

# Oadby & Wigston Borough Council

## Internal Audit Progress Report

July 2017



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## **1. Introduction**

This report summarises the work of Internal Audit for the period to the end of June 2017. The purpose of the report is to update the Committee on progress made in delivering the 2016/17 audit plan, commencing the 2017/18 audit plan, and to update in relation to management's implementation of internal audit recommendations.

## **2. Progress summary**

The agreed internal audit plan for the 2016/17 year has been substantially completed, with a limited amount of work still remaining. This is dealt with further in the Head of Internal Audit Annual Opinion report separately on this agenda. We have started work on the 2017/18 internal audit plan; Section 5 provides details of all audit assignments included in the 2017/18 year, together with details of the point in the year at which each assignment is currently planned for delivery and an update on the current position.

The following 2016/17 audits remain to be formally reported:

Housing Rents – a draft report was issued on 30/5/17 and a management response is awaited.

Housing Responsive Repairs – a draft report was issued on 8/6/17 and a management response is awaited.

Grant aid – Town Forums – in progress

In addition the following 2015/16 audit is still to be formally reported:

Community Safety/Anti-social Behaviour – a draft report is under discussion and we expect that a final management briefing report will be agreed before the next meeting of this Committee.

## **3. Reviews completed**

The following reviews have been completed and final reports agreed with management since the last full Internal Audit progress report (March 2017 meeting):

Review	Status	Level of assurance
<b>2016/17 Payroll</b>	Final report issued	<b>Moderate</b>
<b>2016/17 Vehicle Procurement and Fleet Management</b>	Final report issued	<b>Significant</b>
<b>2016/17 Housing - Void Property Management</b>	Final report issued	<b>Moderate</b>
<b>2016/17 Medium Term Financial Strategy/Budgetary Control</b>	Final report issued	<b>Moderate</b>
<b>2016/17 Creditors (including procurement)</b>	Final report issued	<b>Moderate</b>

At the request of the Committee at its February 2014 meeting, and as subsequently agreed with the Chair of this Committee, to ensure members are provided with further detail only on issues which may warrant their concern, we only report specific findings, recommendations and agreed actions arising from our finalised audits where these relate to matters we deemed to be high risk/priority. The following issues were raised in relation to the above finalised audits.

### **Payroll**

Neither HR nor Finance sections undertake checks to ensure the overall validity and accuracy of the payroll before the BACS payroll run. HR do check to confirm requested pay variations and leavers have been correctly actioned but these checks are not evidenced. Finance do carry out checks against budget but these may not be before the BACS payroll run. We recommended that a check of the accuracy of the payroll be introduced before the BACS run, and that this could be facilitated by using exception reports which can be requested from the payroll provider. The Corporate Resources Interim Manager agreed to obtain an exception report, by 31/7/17 to ensure any errors in pay can be identified before the payroll payment is made.

## **Vehicle Procurement & Fleet Management**

Records relating to the procurement of seven vehicles in 2016/17 could not be located to confirm the procurement process and its achievement of value for money and compliance with Contract Procedure Rules etc. This seemed to be due to the departure of the previous Fleet Manager. We recommended that relevant records should always be kept and securely retained, which was agreed for immediate implementation by the current Depot Manager.

## **Housing - Void Property Management**

Five high risk/priority matters were raised:

- We looked at a sample of cases where void works had taken significantly longer than usual and found it difficult to obtain records to explain why this was. Staff turnover also meant that knowledge of such cases was often lost. We recommended that clear records be kept and regularly monitored to address any performance issues. This was agreed by the Property Manager to be actioned by 1/7/17.
- The Housing Maintenance Team has a small number of contractors listed on Orchard and they are allocated repair work based on their specialism. These contractors have been used for many years and there is no evidence of any formal market testing being performed to ensure that they are providing the Council with value for money. In addition there is no formal performance monitoring carried out to ascertain how much is being spent with each of these contractors on an annual basis and how these should be treated to ensure compliance with Contract Procedure Rules which state that "the aggregate value of any contract is calculated on the basis of the total value of the consideration. In relation to goods, works and services the value of the contract shall be the total expenditure incurred over a four year period." We recommended that management should review the use of existing contractors and consider market testing to ensure the Council is getting value for money from their services; and that overall annual amounts spent with each contractor should be monitored. The Property Manager committed to seek, by 1/7/17, guidance from the Section 151 Officer on Contract Procedure Rules requirements and aggregation of contracts, and to compile expenditure data to support that discussion.

- Contract Procedure Rules state that for contracts with a value of £5,001 to £75,000 at least three written quotations should be sought and that, to ensure adequate competition there must be at least two satisfactory responses from the three quotations requested and that if the Council receives only one satisfactory response, the officer must obtain an additional quote or obtain an exemption. Our testing noted a number of cases where this rule was not applied or the trail of evidence to support decisions taken was not clear. We recommended that Contract Procedure Rules should be complied with in relation to obtaining at least two satisfactory responses from the three quotations requested, to ensure competition and seek to obtain best value for money. Immediate action was agreed by the Property Manager to address the matter.
- Contract Procedure Rules state that purchase orders should be signed by relevant officers for orders with a value up to £5,000 and that relevant officers should sign contracts or agreements for between £5,000-£75,000. In the absence of a written contract, a Purchase Order containing the relevant information and signed by an authorised signatory is sufficient. The process in operation for void property works does not ensure documented approval by relevant authorised officers. We recommended that Contract Procedure Rules should be complied with. The Property Manager agreed to review order authorisation processes by 1/7/17 whilst noting that this could not be based on hard copy signatures.
- There is no budget monitoring in place in relation to the individual cost of void work, the scale of job cost variations nor the accuracy of initial estimates. A report was generated from the Orchard system for our audit, showing estimates versus actual job costs. This showed that overall year to date actual costs were £56,000 more than estimated at that point. The Property Manager agreed to increase awareness of the importance of these estimates and to improve accuracy where possible. The team will set out what is required in revised procedures and issue guidance notes.

### **Medium Term Financial Strategy/Budgetary Control**

The following high risk/priority issues were highlighted:

- The Council needs to urgently confirm and implement robust savings plans to support its strategy to achieve financial balance over the term of the current MTFS, and roll forward the MTFS for later years.

- Compliance with Financial Regulations when authorizing virements and supplementary budget requests and updating the ledger thereafter needs to be ensured.
- Financial training for budget holders and other relevant officers, and members needs to be established.

### **Creditors (including procurement)**

In 40% of the cases covered in our sample testing, although tenders or three written quotes were needed to comply with Contract Procedure Rules requirements, evidence to demonstrate this could not be obtained.

We also highlighted cases where although creditors had been paid, evidence could not be located to show that the goods/services involved had been supplied.

The Interim Chief Finance Officer has proposed that the Contract Procedure Rules be reviewed to ensure their consistency with the revised Financial Regulations and that all relevant officers then be given refresher training to ensure they are fully aware of the requirements of these documents, including on the above areas, to ensure future compliance.

We also highlighted that important reports and records to evidence changes to supplier data were appropriate, had not been run and retained. Certain other previously-agreed fraud prevention controls on this matter were also not evidenced as in place. Management has agreed to establish controls

## **4. Recommendation tracking**

We provide a system for tracking the actioning of agreed Internal Audit recommendations, as a management assurance tool for the Council and specifically this Committee. Managers are responsible for updating actions taken and other key information directly on the system. The first table below represents the status of agreed actions due to be implemented by 30/06/17, the second table the age of the outstanding recommendations (based on the original date due for implementation). The status shown is as advised by the relevant manager/Head of Service and does not imply that Internal Audit has verified the status.

Summary	1 Critical	2 High	3 Medium	4 Low	Total
Due by 30/06/17	-	43	247	71	361
Implemented	-	39	221	68	328
Closed (e.g. superseded or system changed)	-	-	9	2	11
Still to be completed	-	4	17	1	22

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	-	3	-	3
3 – 6 months	-	1	4	-	5
Greater than 6 months	-	3	10	1	14
Total	-	4	17	1	22

As previously requested we provide below details of all outstanding 'high risk' issues, and 'medium risk' issues outstanding for more than 6 months. (NB where these issues have been reported on previous occasions we have not restated the original recommendation or previous updates).

## **'High Risk' outstanding issues**

<b>Review</b>	<b>Recommendation</b>	<b>Risk Rating</b>	<b>Current status per Management</b>
14/15 Street Cleansing & Grounds Maintenance	<p><u>Key Service Risks</u></p> <p>Original recommendation: It should be ensured that all the risk assessments identified by Audit and/or due for review are reviewed in a timely manner. Additionally new risks to the service should be identified and assessed. Based on the evaluated risks rating undertaken as part of these risk assessments (reviews and additionally identified risks), key service risks should be identified and included in a Risk Register which should then be kept under constant review.</p>	2	Ongoing with H&S Officer Rescheduled to 31/12/17
15/16 Budgetary Control/MTFS	<u>Budget Holder Training</u>	2	Unchanged - Senior Managers are briefed on the current financial position at the fortnightly managers meetings as appropriate. This will continue throughout 2017/18. Training - revised date 31/3/18.
15/16 Main Accounting	<u>Leavers Access to Council's IT system</u>	2	Original response: ICT to co-ordinate with Human Resources to identify when officers leave the employment of the authority to ensure they are deactivated in a timely manner. Paul Langham, IT Manager 28/2/16



Review	Recommendation	Risk Rating	Current status per Management
			Owner changed subsequently to Mike Dungey, ICT Infrastructure Manager. Management update: Agreed that from 1 August 2017, the leavers list will be emailed to ICT on the first day of every month.
2015/16 Housing Register & Allocations	<u>Housing Applications</u>  All current applicants on the Housing Register should be reviewed to ensure that the details and allocated bandings held on the Housing Register are correct.	2	Most recent management update: Senior Housing Options Officer has been appointed and with the extra resource random sampling of applications will be commence before 1 September Rescheduled to 1/9/17

### **Medium (level 3) risks outstanding for over 6 months**

Review	Recommendation	Risk Rating	Current status per Management
13/14 Equalities	To comply with the legislation the Council should consider enhancing the type of information presented in its workforce profile to include a profile of staff at different grade, levels and rates of pay, including part-time work etc	3	Most recent management update: Workforce profile data has been collected by HR to analyse and publish by September 2017
12/13 Risk Management	An exercise should be undertaken to review all existing partnerships and projects to establish what risk registers are currently in place. A	3	Most recent management update: Zurich Municipal have now been contracted to revise the Council's risk strategy, register and roll out training to SMT and Service Heads with the possibility of further training to other key staff at a latter date. – revised date 31/12/17

Review	Recommendation	Risk Rating	Current status per Management
	review should then take place to standardise the format of partnership and project risk registers and ensure that all partnerships and projects maintain such registers.		
14/15 Street Cleansing and Grounds Maintenance	Efficient working: It should be ensured that consideration is given to the maximisation of the efficient and effective use of staff and equipment (including procurement) across the Clean and Green Team and other Council Teams.	3	Most recent management update: date amended to 31/3/17 – this is still ongoing with HR.  Waiting for Council decision on Waste Collection service.
15/16 Benefits	Management should review the information held on the Council website to ensure it is accurate, and up to date.	3	Update from Chris Raymakers: This is part of a wider piece of work across the organisation on performance reporting and management when all KPIUs will be reported on the website. Rescheduled to 31/10/17
14/15 Refuse & Recycling Collection	<u>Recycling Strategy</u>  The Recycling and Composting Strategy 2005 -2015 should be reviewed, updated and re-implemented.	3	Most recent management update: Until a final decision is made in September 2017 regarding Waste, the strategy cannot not be written. Rescheduled to 31/12/17
14/15 Refuse & Recycling Collection	<u>Vehicle Replacement/Procurement Programme</u>  A vehicle replacement / procurement programme for the refuse and recycling fleet should be completed as	3	Original response: This is being done at present.  Martin Bennett (now Mark Weskamp, Fleet Manager) – by 31/7/16  Update - Awaiting Council decision on the method and frequency of collections; to be reported to Dec 2017 Council meeting.

Review	Recommendation	Risk Rating	Current status per Management
	soon as possible. KPIs should be introduced to enable the monitoring of the downtime of vehicles. This should highlight vehicles that are constantly or more regularly idle and enable investigation into the reasons. Relevant information from this monitoring should be used to update the vehicle replacement / procurement programme.		
15/16 Council Tax	<p><u>Reporting of arrears</u></p> <p>Arrears reports showing the position and performance of the Recovery Team in collecting arrears should be produced periodically and considered by senior management. This could be monthly or quarterly and show information including/such as: the position to date; performance since the last report; comparative performance against prior year; and Detailed reports on the oldest and highest risk debtors outlining what has been done and other potential recovery actions that need to be considered including ongoing write-offs.</p>	3	Update from Chris Raymakers: Scrutinizing and reporting on the recovery of arrears will be a performance target for the new Senior Recovery Officer and his team Revised date: 31 October 2017.

Review	Recommendation	Risk Rating	Current status per Management
15/16 Business Rates	<p><u>Collection and Recovery Performance Reporting</u></p> <p>The Council should ensure quarterly reports on key elements of the performance of collection and recovery of Business Rates is reported to senior management outside the department.</p>	3	Update from Chris Raymakers: Scrutinizing and reporting on the recovery of arrears will be a performance target for the new Senior Recovery Officer and his team Revised date: 31 October 2017.
15/16 Housing Rents	<p><u>Rent roll and reconciliation to property records</u></p> <p>An annual reconciliation should be undertaken of the properties on the rent system and the Council's asset register, and that this agrees to legal services records.</p>	3	<p>Most recent management update: Will be completed when new rent roll is updated in February-Chris Raymakers, Interim Accountancy Manager 28/2/17.</p> <p>Update - Further reconciliation will take place in October 2017.</p>
15/16 Building Control	<p><u>Disabled Facilities Works</u></p> <p>Management should consider arranging discussions between the Building Control Surveyor and the DFG consultant to ensure there is clarity on the level of detail required to facilitate Building Control review of plans, and where possible as a result reduce the level of non-chargeable time the service needs to dedicate to inspecting such building projects</p>	3	<p>Original response: Agree for this to be considered. Adrian Thorpe, Planning, Development and Regeneration Manager By 31/12/16</p> <p>Update from Steve Glazebrook 12/7/17: DFG's are moving over to Lightbulb on 1/10/17 who will take over full responsibility for delivering the service.</p>

Review	Recommendation	Risk Rating	Current status per Management
	(whilst still ensuring proper compliance).		

## 5. 2017/18 Internal audit plan

Review	Scheduled Start*	Status	Level of assurance
Performance Management	By September 2017	Scoping	
Business Continuity	By September 2017	Scope agreed	
IT & Information risk assessment	By September 2017		
Capital Programme	Oct 2017 – March 2018		
Anti Fraud & Corruption-targeted fraud prevention/detection work	Oct 2017 – March 2018		
Project assurance (eg Housing Company, System Support, Asset Management)	To be ascertained dependent on project progress		
Procurement	Jan – March 2018		
Budgetary Control	Oct – Dec 2017		
Financial systems (ledger, creditors, debtors, treasury management, income management & cash receipting-key controls	Oct – Dec 2017		
MTFS – key risk areas/savings plans	July – Dec 2017	Scoping	

Review	Scheduled Start*	Status	Level of assurance
assurance			
IT contract assurance	To be agreed		
Payroll & Expenses	Oct 2017 – Mar 2018		
Taxi and Hackney Carriage Licensing	By Dec 2017		
Council Tax	Oct – Dec 2017		
Business Rates	Oct – Dec 2017		
Benefits/Council Tax Support	Oct – Dec 2017		
Management of Section 106 agreements and related contributions	Oct – Dec 2017		
Housing Rents	Jan – Mar 2018		
Repairs & Voids key controls/follow-up	Jan – Mar 2018		
Fuel and valuable asset control	By Sept 2017	Scoping	
Additional – General Data Protection Regulation preparedness	By Sept 2017	Scope agreed	

- Timings either agreed with management where relevant or proposed by us.