.</p> <p>Attempts to arrange pre-inspections will also be recorded on CAPITA by the Housing Officer.</p>	Medium	May 2018	Neighbourhood Housing Managers
3	The Capita system will record where recharges have been made and collected.	Medium	May 2018	RMI IT & Systems Project Manager
4	The Neighbourhood and Services Team will monitor the timeliness for the following aspects of the void process to ensure that the void period is minimised:	Medium	May 2018	Business Delivery Team Manager

Contract Procedure Rules (5.18/19) – PARTIAL ASSURANCE		0 - Low 5 - Medium 3 - High
<p>Findings Summary</p> <p>The key findings from this review are as follows:</p> <p>Duplicate Payments</p> <p>We obtained a report of all invoices paid from an Agresso report covering the period of April 2017 to March 2018 and carried out statistical sample testing using a data analysis tool, IDEA, which had identified that there were potentially £124k worth of duplicate payments spread over 210 invoices.</p> <p>We selected a sample of 10 pairs of payments (20 in total) and tested further. Through our testing we were able to identify the following in relation to the copies of the invoices held on Agresso:</p> <ul style="list-style-type: none"> • For 7/10 (14 instances in total) pairs of invoices, the actual copy of the invoice was consistent for both payments made, indicating duplicate payments being made against the same invoice. 		

- For 1/10 pairs (2 instances in total, no invoice was uploaded to Agresso, and as such we cannot provide assurance that an appropriate payment was made. (each invoice was for £511.50)
- For 1/10 pairs (2 instances) the two invoices uploaded were under separate supplier names (each invoice was for £585), indicating the wrong supplier may have been paid.
- For 1/10 pairs (2 instances), the actual invoice was only uploaded for one of the payments (£315). It was later identified that this duplicate payment had been cancelled prior to being processed.

When reviewing the details within Agresso of which supplier the invoice was coded to, we found that:

- 7/10 pairs (14 instances) where there was a difference in the supplier name that the invoice had been coded to.

Further work was undertaken to review the bank details of the accounts paid and we identified:

- 3/10 (6 instances) where the bank account where payment was made for the first invoice was consistent with the bank details used for the second payment, indicating a potential duplicate payment.
- 7/10 (14 instances) where the bank details for the second payment made on the same invoice did not correlate to the first set of bank details. It should be noted however, that in none of these cases did the bank details match a similar payment within our sample.

We were unable to identify the absolute cause of the issue however, from our sample testing in most instances where a potential duplicate payment was identified, a second purchase order had been created. Based on the above findings, it is reasonable to suggest that the council are making duplicate payments due to the incorrect matching of invoices to suppliers and purchase orders, which could result in financial loss if valid and not recovered. **(High)**.

We also identified that across the total of potential duplicate payments of £248,975 (the duplicate value being half of that at £124k) that 90% of the invoices entered onto Agresso were by one member of staff within arvato. We also checked and found that within the workflow within Agresso, the same member of staff can set up and amend supplier address details and bank details, which increases the risk of fraud if a segregation is not in place. **(Medium)**.

Policies and Procedures

The POP is under review by the procurement service and is being updated to ensure that it is in line with both the FPR and CPR. However, we could not review the draft procedure document as it had been presented to procurement by the consultant appointed to update it. We therefore reviewed the version that was last updated in 2014 to determine key gaps to be addressed in updating the document.

Through our review, we found that roles and responsibilities for procurement activities had not been defined. For example, roles for the Procurement team, the Legal team and wider Council staff, were not set out to clearly guide all persons involved in procurement activities. If the guidance document is not reflective of current procedures as per the CPR, there is a risk of inconsistencies and non-compliance with legislation. **(Medium)**

The POP also suggested use of the approved supplier list, however our discussions with the Procurement Specialist and Services teams revealed that supplier lists were non-existent throughout the Council. Supplier lists are essential in effectively monitoring and managing the suppliers' life cycle. Effective management of suppliers' life cycle helps in ensuring that value for money is always generated from suppliers.

A lack of supplier lists therefore may compromise the ability to obtain value for money when information about suppliers are not effectively managed, consequently resulting in budget overspends. **(Medium)**

Compliance to Contract Procedure Rules

Through review of the three procurement thresholds set out in the CPR £5k to £50,000, above £50k up to EU thresholds and above EU thresholds we found the following exceptions;

1. £5k - £50000

In all 10 instances reviewed, the evidence of procurement procedures followed could not be provided as suppliers had been historically appointed. In nine out of 10 instances, terms and conditions for the supply of goods and services had not been retained. Due to the lack of audit trail, we could not confirm appropriate compliance with the contract procedure rules. The total expenditure amount for our selected sample of 10 suppliers under this threshold was £235,938 incl. vat.

When establishing the root cause for these issues, the availability of updated Procurement Operating Procedures for staff to follow could be cited as a reason, as the procedures describe the process to be followed. However, the procedures are not clear on the retention requirements where services obtain three quotes, and there are no limited procedures on spot checks to ensure compliance.

Failure to adhere to the Procurement Operating Procedures, and hence the Contract Procedure Rules, could lead to inappropriate procurement, resulting potentially in expenditure which does not provide value for money if services cannot demonstrate the processes used to commission a supplier and if compliance is not monitored. **(Medium)**.

2. £50,000 – EU Thresholds outlined in CPR

Through review of a sample of 10 suppliers selected from expenditure incurred in 2017/18 we found the following exceptions in 8/10 cases;

- One out of 10 instances where the expenditure was in relation to an Adult Social Care placement where no alternative provider was available, and as such no contract was in place.
- Four out of 10 instances where evidence of procurement procedures being followed to select suppliers could not be evidenced. For three of these instances, no evidence was available to confirm that tendering had been undertaken through the Shared Services tendering portal, or that a signed contract was in place. for the remaining instance, a contract was located, but was not signed, so did not represent a formal agreement with the council.
- For a further three out of 10 instances, the process followed was clear, however no contract was in place to support the expenditure incurred.

If contracts or terms and conditions for goods and services are not retained or put in place, there is a risk that the Council is not receiving value for money and does not have any recourse in the event of a disagreement. **(High)**

3. Over EU Thresholds for social care and related services

We also reviewed a sample of 10 suppliers where the combined total of the invoices for the year was in between the EU thresholds as defined within the Contract Procedure Rules and Financial Procedure Rules.

Through our review we noted exceptions in 6/10 instances, where the cumulative expenditure was over the OJEU thresholds, however a contract was not in place. The total expenditure for all suppliers sampled was £10,000,000, of which £2,000,000 worth of expenditure should have had a contract, but this could either not be evidenced or was not in place at the time of audit.

Only 4/10 instances (three tenders, and one framework agreement) had evidence that the Contract Procedure Rules had been complied with. For the remaining 6/10 suppliers sampled, there was no evidence that services had approached Procurement and the services had been advertised in OJEU. The Council are at risk of non-compliance with OJEU regulations if expenditure with suppliers, which could result in legal challenges from suppliers of services which were not given the opportunity to tender for services. **(High)**.

Contract Register

We reviewed a sample of 20 suppliers with total annual expenditure of £50,000 and above for the 2017/18 financial year. Through our review we found two out of 20 suppliers recorded in the contracts register. For the remaining 18 instances, we noted that they had not been recorded in the contracts register.

The completion of the contracts register has been highlighted as an issue in previous Internal Audits and at the time of this audit had not been addressed. Failure to maintain an up to date and complete contracts register could impact on the Council's ability to manage and monitor contracts in place and ensure adherence to the Financial Procedure Rules. **(Medium)**.

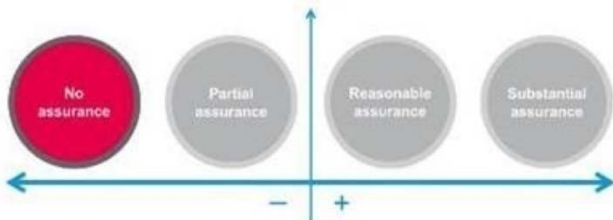
Ref	Management Action	Priority	Implementation Date	Manager Responsible
1	Expenditure between the £50,000 and the OJEU limits will be periodically checked to ensure compliance with the Contract Procedure Rules and Council's Constitution. Where non-compliance is identified, action will be taken to ensure a contract / terms and conditions are in place.	High	30 th October 2018	Fred Narmh – Head of Procurement
2	The Council will review all expenditure incurred over the OJEU limits, and take appropriate action.	High	30 th September 2018	Fred Narmh – Head of Procurement
3	All duplicate payments identified for 2017/18 will be reviewed to establish the root cause and corrective action will be taken to reclaim incorrect payments where these are validated.	High	31 st December 2018	Barry Stratfull – Service Lead - Finance
4	Timescales should be set for the review of the Procurement Operating Procedures and should be reported to the Finance DMT until complete, and then formally communicated to all staff.	Medium	30 th October 2018	Fred Narmh – Head of Procurement
5	Through the Finance DMT, controls will be established in the short term to monitor procurement and the use of suppliers, through measures such as the use of approved supplier lists.	Medium	30 th October 2018	Neil Wilcox – Director, Finance and Resources

6	<p>The POP will clarify the responsibility and time periods for the retention and safeguarding of supplier agreements and/or terms and conditions for goods and services.</p> <p>Furthermore, the need for spot checks on compliance with the CPR and FPR to be conducted and reported to the respective DMT will be reclarified and communicated.</p>	Medium	30 th October 2018	Fred Narmh – Head of Procurement
7	Procurement will undertake a review of the contracts register, and progress with this review will be reported through the Risk Management Board.	Medium	31 st December 2018	Fred Narmh – Head of Procurement
8	The permissions and segregation of duties within Agresso for the creation and amendment of suppliers will be reviewed by the Service Lead, Finance and the Director of Finance and Resources.	Medium	31 st December 2018	Barry Stratfull – Service Lead, Finance

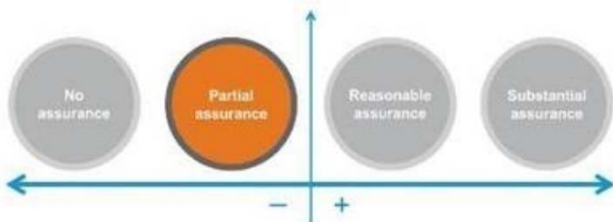
APPENDIX B: 2018/19 ASSURANCE OPINIONS

We are constantly developing and evolving the methods used to provide assurance to our clients. As part of this, we have refreshed our opinion levels in line with the graphics below.

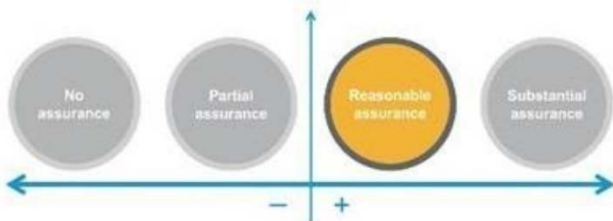
We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the Council can take:



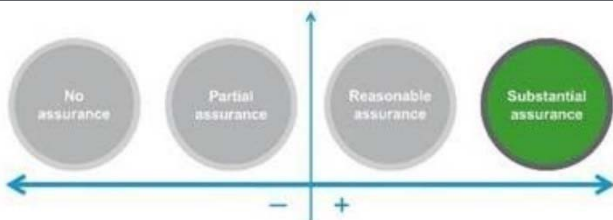
Taking account of the issues identified, the Council **cannot take assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the Council can take **partial assurance** that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the Council can take **reasonable assurance** that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the Council can take **substantial assurance** that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.

FOR FURTHER INFORMATION CONTACT

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