

# Thurrock Council

## Standards & Audit Committee

## Internal Audit Progress Report 2019/20

Date of Committee: 12<sup>th</sup> March 2020

# Introduction

The internal audit plan for 2019/20 was presented to the Standards & Audit Committee on 14<sup>th</sup> March 2019. This report provides an update since the last progress report presented to the Committee on 19<sup>th</sup> December 2019.

**Table showing reports issued as Final, in Draft and Work in Progress (WIP)**

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
<b>Audits to address specific risks</b>					
Accounts Payable	Final	Green	0	2	2
Accounts Receivable	Final	Green	0	3	1
Member's Allowances	Final	Green	0	3	0
Extra Care	Final	Advisory	N/A	N/A	N/A
Housing Rents	Draft	N/A	N/A	N/A	N/A
Mileage	Draft	N/A	N/A	N/A	N/A
Purchase Cards	Draft	N/A	N/A	N/A	N/A
Electrical Safety Inspections	Draft	N/A	N/A	N/A	N/A
Payroll (including HR)	WIP	N/A	N/A	N/A	N/A
Corporate Health and Safety	WIP	N/A	N/A	N/A	N/A
Housing Allocations	WIP	N/A	N/A	N/A	N/A
Council Tax	WIP	N/A	N/A	N/A	N/A

## **Work and other issues for which no reports are generated**

The work around the payment by results funding provided as part of the troubled families programme continues.

The Chief Internal Auditor has completed the grievance investigations.

There have been numerous meetings with senior management to develop a new 3 year Strategy and Annual Plan. The final plan will be presented to the next meeting of the Standards & Audit Committee. This includes a specific Strategy and Plan for the provision of a programme of IT audits.

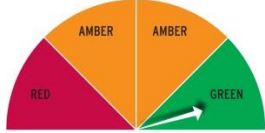
## **Changes to the Annual Plan**

It is anticipated there will continue to be a significant impact on resources due to the additional work being under taken on the troubled family's programme which may result in other audits being deferred or taken out of the plan. However, increased confidence in the process could mean we reduce our sample size. This will be discussed with the Director of Finance, Governance & Property and the service lead officer.

Internal Audit were approached to undertake a series of audits for Environmental Health to enable them to retain their British Standards Institution (BSI) ISO 9001 accreditation. These reviews involve testing the policies, procedures, processes, risk management and quality management arrangements in each of the service areas. Initially, whilst the staff are familiarising themselves with these services, the process is likely to be fairly

resource intensive but this will reduce as they gain more knowledge and skills. This work is continuing during February and March 2020.

## Key Findings from Internal Audit Work

<b>Assignment: Accounts Payable</b>	<b>Opinion: Green</b>	
<p><b>Headline Findings:</b> Our review of <b>Accounts Payable</b> identified 2 medium and 2 low recommendations around the adequacy of the control framework. The objective of the review was to ensure that all expenditure is committed, approved and accounted for in line with the organisation's financial procedure rules and creditors are paid in a timely manner in accordance with targets. The main issues identified were around the need to review the number of people with Administrator access and a problem with Oracle in respect of the application of credit notes. The 4 medium and 1 low recommendation from the previous report had been actioned.</p>		
<b>Action and Response</b>	<b>Responsible Officer</b>	<b>Date</b>
<p><b>Action</b> – Whilst acknowledging that timed access will only be granted to consultants on an, as and when required basis, the number of Administrators within the individual services needs to be reviewed. This will reduce the likelihood of breaches of system security.</p> <p><b>Response</b> - Review undertaken and reduced number of Administrators from 28 to 15. Majority (8) of these are ICT staff who have to help fill in on the service desk due to resourcing issues. Further review to take place with HR to see if they still need this level of access.</p>	<p>Senior Technology Consultant (Oracle)</p>	<p>Actioned</p>
<p><b>Action</b> – The outstanding credit note report to be fixed as soon as possible and report reviewed regularly to ensure all amounts have been applied and debtor's invoices raised for those credits which are outstanding for more than three months.</p> <p><b>Response</b> - The service have developed a workaround to address this issue. A zero payment run is carried out periodically which applies the credits to the correct accounts.</p>	<p>Financial Administration Section Manager</p>	<p>Actioned</p>

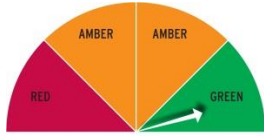
<b>Assignment: Accounts Receivable</b>	<b>Opinion: Green</b>	
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**Headline Findings:** Our review of the **Accounts Receivable** identified 3 medium and 1 low recommendation around the adequacy of the control framework. The objective of the audit was 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 provide an opinion. The areas covered included policies and procedures, raising of sundry debtors, postings of receipts to appropriate accounts, suspense items, debt recovery, write offs and Management information. The main issues identified were around invoice requests not being submitted in a timely manner, hierarchy issues with the move to Oracle Cloud, recovery of VAT from write offs and monitoring and recovery of debts where probate is being undertaken.

<b>Action and Response</b>	<b>Responsible Officer</b>	<b>Date</b>
<p><b>Action</b> – Departments should be reminded of the requirement to raise requests for debtors' invoices in a timely manner. This helps to reduce the likelihood non-payment.</p> <p><b>Response</b> - Reminder to be sent to Departments.</p>	Financial Administration Section Manager	April 20
<p><b>Action</b> – The write off procedure programmed on the system needs to be reviewed to ensure the limits are correctly input and only those with the appropriate limits receive the write offs on their dashboard for authorisation. In addition, a report on write offs of receivable debts showing VAT that can be reclaimed from HMRC needs to be created.</p> <p><b>Response</b> - There were some issues with the hierarchy but these have now been corrected.</p> <p>A report has been developed to address the issues around reclaiming VAT. This is available to the Senior Financial Accountant (CB) who will then be able to recover any VAT due.</p>	Financial Administration Section Manager  Senior Financial Accountant	Actioned
<p><b>Action</b> – It is recommended that Adults Social Services Finance team regularly monitor all accounts. In addition, they should undertake probate checks and contact the family, where it has been granted, to discuss payment arrangements.</p> <p>Management should also consider whether the engagement of 1 Solicitor from Barking and Dagenham is enough resource to ensure debts are being chased in a timely manner. As the Solicitor is employed one day a week, they should sit with the team whilst working on debts. Not only would this be invaluable for the staff who can ask advice, but would also help them to become more efficient in recovering debts, and consequently, less reliant on Legal.</p> <p><b>Response</b> - Accounts with large debt were regularly monitored. However, smaller debts (below £5K) are now being monitored and followed up. The Solicitor does chase up probate issues but resources are not sufficient so it can take a long time to recover debts. Team Manager to speak to the Solicitor to see if they can spend more time in the office.</p>	Customer Finance Team Manager	April 20

**Assignment: Member's Allowances**

**Opinion: Green**



**Headline Findings:** Our review of the **Member's Allowances** identified 3 medium recommendations around the adequacy of the control framework. The objective of the audit was to confirm Member's Allowances were paid as per Thurrock Council Members' Allowance Scheme. The areas covered included member's allowances and mileage and subsistence. The main issues identified were around Special Responsibility Allowances where it was identified that in 1 case, a member was being paid an allowance for a responsibility they no longer had and in 1 other case, they were being paid the wrong rate for their responsibility. There has not been an audit in this area for a number of years so there were no recommendations to follow up.

Action and Response	Responsible Officer	Date
<p><b>Action</b> – The Democratic Services Manager to instruct Payroll to recover the overpayment and ensure budgets are monitored regularly.</p> <p><b>Response</b> - The overpayment has been recovered.</p>	Democratic Services Manager	Actioned
<p><b>Action</b> – It is recommended that the overpaid member is contacted to arrange repayment of the overpaid allowance.</p> <p><b>Response</b> - Payroll are organising a suitable way to arrange repayment.</p>	Strategic Lead – Pay & Operations	May 2020
<p><b>Action</b> – It is recommended that:</p> <ul style="list-style-type: none"><li>• Appendix 1 within the Constitution, Chapter 11 should be updated every year.</li><li>• The part of the budget relating to member's remuneration and expenses, should be passed to the Democratic Services Manager to ensure changes are monitored.</li><li>• The Democratic Services Manager should request confirmation from Payroll that the relevant changes have been actioned.</li><li>• Members should be formally informed of their remuneration at the beginning of the municipal year.</li></ul> <p>All of the above will reduce the likelihood of further overpayments in the future.</p> <p><b>Response</b> -</p> <p>The Constitution will be updated annually.</p> <p>The service are looking to transfer the budget to the Democratic Services Manager in the near future.</p> <p>The Democratic Services manager is looking at developing a form to show changes which will be signed off by Payroll.</p> <p>The Democratic Services Manager will email members with their remuneration details at the start of the municipal year.</p>	Democratic Services Manager	May 2020

Assignment: Extra Care	Advisory	Opinion not provided
<p><b>Headline Findings:</b> Our review of the <b>Extra Care</b> identified 2 high and 2 medium recommendations around the adequacy of the control framework. The objective of the review was to undertake an advisory review of the financial arrangements at the Extra Care facilities are robust and protect the vulnerable adults who reside there and the staff who work there. This review was undertaken at the request of management within the service.</p>		
Action and Response	Responsible Officer	Date
<p><b>Action</b> – Income collection and the management of the residents’ accounts should be regularly checked independently by a manager.</p> <p>If a purchase card system is adopted then reconciliation needs to occur between purchases made, banking and budget management. Income from the Cafes should be monitored and forecast to estimate income trends and allocate resources. This should become easier to manage with the implementation of cashless services. A lack of robust income management may hinder service provision and have poor outcomes for residents.</p> <p>Salary advances should be channelled through the proper payroll procedures to avoid non-compliance with Thurrock Council HR policies.</p> <p>Events management and financial records maintained on behalf of residents should be carried out in accordance with policy and be clear and transparent. Poor financial management practices are not in line with the Council's Constitution and may also result in non-compliance with the policy for the protection of residents' finances and belongings.</p> <p><b>Response</b> - New Café manager to undertake a monthly review of all income and expenditure via reports from the Smartt Software system, which will be implemented from 1 December 2019</p> <p>2 x new Purchase Card holders have been identified (café cook and Admin at Piggs Corner) and purchase cards have been ordered. Both staff members are required to undertake training in reconciliation processes.</p> <p>Management of the café services will be transferring to the existing meals on wheels manager (to be renamed Friendship cafe team manager) and incorporated into the new Friendship café. The new manager will discuss monthly reports with the strategic lead and monitor income and expenditure in line with Council financial monitoring processes.</p> <p>New Budget code to be set up through amalgamation of 2 existing codes for the Cafe and Meals on Wheels.</p> <p>Any future events arranged for residents by staff, will be managed through the existing Smartt software currently used by the meals on wheels service. No cash will be collected; residents will be invoiced for any events they participate in via the Councils finance team who will produce invoices and collect payments. Reports will be available via the Smartt Software.</p>	<p>Strategic Lead - Provider Services</p>	<p>Actioned</p> <p>Actioned</p> <p>Jan 20</p> <p>Apr 20</p> <p>Actioned</p>

Action and Response	Responsible Officer	Date
<p><b>Action</b> – Independent management review of the reconciliation process is required on a regular basis. A lack of independent management review of income collection at the Cafes nor reconciliation sign off, leaves records open to the risk of mismanagement or errors. Failure to keep appropriate records, carry out daily reconciliations of the meals served to the income collected and a clear segregation of duties could also result in cash being misappropriated.</p> <p><b>Response</b> - The removal of cash collection from the processes will ensure that salary advances are no longer possible</p>	Strategic Lead - Provider Services	Actioned
<p><b>Action</b> – Policies and procedures need to be made available to staff. Without such policies and a manual, duties and responsibilities could become confused and/or not operated.</p> <p><b>Response</b> - New accounting process to be produced and training rolled out when new cashless system is implemented</p>	Strategic Lead - Provider Services	Dec 19
<p><b>Action</b> – Safe audits need to be implemented to ensure that there is an independent review of its contents, to check that residents' money is protected and the value of monies held does not exceed insurance limits.</p> <p><b>Response</b> - The introduction of a cashless system will ensure no cash is placed in the safe. Cash belonging to residents who cannot manage their own finances will no longer be collected and stored in the safe. Instead all events and meals will be managed through the cashless process. Residents and their family / advocates will be responsible for making direct payments for services such as hairdressing, chiropody etc.</p>	Strategic Lead - Provider Services	Actioned