

## Summary of Key Audit Findings for Quarter 4 2018/19

### Fire Safety

In conducting this review, we applied the Fire Safety Management Audit model developed by the British Safety Council as the basis for the audit. The purpose of the audit was to provide assurance that controls are in place to meet objectives in a number of areas:

- Fire Safety Policy
- Roles and responsibilities
- Reporting and leadership commitment
- Compliance with legislative requirements
- Levels of competency and training
- Change management
- Risk assessments and responses
- Workplace inspections
- Fire evacuation

Overall, we found a range of control weaknesses and we were only able to provide an opinion of **partial assurance**.

A detailed improvement plan has been agreed with management and the audit report has been reviewed by the Senior Leadership Team who fully support the need to remediate the shortcomings identified.

Improvements have been agreed in the following areas:

- The health and safety reporting framework (which include fire safety) will be re-designed to ensure that significant risks are escalated to relevant heads of service and directors. Improved corporate oversight will ensure that decisions are made at the right level within the organisation.
- Performance indicators will be introduced to improve the visibility of areas of non-compliance (for example, non-completion of checks, or expected controls not being undertaken).
- An external contractor will be engaged to write appropriate fire safety emergency plans for each Council-owned building in consultation with relevant officers.
- The Council's Health and Safety Adviser will undertake research to establish competence criteria for the future appointment of fire risk assessors.
- Fire doors in Swan Walk car park will no longer be locked outside of the Swan Walk Centre operating hours and action has been taken to ensure that all fire doors at this site are self-closing. In addition, emergency exit signage will be improved.
- Fire drills (which were not being undertaken in some locations) will be programmed. The frequency will be determined on a building-by-building basis and will be informed by the fire safety emergency plans / level of risk.
- Specialist advice will be sought to improve fire safety arrangements at Horsham Museum. This is an historic building, and therefore does not lend itself to modern fire safety systems. It has also been agreed that personal evacuation plans will be completed for vulnerable individuals.

- The frequency of fixed wire testing for Council-owned buildings will be reviewed with more frequent checks being undertaken at some sites, bringing them into line with the requirements detailed in *British Standard BS7671 IET Wiring Regulations 18th Edition: 2018 (Guidance Note 3)*.

A follow-up audit will be undertaken later in 2019/20.

## **Cultural Compliance – The Capitol**

The Capitol provides a wide range of both live productions and cinema screenings. Its annual pantomime is extremely popular enabling local families to enjoy this traditional Christmas entertainment close to home.

This Cultural Compliance audit was undertaken to review the departmental arrangements for compliance with the Council's Corporate Governance arrangements.

The purpose of this review was to ensure that:

- Management has put in place appropriate arrangements for monitoring delivery of the service and assessing its performance and effectiveness;
- There is an adequate budget setting and monitoring process in place and that appropriate measures are taken in a timely manner to address budget pressures;
- Expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process;
- Where chargeable services are delivered, appropriate prices are set and regularly reviewed and that all income attributable to the work undertaken by the service is invoiced correctly;
- There is effective staff supervision and performance management including administration of staff development and well-being in accordance with the Council's procedures;
- Assets purchased for the Council are held securely and appropriately managed.

Overall, we found a number of areas of non-compliance with the Council's governance processes, including approval processes; fire safety; financial procedures; and inductions. As a result, we were only able to provide an opinion of **partial assurance**.

The following improvements have been agreed:

- The proposal to bring the Capitol's bar and catering facilities back in house will be dependent upon the success of the initial six month trial period. If the proposal is considered to be viable, a formal business case will be written and the appropriate authorisation process will be followed to obtain formal approval.
- Fire drills will be undertaken on a more frequent basis for the purpose of familiarising staff with the evacuation process and to identify areas for improvement.
- Testing of portable electrical appliances will be undertaken more regularly and appropriate records maintained to evidence the checks.
- Where appropriate, the Council's financial procedures will be adhered to in relation to raising purchase orders, ensuring that authorisation is given at the appropriate level.
- All new starters (including casual staff) will be provided with the necessary information required on induction. This will include an awareness of mandatory training (for example, fire safety; health and safety; and information security).

- Other areas for improvement identified related to staff health and safety, performance management and staff communications.

## Accounts Receivable

Accounts Receivable is a key financial system which is used to administer and manage sundry debtors, including the recovery and write off (if applicable) of outstanding amounts due. The Debtors ledger balance at the end of September 2018 was in the region of £1.5m.

The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- All income generating activities are identified and accurately raised to customers;
- A customer account maintenance process is in place and operating effectively;
- Amendments to invoices are correct and authorised;
- Collection and debt recovery is managed efficiently and effectively;
- Write-offs are processed accurately and correctly authorised;
- Payments are received and recorded against the correct debtor account in a timely manner;
- Reconciliations between the debtors system and the general ledger are undertaken on a regular basis;
- Debt recovery performance is monitored and reported.

Based on the work carried out, we were able to provide an opinion of **reasonable assurance** in this area, with a number of areas of good practice identified. Periodic (recurring) invoices can only be raised by Finance officers and all invoices are reviewed by Finance officers prior to posting which includes checks on VAT status and coding. Only Finance officers are permitted to raise credit notes. The system provides an audit trail for all stages of the invoicing process, including amendments.

The following were identified as areas for improvement:

- Payment in advance will be further encouraged to reduce issues arising in respect of debt recovery.
- Whilst a standardised Aged Debtor report is available within Technology One (the Council's Financial Management system), work will be undertaken on the format of the report to convert it into a more usable format.
- Service departments will be reminded of their responsibility to monitor their outstanding debts, and to adopt a more proactive and timely approach in recovering debts.
- Service departments will be reminded of the need to ensure that invoices are supported by appropriate documentation (proof of debt).

## Payroll

Payroll processing is an outsourced function, carried out on behalf of the Council by West Sussex County Council's external provider. All input in relation to new starters, leavers and permanent and temporary changes are submitted by the Council's Payroll and Benefits Controller. Up until January 2019 (period 10), payments had been made through the Payroll system to 798 people (which includes casual workers and payments to Members).

The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Starters are properly approved, calculated and paid from the correct dates.
- Leavers are removed from the Payroll in a timely manner and paid correctly and accurately to the correct dates.
- Permanent variations to pay are properly approved, calculated and paid from the correct dates.
- Payroll data is regularly reconciled to the General Ledger.
- Temporary payments (including additional hours, expense claims and payments to casual staff) are correctly authorised prior to processing.
- Changes to standing data are reviewed, accurately input and authorised.

In completing this work, we were able to provide an opinion of **substantial assurance** as robust processes and controls were found to be in place.

Internal audit raised concerns in 2017-18 in relation to the reconciliation of payroll entries to the General Ledger. Significant improvements have now been introduced with the review confirming that all of the Payroll control accounts are now reconciled monthly.

## Cash & Bank

Cash and Bank is a key financial system which ensures the safe receipt, recording and custody of monies received by the Council in respect of all services. The Council uses the Civica ICON cash receipting system which integrates with the Technology One system.

The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- All income transactions are promptly and accurately posted to the Cash Receipting system;
- All income is accurately and correctly populated to the financial system;
- The bank reconciliation is regularly prepared by an independent Finance officer with evidence of separation of duties with a review of the reconciliation by an appropriate senior officer;
- Bank signatories are up to date and accurate.

In completing this work, we were able to provide an opinion of **substantial assurance** as robust processes and controls were found to be in place. A few minor areas for improvement were identified and actions to address these were agreed in full with management.

## **Cultural Compliance – Economic Development**

The Economic Development Department provides support to local businesses and works to secure inward investment in the District. The departmental responsibilities include Economic Development; Town Centre Management and Events; Employment and Skills; and the Visitor Economy, all of which contribute to the continued social and economic success of Horsham's communities.

This Cultural Compliance audit was undertaken to review the departmental arrangements for compliance with the Council's Corporate Governance arrangements.

The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- To ensure management has put in place appropriate arrangements for monitoring delivery of the service and assessing its performance and effectiveness;
- To ensure that there is an adequate budget setting and monitoring process in place and that appropriate measures are taken in a timely manner to address budget pressures;
- To ensure that expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process;
- To ensure that where chargeable services are delivered, appropriate prices are set and regularly reviewed and that all income attributable to the work undertaken by the service is invoiced correctly;
- To ensure there is effective staff supervision and performance management including administration of staff development and well-being in accordance with the Council's procedures;
- To ensure that assets purchased for the Council are held securely and appropriately managed.

In completing this work, we were able to provide an opinion of **substantial assurance** as high standards of compliance were evidenced in almost all areas covered by the review.

It was noted in a few cases that purchase orders were raised retrospectively, and improvements in the timeliness of raising purchase orders would ensure authorisation was given in advance of the delivery of the service.

## **Alternative Weekly Collections – Post Implementation Review**

The Alternate Weekly Collection (AWC) project was completed in April 2018, and internal audit carried out a post implementation review to evaluate the success of the project and identify any areas for improvement.

The collection of household waste is one of the highest profile services offered by local authorities, which affects every resident. The AWC project was introduced to address the following:

- Legislation requires the Council to increase the percentage of household waste recycled to a minimum of 50% by 2020.

- The Council is facing increasing financial pressures in order to identify savings.
- New waste collection model.
- An ageing refuse fleet which was no longer cost effective to maintain or fit for purpose.

The Council commissioned a consultancy company specialising in energy and environment to undertake a full review of the waste collection service at Horsham. They assessed the provision of the waste collection service and made recommendations for alternative provisions for the service in order to generate efficiencies and savings for the Council, increase the recycling rate throughout the district, and maintain a high quality service. The Alternative Weekly Waste Collection model was approved by Members.

Following a full review of the project documentation and detailed discussions with key members of the project team, the view of internal audit is that this was a successful project. All objectives have been realised and implemented; each member of the project team made contributions to the project; and comprehensive and detailed project documentation was available. Overall, AWC displayed satisfactory project controls.

We did not issue an opinion for this review, but a number of suggestions were made for improvement in future projects. This included two suggestions which have now been adopted corporately:

- Project documentation for key corporate projects is now held in a central location which can be accessed by the entire project team.
- Action dates for tasks will be determined which will help prevent actions being rolled forward.

In addition, work is currently in progress to ensure that adequate resources are made available to support future projects. This includes the use of cross-functional teams (where appropriate), and will help to minimise the impact on 'business as usual' activities.