

# Somerset West and Taunton

## Report of Internal Audit Activity

Plan Progress 2020/21 – December 2020

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## Internal Audit Plan Progress 2020-21

### Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



### Role of Internal Audit

The Internal Audit service for Somerset West and Taunton Council is provided by SWAP Internal Audit Services Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit, Governance and Standards Committee at its meeting in March 2020.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Leadership Team. The 2020-21 Audit Plan was reported to the Audit, Governance and Standards Committee and approved at its meeting in March 2020. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Internal Audit Plan Progress 2020-21

### Outturn to Date:

**We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.**



### Internal Audit Work programme

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2020/21. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed. Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management.

In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in **Appendix A**.

The following table summarised Audits finalised since the previous update in September 2020:

| Audit Area                                       | Quarter     | Status | Opinion |
|--|-------------|--------|---------|
| Grounds and Open Spaces - External Work – Income | Q1, 2020-21 | Final  | Limited |
| Procurement                                      | Q1, 2020-21 | Final  | Limited |
| Treasury Management Follow Up                    | Q3, 2020-21 | Final  | -       |
| Banking Arrangements Follow Up                   | Q4, 2020-21 | Final  | -       |

Please see the Limited/No Assurance section below for further information on the above reviews.

## Internal Audit Plan Progress 2020-21

### Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

### Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee

- Limited or No Assurance Opinions
- Follow-ups



### Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in **Appendix A**. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with significant (High) corporate risks.



### Summary of Work Completed – Limited or No Assurance Opinions

#### **Grounds and Open Spaces – External Work – Income – Limited Assurance (July/August 2020)**

In 2019-20 the debtors audit highlighted a significant drop in income received during transformation in relation to grounds and open spaces external works. Therefore, the purpose of this review was to ensure that external works for grounds and open spaces are invoiced completely and correctly and fed into the e5 financial system completely and accurately.

Our reason for providing limited assurance was that there were weaknesses across all the controls we examined and therefore we could not give assurance that all invoices that should have been raised had been for this income stream. The importance of raising invoices in a timely manner could be seen through the number of credit notes that had been raised for 2019/20 (£322k) due to challenges on the accuracy of invoices issued. This issue appeared to be compounded with the lack of retained detailed information, as staff that were involved in the jobs had left, so further information could not be provided.

What is pleasing in this area, however, is that control improvements have recently been made by management and these should help address this issue. Invoices for Parish Councils are now invoiced quarterly as opposed to annual and exception reports are being run to ensure all outstanding jobs on Open Contractor are reviewed regularly so that invoices can be raised promptly. As these controls were relatively new insufficient evidence was available for us to place too much reliance on them at the point of testing during July and August 2020.

## Internal Audit Plan Progress 2020-21

### Completed Assignments:

**Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee**

- **Limited or No Assurance Opinions**
- **Follow-ups**

### Summary of Work Completed – Limited or No Assurance Opinions

Other issues that we identified during this review were the absence of key documents. There was no overall Grounds and Open Spaces Strategy for income generation to provide direction and no detailed Schedules of Works to aid tendering and quotes. There was also an absence of procedure documents which included calculating hourly rates and pricing, the management of quotes and tenders, raising jobs on Open Contractor and the close-down process. Without these management have reduced control over processes to ensure they happen timely, accurately and to the right standard and that works undertaken are not done so at a loss.

Previously raised weaknesses within our 2019/20 Main Accounting and Debtors reviews were still present and whilst separate recommendations had not been made within this review, they did impact on our overall opinion. These included the weaknesses in the organisational budget monitoring process and whilst there were some compensating controls in place the lack of reconciliations between the Open Contractor database and e5 to provide assurance that all debts had been transferred across to the main finance system is still a weakness. Furthermore, we also identified within this review that there was no reconciliation between Open Contractor (old year) to Open Contractor (new year) and to accepted quotes to Open Contractor. Management have subsequently decided to stop using Open Contractor for 2021/22 and from then on, all invoices will be raised in e5 so they can be monitored in line with the new corporate monitoring process.

There has been a significant change in staff across Grounds and Open Spaces and there appears to be a genuine commitment to ensure that controls are strengthened, this augurs well for the future. One final point with regards to staffing was that there was a lack of suitable cover for the Case Manager – Localities (Finance). Should she be absent from work this did present a problem with regards to raising invoices. Management have advised that this is being dealt with through the service restructure. As a result of these findings we concluded that the system of governance, risk management and control across Open Spaces required improvement to ensure that all external works were invoiced correctly and fed into the e5 financial system.

The priority 1 and 2 recommendations raised in our report are detailed below in **Appendix C**. The recommendation made in this review will be followed up within the next 6 months to confirm their implementation.

## Internal Audit Plan Progress 2020-21

### Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee

- Limited or No Assurance Opinions
- Follow-ups



### Summary of Work Completed

#### **Strategic Procurement – Limited Assurance (July/August 2020)**

The objective of this audit was to assess the effectiveness of the Procurement unit's strategic direction, legislative compliance, fraud prevention and delivery of value for money at Somerset West and Taunton Council.

We provided limited assurance over the controls reviewed during this audit, as we had identified some gaps, control weaknesses and areas of non-compliance which formed financial and non-financial risks for the council. Our three main findings were that there was a lack of updated Procurement Strategy to provide a governing framework for Procurement; there being no published, detailed operational Procurement guidance for Procuring Officers other than the high-level guidance documented in the Contract Procedure Rules (CPRs); and there being no corporate Procurement training in place for Procuring Officers, or others with responsibilities for Procurement.

Other weaknesses were also identified, pertaining to the controls in respect of exempted spending; non-compliance with the transparency code; a lack of monitoring of contracts reaching the end of their term; a lack of performance measures and monitoring over the Procurement function. The Strategic Procurement Specialist identified that it was possible for an Officer to set up a supplier and submit and approve payment of an invoice against that supplier, without a separate/independent authorisation control being required in the finance system. We were informed that work to introduce mitigating controls in the system to address this risk were already underway (but not yet complete), as part of an existing supplier resilience and set-up procedure review.

The priority 1 and 2 recommendations raised in our report are detailed below in **Appendix C**. The recommendation made in this review will be followed up within the next 6 months to confirm their implementation.



## Internal Audit Plan Progress 2020-21

### Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee

- Limited or No Assurance Opinions
- Follow-ups



### Summary of Work Completed – Follow-ups

Follow up reviews are undertaken where a previous audit has returned a 'Partial Assurance' or 'No Assurance'. This is to provide assurance to the Corporate Governance Committee that areas of weakness have been addressed. Follow up reviews will only focus on the areas of weakness identified in the original review and are usually undertaken 6 months after the original review to allow time for recommendations to be implemented.

#### Treasury Management Follow Up (November 2020)

The Treasury Management audit of 2019-20 received a partial (limited) assurance rating.

The 2019-20 report raised three control weaknesses:

- Procedure were out of date or not written.
- Reconciliations between the investment and loan records and the General Ledger have not been completed.
- No evidence that brokers statements are reconciled to the Treasury management records.

The summary of progress to date is:

| Progress Summary |          |             |             |          |
|------------------|----------|-------------|-------------|----------|
|                  | Complete | In Progress | Not Started | Total    |
| Priority 1       | 0        | 0           | 0           | 0        |
| Priority 2       | 0        | 1           | 0           | 1        |
| Priority 3       | 0        | 2           | 0           | 2        |
| <b>Total</b>     | <b>0</b> | <b>3</b>    | <b>0</b>    | <b>3</b> |



## Internal Audit Plan Progress 2020-21

### Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee

- Limited or No Assurance Opinions
- Follow-ups



### Summary of Work Completed – Follow-ups

#### **Banking Arrangements – Follow Up (October 2020)**

The Banking Arrangements audit of 2019-20 received a partial (limited) assurance rating. The following issues were raised in the original review

- Not all the payments followed the correct internal authorisation procedure (Priority 3)
- The bank reconciliations are not reviewed by an independent officer (Priority 3)
- A Santander log on exists for an ex-employee (Priority 3)
- The Council does not have a copy of the current contract with the bank (Priority 3)
- The banking contract was last tendered in 2012 and extended in 2018 for two years due to transformation. The Council has not yet started the retender exercise. (Priority 2)

The following is a summary on progress against those recommendations:

| Progress Summary |          |             |             |          |
|------------------|----------|-------------|-------------|----------|
|                  | Complete | In Progress | Not Started | Total    |
| Priority 1       | 0        | 0           | 0           | 0        |
| Priority 2       | 0        | 0           | 1           | 1        |
| Priority 3       | 4        | 0           | 0           | 4        |
| <b>Total</b>     | <b>4</b> | <b>0</b>    | <b>1</b>    | <b>5</b> |

Regarding the outstanding recommendation, management felt in light of the proposal to move to a different Local Authority structure across Somerset, it is probably not feasible to undertake a full tendering process at this point, as the banking arrangements would require further changes under any new agreed structure.

## Internal Audit Plan Progress 2020-21

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



### SWAP Performance

SWAP now provides the Internal Audit service for 24 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for Somerset West and Taunton for the 2020/21 (as of November 2020) were as follows:

| Performance Target   | Target Year End | Average Performance |
|--|-----------------|---------------------|
| <b><u>Audit Plan – Percentage Progress</u></b><br>Final, Draft and Discussion<br>In progress<br>Yet to complete  | >90%            | 36%<br>43%<br>21%*  |
| <b><u>Quality of Audit Work</u></b><br>Customer Satisfaction Questionnaire   | >95%            | 96%                 |
| <b><u>Outcomes from Audit Work</u></b><br>Value to the Organisation<br>(client view of whether our audit work met or exceeded expectations, in terms of value to their area) | >95%            | Year end            |

\*based on potential reviews to be moved to 2021-22 plan to accommodate the additional reviews.

## Internal Audit Plan Progress 2020-21

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Due to Covid-19 the plan priority areas will be agreed on a quarter by quarter basis.



### Approved Changes to the Plan

The audit plan for 2020/21 is detailed in [Appendix B](#). Despite the impact of Covid-19 and some additional work being added to the plan, we have not yet removed any items from 2020-21 plan. For this reason, the plan will remain flexible targeting short term priorities as agreed with SLT on a quarter by quarter basis. This is to ensure the plan reflects the changing risks and service pressures and remains relevant to Somerset West and Taunton Council. The following changes have been made to the 2020/21 Audit Plan since the last report:

To manage continuity of work during Covid-19 we have adapted the quarters when audits are undertaken which has resulted in some audits being brought forward and others being pushed back depending on service pressures and staff availability. Current planned timing of audits is contained in [Appendix B](#).

The following list are additional reviews that have been added to the Audit Plan.

- **Local Restriction Support Grant (LRSG)** – this is advisory work discussing the control framework and arrangements in place to minimise the risk of fraud and error.
- **Additional Restriction Support Grant (ARSG)** -Time has been spend discussing through the control framework but we are also providing resource to process these grants.
- **Compliance & Enforcement Grant** – There is a requirement for this grant to be signed off by amongst other the Chief Internal Auditor to confirm the grant has been spent in line with the conditions of the grant. Time has been included to cover the work required to gain this assurance.
- **BEIS Grant Assurance Work** – In October it was announced that the BEIS would require some assurance around the grants from the first lockdown to be due in November. Due to the National lockdown this requirement has been postponed but it is assumed this will need to be done later this financial ear.

We have been asked to undertake two special reviews by management.



### Conclusion

Given the impact of Covid-19 good progress has been made on the Audit Plan for 2020-21 and I would like to think SWT Officers given the additional pressures they are facing. I would draw members attention to the number of Audits that are now showing as in progress. Due to the timing of some of the additional reviews that need to be undertaken as a priority we have brought some additional resource in to ensure those audits that were already in progress are not delayed.

I would also like to advise members that we are looking to move towards a more 'continuous' audit planning process given the level of uncertainty and changes that are now common ground and likely to be for the foreseeable future. I will provide further details on these changes together with information on our ambition to provide more interacting reporting to Senior Management and Audit Committee members at a later date.

## Assurance Definitions

|                             |   |
|-----------------------------|---|
| <b>No</b>                   | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.         |
| <b>Limited</b>              | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.                                |
| <b>Reasonable</b>           | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.                              |
| <b>Substantial</b>          | A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.  |
| <b>Non-Opinion/Advisory</b> | In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. |

## Definition of Corporate Risks

| <b>Risk</b>   | <b>Reporting Implications</b>  |
|---------------|--|
| <b>High</b>   | Issues that we consider need to be brought to the attention of both senior management and the Audit Committee. |
| <b>Medium</b> | Issues which should be addressed by management in their areas of responsibility.                               |
| <b>Low</b>    | Issues of a minor nature or best practice where some improvement can be made.                                  |

## Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

|                   |   |
|-------------------|---|
| <b>Priority 1</b> | Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management. |
| <b>Priority 2</b> | Important findings that need to be resolved by management.  |
| <b>Priority 3</b> | Finding that requires attention.  |

## Summary of Work Plan

## Appendix B

| Audit Type                     | Audit Area  | Quarter | Status              | Opinion  | No of Rec | 1 - Major<br>3 - Minor |   |   | Comments  |
|--------------------------------|---|---------|---------------------|----------|-----------|------------------------|---|---|---|
|                                |   |         |                     |          |           | 1                      | 2 | 3 |   |
| FINAL                          |   |         |                     |          |           |                        |   |   |   |
| Governance, Fraud & Corruption | (NEW) Grant Verification Support Work                   | 1       | Final               | Advisory | -         | -                      | - | - |   |
| Governance, Fraud & Corruption | (NEW) Covid-19 Business Grant Funding Schemes Assurance | 2       | Final               | Advisory | -         | -                      | - | - | Assistance with FRAs for SBGF, RHLGF & LDGF             |
| Follow Up                      | Housing Compliance - Asbestos Management                | 2       | Final               | Advisory | -         | -                      | - | - | Reported in September 2020                              |
| Governance, Fraud & Corruption | Procurement   | 2       | Final               | Limited  | 7         | 0                      | 5 | 2 | See Limited assurance section above & <u>Appendix C</u> |
| Operational                    | DLO External Work - Income                              | 2       | Final               | Limited  | 10        | 1                      | 6 | 3 | See Limited assurance section above & <u>Appendix C</u> |
| Follow-up                      | Treasury Management Follow Up                           | 3       | Final               | Advisory | 3         | 0                      | 1 | 2 |   |
| Follow-up                      | Banking Arrangements Follow Up                          | 4       | Final               | Advisory | 1         | 0                      | 1 | 0 |   |
| DRAFT                          |   |         |                     |          |           |                        |   |   |   |
| Governance, Fraud & Corruption | Ethical Governance & Culture                            | 2       | Discussion Document |          |           |                        |   |   |   |
| ICT                            | Cyber Security Framework Review                         | 2       | Review              |          |           |                        |   |   |   |

## Summary of Work Plan

## Appendix B

| Audit Type                     | Audit Area   | Quarter | Status      | Opinion | No of Rec | 1 - Major<br>3 - Minor |   |   | Comments |
|--------------------------------|--|---------|-------------|---------|-----------|------------------------|---|---|----------|
|                                |  |         |             |         |           | 1                      | 2 | 3 |          |
| Key Financial Control          | Payroll System   | 3       | Review      |         |           |                        |   |   |          |
| <b>IN PROGRESS</b>             |  |         |             |         |           |                        |   |   |          |
| Governance, Fraud & Corruption | Project Governance - Firepool                                  | 3       | In Progress |         |           |                        |   |   |          |
| Governance, Fraud & Corruption | Housing Compliance - Governance and Reporting                  | 3       | In Progress |         |           |                        |   |   |          |
| Key Financial Control          | Main Accounting  | 3       | In Progress |         |           |                        |   |   |          |
| Governance, Fraud & Corruption | Performance Management   | 3       | In Progress |         |           |                        |   |   |          |
| Key Financial Control          | Financial Control & Reporting                                  | 3       | In Progress |         |           |                        |   |   |          |
| Special Review                 | <b>(NEW)</b> Investigation 1                                   | 3       | In Progress |         |           |                        |   |   |          |
| Special Review                 | <b>(NEW)</b> Investigation 2                                   | 3       | In Progress |         |           |                        |   |   |          |
| Governance, Fraud & Corruption | Delivery of Benefits of Transformation                         | 3       | In Progress |         |           |                        |   |   |          |
| Governance, Fraud & Corruption | <b>(NEW)</b> Local Restriction Support Grant (LRSG) - Advisory | 3       | In Progress |         |           |                        |   |   |          |
| Governance, Fraud & Corruption | <b>(NEW)</b> Additional Restriction Grant (ARSG) - Processing  | 3       | In Progress |         |           |                        |   |   |          |



## Summary of Work Plan

## Appendix B

| Audit Type                                    | Audit Area   | Quarter | Status      | Opinion | No of Rec | 1 - Major<br>3 - Minor |   |   | Comments |
|---|--|---------|-------------|---------|-----------|------------------------|---|---|----------|
|   |  |         |             |         |           | 1                      | 2 | 3 |          |
| Key Financial Control                         | Creditors  | 3       | In Progress |         |           |                        |   |   |          |
| Key Financial Control                         | Debtors  | 3       | In Progress |         |           |                        |   |   |          |
| <b>NOT STARTED</b>                            |  |         |             |         |           |                        |   |   |          |
| Governance, Fraud & Corruption                | <b>(NEW)</b> BEIS Grant Assurance Work                   | 3       |             |         |           |                        |   |   |          |
| Governance, Fraud & Corruption                | <b>(NEW)</b> Compliance & Enforcement Grant CIA sign off | 4       |             |         |           |                        |   |   |          |
| Governance, Fraud & Corruption                | Risk Management  | 4       |             |         |           |                        |   |   |          |
| Governance, Fraud & Corruption                | Commercial Investment                                    | 4       |             |         |           |                        |   |   |          |
| Governance, Fraud & Corruption                | ICT Governance & Risk Scope Review                       | 4       |             |         |           |                        |   |   |          |
| Follow up                                     | GDPR Information Management Project                      | 4       |             |         |           |                        |   |   |          |
| <b>REVIEWS TO POTENTIALLY MOVE TO 2021-22</b> |  |         |             |         |           |                        |   |   |          |
| Governance, Fraud & Corruption                | Climate Change   | 4       |             |         |           |                        |   |   |          |
| Governance, Fraud & Corruption                | Digital Strategy and Transformation                      | 4       |             |         |           |                        |   |   |          |

## Summary of Work Plan

## Appendix B

| Audit Type                     | Audit Area                            | Quarter | Status | Opinion | No of Rec | 1 - Major<br>3 - Minor  |   |   | Comments |
|--------------------------------|---------------------------------------|---------|--------|---------|-----------|---|---|---|----------|
|                                |                                       |         |        |         |           | 1   | 2 | 3 |          |
| Governance, Fraud & Corruption | People Strategy                       | 4       |        |         |           |   |   |   |          |
| Governance, Fraud & Corruption | Recruitment and onboarding            | 4       |        |         |           |   |   |   |          |
| Operational                    | Homelessness / Homelessness Reduction | 4       |        |         |           |   |   |   |          |
| <b>Deferred or Removed</b>     |                                       |         |        |         |           |   |   |   |          |
| Follow up                      | Debtors                               | 1       |        |         |           | Original timing delayed due to Covide-19. Main issue in debtors 2019-20 is covered in the Grounds and Open Spaces External Income review. Given proximity to full debtors audit in quarter 3 this review has been removed |   |   |          |

The following are the recommendations and agreed action from the limited assurance reviews mentioned earlier in this report.

| P1<br>or<br>P2                                   | Weaknesses<br>Found   | Risk Identified  | Recommendation Action   | Managers Agreed Action   | Agreed<br>Date of<br>Action |
|--|---|--|---|--|-----------------------------|
| <b>Grounds and Open Spaces – External Income</b> |   |  |   |  |                             |
| 1  | Invoices are not being raised as soon as a job is closed.                               | Charges for works are understated and/or not invoiced for resulting in a loss of income for the Council. | We recommend the Open Spaces and Streetscene Manager ensures invoices are raised as soon as jobs are completed.   | Agreed - All invoices raised when closed and a monthly reconciliation completed on payment of invoices and open jobs. Zero based budgeting introduced for 2021/22 to ensure income budgets are correct.  | 30/10/20                    |
| 2  | Reconciliations are not being performed.  | Charges for works are understated and/or not invoiced for resulting in a loss of income for the Council. | We recommend the Open Spaces and Streetscene Manager ensures that reconciliations are documented as follows: <ul style="list-style-type: none"> <li>At year end the continuing contracts for the old year on Open Contractor are reconciled to the new year.</li> </ul> On a monthly basis accepted quotes are reconciled to Open Contractor. | Agreed.  | 30/10/20                    |
| 2  | There is no Grounds and Open Spaces Strategy for generating income from external works. | Charges for works are understated and/or not invoiced for resulting in a loss of income for the Council. | We recommend the Open Spaces and Streetscene Manager ensures that a Strategy for the generation of income from external works is implemented.   | Agreed - That income generation and bidding is done in an agreed way to ensure that the team has capacity and agreed controls to deliver extra work or that the work can be won and generates a profit. Items detailed above will be included in the annual service plan. 2021/22 will be focused on ensuring current work is resourced correctly and performing well before extra work is bid for or a strategy written. Zero based budgeting introduced for 2021/22. | 31/03/21                    |

## Priority Recommendations

## Appendix C

| P1 or P2 | Weaknesses Found  | Risk Identified  | Recommendation Action  | Managers Agreed Action   | Agreed Date of Action |
|----------|---|--|--|--|-----------------------|
| 2        | There are no detailed Schedules of Works which inform a Financial Forecast.     | Charges for works are understated and/or not invoiced for resulting in a loss of income for the Council. | We recommend the Open Spaces and Streetscene Manager ensures that all key areas document their Schedule of Works and projected income for each financial year and this is used to inform a Financial Forecast for Open Spaces. | Agreed - Produce a schedule of works for Housing Revenue Fund and General Fund – March 2021. Produce a schedule of works for all other work – Sept 2021.   | 30/09/21              |
| 2        | There was little evidence of detailed procedure notes and guides for key areas. | Charges for works are understated and/or not invoiced for resulting in a loss of income for the Council. | We recommend the Open Spaces and Streetscene Manager ensures that detailed procedures are written for all key areas.   | Agreed - List of procedures needed – Dec 2021. Produce work plan to complete procedures including resource requirement.                                    | 30/09/21              |
| 2        | Quotes templates do not make costs clear.                                       | Charges for works are understated and/or not invoiced for resulting in a loss of income for the Council. | We recommend the Open Spaces and Streetscene Manager ensures that the quote template is updated to make clear cost breakdowns.   | Agreed.  | 31/12/20              |
| 2        | Staff need more support and training to carry out their roles effectively       | Charges for works are understated and/or not invoiced for resulting in a loss of income for the Council. | We recommend the Open Spaces and Streetscene Manager ensures that the Case Management Lead, all Case Managers – Localities and the Locality Champion receive financial management training.                                    | We will agree to ensure that key members of staff responsible for the grounds and open spaces service receive appropriate training to achieve these roles. | 31/03/21              |

| P1<br>or<br>P2     | Weaknesses<br>Found   | Risk Identified   | Recommendation Action  | Managers Agreed Action  | Agreed<br>Date of<br>Action  |
|--------------------|---|---|--|---|--|
| <b>Procurement</b> |   |   |  |   |  |
| 2                  | There is not an up to date Procurement Strategy currently in place for the council. | Inappropriate procurements could result in legal challenge, the failure to achieve value for money, financial burden placed upon the Council and reputational damage. | <p>We recommend that the Strategic Procurement Specialist finalises the draft Procurement Strategy as per the Finance and Procurement team's Operational Plan, to ensure the council can be held accountable for the Strategy's adoption and progression. The progress of implementing the Procurement Strategy, together with the adaptation of the CPRs, should continue to be closely monitored by the Assistant Director Finance, to ensure its timely progression in accordance with agreed implementation timeframes.</p> <p>The Strategic Procurement Specialist should also ensure that the following information is added to the Procurement Strategy:</p> <ul style="list-style-type: none"> <li>• References to relevant procurement legislation and regulations</li> <li>• The council's stance on fraud in procurement and direction towards the council's related Anti-Fraud and Whistleblowing Policies</li> <li>• Delivery of value for money as a fundamental procurement priority</li> <li>• Detail on how the council intends to collaborate with third parties and manage</li> </ul> | The creation of a new strategy is in progress and will be delivered as planned in line with the Finance and Procurement Operational Plan. This is a recognised priority prior to the audit. All bullet points will be considered in the draft strategy, and the strategy will be taken to the Executive for approval. This is currently anticipated to be in January 2021, subject to SMT agreement on the delivery timetable. Provision of CPR's to be reviewed by AD Finance with changes likely to be approved by the Monitoring Officer under delegated responsibility. | <p>30/11/20<br/>(Revisions of CPRs)</p> <p>31/01/21<br/>(Strategy taken to Executive )</p> |

| P1 or P2 | Weaknesses Found  | Risk Identified   | Recommendation Action   | Managers Agreed Action  | Agreed Date of Action |
|----------|---|---|---|---|-----------------------|
|          |   |   | its suppliers and spending to meet its strategic intentions<br>A short, medium, and long-term plans as to the scale and kind of procurement that the strategy aims to deliver, and commitment to the cost savings stated within the MTFP.   |   |                       |
| 2        | There is no published, detailed operational Procurement guidance or training in place for Procuring Officers or others with responsibility for Procurement, other than the high-level guidance documented in the Contract Procedure Rules (CPRs). | Inappropriate procurements could result in legal challenge, the failure to achieve value for money, financial burden placed upon the Council and reputational damage. | We recommend that the Strategic Procurement Specialist liaises with the Assistant Director Finance (\$151 Officer) to: <ul style="list-style-type: none"> <li>Set a timeframe for the completion and implementation of the procedural Procurement guidance for Procuring Officers. This guidance should include, but not be limited to, information as to how collaborative Procurement frameworks should be used to ensure the achievement of collaboration objectives and value for the council's money.</li> </ul> Also set a timeframe for completing the development of, and for implementing, both Procurement training modules. They should also make an informed decision as to who will be required to complete both modules and should ensure that these modules align with the Procurement Strategy and procedural guidance once finalised, and with any other related council policies. | AD Finance and Strategic Procurement Specialist to review training and agree timeframes for implementation. | 30/11/20              |

| P1 or P2 | Weaknesses Found  | Risk Identified   | Recommendation Action   | Managers Agreed Action   | Agreed Date of Action |
|----------|---|---|---|--|-----------------------|
| 2        | Expenditure made through the exemption procedure has not been processed in accordance with the threshold limits and authorisation levels within the CPRs, and there is no monitoring of the process by the Procurement team or senior management. | Inappropriate procurements could result in legal challenge, the failure to achieve value for money, financial burden placed upon the Council and reputational damage. | <p>We recommend that the Strategic Procurement Specialist liaises with senior management to:</p> <ul style="list-style-type: none"> <li>Review the CPRs to bring them up to speed with the current exemption process being used and ensure that the end-to-end process is designed to fully protect the council's interests. Any changes to the CPRs to reflect the current exemption process should be approved by the Monitoring Officer.</li> <li>Ensure that the PO reference(s) relevant to each register entry are obtained and entered into the waiver register, and that the Specialist implements a procedure to monitor and ensure that spending through exemption is in line with the authorised waiver value, or that further authorisation is obtained where an originally authorised waiver value is to be exceeded.</li> </ul> <p>Implement a process to report regularly to the Senior Management Team on the type and value of expenditure being processed through exemption. This report should also highlight any issues identified through waiver monitoring completed by the Procurement</p> | Whilst we agree with the recommendations, these reflect what is already being implemented, and as such it is management's view that this is a Priority 3 finding that requires attention. The Strategic Procurement Specialist plans to have addressed the points within the recommendation by January 2021. | 31/01/21              |



## Priority Recommendations

## Appendix C

| P1 or P2 | Weaknesses Found   | Risk Identified   | Recommendation Action  | Managers Agreed Action  | Agreed Date of Action |
|----------|--|---|--|---|-----------------------|
|          |  |   | team, to enable oversight and escalation of any issues as required.  |   |                       |
| 2        | We identified expenditure with suppliers who do not appear in the council's public contract register in line with Transparency Code legislation. | Inappropriate procurements could result in legal challenge, the failure to achieve value for money, financial burden placed upon the Council and reputational damage. | <p>We recommend that the Strategic Procurement Specialist:</p> <ul style="list-style-type: none"> <li>Completes a review of the contract register to ensure that all existing contracts are identified within, and that any spending off-contract is challenged with the relevant Officers as required.</li> </ul> <p>Ensures the reconciliation of the internal and external contract registers, to ensure they agree. This exercise should be performed at regular intervals going forward, to ensure the registers are maintained and up to date.</p>   | The Contract Register is under review to ensure compliance and completeness. It is agreed to review and establish regular reconciliations, however there is a dependency of filling the currently vacant Procurement Officer role to provide the necessary capacity to ensure continuation of the process is compliant. | 31/01/21              |
| 2        | There are no performance measures or reporting mechanisms in place against which to monitor the performance of the Procurement function.         | Inappropriate procurements could result in legal challenge, the failure to achieve value for money, financial burden placed upon the Council and reputational damage. | <p>We recommend that the Strategic Procurement Specialist liaises with the wider finance management team as intended, to develop and implement a proportionate suite of performance measures and reporting mechanisms that enable accountability and governance over the procurement function. Once developed, these should be documented, and this work should consider, but not be limited to, development of performance measures and monitoring in the following areas:</p> <ul style="list-style-type: none"> <li>Regular monitoring of, and reporting to the Senior Management Team on, the</li> </ul> | We will consider and develop performance measures as planned for not only the Procurement team but also across the council.   | 31/03/21              |

| P1<br>or<br>P2 | Weaknesses<br>Found | Risk Identified | Recommendation Action   | Managers Agreed Action | Agreed<br>Date of<br>Action |
|----------------|---------------------|-----------------|---|------------------------|-----------------------------|
|                |                     |                 | <p>achievement of the Procurement cost savings stipulated in the MTFP</p> <ul style="list-style-type: none"> <li>• The achievement of the value for money, sustainable Procurement, and the social equality commitments within the draft Procurement Strategy</li> <li>• Analysis of spending against approved, contracted, and uncontracted suppliers</li> </ul> <p>The achievement and benefit of collaboration in procurement (e.g. through use of procurement frameworks, or other procurement initiatives)</p> |                        |                             |