

Committee: General Purposes Committee

Date: 12th March 2014

Agenda item:

Wards:

Subject: Internal Audit Progress and Whistleblowing Update

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Chair of the GP Committee

Forward Plan reference number:

Contact officer: Margaret Culleton Head of Audit & Investigations

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Recommendation:

- A. **That Members note the Internal Audit Progress Report and comment upon matters arising from it.**
 - B. **That members note the Whistleblowing update.**
 - C. **That members note the independent review being carried out on a proposed shared internal audit & investigation service.**
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report summarises the work carried out to date by Internal Audit within the 2013/14 financial year. It also details the progress on implementing recommendations from audits completed.
- 1.2 Internal Audit seeks to ensure that Merton's financial and other systems adhere to recognised standards and that public accountability can be demonstrated and is transparent.
- 1.3 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the General Purposes Committee and the Director of Corporate Services (also known as the Section 151 Officer); it also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.

2. Details

- 2.1 In order to contribute to the Annual Governance Statement all Internal Audit reports give an audit assurance. The definitions of these opinions are given below:

| Opinion | Definition |
|------------------------|--|
| Substantial Assurance | There is an adequate system of controls designed to achieve the system objectives |
| Satisfactory Assurance | All key controls in place, but there is some evidence of minor controls not operating or documentation missing |
| Limited Assurance | Significant weaknesses have been identified in the system of control, which put the system objectives at risk. |
| No assurance | Control is weak, causing the system to be vulnerable to error and abuse |

- 2.2 In addition each recommendation is given a high, medium or low risk priority. All recommendations are followed up by Internal Audit to ensure that they have been implemented.

- 2.3 A key part of internal audit work is to provide advice to managers; this can either be attendance at meetings, working groups or telephone advice. During 2013/14, advice to departments represented 6% of auditor time.

2.4 Planned Audit Reviews

- 2.4.1 This financial year we have finalised 54 audits, 22 of which relate to completion of the 2012/13 audit plan. Nine of these reports have been given a limited assurance (16%), the progress report at this time last year 32% limited assurance reports had been issued.

- 2.4.2 For the 2013/14 audit plan there are 32 at final stage, 19 at draft stage and 10 in progress. All audit reports issued since April 2013 and outstanding audit actions are included in Appendix A.

- 2.4.3 Since the last progress report in September 2013, there have been 3 final reports (20%) with substantial assurance, 9 issued with a satisfactory assurance (60%) and 3 final reports (20%) issued with a limited assurance.

- 2.4.4 As at the end of February 84% of the 2013/14 audit plan had been completed (final and draft reports). It is expected the plan will be completed to final report stage by the end of April 2013.

- 2.4.5 Table 1 details those audits with a limited assurance (below the required standard) issued since the last committee report in September 2013. Table 2 lists those audits with satisfactory assurance issued since September 2013.

Table 1 – Audit Assurances –limited

| Audit Title | Department |
|----------------------------------|-------------------|
| Street & Market Traders | ER |
| Procurement Cards | CS |
| Recruitment & vetting procedures | CS |

- 2.4.6 The main concerns relating to street & market traders was the cash handling arrangements and delays in issuing permits.
- 2.4.7 The procurement card review found that clearer procedures and guidance is needed for users, that the cards were not being used for the correct type of expenditure
- 2.4.8 The recruitment and vetting audit raised concerns in relation to whether the correct shortlisting and probation procedures had been followed, procedures for appointing apprentices or consultants was also unclear.
- 2.4.9 The Management Summaries of all these limited reports including a summary of the agreed actions can be found in Appendix B.
- 2.4.10 Table 2 details the reports given a satisfactory or substantial assurance.

Table 2 – Audit Assurance – Satisfactory/substantial

| Audit Title | Department |
|---------------------------------|-------------------|
| Pre paid cards | CH |
| Rent deposits | CH |
| Haslemere Primary School | CSF |
| Garfeild primary school | CSF |
| Cramner primary school | CSF |
| Hillcross primary school | CSF |
| School Bacs procedures | CSF |
| IT Civica - Revenue | CS |
| Pension shared service | CS |
| Debtors | CS |
| IT audit on Ash debtors | CS |
| Merton Priory Homes | CH |
| IT security in schools-Garfeild | CSF |

- 2.4.11 This year so far there have been nine additional requests for work; there have been three additional audits and six reviews where assurances on controls were required following Whistleblowing concerns. Where additional work is requested, a decision is made on whether this work replaces other planned work on the audit plan.

2.4.12 Internal Audit has also provided cash handling training to the bailiff team and assisted on the setup of an on-line declaration of interest form to replace the manual forms and extended to include staff relationships.

3. Following up on the Implementation of Agreed Actions

3.1.1 In 2013/14 there have been 373 agreed actions by managers. The agreed actions for all audits are always followed up. Future implementation dates are agreed with management and a monthly trigger report is run when this date is met. A follow-up report is then sent to officers responsible for implementing the agreed actions to ascertain whether the action has been implemented or reasons for non implementation. There are 117 actions due to be implemented.

3.1.2 If responses are not received from managers by the following month reminders are escalated to Heads of Service/ Assistant Director Level. If no response is received for those overdue by 3 months or more, then these are reported to GP Committee. There are currently no actions more than 3 months overdue.

4. Whistleblowing

4.1. A summary of all Whistleblowing allegations is reported to the General Purposes committee on an annual basis. The whistleblower's identity will however, always remain confidential, unless the whistleblower makes it public.

4.2 Appendix C outlines the allegations received and the action taken since the last time the Whistleblowing activity was reported to committee in March 2013. There have been 24 Whistleblowing incidents reported in the last year. This compares to 13 incidents last year and 16 the year before.

- Twelve cases are on-going
- Four cases have resulted in recommendations on improved controls.
- Eight cases were inconclusive

Table 4 Whistleblowing by departments

| Dept | Fraud/Corruption | Data Protection | HR issues |
|-----------------------------|------------------|-----------------|-----------|
| Corporate Services | 3 | 0 | 1 |
| Environment & Regeneration | 6 | 1 | 5 |
| Community & Housing | 2 | 1 | 2 |
| Children Schools & Families | 3 | 0 | 0 |
| Total | 14 | 2 | 8 |

4.3. The council encourages staff, contractors and others to raise concerns. In order to raise awareness of the councils Whistleblowing procedures, the council have undertaken the following:-

- Filler slide in the Foyer

- Leaflets sent out to all Departments, partners and schools.
 - Intranet Links on the Procurement site and the CHAS website on the Internet
 - The policy is available on the Intranet and the Internet.
 - As well as being on standard terms and conditions of contracts.
- 4.4 A review of all the fraud policies is scheduled to be carried out early in 2014/15. These include the following policies:- Whistleblowing, Anti-fraud & Corruption, Anti-Money Laundering and the prosecution policy.

4.5. Fraud Investigations

- 4.5.1 On 1st February 2014 the Investigation Team merged with the Internal Audit Section to form the Audit & Investigation Service. The merge will build on the proactive work currently undertaken and will assist with the co-ordination between the two teams on areas of fraud risk
- 4.5.2 Fraud investigations are currently undertaken on Whistleblowing allegations unless otherwise agreed, as well as on issues identified during audit reviews or management concerns. Depending on the nature of the concern raised, these will either be reviewed by the investigation, audit team or externally.
- 4.5.3 In addition to this, pro-active fraud testing is included in all work carried out by Internal Audit, this testing ensures that controls are strengthened to reduce the risk of fraud. Proactive fraud testing was included in the pre-paid cards audit, and procurement card audit.
- 4.5.4 Additional proactive fraud training was provided this year by the Internal Audit Section on cash handling procedures for the bailiff team. This training was interactive and encouraged the staff to consider the fraud risks in their area and possible solutions to managing these risks.
- 4.5.5 The investigation team have undertaken proactive joint blue badge fraud investigation work with the police and the parking section, which has resulted In 2 cautions and 1 successful prosecution. The police are now keen to undertake regular monthly exercises.
- 4.5.6 The investigation team has also undertaken Housing Benefit investigations and set a target of 70 sanctions for 13/14, as at the end of January 2014; they were on target with 56 sanctions issued. Sanctions can be: - Prosecution, Administrative Penalties or a caution.

Table 5 Breakdown of Sanctions 12/13 and 13/14 (to January 14)

| Year | Admin. Penalty | Cautions | Prosecutions | Total |
|-------------|-----------------------|-----------------|---------------------|--------------------|
| 12/13 | 10 | 45 | 15 | 70 |
| 13/14 | 9 | 29 | 19 | 56 (to end of Jan) |

4.5.7 The investigation team also work with trading standards to put in place confiscations proceedings to recover loss funds where possible.

4.6 National Fraud Initiative

4.6.1 The National Fraud Initiative 2012/13 matched a variety of data, such as Housing Benefit, Council Tax, Electoral Roll, Payroll, Pensions etc. The data received from the Audit Commission in February 2013 resulted in 8,600 matches for Merton.

4.6.2 Out of 8,600 matches, there were 2,676 recommended high priority matches. The council has processed 3,518 matches and identified 10 cases of fraud and 8 cases of claimant error. Initial feedback from the Audit Commission has indicated that Merton is ahead of other authorities.

4.6.3 The exercise has identified overpaid Housing and council tax benefit of £51,747.12 and pension overpayments of £1,747.30. The exercise is still on-going and a further 165 matches are in progress. The council will be seeking to recover this money.

5. Independent Review

5.1 An independent review is currently being undertaken to consider options for a four borough shared Internal Audit & Investigation service with Richmond, Kingston and Sutton. This review will consider current methods of working in each authority and consider whether it would be beneficial for each council to be part of a shared service.

5.2 The outcome of the independent review will be completed in March 2014. The Directors and senior officers from each authority will then consider report and any potential options. The outcome of this will then be reported to the General Purpose's committee in June 2014.

6 ALTERNATIVE OPTIONS

6.1 None for the purposes of this report.

7. CONSULTATION UNDERTAKEN OR PROPOSED

7.1 The strategic plan, Internal Audit Plan and charter have been agreed with Chief Officers who have consulted with their Management teams. Business Partners and Financial Advisors for each department have also been consulted. Customer Agreements are in place. The Head of Audit & Investigations has monthly meetings with the Director of Corporate Services to report upon progress against the Plan.

7.2 Audit briefs outlining the scope and objectives of each audit are agreed with the relevant manager prior to the audit commencing.

7.3 All audit reports are discussed with managers prior to issuing as a draft, further meetings are held if required and comments from the Manager and Head of Service/Assistant Directors are included in the final report.

8. TIMETABLE

8.1. None for the purposes of this report.

9 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

9.1 The planned work and unplanned work is undertaken within the budget allocated.

10. LEGAL AND STATUTORY IMPLICATIONS

10.1 This report sets out a framework for Internal Audit to provide a summary of internal audit work for 2013/14. The Local Government Act 1972 and subsequent legislation sets out a duty for Merton and other councils to make arrangements for the proper administration of their financial affairs. The provision of an internal audit service is integral to the financial management at Merton and assists in the discharge of these statutory duties.

11. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

11.1 Effective and timely auditing and advice enables Departments, Voluntary Organisations and Schools to provide quality services to their clients. These client groups are often vulnerable members of the community, e.g. elderly people, disabled people, asylum seekers, members of staff and voluntary organisations. The audit service helps to identify weak financial management and sometimes reflects weaknesses in other operational systems such as quality and ethnic monitoring. Audit, therefore, has a crucial role in ensuring that Council resources are used to enable a fair access to quality services.

12 CRIME AND DISORDER IMPLICATIONS

12.1 There are no specific crime and disorder implications arising from this report.

12.2 The report does however include brief details of potential fraud investigations in progress.

13 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

13.1. The Audit Plan has a risk assessment formula built into the process. This takes such aspects as expenditure, income, and previous audit findings into account and calculates priorities and the frequency of the audit.

13.2. In addition to the audit risk assessment formula the Corporate Risk Register is consulted during the production of the Internal Audit Plan.

- 13.3. The Audit Brief at the beginning of the audit, and the internal audit reports at the end of the audit also identify risks. Audit Recommendations are categorised high, medium or low priority in relation to the level of risk involved.

APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix A- Internal Audit Progress since April 2013
- Appendix B – Limited assurance Management summaries and agreed actions.
- Appendix C- Whistleblowing

BACKGROUND PAPERS

- i. Documents held in Internal Audit Files

Internal Audit progress since April 2013

| Audit Title | Department | Final Report Date | Assurance | No of actions | No of outstanding actions | No of overdue actions |
|---|------------|-------------------|--------------|---------------|---------------------------|-----------------------|
| 12/13 Plan | | | | | | |
| Passenger Transport | ER | 12/04/13 | Limited | 2 | 0 | 0 |
| Residential Care Contracts | CH | 17/04/13 | Satisfactory | 8 | 2 | 0 |
| IT Disaster recovery and backup | CS | 17/04/13 | Satisfactory | 2 | 0 | 0 |
| IT Security and Data Handling Morden Primary school | CSF | 25/04/13 | Satisfactory | 10 | 0 | 0 |
| IT Security and Data Handling SS Peter & Paul Primary School | CSF | 26/04/13 | Satisfactory | 4 | 0 | 0 |
| IT Security and Data Handling Haslemere Primary school | CSF | 26/04/13 | Satisfactory | 7 | 1 | 0 |
| Legal shared service | CS | 30/04/13 | Satisfactory | 7 | 0 | 0 |
| Asset Management | ER | 03/05/13 | Satisfactory | 10 | 6 | 1 |
| Financial assessments | CH | 15/05/13 | Satisfactory | 2 | 0 | 0 |
| Debtors | CS | 24/05/13 | Satisfactory | 6 | 1 | 0 |
| IT Security and Data Handling – Pelham Primary School | CSF | 31/05/13 | Satisfactory | 11 | 9 | 0 |
| Court of protection/Appointeeship | CH | 31/05/13 | Satisfactory | 8 | 3 | 0 |
| Recruitment & Vetting procedures | CS | 11/06/13 | Limited | 25 | 10 | 0 |
| Adoption | CSF | 27/06/13 | Limited | 15 | 5 | 0 |
| Housing Benefit | CS | 23/07/13 | Satisfactory | 5 | 1 | 0 |
| Council tax | CS | 15/07/13 | Satisfactory | 3 | 1 | 0 |
| NDR | CS | 15/07/13 | Satisfactory | 14 | 3 | 0 |
| Fostering | CSF | 23/08/13 | Satisfactory | 10 | 4 | 1 |
| Carefirst | CH | 14/08/13 | Limited | 11 | 9 | 0 |
| Abandoned Vehicles | ER | 30/08/13 | Satisfactory | 8 | 2 | 0 |
| Payroll | CS | 13/09/13 | Limited | 16 | 2 | 2 |
| Cemeteries | ER | 13/09/13 | Satisfactory | 10 | 3 | 2 |

| Audit Title | Department | Final Report Date | Assurance | No of actions | No of outstanding actions | No of overdue actions |
|---|------------|-------------------|----------------|---------------|---------------------------|-----------------------|
| 13/14 Audit Plan | | | | | | |
| Gifts and hospitality | CS | 26/04/13 | Satisfactory | 4 | 0 | 0 |
| Facilities management | CS | 24/06/13 | Satisfactory | 8 | 3 | 0 |
| Merton & Sutton Joint Cemetery Board – grant sign off | ER | 21/05/13 | Non applicable | 0 | 0 | |
| Annual Governance Statement | All | 27/06/13 | n/a | 0 | 0 | |
| Aragon Primary School | CSF | 19/07/13 | Satisfactory | 7 | 2 | 0 |
| Transforming families July 13 claim | CSF | 31/07/13 | Non applicable | 9 | 0 | |
| Parks income | ER | 16/09/13 | Limited | 8 | 0 | 0 |
| West Wimbledon Primary School | CSF | 17/09/13 | Limited | 30 | 0 | 0 |
| Market & Street traders | ER | 30/09/13 | Limited | 7 | 7 | 0 |
| Recreation Trust advice | ER | 30/09/13 | Non applicable | 0 | 0 | |
| Pre paid cards | CH | 02/10/13 | Satisfactory | 6 | 2 | 6 |
| City Cycle (1) grant claim | ER | 02/09/13 | Non applicable | 0 | 0 | |
| Haslemere Primary School | CSF | 29/11/13 | Satisfactory | 13 | 0 | 0 |
| Garfield Primary school | CSF | 22/10/13 | Substantial | 6 | 1 | 0 |
| Rent deposit Scheme | CH | 13/11/13 | Satisfactory | 7 | 6 | 0 |
| IT audit Civica - Revenue | CS | 16/12/13 | Satisfactory | 13 | 8 | 0 |
| Cramner Primary school | CSF | 29/11/13 | substantial | 6 | 0 | 0 |
| Hillcross Primary school | CSF | 29/11/13 | Satisfactory | 10 | 4 | 0 |
| Declaration of interest- setting up on-line form | CS | 12/12/13 | Non applicable | 0 | 0 | |
| Pension shared service | CS | 29/11/13 | Satisfactory | 4 | 4 | 0 |
| School Bacs | CS | 15/01/14 | Satisfactory | 3 | 2 | 0 |
| Bailiff – cash handling training | CS | 02/12/13 | Non applicable | 5 | 0 | 0 |
| Transforming families Oct 13 claim | CSF | 31/10/13 | Non applicable | 0 | 0 | |
| IT audit on Ash | CS | 05/02/14 | Satisfactory | 3 | 3 | 0 |
| IT audit on proactis | CS | | Satisfactory | 3 | 3 | 0 |
| Merton Priory Homes | CH | 13/02/14 | Substantial | 2 | 2 | 0 |

| | | | | | | |
|------------------------------------|--------|----------|----------------|----|----|---|
| Debtors | CS | 07/02/14 | Assurance | 6 | 3 | 0 |
| Procurement cards | CS | 21/02/14 | Limited | 21 | 21 | |
| Transforming families Feb 14 claim | CSF | 14/02/14 | Non applicable | 0 | 0 | |
| Unreconciled bank e returns | CS | 19/02/14 | Satisfactory | 8 | 0 | 0 |
| city cycle (2) grant claim | ER | 19/02/14 | Non applicable | 0 | 0 | |
| IT security in schools-Garfeild | CSF | 25/02/13 | Satisfactory | 12 | 6 | 0 |
| Draft reports | | | | | | |
| IT Confirm | CS | 24/12/13 | Satisfactory | | | |
| IT security in schools-Hillcross | CSF | 16/01/14 | Satisfactory | | | |
| IT security in schools-Cramner | CSF | 16/01/14 | Satisfactory | | | |
| firewall phase 1 | CS | 14/01/14 | Satisfactory | | | |
| Oyster card procedures | CS | 16/01/14 | limited | | | |
| Pupil place planning | CSF | 17/02/14 | Satisfactory | | | |
| Firewall Security phase 2 | CS | 28/01/14 | Satisfactory | | | |
| Cash and Bank | CS | 07/02/14 | Satisfactory | | | |
| Residents parking | ER | 03/02/14 | Satisfactory | | | |
| Housing Benefits | CS | 20/02/14 | Satisfactory | | | |
| itrent expenses | CS | 03/03/14 | Satisfactory | | | |
| Persaid special school | CSF | 03/03/14 | Satisfactory | | | |
| Data Protection concern | ER | 03/03/14 | limited | | | |
| General Ledger audit | CS | 03/03/14 | Satisfactory | | | |
| Ursuline High School | CSF | 03/03/14 | Satisfactory | | | |
| Passenger transport | ER | 03/03/14 | Satisfactory | | | |
| Firewall Security phase 3 | CS | 03/03/14 | Satisfactory | | | |
| No recourse to Public Funds | CSF/CH | 03/03/14 | Limited | | | |
| Homelessness and Nominations | CH | 03/03/14 | Satisfactory | | | |

Internal Audit Report Summary

| | |
|---|---------------------------------|
| Service: Market & Street Traders | 30 th September 2013 |
| Date of Final Audit Report | |
| Audit Objective | |
| To ensure that there is a robust process for the receipt and banking of income | |
| Summary of Audit Findings | |
| <p>Our review of the system and procedures for the collection and banking of income from street traders showed that there were some areas where the controls were weak and needed to be strengthened to make them more effective. Our review identified weaknesses in relation to the recovery of income.</p> <p>An analytical review of existing traders whose licences were due for renewal by 1 April 2013, showed that, over 25% had not been issued with a licence at the time of this audit (5 August 2013) for various reasons, including not complying with the conditions for renewal (not submitting the correct documentation). This can cause considerable delay in collecting income, as invoices cannot be raised until new licences have been issued. It also means that some traders could be operating without a valid licence. We have recommended that a more rigorous approach be adopted to address this.</p> <p>To assess the effectiveness of income collection, we carried out a comparison between income due and income received for 2012/2013. We found that 40% of the income due remained unpaid at the time of this audit (5 August 2013). Potentially, this could lead to high level of bad debts. Additionally, this could give a misleading picture of the financial position for the cost centre, given that income is recognised in full when a client is invoiced</p> <p>Our review of the system and procedures for the collection and banking of income from market traders identified weaknesses of a more serious nature.</p> <p>We found that cash was not held securely and banked promptly. Cash of up to £2,000 was held either in a desk drawer or by the Technical Officer in person for two weeks or longer before it was banked.</p> <p>We also found that there is no separation of duties between collecting, recording and banking of income, as the Technical Officer carries out all the above functions. This means that the system is vulnerable to abuse and manipulation. Staff responsible could also be vulnerable to accusations of wrongdoing in the event of cash missing</p> | |

Summary Response and update from Managers

Comments received 30th September 2013

Written procedures to be developed.

New procedures to ensure there is separation of duties between collection, recording and banking of income.

The issue of stationery (receipts which act as licences) to be controlled until cashless system is implemented.

To run a report identifying insurance policies which have expired.

To ensure that cash is banked promptly.

Move towards a cashless environment

Consideration of options including Mango and Card/D/D facilities

Update from manager 25th February 2014

An improved renewal system was implemented for the licence year 2013-14 and there were several teething issues. Processes have been adjusted further this year with more changes to be implemented next year in relation to the timing of the renewal. 90% of invoices are paid by Direct Debit meaning payments are spread throughout the year in the same manner as Council Tax payments. It is expected that the income will be paid more swiftly this fiscal year as the system enters its second year.

We are currently consulting with market traders on the implementation of an invoiced market licence. This will be payable in a number of ways and remove cash collections from the market. Inspection duties will remain but all risks to the officer associated with the collection, whether personal or in the event of cash missing, will be removed

| | |
|--|--|
| Recruitment & Vetting procedures | |
| Final Report Date: 11.6.13 | |
| Audit Scope To review the procedures in place for the recruitment of staff and adherence to these procedures. | |
| Summary of Audit Findings | |
| <p>This report acknowledges that the Recruitment Procedures are in the process of being updated, alongside the implementation of the new Applicant Tracking system. However the findings in this report include processes outside of that system and should be considered alongside its implementation.</p> <p>There is a facility in ITrent3 to enable the scanning and recording of all supporting documentation relating to newly appointed staff. However, it was found that the supporting documentation had not always been uploaded onto the ITrent system.</p> <p>Procedures require that all job descriptions and person specifications are reviewed prior to a vacancy being advertised, in order to ensure that it is still relevant to the requirements of the post. However, evidence was not always obtained that this had been done.</p> <p>From the sample selected, it was evident that the correct recruitment process had not been followed in all instances.</p> <p>The authority currently has a time to recruit target of 90 days. However despite exhaustive enquiries, internal audit where unable to obtain details of how this figure was arrived at. This target should be reviewed and broken down into its component parts, in order to ensure that it provides a realistic timescale.</p> <p>Although evidence was obtained that the relevant recruitment in-house checks had been carried out for the sample selected, it was found that these documents were not randomly checked for authenticity.</p> <p>The current recruitment procedures provide clear guidance on the need for panel members to have completed a relevant recruitment and selection training course. However internal audit were unable to obtain confirmation that all recruitment panels met the required criteria.</p> <p>The Consultants Registers obtained during the audit appeared to vary in their content depending on the department maintaining the records. Two sets of guidelines relating to the appointment of consultants were identified, which appeared to provide conflicting information. Both policies appeared to be in use at the time of audit.</p> <p>The authority now has the provision to request DBS (CRB) checks via ebulk. However evidence was obtained that manual requests are still being issued. In addition the majority of DBS checks undertaken are enhanced and despite changes in the guidelines, there was no evidence that these are being reviewed with the relevant manager prior to requesting a renewal.</p> <p>Records of complaints received relating to the recruitment process had not been fully documented and were not made available to the auditor</p> | |

at the time of audit.

There was no evidence that the probation procedures had been followed as laid down in the current guidelines.

A report of secondee placements indicated that some secondments had been open since 2004.

Summary of agreed action

The procedures relating to the appointment of Consultants will be reviewed. There will be one set of guidelines and a review of the way in which the consultant's registers are maintained across the authority.

The time to recruit target will be reviewed and a break-down of the figures obtained in order to assist with the identification of areas within the recruitment process where targets are currently being achieved.

A list of all staff who have attended the Recruitment and Selection training will be maintained and the Recruitment and Selection procedures followed in all aspects of the recruitment process. Consideration will also be given to maintaining a pool of staff who have undertaken the Recruitment and Selection training.

Consideration will be given to obtaining external verification of the documentation provided in support of appointments made.

All DBS checks will be required to go through the e-bulk system from June 2013 and there will be a system put in place in order to verify the type of check required either on renewal or initial application.

Consideration will be given to charging the cost of a DBS check to the relevant service area.

The Probationary Policy issued in March 2006 will be reviewed in order to ensure that it meets the current requirements. A process will also be put in place in order to ensure that the relevant probationary forms are completed for all new staff in accordance with the Probationary Policy. The Secondment Procedure dated 2006 will be reviewed. A report of all open secondments will also be obtained and reviewed. The procedure for the payment of interview expenses will be reviewed. The Relocation of Expenses document dated June 2009 will be reviewed.

Update from Manager 26/2/14

The procedures relating to the appointment of consultants will be fully reviewed following any recommendations from the recent review by external audit. Other recommendations have either been completed or are in the progress and should be completed within the next few months.

| | |
|---------------------------------------|---|
| Service: Procurement cards | |
| Date of Final Audit Report | 20.2.14 |
| Audit Objectives | To ensure there is a robust process in place for issuing and monitoring the use of procurement cards |
| Summary of Audit Findings | <p>A signed copy of the full contract; has been unavailable to review, with only three pages of the contract available. Consequently the Auditor could not confirm that the contract was still current or that it was being administered in line with the agreed terms.</p> <p>There appeared to be two sets of procedures in use at the time of this audit, the version available on the LBM intranet and the version used by the Procurement Card Administrator. This version, updated 2012 appears to be incomplete and there is no evidence that it was ever formally approved.</p> <p>Receipts for expenditure undertaken via the Corporate Procurement card are held locally, but the audit found that receipts for expenditure were not always available as required, therefore providing no clear audit trail, or supporting VAT receipts as part of the HMRC requirement.</p> <p>A review of the types of expenditure needs to be undertaken as soon as possible for example, purchase of stationery, despite there being a corporate contract in place, purchase of fuel for council vehicles, when the councils fuel cards should be used..</p> <p>Evidence was obtained that two of the Procurement cards in the selected sample where being used by the named cardholder as well as by other staff. In each case this was found to be with the cardholders permission.</p> <p>One card was found to contain a split transaction to the same supplier in order to circumvent controls in place in relation to the authorised expenditure limit.</p> |
| Summary Response from Managers | <p>The current card provider, Barclaycard has been contacted and a complete copy of the contract requested.</p> <p>The current contract will be re-tendered as soon as the Procurement Team are able to provide assistance with the tender.</p> <p>Procedures are currently being reviewed and updated and should be available shortly.</p> <p>All staff currently holding a corporate procurement card will be contacted and reminded of the need to obtain and retain receipts for all expenditure incurred.</p> <p>A sample of card logs plus the corresponding receipts will be randomly selected and checked centrally on a quarterly basis.</p> <p>Where it was found that procurement cards were being used by more than one member of staff, internal audit have been informed that new processes will be put in place as soon as possible.</p> <p>All non submissions of authorised logs will be reported to the line manager as soon as possible, with a view to reducing the card</p> |

| |
|---|
| <p>expenditure limit to £1. However card limits will not normally be reduced without the prior knowledge of the authorising manager to ensure that any reduction will not adversely affect the service provision.</p> <p>Card expenditure will be regularly monitored and reviewed and any concerns immediately reported to internal audit.</p> |
| <p>An internal audit incorporating a review of the current processes and procedures in place for the re-claiming of travel expenses will be undertaken as part of the 2014/15 internal audit plan. The review will include a review of both the value and types of expenditure incurred</p> |

Whistleblowing Activity – February 2013 - February 2014

Appendix D

| | Allegation Type | Date | Dept | Brief Details of Allegation | Anony mous | Outcome | £ | Action |
|----|------------------------|-------------|-------------|---|-------------------|---|----------|---------------|
| 1 | HR issues | 19/02/13 | ER | Various HR issues | No | No evidence | 0 | NFA |
| 2 | Data Protection | 03/02/13 | CH | Information Security concerns | No | Officer informed of correct procedures | 0 | NFA |
| 3 | Fraud | 07/03/13 | CH | Potential false invoices | No | On going | unknown | On-going |
| 4 | HR issues | 08/03/13 | CH | Various HR issues | No | Issues resolved | 0 | NFA |
| 5 | HR issues | 15/04/13 | ER | Bullying and intimidation allegations | No | To be covered as part of a grievance- passed to HR | 0 | NFA |
| 6 | HR issues | 07/05/13 | CH | Concerns relating to inappropriate behaviour | Yes | Issues resolved | 0 | NFA |
| 7 | HR issues | 21/05/13 | CS | Time management issues | Yes | on-going | 0 | On-going |
| 8 | Fraud | 16/05/13 | CSF | Concerns involving recruitment process and financial transactions | No | Internal Audit review - improved controls. no evidence of fraud | 0 | NFA |
| 9 | Fraud | 16/07/13 | ER | Concerns about receipt of gifts | No | on-going | unknown | On-going |
| 10 | Fraud | 16/07/13 | ER | Concerns about receipt of gifts | Yes | No evidence found | 0 | NFA |
| 11 | Fraud | 16/07/13 | ER | Concerns raised over parking fees | No | Investigation inconclusive | 0 | NFA |
| 12 | Fraud | 16/07/13 | CS | Concerns linked with HB claim | No | Investigation on-going Suspended – disciplinary pending | 10,000 | On-going |
| 13 | Corruption | | ER | Concerns relating to | No | Advice provided to dept. | 0 | NFA |

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|----|-----------------|--|----------|-----|---|-----|--|---------|----------|
| 14 | HR issues | | 15/08/13 | ER | use of land | Yes | Investigation by HR | 0 | On-going |
| 15 | Corruption | | 14/08/13 | CS | Concerns relating to staff behaviour | Yes | No evidence found | 0 | NFA |
| 16 | Corruption | | 20/07/13 | ER | Concerns relating to potential conflict of interest | Yes | No evidence of corruption, recommendations made on improved controls | 0 | NFA |
| 17 | Corruption | | 24/09/13 | CSF | Contract award concerns | Yes | On-going | 0 | On-going |
| 18 | Data Protection | | 03/10/13 | ER | Potential conflict in relation to a contractor | Yes | On-going | 0 | On-going |
| 19 | Corruption/VFM | | 25/10/13 | CSF | Concern relation to data access | No | On-going | unknown | On-going |
| 20 | Corruption/VFM | | 13/11/13 | ER | Concern relating to procurement procedures | No | On-going | unknown | On-going |
| 21 | Corruption | | 18/11/13 | CS | Concerns relating to procurement | Yes | See separate report | 0 | On-going |
| 22 | HR issues | | 20/11/13 | ER | Allegation of corruption | Yes | On-going | 0 | On-going |
| 23 | HR issues | | 26/11/13 | ER | Concerns relating to staff behaviour | No | no evidence | 0 | NFA |
| 24 | Fraud | | 09/01/14 | CH | Concern relating to staff behaviour | No | On-going | unknown | On-going |
| | | | | | Concern relating to inappropriate use of funds | | | | |

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