

15 March 2016		ITEM: 13
Standards and Audit Committee		
Partnerships and Assurance		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Internal Audit Manager		
Accountable Head of Service: N/A		
Accountable Director: Sean Clark – Director of Finance & IT		
This report is public		

Executive Summary

This report provides the Standards & Audit Committee with an update following a request made by members at the Committee's meeting on 16th July 2015. The Council are working with a large number of private, public and 3rd sector not for profit organisations on a range of projects across all departments and members wanted "The section 151 officer to report to Committee how the Council gain assurances with partners".

1. Recommendation(s)

1.1 That the Standards & Audit Committee:

Agree that the current approach will result in more internal audit resource being focussed on reviewing the governance arrangements around partnerships which will increase the assurance provided to senior management and members.

2. Introduction and Background

2.1 The concern for members around the Council's arrangements with its partners was raised following feedback by the Head of Internal Audit on the provision of the School Catering contract. This was detailed within the Head of Internal Audit's Annual Report 2014/15.

2.2 This contract was with the London Borough of Havering and required them to provide the overall management and monitoring arrangements for the delivery of the service through a service level agreement (SLA). Following concerns around the management of the service, the London Borough of Havering

undertook an internal investigation and asked Thurrock to assist by providing additional information.

- 2.3 In respect of this particular SLA, all staff below manager level were employed by Thurrock Council and fulfilled an administrative function whilst staff at manager level and above were employed directly by Havering Council. As a result, the awarding of contracts for catering works in school kitchens and ensuring value for money was achieved were the responsibility of Havering.
- 2.4 In addition, it was identified that the manager employed by Havering was a budget holder against a Thurrock Council budget and could authorise expenditure up to £10k. Over this amount, expenditure had to be authorised by a more senior member of staff within Thurrock Council.
- 2.5 There are a large number of services within the Council (particularly within Children's and Adult's Services) that have commissioning arrangements in place. However, control over these budgets is retained by the service and suppliers have to provide evidence to support their invoices.
- 2.6 Other areas where similar arrangements are in place are corporate services such as Legal, the management of Insurance and Risk and the Fraud Directorate.

3. Issues, Options and Analysis of Options

- 3.1 The main issues arising from this arrangement were the governance arrangements which allowed the manager to make decisions and commit expenditure against the Council's budgets and at an operational level, a lack of appropriate reporting and monitoring arrangements being in place.
- 3.2 The governance and financial arrangements around the partnerships in Legal Services, Insurance and Risk and the Fraud Directorate have been included within the Draft Internal Plan for 2016/17.
- 3.3 Where the contract involves a partnership arrangement with a private sector organisation, internal audit does provide assurance around the governance arrangements and recommendations are followed up to ensure actions are taken to address any weaknesses. This was highlighted by our work with Housing looking at the Morrison's and Europa contracts.
- 3.4 Moving forward, Internal Audit are working with other areas in the Council e.g. procurement, fraud etc. to examine a number of high and smaller value contracts. Internal Audit are looking at the contract award process and governance arrangements for the management and monitoring of these contracts. We are also reviewing the Council's arrangements around the use of consultants in specific areas who have been used on a rolling basis. This work started in 2015/16 and resources will be allocated on a rolling basis each year.

4. Reasons for Recommendation

4.1 Whilst Internal Audit can never provide absolute assurance around the controls in place to manage and monitor these types of partnership agreements, they do review the governance arrangements as part of their audit work. However, it has been identified that there is a need to increase resources and provide additional assurance to senior management and members around the governance of partnerships.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 This report has been discussed with the Director of Finance & IT as part of the consultation process.

6. Impact on corporate policies, priorities, performance and community impact

6.1 The achievement of corporate priorities is a key consideration of members, senior management and any failure to manage these partnership arrangements could result in the Council failing to achieve its priorities.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Chief Accountant

As this report is for information, there are no direct financial implications arising from this report. However, failure to have robust governance arrangements in place could result in an increased risk of financial loss.

7.2 Legal

Implications verified by: **David Lawson**
Monitoring Officer

As this report is for information, there are no adverse legal implications arising from this report.

7.3 Diversity and Equality

Implications verified by: **Rebecca Price**
Community Development Officer

There are no direct diversity implications arising from this report as it is for information purposes only.

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

As this report is for information, there are no other implications arising from this report

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Head of Internal Audit Annual Report 2014/15

Report Author:

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