

## 7. INTERNAL AUDIT – MONITORING REPORT 18<sup>th</sup> March 2014

Report from: Audit Manager  
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Wards Affected: All  
Key Decision No

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### 1. PURPOSE OF REPORT

The purpose of this report is twofold; to update the Committee on the progress of the 2013-2014 Internal Audit Plan and to report on the progress made in implementing previously agreed recommendations.

### 2. SUMMARY

- 2.1 The audit plan provides for a mix of coverage on fundamental systems, IT systems and service systems, which have been identified as potential risk areas. Appendix A summarises the progress to date on the plan.
- 2.2 Appendix B provides an update on the implementation of previously agreed recommendations.

### 3. RECOMMENDATIONS

**The Audit Committee is asked to receive the report.**

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### 4. REPORT TO AUDIT COMMITTEE

#### **Progress on implementing previous recommendations**

- 4.1 The outstanding recommendations from previous Internal Audit reports have been reviewed, with the latest situation and relevant comments included in Appendix B.

#### **Progress against the 2013-14 Internal Audit plan as at 18<sup>th</sup> March 2014**

- 4.2 In line with the audit programme for the current year we have now issued all reports with the exception of the following:
- Back-up and Disaster Recovery
  - Change & Configuration Management
  - PSN
- 4.3 At the time of writing this report fieldwork is nearing completion for each of the above audits and draft reports will be issued prior to 31<sup>st</sup> March 2014.
- 4.4 The Use of Data audit has been removed from the audit plan following discussions with the Assistant Chief Executive and Performance and

Partnerships BUL. This audit was originally included in the 2012/13 Internal Audit Plan at the request of the former Assistant Chief Executive but having postponed the work until this year it is felt that officers in post are already conducting sufficient exploratory work in this area and so an internal audit would not offer the Council any further assurance than it already receives.

### **Background Papers**

Internal Audit reports relating to 2013-2014  
Working papers relating to 2013-2014

**Mid Sussex District Council  
Internal Audit Plan 2013/14  
Progress Report 18<sup>th</sup> March 2014**

Audit Area	Rating	Budget/ Days	Provisional Timing – commencing	Fieldwork Commenced	Draft Report Issued	Management Responses Received	Target date for issue of Final	Final Report Issued	High Findings Reported to Audit Committee	Comments
<b>Fundamental Systems</b>										
NNDR – CenSus Partners	High	N/A	Qtr 3							Audit to be conducted by Adur – awaiting report
Council Tax – CenSus Partners	High	20	Qtr 3	28 Oct 2013	12 Dec 2013	13 Jan 2014	20 Jan 2014	13 Jan 2014	N/A	Audit to be conducted by Mid Sussex
Housing Benefits – CenSus Partners	High	N/A	Qtr 3							Audit to be conducted by Horsham – awaiting report
Payroll	High	5	Qtr 4	20 Jan 2014	7 March 2014					
Income Collection (Cashiers)	High	10	Qtr 3	18 Nov 2013	29 Nov 2013	29 Nov 2013	6 Dec 2013	29 Nov 2013	N/A	
Treasury Management	High	5	Qtr 4	24 Feb 2014	7 March 2014					
Payments (Creditors)	High	5	Qtr 4	13 Jan 2014	22 Jan 2014	31 Jan 2014	7 Feb 2014	31 Jan 2014	N/A	
Sundry Debtors	High	5	Qtr 3	7 Oct 2013	17 Oct 2013	18 Oct 2013	25 Oct 2013	18 Oct 2013	N/A	
Capital Accounting & Asset Management	Medium	7	Qtr 4	20 Jan 2013	30 Jan 2014	31 Jan 2014	7 Feb 2014	31 Jan 2014	N/A	
Budgetary Control	Medium	4	Qtr 3	9 Dec 2013	12 Dec 2103	12 Dec 2013	19 Dec 2013	12 Dec 2013	N/A	
<b>Computer Audit</b>										
Back-up and Disaster Recovery	High	5	Qtr 3	20 Dec 2013						
Change and Configuration Management	High	7	Qtr 4	17 Jan 2014						
BACS		5	Qtr 2	25 July 2013	30 Aug 2013				N/A	Awaiting management response
PSN		3	Qtr 1	17 June 2013						Delayed due to PSN failure

Audit Area	Rating	Budget/ Days	Provisional Timing – commencing	Fieldwork Commenced	Draft Report Issued	Management Responses Received	Target date for issue of Final	Final Report Issued	High Findings Reported to Audit Cttee	Comments
<b>Required by Senior Management</b>										
Procurement		6	Qtr 3	29 Oct 2013	12 Nov 2013	13 Nov 2013	20 Nov 2013	15 Nov 2013	N/A	
Pitches and Pavilions		6	Qtr 1	13 May 2013	24 May 2013	12 Sept 2013	19 Sept 2013	12 Sept 2013	N/A	
Anti Fraud Work		7	Qtr 2	9 Sept 2013	1 Oct 2013	21 Oct 2013	28 Oct 2013	28 Oct 2013	N/A	
Land and Property		7	Qtr 2	15 July 2013	12 Sept 2013	17 Sept 2013	24 Sept 2013	17 Sept 2013	N/A	
<del>Use of Data</del>		<del>40</del>	<del>Qtr 3</del>							Removed from the plan
Landscapes		10	Qtr 2	5 Aug 2013	13 Sept 2013	23 Oct 2013	30 Oct 2013	1 Nov 2013	20 Nov 2013	See Appendix B

Draft report should be issued no more than 20 working days after debrief meeting.

Management Responses should be received no later than 10 working days after issue of draft report.

Final Report should be issued no later than 5 working days after Management Responses are received.

**Landscapes**

Issued: 1<sup>st</sup> November 2013

	Management Response, Responsible Officer and Current Status.	Implementation Dates Original Revised	
<p><b><u>1. Cumulative expenditure in common areas</u></b></p> <p>The Senior Engineering Officer confirmed Contract Procedure Rules had not always been adhered to, particularly in cases where, for example, the need to get the job done quickly did not allow sufficient time for a local tender process to be formally carried out.</p> <p>He was also aware that accumulated expenditure with the same supplier or in the same areas may be exceeding the thresholds above which formal contract tendering exercises should be undertaken.</p> <p><b><u>Risk</u></b></p> <p>Staff may not be complying with the Council's Financial Procedure Rules.</p> <p>This could lead to purchases being made which are not offering the Council value for money.</p> <p><b><u>Recommendation</u></b></p> <p>Where staff suspect that cumulative expenditure with the same suppliers in the same areas is exceeding thresholds over which contract tendering procedures should be followed, they should be notifying the appropriate Business Unit Leader(s) and contacting Procurement officers in order to obtain suitable advice.</p>	<p><b>Management Response – 1<sup>st</sup> November 2013</b></p> <p>Staff endeavour to comply with all of the Council's Financial Procedure Rules. A further clarification and reminder of standing orders has been issued to all staff in Property and Landscapes.</p> <p>The issue of cumulative expenditure is known to officers and discussions are underway with the Procurement team to enter into already established framework agreements for playground works initially, followed by civil-related works.</p> <p><i>[Principal Landscape Manager and Property &amp; Asset Maintenance Manager]</i></p> <p><b>Management Response – 18<sup>th</sup> March 2014</b></p> <p>In September 2013, a project team was set up to look at how we procure the work that the Senior Engineering Officer deals with. The general thinking is that we would look to pursue a framework agreement for the playground maintenance work along the same lines as the Espo contract entered into by Crawley Borough Council. Our procurement team at Horsham District Council has suggested this and we are trying to get agreement on this matter from the project team to take this forward.</p> <p>We are also looking at doing a tender for other work packages to include gritting, general fencing, bins, tarmac surfacing on car parks etc. as part of a separate tender which will include individual work packages whereby tenderers can bid for individual or all of the packages. We are working on putting these specifications together and doing a suppliers engagement day in order to tender this work as well.</p> <p><i>[Property &amp; Asset Maintenance Manager]</i></p>	31/3/14	31/12/14
<p><b><u>2. Obtaining adequate quotations</u></b></p> <p>Testing was carried out on a sample of the 20 highest payments between August 2011 and August 2013 in relation to Landscapes to ensure that an adequate number of quotations had been sought in line with best practice. Testing identified the following weaknesses:</p>	<p><b>Management Response – 1<sup>st</sup> November 2013</b></p> <p>A further clarification and reminder of standing orders has been issued to all staff in Property and Landscapes.</p>	1/11/13	N/A

	<b>Management Response, Responsible Officer and Current Status.</b>	<b>Implementation Dates</b> <b>Original Revised</b>	
<ul style="list-style-type: none"> <li>- Four purchases between £10k and £15k had less than three written quotes to support the purchase. A further two purchases between £5k and £10k also had less than three quotes on file;</li> <li>- Four purchases between £5k and £10k had no quotes at all on file; and</li> <li>- Three purchases showed evidence of more than one quote having been sought. However, the quotes were dated seven months (twice) and eleven months apart.</li> </ul> <p><b>Risk</b></p> <p>Where quotations are not being sought, particularly for higher value purchases, there is a risk that the Council is not getting value for money.</p> <p>There is also a risk of fraud where the administration of seeking and receiving quotations is not managed correctly.</p> <p><b>Recommendation</b></p> <p>Written quotations should be sought for purchases above a specified threshold unless there are valid, documented reasons.</p> <p>Written quotations should be sought and requested on the same day as far as reasonable practicable.</p>	<p>A note has been issued to the team setting out the contract procedure rules and local tendering requirements for the Property and Asset team that includes the Senior Engineering Officer.</p> <p>Better file notes for decisions made are to be kept.</p> <p>See also the response to recommendation 1 above.</p> <p><i>[Principal Landscape Manager and Property &amp; Asset Maintenance Manager]</i></p> <p><b>Management Response – 18<sup>th</sup> March 2014</b></p> <p>Following the reminder issued all the team now obtain the relevant number of quotations and work in accordance with the Council's financial procedures.</p> <p><i>[Property &amp; Asset Maintenance Manager]</i></p>		
<p><b><u>3. Analysis of non-contracted expenditure</u></b></p> <p>Testing carried out during the audit indicated that expenditure in this area has not been periodically analysed in the past. However, discussion with the Landscapes BUL and the Property &amp; Asset Maintenance BUL indicated that such an exercise had recently been commenced at the time of audit.</p> <p>Reports of all expenditure within Landscapes between August 2011 and August 2012, and also between August 2012 and August 2013 were reviewed and the following identified:</p>	<p><b>Management Response – 1<sup>st</sup> November 2013</b></p> <p>This is a reflection of regular one-off jobs being given to reliable local contractors that are known to do a good job at a competitive price and within timescales needed by the client.</p> <p>The use of already established framework agreements will assist in rectifying this. It is intended to start using these agreements from next year.</p> <p>A monitoring system will be put in place to check expenditure patterns.</p> <p><i>[Principal Landscape Manager and Property &amp; Asset Maintenance Manager]</i></p> <p><b>Management Response – 18<sup>th</sup> March 2014</b></p>	31/3/14	30/4/14

	<b>Management Response, Responsible Officer and Current Status.</b>	<b>Implementation Dates</b>	
		<b>Original</b>	<b>Revised</b>
<ul style="list-style-type: none"> <li>- During 2011/12, seven suppliers were paid in excess of £20,000 for non-contract works;</li> <li>- During 2012/13 the corresponding figure was ten suppliers; and</li> <li>- Five suppliers received more than £20,000 during both one-year periods.</li> </ul> <p><b><u>Risk</u></b> The Council might be making purchases on a one-off basis which could be made through a contract or framework agreement. Value for money may not be achieved.</p> <p><b><u>Recommendation</u></b> A comprehensive analysis of non-contracted expenditure on works of this nature should be undertaken to identify opportunities where efficiency savings could be made.</p>	<p>I should have a schedule from our Finance Systems team by the end of April detailing all expenditure by the Senior Engineering Officer for 2012/13 plus up to date information and a monthly report to follow detailing all orders made, for what, how much and with which contractor in order for me to monitor and analyse the work and expenditure.</p> <p><i>[Property &amp; Asset Maintenance Manager]</i></p>		