Committee: General Purposes Committee

Date: 16th September 2015

Agenda item:

Wards:

Subject: Internal Audit Progress Report

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Chair of the GP Committee

Forward Plan reference number:

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Recommendation:

A.   **That Members note the report and comment upon matters arising from the Internal Audit Progress Report**

B   **That Members note the progress of the South West London Fraud Partnership and the Shared Internal Audit Service**

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1   PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1   This report summarises the work carried out by Internal Audit up to September 2015 and the key areas of activity planned for the remainder of the year.

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   Since the last progress report in March 2015, we have finalised 29 audit reviews and have 8 reports at draft stage.

2.2   In order to contribute to the Annual Governance Statement all Internal Audit reports give an audit assurance as follows:

a)   Full Assurance
b)   Substantial Assurance
c)   Satisfactory Assurance
d)   Limited Assurance
e)   No assurance

2.3   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.

Planned Audit Reviews

2.4   Since the last progress report in March 2015, there have been 19 reports issued with a satisfactory assurance or above and 7 reports issued with a limited assurance. There have also been 2 grant claims audited and the AGS.

2.5   A summary of the findings and agreed actions are detailed further in Appendix B for all those receiving a limited assurance report

Table 1 – Audit Reviews with a limited assurance

Audit Title	Department
Payroll (Itrent)	CS
DFG	CH
Treasury management	CS
Supporting people	CH
Block and spot contracts	CH
DBS	CS
Transport Fleet Management	ER

2.6   The actions recommended are all either implemented or in progress to be implemented. Follow-up of audit actions are always undertaken to seek assurance that the weaknesses in controls have been strengthened.

2.7   This is the second year that that payroll audit has been carried out by Moore Stephens, commissioned by London Borough of Sutton on behalf of the other authorities in the Itrent partnership, Merton, Kingston and Richmond. This review received a limited assurance in 2013/14 and has received a further limited assurance for 2014/15 based on a number of control weaknesses detailed in Appendix B.

2.8   Other limited assurance audits were in relation to compliance with the councils CSO's.

Contract/commissioning
•   DFG- a follow up review was undertaken, although there was some improvement, there were still CSO compliance issues
•   Supporting People- CSO compliance and regular review
•   Block and Spot Contract CSO compliance and regular review
•   Transport Fleet Management – procurement of vehicles, management and disposal of vehicles

Other issues

- Treasury Management – concerns relating to the division of duties and lack of regular reconciliation
- DBS- a full review identified employees without DBS checks that required them

Investigations & whistleblowing

2.12 Reported to GP committee in March 2015, there were 8 cases on-going, 1 resulted in disciplinary action, 3 were inconclusive and four are still on-going (two have been passed to the fraud partnership),

2.13 There have been 8 Whistleblowing allegations received since March 2015. Seven of these have been passed to the fraud partnership and 1 case is being investigated by the CSF department.

3. Update on the South West London Fraud Partnership (SWLFP)

3.1 Following the Government's announcement that a Single Fraud investigation Service (SFIS) will take responsibility for benefit fraud investigation the Council's benefit fraud investigation team transferred to the DWP on 1st November 2014. To ensure that an effective fraud investigation and prevention service was maintained the Council entered into a shared service with Kingston, Richmond, Sutton, & Wandsworth Councils from the 1st April 2015, known as the South West London Fraud Partnership (SWLFP).

3.2 The SWLFP is divided into two teams that deal with Housing and Corporate fraud. The whole of Merton's Fraud investigation Team transferred to SFIS with the Council funding the equivalent of two officers that will be used to deliver the following activities:

	Days	%
Referral Review	35	8
Pro Active Fraud Drives	97	25
Fraud Investigation	213	56
Fraud Awareness/Prevention	13	3
Contingency	32	8

3.3 In addition, following a successful SWLFP anti-fraud bid initiative to the DCLG, further anti-fraud funding was secured (equivalent to 190 days) to review and investigate potential tenancy fraud and abuse within properties managed by Merton Priory Homes.

3.4 One key benefit from being partner to a shared fraud investigation service with neighbouring Council's is the sharing of knowledge, in particular information data sets held across all the authorities. The potential benefits from pro active fraud prevention and detection exercises can be enhanced where the information baseline is maximised.

Pro Active Fraud Drives

3.5   As part of a pro active fraud drive the SWLFP put itself forward for Council Tax Reduction data match and was selected by NFI as one of the organisation to pilot this new data match. Matched output was received in July with 2,101 potential matches for investigation of which 1322 were within NFI defined high risk reports.

3.6   Merton Priory Homes. Working relationship has been established with a lead Fraud Investigations Officer assigned to Merton Priory Homes. The tenancy data has been matched by an external credit agency principally against credit data. The outcome of this data match was 82 tenancies highlighted as at high risk of tenancy fraud or abuse. Work is in progress to review all of these matches and so far 33 cases opened for detailed investigation. From these one property has already been recovered using civil remedies but with a recommendation that this case is taken forward for prosecution under the Prevention of Social Housing Fraud Act (POSHFA) and Notices have been issued on a further 4 properties.

3.7   Other proposed pro active fraud drives include Housing Waiting lists/applicants review and utilising data matching across all five partner authorities; Business Rates (NNDR); Social Care; Single Person Discount and Procurement (in partnership with an External Credit Agency). However if the need requires resources may be transferred to fraud investigations should the volume of referrals warrant this.

3.8   The ability to undertake such pro active fraud drives is significantly dependent upon access to data sets for data matching and to the Council's systems for follow up enquiries. Currently there is no remote access solution available to the SWLFP that currently works across all boroughs but this should changes once the Modern Desktop solution, a joint project with Kingston has been implemented, however, remote access is available to Merton.

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Fraud Investigations – (2015/16 to end of August 2015):

3.9   In total, 47 fraud referrals were received up to the end of August 2015 with a breakdown of fraud referrals shown in Table 1 below:

Table 1: Summary of fraud referrals

	2015/16 to end of August 2015
Total referrals received in period	47
Referrals accepted in period for investigation by type: - CTReduction - Social Housing - Blue Badge - Corporate (Internal) - Corporate (External)	1 (2%) 40 (86%) 1 (2%) 4 (8%) 1 (2%)
Total referrals Closed in period	12 (23%)
Closed – not fraud/no further action required Closed – Property Recovered Closed – Written Warning Closed – Pending further disciplinary action	9 1 1 1

Fraud Investigations (Closed Cases)

3.10　A parent falsified school's permitted absence authorisation documentation so that their child did not have to attend school. Parent interviewed admitted falsifying the permitted absence authorisation and was issued with a formal written warning.

3.11　An employee was misusing their child's Blue Badge to obtain free parking which they were not entitled to. Whilst the Council has decided not to prosecute the individual for the parking offence further actions is being considered under the employee's disciplinary code.

3.12　Data matching highlighted tenant with credit history at another property. Property visited and sub-tenant seen, witness statement obtained. Civil action taken and at Court possession granted with tenant ordered to pay £900 in costs. Further action under the Prevention of Social Housing Fraud Act (POSHFA) recommended and is being considered by Merton.

Update on Shared Internal Audit Service

3.13　Merton will be joining the Richmond and Kingston Internal Audit Shared Service led by Richmond from the 1st October 2015. This will provide a more resilient service with a larger pool of staff, skills and resources better able to respond to the needs of the Councils.

3.14　An independent review was commissioned in 2013/14 which examined the options for establishing a 4 Borough shared Internal Audit and Investigations Service with Richmond, Kingston, Sutton and Merton. Whilst this was not taken forward at the time, recommendations were made regarding future partnership working. Sutton Council are investigating the option of joining the shared service from April 2016.

3.15 Sutton Council are buying into the Shared service from the 1ˢᵗ September 2015, on an interim basis Merton's Head of Internal Audit is providing 2.5 days cover per week.

4. Following up on the Implementation of Agreed Actions and responses to Draft Reports

4.1. The agreed actions for audits completed in 2014/15 and 2015/16 have been followed up. At the time of this report 84% of audit actions had been implemented, 16% were due to be implemented.

4.2 Follow up reminders are sent out monthly to officers responsible for implementing the agreed actions when the due date is reached, to ascertain whether the actions have been implemented.

4.3 If the actions have not been implemented by the following month reminders are escalated to Heads of Service/ Assistant Director Level. Once they reach 3 months overdue a report is then sent to Directors for those actions.

4.4 As at the 3ʳᵈ September there were no audit actions overdue by more than 3 months.

4.5 Where there are overdue actions Internal Audit contacts the manager to seek explanations for the delays in implementing these recommendations. If an action remains outstanding, these audit areas are considered for a follow up audit review.

5. ALTERNATIVE OPTIONS

5.1 None for the purposes of this report.

6 CONSULTATION UNDERTAKEN OR PROPOSED

6.1 The Internal Audit Plan has been agreed with Chief Officers who have consulted with their Management Teams. Service Level Agreements are in place. The Head of Internal Audit & Investigations has periodic meetings with the Directors to report upon progress against the Plan.

6.2 All audit reports are discussed with the relevant manager 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.

7 TIMETABLE

7.1. None for the purposes of this report.

8 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

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

9   LEGAL AND STATUTORY IMPLICATIONS

9.1   This report sets out a framework for Internal Audit to provide a summary of internal audit work for 2015/16. 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.

10.   HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

10.1   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.

11   CRIME AND DISORDER IMPLICATIONS

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

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

12   RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

12.1.   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.

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

12.3.   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 – Audit reports issued since March 2015
- Appendix B - Audit Report summary (limited assurance)

BACKGROUND PAPERS

i. Documents held in Internal Audit Files

Audit Title	Department	Assurance
Members declaration of interest	corporate governance	assurance
Registry Office	establishment	assurance
PCN	financial system	assurance
Commerical waste services	service specific	assurance
Priory C&E primary school	establishment	assurance
DFG audit	procurement	**limited**
Creditors	financial system	assurance
Council tax systems	financial system	sub ass
Telecommunications	service specific	assurance
Oyster card review	service specific	assurance
Procurement card expenditure	financial system	assurance
Section 106 & CIL	service specific	assurance
Treasury management	financial system	**limited**
MSJCB	grants	N/A
AGS	governance	N/A
Risk management	governance	assurance
Supporting people	procurement	**limited**
Block and Spot Contracts	procurement	**limited**
Transforming families	grants	n/a
Local welfare support scheme	service specific	assurance
Raynes park high	establishment	assurance
Monitoring of school returns	service specific	assurance
Youth service	establishment	assurance
Business Continuity/disaster recovery	governance	assurance
Stanford Primary School	establishment	assurance
itrent	financial system	**limited**
Grants to Vol. Sector	grants	assurance
DBS	service specific	**limited**
Transport fleet management	service specific	**limited**
PRG audit	grants	n/a

draft

Business Rates	financial system	assurance
Service tenancies	service specific	limited
Sickness absence	service specific	limited
Software licences	service specific	assurance
Insurance	service specific	assurance
APS cards	service specific	limited

Internal Audit Report Summary- Limited Assurances

Service	**Itrent**		
Date of Final Audit Report	12th August 2015		
Audit Actions	9	Completed Audit Actions	3
Audit Objectives	To review the overall management arrangements, IT security and system access and process for managing starters, leavers, payments and deductions.		
Summary of Audit Findings	Management presence at the Shared Service is acknowledged to be weak and a decision has been made to recruit to two management positions. However at the time of this review, the recruitment activity had not yet been completed, although the recruitment process had started. Although some procedures have been documented, these are limited. We note the improvement in the extent of procedure documents during the year, however comprehensive, procedural guidance has not been documented for the Shared Service We noted that the Head of Joint HR Transactional Services' role requires her to work across three sites and that the Payroll Manager works three days a week. The provision of management support to staff at the Shared Service is therefore limited. We were informed that approval has been given for recruitment activity to take place to improve resilience in this area, and that an advert had been placed and arrangements were underway for interviews. However at the time of our review the positions had not yet been filled. This, combined with the lack of comprehensive documented procedures, increases the risk that procedures and controls may not operate consistently as required. For example, we noted that during the course of the review the Shared Service 'clear desk' policy was not adhered to by staff, and that folders containing documents such as employee bank details, were stored insecurely. The new user account creation process is not consistently operating as intended. Evidence of formal authorisation was not available for one new starter in Merton, (and four new starters in Kingston upon Thames and Richmond, from our sample of 16). Sample testing identified that a contractor with administrator account permissions who had left the organisation however had both a live iTrent account and active AD account. Security events are captured and recorded on the iTrent system accordingly. However there is no formal process for the reviewing of security alerts. Process walkthrough and discussions with the Business Operations Team confirmed that there are no controls		

Internal Audit Report Summary- Limited Assurances

Service	Itrent
	in place to prevent or detect errors in manual input when posts are created. Reliance is placed on client HR teams to identify input errors
	While email does provide a means of recording incoming queries it does not fully support classification, tracking and closedown, particularly where it is possible to also make request by telephone. However, we note that the team operate a dedicated email address and will colour code the status of helpdesk queries, and file them in 'completed' folders per client once they have been addressed. This is in the absence of a customer service application which could classify and track queries.
	We noted that Section 23 and 24 of the LB Sutton Integrated HR and Payroll Service Contract do not specify what constitutes 'appropriate' payroll/HR data or specify a minimum data retention period. There was no evidence that the statutory requirement had been formally communicated to and agreed by Agilisys, or was monitored as part of the contract relationship. On raising this issue with management, we note that actions were taken to start the required process to address this issue, and we were informed by an Agilisys representative that an adjustment to include data retention dates in the contract was being processed by General Council.
	Testing identified 2 out of 7 Voluntary Organisations where the list of authorised signatories was not in place for new starter instruction forms to confirm that details provided have been subject to appropriate pre-employment checks to supporting documentation prior to authorisation. We note that management took immediate action to address this issue for the organisations identified.
Summary Response from Managers	Recruitment is in progress.
	MB has contacted MS for further clarity about this item. MS have stated that an end to end exercise of all payroll-related processes needs to be undertaken and each process that is identified requires a process document written to accompany it. MS accept that the payroll processes currently in use are working robustly except for the absence of all related documentation available. Proposal to engage a Business Analyst to undertake the end to end exercise and then draft a series of related payroll processes to comply.
	Further training of Client Team personnel on data security and related matters is being reinforced in September and will be repeated on a quarterly basis by Client Manager and Joint HoS.

Internal Audit Report Summary- Limited Assurances

Service	Itrent
	On a fortnightly basis all iTrent Client Officers (including Spoke Team), who are responsible for setting up users, are sent a report via email of new 'super users' that have been set up in that period. The purpose of this is to remind Client Officers that a written request must be received from an appropriate signatory (please see 'super user' procedure) and sent to Trinityrfi@merton.gov.uk. This ensures that there is a central repository of requests that are reviewed on a quarterly basis by the Business Ops Team. If an account has been set up without a request being received by Trinityrfi@merton.gov.uk, the user account will be suspended until a request has been formally received. This process will be documented in full by 1st September 2015. A new listing of active iTrent system admin access accounts has been developed and will be scheduled to be sent to the JtHoS on the first working day of every month. The JtHoS will receive an overview of anyone who has an active system admin access user account, including the Spoke Team in Kingston, and the JtHoS will then authorise if any access should be end-dated or made inactive. This new action should demonstrate reasonable compliance for audit scrutiny. This new process is currently being developed by the Client Ops Team and will be tested with Agilisys then implemented by the proposed completion date. The Business Operations Team will investigate with Agilisys whether a workflow can be sent to a user who has been locked out of the system after three failed attempts. This will notify them if someone else is trying to access their account. The Business Operations Team will write procedures detailing the process for resetting users' iTrent passwords as well as initially granting their access to iTrent. These procedure notes will cover all scenarios, including users who connect using LDAP and Non-LDAP accounts. A weekly report will be sent to all users responsible for creating Posts (ie in Business Operations) which shows the FTE hours, cost code and grade, all of which are entered by these users. This report will be used by each user to validate their input. In the absence of a bespoke CRM tracking system, the Trinityrfi inbox is managed effectively in the following manner: when emails are actioned by the Business Operations Team via the Trinityrfi email address they are filed in a dedicated electronic folder for each organisation, with colour-codes to differentiate a pending or completed action. These folders are archived every six months, with the emails being easily accessible through Merton's Source One system. Procedures for archiving emails and resolving issues within 24 hours are being documented

Internal Audit Report Summary- Limited Assurances

Service	**Itrent**	
	for completeness. Agilisys have confirmed they will liaise with SLLP to develop an inclusion into the primary contract between LB Sutton and Agilisys Ltd regarding data retention periods and 'appropriate' payroll/HR data.	

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Service	**DFG**	
Date of Final Audit Report	30th March 2015	
Audit Actions	10	Completed Audit Actions	2, and 8 outstanding but not yet due
Audit Objective	To review compliance with CSO and the process and procedures.	
Summary of Audit Findings	From the start of 2014/15 responsibility for DFG transferred to Housing Needs and Strategy (HNS). HNS has been reviewing and developing policies, controls and management information for DFG. At the time of audit, grants were awarded on a first-come-first-served basis. The service has been reviewing the basis for the prioritisation of the award of grants. The service has also been reviewing how to maximise potential contributions from Registered Providers. Weaknesses identified in previous reports in relation to compliance with Contract Standing Orders (CSO) / best practice remain outstanding, in particular about separation of duties, and also the packaging of contracts to achieve best value. The service is developing a two-stage plan with a formal contract with home improvement agencies (HIA) scheduled for 1st April 2015 and a revised approach that will ensure compliance with contract standing orders for 1st April 2016. The service has weaknesses in information about the amount of funding available for grants. In the last financial year - 2013/14 - this appears to have contributed to a moratorium on the award of grants. As per the period seven 2014/15 budget monitoring return, the service budget was £1.3m, with a forecast underspend of £545k (41%).The service is developing a spreadsheet to address the need for more effective financial information.	

Internal Audit Report Summary- Limited Assurances

Service	DFG
	The recommendations in this report include obtaining best value from corporate procedures, and enhancing local controls.
Summary Response from Managers	The service has agreed to formalise monitoring of its financial position; to ensure that changes to legislation with regard to passported benefits are reflected in its procedures; and undertake a two-stage programme to ensure compliance with Contract Standing Orders, such that a new contract will be in place for 2015/16, and new procurement arrangements that ensure full compliance with Contract Standing Orders are in place for 2016/17.

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Service	Treasury Management		
Date of Final Audit Report	11th June 2015		
Audit actions	9	Completed Audit Actions	All outstanding 4 overdue
Audit Objectives	To ensure that the treasury management strategy and polices comply with legislation and best practice.To ensure transactions relating to amounts received or paid are valid, accurately recorded and appropriately authorised and that cash-flow is adequately monitored. To ensure that the council maximises its return on investments and minimises interest, without exposure to excessive risk and loss and to review the access and authorisation controls to ensure adequate segregation of duties, to reduce the risk of fraud.		
Summary of Audit Findings	The Treasury function consists of the Interim Treasury and Insurance Manager and the Fund Officer. Limited resources have not allowed for effective back-up arrangements in relation to Treasury. In the absence of the Fund Officer, duties can be undertaken by the Treasury and Insurance Manager. We found no evidence of cover for the Interim Treasury and Insurance Manager. Insufficient resources have not allowed for effective segregation of duties in relation to Treasury Activity. We noted that there is certain lack of clarity in relation to the process of approving Treasury deals. In particular a daily fund sheet summarising Treasury Activity for the day is signed off by one of four senior managers independent of the Treasury Function. There appeared to be certain lack of clarity as to whether the signature signifies approval of loans and investments, authorisation of fund transfers or both. The four senior managers signing off fund sheets are not provided with supporting documentation regarding the approved counterparty list and counterparty credit		

Internal Audit Report Summary- Limited Assurances

Service	Treasury Management
	limits. At the time of testing (11 March 2015), daily cash updates on the Logotech Treasury Management System were last completed for 25 February 2015 (i.e. a 14 day delay in processing of daily cash updates). At the time of testing (March 2015), monthly reconciliations between Logotech, the General Ledger and bank statements were last completed for September 2014 (5 month delay). Two of eight tested monthly reconciliations (September and June 2014) showed discrepancies between Logotech and the general ledger and bank statements. The Treasury and Insurance Manager produces monthly and annual monitoring reports in relation to Treasury Management. Reports are only provided to the Director of Corporate Services but are not reported to Cabinet.
Summary Response from Managers	A review will be carried out to strengthening the segregation of duty arrangements in relation to Treasury, on the following:- • Delegation scheme to be reviewed to ensure that the rights of the Treasury and Insurance Manager are appropriate in light of limited resource availability. In particular, it must be ensured that where the Treasury and Insurance Manager is a dealer for a particular loan or investment she should not act as an authorised signatory for that deal. In addition, the Treasury and Insurance Manager should not be authorised to sign confirmation letters. • Agreement and documentation of the process to approve loans and investments, including the form of evidencing approval, the number and types of staff signatories required for approval of various types of deals (e.g. short and long term deals, new counterparties, etc.), timing of approval and the required documentation to be provided to members of staff providing approval. The need for a signature to authorise initiation of treasury deals should be enforced. • A review of the procedures will be undertaken. • Regular reconciliations will be carried out.

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Internal Audit Report Summary- Limited Assurances

Service	**Supporting People**		
Date of Final Audit Report	29th June 2015		
Audit actions	9	Completed Audit Actions	1; with 2 overdue
Audit Objectives	To confirm that there is an effective and transparent process for assessing the needs of new and existing clients. To review the contractual arrangements with providers and ensure that services are provided in accordance with the terms of the contract and there is consistency between providers in terms of charging for services. To confirm that there is effective budgetary control over the Supporting People Programme, payment of invoices and to ensure that invoices are paid correctly, accurately and on time. To confirm that there is a strategic review of the service at regular intervals to ensure that it stays aligned to the changing needs of its client base.		
Summary of Audit Findings	Our review showed that there is a sound system for monitoring spend against the budget and effective controls to ensure payments by the ASC Procurement Team to providers are accurate, correct and timely. However, a number of issues highlighted in the previous audit report still remained outstanding at the time of this audit. These are set out below: - The Strategic Plan for the Supporting People Programme, covering the period 2005-2010, has not been refreshed since it was first launched. - We were informed that there is a procurement plan in place for 2015/16 which will include a review of the supporting people programme with the aim of taking decisions on the future direction of supporting people services. As such the Strategic Plan held on the Intranet is now redundant. - Some contracts with providers have not been re-tendered for a number of years. The majority of these have been in place for over 9 years. It is acknowledged that there is a Procurement Plan in place for 2015/16 which covers all of Supporting People Services. - There was a lack of referrals data available and lack of information on the review process of clients placed in some categories of service, with ASC Procurement Team receiving no information on their assessment or whether their needs have changed from the time they were first assessed. In particular, there appears		

Internal Audit Report Summary- Limited Assurances

Service	Supporting People
	to be a lack of periodic review by referring teams of client support needs. This is a key reason as to why the audit is only given limited assurance. • Checks are made at the beginning of a subsidy placement with regard to HB entitlement and random checks are carried out if any issues relating to specific customers or providers become apparent. However, no regular further checks are made to confirm that the client remains entitled to Housing Benefit (HB). • Documentation relating to the six month extension of contracts expiring in September 2014 had been sent to the providers for agreement, but for one provider it was noted it had not been returned at the time of this audit (December 2014). As there was no signed agreement in place with the provider, the authority could be at risk from any legal action by third parties. As part of the review of the cost effectiveness of the service, we carried out a comparison of costs charged by providers for similar services in order to identify any inconsistencies. We found that there appeared to be no consistency between providers of comparable services in respect of contracted charges for clients in supporting people placements. We looked at a range of contracts of a similar category and found that customers had a range of rates. Our review of the general aspects of service provision showed that: • There is a lack of co-ordination and communication between referrers and those responsible for providing support, and those with responsibility for managing the service. • There also appears to be a lack of periodic review by referring teams of client support needs. • There was insufficient monitoring and reporting of the performance of providers. However, we were informed that that a dedicated contracts monitoring officer has assumed responsibility for this service during the current financial year and it is anticipated that the monitoring and reporting of performance will become more robust. • Timescales for people on short term support are not being adhered to by referring officers. A significant number of clients were found to receive support beyond the term specified in the contract, due to a lack of review of customers by referring teams. • Some of the performance data submitted by providers showed a different level of units available to that contracted. Consequently this could give a false impression of full occupancy as it excludes void units. • Reliance has historically been placed solely on information supplied by providers with no independent verification of this information. Validation visits to provider's premises have been stopped due to a lack of

Internal Audit Report Summary- Limited Assurances

Service	**Supporting People**
	capacity in the Procurement Team. However, we were informed that a dedicated contracts monitoring officer has now assumed responsibility for this service, which will include validation visit.
Summary Response from Managers	• A strategic review of the service as part of developing the commissioning plan for the service. • Regular review of client's needs to be discussed and agreed at the July Performance and Quality Assurance Board (PQA Board). • A strategic review of charges by providers. • Improved performance monitoring to be considered as part of the development of business dashboard across Assessment and Commissioning. • Put in place a robust filing system for contracts.

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Service	**Block and Spot Contracts**		
Date of Final Audit Report –	23rd June 2015		
Audit actions	13	Completed Audit Actions	6; with 1 overdue
Audit Objectives	To ascertain the different agreements in place with providers, for example, block / spot contracts and agreements. To review compliance with Contract Standing Orders and whether Value For Money has been achieved in regard to usage. To examine a selection of providers to ensure contracts are in place. To ensure for a sample of providers that payments have been made in accordance with financial regulations and contract terms and conditions. To ensure an effective review and monitoring programme is in place for contract costs and service performance.		
Summary of Audit Findings	The council is currently at a planning stage of restructuring its service and procurement mix in relation to Adult Social Care. The implementation of a long term commissioning and procurement strategy is being planned. The project will aim to enhance Value for Money and to ensure that savings targets and service continuity can be achieved in the challenging environment of increasing service demand, increased costs, budget cuts and service		

Internal Audit Report Summary- Limited Assurances

Service	Block and Spot Contracts
	provider shift towards higher-margin self-funded clients. In the short term the Commissioning approach focuses on maintaining provision by current partners and negotiating reduced price inflation until a more thorough strategy is implemented in order to ensure immediate service continuity. According to the council's Financial Procedures (Contract Standing Orders), an options paper/business case report should be produced and approved by senior management to agree the optimal procurement approach prior to initiation of a tendering process. We found no evidence of such report for either of the two block contracts within Day Care Services. Discussion with the Procurement and Contracts Compliance Manager established that no performance review meetings take place with the two block contract service providers within Day Care. It was stated that this is due to resource limitations/time constraints leading to other contracts (e.g. those related to Domiciliary Care) being prioritised as these are perceived to be associated with higher risk. Discussion with the ASC Procurement and Contracts Compliance Manager established that currently there are no formal agreements with spot purchase providers of Day Care services. It was stated that prices, and level and type of services provided are agreed between the spot provider and Brokerage and are reflected within the Care First system. Payments are processed by the Transaction Services Team upon receipt of an invoice and subject to active service provision being reflected in the Care First system.
Summary Response from Managers	Work has begun on the development of a spot purchase contracts register. We shall review all contract variations and determine whether they still serve a purpose. Business cases are submitted to ASSM prior to procurement for all services above tendering thresholds. Work has already begun on developing a set of conditions for spot purchase placements. We will liaise with all relevant stakeholders (e.g Transaction Services, service managers etc) to ensure that they have relevant contract information to support their roles. This is being implemented through our 2015 ASC Contracts Monitoring Plan.

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Internal Audit Report Summary- Limited Assurances

Service	**DBS**		
Date of Final Audit Report	27th August 2015		
Audit actions	6	Completed Audit Actions	6
Audit Objectives	To review whether the Merton CRB policy and procedures are adequate and test a sample of posts to ensure that they have been suitably DBS checked.		
Summary of Audit Findings	Control weaknesses in the recruiting of staff have impacted on the work carried out by the Disclosure Team and have resulted staff being employed and working with children and / or vulnerable adults without a DBS check. One such person was found not only to have worked with children, but to have a criminal record, was employed without going through the proper recruitment channels, and despite being aware of his criminal record, his manager did not request a DBS check to be carried out. As well as this, it was unclear as to whether DBS checks had been carried out on five members of staff, and a further two members of staff working in a school. The Disclosure Team did not have disclosure details of two members of staff who had completed a paper DBS. Thirty-four members of staff within the Children, School's and Families, and the Community and Housing Departments had had a DBS check but the details had not been entered on to iTrent, and the DBS / CRB checks relating to three further members of staff who work in the Community and Housing Department had not been transferred over from Pharis to iTrent. The Disclosure Team need to do a full review for all departments of all staff requiring DBS checks to ensure that this has been carried out and alert managers where there are gaps.		
Summary Response from Managers	A thorough check has been carried out on all posts that require a DBS check to ensure that they have all been done, that the information is correct on iTrent and that the information held by the Disclosure Team is correct. Where any areas of concern have been identified managers have been contacted to alert them to this and to ensure that the DBS checks are carried out. Controls have been strengthened with the use of the WCN system as the requirement for a DBS check is recorded on the WCN system when the vacancy is raised (a mandatory requirement). New starters are added to		

Internal Audit Report Summary- Limited Assurances

Service	DBS
	the payroll system (iTrent) by the recruitment team once they have been adequately screened to the required standard. Managers now cannot progress candidates through to start date without completing this form electronically on the recruitment system WCN. The COT team are required to return files to managers and advise the recruitment team if any candidates are passed direct to payroll for entry onto iTrent. From our investigations the recruitment process for Young Inspectors was agreed with HR prior to recruitment, and the COT team put the inspectors on iTrent. This does not appear to have triggered DBS processes. This historical process no longer applies as it is now carried out through recruitment. P attended 2 visits accompanied by AH / I (CL's cover) and was not left alone throughout the duration of the visits.

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Service	Transport Fleet Management		
Date of Final Audit Report –	14th August 2015		
Audit actions	15	Completed Audit Actions	4 completed (11 not yet due)
Audit Objectives	The council transport arrangements for procurement, management and disposal of vehicles are reviewed.		
Summary of Audit Findings	The process for procuring new vehicles requires more control. There is currently no set written procedure for either managers or Transport Services to follow and there is an inconsistent method for request and authorisation of vehicles, with the Capital Team, CMT and the Merton Improvement Board being bypassed in some cases. One vehicle was found to have been ordered on Proactis and charged to a revenue code. This order had been approved by both the Interim Youth Service Manager and the Education Inclusion Manager. A large number of fleet vehicles were found to have been omitted from the vehicle asset register. A pre-delivery inspection should be carried out on all new vehicles prior to handover, however, this is not always being done and in some cases the inspections are not being carried out in full. Vehicle and Plant Handover		

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Internal Audit Report Summary- Limited Assurances

Service	Transport Fleet Management
	Certificates for new vehicles are not always being completed with the full required details prior to vehicles being handed over. Of the seven disposals in the twelve months prior to audit, only one Vehicle and Plant Handover Certificate was completed in full and correctly with details of mileage, contact details of who the vehicle went to and reason for disposal, and currently there is no evidence of a separation of duties with regard to disposals. Both the Vehicle Disposal Policy and the Vehicle and Plant Handover Certificate require updating and these need to be available to all staff on the Intranet. Drivers of vehicles are not always completing default forms and need to be reminded that this is a requirement by law.
Summary Response from Managers	A review of processes for procurement will be undertaken to ensure it is appropriate and sound, and takes into account ALL of the findings of this Audit The procurement process will be publicised across whole authority (both on intranet and face to face) and Periodic refresh of publicity will be undertaken to remind managers of requirements Review of asset register updates is to be undertaken Pre-delivery inspections are now all carried out and in full, including passed brake and emissions tests Vehicle disposal procedures and policy has not been reviewed and updated.

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