

Thurrock Council

Standards & Audit Committee

Internal Audit Progress Report 2023/24

Date of Committee: 30th October 2023

Introduction

The 6-month internal audit plan for 2023/24 was presented to the Standards & Audit Committee on 19th July 2023.

Table showing reports issued as Final, in Draft and the status for Work in Progress (i.e. Planning or Fieldwork)

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Contract Waiver Process	Final	Amber/Red	1	4	1
Public Sector Internal Audit Standards Self-Assessment	Complete	N/A	N/A	N/A	N/A
Risk Management	Draft	N/A	N/A	N/A	N/A
Supporting Families Programme	On-going throughout the year	N/A	N/A	N/A	N/A
Financial Strategy - Divestments	Draft	N/A	N/A	N/A	N/A
Registrars Stock and Security review	Fieldwork	N/A	N/A	N/A	N/A
Council Tax	Fieldwork	N/A	N/A	N/A	N/A
National non-Domestic Rates (NNDR)	Fieldwork	N/A	N/A	N/A	N/A
Follow-up of outstanding recommendations	Fieldwork	N/A	N/A	N/A	N/A
Housing – Payments to contractors	Planning	N/A	N/A	N/A	N/A

Other Work

We continue to develop the implementation of the upgraded version of our Teammate audit working papers software. This is now being used for all audits undertaken as part of the 2023/24 6-month plan. This has resulted in changes to our processes and procedures which only enhance the quality of the output and the evidence to support our recommendations. This provides demonstrable evidence of the progress being made and that we are working towards compliance with the Performance Standards which form part of the Public Sector Internal Audit Standards.

Initial meetings have been held with Directorate Management Teams (DMT's) to raise awareness and the profile of the service. This was initially a 15-minute slot to discuss how our attendance, on a quarterly basis, will allow us to give the service advanced warning of upcoming work and report progress on current work. We will also be able to identify any new or emerging risks, changes to systems or new practices and procedures that may impact on the plan. It also allows us to identify any major projects that may be coming up so we can provide embedded assurance by being involved from the outset.

Regular 1to1 monthly meetings have been set up with the Chair of the Standards and Audit Committee to provide updates on the work currently being carried out and any other issues that the Chief Internal Auditor feels need to be brought to his attention in relation to the

service. Two meetings have been held to date on 1st August and 4th September. A 1to1 meeting was also held with the Chief Executive on 29th August. At these meetings, the issue of the circulation of reports was discussed. Currently, reports are only circulated to the Director/Assistant Director/Strategic Lead/Operational Manager and Section 151 Officer (Key financial reviews are also shared with external Audit). To raise the profile and awareness of the work undertaken by the service and enhance members awareness of the risks in service areas, both the Chair of the Standards and Audit Committee, and the Chief Executive agreed to a significant increase in the distribution of final audit reports. It was agreed that the circulation list for final audit reports should be expanded as follows:

- Leader of the Council
- Deputy Leader of the Council
- Relevant Portfolio Holder
- Opposition Leader of the Council
- Relevant Shadow Portfolio Holder
- Chair of the Standards and Audit Committee
- Chief Executive
- Commissioners – Gavin Jones and Nicole Wood
- Section 151 Officer
- Monitoring Officer
- Director/Assistant Director/Strategic Lead/Operational Manager in the service area

This will significantly enhance the reporting process and ensure members and senior management are better informed around the risks the Council faces and much more engaged with the internal audit service.

The self-assessment against the Public Sector Internal Audit Standards is completed and is reported separately on this agenda.

In addition, an indicative draft plan for the second half of 2023/24 was discussed with the Chief Executive and Chair of the Standards and Audit Committee. Both felt the work being programmed addressed the key issues facing the Council. Once completed, this plan will be shared with members of the Senior Leadership Team and Standards and Audit Committee for comment.

Meetings have been held with Mazars around the work they will be undertaking to support the service in meeting the plan. One of these meetings was attended by the Interim Chief Finance Officer and Interim Director of Legal and Governance and Monitoring Officer. It has been agreed with Mazars that they will initially undertake reviews around Accounts Payable, Accounts Receivable, Housing Benefits and Cyber Security. High level scopes and areas to be covered and Mazars are in the process of contacting the relevant service areas to agree the work to be undertaken and the timing of the work. These meetings are scheduled to take place in late September with fieldwork commencing in October.

As part of the Council's Improvement & Recovery Plan, Internal Audit forms one of the workstreams under the Governance & Scrutiny Programme. As part of this work, the Chief Internal Auditor contacted all Members of the Standards and Audit Committee requesting that they complete a questionnaire based on the CIPFA Skills and Knowledge Framework. All Members and the Co-opted Members replied. An initial analysis of this has now been undertaken and this will be used to inform a programme of awareness and training sessions. 3 areas were highlighted by Members as "Requires Improvement" but further analysis of the responses that were highlighted as "Acceptable" has been undertaken. This work will be used to inform a programme of training events for members which is currently being discussed with the Local Government Association.

Changes to the Plan

The Chief Internal Auditor contacted the Chair of the Standards and Audit Committee to inform him of a change to providing assurance relating to the two of the audits on the current Audit Plan. Both were linked to the Council's Financial Strategy. The affected audits are:

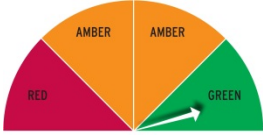
- Divestments – including Asset Disposals
- Investments

In the case of the review into the Council's divestments, it was identified that, on 27 September, full Council will receive an update on the Financial Strategy that will cover those aspects of the divestment strategy that are not commercially sensitive. It was recognised that there is more value in providing an audit opinion that accompanies the update. The Chief Internal Auditor approved an accelerated review of the Council's approach to selling the 14 investment assets. The name of this review has also been changed to Financial Strategy – Divestments.

This review splits out the property disposals aspect, which we will review through an embedded assurance approach during the second half of 2023/24.

With regards to the proposed review into the Council's new investment policies and procedures, Jonathan Wilson, Interim Director of Finance and Section 151 Officer, informed us that work on developing the new investment policy has not yet started. Given this situation, I have proposed that Internal Audit provide embedded assurance to the team that will develop the policy. This will entail joining any steering group or otherwise maintaining regular engagement with the team while it develops the new strategy.

Key Findings from Internal Audit Work

Assignment: Contract Waiver Process	Opinion: Amber/Red		
<p>Headline Findings: Our review of the Contract Waiver Process identified 1 high, 4 medium and 1 low recommendation around the adequacy of the control framework.</p> <p>Objective of the review Over recent years, there has been wider than expected acceptance within the Council to waive the competitive purchasing process. It was requested that Internal Audit review the use of such waivers and assess the adequacy and effectiveness of the control environment around the use of the waivers.</p> <p>Key Risk If there is inadequate or inappropriate preparation for letting or re-letting contracts, the Council may resort to non-competitive means to procure supplies, services or works. In such cases, the Council faces reputational damage for potential breaches of the Public Contracts Regulations and poor outcomes. It also faces financial loss through poor value for money.</p> <p>Control activities to be tested</p> <ul style="list-style-type: none"> • The Council's guidance promoting competitive purchasing / procurements • Design principles for developing commercial strategies for purchases / procurements valued over £25,000 • Planning of procurements • Publication of the Council's forward programme of commercial opportunities • Outcomes described in business cases • Staged approval process • Management information about the status of the Council's procurements. 			
Action and Response	Responsible Officer	Date	
<p>Results of Testing - In 16 of the 18 sampled procurements, the procurement approval documentation did not clearly identify how the contracted supplies, services or works would advance delivery of the Council's key priorities.</p> <p>Recommendation – Procurement Services' procedures for signing off completed Stage 1 Forms "Approval to Proceed to Tender" or "Contract Waiver Approval" forms should include a check to ensure that the business case clearly documents the relevant corporate objective / key priority that is advanced through the proposed purchase. (LOW)</p> <p>Management Response - As of the time of completing this there are no published council corporate objectives. However, category managers will check to ensure that service areas have documented the relevant links (if and where applicable) to meeting the Council's improvement plan, the Council's vision/priorities as indicated on the Council's internet page and directorate plans/objectives.</p>	Strategic Lead Procurement	By end of July 2023	
<p>Results of Testing - The Council's procurement pipeline, while showing the end dates over the next two years for approximately 500 contracts, is heavily caveated regarding the likelihood of the opportunities crystallising and does not categorise the opportunities to facilitate easy identification by potential bidders.</p> <p>While the Step-by-Step guides within the Quick Procurement Guide encourage Service Areas to conduct initial market research,</p>	Strategic Lead Procurement	By end of September 2023	

<p>Internal Audit noted that 2 of the 9 reviewed Contract Waiver Approval Forms contained documented market assessments, with four others providing grounds for not conducting market assessments. For the sampled competitive procurements, none of the reviewed Stage 1 "Approval to Proceed to Tender" Forms contained evidence of market assessments. When Internal Audit reviewed 9 completed Stage 2 Forms, "Approval to Award a Competitively Procured Contract", for recent procurements, only one had received more than 2 bids. Five of these procurements had only received one bid.</p> <p>Recommendation – Procurement Services should consult providers of services, supplies, and works to ascertain their views about, the usefulness of the Council’s procurement pipeline in flagging opportunities, and ways in which it can be improved. Procurement Services should also investigate the extent that procuring Service Areas realistically assess and build market interest. It should use the findings to benchmark targeted improvements. (MEDIUM)</p> <p>Management Response - Procurement will include a feedback link on the intranet page where the pipeline report is published on the Council’s intranet page to get feedback from the suppliers who access the page.</p> <p>Also, the format of the pipeline documentation is currently being reviewed and will be updated to include forward plans for each contract.</p> <p>Early market engagement is already being promoted to service areas as a key first step within the procurement process to not only build market interest, but also to understand current delivery models within the market, get early supplier input which feeds into the specification development. The aim is to continue with this process, so it becomes the norm when undertaking procurement processes across the Council.</p>		
<p>Results of Testing - The Council's procurement procedures promote competition; however, the guidance, the training, and the Contract Procurement Rules do not include:</p> <ul style="list-style-type: none"> ○ A description of the factors that promote effective competition. ○ Clear guidance about appropriate timetabling of procurements including good practice examples indicating the time and resources needed to prepare business requirements in consultation with the market and to foster market interest in bidding for contracts. ○ A description of the Council’s policy for using frameworks to procure services, supplies, or works. ○ A definition of the factors that constitute “exceptional circumstances” for waiving the competitive procurement process. <p>The Procurement Services' Category Managers are key parties in the process for selecting the choice of the procurement route. Their role has recently been enhanced but they need to be effective if waivers of the competitive procurement process are genuinely used in exceptional circumstances.</p> <p>Recommendation – Procurement Services should produce guidance and training material that describes the factors that promote effective competition. The material should provide guidance about the proportionate effort, time required, and the support that can be sourced from Category Managers. The</p>	<p>Strategic Lead Procurement</p>	<p>By end of December 2023</p>

<p>guidance and training should provide a description of the Council’s policy for conducting procurements through frameworks and define the factors that constitute “exceptional circumstances” for waiving the competitive procurement process. (HIGH)</p> <p>Management Response - The Quick Procurement Guide will be updated to include the information requested within the recommendation.</p> <p>Procurement will define the factors that constitute “exceptional circumstances” for waiving the competitive procurement process, However, note the definition will need to be agreed with the relevant stakeholders i.e. SLT and Legal to prevent a disconnect between the Quick Procurement Guide and the contract procedure rule.</p>		
<p>Results of Testing - The Strategic Lead Procurement informed Internal Audit that her team often alerted Service Areas well in advance of contract expiry dates, but some Service Areas were slow to engage. However, early engagement between procuring Service Areas and Procurement Services was not documented in any of the sampled procurements. Internal Audit noted that the recently modified templates for approving tendering of competitive procurements or waivers of the competitive process included a section on Procurement Implications. Within the few completed new style of forms reviewed by Internal Audit, Procurement Services had not reported whether the procuring Service Areas had made appropriate allowance within their planning and resourcing to generate interest in their contract opportunities and so reduce the risk of non-competitive procurements.</p> <p>Recommendation – Procurement Services’ guidance and procedures for Category Managers should include a description of the material that the Category Managers should cover when completing the “Procurement Implications” sections in the Stage 1 Forms “Approval to Proceed to Tender” or “Contract Waiver Approval” forms. The information that the Category Manager provides should include commentary about the steps taken to generate market interest in the proposed procurement. A structured approach will facilitate consistency in data collection. (MEDIUM)</p> <p>Management Response - The Procurement team will discuss, agree, and implement a description of the material that the Category Managers should cover when completing the “Procurement Implications” sections in the Stage 1 Forms “Approval to Proceed to Tender” or “Contract Waiver Approval” forms.</p>	<p>Strategic Lead Procurement</p>	<p>By end of September 2023</p>
<p>Results of Testing - Five of the nine sampled procurements that were granted waivers to the competitive process related to information technology licences. Continuity of the service or the proprietary nature of the service were justifications for the waivers. However, for four of these five procurements, Internal Audit did not see evidence that priced exit strategies for these types of contracts had been prepared or considered in setting either the durations of the current contracts or the approaches to exiting them in the future.</p> <p>Recommendation – Procurement Services should develop guidance that specifically addresses procurements where the product is proprietary or where continuity of service is likely to be influential in future procurements. This guidance should require</p>	<p>Strategic Lead Procurement</p>	<p>By end of December 2023</p>

<p>procuring Service Areas to build in a priced future exit strategy that is incorporated in the value for money assessment. (MEDIUM)</p> <p>Management Response - Guidance will be developed and implemented but note guidance will need to be agreed with relevant Council stakeholders to ensure a one Council approach.</p>		
<p>Results of Testing - Internal Audit did not see evidence of management information shared with stakeholders that summarised:</p> <ul style="list-style-type: none"> ○ the level of engagement between Services Areas and Procurement Services for current and future procurements valued above £25,000 ○ indicators of market interest <p>Planning by Service Areas to promote competition.</p> <p>Recommendation – Procurement Services should produce regular management information for stakeholders, including directors and heads of service, that includes the level of engagement between Service Areas and Procurement Services for current and future procurements, indicators of market interest, and planning by Service Areas to promote competition. (MEDIUM)</p> <p>Management Response - Management information is already provided to contract managers and responsible officers about contract expiry. Furthermore, the category managers alert service areas in advance of contract expiry to facilitate early planning. To enhance this, quarterly reports will be sent to DMTs and the Procurement team will attend DMTs on a quarterly basis.</p>	<p>Strategic Lead Procurement</p>	<p>By end of September 2023</p>