

ANNEX 2 – OVERVIEW & KEY OBSERVATIONS ARISING FROM REVIEWS CONCLUDING WITH A ‘LIMITED’ ASSURANCE OPINION INCLUDING MANAGEMENT RESPONSE

HR Establishment Controls (from the 2020/21 internal audit plan)

Audit observation

The audit reviewed the processes in place for agreeing the number of posts within service areas, and how the relevant senior managers ensure that the agreed establishment posts in their areas are adhered to. The review included the use of off payroll resources (agency workers) as increased reliance has been placed on this resource over recent years to support delivery of the Council’s objectives and address skills gaps.

The Council carries out a comprehensive annual service planning and budget process that includes detailed discussions between Finance, HR and Heads of Service to identify areas of growth and/or savings for the forthcoming year. Additional posts or posts that can be deleted as no longer required are identified as part of this process and the associated budget growth and savings are then built into the budget proposals for approval by the Council. Detailed reports on staffing are presented to the Executive and Council as part of the budget planning and approval process. These reports are also subject to detailed review by the Overview and Scrutiny Committee (Budget Scrutiny Panel) prior to being presented to the Executive and Council for approval.

If a Head of Service requires an additional post to be created as part of their establishment, they are required to complete a formal request for this post, and this is considered by a panel of senior management. As part of the request, Finance are required to confirm that there is funding in place for the post requested, however, there is no similar process for hiring agency workers in situations where they are not covering a specific post on the establishment.

Our review found that there is no documented process / procedure for commissioning officers to follow in the appointment of agency workers.

Whilst reported as part of the overall budget monitoring for the Council, any monitoring of the total cost of agency workers is difficult due to the number of different expenditure headings under which payments for agency workers may be recorded and the inconsistency to which payments are attributed to these expenditure codes.

A fixed term contracts report is available from the iTrent HR system, discussions with three Heads of Service identified that 10 out of 19 staff selected from the report were permanent staff, therefore the report is unreliable.

Management response

In addition to the Council’s permanent workforce and fixed term contracts of employment, the Council makes use of agency workers to build in flexibility to resourcing plans. For example: to cover planned absences such as maternity leave; to cover unplanned absences such as long-term sickness; to cover roles that are challenging to recruit on a permanent basis; also to help supplement the baseline establishment, for example where there are significant new service demands, backlogs or service development needs. In particular, a small number of services find it challenging at times to recruit suitably qualified and experienced local authority professionals (eg Finance, Planning) therefore use of an agency resource may be the only option while trying to attract permanent candidates. This is all permissible within the Council’s established procedures.

The Establishment Controls audit was part of the 2020/21 audit plan, though reported in 2021/22. 2020/21 was a particularly challenging year due to the additional demands on permanent staff capacity as a consequence of the COVID-19 pandemic. A number of staff were seconded from their substantive roles to assist with the Council’s pandemic response with inevitable impacts on ‘business as usual’ capacity as a consequence leading to the requirement to bring in agency workers as ‘backfill’ resources at times.

All expenditure on agency workers during the year was reported as part of the quarterly budget monitoring to Management, Overview & Scrutiny and Executive and the costs of these resources were funded within the approved Revenue Budget; use of agency workers did not therefore result in a budget overspend.

This audit highlighted areas for improvement in how the Council's procedures for procuring agency workers were applied in practice. Specifically, the lack of consolidated guidance and procedures for hiring managers and scope for mis-alignment with the Contract Procedures Rules in the Constitution with regard to how agency suppliers are appointed. The audit flagged a lack of guidance on how managers should maintain records to evidence that the procedures have been complied with. The audit has also highlighted that the guidance to managers on how to record those agency workers who are not covering a permanent role on the establishment was not clear and open to mis-interpretation, resulting in a risk of incomplete or inaccurate establishment reporting.

Following the conclusion of the audit, a clear and comprehensive process has been developed for service managers to follow when appointing agency workers. Processes have also been put in place to monitor ongoing compliance. This element of the risk flagged by the audit has therefore been addressed.

The audit also highlighted some important areas for improvement in how fixed term contracts are recorded in the iTrent HR system. Accordingly, a bespoke report has been created within the HR system to easily address fixed term contracts and the overall establishment at the Council. Quarterly HR and Finance meetings are taking place to review the establishment.

All management actions arising from the review have been completed.

Environmental Health & Licensing (from the 2020/21 internal audit plan)

Audit observation

This review focussed on the licensing process for premises to ensure annual fees had been issued in accordance with legislation, payment had been collected and reconciled. Debt Recovery is undertaken outside of Environmental Services and is completed centrally within the Revenues Team.

Testing confirmed that invoices were raised accurately and in a timely manner, however, of those sampled, payment for 33% were overdue at the time of testing. It was confirmed that licensing had not been notified and therefore they had not been suspended (in accordance with legislative requirements). Debt recovery was not actively carried out during Covid-19 and may have impacted this.

When there is a change of billing/correspondence address on a license, the licensing team are required to update their licensing system (Uniform) and inform finance to ensure invoices are sent to the correct address. Of the invoices sampled 33% found that the address within Uniform did not match the address within Agresso.

It was confirmed that access to BWO (Agresso) was available to the licensing team, however, they were unaware of reporting available within the system to determine the status of invoices that would enable them to build efficiencies into their processes.

Management response

This audit highlighted areas for improvement in how the Council's procedures for ensuring premises licence fees and subsequent actions are processed. The report's findings have resulted in the introduction of automated weekly reports and templates enabling cross checking of data and newly developed training to staff members.

This has been very useful in checking data prior to issuing of invoices and in making sure they are sent out in good time. The revised process has reduced the number of teams involved with increased time and efficiency results and introduced a monthly reconciliation process for outstanding licence fees leading to subsequent suspension.

This audit also highlighted some important areas for improvement in timing and updating systems both within licensing and in updating relevant teams which was addressed through revised procedure notes and a new suite of system generated templates. Data entry omissions and system generated errors have been corrected and continue to be cross checked prior to invoice issue.

All actions arising from the review have been completed.

Harlequin Centre – Income, Banking & Reconciliation (from the 2021/22 internal audit plan)

This review was completed at the request of the Head of Finance, due to regular anomalies between monies received at the bank and the daily reporting of income received at the Harlequin Centre. This review sought to establish an explanation for these variances.

Daily Return spreadsheets, which record the income received at the Harlequin Centre each day, are forwarded to the Finance team to record the income on the finance system. Five Daily Return spreadsheets were reviewed, together with the relevant documentation to support the card payment values being recorded and accounted for. As a result of COVID-19, the Harlequin Centre had a no cash policy during the period of this audit and therefore, the process for banking and recording cash was not included within this review.

Harlequin Centre

The Harlequin Centre's procedure documentation, to support the processes followed by the Catering and Front of House staff, had not been updated to reflect the change in processes for the recording of income during COVID-19 restrictions.

The End of Day reports, which provide totals and a breakdown of sales for the Café, Bar and Kiosk showed the sales recorded did not always agree to the Z till reading totals. This had not been identified by either the quality assurance review by the Duty Manager or by the Admin and Finance Supervisor. The Centre staff were unable to identify why the totals were different, bearing in mind both the Z till reading and the End of Day Report were generated from the till system.

A review of the Daily Return spreadsheets, for the five days under review, showed several errors. This would suggest there is no consistent independent check of the Daily Return figures, prior to them being forwarded to the Finance team for processing.

Values entered on the Daily Tills Control spreadsheet did not agree with the Z till reading and End of Day report for one of the days reviewed.

Finance

A review of the General Ledger transactions, for the Harlequin cost centre and account code combinations, confirmed the values being entered, for the five days under review, were recorded accurately within the finance system based on the data provided within the Daily Return.

However, when the Finance Officer is unable to match the card receipts bank statement lines, with the Daily Returns received from the Harlequin Centre, an additional adjustment line is added to the Daily Return and an additional General Ledger transaction line is created. This action is not reviewed, or quality assured by any other member of the Finance Team. Additional income, or refund, transactions are being generated within the General Ledger, with no

supporting documentation. During this review, our testing found that none of the adjustment lines within our sample were necessary and had been added erroneously. These errors were compounded by inaccurate Daily Returns completed by the Duty Managers.

Management response

The Section 151 Officer requested a review of the income and financial processes at Harlequin following issues identified during the bank reconciliation process.

The audit found no evidence of any fraud or financial irregularity, but found incomplete documentation and procedures, which contributed to the issues that had been identified by Finance. The agreed management actions included drafting and agreeing a new end to end procedure, and a process for identifying and dealing with any discrepancies found in the banking.

All management actions are now complete. The outcome has been to significantly reduce the volume of errors identified and any errors that do arise are now corrected without delay.