

**DONCASTER MBC  
INTERNAL AUDIT REPORT: APRIL TO AUGUST 2014**

**Introduction**

The internal audit report is in four sections;

**Section 1: Planned audit work**

**Section 2: Unplanned responsive work carried out in period**

**Section 3: Progress on the implementation of audit recommendations**

**Section 4: Performance Information**

**Section 1: Planned Audit Work: Non-Schools**

**Appendix 1** contains a list of the planned audits (excluding schools) that were completed in the period, together with the audit opinions contained in the published reports.

During the period all recommendations made were agreed by clients. A full list of the major recommendations is included in **Appendix 2**.

We give **limited assurance** where the Council is exposed to major risks, **partial assurance** where the Council is exposed to significant risks and **substantial assurance** opinion where the Council is exposed to less significant risks.

In the large majority of cases we gave either substantial or partial assurance and we have no concerns to draw to the Audit Committee's attention in these areas. During the period we gave 3 'limited assurances' following our audit of the Debtors System, Health and Safety and the Creditors System. Summary details in these areas are provided below:

**Core Financial Processes – Debtors**

The Council operated two Debtors (Accounts Receivable) systems during the year as the old system was transitioned onto the ERP platform. As part of our audit we carried out a comprehensive review of the new E5 Accounts Receivable System.

**Accounts Receivable Mainframe System – April to September 2013**

Our review of the old debtors system confirmed that the accounts receivable financial processes continued to be accurately and properly processed using the system.

**Data Migration – 20<sup>th</sup> September 2013**

The old system was closed down on the 20<sup>th</sup> September, and the data migration to the new system took place between the 21<sup>st</sup> and 25<sup>th</sup> September 2013. Testing was completed on migrated accounts, and this confirmed that customer accounts had been correctly migrated.

However, it took 8 weeks to address matters arising from the migration and to implement additional actions relating to the migration. In this time, only a limited number of accounts / invoices could be raised on either system due to limited system access. Consequently, it was not possible during the audit to verify that all accounts / invoices that needed to have been raised had actually been raised, although we found nothing to suggest significant amounts had been missed. Internal Audit will be carrying out a number of data matching exercises during 2014/15 designed to detect any accounts that have yet to be raised.

### **Accounts Receivable (E5 System) – September 2013 to March 2014**

Our audit found:

- The income management process was exposed to major risks for all or part of the second half of the 2013/14 financial year. The risks were created by the delay in the implementing the recovery cycle and a lack of available monitoring reports and on-going performance management. There was a resulting significant increase in year-end debtor levels.
- There was a lack of clarity on how users could extract information out of the new system.
- Only limited management reports were available from the system.
- Performance monitoring of the accounts receivable process, including key performance indicators, is not available.
- The new system consolidates accounts / debts by debtor; however, further work is still required to ensure this consolidation is complete.

### **Health and Safety**

Our audit concluded that Corporate Health and Safety Management arrangements are generally sound

However, we found a lack of prioritisation given by some Managers and employees regarding their ownership and commitment to Health & Safety responsibilities, which is exposing Doncaster Council to major risks. As such, we were only able to provide limited assurance that risks are being effectively managed. In particular:

- Despite instructions to Managers to attend a H&S manager course, as at 31<sup>st</sup> July 2014 only 48% have attended or have booked to attend a course.
- Only 10% of all staff have completed the H&S e-Learning Health and Safety module.

Directors are continuing to review and take action to improve take-up and a regular programme of Health and Safety Audits is being carried out covering all sections' compliance and risk assessments, which should help improve the current position.

We will continue to monitor progress and report back to the Audit Committee if engagement does not improve.

## **Core Financial Processes – Creditors (Procure to Pay) System**

As with the Debtors system, the Creditor payments system was migrated onto the ERP platform during the year and so two systems were operated during the year.

### **Creditors One World System – April to September 2013**

Our audit confirmed the control activities within this system were working effectively during the period it was operating.

### **Data Migration – 27<sup>th</sup> September 2013**

Data migration from the outgoing to incoming system took place on the 27<sup>th</sup> September 2013, at this point the Creditor One World system was no longer able to be used for the processing of invoices.

As part of the migration a data cleansing exercise of supplier records, including supplier control totals, was undertaken to ensure that the data on the two systems was in synergy. However, no evidence of the exercise was retained by the Accounts Payable Team and as a result additional audit testing was needed to enable us to provide reasonable assurance that the migration data was correct.

### **Procure to Pay (E5) – September 2013 to March 2014**

The ERP system went live on 30<sup>th</sup> September 2013. During the week commencing 7<sup>th</sup> October, access to the system was released to some users who needed to raise accounts and pay invoices. Other users used manual coding slips for supplier payments, and old methods for placing orders ie: the use of manual order books.

The main issues identified for the 2<sup>nd</sup> part of the financial year were as follows: -

- System reports in place to identify duplicate payments were being run daily but not reviewed. Consequently, there is a significant risk that duplicate payments may have occurred and remain undetected.
- Some invoices that continue to be received for goods and services that were not ordered through the Procure 2 Pay system have to be retrospectively logged in order to be paid and can further increase the risk of duplicated payments. Reports on the system for Accounts Payable, Buyers Team and Procurement are still either being reviewed or being developed to help address this weakness.
- Full performance indicators are not available.
- General buyers have been assigned for those items that are to be ordered that are not on “catalogue” contracts. However, these buyers have not received any training to assist them in their role.
- Exception reporting arrangements have not yet been fully established

As a result of the issues found, we were only able to provide **limited assurance** that goods and services have been appropriately procured and payments to creditors accurately paid. We continue to advise on system improvements and will follow up the findings of our work during 2014/15.

## **Schools Based Work**

The following school audits were completed in the period;

- Stainforth Kirton Lane Primary School
- Hawthorn Primary School

There were no critical or major recommendations arising from these audits.

Internal Audit has also:

- Provided assistance to the Governors Support Service regarding the Autumn Term Governing Body Agenda.
- Provided ongoing support and advice throughout the Education and Standards Service as required.

## **Section 2: Responsive work carried out in the period**

The following responsive work has been completed in the period;

- *Former City Learning Centre Equipment Purchases* – A request was made by the Director of Finance and Corporate Services for Internal Audit to look into some IT equipment held in storage, identified following the Civic Office power surge. The outcome from the review was that there was no inventory for this equipment, poor security controls over it and evidence that some equipment was missing.
- *Fraud Referral - Complaint Via Mayors Office – Name withheld* – This was an anonymous complaint from a member of the public that an employee was misusing a works vehicle and time. Nothing wrong was found other than the vehicle should not have been taken home.
- *Capita – Sims licence issues (external ICT suppliers to schools)* – A request from the Director of Finance and Corporate Services to look into a breach of contract with a supplier regarding the unauthorised sharing of an IT licence with schools. There was evidence of process weaknesses but not of any deliberate wrongdoing.
- *Regeneration and Environment – Investigation support* – We provided investigation support and guidance to management who were dealing with an employee call out fraud.
- *Vehicle misuse* – Information was received from the police regarding the misuse of a council vehicle. Insufficient evidence could be found of any wrongdoing and no further action was taken.
- *Investigation – Planning* – The Council's Monitoring Officer asked the Head of Internal Audit to look into an external complaint about the handling of a historical planning decision and subsequent appeal that had been referred to the courts. The review confirmed the fairness of the Council's decision and its process.

- *Stores Theft Allegations* – An anonymous complaint was received from a member of the public about an employee stealing goods from a store. We were unable to obtain evidence to support the allegation.
- *Respite Care Fraud Allegation* – Concerns raised by senior management about fraudulent claims for respite care by a Doncaster carer. The quality of the records was poor and prevented any audit or Police action.

### **Advice and Consultancy**

The following advice and consultancy work has been given in the period;

- New Homes – a review of the information streams available throughout DMBC for the production of New Homes information.
- CASPAR implementation – oversight and assistance in the implementation of the IT system that will help administer and safeguard the personal assets and affairs of vulnerable adults who the Council has responsibility for.
- ContrOCC – assistance and support of the payments module being integrated to the Liquid Logic case management system used by Children’s Services

### **Section 3: Progress on the implementation of audit recommendations**

The position on outstanding critical and major recommendations is detailed in the table below:

<b>Section 117 After Care (Payments re Mental Health Care, Adults and Communities)</b>	
<b>Exposure</b>	<b>Current Position</b>
<p>Potential insufficient provision to cover required refunds</p> <p>Reputational damage to the Authority on the delay in this work being completed.</p>	<p>The list of service users potentially entitled to refund has been refined and reviewed – additional information received from Financial Assessments has removed some people off the list because historical refunds have been confirmed. Some further people have been added onto the list as a result of further work.</p> <p>Additional resources have now been provided to make speedier progress with the backlog.</p> <p><b>Original Implementation date:</b> 30/06/2013</p> <p><b>Revised implementation date:</b> 31/10/2014</p>
<b>External Home Care Services Contracts</b>	
<b>Exposure</b>	<b>Current Position</b>
<p>The incorrect amount of minutes of care could be paid for compared to the actual care that has been</p>	<p>There is now a domiciliary care debt team made up of six people working on the reconciliation of invoices, dating back to 2009 when the system was implemented.</p> <p>In addition to this there are two members of staff working on</p>

provided.	<p>current invoices.</p> <p><b>Original Implementation date:</b> 30/06/2013</p> <p><b>Revised implementation date:</b> 31/03/2014 31/10/2014</p>
<p>Carefirst Finance Module - The incorrect amount of minutes of care could be paid for compared to the actual care that has been provided.</p>	<p>Reconciling the number of minutes invoiced to the number of minutes in the care plan will be more fully resolved with the implementation of the finance module of Carefirst in 2014.</p> <p><b>Original Implementation date:</b> 31/03/2014</p> <p><b>Revised implementation date:</b> 31/10/2014</p>
<p>Payments are being made to care providers when the care may not actually have taken place.</p>	<p>The Commissioning of a new Homecare contract will take place in 2014 – this should introduce the concept of outcomes met rather than minutes provided. At present this is scheduled for implementation in the Autumn of 2014.</p> <p><b>Original Implementation date:</b> 31/03/2014</p> <p><b>Revised implementation date:</b> 30/11/2014</p>
<b>Payroll Processing</b>	
<b>Exposure</b>	<b>Current position</b>
<p>Overpayments are made and cannot be recovered. The reputation of the Council is further damaged.</p>	<p>Contracts of employment will be reviewed and amended to provide clarity on the Council's process for recovery when an overpayment occurs.</p> <p>Further progress has been delayed due to resources being re-allocated to support the creation of the Children's Trust. Additional support is being sourced to minimise any further unnecessary delays.</p> <p><b>Original Implementation date:</b> 31/03/2014</p> <p><b>Revised implementation date:</b> 31/12/2014</p>
<p>Inadequate arrangements for payroll documentation</p>	<p>The next HR Briefing contains a reminder of where documentation should be sent. The Briefing is drafted and expected to be circulated by 15/09/14.</p> <p>Bringing existing filing systems up to date following the move to the civic office has taken some time. Initial work to explore use of Electronic Data Management Systems, which was put on hold in the midst of the move to the civic office and the need to improve existing paper files, will now be re-visited.</p>

	<p><b>Original Implementation date:</b> 30/09/2013</p> <p><b>Revised implementation date:</b> 31/03/2015</p>
<b>Rotherham Services – Recruitment Review</b>	
<b>Exposure</b>	<b>Current position</b>
DBS checks are missed and people are put at risk with inappropriate appointments.	<p>A process has been agreed with Rotherham and is operating in relation to new starters, whereby any DBS checks not returned within 8 weeks are referred back to Doncaster's HR Strategy team who pick the matter up with the relevant manager. Data on employees in posts requiring a DBS check could not be migrated from the old recruitment system, therefore work is underway to complete a data matching and cleansing exercise to update records on the HR portal.</p> <p><b>Original Implementation date:</b> 28/02/2014</p> <p><b>Revised implementation date:</b> 30/09/2014</p>
<b>Direct Payments/Personalised Budgets</b>	
<b>Exposure</b>	<b>Current Position</b>
Inadequate recovery processes result in loss of money to the authority.	<p>New processes have now been introduced to monitor payment of contributions from the start of a direct payment or as a result of a financial reassessment. This has already shown that underpayment of contribution is less likely to occur. Where debtor accounts are to be raised, these are done immediately. There is a bad debts working group which is chaired by the Assistant Director of Modernisation and Commissioning.</p> <p><b>Original Implementation date:</b> 30/06/2014</p> <p><b>Revised implementation date:</b> 30/11/2014</p>
<b>Data Sharing Arrangements</b>	
<b>Exposure</b>	<b>Current Position</b>
Contraventions of the principles of the Data Protection Act 1998.	<p>Instances of non-compliance with best practice will be further investigated and the implementation of rectification actions monitored where appropriate.</p> <p><b>Original Implementation date:</b> 31/01/2014</p> <p><b>Revised implementation date:</b> 30/09/2014</p>
Contravention of the principles of the Data Protection Act 1998.	<p>All parties to the Strategy have been pursued to sign up to it but there have been delays in agreement of tweaks requested by different partners. An agreed timescale for return of signed agreements has now been set.</p> <p><b>Original Implementation date:</b> 31/01/2014</p>

	<b>Revised implementation date:</b> 26/09/2014
<b>Information/Manual Records Management</b>	
<b>Exposure</b>	<b>Current Position</b>
Not meeting ICO recommendation. Noncompliance with Legislation e.g. Data Protection Act. Fines imposed. Inefficient Records Management.	The need for Business System Owners and Information Asset Administrators to be in place will be highlighted within the Information Asset Owner training. Staff will be nominated and supported by Information Asset Owners along with key members of staff in their service areas.  <b>Original Implementation date:</b> 31/01/2014  <b>Revised implementation date:</b> 31/10/2014
<b>Performance Management Frameworks 2013</b>	
<b>Exposure</b>	<b>Current Position</b>
The Performance Management Framework does not manage progress against all important priorities. Hence, strategic objectives or statutory duties may not be met.	Directorate and Heads of Service Plans are currently being formulated. These will be checked, to ensure alignment with the Corporate Plan. Progress and updates will be monitored using Covalent.  <b>Original Implementation date:</b> 31/03/2014  <b>Revised implementation date:</b> 30/09/2014
Poor performance is not identified and rectified, as the current process does not focus on addressing performance or rectifying delays but simply reporting them. This could result in the continual non-achievement of council priorities.	The Performance Management Framework has now been updated to include an issues log to record and allow monitoring and escalation where targets have not been achieved  3 Member workshops completed with two further scheduled for September  <b>Original Implementation date:</b> 31/01/2014  <b>Revised implementation date:</b> 30/09/2014
The Framework is not followed as processes are not clear or are too complex / cumbersome, or there is lack of buy in to the process.	The Performance Management Framework has now been reviewed, but not yet approved  <b>Original Implementation date:</b> 31/03/2014  <b>Revised implementation date:</b> 30/09/2014
The Council is not transparent and cannot demonstrate accountability for performance.	An annual report is being drafted and will be published with the final accounts.  <b>Original Implementation date:</b> 30/06/2014  <b>Revised implementation date:</b> 30/09/2014



## Section 4: Performance Information

### Audit Resources:

The Audit Plan presented to the Audit Committee in April 2014 identified the time available for internal audit during the year, the expected number of chargeable audit days and the expected usage of available time.

The following table shows the original full year budget, profile for the period April to 31 August 2014 and actual achieved to date:

	Budget	Profile days 31/08/2014	Actual days 31/08/2014	Variance
Gross Days:	3,190	1,329	1,338	9
Less – annual and statutory leave	-530	-274	-271	3
Less – maternity leave	-177	-88	-88	-0
Less – Special Granted Leave / Bereavement	-7	-4	-4	-0
Less – Unpaid Leave	-15	-15	-15	-0
Less – Election Leave	-8	-8	-4	4
<b>Available days</b>	<b>2,453</b>	<b>940</b>	<b>956</b>	<b>16</b>
Less :-				
Sickness (assumes 6 days per FTE)	-80	-33	-42	-9
Service Development	-28	-12	-13	-1
Professional Training and CPD	-127	-53	-53	0
Management and supervision	-183	-84	-94	-10
Administration and support	-26	-11	-16	-5
<b>Total deductions</b>	<b>-444</b>	<b>-193</b>	<b>-218</b>	<b>-25</b>
<b>Audit days available for 2014/15</b>	<b>2,009</b>	<b>747</b>	<b>738</b>	<b>-9</b>
<b>Audit Time Charged:</b>				
Planned audit	1,776	660	563	-97
Responsive audit	233	87	175	88
<b>Actual Audit Time Charged</b>	<b>2,009</b>	<b>747</b>	<b>738</b>	<b>-9</b>

There has been an increase in the time spent on responsive/investigative work in the period. This has had an effect of delaying several audits in the audit plan and reducing contingency time available for future months. The plan will continue to be revised to ensure that mandatory and must do work is completed to support the audit opinion.

## Performance Indicators

The Audit Committee has previously agreed the key performance indicators that should be reported to it relating to the performance of the Internal Audit service. The indicators are shown below along with current performance for the period 1 April 2014 to 31 August 2014.

<b>Performance Indicator</b>	<b>Target</b>	<b>1 April to 31 Aug 2014</b>	<b>Variance</b>
Percentage of planned audit work completed	42%	49%	7%
Draft reports issued within 15 days of field work being completed	90%	89%	-1%
Final reports issued within 5 days of customer response	90%	98%	8%
% of critical or major recommendations agreed	100%	100%	0
Cost per Chargeable Day	£326	£318	-£8
Percentage of Customer Satisfaction Surveys rated Satisfactory or above	90%	100%	10%
Percentage of jobs completed within 10% of budget	90%	89%	-1%

Despite the reduction in available audit time due to the increase in responsive work, sickness and other factors, the team has managed to successfully maintain progress in delivery of the audit plan to 49% of the plan delivered against target of 42%.

Results relating to major recommendations and customer satisfaction remain extremely positive.

Five draft reports were issued late in the period; two due to delays in completing the supervisor review, one due to workload issues and two due to staff training problems.

**SCHEDULE OF PLANNED AUDIT WORK: NON-SCHOOLS**

The table below lists planned audits (excluding schools) that were completed in the period, together with the number of recommendations and the audit opinions contained in the published reports.

Area Audited	Number of Rec'ns			Audit opinion
	Critical	Major	Significant or less	
Core Financial Processes – Cash Book			13	Partial Assurance
Core Financial Processes – Treasury Management			3	Partial Assurance
Core Financial Processes – Housing Benefits			7	Substantial Assurance
Core Financial Processes – Council Tax			3	Substantial Assurance
Core Financial Processes – Business Rates			6	Partial Assurance
Cashiers - (Back office processing - and cash office management)			7	Partial Assurance
Core Financial Processes – Debtors		2	22	Limited Assurance
Core Financial Processes – Procure to Pay		10	28	Limited assurance
Core Financial Processes – Joint Payroll Audit			6	Partial Assurance
General Ledger Reconciliation				Substantial Assurance
Local Financial Transaction Processing - Purchase Card Payments			1	Partial Assurance
Data Quality Review - Proportion of Adult Safeguarding referrals still open after 70 days			2	Partial Assurance
Asset Management - NNDR Linkages with owned properties			4	Partial Assurance
Northgate System - Security and Access Review			6	Substantial Assurance
Highways Maintenance Grant Certification (Determinations 31/2150 & 31/2277)				Grant claim verification
Home Alarm Services Financial Administration Review			9	Partial Assurance
Stronger Families Grant (April 2014 Claim)				Grant claim verification
Stronger Families Grant (July 2014 Claim)				Grant claim verification

Health and Safety		1	2	Limited Assurance
Early Years Funding Team - Financial Administration Review				Substantial Assurance
Highways Grants - Specific Grant 31/1859				Grant claim verification
Highways Grants - Specific Grant 31/2163				Grant claim verification

## SCHEDULE OF MAJOR AGREED MANAGEMENT ACTIONS IN THE PERIOD

Core Financial Processes – Procure to Pay	
Area	Action
Inappropriately procured goods and services - Users using the system	<p>Management will ensure that users are fully aware of the Procure 2 Pay (P2P) system and continue to offer refresher training to users to encourage them to use the system.</p> <p>The date that all orders must be raised through the Procure 2 Pay system will be identified within the P2P Transition Plan and presented to the Enterprise Resource Planning System Design Authority Group.</p> <p>Progress Update: There are newsletters being produced and drop in sessions held on a regular basis. Tools have been embedded into the processes to identify off-system purchases. Reports are being produced which are reviewed on a monthly basis.</p>
Inappropriately procured goods and services - Confirmation purchase - management information	<p>As a result of the P2P Transition Plan, Management information will be developed in order to identify the amount of confirmation purchase orders that are being paid by the Authority. This will be reviewed on a regular basis and if necessary action taken to reduce the number of confirmation purchase orders being made.</p> <p>Progress Update: Totals are now available on screen and enquiries can be used within the system along with a monthly monitoring report that now addresses this issue.</p>
Inappropriately procured goods and services - Official Purchase Orders	<p>As part of the P2P Transition Plan, a timescale will be established to ensure that invoices will only be paid to suppliers that have an official order and have gone through the Procure 2 Pay process.</p>
System Unavailability / System Failure - Strategy - Rules for Approval to be updated	<p>The P2P Strategy will be completed.</p>
System Unavailability / System Failure - Strategy - Rules for Approval to be implemented	<p>The P2P Strategy will be implemented.</p>
System Unavailability / System Failure - Transition Plan to be updated	<p>The P2P Transition Plan will be reviewed and updated to reflect achievable timescales</p>

<b>Core Financial Processes – Procure to Pay</b>	
<b>Area</b>	<b>Action</b>
System Unavailability / System Failure - Transition Plan - to be implemented	The P2P Transition Plan will be implemented.
Fraudulently ordered goods and services - Ascertain Reports Required - Procurement	Procurement will review and test the various system generated and standard reports already available to them.  Any further reports will be requested to the Financial Systems Team.
Fraudulently ordered goods and services - Ascertain Reports - Buying Team	The Buyer Team will review and test the various system generated and standard reports already available to them.  Any further reports will be requested to the Financial Systems Team
Fraudulently ordered goods and services - Developing Management Information	All reporting requests for management information will be developed for the system users to test and utilise.
<b>Health and Safety</b>	
<b>Area</b>	<b>Action</b>
Manager Training	The Corporate Health and Safety Team are currently in the process of targeting the Managers who have not yet attended the Health and Safety training course. They have a target of 90% of Managers to have attended by the end of 2014. Reminders have been given to Managers through “Spotlight for Managers” and “Jo’s Column”  Any Managers who have not attended by then will have this fact escalated to Senior Management and reported to the Joint Safety Committee.
<b>Core Financial Processes – Debtors</b>	
<b>Area</b>	<b>Action</b>
Statistics are monitored	The Accounts Receivable team are now more experienced with the various reports available, however they need to be developed further as they are not user friendly. Reporting arrangements will be reviewed to establish new reports required to manage debt, both centrally and in departments. These reports will be commissioned and made available to all appropriate users. Training will be made available to enable them to access information they need on line.
Exception Reports	Relevant / required exception reports have been considered centrally e.g. missed instalments and the debt recovery cycle. Gaps have been identified, which are being progressed with the Financial Systems team to produce more reports.