

GOVERNANCE COMMITTEE

TUESDAY, 16TH JUNE, 2020, 6.00 PM

MICROSOFT TEAMS

SUPPLEMENTARY AGENDA

I am now able to enclose, for consideration at the above meeting of the Governance Committee, the following information:

5 Draft Annual Governance Statement 2018/2019 and 2019/2020	(Pages 13 - 78)
Report of the Director of Governance/Monitoring Officer attached.	
6 Internal Audit Progress Report - Audit Reports with Limited Assurance Opinion	(Pages 79 - 158)
Report of the Interim Chief Executive attached.	
7 Internal Audit - Head of Audit Annual Report	(Pages 159 - 186)
Report of the Interim Chief Executive attached.	

Gary Hall
INTERIM CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee

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Agenda Item 5

REPORT TO	DATE
Governance Committee	16 June 2020



TITLE	PORTFOLIO	REPORT OF
Annual Governance Statement 2019 and 2020	Leader of the Council	Director of Governance / Monitoring Officer

Is this report a key decision? (i.e. more than £100,000 or a significant impact on more than 2 Borough wards)	No
Is this report confidential?	No

PURPOSE OF THE REPORT

1. To present the Annual Governance Statement covering the financial years 2018/19 and 2019/20.

RECOMMENDATIONS

2. That the Annual Governance Statement be approved in draft form for consideration by External Audit.

CORPORATE OUTCOMES

3. The report relates to the following corporate outcomes:

Excellence, Investment and Financial Sustainability	✓
Health, Wellbeing and Leisure	
Place, Homes and Environment	

Projects relating to People in the Corporate Plan:

Our People and Communities	
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BACKGROUND TO THE REPORT

4. The council is required to ensure that it has in place a sound system of governance, that it regularly reviews the effectiveness of that system and the it continuously seeks to achieve best value in service delivery. As part of that, the council is required to publish an Annual Governance Statement (AGS).

5. The Annual Governance Statement is developed alongside the Statement of Accounts but assesses the governance framework for the whole council and all of its activities. The form of the AGS and the approach taken to its development is based on guidance that is produced by CIPFA and SOLACE.
6. The Annual Governance Statement for 2018/19 was not signed off as significant governance failings that predated the submission of the AGS to Governance Committee in May 2019 were identified. As a result, it was clear that the statements within the AGS as presented were incorrect and did not accurately reflect the position of the council as regards the maintenance of and compliance with a robust governance framework. Following discussions with the council's external auditors, and because the AGS is supposed to reflect the point at which it is agreed, this statement covers the 2018/19 and 2019/20 financial years.

OVERVIEW OF THE ANNUAL GOVERNANCE STATEMENT

7. The guidance from CIPFA and SOLACE sets out that councils are obliged to
 - Develop and maintain an up to date local code of governance consistent with the 'core principles' set out in the framework
 - Review their existing governance arrangements against the framework
 - Prepare a governance statement in order to report publicly on the extent to which the council complies with its own code on an annual basis including how it monitored the effectiveness of its governance arrangements in the year and on any planned changes in the coming period
8. The annual governance statement is required to be signed by the most senior officer (normally the Chief Executive) and the most senior member (normally the Leader), but it is developed and owned collectively by senior officers and members.
9. The guidance states that there should be a review undertaken by a body, such as the Governance Committee, that has not been involved in the production of the AGS.
10. The statement has five sections:
 - Section one: the council's responsibility in producing an annual governance statement
 - Section two: the purpose of the annual governance statement
 - Section three: the governance framework, and how the council complies with its local code
 - Section four: how the council reviews the effectiveness of the governance framework
 - Section five: the steps that have been taken to test and enhance the council's governance framework, and the actions that need to be taken in the coming period.
11. This report provides an overview of the key elements of the AGS, with the full AGS attached at appendix 1.

SUMMARY OF THE ANNUAL GOVERNANCE STATEMENT

12. In addition to the sections identified above, an introduction section has been inserted. This explains why the AGS covers a 2 year period and provides context for the length and context of the document.

13. Sections one and two of the AGS are self explanatory but it is of benefit to address the remaining sections in this covering report.

Section three: our governance framework

14. While the first two sections of the AGS provide a short standard introduction, section three details compliance with the adopted Local Code of Governance. The council continues to have in place some of the key elements of a strong governance framework, which provides a strong foundation for the organisation to work from.

15. Section three highlights some of the key documents, policies and controls that are in place to support good governance. For example:

- Corporate Strategy and performance reporting
- The Constitution and financial regulations
- Policies such as the Whistleblowing policy

16. A number of these documents have changed over the two financial years that the AGS covers, such as the corporate strategy and the medium term financial strategy. For completeness, the evidence used looks across the evidence that has been in place over the period.

17. The table has, in addition to previous years a column titled “comment”. It is recognised that whilst some of the framework detailed in this section was in place, it was not effective. This column addresses the failings identified. This is important to acknowledge that the governance framework failed. The Council cannot simply state that the policies or processes were in place as evidence of compliance. Investigations and review have shown that whilst there may have been policies and processes, they were not reviewed or applied adequately.

Section four: How we review effectiveness

18. This section explains the different methods the governance framework is tested and reviewed by the Council.

Section five: Significant governance failings

19. Section 5 is the key part of the AGS for members of the Committee. In the narrative is a explanation as to how different issues contributed to the significant governance failings identified. Members of the Committee may recognise these matters were raised by external audit in the section 24 report from 2018. This is referenced in the narrative. The issues are grouped into 4 themes

- a. Leadership
- b. Culture
- c. Process; and
- d. Monitoring and Review.

It is very important, in order of the Council to be able to demonstrate improvement, that these issues are acknowledged. If any of these themes is not incorporated in any improvement plan then the governance failings will be perpetuated.

20. It is recognised that there have been improvements made and these are detailed in section 5(a) and 5(d). Key improvements have been the implementation of the senior

management structure and the progression of shared services. The Monitoring Officer post formerly held on an interim basis is now a permanent appointment and the Deputy Director of Finance has been appointed providing some continuity to that directorate albeit the statutory role remains discharged by a deputy acting up. In addition, senior roles that will support the Council's transformation agenda, organisational development and public engagement have all been recruited to strengthening the corporate centre and assisting in developing a robust governance environment.

21. However, there are a number of governance issues which have been identified in and /or carried over from previous years and these are contained as sections 5(b) and (c).

22. The key actions which remain outstanding are set out below with proposed plan in the table below.

Action	By when	Lead
Undertake a review of the council's corporate governance policies: and Strategies • Anti-Fraud and Corruption Policy • Anti-Bribery Policy • Whistleblowing Policy • Complaints Policy • Risk Management Policy / Strategy & Framework	August 2020	Chris Moister / Dave Whelan
Deliver governance and ethical awareness training to relevant staff and all members	August 2020	Chris Moister / Dave Whelan
Review the council's constitution, including financial regulations and scheme of delegation	July 2020	Chris Moister / Dave Whelan / James Thomson
Review the structures and processes of the new shared services to ensure they work efficiently, effectively and economically for the council	October 2020	Chris Sinnott
Review and identify any necessary improvements in the council's compliances with the Transparency Code	August 2020	Chris Moister / Dave Whelan / James Thomson
Develop and agree a business planning process for services	Initial works – September 2020	Vicky Willett
Develop a new performance management framework and data quality policy	September 2020	Vicky Willett
Develop an Organisational Development Strategy	December 2020	Vicky Willett
Develop a Communications Strategy	November 2020	Andrew Daniels
Develop a consultation framework and community engagement strategy		
Agree an approach to monitoring and managing the implementation of management actions agreed in internal audit reports	September 2020	Leadership Team
Review and update the council's HR policy framework	September 2020	Vicky Willett
Develop a partnerships framework	March 2021	Vicky Willett

COMMENTS OF THE STATUTORY FINANCE OFFICER

- 23.** There are a number of key projects that will be undertaken in the coming 12 months with the support of finance. As stated in the report, if approved, the AGS will be submitted to External Audit to consider.

COMMENTS OF THE MONITORING OFFICER

- 24.** As stated in the body of the report, the Annual Governance Statement makes hard reading. However, some comfort should be taken that these issues are being identified and there is a clear commitment to improvement being demonstrated not only by looking with a critical eye but by the works done and proposed to be done.
- 25.** The significant issue identified by the section 24 report was a lack of progress with an agreed improvement plan. Progress can now be demonstrated, and a revised action plan is proposed which identifies works and timescales for completion. This will not be a quick fix but the AGS gives an honest and transparent assessment of the Council's governance framework and this recognition but the council in a better position to make the necessary improvements.

BACKGROUND DOCUMENTS

There are no background documents to this report.

APPENDICES TO THIS REPORT

Appendix 1 - Draft Annual Governance Statement for 2019 and 2020

Chris Moister
Director of Governance and Monitoring Officer

Report Author:	Telephone:	Date:
Chris Moister, Director of Governance and Monitoring Officer	01257 515160	8 June 2020

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Annual Governance Statement 2019 and 2020

INTRODUCTION

This, in many respects, is an unusual document. Annual Governance Statements (the “AGS”) are prepared as a point in time assessment of a Council’s governance framework and compliance with it. It normally covers a single year and supports a council’s Statement of Accounts providing comfort to members and the public that the decisions taken to support the financial decisions of the council have been made correctly and lawfully.

It is of course more than this, it addresses all decision-making processes. It provides confidence to the public that officers and councillors are acting with probity, that decisions are made transparently and that the best interests of the public are protected.

This document covers 2 years, the AGS presented to Governance Committee last year could not be signed off or approved. Both Internal Audit and External Audit were unable to accept statements made concerning the governance framework, nor compliance with it. In short there were significant governance failings identified (after the initial production of the draft AGS) that meant the AGS presented was simply not correct.

While some elements of this document will be familiar, following the format used for previous years, the contents of these sections will be significantly different. This will reflect the issues which were identified and have continued to be identified since the start of the municipal year 2019/20. Progress has been made to improve the council’s approach to governance. Section 5 of this AGS not only addresses the governance failings identified but also updates on improvements that have been made. It should also be accepted that the fact there continue to be issues identified is evidence of a more challenging approach to governance which in itself supports a culture of improvement.

However, the purpose of the AGS is to provide a stark and honest position statement of the Council’s approach to governance. This document will not only deliver a realistic assessment of the Council’s position but also provide an action plan for improvement against which progress can be monitored.



1. What we are responsible for

South Ribble Borough Council is responsible for ensuring that its business is conducted in accordance with the law, to high standards and that there is a sound system of governance (incorporating the system of internal control). Public money must be protected and properly accounted for. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and delivering an efficient and effective service.

To meet this responsibility we should put in place proper arrangements for overseeing what we do (this is what we mean by governance). These arrangements are intended to make sure we do the right things, in the right way, for the right people, in a fair, open, honest and accountable way.

South Ribble Borough Council has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE Framework¹
².

The Council are legally obliged to prepare an Annual Governance Statement which demonstrates how we have complied with the requirements of our code³. Unfortunately, this governance statement details how we failed to follow our local code, how these failings were identified and how we are taking steps to ensure that our governance framework can be improved and our statement of internal controls are complied with.

In May 2019 this document (in a similar form) was presented to Governance Committee for consideration as a draft. This draft stated that, not only is there a robust and comprehensive governance framework but that this framework had sufficient controls to ensure it was complied with. Subsequent to this, important and longstanding governance failings have come to light, highlighting that the AGS was incorrect. Further work undertaken over the last twelve months by the council's internal audit team has identified additional failings.

¹ The CIPFA / SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers) framework "Delivering Good Governance in Local Government".

² South Ribble Borough Council has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE Framework. A copy of the local code is available online at www.southribble.gov.uk or can be obtained by contacting D Whelan, Deputy Monitoring Officer - Civic Centre, West Paddock, Leyland, Lancs, PR25 1DH

³ Regulation 6(b) of the Accounts and Audit (England) Regulations 2015

2. Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which we direct and control our activities including those by which we account to, engage with and lead the community. It enables us to monitor how we are achieving our long-term aims and to demonstrate where this has led to improved services that are delivering value for money. The council has responsibility for ensuring that there is a sound system of governance.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our priorities and aims, so it can only offer reasonable protection. It is based on an ongoing process that is designed to:

- Identify and prioritise the risks that could prevent us achieving our aims and objectives
- Assess the likelihood and impact of the risk occurring
- Manage the risks efficiently, effectively and economically.

3. Our Governance Framework

Our Governance Framework, which was adopted by full Council at its meeting on 24 May 2017, promotes and demonstrates our commitment to the principles of good governance and incorporates the council's values that emphasise how we do things at South Ribble Borough Council. It is important to note that a robust governance framework only has value if it is complied with and contains sufficient controls to ensure this. While the governance framework detailed below is correct and is on its face comprehensive some of the detail which would have protected the Council is absent. These identified issues are included in the Comments column. The council approach to improving these defects will be addressed in section 5 of the AGS.

The principal elements of our governance arrangements in 2018/19 and 2019/20 and our commitment to our local code are described below:

Good governance means behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law			
The Council's commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action	Comments
Behaving with integrity	<ul style="list-style-type: none"> • The council has a set of Core Values in place which inform everything we do • Our values of Integrity, Positive Attitude, Learning Organisation, Teamwork and Excellence are at the core of our business and they influence everything we do. They demonstrate that we are serious not just about what is achieved but also how business is done • We communicate our shared values with members, staff, the community and partners • Our Core Values are incorporated into role profiles for senior managers and are embedded into our induction programmes for new officers and members. • We have a suite of relevant policies in place – i.e. Whistleblowing policy, 	Local Code of Governance Transformation Strategy Corporate Plan Suite of policies available through intranet – See Appendix C Action 6. Member and officer protocol	<p>Whilst throughout this period there were a comprehensive suite of governance policies nevertheless some of those policies were in need of updating</p> <p>2018/19 No Personal Development and Review process in place, 2019/20 PDR process introduced, Induction improved, PDR's in general completed for all staff, 2020/21 process to be further embedded</p> <p>Management Controls require improving in regard to ensuring appropriate induction for individuals are promoted into Management roles, ensure appropriate regulation and rules training is undertaken.</p> <p>Breaches of CPR's and attempts to circumvent Financial Procedure Rules during 2018/19, early 2019/20. Training and review has taken place during 2019/20 and is ongoing.</p> <p>Number of temporary arrangements in 2018/19 re s151 and into 2019/20.</p>

	<p>Antifraud and Corruption Strategy, Fraud Response Plan, Anti Bribery Policy, Anti Money Laundering Policy and Guidance, RIPA</p> <ul style="list-style-type: none"> Contracts and service specifications for the main partnerships are informed by our values 		<p>Assistant Director of Finance post now filled permanently; recruitment to Director of Finance in progress.</p> <p>A number of policies relating to anti-fraud and corruption, whistleblowing etc. require review and update and appropriate training provided for officers.</p>
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> We have a robust Members' Code of Conduct in place which was refreshed in 2017 We had a Member and Officer Protocol which was adopted in March 2018 – all members and officers signed up to it for the year 2018 – 2019. For the year 2019 - 2020 (following the election in May) members were again asked to sign up to this protocol. The vast majority of members have signed up to this. We have a robust Employee Code of Conduct in place We are committed to raising the profile of our Standards Committee –the Chair of Standards reports to full Council on an annual basis The Protocol for the Independent Person was formalised and is included in the Constitution We strengthened our standards arrangements by appointing a second Independent Person We have an Investigation and Hearing policy which sets out how we deal with complaints against Members – this was updated and strengthened in 2017 	<p>Members Code of Conduct Constitution (Part 5A) – See Appendix C Action 2.2 Code of Conduct for employees Constitution (Part 5B) Standards Committee Terms of Reference. Independent Person Protocol - Constitution (Part 4J) Member and officer protocol Member learning hours – Schedule in place Register of interests</p>	<p>Project Group established to align Code of Conduct across CBC and SRBC as part of shared arrangements, will include taking account of LGA model code as appropriate.</p> <p>Internal Audit Identified that a number of policies relating to the ethical governance of the Council require reviewing and updating.</p> <p>Provision of ethical training for Members and Officers is required</p> <p>Agreed values in partnership working require review and update, align to Corporate Strategy and Corporate Values</p> <p>Partnership Framework identified as out of date, requires review and update</p>

Appendix 1

	<ul style="list-style-type: none"> We have Member learning hours as well as tailored training for members on particular committees Following the elections in May 2019 training was provided for all members on Standards issues and additional training was provided to the members of the Standards Committee. We have a register of interests in place for officers and members to declare interests. Members are advised on an annual basis to review their declaration of interest's forms and interests are published online We have a robust Scrutiny Committee 		
Respecting the rule of law	<ul style="list-style-type: none"> Appointment of statutory officers including; Head of Paid Service, Monitoring Officer and S.151 Officer who fulfil their responsibilities within legislative and regulatory requirements Compliance with CIPFA's statement on the Role of the Chief Finance Officer in Local Government (2016) We have an induction programme for new Officers and members We have Financial Regulations and Contract Procedure Rules in place Substantial work has been completed on reviewing and updating our Constitution, this is undertaken on an on-going basis. Legal Officers provide advice on all committee reports and delegated decisions 	Constitution Review of compliance with statement on role of CFO. Financial Regulations and Contract Procedure Rules – See Appendix C Actions 1 & 5 Effective Anti-fraud and corruption policies and procedures Local Assurance testing	<p>It should be pointed out that Internal Audit have identified a number of failings to comply with Contract Procedure Rules for the year up to May 2019. Since then extensive training has been delivered on this issue.</p> <p>Internal Audit reviews identified significant breaches of Contract and Financial Procedure Rules in respect of Contracts and Tender processes. CPR's in relation to High Value Procurement in respect of some Utilities contracts breached. Also breach of European Procurement Rules, failure to achieve and demonstrate Value for Money, also breach of Constitution as appropriate decision-making process not adhered to; contract not agreed and signed by Legal Services.</p> <p>Internal Audit review identified instances of waiver process not complied with; contracts extended without adhering to appropriate decision-making process and without obtaining waivers of CPR's in line with Constitution.</p> <p>There have been instances of legal advice being sought without going through the internal team, Monitoring Officer advice not always followed.</p> <p>Internal audit reviews identified circumvention of Financial Procedure Rules, they are ambiguous and require interpretation,</p>

			<p>not aligned to current operation of services ;- Financial Regulations are in need of updating</p> <p>Fraud & corruption risks for Council require assessment Service Assurance Statements require testing to determine effectiveness of controls</p>
Good governance means ensuring openness and comprehensive stakeholder engagement			
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action	Comments
Ensuring openness	<ul style="list-style-type: none"> Our Local Code of Governance, Constitution and Annual Governance Statement show the Council's commitment to openness Our Corporate Plan in February 2019 provided a focus, setting out the priority objectives, key targets and supporting improvement actions, the plan is reviewed and updated on an annual basis and is communicated through our website. In 2018-19 we undertook extensive consultation on priorities with residents, businesses and partners to inform the development of a new 5-year Corporate plan for 2019-24 Following a change of political administration in May 2019 work commenced on a new Corporate Plan. This was finalised and published in September 2019. It covers the period 	Local Code of Governance Constitution Annual Governance Statement Corporate Plan 2018-2023 New Corporate Plan 2019 - 2023 Compliance with Transparency Code Freedom of Information publication scheme All agendas and minutes are available through the website. Scrutiny Committee Terms of Reference Results of employee survey Results of member survey Results of cultural mapping review Community Engagement Strategy Community Engagement	<p>Internal Audit reviews identified a failure to review and action by Management of outstanding / overview contracts and excess spend levels outlined in the Transparency Register resulting in contracts continuing beyond agreed extensions. Not all spend in excess of £5000 is included in the Transparency register, thus failing to comply with Transparency Code.</p> <p>The Council's Contracts Management system is not up to date and does not contain all contracts;</p> <p>Community Engagement Strategy requires reviewing and updating.</p> <p>Consultation and Engagement toolkit requires developing</p> <p>Review of Internal and external communications required</p>

	<p>2019 – 2023. Extensive consultation was carried out prior to its introduction.</p> <ul style="list-style-type: none"> • Council and Committee agendas and decisions are available to the public through our website except where confidential matters are being disclosed • The culture in the council is that wherever possible all reports should be open to the public; we minimise the number of exempt reports • Wherever possible exempt reports are made public following a six month period upon request • Public participation is encouraged at our council and committee meetings – for example at Planning committee the public have greater rights to speak than is found at many councils • Requirements of the Code of Transparency are generally being complied with but there have been some instances where this has not occurred • The Corporate Plan, financial strategy and governance arrangements are reviewed annually and incorporate the key improvement areas. They ensure that resources are directed towards our priority areas and that our aims are realistic in the context of the funding constraints placed upon us • Scrutiny Committee report to every Council meeting – it meets 6 times a year – Scrutiny Committee have clear terms of reference • Every two years we have an Employee survey 		<p>An approach to the review and updating of the Transparency Register must be developed and adhered to by Leadership Team. Leadership Team members must also ensure the high value spend report is reviewed to ensure spend above £5000 is recorded on the Transparency Register and determine goods/services identified in the high value suppliers list, have been procured in accordance with the Council Contract & Financial Procedure Rules.</p> <p>.</p>
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	<ul style="list-style-type: none"> Staff are consulted on matters through a South Ribble Action Group, CONNECT, and the Leadership Team key messages and briefings. In addition there has been extensive consultation with staff as part of the cultural mapping review The Transformation Strategy and Transformation Programme, progress was reviewed and reported to Cabinet in the year 2018/2019. In the year 2018/2019 In collaboration with North West Employers, we carried out a review of our organisational culture, as part of this we developed a staff engagement measurement tool. 		<p>For reasons explained further on in this document there is no current Transformation Strategy</p> <p>This staff engagement tool has not been properly implemented, developed or embedded</p>
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> We had a Communications Strategy 2017-19 in place which enabled the establishment of communication task and finish groups on an ad-hoc basis when required There is significant consultation with voluntary, community and faith sector groups via the South Ribble VCFS Network, Neighbourhood Forums and through Partnerships South Ribble Partnership's Community Strategy 2019-2024 was developed allowing partners across the borough to work towards shared objectives in the interests of the local community – extensive consultation was carried out with all partners in developing this Strategy. The Strategy is available through South Ribble Partnership website. Council representation on 	Communications Strategy 2017-19 Customer Feedback Policy Community Strategy 2019-24 My Neighbourhood Plans Schedule of Neighbourhood forum meetings (3 per annum) Greenlinks consultation Corporate Plan 2019-2024 Updated Corporate Plan 2019 – 2023. Equality Impact Assessment	<p>Communications strategy requires updating, Draft version 2019-22 has been developed, however requires updating, to address Communications team is now a shared service with Chorley.</p> <p>The Partnership Framework requires review and update in order to ensure the partnerships reflect the Corporate Plan and the Council's values.</p>

	<p>South Ribble Partnership includes the leader (vice chair) and the Chief Executive. All agenda and minutes are distributed to all partners.</p> <ul style="list-style-type: none"> • The Council has close links with Disability Equality Northwest • Safer Chorley and South Ribble Community Safety Partnership • My Neighbourhoods surveys and My Neighbourhood forums provide opportunities for public involvement, 3 meetings per area are undertaken • Public involvement with any current consultation through website e.g Greenlinks consultation • Collaborative working with a wide range of public sector agencies and businesses to improve outcomes for local people and communities. Key Partnerships support this collaborative working and include; <ul style="list-style-type: none"> • South Ribble Partnership • South Ribble Community Leisure Trust • Central Lancashire health and wellbeing partnership • Lancashire Enterprise Partnership • Preston, South Ribble and Lancashire City Deal • Lancashire County Council • Chorley Borough Council <ul style="list-style-type: none"> • In 2018-19 we undertook extensive consultation with partners from the public sector, business and community to develop a new 5 year Community Strategy this is directly linked to the 		
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	<p>Council's Corporate Plan priorities and sets out how we will work with partners to use our joint resources to provide the services people need.</p> <ul style="list-style-type: none"> • In 2017-18 we undertook extensive consultation on priorities with residents, businesses and partners to inform the development of a new 5 year Corporate Plan for 2019 – 24. • We also carried out a robust consultation exercise with all relevant parties prior to the development and adoption of a new Corporate Plan (following the change in administration in May 2019) in September 2019 		
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> • The council uses a range of mechanisms to understand the views and needs of its residents and partners. These include: public meetings, partnerships, multi-agency working, community and voluntary groups • The Council's website was developed to improve citizen engagement • The council is constantly examining its service delivery arrangements based on feedback in order to achieve best value, improve customer service and take corrective action as necessary • All council/committee agendas, reports and minutes are openly available and can be viewed through the council's website • The council produces an Annual Report which provides a clear and concise summary of the council's activity over the previous year, so that residents can see 	<p>LGA Customer Survey Customer Feedback Policy Council website – committee reports and minutes Annual report Quarterly performance reports Records of public consultation Social Media (Facebook, Twitter etc.)</p>	<p>Procedures / processes relating to the Record of public consultations require review and update.</p> <p>Review and Update of Communications Strategy (as above)</p> <p>Review of Internal and external communications.</p> <p>Review and Update Community Strategy</p>

	<p>where money has been spent and what has been achieved</p> <ul style="list-style-type: none"> Customer feedback policy was introduced in 2017 and resident satisfaction measures and proxy measures for customer care have been routinely reported to Scrutiny Committee and Cabinet throughout 2018-19 as part of the quarterly performance report. There is public involvement with any current consultation through the council website e.g. Greenlinks consultation, Town Centre Masterplanning. Consultation is being developed for the budget setting process. 		
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Good governance means defining outcomes in terms of sustainable economic, social and environmental benefits

The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action	Comments
Defining outcomes	<ul style="list-style-type: none"> For the year 2018/2019 we had a new Corporate Plan 2019-2024 which was agreed by Council and reflected the council's priorities. The Plan was aimed at maintaining high resident satisfaction with the council and with the services we provide. It was also aimed at ensuring that the council remains financially self-sufficient with a focus on income generation. Regular reporting of progress towards achievement of the Corporate Plan was made to Scrutiny and Cabinet throughout 2018-19. In the year 2019/2020 (following a change of political administration after the local elections in May) a new Corporate Plan was introduced in September 2019. 	Quarterly performance reports Corporate plan 2018-2023 Corporate Plan 2019 - 2023 Transformation Strategy 2017-18 Community Strategy Medium-Term Financial Strategy CPRs – See Appendix C Action 5 AGS action plan Improvement Reference Group Quarterly Performance Reports Risk Management Framework	<p>It has become apparent that performance information previously reported was inaccurate, not evidenced and not properly signed off. During 2019/2020 a great deal of work has been done to address this – see further on.</p> <p>Further work is required to ensure process is embedded, a further review of Performance Management will be undertaken by Internal Audit as part of the 2020/21 Audit Plan work.</p> <p>Risk management inadequately evidenced through use of the Grace system</p> <p>Service Plans have not always been in place.</p> <p>Whilst there is a risk management framework in place, risk is not managed effectively, there is no Risk Strategy in place, a review is required of the Risk Management Strategy and Framework.</p>

	<ul style="list-style-type: none"> The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble – they lead and influence the strategic vision of the Partnership The South Ribble Partnership's Community Strategy was aligned with countrywide priorities and the council's Corporate Plan. The priorities of partners are also aligned to this A medium-term financial strategy was in place which set out the financial assumptions and provided a set of goals for financial decision making for the planning period ahead, this is backed up with robust budget monitoring Contract Procedure Rules and the guidance accompanying them contains advice on the social value dimension of procurement – this is backed up by advice from the council's legal and procurement officers Regular meetings of the cross-party improvement reference group took place in 2018/19, to consider the actions set out in the Peer review. This will be commented on further later on in the report. Contracts are in place for our major partnerships covering in particular Waste, Leisure, City Deal, Payroll, Shared Services (the latter with Chorley BC). Quarterly performance and financial reports are produced and presented to Cabinet and Scrutiny We have a risk management system (Grace) in place 	<p>Agreed set of quality standard measures Treasury Management update Capital Strategy update</p>	<p>Comments are made further on in this report about the work of the Improvement reference Group. Serious concerns have emerged about the accuracy of data reported to full Council about the completion of necessary work in the relevant Action Plan.</p>
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Sustainable Economic, Social and Environmental Benefits	<ul style="list-style-type: none"> We had a Transformation Strategy for the year 2018/2019 in place and developed a transformation programme that demonstrated our continued commitment to customer centric service improvement and financial savings The council sets out the factors it has taken into consideration when making decisions in reports which are available on our website We have in place a Disaster Recovery Plan, an Emergency Plan and a Business Continuity Plan There is an annual review process resulting in a Governance improvement action plan We have a Customer Feedback Policy in place and is available to view on our website. This informs our customers of their right to complain and we monitor the number of complaints within the quarterly performance report considered by Leadership Team and members 	Transformation Strategy and transformation programme Business Continuity Plan and Disaster Recovery Plan – See Appendix C Action 8 AGS action plan Customer Feedback Policy Quarterly Performance Reports Corporate Plan and priorities MTFS Capital Programme Capital Strategy Record of decision making and supporting materials	<p>In 2019/2020 council elected not to introduce a new updated Transformation strategy. Transformation was considered part and parcel of everyday working. Also a key driver for transformation is shared services – a great deal of progress was made in considerably expanding the scope of shared services during this process.</p> <p>Internal Audit reviews identified insufficient information in budget setting process to ensure Members have appropriate information to make robust decisions; detailed information in respect of key decisions to be included in future budget setting processes.</p> <p>Improvements are required in the area of Customer Feedback.</p> <p>There are no formal procedures in place in any service for incorporating feedback from customers into reviewing/revising policies and delivery of services. Also complaints feedback is dealt outside of the system.</p>
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Good Governance means determining the interventions necessary to optimise the achievement of the intended outcomes

The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action	Comment
Determining interventions	<ul style="list-style-type: none"> The Council's constitution governs the way we conduct our business and is based on the principles of accountability, transparency, efficiency and openness 	Constitution Scheme of delegation, Financial Regulations and CPRs – See Appendix C Actions 1 &7	In terms of the work of the Improvement Reference Group issues have emerged about this – in particular inaccurate information has been reported to cabinet and Council the actions that had been carried out to address the Action Plan.

	<ul style="list-style-type: none"> • The constitution clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations • Our delegated decisions are published and are subject to call in • The Monitoring Officer regularly advises on the correct interpretation of the Scheme of Delegation • Scrutiny Committee has a vital role to play in scrutinising and challenging the decisions of cabinet and individual officers e.g. 3 Scrutiny call-ins of cabinet decisions in 2018/19. During 2019/2020 there was a Scrutiny Committee call in on the cross-party strategic review of community involvement including My Neighbourhoods • The Scrutiny Committee supports citizens in highlighting community matters by holding public inquiries into matters of local concern. • Regular meetings of the cross-party improvement reference group took place in 2018/19, to consider the actions set out in the Peer review • Minutes of Council and Committee minutes are published and available on the Council's website wherever possible the Monitoring Officer discourages exempt committee reports • Reports set out alternative courses of action (to what is proposed) in all appropriate circumstances • We have Neighbourhood Area meetings 	<p>Scrutiny Committee Terms of Reference IRG- Record of decisions, supporting materials, minutes of meetings are all published on website. Performance Management Framework Corporate Plan MTFS</p>	<p>As above – ensure sufficient detail is included in discussions, including options to consider in order that Members can make robust decisions.</p> <p>Ensure risks are outlined and sufficient information is available to demonstrate that best value has been achieved in service delivery.</p> <p>Failings in the operation of the improvement reference group addressed in this document</p>
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Planning interventions	<ul style="list-style-type: none"> We had a Corporate Plan 2019-2024 which had been agreed by Council and reflected the council's priorities. The Plan is aimed at maintaining high resident satisfaction with the council and with the services we provide. It was also aimed at ensuring that the council remained financially self-sufficient with a focus on income generation through integration with the council's Medium -Term Financial Strategy. In the year 2019/2020 (following a change of political administration after the local elections in May) a new Corporate Plan was introduced in September 2019. The council had in place a suite of Key Performance Indicators (KPIs) to monitor service delivery and progress against Corporate Plan activities. Reports are compiled quarterly and are submitted to the Leadership Team, Scrutiny Committee and Cabinet. The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble – they lead and influence the strategic vision of the Partnership. Codes of Conduct and protocols help to ensure effective communication between members and Officers We had a Communications Strategy 2017-19 in place - this enabled the establishment of communication task and finish groups on an ad-hoc basis when 	Corporate Plan 2019-2024 (September 2019) Corporate Plan 2019 - 2023 Quarterly Performance Report Code of Conduct for elected members Code of Conduct for Officers Member / Officer protocol – Community Strategy Communication Strategy 2017-18 Council Calendar of meetings Local Plan Use of InPhase for Project Management Project Management Toolkit	<p>As part of a review of Project Management of a significant Council project it was identified by Internal Audit that, governance arrangements were ineffective in that agreed governance arrangements put in place had not been complied with and processes in regard to milestone decisions had not been complied with, demonstrating that project management was ineffective.</p> <p>Internal Audit identified a number of issues relating to Performance Management and reporting, in that data was inaccurately calculated, recorded and reported and there was a lack of compliance with the Council's Data Quality Policy. In 2019/20 significant work was undertaken to address this, Internal Audit will undertake a further review of Performance Management as part of the 2020/21 Audit Plan to ensure revised systems and controls are effective.</p> <p>It was identified from the Service Assurance Statements that improvements are required in regard to follow up processes where corrective action is identified, e.g. outputs of Residents Surveys and complaints etc. as there is currently no formal process for ensuring that feedback is taken account in service delivery improvements.</p>
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	<p>required It is now acknowledged that this needs to be updated.</p>		
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> We had a Financial Strategy in place backed up with robust budget monitoring and the MTFS Delivery Plan was monitored by both the Council's programme Board and Scrutiny committee Contract Procedure Rules and the guidance accompanying them contains advice on the social value dimension of procurement – this is backed up by advice from the council's legal and procurement officers Budget alignment with key priority areas provides capacity and investment A new Capital programme and MTFS for 2019-23 is closely aligned to the Corporate Plan for 2019-24. 	Medium-term Financial Strategy Contract Procedure Rules and Financial Procedures (Constitution) – See Appendix C Actions 1 & 5 Budgeting guidance and protocols Resident Consultation Capital Programme Project Management Toolkit Use of InPhase for project management Budget setting process links to Corporate Plan, Service Plans; engages with officers and members (administration and opposition) MTFS Draft Budget Quarterly budget monitoring reports Review of corporate outcomes and associated capital and revenue projects	
Good governance means developing the council's capacity, including the capability of its leadership and the individuals within it			
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action	Comments
Developing the organisation's capacity	<ul style="list-style-type: none"> The Council's Transformation Strategy focused on building and maintaining leadership and organisational capacity and articulated how we will support staff and members helping them to develop the skills they need for the future. The transformation aims were; 	Transformation Strategy Strong and effective leadership Shared Services – See Appendix C Action 3 Investors in People Medium-Term Financial Strategy Community Strategy	<p>The principles behind the Transformation Strategy were sound but no actions were taken to implement them. Also there was a failure to comply with the governance arrangements that were adopted in this regard.</p> <p>No workforce plan has been in place during these years nor was any Organisation Development undertaken during this period.</p> <p>During 2018/2019 the HR service was not helped by a lack of consistent HR management and use of temporary HR resources</p>

Appendix 1

	<ul style="list-style-type: none"> • To develop and embed an organisational culture that encourages, empowers and recognises ambition and innovation • A highly motivated and flexible workforce • Developing a performance culture • Encouraging and nurturing talent • To reduce the cost of service delivery • The council has a strong record of investing in its workforce to develop the culture of the organisation and ensure that current and future strategic priorities are met • In 2018/2019 in collaboration with North West Employers, we carried out a review of our organisational culture, as part of this we have developed a staff engagement measurement tool. • Members and officers work in partnership to deliver the priorities, promote our values and work collaboratively across Lancashire • Budget alignment with key priority areas provides capacity and investment ensuring the correct reserve allocation to deliver outcomes. • The Council is committed to increasing its capacity by working in partnership with a wide range of organisations including public, private, voluntary and community groups to build and share resources and deliver locally joined up services • Private sector partnerships provide investment and enhanced customer service for Leisure and Waste services • A long term partnership with Chorley BC to deliver Financial and Assurance services both increases capacity and 		<p>It was identified by Internal Audit as part of discussions in relation to the Service Assurance Statements that whilst some work is undertaken in regard to the review of activities, outputs and planned outcomes, in respect of benchmarking, measuring performance etc., the Service Assurance Statements identified that it is not consistent / formalised across the Council.</p> <p>The Council must develop an agreed approach in respect of clear expected outcomes in order that services can demonstrate the achievement of their service delivery objectives.</p> <p>The development of an agreed approach to benchmarking and assessing services against comparative data should also be undertaken assessing and acting on the outcomes / feedback from surveys and complaints and a reporting mechanism established.</p> <p>Further there is very little work undertaken in regard to the reviewing of partnerships / contract management and the review of expected outcomes / deliveries of these key partnerships / contracts to demonstrate that the partnerships / contracts demonstrate best value in delivery of those services / service areas and that service objectives are being achieved.</p> <p>The Council must develop and agree an approach to reviewing key partnerships / contracts in order to demonstrate / evidence that key partnerships / contracts are delivering effective, efficient and economic services / service areas and demonstrating that these partnerships / contracts evidence best value for the Council.</p> <p>The identification of financial discrepancies within a key partnership / contract arrangement has demonstrated that contract management in that area is ineffective and controls have failed. Appropriate contract management / partnership management processes require development and implementation for each contract / partnership / framework in order to ensure that efficient and effective delivery of services can be demonstrated and failure of delivery can be addressed.</p> <p>Review and update of Organisational Development Plan / Planning</p> <p>Review and update workforce plan / planning</p>
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	<p>skills whilst delivering efficiency savings through the use of appropriate technologies In 2019 – 2020 the council also agreed and implemented an expansion of shared services, including a number of senior posts that will provide resilience, development opportunities and increased capacity.</p> <ul style="list-style-type: none"> • Our values and integrated approach to financial and risk management are key to sustained progress against priorities • The Corporate Plan is supported by financial, risk and other cross cutting strategies and further deployed through service and individual performance plans to ensure that resources are focused on agreed priorities • Success in leadership and workforce related governance has been recognised in the achievement of Investors in People 		
Developing the capability of the organisation's leadership and other individuals	<ul style="list-style-type: none"> • The Council Leader and Chief Executive have clearly defined roles and maintain a shared understanding of roles and objectives. • The constitution clearly explains how decisions are made; the extent of delegated powers and includes standing orders, contract procedure rules and financial regulations. • The Council maintains a Scheme of Delegation setting out which decisions and powers have been delegated to various Committees and Officers. • Protocols ensure that communication between elected members and officers is both effective and appropriate 	Constitution Scheme of delegation, Financial regulations and CPRs – See Appendix C Actions 1 & 5 Codes of Conduct; Member / Officer protocols – See Appendix C Action 2.2 Shared Services – See Appendix C Action 3 Role of Monitoring Officer as detailed in the constitution Committee membership Leadership Team – Compliance with CIPFA statement on the roles of CFO Public Sector Internal Audit Standards	<p>During 2018 -2019 there was no organisation structure chart. The blended approach to working (see further on for more information) failed to identify accountability and responsibility. A review of whole organisational structure will be undertaken as part of the Shared Service review.</p> <p>During 2018/2019 no performance and development reviews were carried out. During 2019/2020 a new procedure was introduced, PDR's in general have been undertaken for all staff, the process requires embedding during 2020/21, Internal Audit will undertake some testing of this area as part of the 2020/21 Service Assurance Statement testing.</p> <p>The Council scheme of delegation is out of date and requires reviewing and updating particularly following the further development of Shared Services.</p> <p>Scheme of delegation has not been reviewed for some time, requires review and updating particularly to include the Shared Service changes.</p>

	<ul style="list-style-type: none"> • The role of the section 151 officer is supported by the shared financial and assurance services team – this is a service that we share with Chorley Borough Council • The Monitoring Officer is supported by the council's legal services team • The Chief Executive is the Head of Paid Service – the role is supported by the Leadership Team • Each Cabinet Member has portfolio responsibilities for leading strategic matters and for championing specific services and initiatives • Council business is conducted in accordance with the Constitution which governs and controls its business responsibilities and activities. • Good practice standards are annually assessed against the CIPFA statements for the roles of the Chief Finance Officer and the Public Sector Internal Audit Standards • The Transformation Strategy incorporated Member Development & identified the priority areas for officer development. Monitoring is undertaken by the Leadership Team and the Scrutiny Committee. • Staff are consulted on matters through a South Ribble Action Group, CONNECT (Intranet), the Leadership Team. In addition there has been extensive consultation with staff as part of the cultural mapping review and review of organisational culture. 	<p>Transformation Strategy 2017-18 – See Appendix C Actions 1 & 3</p> <p>Performance and Development Reviews – See Appendix C Action 7</p> <p>Cultural Mapping Review – Access to update courses and information briefings for Members</p> <p>Training & Development Plan for Members 2019/20</p> <p>Residents Panel</p> <p>Stakeholder Forums</p> <p>Cabinet in the Community</p> <p>Youth Council</p> <p>Neighbourhood Area meetings</p> <p>Public Consultation</p> <p>Review Individual Member performance regularly</p> <p>Peer reviews</p> <p>Training and PDR's for Staff</p> <p>HR Policies</p>	<p>Breaches of Financial Regulations have been identified in Audit reviews, this is sometimes due to ambiguity of the Financial Procedures Rules, these require review and updating to ensure in accordance with CIPFA / Best Practice and align to Chorley Council as Finance is a Shared Service.</p> <p>In 2019/20, the Administration have developed a number of initiatives in order to ensure public participation during the year including holding Cabinet in the Community, however, due to COVID-19, this implementation has been delayed.</p> <p>A number of HR Policies are out of date and require review and updating, to be undertaken as part of the Shared Services agenda.</p>
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Good governance means managing risks and performance through robust internal control and strong financial management			
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action	Comments
Managing Risk	<ul style="list-style-type: none"> The Council has a Risk Management Framework that outlines the responsibilities for risk The Chief Executive has overall responsibility for risk management; a cabinet member has portfolio responsibility; operationally a Head of Service leads the risk management function and is recognised as the officer champion. Governance, Risk Assessment & Control Evaluation software (GRACE) has been procured which enables continuous risk and control self-assessment by services. In addition Corporate Plan projects and project risks are monitored via InPhase. The Programme Board functions as the corporate risk management group and annually agrees and prioritises the corporate risk register which is aligned with the corporate plan Legal and Finance review all Committee reports and delegated decisions A quarterly review of the Corporate Risk Register is reported to both Scrutiny Committee and Cabinet alongside the quarterly performance reports The council takes a proactive approach to both prevent and detect fraud and this is supported by the Council's Anti-Fraud & Corruption Strategy, Internal Audit programmes, fraud investigations, 	Risk Management Framework Constitution GRACE InPhase Corporate Risk Register Corporate Plan Risk Register Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016-2019 Customer Feedback Policy Whistle-Blowing Policy Suite of Anti-fraud policies – See Appendix C Action 6	<p>The use of Inphase needs to be reviewed.</p> <p>A review of the risk management framework is required. There is no risk strategy or policy. Use of Grace / risk system (approach to risk management) needs to be developed further.</p> <p>There is an identified need to review risk management within projects – evidence of inadequate or poor risk registers</p> <p>Business Continuity Plans were identified as being out of date and not in place in some areas; Plans require further review and update following on from the current national crisis and to ensure they reflect the priorities of the Council BCP plans require continuous maintenance, review and testing to ensure they are fit for purpose and up to date.</p> <p>There are a number of significant Emergency Plans in place, these require, review, update and testing to ensure they are fit for purpose; regular exercise should be planned to stress test plans.</p> <p>Risk management is not fully embedded, this is reflected in the lack of up to date risk registers, the framework and management of risk requires review and update to ensure risks are being managed effectively and to ensure risk management is embedded.</p>

	<ul style="list-style-type: none"> participation in National Fraud Initiative exercises, and publication of proven cases. A Complaints Procedure and a Whistle-Blowing Policy are kept under review, providing the opportunity for the public and employees to raise issues for investigation 		
Managing Performance	<ul style="list-style-type: none"> The council has in place a suite of Key Performance Indicators (KPIs) to monitor service delivery and progress against Corporate Plan activities. Reports are compiled quarterly and are submitted to the Leadership Team (Programme Board), Scrutiny Committee and Cabinet We have introduced a Corporate Planning and Delivery Framework which will be used to monitor and manage the delivery of service plans and all corporate plan projects and for reporting progress to members The council has a variety of control mechanisms to ensure compliance with legal requirements, public law and Council policy. These include the roles of the Monitoring Officer; the Chief Financial Officer (Section 151); the assurance work undertaken by both External and Internal Audit; and the Council's committee reporting system The Monitoring Officer is responsible for keeping abreast of all legal requirements and informing relevant officers The Governance Committee is responsible for reviewing and challenging the adequacy of the council's governance 	Quarterly Performance Report Role of Monitoring Officer as detailed in Constitution. Role of S.151 Officer as detailed in Constitution Internal Audit Plan Governance Committee Terms of Reference - Monthly Programme Board meetings Financial Standards and Guidance Financial Regulations and CPR's	<p>Service Assurance Statements identified that Benchmarking and cost performance is not undertaken in all service areas, independent post implementation reviews of service delivery is not undertaken in areas where new processes / systems are developed to determine if project / system objectives are met. A number of audit reports have been classified as providing limited assurance in respect of controls, indicating that there are risks to the effective, efficient and economic delivery of services and their performance.</p> <p>Management actions arising from individual audit reviews must be implemented in a timely manner, managed by the Directors and the implementation reported to Governance the Committee.</p>

	<p>arrangements. It closely monitors progress on control matters including improvement plans, external and internal audit programmes and reports, and risk management.,</p>		
Effective overview and scrutiny	<ul style="list-style-type: none"> Cabinet is supported and challenged by the Scrutiny Committee which plays an active role in scrutinising decisions, monitoring performance, shaping policies and strategies and reviewing the effectiveness of partnerships and external organisations. The agenda, reports and minutes are publicly available on the Council's website 	<p>Scrutiny Terms of Reference and workplan The Role and responsibility for Scrutiny has been established and is clear Training for Members Evidence of improvements as a result of scrutiny</p>	
Robust Internal Control	<ul style="list-style-type: none"> The council maintains a robust Internal Audit service, which annually provides an independent and objective opinion on the internal control environment, verifies compliance with policies, laws and regulations, evaluates and makes recommendations to improve the effectiveness of risk management, value for money and governance processes The Audit Plan is compiled following consultation with Directors and Heads of Service We have a suite of relevant policies in place – i.e. Whistleblowing policy, Anti-fraud and Corruption Strategy, Fraud Response Plan, Anti Bribery Policy, Anti Money Laundering Policy and Guidance The Head of Shared Assurance Services is a member of the Leadership Team and reports directly to Governance Committee and provides an assessment of the overall 	<p>Internal Audit Annual Plan, Internal Audit Strategic Plan Internal Audit Charter Internal Audit Reports</p> <p>Constitution Anti-fraud and corruption strategy - See Appendix C Action 6 AGS process Risk Management Framework Compliance with Code of Practice on Managing the risk of fraud and corruption Compliance with Fighting Fraud locally Effective Internal Audit Service Effective Governance Committee</p>	<p>Last year's AGS process was not completed – significant failings emerged after the preparation of the draft AGS – procedures for the production of an AGS have been toughened and rendered more robust</p> <p>Develop Risk Management Strategy and review and update Risk Management Framework</p> <p>Whilst anti-fraud and corruption policies etc., are in place they require review and update. Further a review of the Council's measures to prevent and detect Fraud and Corruption is required and appropriate training is required.</p> <p>A Strategic Audit Plan is being developed to determine the resource requirements of the Internal Audit Service as part of the review of Shared Services.</p> <p>The Council's Governance Committee membership changed following the Elections in May 2019, CIPFA guidance recommends a review of the effectiveness of the Audit Committee in line with best practice, this independent review will be undertaken by Internal Audit as part of the Audit Plan for 2020/21.</p>

Appendix 1

	adequacy and effectiveness of the framework of governance, risk management and control within the Annual Governance Statement (AGS)		
Managing Data	<ul style="list-style-type: none"> The council has a suite of policies, protocols and/or strategies in place dealing with the issue of data management – safe collection, storage, use and sharing of data, They are designed to deal with the requirements of the following: <ul style="list-style-type: none"> The Data Protection Act 2018 The Freedom of Information Act 2000 The Transparency Code 2015 GDPR We launched a dedicated GDPR section on Connect (Intranet) providing regular blogs, information and tips, update of procedures The GDPR officer group met on a fortnightly basis to monitor and review progress of the action plan 	IT Strategy Information Security Policy Records Management Guidance Compliance with DPA and FOI Acceptable Use Policy –	<p>It has become apparent (through the work of the Internal Audit team) that there have been instances of failing to comply with the Transparency Code and with the implementation of GDPR – please see Section 5 infra.</p> <p>Internal Audit identified a number of control issues and non-compliance in regard to Data protection as part of the GDPR review, these have issues have been identified to Governance Committee and a follow up review will be undertaken as part of the 2020/21 Audit Plan.</p> <p>A number of arrangements were still required at the time of the review to ensure the implementation of GDPR was complete, this will be reviewed as part of the follow up.</p>
Strong Public Financial Management	<ul style="list-style-type: none"> A medium-term financial strategy was in place which set out the financial assumptions and provided a set of goals for financial decision making for the planning period ahead, this is backed up with robust budget monitoring Financial regulations and CPRs are detailed within the constitution Legal and Finance review all Committee reports and delegated decisions 	Medium-Term Financial Strategy Financial Regs. And CPRs – See Appendix C Actions 1 & 5 Budget Monitoring Reports CPR's	<p>A complete service review of Shared Financial Services including shared Management Accounts is in progress and will help align the work of the management account service to better support organisational development.</p> <p>As part of an audit review of Creditors a number of issues were identified in respect of payments processed for significantly more than order value and in excess of available budget, this identified a lack of significant controls within the Creditors system and the potential that management controls in regard to the ordering, receipting and payment of goods and services are not applied in accordance with the Council's Financial Procedure Rules. In order to determine the extent of the issue, further work will be</p>

Appendix 1

	<ul style="list-style-type: none"> The Section 151 Officer is an experienced Local Government Finance Practitioner at a senior level 		undertaken in respect of the creditors review and a review of budget monitoring / management will be undertaken to determine if any compensatory controls are in place thus mitigating risk..
Good governance means implementing good practices in transparency, reporting and audit to deliver effective accountability			
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action	Comments
Implementing good practice in transparency	<ul style="list-style-type: none"> The Transparency Code has generally speaking been complied with (but there have been some instances of failure in this regard – please see Section 5 of this AGS) The council maintains a user friendly and up to date Website. Information on expenditure, performance and decision making is published and can be accessed quickly and easily. The Corporate Plan is approved by full Council and communicated via our Website The Corporate Plan is communicated to employees via Connect and Team Brief The South Ribble Partnership is made up of a number of organisations which represent each sector from South Ribble My Neighbourhood forums are a key opportunity to communicate directly with the local community 	Local Government Transparency Code 2014 SouthRibble.gov.uk website SouthRibblePartnership.org.uk website Schedule of Neighbourhood forum meetings (3 per annum)	There have been some instances of failure to comply with the Code – please see Section 5 of this AGS)
Implementing good practices in reporting	<ul style="list-style-type: none"> The Corporate Plan and Annual Report are published on the Council's website and show detailed progress towards its vision and priorities Annual financial statements are reported and published on the Council's website 	Corporate Plan and Annual report Annual Financial Statement Annual Governance Statement Contracts Transparency Register	Comments elsewhere in this table expose the weaknesses of this element

Appendix 1

	<ul style="list-style-type: none"> Assessment of the Council's governance arrangements and the production and publication of An Annual Governance Statement including an action plan identifying the governance challenges it needs to address in the next financial year. Role of Governance Committee and specified in their Terms of Reference within the Constitution. 		
Assurance and effective accountability	<ul style="list-style-type: none"> The Council were subject to a Corporate Peer challenge in March 2017, the findings from which were used in 2017 to inform further improvement work. A revisit took place in late January and early February 2018. Overall the Peer Review Team found that the Council had made some progress in taking forward a number of the recommendations that the peer review team made in 2017, including the establishment of an Improvement Reference Group, the recruitment of a new Chief Executive and a new organisational structure, albeit that implementation of this was still in the early stages at that point. There was considerable member engagement in 2018/19 in developing a Corporate Plan for the borough. The work of the Improvement Reference Group was brought to an end. The Council though remains fully committed to improving further our governance arrangements wherever possible. There was considerable consultation and member engagement in developing the 	<p>Peer review findings and improvement plan and Report from 2018 re-visit. AGS</p> <p>All recommendations are tracked through Internal Audit follow up processes and progress reported to Governance Committee –An External Peer review of compliance with PSIAS standards was undertaken in 2018 and reported to Governance Committee.</p>	<p>Comments have already been made – and will be made further on – about the issues centred on the work of the Improvement Reference Group</p> <p>2018/19 – Internal Audit reviews identified issues in regard to the apparent circumvention of the Council's Financial Procedure Rules</p> <p>2019/20 Robust financial management procedures have been implemented and whilst there have been 3 different S151 Officers there has been a consistent approach by those officers which has improved controls and management in that area.</p> <p>A number of services are delivered by third party providers, there have been issues identified in a specific contract that could have resulted in significant financial loss to the Council. These issues highlighted a number of concerns in relation to contract management, effective delivery of the service and what assurance the Council has that the services delivered are still being delivered effectively, efficiently and economically. Third parties must provide assurance statements where appropriate.</p>

	<p>new Corporate Plan for the borough following the change of administration after the elections in May 2019</p> <ul style="list-style-type: none">• All recommended corrective action by either External or Internal Audit is implemented. Assurance reports are presented to Governance Committee summarising the Council's performance in implementing recommendations.• Assessment of the Council's governance arrangements as part of the AGS process• Public Sector Internal Audit Standards (PSIS) set out the standards for internal audit and have been adopted by the Council.		
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4. How we review effectiveness

This section would usually identify the structures, committees and officer roles which serve to review the appropriateness of the governance arrangements and their application. Those identified are correct. However, it has to be acknowledged that there has been a significant breakdown in governance arrangements at this council. That is not to say that all the individual processes failed, but in order to have a robust system of corporate governance they must all operate complementary. This has not happened. This will be addressed in section 5.

The Council has a responsibility to keep the effectiveness of its governance arrangements under review to ensure continuous improvement. This review is informed by the work of the Governance Committee supported by management, internal and external auditors and other review agencies.

For the sake of clarity the commentary below relates to both the year 2018 – 2019 and 2019 – 2020.

Council committees

A number of committees of the council have responsibilities that relate to the implementation and oversight of the council's governance framework:

Governance Committee - The Governance Committee provides member oversight and scrutiny of the Council's business controls. The Governance committee undertakes all of the core functions of an audit committee as identified in the relevant CIPFA guidance. During the course of the year 2018 - 2019 the committee agreed recommendations arising from a report on its Terms of Reference and Development Plan. The committee is supported by Leadership Team and both contribute to the continuous improvement and strengthening of the governance environment. In 2018/19 and 2019/20 the committee received regular reports on governance, finance and risk. It continues to carry out a major review of the Constitution. In addition Governance Committee has, amongst other things, considered reports on:

- Internal Audit Plan 2018/2019 and Internal Audit Charter
- Risk Management Framework
- Closure of accounts
- Statement of Accounts for the 2017/2018 Financial Year
- Budget Out Turn 2017/2018
- Internal Audit Annual Report
- Treasury Management Annual Report 2017/2018
- Audited Statement of Accounts 2017/2018 and Letter of Representation
- The work of Internal Audit
- The work of External Audit
- Amended Investment Strategy Options 2018-2019

- Treasury Management Activity Mod Year Review 2018/2019
- GDPR Update

During the year 2019/2020 Governance Committee considered reports on:

- Internal Audit Plan 2019/2020
- Internal Audit Annual Report 2018/2019 – summary of the work carried out during that period
- A number of reports from External Audit
- A number of Internal Audit progress reports
- Treasury Management Annual Report 2018/2019
- Treasury Management Activity Mid Year Review 2019/2020
- Review of Contract Procedure Rules
- Consideration of two Internal Audit reports with assurance opinions of limited assurance – namely Performance Management and GDPR
- Further reports that are due to be presented where the assurance opinions are limited include Environmental Health – Food safety, Car Park Management/Enforcement, Tree Inspection and Maintenance, Commercial Properties Follow Up and Creditors

For reasons explained elsewhere in this report it was not possible to sign off the AGS and accounts for 2019.

Shared Services Joint Committee - The Joint Committee monitors service performance of the Shared Assurance and Finance Partnership between South Ribble Borough and Chorley Borough Councils, and is a good example of our effective governance of partnerships.

Standards Committee - the committee's is to promote high ethical standards. Standards Committee reports to full Council on an annual basis on the work that it carried out. During the course of 2018/19, there were three meetings of the Standards Committee Initial Assessment Hearing Panel.

- In 2019/2020 (following on from the elections in May 2019) we had a number of new members – training on Code of Conduct and Standards issues was provided to new members. Bespoke training was also provided to new members on Standards Committee. Far fewer complaints were received about members during this period. For the year 1st of November 2018 to 31st of December 2019 7 formal complaints were made. By way of comparison for the year 1st of November 2017 to 31st of October 2018 23 such complaints were received. The previous 12 month period to that 23 complaints had also been received.

Scrutiny Committee

2018/2019

- The Scrutiny Committee continued to successfully hold the Cabinet to account and proactively work to improve the quality of life of local people.
- The Committee played an active role in the development of the Corporate Plan and in scrutinising the medium-term financial strategy.
- In addition to holding individual Cabinet Members to account the Committee received quarterly performance and budget monitoring reports.
- The Chair of the Scrutiny Committee is the Council's representative on the County Council's Health Scrutiny Committee and the Committee looked at preventative health models and the Our Health, Our care review of services in central Lancashire.
- The committee considered three call-ins during the year:
 - Communicating with residents and businesses
 - Council tax support scheme
 - Campus programme
- Bringing the Worden Hall buildings back into use was a particular focus for the Committee.
- The Committee again undertook a skills audit, undertook training, held a workshop and was an active member of the North West Strategic Scrutiny Network.

2019/2020

- The new Scrutiny Committee following the all-out Council elections received an extensive induction programme including training from the LGA, North West Employers' and Dr Stephanie Snape.
- The Committee took an active part in the development a new re-freshed corporate plan following the elections.
- A new budget and performance scrutiny panel was created by the Scrutiny Committee to look in detail at the quarterly performance and budget monitoring information prior to it being considered by Cabinet, which has significantly strengthened our performance management framework.

- Scrutinising partners continues to be a strength with South Ribble Partnership, Leisure Partnership and Community Safety Partnership being scrutinised during the year.
- We retain close links with Lancashire County Council's Health Scrutiny Committee with South Ribble's Chair being the Council's representative.
- The committee has had a focus on bringing Worden Hall back into use, commercialisation and property investment and Our Health, Our Care review of healthcare in central Lancashire.
- There has been one call-in during the year on the cross-party strategic review of community involvement, including My Neighbourhoods.

IMPROVEMENT REFERENCE GROUP/PEER REVIEW

On the 31st of January and 1st of February 2018 an LGA Corporate Peer Challenge follow up visit took place – the original Peer Review challenge had taken place in March 2017.

Overall the Peer Team found that the Council had made progress in taking forward a number of the recommendations that the peer review team made in 2017, including the establishment of an Improvement Reference Group, the recruitment of a new Chief Executive and a new organisational structure, albeit that implementation of this was still in the early stages at that point.

On the 31st of July 2018 External Audit issued a qualified value for money conclusion. Further External Audit considered it appropriate to use their statutory powers to make a recommendation under Section 24 of the Local Audit and Accountability Act 2014. External audit considered that slow progress had been made by the Council in respect of responding to the recommendations made by the Local Government Association (LGA) in their Corporate Peer Review 2017. It was considered that there were two recommendations in particular that needed to be implemented as a matter of urgency namely:

- Implementing the new senior management structure
- Developing the leadership potential of the new senior team.

On the 6th of February 2019 a report was taken to Council providing an update on the Corporate Peer Challenge Action Plan and the Response to the External Auditors' Statutory Recommendation. At that time, Council noted the significant improvement work that had been carried out. However – as a consequence of subsequent work carried out by the Internal Audit team – it has become apparent that the report that was considered by Council was inaccurate and some of the actions that had been reported as having been completed had not actually been finished. This is being addressed by Internal Audit who are reviewing the reporting undertaken.

Officer arrangements

In developing this Annual Governance Statement, the council's senior officers have worked collectively to understand and assess the effectiveness of the implementation of the council's governance framework. This work has been overseen by a Corporate Governance Group comprising:

- Interim Chief Executive
- Deputy Chief Executive
- Director of Governance (Monitoring Officer)
- Shared Service Lead (Legal)
- S151 Officer
- Shared Service Lead (Transformation and Partnerships)
- Interim Head of Shared Assurance Services

The Corporate Governance Group have worked with the council's Leadership Team who have individually produced and collectively reviewed service assurance statements which assess compliance with and understanding of the council's governance framework. This assessment has supported the production of this document.

It is also important to note the ongoing role that a council's senior officers have in ensuring that good governance is enacted in the working of the organisation. There have been a number of significant changes over 2018/19 and 2019/20 which are summarise below to provide context to the AGS

Internal Audit

Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk based Internal Audit Plan is produced. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service. This report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers.



The Internal Audit Annual Report contains a statement/ judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment). The Report identified the following areas as having Limited Control.

1. *To be completed following receipt of IAAR*

External Audit

The Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

We have been advised of the results of the reviews of the effectiveness of the governance framework and statement of internal control by these bodies and plan to address the weaknesses identified and will ensure continuous improvement of the system is in place through the proposed action plan in section 5.

5. Significant Governance Failings

This section will be completed as follows

- Narrative outlining reasons for governance failings
- Actions completed in relation to the 2018 AGS
- Failings identified in May 2019
- Failings identified post May 2019
- Action plan

In order for the council to properly consider these failings it is important to address how they arose. External Audit have given a qualified value for money conclusion on the Statement of accounts since the year 2015/16. The basis for this conclusion initially related to findings connected to the operation of the Licensing Service. But in subsequent years this has qualification has been due to failures to implement an improvement plan agreed by the Council with the Local Government Association.

On 26 July 2018 external audit published their Audit Findings Report for the period ending 31 March 2018. This report made a statutory recommendation under section 24 of the Local Audit and Accountability Act 2014. This is effectively a form of sanction imposed upon Councils by external audit where they find that there has been a significant and unacceptable failure by the authority in the discharge of their statutory functions. In this instance the recommendation required the council to make demonstrable progress in the implementation of the 8 recommendations in the LGA peer review report, in particular the implementation of the senior leadership structure and the development of the leadership potential of those staff to ensure that the Council agendas relating to Place, Strategic Finance and Transformation were progressed. This step was not taken lightly by external audit but it was felt by them that as this was the third year of qualification of the accounts action was necessary and appropriate. To be clear, continued failing to implement such a recommendation can lead to the issuing of a public interest report as serious action against the council which could lead to intervention by the Secretary of State.

For the year end 2019 (last year) representations were made to external audit by the council as regards progression of the implementation of the section 24 report recommendation. Upon testing this information, external audit were unable to accept the representations and given these and other governance failings which are identified in this document declined to sign off the statement of accounts. As a result of this history this significant governance failings section of the report seeks to identify the governance failings over a number of years, recognise the improvements that have been undertaken but also provide an action plan to address those that remain outstanding.

When the history to this matter and the rest of this section is considered, it is apparent that the failings can be attributed to the following:-

Leadership

South Ribble Council has, for a number of reasons had a period of instability at Leadership level. In the last 5 years there have been 2 Chief Executives and 2 Interim Chief Executives. There were at the start of this period existing governance issues which had led to LGA intervention.

In the more recent history this level of change at senior management level has been more acute.

In July 2017 a new Chief Executive commenced work in the council. The appointment had a remit to address identified governance and performance failings. On commencement in the role the CE undertook work to develop a management structure that would support a strong growth agenda and improve efficiency and performance. A new management structure was approved by Full Council in March 2018. Recruitment to the roles created was undertaken with appointments being made up to February 2019. This was a prolonged period although given the significant nature of the changes is not unexpected.

It must be recognised however, that the prolonged nature of the appointments will have contributed to uncertainty within the organisation, unclear decision-making lines due to the vacant posts and increased pressure placed on those in post. These must be recognised as factors that contribute to failings in governance arrangements. This is seen in relation to the statutory posts of Section 151 Officer and Monitoring Officer. These posts too have been recently occupied on an interim and temporary basis. These are key governance posts providing both advice and challenge on financial and decision-making issues.

This may have been resolved or the risks mitigated if clear and robust leadership structures had been put into place to manage the making of decisions. A new management structure was implemented which fed into a new “blended working” approach. The new management structure took a dispersed approach to decision making and responsibility. However, the absence of clear accountability, delegations or strong culture meant confusion arose over who was responsible or accountable for decisions and implementing the governance framework, as evidenced later in this section. This will be considered further in culture below.

Culture

There have been longstanding governance issues at this authority which date back a number of years. This is demonstrated through the findings of Internal Audit, most seriously in relation to the taxi licensing issues that were identified and investigated in 2015/16. While this is an isolated example it is illustrative of a cultural approach to governance.

The Council recognised these failings in culture and sought to address them through changes to senior management and to approach. In accordance with the objectives set by the Council the organisation took actions to address the cultural ethos of the Council. A new way of “blended working” was developed and principles established within the organisation. The purpose of blended working was to empower staff, providing them with the opportunity to take responsibility and ownership of the issues before them.

It should be noted that this principle is sound. Staff work more effectively when they feel empowered and the quality of work improves. There are greater opportunities for individual development and team working.

However, if culture change is not implemented correctly then it can severely damage an organisation. In this instance this may have been exacerbated by the lack of clarity in relation to the leadership structures and ownership of decision making.

The culture changes were not embedded, as a result there was confusion over who “owned” issues with there being the opportunity to rely on a conflict between the old and new processes as a reason for no-one taking ownership. The changes to the statutory officer posts both in terms of holder and position within the leadership structure undermined their ability to challenge governance failings effectively or put them in a position where challenges raised were dismissed or not taken seriously. The impact of the absence of challenge was to reinforce the behaviours that contributed to governance failings. This was demonstrated by the completion of the service assurance statements last year. The service assurance statements are part of the Council’s process to assess compliance with the Governance Framework. The service assurance statements suggested a strong and robust approach to governance which was not supported by evidence. The culture of the organisation was unchanged.

Process

These tensions between new and old ways of working and cultures could have been resolved by ensuring there were clear processes and policies established to support the new environment.

Evidence suggests that this did not happen. Reviews of policies have found that whilst some are maintained properly, others are not updated or reviewed and some were absent altogether. This is reflected in the findings of section 3 above. The 2019 AGS could not be approved at least in part because this framework of documents was not adequate.

Monitoring and Review

The testing of a governance framework is the only way to ensure it is appropriate and being used. While there are processes in place for the testing of systems and the challenging of failings, this will only have value if the testing and challenge is considered appropriately.



Failings in relation to monitoring and review have also been identified.

Narrative - Conclusion

The themes identified above when they work complimentary to each other are the foundations of a strong governance framework. However, when any of them falters, then this impacts on all of them and the framework will fail.

It is against this context that the significant governance issues identified should be considered. The AGS is a corporate level document and should be used to consider not individual failings but themes and trends.

5a. Action Completed in respect of the 2018 Annual Governance Statement

A number of actions arising from the 2018 Annual Governance Statement (see Appendix B) were fully implemented by 31 March 2019. These include:

- Member & Officer Development – appropriate financial training was identified and delivered
- Contract Procedure Rules – an electronic waiver system was introduced;
- The terms of reference for Governance committee were reviewed, revised and agreed;
- Improved communication effected;
- Member/Officer protocol has been signed up to by all members;
- Cabinet's training needs were identified and delivered on
- There were regular briefings of Shadow Cabinet

5b. Issues identified in May 2019 at the time that the initial draft Annual Governance Statement was presented to Governance Committee

The following are matters that were identified as governance failings that prevented the 2019 AGS being approved.

Theme	Governance Failing	Actions undertaken	Actions Outstanding
Leadership /Culture	Updating Constitution	A great deal of work has been devoted to updating the Constitution in recent years. That was true of 2018/2019.	The principal areas that need to be updated are the Scheme of Delegation and Financial regulations.
	Ethical Governance	Internal audit undertaken	The principal outstanding action here is that a number of Governance policies need to be updated. Training for officers is also required.
	Shared Services	During the year 2018/2019 very little progress was made on implementing the new Shared Services proposals.	During 2019/2020 great progress was made. Individuals were appointed to 6 of

			the 7 agreed senior posts. Shared services has now been greatly expanded.
	Increased Awareness Fraud	A limited amount of progress has been made in this regard	Policies need to be updated in this area and alongside that training provided.
	Value for Money	Very little progress has been made here.	This is an issue that needs to be addressed. In the Action Plan that we propose there is reference to developing a corporate approach to benchmarking and use of comparative data.
Policies / Procedures	HR Policies	Some updating of policies has taken place but this process has not been completed.	A number of policies still need to be updated. This also needs to be seen in the context of shared services for Human Resources.

	Contract Procedure Rules	An electronic waiver system was introduced in 2018/2019	A review of CPRS took place in 2019/2020. The rules were brought up to date.
	Development Review Process	During 2018/2019 no staff PDRs were carried out.	During 2019/2020 a new PDR process has been introduced and implemented. This needs to be embedded now.
	Business Continuity Plans	Have been reviewed due to Covid-19 lockdown. Testing by the LRF has shown them to be adequate.	
Review / Monitoring	Asset Register	Some progress has been made here. New staff have been appointed to the Estates team within the last 12 months. Revised asset valuations have been carried out.	However, there are outstanding actions. There is no evidence that all assets have been recorded.

Actions identified as outstanding will be carried forward into the action plan to address all remaining governance failings.

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5c. Issues which have subsequently come to light since May 2019

At the meeting of Governance Committee on 30 May 2019 queries were raised about whether all of the actions reported in Appendix B (Action Plan 2018 -2019) to that report had been carried out. This led to the Interim Chief Executive commissioning Internal Audit to carry out further work in this regard. At the same time other issues of concern emerged. This was the correct approach to respond to these concerns.

These investigations focused on failings to adhere to HR policies, failing to comply with procurement policies and procedures and specific outcomes relating to improvements recommended within the LGA Corporate Peer Challenge.

Further a number of other Internal Audit reports have been carried out in the last 12 months which are of particular significance and must be referred. A number of these reports were only given limited assurance. Some of these reports reveal long standing problems.

These audit reports relate to:

- GDPR Compliance – GDPR not fully implemented, required policies and procedures not in place, weaknesses in control and non-compliance in areas where policies had been implemented. Failure of management controls as LT / Information Asset owners had failed to take responsibility and own requirements of GDPR and ensure implementation of requirements within their service areas.
- Environmental Health – Food Safety – Adequate framework governance to manage inspections and interventions, however, timescales not complied with, continual backlog from the FSA inspection and further weaknesses in control in respect of management controls with little / no performance management undertaken / evidenced.
- Car Park Management/Enforcement – Effective governance in respect of off-street parking, however, in regard to car parks, lack of planned inspection and maintenance policy, despite previous agreed management actions, no evidence of a signed framework agreement to demonstrate contract / agreement is properly managed, car part fees not reviewed since 2017, in contravention of Financial Procedure Rules.
- Tree Inspection and Maintenance – no tree inspection and maintenance policy, therefore no effective governance framework is in place which the service is required to operate to, shortcomings identified in regard to systems utilised, backlog of outstanding work orders, budget pressures

are an issue due to the lack of correlation between the delivery of the service and cost of delivery, this risk will increase in line with the increase in tree planting.

- Performance Management – significant issues in regard to the collections, calculation, definition and reporting of performance management information in respect of 2018/19 and the first quarter of 2019/20. Data collections procedures were ineffective and there was no evidence to demonstrate senior officer sign off, further lack of compliance with principles of the policy including the lack of review of the policy since April 2014.
- Commercial Properties – Follow Up – Previous opinion was Limited, follow up identified a number of management actions not fully implemented relating to the asset register, revised asset valuations have been undertaken however, no single record is in place and no evidence to demonstrate all SRBC assets are recorded, inconsistent filing and retention of property management records, rent reviews and lease renewals have not been undertaken.
- Creditors – Review focuses on controls with the Creditors system itself and identified significant failure or lack of controls within the system, which constitute significant breaches in the governance framework that is the Council's Financial Procedure Rules. The weaknesses in control leave the council open to the risk of fraud, error, potential for officers to act beyond their delegated authority and could result in material misstatement.
- Procurement – Utilities Contract – Fundamental failure of Contract Procedure Rules and elements of the Council's Constitution, further issues identified in this report also constitute a failure of European Procurement Rules, in that, the contract was not contracted in accordance with any rules / regulations, there is no evidence of value for money and the contracts have not been agreed or signed off by Members in accordance with the appropriate rules

5d. Remedial action has been taken since May 2019

Since the challenges raised by Governance Committee in late May 2019 a great deal of work has been done to remedy the situation.

The approach to improvement has been risk based with areas of greatest risk being attended to first. The first priority was to move forward with Shared Services which would enable the organisation to establish a stable senior management environment and appoint to the statutory officer roles of section 151 officer and monitoring officer who are key to good governance. Shared Services also establishes shared Policy and Performance, HR and Communications teams. These are all areas identified as having governance failings and will play key roles in addressing cultural change in the organisation in addition to leading on reviews of policies and procedures as well as re-establishing systems for monitoring.

South Ribble and Chorley progressed the establishment of 7 new Senior Management posts in Shared Services. Those posts are:

- Deputy Chief Executive
- Director of Finance/Section 151 Officer
- Deputy Director of Finance (Deputy Section 151 Officer)
- Director of Governance/Monitoring Officer
- Shared Services Lead – Legal (Deputy Monitoring Officer)
- Shared Services Lead – Communication and Visitor Economy
- Shared Services Lead – Transformation and Partnerships

In November 2019 officers were appointed to 6 of the 7 roles. We were in the process of going through a recruitment process for the Director of Finance post when the Coronavirus crisis intervened. That recruitment process will be renewed in due course. In the meantime the Deputy Director of Finance has been appointed to fulfil the Section 151 officer role in both councils.

In this context Actions 4 (Review of Services) and 16 (Management Structure) which are shown in the Action Plan (Appendix B) as not being completed by the 31st of March 2019 were thus completed in the year 2019/2020 – hence there is no need to carry them over. They can come off the Action Plan moving forward.

One of the key aims of Shared Services is to introduce greater resilience by combining relatively small teams. There is also a conscious attempt to strengthen the corporate centre in South Ribble. The Monitoring Officer and Section 151 officer posts are both now Director roles. There was a recognition that the Corporate centre needed to be enhanced. A council needs to have robust checks and balances in place. Also bringing in a policy and performance team which will have oversight of the policy, transformation and strategy development should have a very beneficial impact in terms of introducing the further improvements that are required in this area.

One issue of real concern that had been highlighted was a failure on a number of occasions to follow the council's Contract Procedure Rules. In March 2020 extensive training was provided for approximately 50 senior managers and team leaders in this regard. Further during 2019/2020 the council's Contract Procedure Rules were reviewed and updated.

Another area of concern which had emerged related to recruitment processes. During the year 2018/2019 changes had been made to our recruitment processes. The HR team had not been fully involved in this and the new procedures were not properly documented. Since late May 2019 these processes were discontinued. The HR team is again fully involved in our recruitment processes. A new recruitment process was established and agreed – we are confident that these new procedures have been followed nevertheless Internal audit will be asked to test whether this is indeed the case. The processes that were adopted for the recruitment of the senior Shared Services posts were particularly robust involving senior members from both authorities.

During 2019/2020 standard updated Job Description and Personal Specifications were developed and provided to Directors for use.

A wide range of HR policies have been reviewed and updated.

Also in the area of HR a new Performance Development Review process was reviewed, agreed and implemented during the year 2019/2020. It is still early days and this needs to be embedded thoroughly but good progress is being made. Induction processes have also been developed during this period but more work is required.

Performance Management has been further developed as part of the Revised Corporate Plan (2019 – 2023) During the year 2018/2019 in a number of instances Performance Management information provided to members was found to be incorrect and inaccurate. During the year 2019/2020 a revised robust performance framework was developed and agreed including management options from audit reports. Further a revised Data Quality policy is now in place with processes developed to ensure the quality and accuracy of data.

Clearly for members to fulfil their roles properly they need to have access to accurate and reliable data. Further they need access to good quality training. During 2019/2020 a Training and Development plan was implemented ensuring all members can receive appropriate training for their respective roles and overall training in respect of issues relevant to all members such as GDPR.

During the year 2018/2019 there were some instances of external legal advice being acquired without involving the internal Legal Services team in the process. This is poor practice and can lead to difficulties and complications. All legal advice must be sought through the Monitoring Officer or the Shared Services Lead for Legal. Throughout 2019/2020 these issues have not recurred. More generally throughout 2019/2020 there has been an improvement in how the Monitoring Officer and the Section 151 officer have been involved in the decision making process. Advice has been readily sought and followed.



During the 2018/2019 there had been some instances of proper procedures not being followed for the making and publication of key decisions. During 2019/2020 all such issues have been eradicated.

It must be stated that the year 2019/2020 was a very challenging year for the council as a whole and the Internal Audit Team. Many issues of concern had to be addressed. Additional resources were identified for the Internal Audit team to enable them to carry out all the work they required.

5e. What remaining actions are required?

Having completed actions identified as high risk, the organisation are now in a position to move on to other identified actions and the following action plan has been prepared.

Action	By when	Lead
Undertake a review of the council's corporate governance policies: and Strategies <ul style="list-style-type: none"> • Anti-Fraud and Corruption Policy • Anti-Bribery Policy • Whistleblowing Policy • Complaints Policy • Risk Management Policy / Strategy & Framework 	August 2020	Chris Moister / Dave Whelan
Deliver governance and ethical awareness training to relevant staff and all members	August 2020	Chris Moister / Dave Whelan
Review the council's constitution, including financial regulations and scheme of delegation	July 2020	Chris Moister / Dave Whelan / James Thomson
Review the structures and processes of the new shared services to ensure they work efficiently, effectively and economically for the council		Chris Sinnott
Review and identify any necessary improvements in the council's compliances with the Transparency Code	August 2020	Chris Moister / Dave Whelan / James Thomson
Develop and agree a business planning process for services	Initial works – September 2020	Vicky Willett

Develop a new performance management framework and data quality policy	September 2020	Vicky Willett
Develop an Organisational Development Strategy	December 2020	Vicky Willett
Develop a Communications Strategy	tbc	Andrew Daniels
Develop a consultation framework and community engagement strategy	tbc	tbc
Agree an approach to monitoring and managing the implementation of management actions agreed in internal audit reports	tbc	Chris Moister/Dave Whelan
Review and update the council's HR policy framework	September 2020	Vicky Willett
Develop a partnerships framework	tbc	Vicky Willett



6. Conclusion

The council is fully committed to ensuring that its governance arrangements are and continue to be as robust as possible. As part of that process the council will monitor implementation of all actions set out in our Action Plan.

.....
Leader of the Council

.....
Chief Executive

Date:

On behalf of the Members and Senior Officers of South Ribble Borough Council.

GLOSSARY

Annual Audit Letter	An External Audit report presented to Council and containing the findings of the Audit Commission's work. It is a requirement of the Code of Practice for Auditors.
Assurance	An evaluated opinion based on evidence and gained from review.
CIPFA	Chartered Institute of Public Finance and Accountancy
Control Environment System of Internal Control	Comprises the organisation's policies, procedures and operations in place to : Establish and monitor the achievement of the organisation's priorities; Identify, assess and manage the risks to achieving the organisation's objectives; Facilitate policy and decision making; Ensure the economical, effective and efficient use of resources; Ensure compliance with policies, legislation and regulations; Safeguard the organisation's assets; Ensure the integrity and reliability of information, accounts and data.
Corporate Governance	Corporate governance is the system by which local authorities direct and control their functions and relate to their communities.
Corporate Governance Group	In 2017 this involved the following officers: Chief Executive; Section 151 Officer; Monitoring Officer; Head of Shared Assurance; Corporate Governance Manager; Corporate Improvement Manager.
LT	Leadership Team
SOLACE	Society of Local Authority Chief Executives

APPENDIX B

ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2018

Themes	Recommended Improvements	Actions Taken & In Progress As At March 2019	Status
1. Member & Officer Development	To develop the current level / programme of financial training packages for Budget Holders (& Members) to include use of systems, process improvement and financial management techniques.	A review of core finance activities are in place and an approach will be developed in the first quarter of the year. From this, training will be designed and developed and specifically tailored to meet specific needs, i.e. general budget and finance overview, budget monitoring etc. A programme of work will be communicated to staff and members. Member learning hours will also be used to provide training on specific issues as they arise during the year.	Complete
2. Constitution	To ensure that the Constitution is as clear as possible, completely up to date and fit for purpose	The review of the constitution will be finalised and will incorporate new financial regulations that support the new organisation structure. Review and updates to the Constitution have been undertaken during 2018/19, FPRs and Scheme of Delegation have been reviewed and the re-drafted documents are to be finalised to take into account the new management structure then formally agreed and implemented.	C/FWD to 2019
3. Ethical Governance	Greater priority, liaison and support be provided to the Scrutiny, Governance and Standards Committees in promoting high ethical, performance and governance standards.	Further training for members and officers is to be identified and undertaken.	C/FWD to 2019
4. Review of Services	The role, capability and capacity of the in-house legal and democratic services team and that of Shared Financial Services be reviewed to ensure they provide proactive advice to Members and Officers to ensure compliance with the constitution and governance frameworks.	A review of the shared service arrangement will be conducted during the 2018/19 financial year. Council approved the revised shared services structure in March 2018. Draft job descriptions have been co-created with existing staff. An action plan is being developed to test future shared services opportunities. External capacity is being sourced to strengthen the existing shared services legal agreement. Transformation of services is progressing, statutory S.151 and monitoring officer positions in place.	C/FWD to 2019

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Themes	Recommended Improvements	Actions Taken & In Progress As At March 2019	Status
		Shared Services deferred until June 2019.	
5. Review of HR Policies	Undertake a review of the HR policies.	HR policies were to be reviewed as a key action in the new Transformation Strategy approved by the Cabinet on 27 th July 2017. A number of these policies have indeed been reviewed but more work is required. There are questions about how robust the reviews were.	C/FWD to 2019
6. Strong and effective political leadership	Review alternative models for Governance Committee.	Discuss outcome of the desktop review at the meeting of the Improvement Reference Group in May 2017 and develop an action plan to complete the review and to implement the recommendations. Governance Committee Terms of Reference have been reviewed, updated and approved.	Complete
7. Compliance with Contract Procedure Rules (CPRs)	To further embed procurement policies and procedures, and to strengthen the current CPRs.	Introduce an electronic CPR waiver process including authorisation by S151 Officer and Principal Procurement Officer Communicate agreed changes to CPRs to relevant officers and members	Complete
		Implement a simple central corporate contract management system to help prevent and mitigate the risk of lost contract documents, missed review and notice deadlines, loss of knowledge and information due to staff changes etc.	C/FWD to 2019
		ELT include provision on their agenda plan for a quarterly review of (1) the Procurement Plan referencing a forward look of not less than 12 months (2) the Contracts Transparency register.	C/FWD to 2019
		ELT review / implement a list of Authorised Officers including the extent of their delegated authority and applicable financial thresholds and ensure that this is appropriately communicated to the officers concerned as required by CPR 5.1	C/FWD to 2019
8. Fraud	Increased fraud awareness.	Fraud awareness training to be delivered to all relevant officers using MILO e-learning modules.	C/FWD to 2019

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9. Data Management	Compliance with General Data Protection Regulations (GDPR)	Compliance delivery action plan in place, to be overseen by programme board and report into inphase.	C/FWD to 2019
10. Communication	To improve internal communication and clarity with staff about the vision and next steps for transformation	This will be addressed as part of our new Transformation and Organisational Strategy	Complete
Themes	Recommended Improvements	Actions Taken & In Progress As At March 2019	Status
11. Strong and effective political leadership	To renew the focus of and commitment to the Improvement Reference Group (IRG)	The Group was stood down early in 2019. However, issues have subsequently emerged about the accuracy of reporting of actions taken.	Not Completed satisfactorily
12. Strong and effective political leadership	To resolve the ongoing political tensions. For example through robust implementation of the new officer/member protocol.	Protocol to be signed by all members and relevant officers.	Complete
		Impact of the protocol to be monitored by ELT through the quarterly performance report	Complete
		Joint Cabinet / Shadow Cabinet meetings to be held quarterly to review impact of the Protocol	C/FWD to 2019
		Member development programme to be developed and implemented.	C/FWD to 2019
13. Strong and effective leadership	Align political and officer processes to ensure decisions are implemented with no last minute changes	IRG to jointly develop an agreed approach to how much and when information is shared between political groups to ensure that all members have the information they need to make decisions in a timely way. Developed approach includes; Senior officer meetings programmed to clear all council reports. Portfolio holder discussions take place to confirm reports. Pre-cabinet briefings take place. Shadow cabinet briefings introduced on all cleared cabinet reports.	C/FWD to 2019

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14. Strong and effective leadership	Support and develop the new Cabinet to be appointed in May 2018	The development and training needs of the new Cabinet to be identified and delivered	Complete
15. Strong and effective leadership	Greater support to the shadow Cabinet	Shadow Cabinet to be provided with briefings on all Cabinet reports (once published)	Complete
16. Management Structure	Implement the new senior management structure	New management structure approved by Council is largely in place with the exception of the shared services posts.	C/FWD to 2019
17. Leadership development	Develop the leadership potential of the new senior team to take forward the place, strategic finance and transformation agendas	To develop a leadership development programme for the senior management team to ensure that senior managers have the necessary skills to take forward the transformation agendas.	C/FWD to 2019

APPENDIX C

ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2019

For the sake of clarity the recommended improvements within this action plan will be incorporated into the Corporate Improvement Plan. This plan will detail the key milestones with target completion dates and allocate responsibility for each action to Key Officers or groups of Officers. Progress of the Corporate Improvement Plan will be monitored by the Leadership Team and regularly reported to Governance Committee.

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Themes	Recommended Improvements	Proposed Actions	Source
1. Constitution	To ensure that the Constitution is as clear as possible, completely up to date and fit for purpose	The review of the constitution will be finalised and will incorporate new financial regulations that support the new organisation structure.	B/FWD from 2018
2. Ethical Governance	Greater priority, liaison and support be provided to the Scrutiny, Governance and Standards Committees in promoting high ethical, performance and governance standards.	Further training for members and officers is to be identified and undertaken.	B/FWD from 2018
		The development (with Chorley Borough Council) of a new Code of Conduct for members	Corporate Assessment
3. Ethical Governance	Updating of Policies	A review of the full suite of our Corporate Governance policies - this includes Anti-Fraud and Corruption Policy, Anti-Bribery policy, Whistleblowing policy and Complaints policy	Corporate Assessment

Appendix 1

4. Review of HR Policies	Undertake a review of the HR policies.	A number of HR policies have been reviewed during the last 12 months, the remainder will be reviewed this year. There is now a commitment to review all our HR policies on an annual basis. Also the policy framework needs to be reviewed in the context of Shared Services.	B/FWD from 2018
5. Compliance with Contract Procedure Rules (CPRs)	To further embed procurement policies and procedures, and to strengthen the current CPRs.	<ul style="list-style-type: none"> • Implement a simple central corporate contract management system to help prevent and mitigate the risk of lost contract documents, missed review and notice deadlines, loss of knowledge and information due to staff changes etc. • Leadership Team include provision on their agenda plan for a quarterly review of the Procurement Plan referencing a forward look of not less than 12 months and the Contracts Transparency register. • Leadership Team review / implement a list of Authorised Officers including the extent of their delegated authority and applicable financial thresholds and ensure that this is appropriately communicated to the officers concerned as required by CPR 5.1 	B/FWD from 2018 / Spend Analysis
6. Fraud	Increased Fraud awareness.	Fraud awareness training is to be delivered to all relevant officers	B/FWD from 2018
7. Strong and effective political leadership	To resolve the ongoing political tensions. For example through robust implementation of the new officer/member protocol.	Joint Cabinet /Shadow Cabinet meetings to be held quarterly to review impact of the protocol.	B/FWD from 2018
8. Strong and effective leadership	Align political and officer processes to ensure decisions are implemented with no last minute changes	Member development programme to be developed and implemented. The developed approach on how much and when information is shared between political groups to ensure that all members have the information they need to make decisions in a timely way is to be formally agreed and implemented.	

Appendix 1

9. Strong and effective leadership	Develop the leadership potential of the new senior team to take forward the place, strategic finance and transformation agendas	To develop a leadership development programme for the senior management team to ensure that senior managers have the necessary skills to take forward the transformation agendas.	B/FWD from 2018
10. Strong and effective leadership	Support and develop the new Cabinet appointed in May 2019	The development and training needs of the new Cabinet to be identified and delivered on	Chief Executive
11. Business Continuity Plans	To review and update the business continuity arrangements	To review and update the business continuity arrangements BCP testing to be undertaken	Service Assurance Statement
12. VFM	To develop a corporate approach to benchmarking and the use of comparative data	To develop a corporate approach to benchmarking and the use of comparative data	Service Assurance Statement
	To maximise VFM and social value from procurement	To continue to monitor the Council's supply chain with the desire to maximise VFM and social value from its procurement. To develop and implement a Social Value Policy	External Audit challenge questions
13. Asset Register	To review and update the Council's Asset Register	To undertake a strategic review of all assets.	Internal Audit Review
14. Communications	Communications Strategy	The development and approval of up to date communications strategy	Corporate Assessment
15. Risk Management	Strategy and Framework	The development and approval of a Risk Management Strategy and Framework	Corporate Assessment
16. Partnership Working	Framework and Protocols	The development and approval of up to date Partnership framework together protocols for partnership working	Corporate Assessment
17. Transparency	Transparency	A review of how we are complying with the Transparency Code needs to be carried out – in particular we must ensure that our Transparency Register is	Corporate Assessment

Appendix 1

		fully populated with all relevant contract details and updated on a regular basis	
18. Shared Services		<ul style="list-style-type: none"> • New Job descriptions and personal specifications will need to be drawn up for all posts within the expanded Shared Services team • Review the services in question and then restructure accordingly 	Corporate Assessment
19. Organisational Development		<ul style="list-style-type: none"> • A formal process for the development of Service Delivery Plans needs to be introduced • A business planning process for services to be introduced • Further work is required to improve our Performance Management arrangements – this is to include a review of what benchmarking activities take place • The introduction of an up to date Organisational Development Plan 	Corporate Assessment
20. Ethical Governance	Complaints	<ul style="list-style-type: none"> • Review and update Complaints Framework and Policy 	Corporate Assessment
21. Consultation	Consultation Strategy	<ul style="list-style-type: none"> • Development and approval of a Consultation Framework and Strategy 	Corporate Assessment
22. Ethical Governance	Internal Audit reports	<ul style="list-style-type: none"> • A review of how recommendations from Internal Audit reports are managed and monitored 	Corporate Assessment

Agenda Item 6

REPORT TO	ON
Governance Committee	16 June 2020



TITLE	REPORT OF
Internal Audit Progress Report - Audit Reports with Limited Assurance Opinion	Interim Chief Executive

Is this report confidential?	No
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PURPOSE OF THE REPORT

1. The Governance Committee requested that the Interim Head of Shared Assurance present to Committee audit reports where the Internal Audit opinion on the level of assurance provided was **Limited**. This report is the presentation of complete Audit Reports for the 2019/20 Internal Audit Plan issued since the last Governance Committee (28th January 2020), where the opinion is that of **Limited Assurance**.

RECOMMENDATIONS

2. That the Governance Committee consider and note the attached reports.

CORPORATE OUTCOMES

3. The report relates to the following corporate priorities:

Excellence, Investment and Financial Sustainability	X
Health, Wellbeing and Safety	
Place, Homes and Environment	

Projects relating to People in the Corporate Plan:

Our People and Communities	
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BACKGROUND TO THE REPORT

4. The Governance Committee is responsible for ensuring that the Governance arrangements of the Council are sound and operating effectively. In order to provide assurance to the Committee that Governance arrangements are in place and operating effectively, that controls are in place and operating as they should and that risks are mitigated thus providing assurance in respect of the overall control environment, the Interim Head of Shared

Assurance presents quarterly monitoring and progress reports to the Governance Committee. These reports include the assurance opinion for each service / area / system / process reviewed. The Governance Committee have requested that the Interim Head of Shared Assurance provide full reports to the Committee, where that assurance opinion has been classed as providing **Limited Assurance**.

PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

5. The level of assurance applied is based on the auditor's assessment (with the agreement of the Interim Head of Shared Assurance) of the extent to which:-
 - i) System objectives of the area reviewed are met;
 - ii) Governance arrangements are in place and the effectiveness of those arrangements;
 - iii) Controls are in place and the effective operation of those controls; and
 - iv) Risks are mitigated.
6. A separate report detailing the Internal Audit Annual Report, which outlines all the work completed in 2019/20 is included on the agenda for this Committee meeting. Since the last Governance Committee (28th January 2020), a number of pieces of audit work have been completed, this work is outlined in the Annual Report. As outlined in the Annual Report, there are 5 audit reviews where the opinion of the control environment has been determined that only **Limited Assurance** can be placed on the controls in place and substantive control weaknesses exist in those areas. These reviews are:-
 - i) Environmental Health – Food Safety (Appendix 2)
 - ii) Car Park Management & Enforcement (Appendix 3)
 - iii) Tree Inspection & Maintenance (Appendix 4)
 - iv) Commercial Properties Follow Up (Appendix 5)
(this was follow up of a previous review where a Limited Assurance opinion had been determined)
 - v) Shared Services – Creditors (Appendix 8)
7. Attached at Appendix 1 is a document outlining the issues arising, the Governance issues those findings relate to and an update of progress since the Audit review was undertaken. Included in that document is outlined reference to 2 other reviews that have been undertaken as part of the Audit Plan & review of Governance arrangements, these relate to:-
 - i) Procurement (at SRBC) Utilities & 2 Other contracts (Appendix 6);
 - ii) Health & Wellbeing Campus – Review of Procurement of provider and Project Governance arrangements (Appendix 7).
8. It has been determined in regard to these two areas, that the fundamental failings in controls; the significant breaches of decision making processes, contract and financial procedure rules and the non-compliance and potential total disregard for rules, regulations and policies of the Council is such that in regard to the specific contracts reviewed, it is Internal Audit's opinion that the assurance ratings outlined in the reports cannot apply and that **No Assurance** can be placed on the effectiveness of controls in place and the extent to which risks is mitigated.
9. It should be noted in respect to these areas that the opinion relates only to the specific contracts, procurement exercise and project reviewed and does not necessarily mean that this is endemic across the organisation, further work is required and will be included in the Audit Plan for 2020/21 in that regard. Members should also be assured that whilst the

controls have not operated as they should, the Council does have effective policies, procedures, regulations rules etc. in place to ensure good governance, the position is that these policies, procedures etc., have not been adhered to / complied with and in relation to the Health & Wellbeing Leisure Campus disregarded by Senior Officers of the Council.

10. Members should also note that these two reports are Final Reports, however, the management action plans have not been discussed and agreed with the relevant managers, so require finalisation. However, the actions arising are all issues relating to Governance which have been highlighted in the Council's Annual Governance Statement and included in the 2020 Action Plan.

CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

11. Consultation with all relevant Directors and Service Managers / Team Leaders have been undertaken in regard to the factual accuracy of those reports outlined at paragraph 6 and management actions and responses agreed.

AIR QUALITY IMPLICATIONS

12. None

COMMENTS OF THE STATUTORY FINANCE OFFICER

13. Finance will support the management actions outlined in the audit reports as well as the actions outlined in the Council's Annual Governance Statement 2020.

There are financial risks outlined in the appendices to this report, this includes a risk that up to £602k of expenditure relating to the Health & Wellbeing Leisure Campus project could be charged to revenue.

COMMENTS OF THE MONITORING OFFICER

14. The internal audit reports presented highlight significant corporate governance failings. These matters will be raised in the Internal Audit Annual Report and considered further in the Annual Governance Statement.

OTHER IMPLICATIONS:

<p>► Risk</p>	<p>The matters raised in the report are cross cutting and impact upon those individual services reviewed and the Internal Control environment of the Council.</p> <p>Failure to report the progress of the Audit Plan to the Governance Committee would result in the lack of awareness of those charged with the responsibility for the Governance of the Council of issues in regard to the Council's overall control environment. This could result in financial, legal and / or reputational harm to the Council.</p>
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BACKGROUND DOCUMENTS

There are no background documents to this report

APPENDICES (or There are no appendices to this report)

Appendix 1 – Summary of Limited and No Assurance Reports

Attached - Environmental Health – Food Safety Internal Audit Report
 Car Park Management & Enforcement Internal Audit Report
 Tree Inspection & Maintenance Internal Audit Report
 Commercial Properties Follow Up Internal Audit Report

Procurement – Utilities & 2 Other Contracts Internal Audit Report
Health & Wellbeing Leisure Campus Internal Audit Report

Shared Services – Creditors

Janice Bamber
Interim Head of Shared Assurance

Report Author:	Telephone:	Date:
Janice Bamber, Interim Head of Shared Assurance Services	01772 625272	5 th June 2020

South Ribble - Audit Reports & Issues 2019/20

Audit Review	Opinion	Issues Arising	Governance Issues	Update
South Ribble				
Environmental Health – Food Safety	Limited	<p>A food safety plan is in place, this sets out demands for the service the potential risks to non-achievement of the required inspections and resources available, it provides a snapshot of the intervention programme and backlog of overdue interventions. A number of areas of weakness in controls where identified including:-</p> <p>Inspections and interventions outlined in the Food Safety plan are not always carried out in line with the outlined timescales; there is little or no performance monitoring evidenced, a backlog of intervention inspections which is ongoing from the FSA inspection in 2017, the lack of measurement and reporting of the intervention programme and the routine use of overtime / additional payments to deal with significant backlogs since 2017, the failure to utilise and update the services computer system (IDOX) and the failure to maintain up to date documents relating to Data Accuracy and Internal Monitoring following changes to individual file monitoring.</p>	<p>Whilst the Food Service plan provides an adequate framework of governance to manage inspections and interventions, including the identified backlog, the outlined timescales are not being complied with in all cases, this weakens the governance framework, making it ineffective, further the continual backlog from the FSA inspection in 2017, which was included in the plan further evidences that the framework is not operating as it should. Further weaknesses in control indicate that the controls are not effective in the areas identified leaving the Council open to significant risk. The audit also identified weakness in management controls as little / no performance management is undertaken / evidenced.</p>	<p>A comprehensive management action plan has been agreed, including an updated service plan, the identification of resource shortfalls, management & monitoring of delivery of the service plan. The backlog of interventions was due to be complete by 31st March 2020, however, this could have been impacted by the COVID-19 crisis. A follow up of the Internal Audit review will be undertaken in 2020/21 by Internal Audit.</p>
Car Park Management / Enforcement	Limited	<p>Areas of good practice include appropriate off street parking orders in place, appropriate controls in respect of income collection and reconciliation; effective processes for issuing & monitoring PFN's and issue of permits.</p> <p>Weakness identified in respect of:-</p> <p>No planned maintenance & Inspection policy, previous audits have included management actions to address this issue have been agreed and not implemented; no evidence of signed framework agreement and no evidence to demonstrate contract / agreement is properly managed; car park fees not reviewed since 2017 in contravention of Financial Procedure Rules.</p>	<p>The provision of off street parking orders provide an effective governance framework in respect of enforcement procedures relating to charges and FPN. Controls in regard to car park charges and FPN's are generally effective with the exception of the lack of evidence to support the framework agreement and the monitoring of that agreement / contract, this demonstrates controls are ineffective in that area; the Council cannot demonstrate the performance of delivery against the agreed framework agreement.</p> <p>In respect of Car Park maintenance & inspection, the lack of a policy demonstrates ineffective governance arrangements, further controls in that area are ineffective and leave the council at risk of potentially not being able to defend claims.</p>	<p>A management action plan has been agreed which includes the development of a car park inspection policy; off street parking order to be updated to reflect electric vehicles; contract / framework management arrangements will be put in place and performance reported, managed and monitored.</p> <p>A follow up of this review will be undertaken by Internal Audit as part of the 2020/21 Audit Plan.</p>
Tree Inspection & Maintenance	Limited	<p>Controls are operating effectively in respect of suitably qualified and trained staff; accurate information held on each of the Council's trees, works orders promptly and accurately raised.</p> <p>Areas of weakness identified in respect of:-</p> <p>Council does not have a tree inspection and maintenance strategy / policy; shortcomings identified in the systems used to manage date in respect of trees; backlog of outstanding work orders due to category allocated and timescales assigned not aligning, some work orders go back to 2016; budget pressures are an issue due to the lack of correlation between the delivery of service and cost of delivery; increase in trees to be planted by new administration increases risk where no proper inspection regime is in place; issues related to procurement of external contractors and lists of contractors supplied to public; no performance management / reporting in relation to the service.</p>	<p>The lack of a tree inspection and maintenance policy / strategy signifies a lack of the governance framework for the service to operate to, further weakness in control demonstrate that controls are also ineffective in areas relating to tree inspection and maintenance. The risk is likely to increase with the increased tree planting which is a key element of the current administrations corporate plan. The lack of performance management / reporting and the lack of a policy / strategy demonstrates weakness in management controls in those areas.</p>	<p>A management action plan has been agreed which includes:-</p> <ul style="list-style-type: none"> a formally adopted policy to be implemented Feb 2020; the introduction of a suitable computer system; workload categorized and monitored to ensure future completion dates met, measures introduced to reduce the backlog of work, however, this is hampered by the resource limit (and will be further impacted by CV); in respect of procurement quotes will be sought and evidenced; random auditing of works carried out and discussions will take place in respect of performance management. <p>A follow up review will be undertaken by Internal Audit as part of the 2020/21 Audit Plan.</p>
Commercial Properties – Follow Up	Limited	<p>Follow up review due to previous assurance opinion of Limited assurance, management actions not fully implemented relating to the Asset register, revised asset valuations have</p>	<p>Failure to reconcile assets against Land Registry records to ensure all assets are accounted for demonstrate a weakness in the governance framework, further lack of and failure of controls in this area indicate</p>	<p>A further management action plan has been put in place and a further follow up review in this area will be undertaken as part of the 2020/21 Audit Plan. Internal</p>

		been undertaken, however, no single record and no evidence to demonstrate all SRBC assets recorded; inconsistent filing and retention of property management records, whilst roles have been appointed, it is only recently so rent reviews and lease renewals have not been completed. Assets have been valued at approx. £2m more than the figure previously included in Insurance renewal quotes.	that the operation of controls are ineffective, further there are significant risk of financial harm for the Council as rent reviews and lease renewals have not been undertaken on a regular basis and there is no central record of all assets of the Council.	Audit will also manage the progress made against this plan on a quarterly basis and report back to Governance Committee.
Procurement – Utilities & Other Contracts	No Assurance	There are robust Contract Procedure Rules in place to ensure that provides a robust framework for the procurement of goods and services to the Council. This review specifically reviewed the Procurement of Utilities for South Ribble BC. The procurement exercise breached all Contract Procedure Rules, rules in respect of Key Decisions, management and reporting rules in respect of responsibilities of Cabinet and rules in respect of legislative requirements both internal to the Council and external in that EU procurement rules were also breached. It was also identified that there the member of staff responsible was new to the Officer role and was not aware of CPR's / Financial Regulation and had not been provided with any training / instruction or support. The procurement exercise that was undertaken is flawed and does not evidence / demonstrate that the Council has achieved best value in regards to the procurement of utilities.	The complete failure of adherence to the governance framework in place demonstrates ineffective governance, the lack of controls does not demonstrate / evidence best value has been achieved. The failure to comply with EU rules and the rules / regulations of the Council leaves the Council open to significant financial, reputational and legislative damage / harm. The operation of controls in relation to Procurement, Decision making and Legal process have not operated effectively in relation to this procurement exercise. The lack of training / support and induction to the new role for the officer demonstrates significant failure in management controls in that area, this has been recognised in the Service Assurance Statement.	A further review of other procurement exercises is to be undertaken by Internal Audit as part of the 2020/21 Audit Plan, a review of high value expenditure against suppliers is in the process of being undertaken to ascertain if there are any other issues relating to breaches of CPR's and Council decision making as part of the 2020/21 Audit Plan. The report relating to the Utilities Contract will be presented to the Director, S151 Officer, Interim Chief Executive, Deputy Chief Executive and Governance Committee. A series of training sessions in relation to Contract Procedure Rules has commenced initially with relevant staff, i.e., those who undertake procurement exercises, this will be extended to all staff as part of the Governance training.
Health & Wellbeing Leisure Campus Review of Governance arrangements	No Assurance	There are robust Contract Procedure Rules in place to ensure a robust framework in relation to the procurement of goods and services to the Council. This review focused on procurement in relation to the appointment of the supplier via a framework agreement. Whilst advice was provided and reports provided to members they did not provide sufficient information to allow a robust decision to be made by Members. There are fundamental failings in the decision process relating to key decisions, failure by Senior Officers to inform Members of significant cost increases, failure to demonstrate best value was achieved. Further there are no adequate project management governance processes complied with, with no records of meetings and decisions made maintained.	Significant fundamental failings in relation to the ineffectiveness of governance arrangements, including failure to comply with Constitutional decision making processes in regard to this key project, failing to inform Members of increasing costs at key times as part of the project management or budget management processes. The checks and balances put in place to support officers and enable Members to make informed decisions have been totally disregarded by officers at a Senior level of the organisation including statutory officers of the Council and the Chief Executive.	Issues arising from this review have been included as actions in the Council's Annual Governance Statement 2020 and actions included in the Action Plan which will be monitored by Senior Leadership Team.
Shared Services				
Creditors	Limited	There are appropriate Financial Regulations / Procedure Rules in place to provide a robust framework for the system / processes relating to the ordering, receipting and payments for goods and services, the audit reviewed the controls embedded in the key financial system utilised for these processes. A number of significant controls weakness were identified which provide the potential risk of fraud, error and / or allow staff to potentially act beyond their delegated authority in that:- Receipt of goods and payments of invoices that are of significant greater value than the order raised; the failure of officers to review invoice amounts against orders and goods received; the overriding of controls relating to allowed spend, in that a number of officers have access to override the set budget limits for goods and services; no monitoring and / or	The findings constitute significant breaches of the governance framework that is the Council's Financial Procedure Rules, further the weakness in control leave the Council open to risk of fraud, error, officers acting beyond their delegated authority and could result in material misstatement in the accounts, loss of monies to the Council and inaccurate financial recording and reporting. This demonstrates that the operation of controls in those areas reviewed are ineffective. The findings are contra to the answers in the Service Assurance Statements.	Internal Audit will undertake further work in 2020/21 plan to determine the extent of the potential issues for both Councils, this will require substantive testing of all payments against orders to identify the value and number of invoices paid exceeding order values, this is in order to determine if there is potential for material misstatement or not prior to the audit of accounts. Internal Audit will work with the Section 151 Officer to implement appropriate controls and strengthen rules and regulations in the areas required to address the issues identified. Other audit reviews, e.g., budget monitoring / management will identify if any compensatory controls exist in other areas specifically in regard to the review of payments against orders and goods received.

		reporting of use of override facility; orders raised after goods / services received and invoiced; incorrect orders; goods / services receipted prior to physical receipt; lack of supervisory review of Admin users log.		SRBC Financial Regulations are to be reviewed, updated and aligned to CIPFA best practice. A series of training sessions are to be provided to all staff relating to Financial Regulations as part of Governance training.

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Working in **Synergy** on shared services

**FINAL
INTERNAL AUDIT
REPORT
SRBC 08/19-20**

**ENVIRONMENTAL HEALTH
FOOD SAFETY**

Issued by Janice Bamber
Interim Head of Shared Assurance

Lead Auditor: Brian Welch

6th March 2020

1	REASONS FOR AUDIT / SCOPE
1.1	The Council's Environmental Health team are responsible for carrying out measures for protecting public health, including administering and enforcing legislation related to environmental health and providing support to minimize health and safety hazards. The Environmental Health remit covers a variety of activities, for example inspecting food facilities, investigating public health nuisances, and implementing disease control, conducting work place safety assessments and accident investigation. Environmental health officers are focused on prevention, consultation, investigation, and education of the community regarding health risks and maintaining a safe environment.
1.2	This review covers Food Safety and forms part of the 2019/20 Internal Audit Plan as agreed by the Governance Committee.
1.3	Work undertaken as part of this review focused on identifying the risks and controls and determining whether the controls are operating as intended in the following key areas: <ul style="list-style-type: none"> • Policies and procedures are comprehensive, up to date and clearly set out the Council's roles and responsibilities in respect of its environmental enforcement arrangements. • There are effective proactive monitoring arrangements in place that minimise the risk of food hygiene issues occurring and support the management of such issues should they arise. • Robust performance reporting routines are in place that support the effective management of the Food Safety function. • Recommendations raised following the Food Standards Agency's (FSA's) audit in 2017 have been or are being addressed.
1.4	<i>Details of the controls tested are included in the risk and control evaluation table attached as item 3 of this report.</i>

2	ASSURANCE RATING
2.1	Internal Audit provide an independent and objective opinion on the adequacy of the Council's control environment. In order to do that Internal Audit review and provide an opinion on the level of assurance of the control environment within each area reviewed. The level of assurance is based on the auditor's assessment of the extent to which system objectives are met, the effectiveness of controls operating within systems and the resultant extent to which risks are mitigated.
2.2	The review of processes and procedures in place in respect of the administration of Food Safety arrangements has identified that there are weaknesses in the system of control, and their application in practice, which put at risk the achievement of the system objectives. These weaknesses were particularly evident in respect of the effectiveness of governance arrangements underpinning the process, for example, enhancements to the availability of management information and plans to address the backlog of interventions. As a consequence, Internal Audit can place a <i>limited assurance rating</i> on the control environment in place and the extent to which risks are mitigated in regard to the administration of Food Safety arrangements.
2.3	Control Rating Key <p>Full – the Authority can place complete reliance on the controls. No control weaknesses exist.</p> <p>Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.</p> <p>Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.</p> <p>Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist</p>

3	SUMMARY OF FINDINGS
3.1	<p>Identified areas of good practice and / or where controls are operating effectively include:</p> <ul style="list-style-type: none"> • A Food Safety Service Plan is in place which provides some strategic direction to the service, including setting out its priorities. • The Food Service Plan attempts to set out the demands on the service, the resources available and possible risks to its non-achievement as recommended by the FSA in its 2017 report. • The Food Service Plan provides a snapshot of the intervention programme at the start of the year, separating all food premises into risk categories and including the backlog of overdue interventions and unrated establishments. • The Council has an intervention programme of food safety interventions which includes the backlog of overdue interventions and unrated establishments. • The audit confirmed that various methods were being considered to address the backlog of interventions, including overtime / additional payments, external contractors and administrative assistance for category E alternative enforcement routines. • Following the FSA visit in 2017, the service has documented its Internal Monitoring Procedure which sets out its internal, external and case monitoring routines. • Intervention routines, and in particular inspections of category A – D premises, are carried out by suitably qualified staff and Idox holds records of each inspection, including the officer undertaking the inspection. • As with internal monitoring routines, following the FSA visit in 2017, the service has put together a Data Accuracy Procedure which sets out its objectives and procedures for ensuring data accuracy.
3.2	<p>Areas of weakness where audit believe the control environment require strengthening are as follows:</p> <ul style="list-style-type: none"> • Audit confirmed that a Food Service Plan is in place which provides some strategic direction to the service, including setting out its priorities. In light of the FSA findings and the continuing backlog of interventions, consideration should be given to more widely sharing the plan with relevant forums in order that the resource shortfalls and possible exposure to risk are more widely acknowledged. • The Food Service Plan attempts to set out the demands on the service, the resources available and possible risks to its non-achievement as recommended by the FSA in its 2017 report. From review of the Plan, audit felt that more emphasis / detail could have been given to the risks the Council are exposed to in the event of delivering the Plan and this should be considered for the 2020/21 Food Service Plan. • Whilst the intervention programme itself provides a measurable means by which the performance of the service can be monitored, and regular meetings are held between officers and the relevant Director, there was relatively little in the way of actual performance reporting available. Given the issues raised in the 2017 FSA report, and acknowledging there remains a backlog of interventions (including Category E, alternative enforcement measures), the means by which performance of the Food Safety service is reported should be considered. • The audit confirmed that the Council has an intervention programme of food safety interventions although, as referred to above, the extent to which performance is measured and reported upon should be considered. It was noted that the current reporting capabilities of Idox, or at least the extent to which the team were capable of extracting information from the system, required reviewing. Audit were given assurance that this will be addressed through the appointment of a Systems Administrator and, once appointed, this is an ideal opportunity to establish the reporting requirements of the service. • The Council's intervention programme includes the backlog of overdue interventions and unrated establishments. Testing found that despite the use of overtime / additional payments to officers, there continues to be a backlog of interventions and instances where interventions were not taking place in accordance with the agreed schedule. This is particularly the case for category D inspections and category E alternative enforcement routines, where there has recently been approval to use external support and additional administrative support to address each respectively. Furthermore, audit testing found instances where Idox had not been updated to reflect intervention activity and, as such, was not always an accurate reflection of what enforcement activity was being carried out. • Since the FSA review in 2017, the service has documented its internal monitoring procedures which includes, amongst other monitoring activity, the checking routines for individual files. As audit understands that the service is in the process of moving away from hard copy files to a more automated process of inspections, the challenge now is to determine how these checking routines will be reflected within the new processes in terms of how they will be carried out and subsequently evidenced.

- Furthermore, following the FSA review, the service has put together a Data Accuracy Procedure which sets out its objectives and procedures for ensuring data accuracy. From discussions with officers and testing it was evident that there remains a reasonable amount of coding errors and data inaccuracy that still require addressing.
- Whilst documented procedures are in place which set out the services' approach to data quality / accuracy, it will require updating to reflect changes to file monitoring routines. Additionally, reciprocal arrangements with other councils to undertake annual service audits are no longer carried out and, as such, should be removed from the Data Accuracy Procedure.
- Whilst documented procedures are also now in place which set out the services' approach to internal monitoring, as with the Data Accuracy Procedures, it will require updating to reflect changes to file monitoring routines. Additionally, reciprocal arrangements with other councils to undertake annual service audits are no longer carried out, as is the case with benchmarking reviews, and, as such, these should be removed from the Internal Monitoring Procedure. Furthermore, audit noted the need to ensure that officer training records are up to date and to ensure that annual competency assessments of staff are up to date.

3. RISK AND CONTROL EVALUATION

	Risks	Risk 1	Risk 2	Risk 3	Risk 4	Risk 5	Risk 6	Risk 7	Risk 8	Risk 9	Risk 10	Test (Y/N)	Control is operating Y/N/Partly	MA
Controls	Risk And Control Evaluation – Food Safety	The Council does not have a clear strategic direction in terms of its statutory duties to enforce food safety legislation across the borough.	The Food Service Plan does not take account of the demands placed on the service and its resources to meet the demand, and fails to effectively mitigate the key risks relating to food safety.	The Food Service Plan does not clearly set out clear details as to how it will deliver the intervention programme, including how the backlog of overdue interventions and unrated establishments will be dealt with.	The Food Service Plan fails to clearly set out clear and measurable performance criteria against which it can be measured.	The Council fails to carry out interventions at all food hygiene establishments at a frequency no less than that determined by relevant legislation and the Code of Practice.	The Council fails to address the backlog of overdue interventions and unrated establishments.	The Council's intervention routines are incorrectly / inconsistently carried out.	The food premises database cannot be relied upon as an effective tool for managing the service due to it being inaccurate, unreliable and not up to date.	Interventions are not carried out by suitably qualified staff.	There is a lack of effective internal monitoring procedures, leading to a poor, ineffective and inconsistent food enforcement process.			
C1	The Council has clear strategic direction in terms of its statutory duties to enforce food safety legislation through an approved Food Service Plan.	✓	✓	✓	✓						✓	Y	Y	
C2	The Food Service Plan clearly sets out the demands placed on the service, the resources required to meet the demand and the associated risks to the Council if it is not delivered.	✓	✓	✓							✓	Y	Partly	MA1
C3	The Food Service Plan clearly sets out the intervention programme, including the backlog of overdue interventions and unrated establishments, and how it will be delivered.			✓	✓	✓	✓				✓	Y	Y	
Page 91	C4	There are clear and measurable performance criteria against which the food safety process can be measured and these are regularly reported to the appropriate forum.			✓	✓	✓				✓	Y	Partly	MA2 & MA3
	C5	The Council has an approved programme of interventions which is regularly monitored and reported upon.			✓		✓	✓			✓	Y	Partly	MA2 & MA3
C6	The Council's programme of interventions includes the backlog of overdue interventions and unrated establishments.			✓			✓				✓	Y	Partly	MA4
C7a	There are effective checking routines in place to ensure that interventions are being correctly and consistently carried out.							✓		✓		Y	Partly	MA6
C7b	Delivery against the programme of interventions is regularly reported to the appropriate forum and action taken where it is not being delivered.				✓				✓		✓	Y	Partly	MA2 & MA3
C7c	Actions to address the backlog, such as overtime / additional payments / contractors are approved by an appropriate officer.		✓	✓			✓					Y	Y	
C8a	Accurate and up to date Data Accuracy Procedures have been approved.								✓		✓	Y	Partly	MA5, MA7 & MA8
C8b	Assurance routines are in place to determine the accuracy of the food premises database and actions taken to address issues raised.								✓		✓	Y	Partly	MA5, MA7 & MA8

C9a	Intervention routines are only allocated to suitably qualified staff.									✓			Y	Y	
C9b	Inspection records identify the officer who carried out the intervention.									✓	✓		Y	Y	
C9c	Checking routines are in place to confirm who did the intervention and the standard of the intervention.							✓	✓	✓			Y	Partly	MA6
C10a	Accurate and up to date Internal Monitoring Procedures have been approved.							✓	✓			✓	Y	Partly	MA9 & MA10
C10b	Assurance routines are in place to determine the effectiveness of the internal monitoring routines.							✓	✓			✓	Y	Partly	MA9 & MA10

4. MANAGEMENT ACTION PLAN

NO.	CONTROL ISSUES / RISK	PROPOSED MANAGEMENT ACTIONS	AGREED ACTIONS	OFFICER & DATE
1	<p><u>Food Service Plan</u></p> <p>A key element in setting out the Council's strategic direction in terms of its statutory duties to enforce food safety legislation is through an approved Food Service Plan that clearly sets out the risks to the Council of non-delivery and which has been communicated to all relevant parties.</p> <p>As recommended in the FSA's 2017 audit, a Food Service Plan is now in place which provides some strategic direction to the service, including setting out its priorities, albeit the extent to which it clearly spells out the risks to the Council, as recommended by the FSA, could be further developed. Whilst audit were informed that the Food Safety Service Plan had been shared with the member portfolio holder and the interim Chief Executive, in light of the FSA findings and the continuing backlog of interventions, consideration should be given to more widely sharing the plan, together with subsequent performance reports (see recommendation 2 below), with relevant forums in order that the resource shortfalls and possible exposure to risk are more widely acknowledged / understood.</p> <p>There is a risk that plans to deliver the Food Safety function, including addressing the backlog, are not delivered where all relevant parties are not consulted / kept up to date with progress.</p>	<p>The Food Service Plan should be shared more widely, together with subsequent performance reports, with relevant forums in order that the resource shortfalls and possible exposure to risk are more widely acknowledged / understood. Additionally, when developing the Food Service Plan for future years, consideration should be given to more clearly outlining the risks to the Council of non-delivery of the plan.</p>	<p>The service plan for 20/21 will be completed by the 30th April 2020 and will be sent to the Director of Neighbourhoods and Development for agreement with the portfolio holder. There will be information outlining the risks to the Council if the plan is not completed or implemented.</p> <p>The Director of Neighbourhoods and Development will raise any resource shortfalls with the Chief Executive if necessary, after the 2nd quarter food team review.</p>	<p>30th April 2020 Gill Strike</p> <p>30th October 2020 Jennifer Mullin</p>
2	<p><u>Performance reporting</u></p> <p>Regular reporting to senior management / members on the performance of the Food Safety function contributes to the Council's assurance framework.</p> <p>Whilst the intervention programme itself provides a measurable means by which the performance of the service can be monitored, and regular meetings are held between</p>	<p>The service should review how best the performance of the Food Safety function should be measured, monitored and reported. This should include, as a minimum, delivery of the intervention programme.</p>	<p>The team leaders have weekly one to one meetings with the Director of Neighbourhoods and Development. An update is provided regarding progress with the delivery of the service plan. Action points will be issued following each meeting. The Director of Neighbourhoods and Development has regular meetings</p>	In place & ongoing

<p>officers and the relevant Director, there was relatively little in the way of actual performance reporting available for audit to review. Given the issues raised in the 2017 FSA report, and acknowledging there remains a backlog of interventions (including Category E, alternative enforcement measures), the means by which performance of the Food Safety service is reported should be considered.</p> <p>There is a risk that poor performance, particularly the non-delivery of the intervention programme, is not promptly identified and addressed.</p>	<p>with the portfolio holder and the Chief Executive.</p> <p>The delivery of the Category E programme was addressed in this year's service plan and the auditor was advised that this would be completed.</p> <p>Since the audit progress is being made with all Category E premises having been visited or sent a questionnaire. The Category E database is being updated and unresponsive premises are to be followed up starting February 2020.</p> <p>The 2017 Food Standards Agency report referred to a backlog of Category E interventions and D interventions. All category D interventions in premises with an inspectable food risk have been completed in 2017/18 and 6 missed in 2018/19. Those six were completed the first week of April 2019.</p> <p>The backlog of category D interventions in this year's programme was identified and brought to the attention of the Director of Neighbourhoods and Development in October 2019 and additional resource obtained to ensure overdue interventions were completed by 31st March 2020. This contingency plan was identified in the service plan and the resource allocated at the beginning of the financial year. This remains the case and the programme is being closely monitored to ensure any shortfall is identified.</p>	<p>31st March 2020 Gill Strike</p> <p>31st March 2020 Gill Strike</p>
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3	<p><u>Idox Reporting</u></p> <p>The availability of timely and accurate management information is fundamental to supporting the effective administration of the food safety function.</p> <p>The audit confirmed that the Council has an intervention programme of food safety interventions although, as referred to above, the extent to which performance is measured and reported upon should be considered. It was noted that the current reporting capabilities of Idox, or at least the extent to which the team were capable of extracting information from the system, required reviewing. Audit were given assurance that this will be addressed through the appointment of a Systems Administer and, once appointed, this is an ideal opportunity to establish the reporting requirements of the service.</p> <p>There is a risk that the lack of management information / reporting functionality impacts on the effectiveness of the food safety function.</p>	<p>Following appointment of a Systems Administer, the reporting requirements of the service should be established.</p>	<p>See the updated internal monitoring policy</p> <p>The report capability and management parameters are currently being developed with the newly appointed Idox systems administrator. Since the audit an inspection completed report has been created and we are currently ensuring that officer verifications of these interventions are being completed.</p>	<p>Completed</p> <p>Gill Strike</p> <p>31st March 2020 Gill Strike</p>
4	<p><u>Delivery of Intervention Programme</u></p> <p>An approved programme of interventions, including the backlog of overdue interventions and unrated establishments, is fundamental to delivering an effective food safety function.</p> <p>The Council's intervention programme includes the backlog of overdue interventions and unrated establishments carried over from 2018/19. Testing found that despite the use of overtime / additional payments to officers, as reported by the FSA in 2017, there continues to be a backlog of interventions and instances where interventions were not taking place in accordance with the agreed schedule. This is particularly the case for category D inspections and category E alternative enforcement routines, where there has recently been approval to use external resource and additional administrative support to address each respectively.</p>	<p>A formal plan should be established and reported upon in respect of addressing the backlog of interventions and the delivery of the intervention programme.</p>	<p>A formal plan has been established and agreed with the Food Standards Agency. This has been reported upon to the Food Standards Agency who have confirmed in an e-mail that they are happy with this plan and the progress made.</p> <p>As at 1st April 2019, the end of the last reporting period there were 6 overdue category D interventions which were completed the 1st week of April 2019. Of the high-risk interventions due i.e. A-C premises due an intervention in 19/20 as of 27/01/2019 there is 1 overdue intervention.</p> <p>Since the audit there are now 8 overdue category D low risk</p>	<p>Completed</p> <p>Gill Strike</p>

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<p>Audit reviewed the 'Food Inspection Due' and 'Awaiting Inspection' reports, extracted from Idox as at 25/11/19, and compared the number of outstanding inspections to the original programme as set out in the Food Service Plan. The following was noted:</p> <table border="1" data-bbox="451 335 923 616"> <thead> <tr> <th></th><th style="text-align: center;">Still to complete by 31/03/20</th><th style="text-align: center;">2019/20 Service Plan</th></tr> </thead> <tbody> <tr> <td>Category A:</td><td style="text-align: center;">2</td><td style="text-align: center;">0</td></tr> <tr> <td>Category B:</td><td style="text-align: center;">13</td><td style="text-align: center;">32</td></tr> <tr> <td>Category C:</td><td style="text-align: center;">29</td><td style="text-align: center;">91</td></tr> <tr> <td>Category D:</td><td style="text-align: center;">127</td><td style="text-align: center;">192</td></tr> <tr> <td>Category E:</td><td style="text-align: center;">244</td><td style="text-align: center;">240</td></tr> <tr> <td>Unrated (knowns):</td><td style="text-align: center;">9</td><td style="text-align: center;">30</td></tr> </tbody> </table> <p>From review of the 'Food Inspection Due' report, and allowing for the 28 days leeway for completing the inspection, the following inspections were overdue as at 25/11/19:</p> <p>Category A = 0 Category B = 6 (ranging from 7/8/19 to 18/10/19) Category C = 5 (ranging from 3/5/19 to 29/9/19) Category D = 56 (ranging from 15/3/18 to 18/10/19) Category E = 172 (ranging from 16/10/09 to 18/10/19)</p> <p>From further figures provided to audit as at 18/12/19 in respect of category B and C premises:</p> <ul style="list-style-type: none"> • Category B: 6 were reported as being overdue, although 4 required further inspections and therefore could not yet be closed. • Category C: 4 were reported as being overdue, although 1 was currently vacant, 1 required a further inspection and 1 was within the 28 day leeway. <p>From both testing and discussions with officers, audit noted that there was a backlog in updating Idox (see recommendation 5 below) and that the system did not capture all interventions that had taken place.</p>		Still to complete by 31/03/20	2019/20 Service Plan	Category A:	2	0	Category B:	13	32	Category C:	29	91	Category D:	127	192	Category E:	244	240	Unrated (knowns):	9	30		<p>interventions and a further 10 to complete before the end of March 2020. All category D interventions have been allocated to individual officers. They will be completed by the end of March 2020.</p> <p>The Food Standards Agency does not record or measure if interventions take place around the due date and there is a clear emphasis by the Food Standards Agency on priority being given to where interventions matter most and targeted at the highest risk premises. As regards the Category E (very low risk) premises since the audit:</p> <ol style="list-style-type: none"> 1. Officers have visited all the overdue premises 2. An alternative enforcement questionnaire has been sent to all the low risk premises due an intervention this year. 3. Any that have not returned the questionnaire will receive a visit. <p>To date we have significantly reduced the number of category E premises showing as overdue.</p> <p>Officers have been reminded to update Idox in a timely fashion. The Food Standards Agency require the submission of an annual return. This is submitted on time and the council has never been criticised for non-delivery. The council has advised the Food Standards Agency of its progress to clear the backlog of <u>very low risk premises</u> and they are asking for this to be completed by November 30th</p>
	Still to complete by 31/03/20	2019/20 Service Plan																					
Category A:	2	0																					
Category B:	13	32																					
Category C:	29	91																					
Category D:	127	192																					
Category E:	244	240																					
Unrated (knowns):	9	30																					

	Where there are backlogs in the delivery of the intervention programme there is a reputational risk to the Council and a risk of continued criticism from the FSA.		2020. The system does capture all the interventions that take place. The Performance Manager for the Food Standards Agency has confirmed in writing that they are fine with our food safety plan and our progress this year.	
5	<p><u>Updating Idox</u></p> <p>The availability of timely and accurate management information is fundamental to supporting the effective administration of the food safety function.</p> <p>Audit testing found instances where Idox had not been updated to reflect intervention activity and, as such, was not always an accurate reflection of what enforcement activity was being carried out.</p> <p>There is a risk that the lack of management information impacts on the effectiveness of the food safety function.</p>	<p>The service should ensure that intervention activity is uploaded to Idox at the earliest opportunity to enable accurate and timely reporting.</p>	<p>Officers have been reminded to ensure that interventions are recorded on Idox within 10 working days of them taking place in accordance with the FHRS brand standard.</p> <p>With the advent of a greater reporting, management information following the introduction of Idox enterprise monitoring for managers will be easier.</p>	Completed Gill Strike
6	<p><u>Checking Routines</u></p> <p>Effective checking routines in respect of the work of Environmental Health Officers in conducting their duties provides assurance that food intervention activity is carried out in an effective and consistent manner.</p> <p>Since the FSA review in 2017, the service has documented its internal monitoring procedures which includes, amongst other monitoring activity, the checking routines for individual files. As audit understands that the service is in the process of moving away from hard copy files to a more automated process of inspections, the challenge now is to determine how these checking routines will be reflected within the new processes in terms of how they will be carried out and subsequently evidenced.</p> <p>There is a risk that the Council's intervention routines are incorrectly and / or inconsistently carried out.</p>	<p>The service should determine how checking routines will be reflected within the new processes in terms of how they will be carried out and subsequently evidenced.</p>	<p>At the time of the audit the premises files were being scanned by an external provider as the auditor was advised. The Idox administrator has reported on the inspections completed and those premises can now be verified retrospectively.</p> <p>A new system is in the process of being established to automate the checking routine. Evidence of these checks will be available in the Idox system.</p>	1 st April 2020 Gill Strike

7	<p><u>Data Cleansing</u></p> <p>The availability of timely and accurate management information is fundamental to supporting the effective administration of the food safety function.</p> <p>Following the FSA visit in 2017 the service has put together a Data Accuracy Procedure which sets out its objectives and procedures for ensuring data accuracy. From discussions with officers and testing it was evident that there remains an amount of coding errors and data inaccuracy that still required addressing. Audit were informed that the data cleansing exercise will be carried out in February 2020 when the Systems Administrator post has been filled. It was acknowledged that some of the coding errors on the system had been there for some while and required addressing. For example, there were 54 'unknown' unrated premises set out in the Service Plan at the start of the year which have still to be remedied. Some of these 'unknowns' go back a number of years and are likely to be data entry errors rather than new premises awaiting inspection / a rating.</p> <p>There is a risk that inaccuracies in the available management information will impact on the effectiveness of the food safety function.</p>	<p>A clear plan should be established for undertaking the data cleansing exercise, including addressing the list of 'unknown' unrated premises.</p>	<p>The LAEMs return for 19/20 is now available for testing. As part of the process data cleansing of the database is undertaken prior to the submission of the return. The system administrator has produced a report which identified the premises not captured the auditor refers to.</p> <p>The data inaccuracies amounted to less than 5% of the database and concentrated in the low risk premises which does make the service ineffective.</p>	31st May 2020 Gill Strike and Angela Johnson
8	<p><u>Data Accuracy Procedures</u></p> <p>A documented and approved Data Accuracy Procedure is an important tool in ensuring that management information is accurate and up to date.</p> <p>In accordance with the recommendation made in the FSA's 2017 audit report, the service has documented its Data Accuracy Procedures. Whilst the procedures set out the services' approach to data quality / accuracy, it will require updating to reflect changes to file monitoring routines referred to in recommendation 6 above. Additionally, reciprocal arrangements with other councils to undertake annual service audits are no longer carried out and, as such, should be</p>	<p>The Data Accuracy Procedures should be reviewed and updated to ensure they reflect current agreed practices.</p>	<p>Policy has been reviewed.</p>	Completed

	<p>removed from the Data Accuracy Procedure should this continue.</p> <p>There is a risk that Data Accuracy Procedures are not fit for purpose and do not support the service in ensuring the accuracy and completeness of management information.</p>			
9	<p><u>Internal Monitoring Procedures</u></p> <p>A documented and approved Internal Monitoring Procedure is an important tool in ensuring that food intervention activity is carried out in an effective and consistent manner.</p> <p>Whilst documented procedures are in place which set out the services' approach to internal monitoring, it will require updating to reflect changes to file monitoring routines as referred to in recommendation 6 above. Additionally, reciprocal arrangements with other councils to undertake annual service audits are no longer carried out, as is the case with benchmarking reviews, and, as such, these should be removed from the Internal Monitoring Procedure should this continue.</p> <p>There is a risk that Internal Monitoring Procedures are not fit for purpose and do not support the service in ensuring the Council's intervention routines are correctly and consistently carried out.</p>	<p>The Internal Monitoring Procedures should be reviewed and updated to ensure they reflect current agreed practices.</p>	<p>The internal monitoring procedure will be reviewed and updated.</p>	<p>May 31st 2020</p>
10	<p><u>Training and competency assessments</u></p> <p>Up to date and comprehensive training provides officers with the tools to better administer the Food Safety function.</p> <p>At the time of the audit the Senior EHO was in the process of completing the competency assessments for staff. Audit confirmed that of the six SEHO/EHO's, three officers had last been assessed in the past 12 months (between April and Aug 2019), whilst the other officers have not been assessed for some time and were still to be done. Furthermore, officers carrying out FSA inspections are required to undertake 10 core hours of training per year. Whilst hard copy files are</p>	<p>The service should ensure that training records and competency records are updated at the earliest opportunity in order that the service can demonstrate that officers have received the requisite level of training.</p>	<p>4 officers had been assessed in the last 12 months and one officer had returned to food duties in September 2019. The final assessments will be completed.</p> <p>All officers have updated their training records. The training records will be reviewed as part of the officers PDR's. Training opportunities are circulated, and the department subscribes to an on line training platform.</p>	<p>31st March 2020 Gill Strike</p> <p>31st May 2020 Gill Strike</p>

	<p>maintained of the training records for each member of staff, it was acknowledged that training records were out of date and required updating.</p> <p>There is a risk that officers do not have the requisite training to effectively fulfil their responsibilities.</p>		
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A lack of timely implementation of the agreed actions may be reported to the Governance Committee.

All internal audit work is conducted in compliance with the Public Sector Internal Audit Standards, issued by the Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors.

Statement of Responsibility

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Working in **Synergy** on shared services

**DRAFT
INTERNAL AUDIT
REPORT
SRBC 05/19-20**

**Car Parks Management &
Enforcement**

Issued by Janice Bamber
Interim Head of Shared Assurance

Lead Auditor: Struan Jackson

Date: 31st March 2020

1	REASONS FOR AUDIT / SCOPE
1.1	The Council's Off Street Parking Order of December 2015, describes the Council's enforcement powers under the Road Traffic Act sections 32, 33, 34 and 35, and part 6 of the Traffic Management Act 2004 (Civil Enforcement Area), Section 39(3) of the 1984 Act in accordance with Part III of Schedule 9 to the Act.
1.2	Car Park enforcement is delivered by NSL through a framework agreement hosted by Lancashire Parking Services. This agreement has recently been extended for a further 2 years and this review will establish whether appropriate authority has been received to extend this contract and whether Contract Procedure Rules have been complied with.
1.3	Work undertaken as part of this review focused on identifying the risks and controls and determining whether the governance arrangements and controls are operating as intended in the following key areas: <ul style="list-style-type: none"> • Car park inspection and maintenance processes are in place and comply with legislative requirements; • Car park income management processes are effective and ensure that all fees & charges are appropriately collected and banked; • Car park enforcement and the administration of Penalty Charge Notices is effectively managed; • Suitable contract management processes are in place with both NSL Ltd. to ensure that performance for income collection and enforcement is maintained.
1.4	The review of car parks management and enforcement is included in the 2019-20 Internal Audit Plan, approved by the Governance Committee on the 14th March 2019.
1.5	<i>Details of the controls tested are included in the risk and control evaluation table attached as item 5 of this report.</i>

2	Assurance Rating
2.1	Internal Audit provide an independent and objective opinion on the adequacy of the Council's control environment, in order to do that Internal Audit review and provide an opinion on the level of assurance of the control environment within each area reviewed. The level of assurance is based on the auditor's assessment of the extent to which system objectives are met, the effectiveness of controls operating within systems and the resultant extent to which risks are mitigated.
2.2	The review of processes / procedures in place in respect of car parks management and enforcement has identified that whilst there are a number of areas of good practice designed to achieve system objectives there are significant weaknesses in the governance framework and the application of controls in this area, as a car parks maintenance and inspection policy is still not in place even though this was identified by Internal Audit in 2017, leaving the Council open to significant risk. This has resulted in the Internal Audit opinion that Limited Assurance can be placed on the control environment and the extent to which risks are mitigated in regard to car parks management and enforcement.
2.3	Control Rating Key Full – the Authority can place complete reliance on the controls. No control weaknesses exist. Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist. Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved. Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

3	Summary of Findings
3.1	The testing undertaken as part of the audit of Car Parks Management and Enforcement identified areas where governance arrangements are in place and controls are working effectively to minimise risks in those areas. However, it was identified that there are further areas where governance arrangements are not in place and controls are not operating effectively leaving the Council open to risks. Information below outlines those areas where governance is in place and controls are operating effectively and where there is a lack of governance and / or controls are not effective leaving the Council vulnerable to risk in those areas.

3.2	<p>Identified areas of good practice and / or where governance arrangements are in place and the controls are operating effectively include;</p> <ul style="list-style-type: none"> • The Council's Off-Street Parking Order provides clear guidance to users and describes the Council's enforcement powers under the Road Traffic Act 1984, this provides an effective governance framework and guidance by which to operate off street parking; • Controls are in place ensuring that car park income management and reconciliation are managed effectively, risk of loss of monies or potential fraud is mitigated; • Car Park Permits have been correctly issued, and income for these accurately receipted and recorded within the financial system; • Effective and efficient processes are in place for the issuing and monitoring of Penalty Charge Notices (PCNs) with all information being accurately recorded within the SI-DEM database; • PCN appeals are appropriately processed and monitored through the Traffic Penalty Tribunal Service.
3.3	<p>Identified areas of control weakness where audit believe the control environment requires strengthening are as follows:</p> <ul style="list-style-type: none"> • An approved risk based car parks maintenance and inspection policy, identifying the council's maintenance and inspection requirements is not in place. Previous audit reports SRBC 01/11-12 & SRBC 12/16-17 recommended actions to address this weakness, however, these have not been implemented. Whilst a maintenance and inspection policy was drafted in 2017, this has not been formally approved and adopted by the Council and, as such, the Council cannot demonstrate that effective governance arrangements are in place. There is a risk that the Council's defence in respect of any claims / incidents would be compromised; • An Off-Street Parking Order clearly states the council's enforcement powers' however, the order does not incorporate the recently introduced electric car charging points and restrictions, and therefore requires review and updating; • Car parks enforcement services are contracted out to NSL through a framework agreement hosted by Lancashire Parking Services. However, there is no evidence to support that an approved and signed framework agreement is in place, therefore the council would not if required be able to demonstrate compliance with the contract's terms and conditions. In addition, whilst contract performance is being managed through regular meetings with NSL, meetings are not minuted and therefore no evidence is available which clearly records the outcome of any actions required following the meetings. There is a risk that the framework agreement is not being adequately managed and/or performance is not being measured effectively; • Car park fees and charges have not been formally reviewed since 2017, whilst Cabinet agreed to keep the car park fees and charges at 2018/19 levels, this does not comply with Financial Regulations No 2 - Revenues Expenditure as section 2.3 states "Chief Officers should review the fees and charges levied for council services and make appropriate recommendations to the appropriate Executive member for approval by delegated decision. All fees and charges must be reviewed at least annually in line with the budget strategy".

4	Conclusions
4.1	<p>The failure to adopt a suitable car park inspection policy and put in place effective car park inspection and maintenance arrangements exposes the council to risk of increased maintenance costs, litigation action arising from slips, trips and / or falls potentially caused by alleged failures of the fabrics of the car park, lighting. In addition, a signed framework agreement is not in place, therefore the council would not if required be able to demonstrate compliance with the agreements' terms and conditions.</p>

5. RISK AND CONTROL EVALUATION

	Risks	Risk 1	Risk 2	Risk 3	Risk 4	Test (Y/N)	Control is operating Y/N/Partly	MA
Controls	Risk And Control Evaluation -	Non-compliance with statutory requirements	Non-compliance with Council policies and procedures	Non-compliance with contractual arrangements	Fraud or misappropriation of Council funds.			
C1	There is a car parks enforcement contract in place,	●	●	●	●	Y	No	MA 3
C2	Contract monitoring arrangements	●	●	●	●	Y	Partly	MA 4
C3	Annual review of fees and charges	●	●	●	●	Y	Partly	MA 5
C4	Income management and reconciliation processes	●	●	●	●	Y	Yes	
C5	Issuing and payment of car park permits	●		●	●	Y	Yes	MA 6
C6	Car parks maintenance and inspection policy, scheduling of car parks inspections	●	●			Y	Partly	MA 1
Page 106	C7 Issuing and sign off of car park repairs and maintenance work (In house)	●	●			Y	Yes	
	C8 Issuing and sign off of car park repairs and maintenance work (external)	●	●		●	No	N/A	
C9	Issuing of PCN's (Enforcement action), in line with the off-Street Parking Order 2015 and payment	●	●	●	●	Y	Partly	MA 2
C10	PCN appeals management	●	●	●	●	Y	Yes	

6. MANAGEMENT ACTION PLAN

NO.	CONTROL ISSUES / RISK	PROPOSED MANAGEMENT ACTIONS	AGREED ACTIONS	OFFICER & DATE
1	<p>An approved risk-based car parks maintenance and inspection policy is not in place. Previous audit reports SRBC 01/ 11-12 & SRBC 12/16-17 made recommendations for management to address this weakness. Whilst a maintenance and inspection policy was drafted in 2017 this has yet to be formally approved and adopted by the Council.</p> <p>The failure to inspect, repair and maintain car parks to an adequate standard could result in harm to individuals thereby exposing the Council to the risk of statutory, reputational and financial damage.</p>	<p>The Assistant Director of Neighbourhoods should ensure that a risk-based car parks inspection policy is developed, approved and adopted.</p> <p>Following this car park inspection and maintenance requirements should be updated to comply with the approved policy.</p>	<p>A risk-based car park inspection policy will be developed and present for approval.</p> <p>Maintenance and inspection requirements will be reviewed to ensure compliance with the approved policy.</p>	Assistant Director of Neighbourhoods 31/07/2020
2	<p>The Off Street Parking Order offers clear guidance to car park users and is based on legislative requirements. However, the order requires amending to take account of the newly restricted Electric Vehicle charging points (spaces), as currently these are not listed in the Off Street Parking Order and therefore enforcement action cannot be taken for these spaces.</p>	<p>The Assistant Director of Neighbourhoods should ensure:</p> <ul style="list-style-type: none"> • that the car parks which are to receive electric car charging points are determined. • the council's "Off Street Parking Order" is amended to clearly document the restrictions and identify the restricted spaces on the car park maps. • Legal Services are instructed to complete the amendments. • Member approval for the amended order is obtained. 	<p>The Off Street Parking Order will be updated to include electric charging points and restrictions. Following this:</p> <ul style="list-style-type: none"> • Member's approval will be obtained. • Legal Services will be instructed to complete the required amendments. 	Assistant Director of Neighbourhoods 31/07/2020
3	<p>A signed framework agreement is not in place, and therefore the council would not if required be able to demonstrate compliance with the contract's terms and conditions. In addition Internal Audit are unable to verify what performance targets if any, are in place.</p> <p>There is a risk that the framework agreement is not being adequately managed and/or performance is not being measured.</p>	<p>The Assistant Director of Neighbourhoods should obtain a copy of the signed framework agreement from Lancashire Parking Services and confirm what if any performance targets are specified.</p>	<p>A copy of the agreement will be requested from Lancashire Parking Services.</p> <p>On receipt the performance requirements will be verified and where required management arrangements will be put in place which ensures compliance with the agreements terms and conditions.</p>	Assistant Director of Neighbourhoods 31/07/2020

NO.	CONTROL ISSUES / RISK	PROPOSED MANAGEMENT ACTIONS	AGREED ACTIONS	OFFICER & DATE
4	Contract meetings with LPS and NSL are held on a six-monthly basis. However, the meetings are not minuted and therefore no evidence is available which clearly records the outcome of any actions required following the meetings.	The Assistant Director of Neighbourhoods should ensure that meeting minutes are retained to clearly demonstrate the outcome of performance / contract meetings.	The frequency of meetings will be reviewed to ensure compliance with the agreement. The minutes and action plans will be retained and where required any issues resolved.	Assistant Director of Neighbourhoods 31/07/2020
5	Car park fees and charges have not been formally reviewed since 2017, whilst Cabinet agreed to keep the car park fees and charges at 2018/19 levels, this does not comply with the Financial Regulations No 2 - Revenues Expenditure as section 2.3 states “Chief Officers should review the fees and charges levied for council services and make appropriate recommendations to the appropriate Executive member for approval by delegated decision. All fees and charges must be reviewed at least annually in line with the budget strategy” A review would provide Cabinet with up to date and accurate information, allowing them to make an informed decision as to whether the fees and charges should be updated.	The Assistant Director Neighbourhoods should ensure that an annual review of fees and charges is undertaken, as required by Financial Regulations No 2 Revenues Expenditure, section 2.3.	Members have requested that fees and charges are reviewed by an external company. Currently, a low value procurement exercise is currently underway to appoint a consult, this should be completed by 31/05/2020. Following this, fees and charges will be reviewed.	Assistant Director of Neighbourhoods 31/07/2020
6	The Councils website contains misleading and incorrect car park permit fee information, this requires updating to ensure that customers have access to accurate information.	The Assistant Director of Neighbourhoods should ensure that the councils website is updated to correctly display the fees chargeable for car park permits.	The councils website is currently being refreshed, as part of this, Neighbourhoods Services information will be updated to ensure that its contents is accurate and all service charges are correctly stated, this includes fees and charges.	Assistant Director of Neighbourhoods 31/07/2020

A lack of timely implementation of the agreed actions may be reported to the Governance Committee.

All internal audit work is conducted in compliance with the Public Sector Internal Audit Standards, issued by the Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors.

Statement of Responsibility

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Working in **Synergy** on shared services

**FINAL
INTERNAL AUDIT
REPORT
SRBC 10/19-20**

**TREE INSPECTIONS &
MAINTENANCE**

Brian Welch
Auditor
11th February 2020

1	REASONS FOR AUDIT / SCOPE
1.1	<p>As a landowner, the Council has a duty of care to ensure, as far as is reasonably practicable, that all trees on its land are kept in an acceptable condition and do not put persons and property at unreasonable risk.</p> <p>In the recent case of <i>Cavanagh v Witley Parish Council (1) and D Kevin Shepherd (t/a Shepherd Tree Surgeons & Forestry Contractors) (2) [2017]</i> the High Court ruled a parish council to have been negligent in its approach to inspecting a roadside tree which had fallen onto a bus. As a consequence, local authorities are reviewing the potential impact of the decision and the adequacy and frequency of their existing inspection regimes.</p>
1.2	The review of Tree Inspections and Maintenance forms part of the 2019/20 Internal Audit Plan as agreed by Governance Committee.
1.3	<p>Work undertaken as part of this review focused on identifying the risks and controls and determining whether the controls are operating as intended in the following key areas:</p> <ul style="list-style-type: none"> • Policies and procedures are comprehensive, up to date and clearly set out the Council's roles and responsibilities in respect of its tree inspections and maintenance arrangements. • There is accurate and up to date management information in respect of the borough's tree population which support the effective management of the service. • There are effective and proactive inspection and maintenance routines in place that minimise the risk of danger to the public, including insurance claims, and support the management of such issues should they arise. • There are robust procedures in place for managing complaints / service requests and they are followed in a consistent and timely manner. • The Council minimises its exposure to the risk of insurance claims being upheld. • There are effective and robust procedures in place for the administration and enforcement of Tree Preservation Orders. • Robust performance reporting routines are in place that support the effective management of the tree inspection and maintenance function.
1.4	<i>Details of the controls tested are included in the risk and control evaluation table attached as item 3 of this report.</i>

2	ASSURANCE RATING
2.1	Internal Audit provide an independent and objective opinion on the adequacy of the Council's control environment, in order to do that Internal Audit review and provide an opinion on the level of assurance of the control environment within each area reviewed. The level of assurance is based on the auditor's assessment of the extent to which system objectives are met, the effectiveness of controls operating within systems and the resultant extent to which risks are mitigated.
2.2	The review of processes and procedures in place in respect of the administration of Tree Inspections and Maintenance has identified that there are weaknesses in the system of control, and their application in practice, which put at risk the achievement of the system objectives. These weaknesses were particularly evident in respect of the effectiveness of governance arrangements underpinning the process, for example through the lack of an approved tree inspection and maintenance strategy and a general lack of checking / overview routines. As a consequence, Internal Audit can place a <i>limited assurance rating</i> on the control environment in place and the extent to which risks are mitigated in regard to the administration of Tree Inspections and Maintenance.
2.3	<p>Control Rating Key</p> <p>Full – the Authority can place complete reliance on the controls. No control weaknesses exist.</p> <p>Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.</p> <p>Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.</p> <p>Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist</p>

3	SUMMARY OF FINDINGS
3.1	<p>Identified areas of good practice and / or where controls are operating effectively include:</p> <ul style="list-style-type: none"> • Staff responsible for the management of the borough's trees are suitably qualified and there was evidence that training requirements were being monitored. • Whilst only those trees who have received inspections are recorded on GIS, audit confirmed that the information held on each tree was accurate and up to date. • Planning applications received into Neighbourhood Services were being promptly addressed, with all relevant information in respect of the application retained. • Works orders were being promptly and accurately raised on the GM system. • The GM system was being accurately updated to reflect closed works orders. • Records in respect of tree-related insurance claims maintained by the Insurance Team were generally accurate.
3.2	<p>Areas of weakness where audit believe the control environment require strengthening are as follows:</p> <ul style="list-style-type: none"> • The Council does not have an approved tree inspection and maintenance strategy and, as such, this hinders the effective management of the borough's trees and there is a risk that the Council's defence in respect of any claims / incidents would be compromised. • It was acknowledged there are shortcomings in the current systems used to manage trees, particularly in respect of linkages between GIS and the Grounds Maintenance database, the ability to undertake largescale inspections and the ability to flag up overdue inspections. As the Council is currently developing plans to replace the systems as part of its Digital Strategy, it is important that Neighbourhood Services work with IT to enable the current shortcomings to be addressed in any new system. • Whilst the GM database categorises works tickets logged onto the system, they are not necessarily aligned with when the work will be completed. As a consequence of subsequent works tickets being added to the database, the category allocated to a job does not necessarily align with the timescale for its completion. This has led to a significant backlog of outstanding works orders, with lower priority jobs going back to 2016 remaining open on the system and some higher priority jobs also being put back. Linked with the pressure on resources to address the backlog, there is also a risk that budget pressures may continue to be an issue where there is a separation between the delivery of the service and the costs of that delivery. • Although the nature and scale of the tree population within the borough may reduce the risk of not having a formal pro-active inspection routine, the need to establish a policy / strategy for managing the borough's trees is an ideal opportunity to determine whether one is required. • Whilst the Council's use of external contractors in respect of tree maintenance was relatively low, weaknesses were found in terms of the Council's procurement activity. Additionally, audit felt that Legal advice should be sought in respect of any risks the Council were being exposed to in respect of the list of contractors that was being supplied to the public with regards work to trees with Tree Preservation Orders (TPO's). • Whilst it was identified that the Grounds Maintenance Database was being accurately updated to reflect closed works orders, there was relatively little evidence of checking routines and no formal approach to signing off works orders. • Furthermore, whilst works orders were being promptly closed off on the system, sample testing did find instances where the works orders did not record the start date for the work and the actual hours for the job, thereby weakening works order close off routines. • Given the nature and scale of the tree population within the borough, the lack of reporting the performance of the function is considered to be a relatively low risk. However, as set out above with regards the need to establish an approved strategy for the borough's trees, this is an ideal opportunity to review how performance of the function can be reviewed and reported upon.

3. RISK AND CONTROL EVALUATION

	Risks	Risk 1	Risk 2	Risk 3	Risk 4	Risk 5	Risk 6	Risk 7	Test (Y/N)	Control is operating Y/N/Partly	MA
Controls	Risk And Control Evaluation – Tree Inspections & Maintenance	There are limited / no / out of date policies and procedures that support the tree inspection and maintenance process, leading to incorrect and / or inconsistent processes being followed.	There are inaccurate / out of date management information in respect of the borough's tree population which undermines their effective management.	The service is largely reactive, with little or no proactive inspections and / or maintenance, resulting in ongoing issues not being identified and effectively addressed.	Complaints / service requests are not addressed in a timely or effective manner, leading to ongoing issues arising and reputational damage.	The Council is exposed to the risk of insurance claims being upheld.	Tree Preservation Orders are ineffectively administered and enforced.	Performance data is not available, inaccurate or out of date, impacting on the effective management of the tree inspection and maintenance function.			
C1	There is an approved and clear policy in respect of the Council's approach to managing its trees.	✓		✓	✓	✓	✓	✓	Y	N	MA1
C2	Staff are suitably qualified and trained to enable them to carry out their duties.	✓	✓	✓	✓	✓	✓		Y	Y	
C3	Up to date and accurate records are held in respect of the inspection and maintenance of trees.	✓	✓	✓	✓	✓	✓	✓	Y	Partly	MA2
C4	A list of all outstanding works orders is available and is utilised to monitor the completion of all work allocated to the tree gang.			✓	✓	✓	✓	✓	Y	Partly	MA3, MA4, MA5
Page 14	There is an approved pro-active plan of inspections and maintenance which is regularly monitored / reported upon.	✓	✓	✓				✓	Y	N	MA6
	There is an approved and documented process for establishing projects / zones for maintenance work and this is being monitored / reported upon.	✓	✓	✓				✓	Y	Y	
	Each park has defined parks plan, within which the 'tree' element is clearly specified.		✓	✓				✓	Y	Y	
	Each tree is recorded on GIS and includes dates of last and next inspection.		✓	✓	✓			✓	Y	Y	
	Where work is required to be outsourced, appropriate approval is secured and Contract Standing Orders have been adhered to.	✓	✓	✓					Y	Partly	MA7, MA8
	Planning applications relating to trees are accurately logged and administered in a prompt and accurate manner.		✓		✓			✓	Y	Y	
	Where work is requested, a works order has been promptly raised on GM, priority allocated, contains all relevant information and is placed on the schedule of works for the tree gang.		✓	✓	✓				Y	Y	
	Completed work is evidenced by a signed off works order, recording whether DR has visited the site to confirm completion.		✓	✓	✓			✓	Y	Partly	MA9, MA10
	The completed works order has been closed off on the GM system.		✓	✓	✓			✓	Y	Partly	MA9, MA10
	A record of insurance referrals is maintained by Neighbourhood Services.		✓			✓			Y	Y	

C15	Accurate and update records are held in respect of the administration of insurance claims, including supporting information, inspections and outcomes.		✓			✓			Y	Y	
C16	A record of TPO works requests is maintained by Neighbourhood Services.	✓	✓	✓			✓		Y	Y	
C17	Accurate and update records are held in respect of the administration of TPO's, including supporting information, inspections and outcomes.	✓	✓	✓			✓		Y	Y	
C18	An approved list of contractors is maintained by the Council which supports the public in undertaking tree works on TPOs whilst at the same time protects the Council.	✓	✓	✓			✓		Y	Partly	MA7, MA8
C19	Performance reports in respect of the tree management function are produced and reported upon.		✓					✓	Y	N	MA11

4. MANAGEMENT ACTION PLAN

NO.	CONTROL ISSUES / RISK	PROPOSED MANAGEMENT ACTIONS	AGREED ACTIONS	OFFICER & DATE
1	<p><u>Tree Policy</u></p> <p>An approved Tree Policy sets out the Council's approach to the management of trees and woodland on Council-owned land. It provides a clear point of reference for the public, officers, elected members and professionals that ensures a clear, consistent and structured approach to the management of the borough's trees.</p> <p>The Council currently does not have a policy that sets out its approach to the inspection and maintenance of the borough's trees. Whilst a draft policy was produced some years ago, and in some regards is being complied with, it was never approved /formally adopted. From discussions with staff, attempts have been made to update / fine-tune it, however it remains unapproved / unadopted. Furthermore, there has been a recent case that may have a significant effect on how local authorities should manage trees and, in particular, the frequency of inspections - <i>Witley Parish Council v Cavanagh [2018] EWCA Civ 2232</i> - https://www.blmlaw.com/news/time-to-re-examine-tree-inspection-regimes. The case concluded that the council had failed to have robust inspection routines in place.</p> <p>There is a risk that should the Council be challenged on a tree-related issue / insurance claim, the lack of a clear policy would hinder the Council's defence. Additionally, there remains a requirement for the Council to set out its strategic aims for the management of trees and, without a policy, at best it would be addressed in an ad hoc / reactive manner.</p>	<p>A formally agreed policy / strategy with regards the Council's approach to the management of trees and woodland on Council-owned land should be agreed and published. Consideration should be given to reporting the implications of the <i>Witley Parish Council v Cavanagh</i> case to management / members in order that an informed decision can be made as to whether action is required.</p>	<p>A revised policy has been submitted for approval by Cabinet members and once this has been received will be formally adopted by delegated decision it anticipated this will be completed in February 2020.</p>	Andrew Richardson February 2020
2	<p><u>Tree Management System</u></p> <p>A robust and up to date management and reporting system is an important tool in the effective inspection and maintenance of the borough's trees.</p>	<p>Whilst audit acknowledge that plans are being developed that should hopefully address the current weaknesses in the systems used to manage trees, we recommend that Neighbourhood Services work with IT to enable the</p>	<p>A replacement IT system Yotta has been identified as the most suitable replacement and is currently being evaluated as part of the ongoing Digital Strategy and it is anticipated that this will be purchased and</p>	Andrew Richardson December 2020

Page 117	<p>An in-house Grounds Maintenance database has been in place for a number of years and is used to manage various Neighbourhoods functions, including the issue of works orders for tree maintenance. Separately, the GIS system is used to log key information relating to the borough's trees, including the logging of inspections. From testing and discussions with officers, it was evident that the current systems had a number of shortcomings; these included:</p> <ul style="list-style-type: none"> ➤ GM and GIS are not linked. ➤ GIS does not allow for the largescale inspection of trees. ➤ GIS does not provide a flag when the next inspection is due. <p>From audit's discussions with IT, it was confirmed that the Council, as part of its Digital Strategy, have been looking to replace the two systems and are in discussions with a neighbouring borough to share their system.</p> <p>There is a risk that the IT systems used for the management of the borough's trees is not fit for purpose and that any new systems do not address the current shortcomings.</p>	<p>current shortcomings to be addressed in any new system.</p>	<p>implemented in the coming financial year subject to the relevant approvals.</p>	
	<p><u>Outstanding Works Orders</u></p> <p>Effective monitoring routines should be in place to ensure that works orders issued to the tree gang are carried out in a timely manner.</p> <p>A list of outstanding works orders was extracted from the GM database. The works orders recorded on the report are all those that have been logged on the system and not necessarily those which have been issued to the tree gang. Whilst, due to the relatively low numbers, the Arboricultural Officer was able to identify which works orders were with the tree gang, this was not evident from the review of the report.</p> <p>There is a risk that delays in carrying out works orders are not promptly identified and dealt with.</p>	<p>Possibly as part of the introduction of the new system referred to above, consideration should be given to producing reports of outstanding works orders which are currently with the tree gang against which delivery can be monitored.</p>	<p>Work tickets will be issued to ensure the tree teams have a maximum of three outstanding work tickets at any one time.</p> <p>A target time active template is used to record and monitor tickets issued, the date issued will also be recorded on this in future.</p> <p>Whilst work is prioritised the order of prioritisation can be affected by several factors such as weather and staff holidays.</p>	<p>Dan Rigby February 2020</p>

4	<p><u>Backlog of Tree Works</u></p> <p>Maintenance in respect of the borough's trees should be carried out promptly and in accordance with agreed response times and priorities.</p> <p>Details in respect of the Council's response times and priorities are set out in section 6 of the unapproved Tree Policy. This sets out the following:</p> <ul style="list-style-type: none"> ➤ Cat A – works requiring immediate attention (to at least secure the area). ➤ Cat B – works passed to the tree team which are either in progress or to begin very soon. ➤ Cat E – works passed to the tree team as soon as the current workload (Cat B) is clear. ➤ Cat G – works requiring completion but, after an initial inspection, do not require a short term response. <p>Whilst the GM database categorises works tickets logged onto the system, they are not necessarily aligned with when the work will be completed. As a consequence of subsequent works tickets being added to the database, the category allocated to a job does not necessarily align with a timescale for its completion. This has led to a significant backlog of outstanding works orders, with lower priority jobs going back to 2016 remaining open on the system and higher priority jobs also being put back.</p> <p>Where the backlog of tree works is left to continue, there is a reputational risk to the authority and possibly a financial one where issues relating to a tree lead to an insurance claim against the Council.</p>	<p>The backlog in reactive tree works should be prioritised and measures to reduce waiting times considered.</p>	<p>Workload will be categorised and monitored to ensure whenever possible future completion dates are met.</p> <p>Measures have been introduced to reduce the backlog of work, this has reduced from 329 days in April 2019 to 217 days at present.</p> <p>One measure introduced is boundary clearance, this is a pro-active measure which reduces the number of future customer contacts significantly.</p> <p>The current resources available limit the amount of work that can be completed.</p>	<p>Dan Rigbye April 2020</p>
5	<p><u>Job Costing</u></p> <p>An effective process of costing jobs is fundamental to delivering a tree management service that both meets public expectations and balances demand against available resources.</p>	<p>Consideration should be given to developing a more robust process for aligning the likely time and cost of delivering the service and subsequently monitoring delivery.</p>	<p>Going forward an accurate record of the time taken to complete a job will be recorded and used to ensure future estimates.</p>	<p>Dan Rigbye February 2020</p>

	<p>Whilst the estimated and actual times to complete a works order should be captured on the GM database, there were frequently differences between the two figures. In many instances the actual time recorded either exceeded the budgeted time or was not recorded at all. From discussions with the Arboricultural Officer, audit were informed that the budgeted figures were input to provide the public with a guide to a jobs completion if asked and were not a genuine attempt to cost the individual job. As such, there was limited evidence that discrepancies between budgeted and actual time were being monitored / challenged.</p> <p>There is a risk that budget pressures may arise where there is a separation between the delivery of the service and the costs to that delivery, ie if jobs take longer do to, less jobs will be done and backlogs will ensue.</p>		<p>The time estimates are established to identify work load and do not represent a cost limit as such.</p> <p>The budget reflects the current staffing levels and is used to provide this service there is no scope within the budget to provide additional resources to address the backlog of work.</p>	
6	<p><u>Proactive Inspection Schedule</u></p> <p>Through evidencing a proactive inspection regime of the borough's trees, the Council is better able to demonstrate it has robust procedures in place to manage the borough's trees in the event of a challenge.</p> <p>Through discussions with the Arboricultural Officer, it was confirmed that whilst planning applications and parks plans are supported in respect of tree management, the Council does not have a planned inspection / maintenance schedule for the borough's trees. It was felt that the resources available to the service, and the fact that the Council were not responsible for trees on the highway, meant that a more responsive approach to tree management was in place.</p> <p>There is a risk that should the Council be challenged on a tree-related issue / insurance claim, the lack of a proactive inspection schedule may hinder the Council's defence.</p>	<p>Although the nature and scale of the tree population within the borough may reduce the risk of not having a formal pro-active inspection routine, the need to establish a policy / strategy for managing the borough's trees is an ideal opportunity to determine whether one is required.</p>	<p>The new tree management system will allow for the introduction of an improved proactive tree inspection process. Trees are and will be assessed on a risk basis, this will be influenced by the species of tree, its health and its location.</p>	<p>December 2020 Dan Rigbye</p>
7	<p><u>Contractor Listing</u></p> <p>Where the Council provides guidance to the public with regards the choice of contractor to employ when carrying out</p>	<p>Neighbourhood Services should liaise with Legal with regards to further advice relating to the list of contractors,</p>	<p>The Council will no-longer provide a list of suitable contractors, we will direct individuals to the Arboricultural Associations website.</p>	<p>Dan Rigbye February 2020</p>

Page 120	<p>work on Tree Preservation Order (TPO) trees, it is important that advice is sought from Legal Services in order to minimise risk to the Council.</p> <p>In order to support residents when selecting a contractor to undertake work on TPO trees, the Arboricultural Officer has compiled a list of possible contractors from which the public can select one that is suitable to them. The list includes a statement stating - '<i>Please be aware that this list is in no way to be perceived as a recognised Council approved contractor listing. SRBC do not take any responsibility for any work carried out by any contractor</i>'. When the listing was shared with Legal, audit were informed that they had reservations about the waiver and even suggested that the Council merely direct the public to the Arboricultural Association website for their approved contractor list.</p> <p>The Council may place itself at unnecessary risk where issues arise following the use of contractors on a list it has provided to the public.</p>	<p>potentially directing the public to the Arboricultural Association's website.</p>		
	<p>8 <u>Outsourced Tree Works</u></p> <p>Where the Council feels it necessary to outsource some of its tree works to external contractors, value for money should be sought, including compliance with the Council's Contract Procurement Rules.</p> <p>Audit selected the two instances since April 2018 where the Council has outsourced tree works to external contractors and noted the following:</p> <ul style="list-style-type: none"> • In both instances there was no evidence of the Arboricultural Officer's communication with the authorised officer setting out what work is required and who he would like to ask quotes from. • In both instances there was no evidence of approval to outsource the work and agreement who to go to. • In the case of Longton Library there was evidence of three quotes being requested; however, for Bent Lane only two were evidenced as having been requested. 	<p>Where work is outsourced to an external contractor, clear documentary evidence should be retained in accordance with the Council's Contract Procurement Rules and procurement best practice.</p>	<p>All e-mails relating to the request to employ contractors and the authorisation along with quotes will be kept in a site related file for future reference.</p> <p>Previously requests and authorizations have on a number of occasions been purely on a verbal basis.</p>	<p>Dan Rigbye February 2020</p>

	<ul style="list-style-type: none"> • In both cases there was no evidence of the authorised officer's approval to select the nominated supplier. • In both instances the same contractor was selected (Beardwood) and their quotes for both were provided. • Only in the case of Longton Library was the purchase order provided to audit. <p>Where procurement best practice is not followed, there is a risk that value for money is not secured.</p>			
9	<p><u>Checking Routines</u></p> <p>Robust checking routines in respect of tree works support the effective delivery of the tree management function.</p> <p>Works orders, upon completion, are provided to the Arboricultural Officer by the tree gang to check and close on the GM system. Whilst the works order enables the officer to evidence his checking of the work, in reality most work remains unchecked, with the officer indicating that only 'significant' works orders would be checked. This was borne out by testing of 13 completed works orders where none were evidence as having been checked.</p> <p>There is a risk that work in respect of the borough's trees is not carried out to the required standard.</p>	<p>Consideration should be given to determining whether a more formal approach to checking tree works, possibly involving sample testing, be introduced.</p>	<p>A system of auditing of works carried out will be introduced immediately and a random 10% of work carried out will be checked to ensure all work has been carried out to the correct standard, this will be recorded on the work ticket.</p>	Dan Rigbye February 2020
10	<p><u>Management Information</u></p> <p>Comprehensive and up to date records contribute to the effective delivery of the tree management system.</p> <p>From testing of a sample of 13 works orders, instances were noted where the start date of the work and the actual hours taken were not recorded on the works order. With regards the latter, these related to time being posted to other linked jobs and the relevant works order not being updated nor a note recorded.</p> <p>There is a risk monitoring routines are weakened where all necessary information relating to the job are not recorded.</p>	<p>As part of the close down routines for works orders, all necessary information should be recorded.</p>	<p>Staff have been reminded about the importance of completing all information on work tickets, going forward this will be checked on submission and tickets returned to staff who have not completed them properly.</p>	Dan Rigbye February 2020

11	<p><u>Performance</u></p> <p>Regular reporting to senior management / members on the performance of the tree management function contributes to the Council's assurance framework.</p> <p>Audit confirmed that reporting to senior management / members in respect of the performance of the tree management function was ad hoc at best. Given the nature and scale of the tree population within the borough, the lack of reporting the performance of the function is considered to be a relatively low risk. However, as referred to in MA1 above in respect of the need to establish an approved Tree Strategy, this is an ideal opportunity to review how performance of the function can be reviewed and reported upon.</p> <p>There is a risk that poor performance is not promptly identified and addressed.</p>	<p>The service should review how best the performance of the Tree Inspection and Maintenance function should be measured, monitored and reported.</p>	<p>A discussion will be held with the portfolio holder and leadership team to identify how best to report performance of the service going forward.</p>	Andrew Richardson April 2020

A lack of timely implementation of the agreed actions may be reported to the Governance Committee.

All internal audit work is conducted in compliance with the Public Sector Internal Audit Standards, issued by the Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors.

Statement of Responsibility

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Working in **Synergy** on shared services

Follow-Up Internal Audit Report SRBC 20/19-20

Review of Commercial Services SRBC 07/18-19

Issued by Janice Bamber
Interim Head of Shared Assurance

Lead Auditor: Struan Jackson

Date: 17th March 2020

1	REASONS FOR AUDIT / SCOPE
1.1	Commercial Services has seen significant changes over the last 2 years, resulting in a lack of continuity, resilience and capacity, which has undoubtedly affected the delivery of the service. The review was undertaken at the request of the Deputy Chief Executive to confirm the completeness and accuracy of the Council's Asset Register and to establish whether Commercial Services rental review processes are operating effectively. The review was completed during September 2019 which identified a number of governance and control issues. As a consequence, at that time, Internal Audit could place Limited Assurance rating on the control environment in place and the extent to which risks are mitigated in regard to Asset Management and the administration of Commercial Properties
1.2	The issue were discussed with the Assistant Director of Property & Housing, who agreed the management actions required to resolve the governance and control issues.
1.3	This follow up review has been undertaken to provide an update on the current status of the agreed actions. Whilst agreed dates of implementation have not yet been reached the Interim Head of Shared Assurance must provide an opinion on the adequacy of the control environment within this area therefore this follow up review has been undertaken prior to year-end. The follow up review consisted of a desktop review and interview with the Assistant Director of Property & Housing, no detailed testing has been undertaken at this time.
1.4	Details of the agreed management action and current status of actions as at 11 th March 2020 are included in Management Action plan attached as item 4 of this report.

2	ASSURANCE RATING
2.1	Internal Audit provide an independent and objective opinion on the adequacy of the Council's control environment, in order to do that Internal Audit review and provide an opinion on the level of assurance of the control environment within each area reviewed. The level of assurance is based on the auditor's assessment of the extent to which system objectives are met, the effectiveness of controls operating within systems and the resultant extent to which risks are mitigated.
2.2	The original review identified a number of significant control weaknesses in the system of control which put at risk the achievement of the system objectives. These weaknesses were particularly evident in respect of the effectiveness of governance arrangements underpinning the process, for example; <ul style="list-style-type: none"> • through the lack of a single complete asset register; • Council owned assets could not be reconciled to the records held by the Land Registry. • inconsistent filing and retention of property management records. • insufficient resources available for the completion of rent reviews and lease renewals. • inconsistent filing and retention of property management records. As a consequence, Internal Audit can place only a Limited Assurance rating on the control environment in place and the extent to which risks are mitigated in regard to Asset Management and the administration of Commercial Properties.
2.3	Whilst this review acknowledges that considerable work has been undertaken and is currently in progress to address the governance and control weaknesses. Some management actions are yet to be fully completed. Once all actions have been addressed it is expected that the assurance rating will rise to at least an adequate rating.
2.4	Control Rating Key Full – the Authority can place complete reliance on the controls. No control weaknesses exist. Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist. Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved. Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

3	Follow Up Review Findings
3.1	Through interview with the Assistant Director of Property & Housing it was confirmed that considerable work has been undertaken to address the governance and control weaknesses, this includes: <ul style="list-style-type: none"> • Establishing the CAPS IDOX system as the primary property records management system. • The CAPS IDOX system will shortly be upgraded to include document imaging. All property records are to be scanned and indexed. • Approximately 85% of lease records have now been recorded on the CAPS IDOX system.

	<ul style="list-style-type: none"> • An IDOX Project working group has been established, who membership includes representative from the Estates team, who will ensure that the requirements of the Estates team are incorporated within the system upgrade • Stock condition survey will shortly be undertaken, following this, a 30 year investment and maintenance programme will be developed. • Sanderson Weatherall have been commissioned to complete an asset review of the Commercial properties, on completion the findings from the review will be presented to Cabinet. • The council's property assets insurance values have recently been reviewed, there has been a net increase of approximately £2m. This will have an impact on the insurance premiums payable by the Council. <p>Following successful recruitment exercise, the following posts have been appointed to</p> <ul style="list-style-type: none"> • Technical Support Assistant • RICS qualified Surveyor <p>During October 2019 an interim Surveyor, the officer is currently dealing with the backlog of rent and ground lease renewals, rent arrears and lease renewals</p>
3.2	Currently the reconciliation of the council's property assets to the Land Registry records has not been completed. Sanderson Weatherall have been commissioned to complete a review of the Commercial properties, following this, a reconciliation exercise to ensure the accuracy of the council's asset register will be completed.
3.3	At the time of the follow up being completed, the Interim Surveyor was working through the backlog of work including rent and ground lease renewals, rent arrears, lease renewals. However, the then Assistant Director of Property & Housing confirmed that consideration is being given to putting on hold the lease and rent reviews. As it is believed that from undertaking this exercise rent and lease charges will be raised, which is at odds with trying to support small businesses and sole traders at this time of unprecedented financial strain. The Cabinet Member for Finance, Property and Assets will be briefed a monthly basis ensuring that this is kept under review.

4. Management Action Plan

NO.	CONTROL ISSUES / RISK	PROPOSED MANAGEMENT ACTIONS	AGREED ACTIONS	OFFICER & DATE	Current Status March 2020	Revised Date
1	<p>Internal Audit are unable to verify the accuracy of the Council's Asset Register.</p> <p>Property records are held on both the IDOX CAPS System and on separate Spreadsheets, thereby duplicating some property information, leading to confusion as to which data set is the primary source.</p> <p>There is a risk of incomplete and inaccurate asset records, thereby leading to a misstatement of the accounts.</p>	<p>The Assistant Director of Property & Housing should:</p> <ul style="list-style-type: none"> • Ensure that the responsibility for the maintenance of the asset register is resolved; • Determine the prime record keeping system, if that is determined to be the CAPS system this should be brought up to date and maintained as the prime record for the Council, ensuring that the Asset Register is accurate and complete. <p>Note There is a cost of obtaining full land and property records from the Land Registry, this is approximately £7-£10 per asset, based on this, the estimated cost would be around £3,200 - £4600.</p>	Agreed	Assistant Director of Property & Housing 31.03.2020	Partly completed The reconciliation between the Councils Asset register and the Land Registry has been delayed until the asset review by Sanderson Weatherall, to be completed.	31/11/2020
2	<p>Due to the lack of capacity and knowledge, there are concerns that rent reviews and lease renewal processes are not operating as intended and contravene legislative requirements. This poses both a legislative and financial risk to the Council</p>	<p>The Assistant Director of Property & Housing:</p> <ul style="list-style-type: none"> • should ensure that a review of resources is undertaken in order to provide assurance that sufficient capacity is available within the service to undertake the functions required; and • the lease renewal and rent review processes must be reinstated; lease holder accounts should then be updated. 	Agreed	Assistant Director of Property & Housing 31.03.2020	Partly completed. Following a successful recruitment exercise, key posts have been recruited to and staff appointed. The Interim Surveyor is currently working through the backlog of work including rent and ground lease renewals, rent arrears, lease renewals. However, due to the current unprecedented situation, the rent and lease reviews may be placed on hold. The Cabinet Member will receive monthly updates.	31/11/2020



Working in **Synergy** on shared services

**DRAFT
INTERNAL AUDIT
REPORT
SRBC 17/19-20**

**PROCUREMENT
(UTILITIES & OTHER CONTRACTS)**

Author & Date

Janice Bamber
Interim Head of Shared Assurance
Auditor : Brian Welch
3rd June 2020

1	REASONS FOR AUDIT / SCOPE
1.1	The Audit Plan for 2019/20 included a review of Procurement for both South Ribble BC and Chorley BC, it was determined that as the risks identified were different at each Council separate reviews would be undertaken focussing on different areas. In respect of South Ribble BC it was agreed with the S151 officer that the scope would focus on compliance with Contract Procedure Rules and Financial Procedure Rules.
1.2	As part of those discussions Internal Audit were made aware of a potential significant breach to the Council's Contract and Financial Procedure Rules, this was in regard to a high value procurement for the utilities (gas and electricity) for South Ribble BC. It was agreed that the focus would be this specific procurement exercise.
1.3	As part of the review of this specific Contract, discussions with a number of officers / staff within the Neighbourhoods & Development Directorate, specifically the Projects & Development Service, identified a number of further contracts / procurement exercises where potentially breaches of Contract & Financial Procedure Rules had occurred. 2 of the contracts / procurement exercises had been highlighted on the Council's Transparency register, these related to Electrical Work for South Ribble Council and Gas Boiler Maintenance. As issues were identified that required resolving a group of relevant officers was established to determine the extent of the issues and resolve how to move forward. It was determined to include these 2 contracts / agreements in this report.
1.4	Internal Audit had started a piece of work examining the top 100 suppliers by spend to verify / confirm that for those suppliers appropriate procurement exercises had been undertaken and contracts, waivers etc. were approved in accordance with Contract and Financial Procedure Rules. This work was interrupted by the impact of COVID-19, as Interim Auditor has left and Internal Auditors have been seconded to provide support for the Community Hub. This work will be included in the Audit Plan for 2020/21 and reported accordingly.
1.5	As it was clear from the information provided that Contract and Financial Procedure Rules had been breached and potentially OJEU Procurement Rules, the audit is focused on identifying the extent to which the rules are breached, the significance, lessons learned and actions that can be taken to ensure that these Governance issues do not happen again.

2	BACKGROUND
2.1	<p>The previous contract was procured via a Framework Agreement brokered by the Utilities Procurement Group (UPG) on behalf of Hambleton District Council, the lead authority purchasing on behalf of other contracting authorities (including South Ribble Borough Council). The contract for SRBC ran from 1st October 2015 to 30th September 2019. The duration of the Framework Agreement was 4 years with an estimated total value of £800K to £80M. It was divided into 3 lots:-</p> <ul style="list-style-type: none"> i. Non-half hour electricity; ii. Half-hourly electricity; and iii. Natural Gas <p>Suppliers were able to bid for single lots or all three lots.</p>
2.2	<p>The use of Framework Agreements is set out in section 31 of the Council's Contract Procurement Rules. Amongst the Rules, it states:</p> <p class="list-item-l1">31.4 <i>Where the Council has entered into a Framework Agreement through procurement or is able to place orders from existing Framework Agreements procured by central government agencies, public sector consortia, other local authorities or other third parties, then the Council may benefit from using those contracts without entering into a full, separate procurement.</i></p> <p class="list-item-l1">31.5 <i>Where a public sector framework is used in accordance with the above provisions, without entering into a full, separate procurement process, all other relevant aspects of these procurement rules will still apply, including any approval which may be required for the procurement award procedure (in this case to use the identified framework), approval for the evaluation criteria and weightings (in the event of a further competition under the framework), and approval for the contact award prior to contract acceptance.</i></p>

2.3	The initial issue arose when, in November 2019 the Shared Procurement Team were asked to approve a new creditor, Total Gas & Power Ltd, the route by which the new supplier was procured was brought into question and concerns were raised in respect of the extent to which the Council's Contract Procurement Rules had been adhered to and whether best value had been secured in the selection of the new supplier.
2.4	As a consequence, Internal Audit were asked to review the procurement arrangements in respect of the recent re-letting of the contract for the supply of gas and electricity across the Council's numerous sites. The review was to be a fact finding review with the objective of determining the extent to which the Council's Contract and Financial Procedure Rules had been breached / adhered to and lessons learned from the contravention of any rules.
2.5	As part of the review audit examined available documentation and met with the relevant officers.
2.6	The further 2 contracts reviewed were identified as part of the review of the Transparency Register by the Assistant Director (Projects & Development) and Facilities Manager. Following discussions in regard to CPR and FPR breaches relating to the initial contract the officers informed Internal Audit and Procurement that there were potentially more contracts that had / would breach CPR's and FPR's if actions were not implemented.

3	ASSURANCE RATING
3.1	As it was clear that breaches of the Council's Rules and regulations had occurred, the review was undertaken in order to determine:- i. If the breaches constituted significant breaches in the operation of the Council's governance framework; ii. if there was a failure of or weaknesses in control, the extent of those failures; and iii. the impacts / risks arising from those breaches and failure of controls
3.2	Internal Audit provide an independent and objective opinion on the adequacy of the Council's control environment, in order to do that Internal Audit review and provide an opinion on the level of assurance of the control environment within each service area reviewed. The level of assurance is based on the assessment of the extent to which system objectives are met, the effectiveness of controls operating within those systems and the resultant extent to which risks are mitigated.
3.3	The Council has an effective governance framework relating to the Procurement of goods and services, contained in the Constitution, in regard to decision making, Contract Procedure Rules relating to the procurement routes for all levels of procurement and waivers to CPR's where necessary and Financial Procedure Rules in respect of separation of duties, financial limits and authorisation levels. The framework provides for a sound system of governance, controls and mitigation of risk.
3.4	However, for the process and systems of control to be effective and to demonstrate the effectiveness of the Governance framework, the Constitution, CPR's and FPR's must be complied with. The findings detailed below will demonstrate that all decision making procedures, procurement and legal processes have failed / are non-existent, controls are not operating as they should and risks are not mitigated. Further, the review has identified that the Council has fundamentally breached OJEU Procurement Rules.
3.5	There are serious, significant failings and breaches of the Constitution, CPR's, FPR's primarily arising from a fundamental failure of management controls which have left the Council open to severe reputational, financial and legislative harm. The Council cannot demonstrate that it has achieved Best Value in the procurement of these services as the procurement process is fundamentally flawed / non-existent.
3.6	The failure is such that the assurance ratings outlined below cannot apply, it is Internal Audit's opinion that No Assurance can be placed on the effectiveness of the controls in place and the extent to which risks have been mitigated in regard to these Procurement exercises / contracts only.. This is largely due to the fundamental failure of the procurement process and the fundamental failure of management controls in that regard. It should be noted that the opinion outlined above is only relative to these specific contracts reviewed and does not provide opinion on the overall operation of Procurement exercises / contracts overall. A further piece of work is required to determine the extent to which the rules are complied with. This is included in the 2020/21 Audit Plan.

3.7	A fundamental element in respect of many of the issues raised in the review was the level of support that was / was not provided to the Facilities Manager with regards the correct procurement route to follow. The Facilities Manager had received no training (induction nor ongoing) with regards the Council's Contract Procurement Rules and was largely left to manage the process. Furthermore, the Facilities Manager acknowledges that he did not request advice / support from the Council's Procurement Team.
3.8	Unlike the previous contract for the provision of gas and electricity, the Council did not utilise a Framework Agreement from which local authorities, including SRBC, could select a supplier. This is demonstrated by the Tender Opportunity Notice that clearly sets out that Resolve were acting on behalf of SRBC alone.
3.9	The tender was posted on Contract Finder only and, as per the Council's CPR's and EU Procurement Rules, it should have been advertised on the Chest and an OJEU notice posted.
3.10	The Tender Opportunity Notice issued by Resolve Energy made it clear that ' <i>the contracting authority are looking to select one single supplier....</i> '. As a consequence, even if there was a valid reason for splitting the service up into six contracts (neither Audit, Legal or Procurement could establish the reason for this), the total value of the six contracts should have been the figure to apply when determining the correct procurement route. As per 'The Public Contract Regulations 2015', ' <i>The calculation of the estimated value of a procurement shall be based on the total amount payable, net of VAT, as estimated by the contracting authority, including any form of option and any renewals of the contracts as explicitly set out in the procurement documents.</i> '
3.11	It should have been evident to Resolve (particularly in light of their contact's previous experience with UPG) that the estimated value of the contract was significantly higher than the EU threshold of £189,330. As the estimated contract values indicate the contract was in excess of £500k, this opportunity should have led them down the 'high value, over EU threshold' route and an OJEU notice posted. Furthermore, the decision to re-let the contract was not included in the Forward Plan as a Key Decision and nor was Cabinet approval subsequently secured prior to awarding the contract.

Normal Control Rating Key**Full** – the Authority can place complete reliance on the controls. No control weaknesses exist.**Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.**Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.**Limited** - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

4	FINDINGS
	Utilities Contract
4.1	As it was already known that CPR's and FPR's had been breached, the review was undertaken to identify what breaches had occurred and the extent of those breaches, this will also determine the material value of costs. A review of available documentation and discussions with key officers formed the basis of the review. A summary of the findings is outlined below.
4.2	<p>The previous contract was due to end on 30th Sept 2019, Audit were informed by Procurement that the contract required a 12 month notice period to terminate. Evidence was provided to audit of the Procurement team raising the need to address the upcoming ending of the previous contract with the Assistant Director - Neighbourhoods:</p> <ul style="list-style-type: none"> ➤ In an email, dated 7/8/18, the AD - Neighbourhoods was made aware of the '12 month notice' requirement and the need to take action if they do not wish to be committed to '<i>the next framework refresh by UPG unless they serve a minimum of 12 months written notice stating that they do not wish to be automatically committed to any further competitions.</i>' ➤ In a further email, dated 8/5/19, to both the Assistant Directors - Neighbourhoods and Projects & Development, a further reminder was given in respect of the imminent end of the gas/electric contract and the need to take action.
4.3	<p>The email of the 7/08/18, outlines that the Council will need to serve notice as soon as possible and states "...<i>in the past Property Services have dealt with all Utilities contracts and I can only presume that they obtained any necessary approvals to allow them to be automatically committed prior to the deadline for serving notice expiring</i>". The requirement to serve notice is key for the Council as the failure to serve notice and therefore fall "out of contract" results in a fine by the incumbent supplier, if not renewed by the renewal date of September 2019.</p>

4.4	The audit could not determine what action was taken at this point, if any and cannot establish whether 12 months' notice had been given to terminate the previous contract. This leaves the Council open to risk of financial and legislative harm.
4.5	Sometime in early-mid 2019 the Council's Facilities Manager was contacted by a representative of Resolve Energy, who formally was the Council's contact with UPG but had since moved to Resolve Energy. The Facilities Manager was informed that the contract with SHE was due to come to an end (on 30/9/19) and that to remain with the current arrangements would incur a significant increase in costs to the Council. The RE contact offered the services of RE, explaining to the Facilities Manager that significant savings could be made from switching to another supplier.
4.6	Evidence was provided that on 24/6/19 a letter was provided by the Council's Facilities Manager giving Resolve Energy (RE) various authorities, including that to issue a Termination Notice to the previous supplier. Whilst RE were subsequently asked how termination was given to the former supplier, evidence was only available that RE referred to the letter dated 24/6/19 and does not actually say if / when notice was given, merely referring to when the new supplier instigated the switch.
4.7	Whilst line management of the Facilities Manager were aware of the imminent need to address the ending of the utilities contract(s), he was relatively new in post and little, if any, support was provided to the Facilities Manager with regards the correct procurement route to follow. The Facilities Manager had received no training (induction nor ongoing) with regards the Council's Contract Procurement Rules and was largely left to manage the process. Furthermore, the Facilities Manager acknowledges that he did not request advice / support from the Council's Procurement Team
4.8	<p>Having been convinced of the benefits of moving energy brokers, and subsequently changing suppliers, RE were instructed by the Facilities Manager to progress with the re-letting of the gas / electricity contract.</p> <p>From discussions with Procurement, and review of available documentation, RE subsequently:</p>
	<ul style="list-style-type: none"> ➤ Did not publish an OJEU notice. ➤ Did not publish the opportunity on the North West Local Authority Procurement Portal, The Chest. ➤ Issued a Tender Opportunity Notice clearly stating that it was being awarded on behalf of SRBC as the contracting authority and looking for '<i>one single supplier to provide non-half hourly electricity, half hourly electricity and gas</i>'. ➤ Posted both the opportunity and the award on Contracts Finder, indicating the value of the contract as £10k.
4.9	<p>Six separate contracts were entered into with the chosen supplier, Total Gas & Power Ltd, each of which was signed by the Facilities Manager on the Council's behalf. The contract covered the following:</p> <ul style="list-style-type: none"> ➤ Gas – signed 31/10/19, relating to one site. ➤ Gas – signed 20/8/19, relating to five sites.
	<p>Both contracts were for four years starting 1/10/19. Whilst neither included monetary figures, having discussed this with the supplier, Legal were informed that the estimated value for the two contracts combined was £144k over the four years.</p> <ul style="list-style-type: none"> ➤ Elec – signed 20/8/19, for two years starting 1/10/19, related to one site with an estimated value of £17,763.14. ➤ Elec – signed 20/8/19, for two years starting 1/10/19, related to three sites with an estimated value of £136,133.18. ➤ Elec – signed 31/10/19, for two years starting 1/10/21, related to the same three sites as in iv) above, with an estimated value of £139,868.76. ➤ Elec – signed 20/8/19, for four years starting 1/10/19, related to 22 sites with an estimated value of £87,556.30.
4.10	In November 2019 the Shared Procurement Team were asked to approve a new creditor, Total Gas & Power Ltd, and subsequently questioned the route by which the new supplier was procured. From subsequent investigations / enquiries, including those by Procurement and Legal, concerns were raised in respect of the extent to which the Council's Contract Procurement Rules had been adhered to and whether best value had been secured in the selection of the new supplier.

4.11	Legal Services were subsequently asked to investigate the circumstances surrounding the re-letting of the gas / electricity contract, with one of the objectives being to determine its legality and whether the Council had grounds to step away from the contract. When assessing whether the Council could end the contract without any repercussions, Legal concluded that ' <i>my view is that Total Gas & Power's position will be that Matt had authority to enter into the Contracts. The additional point which assists them on this is the fact that we have used an intermediary in respect of these contracts.</i> ' Furthermore, when considering whether the Council could consider the 14-day cooling off period, Legal concluded that this was not possible due to the time that had already elapsed.
4.12	Unlike the previous contract for the provision of gas and electricity, the Council did not utilise a Framework Agreement from which local authorities, including SRBC, could select a supplier. This is demonstrated by the Tender Opportunity Notice that clearly sets out that Resolve were acting on behalf of SRBC alone.
4.13	The tender was posted on Contract Finder only and, as per the Council's CPR's and EU Procurement Rules, it should have been advertised on the Chest and an OJEU notice posted. The audit could not establish whether 12 months' notice had been given to terminate the previous contract
4.14	The Tender Opportunity Notice issued by Resolve Energy made it clear that ' <i>the contracting authority are looking to select one single supplier....</i> '. As a consequence, even if there was a valid reason for splitting the service up into six contracts (neither Audit, Legal or Procurement could establish the reason for this), the total value of the six contracts should have been the figure to apply when determining the correct procurement route. As per 'The Public Contract Regulations 2015', ' <i>The calculation of the estimated value of a procurement shall be based on the total amount payable, net of VAT, as estimated by the contracting authority, including any form of option and any renewals of the contracts as explicitly set out in the procurement documents.</i>
4.15	It should have been evident to Resolve (particularly in light of their contact's previous experience with UPG) that the estimated value of the contract was significantly higher than the EU threshold of £189,330. As the estimated contract values indicate the contract was in excess of £500k, this opportunity should have led them down the 'high value, over EU threshold' route and an OJEU notice posted. Furthermore, the decision to re-let the contract was not included in the Forward Plan as a Key Decision and nor was Cabinet approval subsequently secured prior to awarding the contract.
4.16	Despite posting the tender on Contracts Finder, together with the subsequent award notice, in both cases they referred to the 'Value of contract' as being £10k. From discussion with Procurement, this was considered as inappropriate and that the estimated contract value was over £500k and should have been recorded. Furthermore, by recording the contract value as £10k, this most likely deterred many larger suppliers bidding for the work. Subsequent communications between the Director – Projects & Development and Resolve established that only the one bid was received
4.17	Furthermore, whilst posting the tender on Contracts Finder, Resolve only gave 6 working days (2 nd Aug – 8 th Aug 2019) to respond and, additionally, specifically stated that they would not accept tenders via email. Similarly, this was felt to be inappropriate and most likely deterred some suppliers from bidding. From discussions with Procurement, this was contrary to EU guidelines (assuming it should have gone via OJEU) which required 30 days' notice.
4.18	As per para 27.1 of the Council's CPR's, ' <i>any contracts valued at above £100,000 shall be passed to Legal Services for sealing execution and secure storage, unless otherwise agreed with the Legal Services Manager.</i> ' Whilst the contract value was clearly higher than £100k, each of the six contracts had been signed by the Facilities Manager on the Council's behalf.
4.19	Audit noted that five of the six contracts made provision for gas and electric supplies for four years starting 1/10/19, although one site was only covered for two years. Furthermore, two contracts, covering three sites, were split into two separate two year contracts, with the latter covering the period starting 1/10/21. Neither Audit, Legal or Procurement could establish the rationale for either of these instances.
4.20	It is clear from these findings that all Contract Procedure Rules, some Financial Procedure Rules and rules / procedures in respect of Key decisions have been disregarded and not complied with.

The Procurement in itself should have been treated as a high value procurement exercise, see below key elements of Contract Procedure Rules where breaches have occurred in regard to that level of procurement:-

- Every contract entered into by the Council's shall be entered into in connection with the Council's functions and must comply with:
 - all relevant statutory provisions;
 - the relevant European Procurement Rules;
 - the Council's Constitution including CPR's, the Authority's Financial Regulations and Financial Procedure Rules and the Council's Scheme of Delegation;
- Effective audit trails must be maintained at all stages throughout the procurement procedure, particularly when approval or agreement is required and at evaluation / decision making stages;
- Any procurement carried out on behalf of the Council may only be undertaken by officers with the appropriate delegated authority to carry out such tasks as set out in the Council's Constitution (Scheme of Delegation);
- Subject to the provisions of Paragraph 5.6, Directors and their Authorised Officers may seek Tenders and Quotations in accordance with these Contracts Procedure Rules for any item of revenue expenditure for which budget provision has been made, and may accept such Tenders/ Quotations in accordance with these Contracts Procedure Rules, up to a total contract value of £100,000. Contract awards above £100,000 constitute a Key Decision and must appear on the Forward Plan.

The Procurement has also breached European Procurement Rules which state:-

- Where the estimated value of a contract exceeds the current EU threshold the contract shall be tendered in accordance with the Regulations. Under the Regulations, the contract may be tendered under the Open, Restricted, or, in exceptional circumstances exhaustively set out in the Regulations, the Competitive Procedure with Negotiation, Competitive Dialogue or Innovation Partnership procedure. For each contract tendered in accordance with the Regulations, a contract notice shall be published in the prescribed form in the Supplement to the Official Journal to the European Union (OJEU) to invite tenders or expressions of interest
- Advertisements published in addition to the OJEU notice must not appear in any form before a contract notice is published by the EU Publications Office and must not contain any information additional to that contained in the contract notice.

The Financial Regulations, where potential breaches have occurred are as follows:-

- The Chief Financial Officer shall be informed by the responsible officer of any matters which have significant financial implications for the Council;
- The Council's Senior Management must ensure that these Financial Regulations are observed throughout the authority;
- Chief Officers shall have the power to incur revenue expenditure to the limit of their budget allocation, subject to the Council's Financial and Contract Procedure Rules and Scheme of delegation without further approval, except for.....
 - any expenditure which would trigger a key decision as defined by the Constitution (£100,000)
- Chief Officers are responsible for ensuring that any written contracts, agreements, awards and other instruments involving payment of receipt of money by the Council adhere to the Council's standing orders and contract procedure rules;
- A contract must only be awarded and signed by a person who is authorised to do so, as set out in the Council's Contract Procedure Rules. The authoriser must ensure that the appropriate budget holder has the funds in place to sustain the contract prior to award

	Further 2 Contracts
	<p>2 contracts were identified on the Transparency Register in March 2020, the information as per the Transparency register is outlined below:</p> <ul style="list-style-type: none"> i) BELEC Electrical – Contract for Electrical Services Value £70,000; Contract End Date Jul-18; ii) British Gas – Boiler Maintenance Care Plan Value £32,000; Contract End Date Mar-20. <p>Discussions identified that these 2 items had been highlighted on the Transparency Register with a “request for an update in respect of the contracts” at each iteration which is issued to Leadership Team each quarter, prior to publishing. Procurement had received no response to the request for update.</p> <p>A review of spend on both identified that the following expenditure had been incurred for each of these contracts:-</p> <ul style="list-style-type: none"> i) BELEC Electrical - £52K approx.; ii)British Gas – £30K (this was because an installation of heaters had been procured via the same contractor)
	<p>It was identified as part of the review that the original procurement value for BELEC was identified as around £35K per year for Electrical Testing work, however, the Council utilised the same company for its ad hoc electrical work, which meant that the value of the work given to BELEC increased substantially.</p> <p>In relation to British Gas this was an annual Boiler Maintenance Care plan which was estimated around £14K, however, due to additional works being requested via the same supplier the expenditure had increased in value for 2019/20</p>
	<p>The original procurement route was not revisited as the contracts were originally prior to 2016, however, in 2016, a waiver was actioned for each supplier, which waived CPR's and established contracts for 2 years for each of the suppliers contracts. This resulted in end dates of July 2018.</p> <p>In regard to BELEC, information from transparency register shows that no further procurement exercise was undertaken and that the contract had been expired and outside the original waiver for 22 months, further the value of expenditure to this supplier had increased significantly since the original estimate. The current value of the contract based on a 2 year contract would be £104,000 (based on current spend) and for a 4 year contract (since previous waiver) £208,000</p> <p>In regard to British Gas, whilst there are no further waivers available during the course of the Audit, it appears a further procurement exercise had been undertaken as the contract end date as per the register was March 2020, instead of July 2018. This is an annual maintenance plan, the estimated value as per the original waiver is £14K (28K for 2 years), however, the overall value as included in the Transparency Register is £32,000 based on a 4 year contract (renewal each year since 2016) the contract value would be £56K and as such should be treated as a medium level procurement exercise.</p> <p>It is clear that the failure to act in regard to these contracts / procurement exercises has resulted in significant failings of governance arrangements. There has been no action for a significant period by Senior Officers in relation to outstanding procurement issues highlighted on the transparency register.</p> <p>The failure to undertake procurement exercises for these significant values of procurement has resulted in fundamental failings of Contract Procedure Rules and Financial Regulations and in the case of BELEC, the potential breach of European Procurement Rules and the decision making process of the Council in relation to Key decisions.</p>

5	CONCLUSION
5.1	In conclusion, it is evident that the Council's Contract Procurement Rules had not been adhered to in most, if not all, aspects of the re-letting of the gas and electricity contract(s) and that assurance cannot be provided that best value had been obtained. It is also evident that management controls, have fundamentally failed. From discussions with officers, we understand that these weaknesses are acknowledged and that an initial round of training on the Council's CPR's is scheduled for March. Furthermore, the introduction of the Contract Management System at SRBC will act as a central repository of contracts and provide a means of reminding relevant managers when contracts are up for renewal.
5.2	However, since the review of utilities has been undertaken the further 2 contracts as outlined above have been identified, this shows an endemic failing in controls and compliance with Council policies and procedures within the service highlighted. Further work is in progress in relation to analysis of spend and compliance with Council rules, regulations and procedures, this will be further reported to Leadership Team when the results are available.
5.3	The findings in this report demonstrate a complete failure of governance arrangements that are in place to protect the Council and its officers from allegation of fraud, impropriety and / or error. Whilst it is clear that there are adequate procedures in place, there have been fundamental, significant failings in all areas of those rules, regulations, procedures, etc. relating to these areas of procurement. It is Senior Management's responsibility to ensure governance arrangements outlined by the Council are adhered to and complied with. That responsibility has not been actioned in this case until after the issues were identified.

3. MANAGEMENT ACTION PLAN

NO.	CONTROL ISSUES / RISK	PROPOSED MANAGEMENT ACTIONS	AGREED ACTIONS	OFFICER & DATE
1	<p><u>Breaches of Council Rules, Regulations & Procedures</u></p> <p>The Council's rules, regulations and procedures comprise the Council's Governance Framework, for the Governance of the Council to be effective all rules, regulations procedures etc. must be complied with. Failure to adhere to and comply with these rules by officers can result in financial, legislative and reputational harm to the Council.</p> <p>Management controls are fundamental to the operation of the Governance framework, senior officers must ensure that all officers within their service are aware of and comply with the relevant rules and regulations of the Council.</p> <p>The failure to adhere to / comply with the relevant rules etc. of the Council could also result in disciplinary action and or financial harm / loss / misappropriation.</p>	<p>All staff must be reminded of the requirements to comply with all relevant Rules, Regulations and Procedures of the Council.</p> <p>Senior Officers must ensure that all officers within their service area are aware of individuals responsibilities in respect of the Council's governance framework and that all rules, regulations, policies etc. that comprise that framework are adhered to / complied with.</p>		
2	<p><u>Officer Induction Training</u></p> <p>Effective induction training is a fundamental tool in supporting an individual in acclimatising to the technical aspects of the position and also in providing them with guidance in respect of the governance framework and ethical expectations of the role.</p> <p>As part of the recent audit of Ethical Culture, audit confirmed that a formal process is in place in respect of officers that includes an Induction Policy, Welcome Booklet and checklists for both line managers and the new recruit. Included within the induction is reference to the Council's vision, priorities and values, and also to the Employee Code of Conduct, with the latter being sent to the officer prior to his / her starting date. However, given the issues identified within this review, the extent to which the induction material satisfactorily covers</p>	<p>As a consequence of the issues identified within this review, the extent to which the induction material for officers, particularly those in relevant posts, satisfactorily covers adherence to the Council's Contract Procurement Rules should be reviewed.</p>		

	<p>adherence to the Council's Contract Procurement Rules should be reviewed.</p> <p>There is a risk that where the induction programme fails to address key aspects of an officers duties with the Council, this will impact on the effectiveness of the governance framework.</p>		
3	<p><u>Officer Training & Support</u></p> <p>Ongoing training provides Officers with the necessary tools to fulfil their duties, both from a technical perspective and with regards the ethical expectations placed on them.</p> <p>As part of the recent audit of Ethical Culture, from discussions with officers and review of available documentation, it was acknowledged that whilst training, particularly in respect of the ethical culture of the organisation, has been provided to members in the past 12 months, that in respect of officers has, to some extent, been neglected. Whilst online solutions have previously been used as a vehicle for delivering training, audit understands that this had its shortcomings and the contract with the previous supplier has now expired. It was acknowledged that there was still much work to do with regards establishing a revised mandatory training framework and how it was to be delivered, possibly including future joint arrangements with Chorley Council.</p> <p>As noted in this review, a key element to many of the issues raised in respect of the re-letting of the gas and electricity contract was the little, if any, support that was provided to the Facilities Manager with regards the correct procurement route to follow. The Facilities Manager had received no training (induction nor ongoing) with regards the Council's Contract Procurement Rules and was largely left to manage the process. Furthermore, the Facilities Manager acknowledges that he did not request advice / support from the Council's Procurement Team.</p>	<p>The Council should establish a mandatory training framework for officers, including the methodology for conveying the ethical culture of the organisation.</p> <p>Following the procurement training in March, consideration should be given to extending the training to other / new officers.</p>	

Audit understands that these weaknesses are acknowledged and that an initial round of training on the Council's CPR's is scheduled for March. There is a risk that officers are not provided with the requisite training and support to fulfil their role.			
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A lack of timely implementation of the agreed actions may be reported to the Governance Committee.

All internal audit work is conducted in compliance with the Public Sector Internal Audit Standards, issued by the Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors.

Statement of Responsibility

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Working in **Synergy** on shared services

**DRAFT
INTERNAL AUDIT
REPORT
SRBC 19-20**

Health & Wellbeing Leisure Campus

Author & Date

**Janice Bamber
Interim Head of Shared Assurance
3rd June 2020**

1	REASONS FOR AUDIT / SCOPE
1.1	South Ribble Council has a number of significant projects included in the Corporate Plan, the Audit Plan for 2019/20 included an allocation of days for Project Support in order to support individual projects as and when required. As a number of projects did not require Internal Audit support it was determined to use the allocated days within the Audit Plan to review the Governance of a major project that had been ongoing throughout the 2018/19 financial year – this project was outlined as the Health & Wellbeing Campus (Leisure Centre).
1.2	The review was undertaken to ensure Governance arrangements for Project Management are in place and that governance and controls are operating effectively and secondly to provide assurance that the H&W Campus project had been managed appropriately with due regard to robust project management.

2	BACKGROUND & SCOPE
2.1	As part of the Council's Corporate Plan a proposal was put forward in July 2017 to develop a borough wide Leisure, Health and Wellbeing Campus. Cabinet endorsed the proposal and a capital budget of £15m was agreed for the project by Cabinet and Council in February 2018.
2.2	A Development Team (Faithful and Gould) were procured in October 2018 to design, manage construction and deliver the leisure building element of the Campus project, on the basis that the final proposal did not exceed £1.8m. A Project Director was also employed on behalf of the Council to oversee the project.
2.3	The Council's Corporate Plan includes a number of large scale projects that require robust governance and management arrangements, in order to ensure that the Council has an established governance framework for the monitoring and management of significant large scale projects Internal Audit have undertaken a review of an existing large scale project that was originally included in the Corporate Plan for 2017 – 2021.
2.4	<p>The scope of this review was to:</p> <ul style="list-style-type: none"> • Establish Procurement process and Appointment of F&G complies with Contract Procedure Rules; • Determine if effective Governance arrangements were in place in respect of the Project; and • Ensure Procedures in respect of Key Decisions have been adhered to

3	ASSURANCE RATING
3.1	The review was undertaken to determine if effective governance arrangements, including Project management, compliance with relevant rules, procedures and regulations and the effectiveness of con
3.2	Internal Audit provide an independent and objective opinion on the adequacy of the Council's control environment, in order to do that Internal Audit review and provide an opinion on the level of assurance of the control environment within each service area reviewed. The level of assurance is based on the assessment of the extent to which system objectives are met, the effectiveness of controls operating within those systems and the resultant extent to which risks are mitigated
3.3	The Council has an effective governance framework relating to the Procurement of goods and services, contained in the Constitution, in regard to decision making, Contract Procedure Rules relating to the procurement routes for all levels of procurement and waivers to CPR's where necessary and Financial Procedure Rules in respect of separation of duties, financial limits and authorisation levels. The framework provides for a sound system of governance, controls and mitigation of risk.
3.4	Further the Council has a sound Project Management framework, which includes appropriate governance arrangements in respect of decision making, financial governance and reporting principles.
3.5	However, for the process and systems of control to be effective and to demonstrate the effectiveness of the Governance framework, the Constitution, CPR's and FPR's must be complied with. The findings detailed below will demonstrate that all decision making procedures, procurement and key decision processes have in part been disregarded by Senior Officers of the Council, controls are not operating as they should and risks are not mitigated.

3.6	There are attempts to comply with aspects of the Contract Procedure Rules in regard to the Procurement process, however, it does not fully comply with the full extent of the rules and the process fails to demonstrate value for money for the organisation, further there is no evidence to support the evaluation of either supplier and despite one providing estimates of half the successful supplier, the reasons that supplier with the greater cost is not documented, which demonstrates fundamental failings in decision making relating to the procurement process.
3.7	There are fundamental failings within the decision making process and the governance arrangements in respect of this project, including failing to record Programme Board meetings and the decisions made at them, failure to provide appropriate information in regard to increased costs to Members to enable robust decision making and failing to comply with the key decision process despite it being included in Cabinet Reports.
3.8	The failings are such that the assurance ratings outlined below cannot apply, it is Internal Audit's opinion that No Assurance can be placed on the effectiveness of controls in place and the extent to which risks have been mitigated in regard to this project. This is largely due to the fundamental failure / disregarding of governance arrangements by Senior Officers. Normal Control Rating Key Full – the Authority can place complete reliance on the controls. No control weaknesses exist. Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist. Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved. Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

4	FINDINGS
4.1	A proposal for a borough wide Leisure, Health and Wellbeing Campus went to Cabinet in July 2017. This report sought Members views on the Campus approach and as a result Cabinet resolved that a Cross Party Working group be established and a further report be presented to Cabinet detailing the findings and recommendations and a resource plan.
4.2	At the Cabinet meeting of 25 th January 2018, the 'Financial Case for the Health, Leisure and Wellbeing Campus Programme' report was considered which outlined a proposed 5 year Capital Plan for Health and Wellbeing. A budget of £24.45m was set for Health, Leisure and Wellbeing which included £15m allocated for a new leisure facility. The decision made from that meeting was that Council be recommended to approve the investment programme and that it should be incorporated into the Council's Capital Strategy. The Capital Strategy was then approved at the following Council meeting in February 2018.
Procurement Process & Appointment of Faith & Gould	
4.3	A Specialist Advisor was employed by the Council to lead on the Campus project. He first contacted the Principal Procurement Officer by email on 4 th April 2018 explaining the need to procure a design team for the Campus Programme and expressed possible interest in a framework agreement. He referred to PAGABO and Construction Hub as providers he was aware of and welcomed the Procurement Officer's feedback.
4.4	The matter was discussed further in a series of emails between the two and SCAPE was also suggested as a framework provider by the Principal Procurement Officer. The Council's Contract Procedure Rules states at paragraph 1.6 that one of its four main purposes is to obtain Best Value in the way the Council spends money and in line with this, an email from the Procurement Officer to the Specialist Advisor and the Council's Monitoring Officer on 10 th April 2018 provided advice on how to determine which framework offered Best Value. She also referred to the need to obtain prior approval of the procurement route from the relevant Executive Member as stated in Contract Procedure Rules as follows:
4.5	<p style="padding-left: 40px;"><i>"For all High Value Procurements above the EU threshold, prior approval of the proposed contract award procedure including the evaluation criteria and weightings to be applied, shall be sought from the relevant Executive Cabinet Portfolio Member as a delegated decision."</i></p> <p>As part of the procurement process, meetings with both companies took place with the Principal Procurement Officer and Specialist Adviser; both companies provided clarification documents and proposals received as follows:-</p> <ul style="list-style-type: none"> i) SCAPE / Perfect Circle - Fee £854,000 09/05/18 ii) PAGABO / Faith & Gould - Fee £1,620,000 31/05/18

4.6	<p>The Specialist Advisor drafted a report for Cabinet and requested the Principal Procurement Officer's comments for this. The Principal Procurement Officer advised, amongst other things that the report should:-</p> <ul style="list-style-type: none"> i) provide details of the proposed procurement route, (this was a reiteration from a previous discussion, see above) including that 2 frameworks had been considered ; ii) provide an indication of proposed contract costs, including any rebates; iii) refer to social value and best value in the comparison of the 2 frameworks iv) recommendation of framework to be utilised or for delegated decision to relevant director to make that decision.
4.7	<p>The report - "First Phase of Campus Programme" was then presented to Cabinet on 21st June 2018, this report included recommendations that Cabinet should:-</p> <ul style="list-style-type: none"> i) approve schedule of works as outlined and grant authority to spend on those schemes; ii) endorse procurement route via a single source, direct aware framework (PAGABO/Perfect Circle Framework) iii) authorise commencement of work on Leyland Campus Masterplan.
4.8	<p>The report did outline the 2 frameworks being explored, however the report did not provide a comparison between the two frameworks, did not detail indicative costs and there was no recommendation for the preferred supplier or a delegated decision to the relevant Director.</p>
4.9	<p>There is no documentary evidence been made available as part of the review to support the premise that a detailed evaluation of the two frameworks was undertaken. There is evidence available that the Council's then Leisure Manager was asked to draft the reasons why PAGABO had been chosen over SCAPE, this included information that both companies submitted explanation documents relating to their frameworks but were developed on a different basis, making it difficult to evaluate. The reasons within the document are contradicted by the submissions of SCAPE and the Principal Procurement Officer.</p>
4.10	<p>In the absence of evaluation documents, Internal Audit has interviewed key officers to ascertain why the PAGABO framework was chosen. Anecdotally, it has been explained that the Chief Executive Officer (CEO) was keen to use Faithful & Gould having worked with them before on previous projects and instructed the go ahead with them. There is no documentary evidence to substantiate this, however, there is an email (18/07/18) from a member of the project team stating that the CEO had requested he arrange to bring PAGABO in to the Council, to initiate the process and get their proposal produced, this meeting is confirmed by the Regional Director of F&G in an email on 20/07/18.</p>
4.11	<p>Paragraph 31.5 of the Council's Contract Procedure Rules refers to Framework Agreements and states "<i>Where a public sector framework is used in accordance with the above provisions, without entering into a full, separate procurement process, all other relevant aspects of these procurement rules will still apply, including any approval which may be required for the procurement award procedure (in this case to use the identified framework), approval for the evaluation criteria and weightings (in the event of a further competition under the framework), and approval for the contract award prior to contract acceptance</i>".</p> <p>In line with this, the Principal Procurement Officer spoke with the Monitoring Officer on 26th July 2018 to seek confirmation as to whether the Cabinet report of 21st June 2018 gave approval to select which framework to use or whether further approval was needed. An email response was received 27th July 2018 stating that he considered that the Cabinet report would have been better to include specific delegation to the relevant director to decide which framework to use, but considered further approval could be avoided as Members had agreed the approach and been informed of the two frameworks under consideration. He suggested that when the next report was taken to Cabinet to seek approval to enter into the specific contract, Members could be updated with details of which framework was chosen and why. His response also copied in the Director of Neighbourhoods and Development and the Director of Planning and Property.</p>
4.12	<p>A Campus meeting was held 3rd August 2018 after which the Director of Neighbourhoods and Development emailed a list of Outstanding Actions to officers. One of these actions was for the Leisure Manager to discuss the next Cabinet report with the CEO regarding the need for the report to detail authority to enter into a specific contract, and to include the reasons why PAGABO was chosen which should include indicative costs. Audit is unable to confirm whether this discussion took place as the Leisure Manager no longer works for South Ribble Borough Council. Audit can confirm however, that this email was also copied to the CEO along with the attached Action Points.</p>

4.13	The next report was taken to Cabinet 12 th September 2018 seeking approval to enter into a contract with Faithful and Gould Ltd. via the PAGABO Framework on the basis that the final proposal did not exceed £1.8m. However as per the Monitoring Officer's suggestion, there were still no evaluation details or indicative costs for the contract fee included within the report. The minutes of this Cabinet meeting also show that Councillor P Foster queried the lack of detail provided in the report and requested that the decision be deferred. The recommendation was however, supported, but this decision was later called in at Scrutiny Committee on 27 th September 2018.
4.13	A more detailed report was requested for the next meeting of Cabinet (17/10/18), this report included further information in respect of the governance arrangement and outlined only 1 distinct difference between the two frameworks, the reason highlighted was the reason already contradicted previously. Further, some of the reasons for choosing PAGABO, could equally have been reasons for choosing SCAPE. There was no comparisons made between the services that both frameworks could provide and the reasons also failed to detail the likely fee for the contract award.
4.14	Furthermore, the report that went to Cabinet 12 th September 2018 did not detail the full contract cost proposed by Faithful & Gould. A fee proposal was received from them on 5 th September 2018 quoting a fee of £1.988m, whereas the Cabinet Report stated the proposal would not exceed £1.8m. As the report had already been sent to Democratic Services, the Director of Neighbourhoods and Development emailed the CEO on 7 th September 2018 explaining the issue and suggesting that she could present a note to amend the report with the portfolio holder's agreement. The CEO explained however that this was not necessary as she considered they would be able to negotiate the costs down.
4.15	Reports to Cabinet have failed to show the required detail with regard to evidencing that the selected contract (PAGABO) demonstrated Best Value for the Council. This requirement is fundamental in adhering to Contract Procedure Rules and especially in view of the fact that at £1.8m, this contract was for a significant value. A detailed comparison between the available frameworks including indicative costs has not been provided, even after advice was sought from the Procurement Officer, and subsequently the Monitoring Officer. Even after further detail was requested as a result of a Scrutiny Committee decision, the extra detail that was provided was not an evaluation of the two frameworks. Email evidence shows that senior managers were aware of the requirement to provide detailed reasons, and yet the CEO instructed the utilisation of the PAGABO framework without this. There has therefore been a breach of Contract Procedure Rules.
4.16	Furthermore, approval to utilise the PAGABO framework was sought at same time as approval was sought to enter into a contract with Faithful & Gould whereas ideally, approval to choose which framework to use should have been sought in advance as per the Monitoring Officer's comments. Whilst an attempt to comply with CPR's is evidenced to an extent, there are failures to duly comply due to the lack of detail provided, despite advice to include comparisons of the frameworks, substantive reasons why one framework was chosen over the other and a failure to include cost comparisons, this does not demonstrate or evidence Best value / value for money for the Council and can leave the Council open to financial, reputation and legislative risks.
	Increase in Budget Costs
4.17	The Council's Assistant Director of Projects and Development was assigned the role of Campus Project Director on his appointment in January 2019. Prior to this, the Interim Project Director prepared had provided to the Deputy Chief Executive – Regeneration & Growth, a detailed work plan to mid-January 2019 which included the development of a budget for the programme that would include contingency and risk allowances, in conjunction with the Senior Management Accountant. On 14 th December the Interim Project Director provided to DCE – Resources & Services (S151), the Interim Project Director, Principal and Senior Management Accountants details of a draft budget for the project which included items for which there was no approved budget which totalled £24.7m. The budget estimated core project costs at £18.7m (Leisure Centre, Project Management, Business Case etc.) and also included extra costs of £6.05m for development of The Warren and a link building between the campus and civic centre.
4.18	As there are no detailed records in regard to the project meetings, there is no clear evidence available to explain how / why the other costs / areas of further work arose. Neither had any of these issues been reported to Cabinet for decision. The Constitution is clear in regard to the key decision making process, in that any expenditure which would trigger a key decision, i.e., £100,000 must be approved by Cabinet; further this had been specifically agreed in regard to this project, in a Cabinet report of October & November 2018.

4.19	<p>The increase in costs in relation to the Core Project costs were £3.6m plus additional costs of approx. £6m, which had not been reported to Cabinet by Officers. The Financial Regulations are clear in regard to all expenditure, including Capital Expenditure, in that:-</p> <ul style="list-style-type: none"> • Chief Officers are required to ensure that throughout the implementation period of a capital scheme, the specification remains consistent with the overall objectives of the scheme and that expenditure continues to deliver best value for money for the Council; • Chief Officers must monitor and report capital expenditure and income for all schemes within the approved capital programme and identify any variations against the approved level of expenditure; <p>There was a requirement to report ongoing spend / costs of each individual amount of £100,000 to Cabinet as outlined in the Cabinet report October and November 2018, no reports in regard to these increases were reported to Cabinet in line with that report. Further as the increase in costs increased the previously agreed budget, this should have been referred back to Council for approval. Financial Regulations state:-</p> <p><i>"A chief officer must seek Council approval of a budget increase".</i></p>
4.20	<p>There is no evidence available to confirm that any reports in respect of the increased costs in relation to the Core Project costs, which included:-</p> <ul style="list-style-type: none"> • Green Links & St. Mary's £581k • The Warren Purchase (inc. Demolition) £541k <p>were referred back to Cabinet or Council for further approval (in accordance with Financial Regulations). Furthermore, there is no evidence that the increased costs in respect of The Warren Development (£3.6m) and the Link Building (£2.4m) were referred back to Cabinet and / or Council for approval. There is also no evidence to support the decision in regard to the extension of the work and increase in project scope, the Capital Programme is agreed as part of the budget process, however, Financial Regulations states that the approval of:</p> <p><i>"the programme of capital expenditure does not automatically constitute authority for incurring expenditure"</i></p> <p>The capital programme is approved, however, then for each individual project the budget estimates and spend require further approval. The financial regulations would define these increases in expenditure as budget increases. As the increases are above £100k, they are required to be approved by Council and it is incumbent on the Chief Officer managing the project to act in this regard.</p>
4.21	<p>As the budget increases were not reported this clearly breaches the Council Financial Procedure Rules in regard to approval for capital expenditure, increases to budgets and the Constitution's requirements with regard to key decisions, the failure to report the key decision is further compounded by the fact that the requirement to report all expenditure above £100,000 in relation to this specific project had been further specified in the Cabinet meeting of October & November 2018. This could be viewed as a blatant disregard of the Members recommendation by Senior Officers of the Council.</p>
4.22	<p>The failure to report spend at regular intervals as set out in Cabinet reports, the non-compliance with Financial Regulations and failings in relation to budget and capital spend approval are fundamental failings in regard to the Council's Rules and Regulations, has left the Council vulnerable to significant risk of financial loss and reputational damage. This is further compounded by the significant failings by the S151 Officers who failed in their statutory duty to ensure financial rules and regulations are adhered to and failed to ensure proper and appropriate financial management, administration and stewardship of the Council's finances relating to this project.</p>
4.23	<p>The Interim Project Manager also drafted a report due to be taken to Cabinet on 23rd January 2019 that included this revised budget. This report was emailed to the Senior Management Accountant on 20th December 2018 requesting his comments, and to both Deputy Chief Executives later the same day. The Senior Management Accountant explained in his response that he and the Principal Management Accountant were meeting with the Deputy Chief Executive – Resources and Services the following day to discuss.</p>
4.24	<p>Also on 20th December 2018, the Director of Neighbourhoods and Development emailed both Deputy Chief Executives with a copy of the draft Cabinet Report (v2) which had been sent to her from the Project Manager. In her email, she asked for their comments as Democratic Services had explained that the report needed completing that day. She also said that they would discuss the report in the Campus meeting later that afternoon. In addition, she emailed the report to Councillor P Smith (the portfolio holder), as it was her understanding that there would be no Cabinet Workshop due to the Christmas break and explained that she would also bring a copy of the report for him to the Campus meeting. Whilst it is appropriate for the portfolio holder to be kept up to date, this action was not sufficient in itself to satisfy any obligations in regard to reporting / decision making.</p>

4.25	<p>The Campus Programme Board was established in October 2018 following Cabinet's approval of the Campus Programmes Governance arrangements; it has been identified as part of the review that no record of these meetings were maintained.</p> <p>The review confirmed the first reference to the Campus budget is listed under 'Next steps' at the meeting of 6/12/18, there is also reference to the first draft of the Cabinet Report for the Cabinet meeting of the 23/01/19. It is not possible to confirm what discussion or agreement took place; there are a list of attendees which includes the CEO, Dep CEO's and Councillors, however, there is no information to confirm their attendance.</p> <p>Further Campus Programme Board meetings took place prior to the Cabinet meeting (23/01/19), the meeting on 20/12/19 again refers to the Cabinet Report under 'Next Steps December / January'. There is no record of the meeting to confirm this, however, the Director of Neighbourhoods and Development states in an email that the report would be discussed. An attendance list for this meeting shows the DCE – Regeneration and Growth, Project Manager, Director of Neighbourhoods and Development, and Councillors attended.</p>
4.26	<p>A further meeting held on 10th January 2019 lists the Cabinet Report as a meeting item and sets out the draft recommendations to be included in the report, however Audit have been unable to obtain an attendance list for this meeting.</p>
4.27	<p>Email evidence shows that the Director of Neighbourhoods and Development further emailed the draft report to the DCE- Regeneration and Growth on 7th January 2019 in respect of the report going to Cabinet as report clearing was to be undertaken on that date, there is no evidence and the D (N&D) does not recall receiving a response. The Director (N&D) has stated that the CEO came to see her and informed her that the report no longer needed to go to Cabinet, the newly appointed AD (Projects & Development), and DCE (R&G) would be taking the lead on the project and would need to review all the information before a report could be submitted to Cabinet; and was further told that she would no longer be involved in the project.</p>
4.28	<p>Design and Client Team meetings were held monthly and attended by key members of the Council's project team and Faithful and Gould's project team. Minutes from these meetings have been reviewed and show that a finance meeting was held 31st January 2019, it has been confirmed that a feasibility estimate was discussed at this meeting and the total estimated costs for work were estimated to be between £25.4m and £26.2m, dependent on other work being included. The costs were discussed with both DCE's, one of which was S151 Officer and the feasibility estimate was emailed to key stakeholders including DCE (R&G).</p>
4.29	<p>The AD (P&D) was instructed by the DCE (R&G) to further examine the costs with a view to reducing them and not to discuss costs with Members. A revised estimate costed the project at £23.8m to £26.5m, this was discussed with the DEC (R&G).</p>
4.30	<p>Members were presented with the Council's proposed 2019/20 Revenue Budget 2019/20 and the Medium Term Financial Strategy 2019/20-2022/23; included in this was £14.82m for the Leisure Campus Facility within the Capital Strategy. Despite Senior Officers of the Council, including the Section 151 Officer and Senior Finance staff being aware of the increased costs, no information in this regard was included in the Capital Strategy.</p>
4.31	<p>The Principal Management Accountant has explained that she raised the matter with the Section 151 Officer but was told to leave the £15m originally budgeted in the budget report. She recalls that he thought any increase in capital financing costs could be met from savings in the Leisure revenue budget and she was under the impression that further work would be done on this after which a report would be taken to Cabinet. However, none of this was included in the report.</p>
4.32	<p>The Interim Project Manager's draft budget estimated that the project would require significantly more money than had been approved by Cabinet. Senior managers within the Council were made aware of these increased costs and yet there was no decision made to pause the project until further Cabinet approval was sought. Although a report setting out this budget was prepared for the 23rd January 2019 Cabinet meeting, the CEO instructed that this report should not go, deeming it unnecessary at that time.</p>
4.33	<p>The S151 Officer in post at the time has since left the authority, the S151 Officer who succeeded him and the Senior Management Accountant undertook a review of costs to identify potential impacts including abortive costs. The total expenditure to date on this project is £602,409, meaning if the project is cancelled there is a risk that up to £602k would have to be written off to revenue.</p>

4.34	The decision in regard to the future of the project has not yet been made by Members, at this stage no decision has been made to cease the project. This is still under discussion. It is important to note that a specific clause was written into the contract, given the uncertainties in regard to feasibility and risks inherent in the project, in respect of being able to cease the project at any time. Failure to report increases in expenditure and scope have not provided Members with the opportunity to take an informed decision in regard to continuation / ceasing of the project before further significant expenditure had taken place.
4.35	The lack of records of the Programme Board and decisions made by Senior Officers, demonstrates a clear disregard for the Governance arrangements put in place for this project. Governance arrangements ensure effective decision making, the failure to provide Members with all relevant information in relation to increased costs, means that Members were unable to make effective decisions in regard to the continuation of this project and has potentially resulted in significant loss to the Council.
	Report to Cabinet
4.36	In the October and November 2018 Cabinet meetings it was agreed that:- <ul style="list-style-type: none">• In compliance with the council's Constitution, every key decision of £100,000 or more for this programme will be referred back to Cabinet. It was also agreed that reports would be taken back to Cabinet for authorisation at each significant stage of the project, the first of the stages being 'concept design and budget prior to submission of outline planning application' and stated that a detailed programme strategy would be provided at the January Cabinet meeting.
4.37	The review has identified that no reports from this date have been submitted to Cabinet referencing the Leisure Campus Programme, further the AD (P&D) has confirmed that no reports have been presented to Cabinet. It was also identified that the following payments have been made to F&G (including VAT):- <ul style="list-style-type: none">• October and November 2018 £96,000• April 2019 £54,000• January to May 2019 £533,000 (some individual payments in excess of £100,000 each)
4.38	It was confirmed that no details of these payments has been provided to Cabinet either prior or subsequent to the costs being incurred.
4.39	The failure to inform Cabinet as agreed is a breach of the Council's decision making process in regard to key decisions, it is also a failure to comply with the governance arrangements put in place by Cabinet in October 2018. It is a blatant disregard of agreed procedures.

5	CONCLUSION
5.1	The findings identify a number of significant fundamental failings in respect of governance arrangements in regard to this key project, including failure to comply with Constitutional decision making processes, including failing to inform Members of increasing costs at key times in the budget process; failure to notify Cabinet, as outlined by Cabinet and the Constitution in respect of expenditure in the amount of key decision (£100,000). This demonstrates that the checks and balances put in place to support officers and enable Members to make informed decisions have been totally disregarded by the people at a Senior level including the statutory officers of the Council and the Chief Executive.
5.2	It also appears apparent that Senior Officers and Members who were aware of the increase in budget / expected costs in regard to the Leisure Campus have failed to inform the Executive and failed to include these costs in budget estimates for the 2019/20 Financial year, despite being aware of them prior to the Budget meeting.
5.3	The review was focused primarily on the governance issues surrounding Procurement and Governance arrangements within Project Management.
5.4	In regard to Procurement, whilst there is an attempt to follow the required process in respect of the framework, the process utilised falls short of full compliance and adherence to the Council's Contract Procedure Rules. Despite being informed and reminded that the report to Cabinet in respect of the procurement route must contain comparisons of the 2 Frameworks used, details of the indicated costs and reasons for choosing one over the other, this information was either not provided or was contradictory to available information and / or not substantive reasons for the decision. At no point were Members informed of the substantial differences in costs between the 2 with one supplier providing an estimate of under half of the chosen supplier. There is no evidence of how the evaluation was undertaken therefore no evidence to substantiate that value for money has been attained, this is particularly difficult as the costs vary so greatly.
5.5	In respect of the Governance arrangements in respect of Project Management, the failure to record and decisions and / detail of discussions, in respect of finances, risk and project delivery is a complete and fundamental failure of project management principles, thus governance of projects. Further failure to inform Cabinet in respect of spend over a £100,000, is a total disregard of agreed decision making processes, which were reiterated at Cabinet meetings. There is also a fundamental failure by Senior Officers of the Council to inform Members in respect of the increased costs when they knew about them, instead instructing other officers to not discuss the finances with Members. This has resulted in Members being unable to make informed decisions in a timely manner and the continuation of spend which has resulted in over £200K having to be written off in revenue accounts.
5.6	There are fundamental failings in relation to the budget increases and failure to seek approval for increased expenditure and key decisions, this lack of compliance with Council financial rules and regulations has evidenced significant failings on the part of the S151 officer; the Statutory Officer role as S151 is to ensure proper and adequate financial management, administration and stewardship of the Council finances, the failure to do so in this specific project constitutes the failure of a Statutory Officer to carry out their duties. The checks and balances put in place to ensure proper governance in regard to the Council's finances appear to have been disregarded by Officers of the Council at its most senior level.
5.7	Further the failure to report and seek approval from Members has resulted in a possible charge to revenue of up to £602,409. At this stage no decision has been made to stop the project, however, had Members been made aware of the increased costs, that decision may have been taken and further expenditure on fees ceased. Members had the capacity to make that decision at any time due to the specific clause that had been included in the contract relating to this issue; the clause was included due to the uncertainties at the time and the inherent risks in this project.

Statement of Responsibility

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.



Working in **Synergy** on shared services

INTERNAL AUDIT FINAL REPORT (CBC 01/19-20 SRBC 02/19-20)

REVIEW OF CREDITORS

Issued By: Janice Bamber
Interim Head of Shared Assurance
Auditor: Linsey Roberts
9th March 2020

1	REASONS FOR AUDIT / SCOPE
1.1	The Audit was included in the Audit Plan for 2019/20. The Council's Creditor system is one of the Council's key financial systems, as such the system is high risk and has previously been audited on an annual basis. As part of the continuing development of Risk Based Auditing and the desire to continue to enhance the development the approach to audit, improvements are being made in regard to the risk based approach to planning, this may result in financial systems not requiring audit review on an annual basis. As part of the risk-based approach this review has focused on the key risks and operation of controls within the Creditors System – Civica, i.e., the computer related controls that exist for all payments. Computer controls are established within systems, generally, at implementation with improvements / changes made as and when processes and / or legislation changes. The adequacy of the established controls within the Creditors system have not been reviewed as part of previous audit reviews.
1.2	The Creditor system is part of the Shared Services arrangement between Chorley BC and South Ribble BC, whilst both Council's have their own respective Financial Procedure Rules / Financial Regulations relating to the payment of invoices, the system operates the same across both Council's albeit with their own respective purchasing limits / delegations and levels of authorisation required.
1.3	Work undertaken focused on:- <ul style="list-style-type: none">• Creditor set up and Change requests (including IR35 arrangements);• Ordering, receipting and payment of goods and services; and• System user access controls specifically relating to overrides of budget limits

2	ASSURANCE RATING
2.1	Internal Audit provide an independent and objective opinion on the adequacy of the Council's control environment, in order to do that Internal Audit review and provide an opinion on the level of assurance of the control environment within each area / system reviewed. The level of assurance is based on the extent to which the system objectives are met, the effectiveness of controls operating within systems and resultant extent to which risks are mitigated.
2.2	The review focused primarily on computer controls within the Creditors systems and the adequacy and effectiveness of those controls. Computer controls are the most robust form of controls as controls within systems are immovable and operate consistently, however, these controls rely on the effective set up of the system on implementation to ensure that the established controls are effective. The review of the Creditors system and the specific controls within the system that have been tested has identified that there is a significant lack of key controls in those specific areas reviewed. These weaknesses in control has resulted in Financial Procedure Rules / Regulations not being complied with, as a consequence of this whilst the governance framework in place provides for adequate assurance in relation to the ordering, receipting and payment of goods the failure to ensure those controls are operating effectively within the Creditors system means that the controls provide Limited Assurance that the system objectives are met and risks are mitigated. This in effect increases both Council's risk exposure to issues relating to budget overspend, error and fraud.
2.3	Control Rating Key Full – the Authority can place complete reliance on the controls. No control weaknesses exist. Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist. Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved. Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

3	KEY FINDINGS
3.1	This Creditors system which provides the Procure to Pay process for both South Ribble and Chorley Council's is a Key Financial System for the Council and as such robust controls must be embedded in the system in order to provide an appropriate governance framework and to prevent material misstatement, fraud error and prevent staff acting beyond their delegated authority. The system must also ensure that controls in place provide for assurance that the Council's Financial Procedure Rules / Regulations will be complied with.

3.2	Testing has identified that whilst some controls are in place within the Creditors system (Civica) there are a number of controls which allow for the potential of fraud, error and or allow staff potentially to act beyond their delegated authority, including the issues outlined below.
3.3	Allowing the receipting of goods and the payment of invoices, without referral to another authoriser for values greater than the Purchase Order Value. This facility leaves the Council open to potential risk of fraud, whereby goods could be ordered over and above the agreed purchase required, it could result in officers acting beyond their delegated limits either deliberately or accidental and could result in overspend of budgets or exceeding budget limits. This is quite clearly a breach of Financial Procedure Rules / Regulations.
3.4	Further substantive work is required to determine the value of the potential issue for both Councils, however, based on the sample of invoices reviewed, the values are SRBC £53979 more paid on invoices than ordered and CBC £19479 more paid on invoices than ordered. The table in appendix 1 provides a summary analysis of the % variance between the original purchase order value and the amounts paid on invoices.
3.5	It is clear from these findings that officers who authorise invoices are not potentially not reviewing the amounts invoiced and paid against goods received and ordered, it is not clear if this issue is addressed with a compensatory control as part of budget monitoring this is to be reviewed as part of the budget monitoring / managing audit review.
3.6	There are also incidents where budgetary controls within the system that only allow orders to be raised if there is sufficient budget are being overridden, moreover a significant number of users have access rights to authorise Purchase Orders regardless of available budget provision. . The overriding of controls in regard to available budgets allows officers to place orders for goods / services where there is insufficient budget available leaving the Council with significant risk of budget overspends and / or potential breaches of financial procedure rules. There is a potential risk of fraud and / or error and officers operating beyond their delegated authority. There are no monitoring and reporting arrangements in place to ensure that this facility to override is not being abused by officers. This will be reviewed as part of the audit review of budget monitoring / management.
3.7	Testing also identified that whilst an official order has been issued for most goods and services supplied and a bona fide invoice is present, there are a number of weaknesses in control within the processes / system for the procurement of goods and payments of invoices in that:
	<ul style="list-style-type: none"> • Orders have been raised after the services have been partly/fully received. • Services are raising orders inaccurately as they don't cover all the services supplied or the value is incorrect. • Goods/services received are not always recorded upon receipt and for the correct value Occasionally orders are cancelled (in error), the supplier invoice is subsequently received and paid without there being an official order in place. • An official order is not completed for DFG cases (CBC), whilst an order is not necessarily required it is best practise to issue an order so that the expenditure commitment is recorded in the general ledger. • Inaccurate recording of the invoice date in the creditors system on a small number of occurrences.
3.8	It was also identified that at year end good / services are being receipted prior to actual receipt of the goods / services being received to facilitate the year-end accruals process. This is a significant risk that could lead to the financial accounts being misstated, it also could result in payment for goods without having received them.
3.9	The creditors system supplier set up and change process is generally sound, incorporating supervisory review and addresses the risk of fraud/error. However, the process could be improved as currently there is no standard form available for services to provide to suppliers in order to to ensure that the correct supplier details are obtained. This would further reduce the risk of error and support the supplier bank details change verification process.
	The Council is required to comply with HMRC IR35 rules when paying for services that are delivered via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Currently officers requesting new suppliers to be set up on the creditors system do not currently confirm whether the HMRC employment status (IR35) checks have been completed. Incorporating the question and response into the process of procuring any consultants would improve controls in this area.

3.10	<p>Significantly more orders have been raised by South Ribble Council compared to Chorley Council. This may indicate that orders are being raised excessively.</p> <table> <thead> <tr> <th>Month</th><th>SRBC</th><th>CBC</th></tr> </thead> <tbody> <tr> <td>September 2018</td><td>325</td><td>242</td></tr> <tr> <td>March 2019</td><td>433</td><td>293</td></tr> <tr> <td>September 2019</td><td>439</td><td>247</td></tr> </tbody> </table>	Month	SRBC	CBC	September 2018	325	242	March 2019	433	293	September 2019	439	247
Month	SRBC	CBC											
September 2018	325	242											
March 2019	433	293											
September 2019	439	247											
3.11	<p>Purchasing and creditor payment user access levels should be reviewed to ensure they remain up to date and relevant. The Interim Financial Services Manager has agreed with External Audit that budget holders will review purchase order and invoice authorisers access levels on a 2-yearly basis or following a major restructure (whichever is the sooner). A review is currently being undertaken and has been incorporated in the Shared Financial and Assurance Services Service Plan 2019/20.</p>												
3.12	<p>The system to allow the Purchasing System Administrator to take over a user account is generally robust, although improvements could be made to the retention of evidence which demonstrates that a user has given their permission. Should an issue arise it may be difficult to prove that permission was given.</p>												
3.13	<p>Additionally, there is a lack of supervisory review over the Admin Users Log. There is an opportunity for the Financial Systems Manager to check that this function is used appropriately, potentially identifying areas for improvement that could lead to more effective use of the Systems Team. It should be noted that this function is currently only available at Chorley Council.</p>												

4 CONCLUSION	
4.1	<p>The findings constitute significant breaches of the Council's Financial Procedure Rules / Regulations, there has been a failure to ensure that controls are operating effectively within the Creditors Procure to Pay system. There is significant risk within the Creditors Procure to Pay system that could potentially result in material misstatement, loss of monies to the Council, inaccurate financial recording and reporting and fraud and / or error. Additionally officers could be acting beyond their approved delegated authority / limits allowed and may not be clear about their delegated limits.</p> <p>The External Auditors review the Council's key financial systems and as part of that they review the work undertaken by Internal Audit in that regard, they are aware of the issues raised and have asked for more detail in order to quantify the issues. This will require co-operation by the Finance Team as the Internal Auditors will require reports to be produced to ensure sufficient detail can be provided that the External Auditors are satisfied that there is no material misstatement at either / both Council's.</p> <p>Due to the issues identified further work is to be undertaken and the management actions will be agreed at the conclusion of this work.</p>

Appendix 1

Summary Analysis % Variance Between the Original Purchase Order Value and the Amounts Paid on Invoices

Variance %	CBC		SRBC	
	Purchase Order Volume	Variance £	Purchase Order Volume	Variance £
0-10%	36	3083	70	22236
11-49%	12	3332	81	13475
50-99%	6	12805	27	3224
100-149%	3	259	15	3243
150-199%	0	0	11	2287
200%+	0	0	13	9514
Total	57	19479	217	53979
Sample -Total Purchase Orders Volume	784		1202	

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Agenda Item 7

REPORT TO	ON
Governance Committee	16 June 2020



TITLE	REPORT OF
Internal Audit - Head of Audit Annual Report	Interim Chief Executive

Is this report confidential?	No
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PURPOSE OF THE REPORT

1. The purpose of this report is to:-

- summarise the work undertaken by the Internal Audit Service from April 2019 to March 2020;
- provide the Head of Internal Audit's overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk and control; and
- to provide an appraisal of the Internal Audit Services performance throughout the period.

RECOMMENDATIONS

2. That the Committee:-

- i) Note the Internal Audit Annual Report for 2019/20;
- ii) Note the progress of work undertaken against the Annual Plan; and
- iii) Note the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk and control.

EXECUTIVE SUMMARY

3. The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Internal Audit Annual Report for 2019/20 is attached to this report and fulfils the requirement to report to the Governance Committee the Head of Internal Audit overall opinion on the governance, risk and control environment and a summary of internal audit work performed throughout the year in comparison with the Audit Plan for 2019/20.

CORPORATE OUTCOMES

4. The report relates to the following corporate priorities: (*tick all those applicable*):

Excellence, Investment and Financial Sustainability	X
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Health, Wellbeing and Safety	
Place, Homes and Environment	

Projects relating to People in the Corporate Plan:

Our People and Communities	
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BACKGROUND TO THE REPORT

5. The Public Sector Internal Audit Standards require that the Head of Internal Audit provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control, this includes an opinion on the level of assurance provided in the overall control environment which is supported by the work undertaken throughout the year,

At South Ribble this is the responsibility of the Interim Head of Shared Assurance. In order to form that opinion a number of areas are reviewed including the work undertaken by Internal Audit during the preceding financial year, in this case 2019/20, the review of the governance framework undertaken as part of the Annual Governance Statement work and the embedding of Risk Management within the Council.

These factors come together to provide evidence to support the opinion of the Interim Head of Shared Assurance.

PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

6. The Annual Report attached includes a summary of the status of work undertaken during 2019/20 financial year against the Annual Plan for 2019/20 at Appendix 1. There is also more details of the findings, governance issues arising from those findings and any updates included at Appendix 2 to the Head of Audit Annual Report.

Key Performance Indicators

7. The report and summary show that the 92.54% of the Planned work has been completed (based on the original Audit Plan for 2019/20), included in that plan were 60 days 'to be allocated' at page 2 of the summary the work completed against those 60 days has been outlined, there is also a further piece of work that was undertaken as part of the governance issues and arising risks identified throughout the year, this is outlined on the second page.
8. The original 2019/20 Planned work was 340 days, actually completed is 517.4 days, this equates to 152% of the plan being completed. The detailed explanation in regard to the resource is included in the Annual Report.
9. Internal Audit achieved a 100% acceptance rate for recommendations / agreed management actions relating to the reports completed and management actions agreed.

CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

- 10.** Progress reports are provided to Governance Committee on a quarterly basis; the plan and resulting outcomes are discussed with the Interim Chief Executive periodically, presented to Leadership Team, where relevant, and issues arising discussed with the Council's S151 Officer.

COMMENTS OF THE STATUTORY FINANCE OFFICER

- 11.** It is clear that additional hours were required at South Ribble to complete additional work relating to compliance issues. The additional staffing costs have been met through underspends in staffing budgets.

COMMENTS OF THE MONITORING OFFICER

- 12.** This report recognises that there has been a pattern of governance failure within this Council and seeks to identify the reasons these failures have arisen. The opinion that the internal control environment provides only Limited Assurance is of significant concern. It does, however, echo the findings of the Annual Governance Statement and the opinion expressed will be confirmed in that document.

OTHER IMPLICATIONS:

► Risk	The failure to form an opinion on the control environment may lead the Council open to challenge from External Audit and could result in reputational harm
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BACKGROUND DOCUMENTS

Governance Committee quarterly reports.

APPENDICES

Attached – Internal Audit Head of Internal Audit Annual Report 2019/20

Appendix to Report

Appendix 1 – Internal Audit Work Summary 2019/20

Appendix 2 – Summary of Findings Audit Reports

Janice Bamber
Interim Head of Shared Assurance

Report Author:	Telephone:	Date:
Janice Bamber, Interim Head of Shared Assurance Services	01772 625272	8 th June 2020

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Working in **Synergy** on shared services

**Internal Audit
Head of Internal Audit
Annual Report
2019/20**

Author & Date

**Janice Bamber
Interim Head of Shared Assurance
6th June 2020**

1	INTRODUCTION / PURPOSE OF REPORT
1.1	The Public Sector Internal Audit Standards require that the Head of Internal Audit provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control, this includes an opinion on the level of assurance provided in the overall control environment.
1.1	The Governance Committee are responsible for providing assurance in regard to the adequacy of the risk management framework and internal control environment of the council, and oversight of the financial reporting process. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of the Governance Committee is to provide independent review of South Ribble Borough Council's governance, risk management and control frameworks.
1.2	A key element in the Governance Committee being able to provide that assurance is the overall assurance opinion from the Head of Internal Audit. The role of Head of Internal Audit at South Ribble is currently provided by the role of Interim Head of Shared Assurance.
1.3	This report sets out the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control, the report includes the Head of Internal Audit's opinion on the level of assurance provided by the overall control environment
1.5	

2	Role of Internal Audit
2.1	<p>The Accounts and Audit (England) Regulations 2015 state that a relevant body must:-</p> <p><i>"Undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards as guidance"</i></p> <p>The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2016 (the standards).</p>
2.2	<p>The role of internal audit is summarised in the following definition from the standards:-</p> <p><i>"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."</i></p>
2.3	<p>The Governance Committee has approved Internal Audit's Charter which sets out the team's roles and responsibilities in order to ensure effective internal control, good financial systems and management of risk. The Charter is included in the Constitution of the Council.</p>
2.4	<p>The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.</p>
2.5	<p>The Council's response to internal audit activity should lead to the strengthening of the control environment, and, therefore, contribute to the achievement of the Council's objectives.</p>

3	Internal Audit Opinion
3.1	The Interim Head of Shared Assurance is responsible for providing an annual audit opinion and report that can be used by the Council to inform its Annual Governance Statement. The annual opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
3.2	In giving this opinion it should be noted that an assurance opinion cannot be absolute as it is based on only those elements of governance and controls reviewed, the opinion is based on:- <ul style="list-style-type: none">• Internal audit planned work completed during the course of the year (assurance, consultancy & other);• Results of any follow up reviews undertaken in respect of previous years work and / or limited opinion reviews;• Outcomes from work undertaken in respect of issues arising from the governance issues raised as part of the investigations relating to Senior officers of the Council;• The proportion of SRBC's audit plan that has been completed in the year.
3.3	As the Interim Head of Shared Assurance I am satisfied that, based on the areas reviewed during the financial year 2019/20 that sufficient work has been carried out to form a reasonable conclusion on the adequacy and effectiveness of South Ribble Council's internal control environment.
3.4	Whilst South Ribble Council has a sound governance framework in that, in general, appropriate policies, rules, regulation and procedures are in place the operation of that framework, the failings in regard to management controls, fundamental failures and weakness of internal controls and the disregarding of existing policies and procedures in some circumstances have led to the conclusion that, in my opinion, the internal control environment only provides Limited Assurance .
3.5	A number of reports have resulted in the opinion of governance and controls providing Limited Assurance and in relation to 2 areas of review there is No Assurance that can be provided that controls are in place, these reports are outlined in the summaries at Appendix 1 and 2 of this report.
3.6	The following is the overall summary of governance, risk management and control, the issues arising from the reports in relation to these 3 areas have been included in the Annual Governance Statement and are supported by the work completed and the findings from those reviews. The summary of findings and resulting Governance issues are summarised at Appendix 2.
3.7	Governance Generally the Council has a sound, robust governance framework in that there are appropriate policies in place, robust financial rules and regulations, sound decision making processes and appropriately documented procedures, where required. However, there have been consistent significant failings of the operation of those policies, rules, regulations and procedures etc. and fundamental failings in the operation of controls. In some areas the total disregard of governance principles and frameworks have been identified including Senior Statutory Officers disregarding the governance arrangements and not carrying out their duties in a manner you would expect of officers at that level. Work has identified checks and balances put in place to ensure the Council risk of loss / misappropriation and material misstatement is mitigated have been disregarded by officers at that Senior Level.
3.8	Risk Management Whilst there is a risk management framework in place, there is currently no risk strategy / policy in place, further the Risk Management framework is ambiguous and requires reviewing and updating to reflect best practice processes in relation to the management of risk throughout the Council. The risk management software has not been utilised consistently across the organisation and there is a lack of understanding of operational and service risk management throughout the organisation. Risk Management is not embedded at the Council and whilst officers, in general, manage risk as part of their daily roles, there is a lack of evidence to support that risk is in effect being managed.
3.9	Control The Internal Audit Service provides an independent opinion on the adequacy of the internal control system within the Council, as outlined above this control environment is inadequate and ineffective in a number of areas reviewed. All management actions are agreed with Senior Management and overall progress is reported to the Governance Committee on a quarterly basis. As can be seen in the final progress report summary at Appendix 1, 7 reviews have been classed as adequate and 10 areas classed as Limited for SRBC; further for

	2 areas that sit within Shared Services, which have been reviewed Creditors and Procurement. The Creditors review has an opinion of Limited Assurance.
3.10	There are 2 areas for SRBC, where the failings are so fundamental that the current opinions could not be applied for these 2 areas the opinion is that processes are such that there is No Assurance provided, this is explained in the reports.

4.	Resources
4.1	<p>It is the Council's responsibility to ensure an adequate and effectively resourced Internal Audit Services, it is the Governance Committee's responsibility to approve the risk based audit plan, including internal audit's resource requirements and to approve significant interim changes to the risk based audit plan and resource requirements and determine if there are any resource limitations. It is the Head of Internal Audit's responsibility to determine the resources, expertise, qualifications and systems for the internal audit service that are required to carry out a satisfactory level of internal audit. To this end the Interim Head of Shared Assurance has reported resource requirements / impacts during the 2019/20 financial year in order for Governance Committee to be satisfied that there was sufficient resource within Internal Audit to deliver the 2019/20 Audit Plan.</p>
4.1	<p>The Internal Audit Plan for 2019/20 was based on an overall resource of 340 days for South Ribble Council, 340 for Chorley Borough Council and 120 days for Shared Services; this was based on the resource in place in March 2019. The resource at that time was 1 FTE – Interim Head of Shared Assurance, 2.6 FTE Auditors.</p>
4.2	<p>The issue regarding the investigations / governance work arose in May 2019 and the Interim Head of Shared Assurance, undertook several pieces of work relating to these areas, this resulted in changes in resources, that were agreed by Governance Committee's at both Council's. The following arrangements were put in place:-</p> <ul style="list-style-type: none"> • 0.8 Auditor temporarily appointed to Principal Auditor role (11/06/19 – 31/03/20) • Temporary Auditor (LH) appointed (agency) 7/07/19 – 03/04/20; • Temporary Auditor (BW) appointed (agency) 21/10/19 – 24/04/20.
4.3	<p>This increased the resource to enable the plan to be practically completed, a significant % of the plan had been completed, other work was ongoing and was due to be completed by the end of March , then any outstanding that would be carried forward would be completed by end April / mid May. However, due to the impact of COVID-19, 1 of the Agency Auditors and 2.6 FTE's were seconded into the Community Hub to support the Council's response to COVID-19. This meant that the Internal Audit Service was stood down with the exception of the Interim Head of Shared Assurance.</p>
4.4	<p>Going into 2020/21, it should be noted that the Auditor who was Temporarily filling the Principal Auditor role has left the organisation on 8th May 2020; the 2 Agency temporary auditors finished on the 3rd and 24th April respectively. The remaining 1.8 FTE are currently supporting the Community Hub, this was agreed at Leadership Team for a further period to end of June.</p>
4.5	<p>It should also be noted that the Interim Head of Shared Assurance's contract finishes on the 30th June 2020. Members should note the remaining service will be 1.8 FTE Auditors for both Council's. A service review is due to be undertaken in line with the agreement at Shared Services Joint Committee 9th September 2019.</p>

5	Internal Audit Work																
	Audit Plan 2019/20																
5.1	The Internal Audit Plan for 2019/20 was initially agreed by Governance Committee at its meeting in March 2019. The 2019/20 plan was prepared informed by Internal Audit's own assessment of risks at that time and consultation with Leadership Team to ensure it aligned to key risks facing the Council for the coming year (2019/20). Included in that plan was a block of 60 days which was intended to be used to address reviews of emerging risks throughout the year.																
5.2	<p>The summary of work undertaken against the Audit Plan is attached at Appendix 1, this outlines the status of the reports as at end May 2020, the opinion of those reports that are completed and actual days spent against planned days. The report shows:-</p> <p>Page i) - planned audit work, Days planned 165, actual 152.7 Page ii) - 60 days outlined above and the work allocated against those days :planned 60, actual 106.10 - plus further governance work 57.8 days Total Planned Days - 225, Actual Days 316.6 , (91.6 more days work undertaken than planned)</p> <p>This equates to 140.71% of the Audit Planned Work and Allocated Work completed.</p> <p>Page iii) & iv) relate to ongoing work completed throughout the year, work carried forward from 2018/19, general areas and Contingency / Irregularity work, this area includes the investigation work primarily undertaken by the Interim Head of Shared Assurance.</p> <p>Overall Totals</p> <p>Planned Days - 340, Actual Days - 517.4; therefore 177.4 days more undertaken than planned, this equates to % of plan completed as 152%.</p>																
5.3	<p>As can be seen from the attached Progress table at Appendix 2 a number of pieces of Core Audit Work / Governance work have exceeded the planned days, these are:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Audit</th> <th style="text-align: center;">Planned Days</th> <th style="text-align: center;">Actual Days</th> <th style="text-align: center;">Variance</th> </tr> </thead> <tbody> <tr> <td>Absence Management</td> <td style="text-align: center;">10</td> <td style="text-align: center;">18.9</td> <td style="text-align: center;">(8.9)</td> </tr> <tr> <td>GDPR</td> <td style="text-align: center;">10</td> <td style="text-align: center;">43.1</td> <td style="text-align: center;">(33.1)</td> </tr> </tbody> </table>	Audit	Planned Days	Actual Days	Variance	Absence Management	10	18.9	(8.9)	GDPR	10	43.1	(33.1)				
Audit	Planned Days	Actual Days	Variance														
Absence Management	10	18.9	(8.9)														
GDPR	10	43.1	(33.1)														
5.4	<p>Further in the original plan 60 days was included in order to respond to risks arising throughout the year, as can be seen from page 2 of the table the actual number of days work undertaken against these is 163.9, a variance of (103.9) days. This allocation included 2 significant pieces of work relating to governance issues arising, these are:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Audit</th> <th style="text-align: center;">Planned Days</th> <th style="text-align: center;">Actual Days</th> <th style="text-align: center;">Variance</th> </tr> </thead> <tbody> <tr> <td>IRG / AGS</td> <td style="text-align: center;">60 (overall)</td> <td style="text-align: center;">72.3</td> <td></td> </tr> <tr> <td>H&W Leisure Campus</td> <td></td> <td style="text-align: center;">57.8</td> <td></td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td style="text-align: center;">130.1</td> </tr> </tbody> </table> <p>NB.the planned days and variance refer to overall allocation as outlined in document and in above para.</p>	Audit	Planned Days	Actual Days	Variance	IRG / AGS	60 (overall)	72.3		H&W Leisure Campus		57.8		Total			130.1
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IRG / AGS	60 (overall)	72.3															
H&W Leisure Campus		57.8															
Total			130.1														
	<p>This equates to 172.1 days extra work on governance issues.</p>																
5.5	<p>The extra work in regard to core audit work reflects the significant risks identified in relation to a number of key areas of work including; GDPR, Governance work relating to the IRG and issues raised as part of the Annual Governance Statement and Governance issues in regard to large key projects, the H&W Leisure Campus.</p>																

5.6	<p>The investigation work is detailed on page 4 of the progress table and is outlined below:-</p> <table border="1" data-bbox="219 208 1303 594"> <thead> <tr> <th data-bbox="219 208 790 271">Audit / Investigation</th><th data-bbox="790 208 1002 271">Planned Days</th><th data-bbox="1002 208 1156 271">Actual Days</th><th data-bbox="1156 208 1303 271">Variance</th></tr> </thead> <tbody> <tr> <td data-bbox="219 271 790 336">Recruitment Compliance</td><td data-bbox="790 271 1002 336"></td><td data-bbox="1002 271 1156 336">28</td><td data-bbox="1156 271 1303 336">(28)</td></tr> <tr> <td data-bbox="219 336 790 401">Compliance with Council Financial Policies etc.</td><td data-bbox="790 336 1002 401"></td><td data-bbox="1002 336 1156 401">45</td><td data-bbox="1156 336 1303 401">(45)</td></tr> <tr> <td data-bbox="219 401 790 466">Compliance with Capability Policy</td><td data-bbox="790 401 1002 466"></td><td data-bbox="1002 401 1156 466">32</td><td data-bbox="1156 401 1303 466">(32)</td></tr> <tr> <td data-bbox="219 466 790 532">Collation of Evidence</td><td data-bbox="790 466 1002 532"></td><td data-bbox="1002 466 1156 532">8.2</td><td data-bbox="1156 466 1303 532">(8.2)</td></tr> <tr> <td data-bbox="219 532 790 594">Total</td><td data-bbox="790 532 1002 594"></td><td data-bbox="1002 532 1156 594">113.2</td><td data-bbox="1156 532 1303 594">(113.2)</td></tr> </tbody> </table>	Audit / Investigation	Planned Days	Actual Days	Variance	Recruitment Compliance		28	(28)	Compliance with Council Financial Policies etc.		45	(45)	Compliance with Capability Policy		32	(32)	Collation of Evidence		8.2	(8.2)	Total		113.2	(113.2)
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5.7	The extra days were resourced by the following:-																								
	<ul style="list-style-type: none"> • Interim Head of Shared Assurance – reduced time on Management of Service / reduced time on Chorley BC service provision; • Agency provision (as outlined below) focused on key governance work, i.e., GDPR, IRG / AGS and H&W Campus; • Increased capacity due to appointment of Agency staff, as outlined which equated to 15 months increased capacity. 																								
5.8	As previously reported to Governance Committee, the Interim Head of Shared Assurance undertook a number of pieces of work relating to governance issues and the failings of senior officers to comply with Council Policies and Procedures, a summary of the outcomes from those reports is included in this report. As this was taking a significant amount of time a number of interim arrangements were put in place which have previously been reported to Governance Committee, there is a brief summary included here to aid in the understanding of the apparent overachievement of the plan.																								
5.4	<p>In May 2019, a number of issues arose relating to the 3 most senior officers of the Council, the following arrangements were put in place:-</p> <ul style="list-style-type: none"> • Interim Head of Shared Assurance - May to December 2019 investigation / governance work • Auditor (MB) appointed as Principal Auditor on a temporary basis 11/06/19 – 31/03/20 (undertook management of the Internal Audit service during that time) • Temporary Auditor (LH) appointed (agency) 7/07/19 – 03/04/20; • Temporary Auditor (BW) appointed (agency) 21/10/19 – 24/04/20. 																								
5.5	This resulted in additional days which enabled the majority of planned work to be completed and additional work to be undertaken, this is reflected in the over delivery of the audit plan for 2019/20.																								

	Significant Issues Arising
5.6	A number of significant issues / fundamental failings have been identified from the reviews undertaken during 2019/20, Appendix 3 provides the detail in respect of the findings and the resulting governance issues, however, the failings are generally consistent across each of the areas reviewed. The information below provides a summary of those issues arising, these issues will feed into the review of Governance contained in the Annual Governance Statement.
5.7	<p>Leadership / Management Controls</p> <p>A number of reviews have identified the lack of management controls relating to Directors ensuring staff have appropriate training for them to carry out the roles they are in; failure of Senior Managers to ensure appropriate policies, rules and regulations are complied with and adhered to; failure of Senior Managers to give priority to and fail to take responsibility for current and new policies and processes which form part of the Governance framework. Failure of Senior Managers to ensure Policies within their services that they are responsible for are maintained, reviewed, updated and approved as required, in some areas there were no agreed policies relating to work that has been carried out by the Council for a number of years. Weakness in management controls as little / no performance management is undertaken / evidenced. Failure to ensure that Data in respect of performance management is recorded, retained, accurately calculated and reported and definitions are robust to ensure the right information is being reported</p>
5.8	<p>Culture</p> <p>Findings from the reviews undertaken highlight that the culture of the Council is that of a lack of understanding, compliance and adherence in respect of the governance framework. The response to Service Level Assurance Statements contradict findings from reviews which implies / evidences that the Senior Managers are not aware / disregarding governance arrangements in respect of the Council's corporate framework. It is apparent, due to the findings of the investigation / governance work that this has been a culture arising from the top of the organisation, where the most Senior Officers of the organisation and Statutory officers have disregarded the systems of checks and balances put in place to protect the organisation and its officers. Findings from these reviews evidence that there were significant failings by the Statutory Officers of the Council and fundamental failings in control, in some cases total disregard of the governance arrangements in place including insufficient challenge to reporting, decision making, lack of compliance and adherence to the Council's key policies and procedures.</p>
5.9	<p>Policies / Rules / Regulations / Processes</p> <p>There is a number of reviews that have highlighted that policies, procedures, rules, regulations etc. of the Council are consistently breached, not complied with, disregarded. There are significant weaknesses in internal controls particularly in relation to Contract Procedure Rules and Procurement exercises of high value contracts, these breaches identified include breach of European Laws in relation to Procurement, which leaves the Council open to significant risk of financial, legislative and reputational damage. Further there are contracts in place that have been extended for a number of years without any authority to do so. The issues identified have given rise to an Internal Audit opinion of providing No Assurance relative to the contracts and projects reviewed in these case. There are also significant failings in respect of project management and compliance with the decision making process relating to key decisions.</p> <p>The significant issues outlined above provide evidence to support the review of governance included in the Council's Annual Governance Statement, actions relating to the issues are addressed in Management Actions from the Audit reports and the Annual Governance Statement Action Plan.</p>
	Annual Plan Audit Reviews Overview
5.10	<p>A detailed summary of findings, resultant governance issues and an update, where relevant is included at Appendix 2 of this report. In summary there are no areas with Substantial or Full Assurance, there are 7 Service areas reviewed that are classed as providing an Adequate assurance, these are:-</p> <ul style="list-style-type: none"> • Absence Management • Ethical Culture Review • Credit Cards • Environmental Health – Enforcement / Fixed Penalty Notices • Environmental Health – Health & Safety • Commercial Properties (c/f 2018/19) • Health & Safety (c/f 2018/19).

5.11	<p>There are 10 SRBC areas where the opinion is Limited Assurance, they are:-</p> <ul style="list-style-type: none"> • GDPR Compliance • Environmental Health – Food Safety • Car Park Management & Enforcement • Tree Inspection and Maintenance • Performance Management Information (2018/19 original, extra work 2019/20) • Commercial Properties Follow Up • Health & Wellbeing Campus • Commercial Properties (original review c/f2018/19) • Recruitment Compliance (Investigation / Governance Work) • Compliance with Council Financial Policies, Procedures, Rules & Regulations (Investigation / Governance Work) • Compliance with Capability Policy (Investigation / Governance Work)
5.12	<p>One areas that sits within Shared Services also has an opinion of Limited Assurance – Creditors, this is relative to both Council's as the system that has been reviewed is shared.</p>
5.13	<p>Two of the areas reviewed were found to have serious, significant and fundamental failures of control, breaches of financial and contract procedure rules, fundamental failings in management controls and potentially breaches of European Legislation relating to Procurement rules. For this reason, the Interim Head of Shared Assurance considered that the current assurance levels could not apply, therefore the opinion is that No Assurance could be placed on the effectiveness of the controls in place and the extent to which risks have been mitigated. It should be noted that this is only in relation to the specific areas reviewed in each of the reviews, which are:-</p> <ul style="list-style-type: none"> • Procurement (Utilities & 2 Other Contracts) – no assurance applies to these specific contracts and procurement exercises; • Health & Wellbeing Leisure Campus – no assurance applies to those specific issues in respect of key decisions, contract procedure rules, project management relating to specific project.
5.14	<p>These 2 reports are attached to another report to Governance Committee, which is the report in respect of the Audit reviews with Limited Assurance opinion.</p>
	<h3>Audit Reviews Overview Governance / Investigation Report</h3>
5.15	<p>There are 4 review areas included in the progress report relating to the issues arising from the work related to the 2 most senior officers of the Council who have since left, and Governance issues arising from the original AGS presented to Governance Committee in May 2019, these are:-</p> <ul style="list-style-type: none"> • IRG / AGS – review of action plan arising from IRG included in AGS 2019 as completed; • Recruitment Compliance – compliance with Recruitment & Selection policy in appointment of Senior Officers; • Compliance with Council Financial Policies, Procedures, Rules & Regulations – compliance with policies and adherence to rules etc. • Compliance with Capability Policy – compliance with Policies relation to HR capability procedure.
5.16	<p>The following is a summary of the findings from those Reviews;</p>
5.17	<p>IRG / AGS</p> <p>A number of recommendations were agreed following the LGA Peer review and the S24 Notice issued by external audit, these were amalgamated and an Independent Review Group was formed to manage the progress and outcomes against those recommendations, there were 8 in total. It should be noted that the S24 Notice issued to SRBC was 1 of only 2 issued nationally.</p> <p>The IRG had been disbanded in February 2019 and a final outcome report provided to Cabinet, the review indicated that significant improvements had been made in regard to the findings of the LGA, however, this wording had been challenged as part of the discussion in respect of the AGS. AN internal audit review confirmed that whilst LGA agreed that improvements had been made, as the actions had not been in place and embedded it was too soon to determine if significant improvements had been made to the culture of the</p>

	<p>organisation. Further a review of the status and progress of the 8 recommendations was undertaken and the following was identified:-</p> <ul style="list-style-type: none"> • Whilst the Chief Executive was not the Chair of the IRG at the time, the notes and record of the meetings were produced and provided to her to agree prior to being issued, this is not usual governance arrangements; • Whilst there was evidence to support some actions had been fully or partially completed, there were still a number of actions outstanding, of the 8 recommendation, 7 were marked as complete, however, Internal Audit identified that only 2 had been fully completed and 5 had only been partially completed; • Members were not fully informed of all actions taken or the true position of the Council's improvement and transformation journey; • The Internal Audit report reflected the LGA review that actions were not fully implemented or embedded and the actual position was not reflected in the minutes and not reported to Members.
5.18	<p>Recruitment</p> <p>This review focused on compliance with the recruitment & selection policy of the Council in relation to the appointment of a number of Leadership Team members and the creation of 2 new posts. The following issues were identified:-</p> <ul style="list-style-type: none"> • 2 senior roles created relating to roles included in the original Shared Services agreed arrangements, created for SRBC only; • Breach of Constitution in relation to the creation of the roles, failure to include the detail in the budget estimate, appointment to one of the posts prior to budget approval for the posts; • No proper approval or agreement in respect of the creation of the roles and the salary offered; • Recruitment policy not complied with / process used not agreed or approved by Members; • External Officers misinformed • Potential allegation of misleading / misinforming officers and members; • Potential failure to follow appropriate procedures relating to Statutory Officer appointment; • Failure to comply with Pay Policy; • No evidence to support procurement / commissioning of supplier to aid in recruitment, failure to include HR in process relating to several officers; • No evidence retained to support the resulting appointee, officers who met criteria, not shortlisted – no evidence to support decision, only 1 applicant for each role selected, both from previous Deputy CE's previous employing authority, one a close friend of S151 officer. • Other recruitment exercises, no evidence retained to support decision making; • Minor changes in designations of post without recourse to Members who had agreed original structure; • Potential breach of Data Protection as no agreement in place in regard to sharing data with third party supplier.
5.19	<p>Compliance with Council Financial Policies, Procedures, Rules & Regulations – compliance with policies and adherence to rules etc.</p> <p>This review focused on compliance with financial policies and rules etc. of the Council. The review identified:-</p> <ul style="list-style-type: none"> • Failure to demonstrate value for money in the procurement of suppliers, lack of evidence to support choice of supplier, lack of agreed evaluation criteria to evaluate against; • Breaches of Contract Procedure Rules, Financial Procedure Rules and Key Decision process of the Council; • Failure to provide evidence of work completed to support amounts invoiced, unable to determine if provision of service provided best value for the Council; • Failure to follow prescribed electronic waiver process and approval process and obtain MO sign off; • Work undertaken outside of original scope; • Attempt to circumvent the Financial Procedure Rules by a Statutory Officer of the Council; • No signed agreements between parties in some instances, failure to sign Data Sharing agreements, no review of liability insurance in relation to work to be undertaken, unable to confirm that suppliers held sufficient liability cover in the event of claims for damages etc.
5.20	<p>Compliance with Capability Policy – compliance with Policies relation to HR capability procedure</p> <p>This review focused on the compliance with the Council's HR Policy relating to Capability by the 3 Senior Officers of the Council. The findings of the review included the following:-</p> <ul style="list-style-type: none"> • Failure to support officers during probationary / trial / development period as agreed by the appointment letters; • Intent to disregard external legal advice

	<ul style="list-style-type: none"> • Development review process utilised by DCE's was a process provided by a third party supplier, this had not been discussed and agreed by HR and / or Leadership Team and not presented to Members, yet used to undertake some of the Leadership Development Reviews; • Inconsistency of approach dependent on officer, some officers not being treated fairly or equitably;
5.21	<ul style="list-style-type: none"> • Development review process changed part way through to capability process; • Failure to undertake an internal independent review of complaints prior to sending for external opinion, internal processes not exhausted, Internal Audit not reviewed; • No justification for appointing third party to review complaints; <p>Failure to follow capability process.</p> <p>It is clear from the findings within these reports that there is evidence of Statutory Officer roles not carrying out their duties in line with the Council's governance framework. What is evidenced is that the checks and balances put in place to ensure appropriate governance and control within the Council have been disregarded by officers at a senior level.</p>
5.22	The issues outlined above, identified from the work undertaken by Internal Audit demonstrates fundamental failing of the Council's governance framework / arrangements, there are consistent failures of internal control and breaches of fundamental policies, rules and regulations of the Council.
5.23	The findings arising from these reports are included in the Annual Governance Statement 2019 and 2020.

6	Internal Audit Performance
5.1	As can be seen in Appendix 1 the Annual Plan work is 92.54% completed, there are some areas of work that have more time booked against them than originally planned, this is largely due to the extension of scope once it the area of review is discussed with the Service lead. The % plan completed based on Planned and the Allocated work (as explained above) is 140.71% completed, this is due to the increased resources input throughout the year and increased productive work of Interim Head of Shared Assurance. The overall plan is 152% complete, this is due to the increased resources and increased workload for South Ribble BC.
5.2	The Shared Services arrangement generally mean that the service costs are split 50/50 between 2 Council's, the S151 Officers have agreed a more appropriate split due to the focus on South Ribble Audit work during 2019/20, including the focus of the Interim Head of Shared Assurance.
5.3	The Internal Audit Service has achieved 100% of all management actions agreed based on those finalised reports.

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INTERNAL AUDIT PLANS 2019/20
SOUTH RIBBLE COUNCIL

WORK AREA	RISK	EST (Days)	ACT	BAL	REVIEW STATUS	ASSURANCE RATING	STATUS
AUDIT PLANNED WORK							
CORPORATE							
Corporate Complaints	Medium	10	5.2	4.8	COMPLETED	N/A	Included in AGS Action Plan – review and update Policy, further review to be undertaken in 2020/21
RESOURCES & TRANSFORMATION							
HR							
Absence Management	Medium	10	18.9	(8.9)	COMPLETED	ADEQUATE	Draft Report Issued to be presented to Leadership Team for agreement of Management Actions
Democratic Services							
Ethical Culture Review	High	10	11.6	(1.6)	COMPLETED	ADEQUATE	Management Actions to be agreed by Corporate Governance Group, findings related to Policies requiring review and update, included in AGS Action Plan
Customer & Digital							
ICT Review	High	20	2.3	17.7	C/F2020/21	N/A	Meeting with MIAA to agree areas to be reviewed and assessment of audit work previously undertaken within ICT. A number of Digital to Improve projects commenced in 2019/20, which is improving the ICT control environment.
GDPR Compliance Reviews	High	10	43.1	(33.1)	COMPLETED	LIMITED	Further work completed, reported to Leadership Team and management actions to be agreed as part of Annual Governance Statement work
Council Tax	High	5	2	3	In Progress		Work started in March 2020, areas for review agreed and testing commenced interrupted by COVID-19, Auditors seconded to Community Response Hub
NNDR	High	5	0.1	4.9	In Progress		Work started in March 2020, areas for review agreed and audit testing commenced interrupted by COVID-19, Auditors seconded to Community Response Hub
Housing Benefits	High	5	0	5	In Progress		Work started in March 2020, areas for review agreed and testing commenced interrupted by COVID-19, Auditors seconded to Community Response Hub
Finance							
Income Collection & Receipt	High	25	0.7	24.3	C/F 2020/21		Work would have commenced March / April 2020, however, work interrupted by COVID-19 response, Auditors seconded to Community Hub
Credit Cards	High	10	20	(10)	COMPLETED	ADEQUATE	
REGENERATION & GROWTH							
Neighbourhoods & Development							
My Neighbourhood Processes	High				Deleted		Not required as Member & Officer working group to review My Neighbourhoods following changes to areas.
Environmental Enforcement – Fixed Penalty Notices	High	10	8.2	1.8	COMPLETED	ADEQUATE	
Environmental Health - Environmental Protection	High	15	17.7	(2.7)	COMPLETED	ADEQUATE	
Environmental Health – Food Safety	High				COMPLETED	LIMITED	
Environmental Health - Health & Safety	High				COMPLETED	ADEQUATE	
Leases / Licences to Community Centres etc.	High	10	0.2	9.8	In Progress		Work started in March 2020, areas for review agreed and audit testing commenced interrupted by COVID-19, Auditors seconded to Community Response Hub

Parks & Neighbourhoods							
Car Park Management / Enforcement	High	10	13.7	(3.7)	COMPLETED	LIMITED	
Tree Inspections & Maintenance	High	10	9	1	COMPLETED	LIMITED	
TOTAL PLANNED WORK		165	152.7	12.3			92.54% Planned Work Completed
NB. 60 Unallocated Days Equate Plan to 225 Days (see table below for allocation of 60 Days)							

Work Undertaken Against – Areas of work to be Identified (included in 2019/20 Plan for areas of arising risk)							
Areas of work to be identified		60	0	60			
Performance Management Information (additional work)		0	23.8	(23.8)	COMPLETED	LIMITED	Further work completed, reported to Leadership Team and management actions to be agreed as part of Annual Governance Statement work. Previously reported.
Review of IRG / AGS		0	72.3	(72.3)	COMPLETED	N/A	Work undertaken to review IRG recommendations and action taken against those actions for inclusion in and review of Annual Governance Statement.
Commercial Properties Follow Up		0	2	(2)	COMPLETED	LIMITED	Follow up of review included in 2018/19 plan (see c/f work below), a number of management actions still not completed, a further management action plan has been agreed.
Property Repairs & Maintenance Follow Up		0	0.2	(0.2)	In Progress		Work was commenced in March 2020, however, interrupted by COVID-19 work, due to Facilities Team being required to support response. Auditors seconded to Community Hub and auditor that was undertaking follow up has since finished contract.
COVID-19							
SRBC Business Grants		0	3.8	(3.8)			
SRBC Community Response Hub		0	4.0	(4.0)			
Total Allocated Work		60	106.1	(46.1)			
Further Governance Work undertaken due to Governance Issues arising as a result of investigation and AGS							
Health & Wellbeing Campus			57.8				
Total Further Governance Work			57.8	(57.8)			
Total Unplanned Work		60	163.9	(103.9)			
TOTAL WORK (Planned & Allocated)		225	316.6	(91.6)			140.71% Planned & Allocated Work Completed for 2019/20 Audit Plan

ONGOING WORK THROUGHOUT THE YEAR						
CORPORATE AREAS						
Annual Governance Statement	N/A	20	26.1	(6.1)	Ongoing	Work was completed on initial AGS, following issues arising from investigations and IRG review, AGS is to be reviewed so further work is required
Assurance Mapping	N/A	10	6.2	3.8	COMPLETED	Initial Assurance Map completed, requires reviewing in line with changes to Shared Services and discussion / agreement with Leadership Team.
Anti-Fraud & Corruption	N/A	10	3.1	6.9	COMPLETED	N/A
NFI	N/A	5	3.9	1.1	COMPLETED	Data uploaded to NFI and matching undertaken, matches will be reviewed by services and any relevant outcomes reported to Leadership Team and
Governance Committee	N/A	10	16.8	(6.8)	Ongoing	Preparation of reports for Governance Committee
Total Corporate Areas		55	56.1	(0.9)		
PROJECT SUPPORT						
HR and Payroll system update	Project		0.2		COMPLETED	N/A
InPhase Development	Project	0	4.6		COMPLETED	N/A
Project Support Total Days		20	4.8	15.2		
GDPR Implementation	Project	5	2.5	2.5	COMPLETED	N/A
Project Support Totals		25	7.3	17.7		
TOTAL ONGOING WORK		80	63.4	16.6		
OTHER WORK						
Residual Work from 2018/19						
Commercial Properties	N/A	0	5.9		COMPLETED	LIMITED
Health & Safety	N/A	0	9.9		COMPLETED	ADEQUATE
Residual Work Total Available Days		10	15.8	(5.8)		
GENERAL Areas						
GRACE System Administration	N/A	10	0	10		
Post Audit Reviews	N/A	5	0.3	4.7		Review of previous 2 years management actions to determine if implemented or status of implementation, results will be reported to Governance Committee.
General Areas Total Available Days		15	0	15		
Total Other		25	16.1	8.9		

Total Ongoing & Other		105	79.5	25.5				
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Contingency / Irregularities						
Contingency / Consultancy		7.7		COMPLETED	N/A	Advice / Support from Internal Audit in respect of issues arising, fraud awareness, scam emails received etc.
Investigations / Irregularities			COMPLETED	Various Reports	Investigation work by Interim Head of Shared Assurance primarily regarding current issues.	
Recruitment Compliance		28				
Compliance with Council Financial Policies, Procedures, Rules & Regulations		45				
Compliance with Capability Policy		32				
Collation of evidence (investigation)		8.2				
Contingency/Irregularities Total	10	120.9	(110.9)			
Total Ongoing & Other Work	105	79.9	25.1			
Total Contingency, Ongoing & Other	115	200.8	(85.8)			
TOTALS	340	517.4	(177.4)			152% Audit Plan Completed 2019/20

SHARED FINANCIAL SERVICES

WORK AREA	RISK	EST (Days)	ACT	BAL	REVIEW STATUS	ASSURANCE RATING	COMMENTS
AUDIT PLANNED WORK							
Creditors	High	20	36.7	(16.7)	COMPLETED	LIMITED	Final Report issued, however, no management actions have been included in report as further work is required to determine extent of issues. Issues identified in separate table.
Financial Systems;	High	20	2	18	Commenced		Agreed to review Budget Management / Monitoring at both Councils, audit scope outlined by Internal Auditor, to be agreed by S151 Officers. However, COVID_19 interrupted work, Auditor is seconded to Community Hub
Procurement – Chorley	High	30	7.9		In Progress		Audit scope was agreed, testing was in progress, scope is focused on waiver of CPR's and compliance with requirements of Constitution. Work interrupted by COVID-19 response and auditor seconded to Community Hub, this auditor's contract has since ended.
Procurement – South Ribble			19.5		Draft Report	LIMITED	Audit focused on specific contract, overview of findings is included in separate table and full report will be presented to Governance Committee once it has been agreed.
Money Laundering	High	20	1.6	18.4	Commenced		Work commenced in March 2020, interrupted by COVID-19 and secondment of Auditor to Community Hub, will be carried forward to 2020/21 Plan, Review and update of policy and provision of training is included in AGS Action Plan
NFI Data Matching Reviews of Financial Matches inc. Creditors / Payroll / Housing Benefits	Medium	10	10.9	(0.9)	COMPLETED	ADEQUATE	Review of matches, no arising issues
Total Planned Work		100	80.60	19.4			
UNPLANNED WORK							
Shared Services Review of Accounts			7		Draft report		Audit work completed and Draft Report prepared. File and Report with Interim Head of Shared Assurance for review.
COVID-19							
GDPR Implications Advice			0.2				
Total Unplanned Work			7.2				
TOTAL SHARED SERVICES		100	87.8	12.2			

OTHER WORK							
General Areas							
GRACE System Administration	N/A	5	0.2	4.8			
Post Audit Reviews	N/A	5	0	5			
Total General Areas		10	0.2	9.8			
Residual Work from 2018/19							
Cash & Bank			12.1		COMPLETED	SUBSTANTIAL	Previously Reported
Treasury Management			1.1		COMPLETED	SUBSTANTIAL	Previously Reported
Payroll			2.1		COMPLETED	LIMITED	Previously Reported

Main Accounting					COMPLETED	SUBSTANTIAL	Previously Reported
Total Residual Work		5	15.3	(10.3)			
Contingency / Irregularities							
Total Contingency / Irregularity Work		5	0	5			
TOTALS		120	103.3	16.7			86% of Plan completed

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South Ribble - Audit Reports & Issues 2019/20

Audit Review	Opinion	Issues Arising	Governance Issues	Update
South Ribble				
Absence Management	Adequate	<p>Absence Management Guidance in place providing an effective framework, however, weaknesses in the operation of the framework.</p> <p>Return to Work notifications & RTW Interviews not completed and / or completed in timescales, absence documentation not sent to HR, outcomes of interview process not documented.</p>	<p>Whilst there is an appropriate policy in place, which provides for an effective governance framework, non-compliance with Council Absence Management policy within services signifies weaknesses in the operation of the controls within that framework.</p> <p>The findings are contra to information included in the Service Assurance Statements which state Absence managed appropriately. The non-compliance signifies a weakness in Management Controls.</p> <p>Council can't evidence absences managed effectively; sickness absence data incorrectly recorded; sickness management information and performance reporting inaccurate.</p>	Introduction of new HR system will enable all sickness management to be undertaken on line, however, LT need to ensure that absence documentation is completed, appropriate documents and processes are carried out and sickness is managed effectively.
Ethical Culture Review	Adequate	<p>Adequate framework in place to support an ethical culture within the Council, appropriate training for Members and appropriate policies in place to ensure ethical governance is provided for.</p> <p>Issues identified include: - themes in the Corporate Plan not linked to Service plans, website out of date and up to date information not made available, a number of policies and procedures that contribute to ethical require reviewing and updating, including Financial Regulations, Communications Strategy, Scheme of delegation. Ethical Culture training to Members ad-hoc, however, efforts have been made to provide direction and guidance to Members, requirement to provide similar training .for officers</p>	<p>In general the policies and procedures that provide the framework to ensure officers and members are aware of their responsibilities in regard to maintaining a high standard of ethical culture is in place, however, there are some areas that require improvements in order to ensure that the framework is operating effectively and that the ethical framework is robust.</p>	<p>It has been recognized that a number of policies and procedures require review and updating; it is also recognised that a programme of effective training is required and to that end, a Corporate Governance training portfolio has been agreed with a view to all staff to be trained between September 2020 – March 2021.</p>
GDPR Compliance	Limited	<p>Framework not fully implemented 20 months after implementation date, some policies / systems of control in place, however, ineffective application of those controls and lack of controls in some areas including:- lack of awareness and ownership of GDPR across Council, incomplete records of processing activity, retention policy not fully agreed and adopted, no formal review of Council contracts to ensure compliance with GDPR, SIRO not appointed and lack of ownership by Senior Management, no defined reporting structure for GDPR matters. Lack of implementation means Council failed to comply with requirements of GDPR and at risk of data breaches, financial penalties and reputational harm.</p> <p>The audit also reviewed compliance with the principles of GDPR, it was identified that systems / processes were operating ineffectively, in that data was not held securely in all cases, a lack of awareness of the principles of GDPR and what to do in the event of a data breach indicates ineffective training and communication; too much reliance placed on DPO who has adopted processes and completed actions that are the responsibility of the Information Asset Owners (Leadership Team). GDPR is not fully embedded throughout the Council, general lack of clarity and awareness evidenced by walk through tests which identified documents with personal details left out on desks overnight / in unlocked areas; Senior</p>	<p>Policies and procedures which form the governance framework relating to GDPR was not fully implemented, therefore the governance framework was ineffective.</p> <p>The audit identified weaknesses and non-compliance in respect of controls operating within those areas where policies / procedures had been implemented, specifically in relation to Management controls as Leadership Team / Information Asset Owners had failed to ensure compliance with those processes / policies implemented; failed to give priority to GDPR and had failed to take responsibility and own the requirements within the GDPR; further the LT members place too much reliance on the DPO and are unaware of what to do if erasure of data / information is requested and processes have not been implemented in their service areas, it is LT responsibility to ensure that the GDPR are taken seriously, appropriate procedures are put in place and ensure staff are aware of their responsibilities, it is the DPO's role to review that this is happening not to implement it.</p> <p>These findings are contra to the answers contained in the Service Assurance Statements.</p>	<p>A number of management actions have been implemented since the review, which improve the robustness of the framework, further work is ongoing to ensure implementation is signed off, GDPR are complied with and the IAO / LT own and take accountability and responsibility for Data Protection in their service areas. New governance arrangements have been implemented and roles and responsibilities have been clarified, a revised group has been established, membership of which is now the IAO / LT; progress on the management action plan is to be regularly reported at the GDPR group and an update will be provided to Governance Committee. Further Internal Audit will undertake a follow up review in 2020/21 to ensure actions are implemented and regulations / principles are being complied with.</p> <p>Training is to be provided to all staff and members, fully completed ROPA adopted and IAO will be made aware of requirement to maintain; Draft retention policy is awaiting approval, IAO to review data they are responsible for on a quarterly basis, contract managers are to review existing contracts for GDPR compliance, electronic document management system to be introduced, work ongoing in respect of move to digital first, commitment to clear desk policy.</p>

		Managers have failed to ensure clear desk policy is maintained, this breaches GDPR security principle.		
Credit Cards	Adequate	Policies, Procedures and Guidance in place, compliance with Financial Procedure Rules, appropriate authorization of expenditure and payments. There are areas of weakness within controls operating within the system including cards remaining active for officers who have left the Council, audit trails have not been maintained in respect of new cardholders and changes to credit limits, cards being used by officers other than the cardholder to procure goods, lack of compliance with guidance in some areas; Cards used in circumstances where it is more appropriate to use Creditors, i.e., regular / repeat payments; lack of timely reconciliation and failure to obtain VAT receipts.	Whilst there is a framework in place providing effective governance, there are areas of non-compliance with the framework, therefore the operation of the framework is ineffective. Controls are in place in a number of areas, however, there are weaknesses in a number of areas which means that the operation of controls is ineffective in some areas.	Management actions have been agreed with Finance, it has been agreed that:- audit trails will be maintained relating to request and authorization to issue cards and changes to credit limit and cardholder accounts including deleting leavers; review of guidance and agreements including delegated authority for other officers than the named cardholder to use cards, retention of card usage register / log; further training and guidance to be provided.
Environmental Enforcement –Fixed Penalty Notices	Adequate	There are appropriate policies, procedures and guidance in place in respect of Fixed Penalty notices and areas of good practice including understanding responsibilities, retaining of records, monitoring of outstanding payments and legal recourse and preparation of files for prosecution. Areas of weakness in control were identified in that policies / guidance require reviewing and updating and aligning with current legislation, no formal performance management is in place to provide management with assurance relating to the management of officers or outputs; elements of the charging policy have not been reviewed / approved for some time and the process for ensuring prosecutions can be actioned requires improvement.	Although there are policies / procedures in place to provide a framework for robust governance arrangements, failure to review, update and align with current legislation means that the governance framework is ineffective. Further the weaknesses in controls identified indicate that the controls are operating ineffectively in those areas identified. The audit also identified weakness in management controls in that there is no formal performance management reporting undertaken / evidenced.	Management actions have been agreed, the policy will be updated and aligned to current legislation as appropriate, this should strengthen the governance framework ; a review of Neighbourhood services roles and responsibilities to be undertaken, records to be maintained and a workshop to be set up with relevant officers to establish the requirements to enable successful prosecution; a review of charging policies to be undertaken and presented for approval and policies in regard to payments plans to be agreed; a review of performance management information will also be undertaken.
Environmental Health – Food Safety	Limited	A food safety plan is in place, this sets out demands for the service the potential risks to non-achievement of the required inspections and resources available, it provides a snapshot of the intervention programme and backlog of overdue interventions. A number of areas of weakness in controls where identified including:- Inspections and interventions outlined in the Food Safety plan are not always carried out in line with the outlined timescales; there is little or no performance monitoring evidenced, a backlog of intervention inspections which is ongoing from the FSA inspection in 2017, the lack of measurement and reporting of the intervention programme and the routine use of overtime / additional payments to deal with significant backlogs since 2017, the failure to utilise and update the services computer system (IDOX) and the failure to maintain up to date documents relating to Data Accuracy and Internal Monitoring following changes to individual file monitoring.	Whilst the Food Service plan provides an adequate framework of governance to manage inspections and interventions, including the identified backlog, the outlined timescales are not being complied with in all cases, this weakens the governance framework, making it ineffective, further the continual backlog from the FSA inspection in 2017, which was included in the plan further evidences that the framework is not operating as it should. Further weaknesses in control indicate that the controls are not effective in the areas identified leaving the Council open to significant risk. The audit also identified weakness in management controls as little / no performance management is undertaken / evidenced.	A comprehensive management action plan has been agreed, including an updated service plan, the identification of resource shortfalls, management & monitoring of delivery of the service plan. The backlog of interventions was due to be complete by 31 st March 2020, however, this could have been impacted by the COVID-19 crisis. A follow up of the Internal Audit review will be undertaken in 2020/21 by Internal Audit.
Environmental Health – Health & Safety	Adequate	Enforcement Policy in place, up to date and accurate records maintained as required of enforcement activities and sanctions applied when necessary which is relatively rare. A number of areas of weakness in controls have been identified in that:- Enforcement policy not reviewed and updated since January 2015; no proactive programme of inspection relating to H&S inspections of premises and hasn't been for several years; no performance reporting available for review, it is difficult to identify the value the service is providing with little or no	Whilst there is a policy in place to provide a framework of governance, as the policy has not been updated since 2015, there is a risk that the framework is out of date and doesn't align with relevant legislation, therefore the operation of the governance framework is ineffective. Further weakness in control in the areas highlighted determine that controls are not operating effectively in those areas specifically in relation to performance management. The lack of performance reporting / management being evidenced signifies weaknesses in management controls.	A robust management action plan has been agreed including the review of the EH Policy relating to H&S, a proactive work plan based on new HSE national priorities and incorporating local intelligence to be developed and monitoring / reporting of performance against that plan to be undertaken.

		checking / monitoring routines to ensure work is being carried out correctly and consistently.		
Environmental Health – Environmental Protection	Adequate	<p>Enforcement Policy in place, guidance available on Gov.Uk website in respect of Environmental Protection, guidance available to businesses in respect of their obligations, conditions under which permits are granted are recorded and issued in line with relevant legislation. Weaknesses in control identified in regard to:-</p> <p>Enforcement Policy not reviewed and updated since January 2015; IDOX system not utilized for administration of permit inspection plan and the spreadsheet used is not an accurate reflection of the permitting process, a number of inspections were yet to be undertaken resulting in a backlog of inspections due by end of March 202 which could result in non-compliance with DEFRA regs.; Service and performance management is not evidenced / not reported.</p>	<p>Whilst there is a policy in place to provide a framework of governance, as the policy has not been updated since January 2015, there is a risk that the framework is out of date and doesn't align with relevant legislation, therefore the operation of the framework is ineffective. Further weakness in control in specific areas highlight that controls are not operating effectively in those areas. The lack of performance and service monitoring & reporting / management being evidenced signifies weaknesses in management controls.</p>	<p>A management action plan has been agreed including the review of the Enforcement Policy; sample checks / routine management of the work is to be undertaken when enforcement activity is actioned; a review of the system for the issue of permits will be undertaken and open cases to be closed where appropriate. As there was a backlog indicated Internal Audit will carry out a follow up review of this element of the service in 2020/21.</p>
Car Park Management / Enforcement	Limited	<p>Areas of good practice include appropriate off street parking orders in place, appropriate controls in respect of income collection and reconciliation; effective processes for issuing & monitoring PFN's and issue of permits.</p> <p>Weakness identified in respect of:-</p> <p>No planned maintenance & Inspection policy, previous audits have included management actions to address this issue have been agreed and not implemented; no evidence of signed framework agreement and no evidence to demonstrate contract / agreement is properly managed; car park fees not reviewed since 2017 in contravention of Financial Procedure Rules.</p>	<p>The provision of off street parking orders provide an effective governance framework in respect of enforcement procedures relating to charges and FPN. Controls in regard to car park charges and FPN's are generally effective with the exception of the lack of evidence to support the framework agreement and the monitoring of that agreement / contract, this demonstrates controls are ineffective in that area; the Council cannot demonstrate the performance of delivery against the agreed framework agreement.</p> <p>In respect of Car Park maintenance & inspection, the lack of a policy demonstrates ineffective governance arrangements, further controls in that area are ineffective and leave the council at risk of potentially not being able to defend claims.</p>	<p>A management action plan has been agreed which includes the development of a car park inspection policy; off street parking order to be updated to reflect electric vehicles; contract / framework management arrangements will be put in place and performance reported, managed and monitored.</p> <p>A follow up of this review will be undertaken by Internal Audit as part of the 2020/21 Audit Plan.</p>
Tree Inspection & Maintenance	Limited	<p>Controls are operating effectively in respect of suitably qualified and trained staff; accurate information held on each of the Council's trees, works orders promptly and accurately raised.</p> <p>Areas of weakness identified in respect of:-</p> <p>Council does not have a tree inspection and maintenance strategy / policy; shortcomings identified in the systems used to manage date in respect of trees; backlog of outstanding work orders due to category allocated and timescales assigned not aligning, some work orders go back to 2016; budget pressures are an issue due to the lack of correlation between the delivery of service and cost of delivery; increase in trees to be planted by new administration increases risk where no proper inspection regime is in place; issues related to procurement of external contractors and lists of contractors supplied to public; no performance management / reporting in relation to the service.</p>	<p>The lack of a tree inspection and maintenance policy / strategy signifies a lack of the governance framework for the service to operate to, further weakness in control demonstrate that controls are also ineffective in areas relating to tree inspection and maintenance. The risk is likely to increase with the increased tree planting which is a key element of the current administrations corporate plan. The lack of performance management / reporting and the lack of a policy / strategy demonstrates weakness in management controls in those areas.</p>	<p>A management action plan has been agreed which includes:-</p> <p>a formally adopted policy to be implemented Feb 2020; the introduction of a suitable computer system; workload categorized and monitored to ensure future completion dates met, measures introduced to reduce the backlog of work, however, this is hampered by the resource limit (and will be further impacted by CV); in respect of procurement quotes will be sought and evidenced; random auditing of works carried out and discussions will take place in respect of performance management.</p> <p>A follow up review will be undertaken by Internal Audit as part of the 2020/21 Audit Plan.</p>
Performance Management	Limited	<p>Significant issues in relation to the collection, calculation, definition and reporting of performance indicators during 2018/19 and the first quarter of 2019/20. Data collection processes ineffective, no evidence to demonstrate senior officer sign off in respect of accuracy and timeliness, misreporting of performance indicators, lack of compliance with principles of the policy including undertaking an annual review of policies and procedures which was not reviewed since April 2014.</p>	<p>Whilst a policy was in place as it was out of date and changes in operation had been undertaken without amending the policy, the policy was out of date and therefore provided an ineffective governance framework by which to operate. Further significant weaknesses in control demonstrated that the control environment was also ineffective.</p>	<p>A management action plan was implemented and agreed, with input from all Leadership Team. Agreement was sought from Internal Audit relating to implementing new policies and procedures in regard to the collection, calculation monitoring & reporting of Performance indicators, the revised policy and practices are in place and have been operating effectively. A follow up review will be undertaken as part of the 2020/21 Audit Plan, however, involvement from Internal</p>

				Audit in the provision of the revised policy & procedures has provided assurance that significant improvements have already been implemented.
Commercial Properties – Follow Up	Limited	Follow up review due to previous assurance opinion of Limited assurance, management actions not fully implemented relating to the Asset register, revised asset valuations have been undertaken, however, no single record and no evidence to demonstrate all SRBC assets recorded; inconsistent filing and retention of property management records, whilst roles have been appointed, it is only recently so rent reviews and lease renewals have not been completed. Assets have been valued at approx. £2m more than the figure previously included in Insurance renewal quotes.	Failure to reconcile assets against Land Registry records to ensure all assets are accounted for demonstrate a weakness in the governance framework, further lack of and failure of controls in this area indicate that the operation of controls are ineffective, further there are significant risk of financial harm for the Council as rent reviews and lease renewals have not been undertaken on a regular basis and there is no central record of all assets of the Council.	A further management action plan has been put in place and a further follow up review in this area will be undertaken as part of the 2020/21 Audit Plan. Internal Audit will also manage the progress made against this plan on a quarterly basis and report back to Governance Committee.
Shared Services				
Creditors	Limited	There are appropriate Financial Regulations / Procedure Rules in place to provide a robust framework for the system / processes relating to the ordering, receipting and payments for goods and services, the audit reviewed the controls embedded in the key financial system utilised for these processes. A number of significant controls weakness were identified which provide the potential risk of fraud, error and / or allow staff to potentially act beyond their delegated authority in that:- Receipt of goods and payments of invoices that are of significant greater value than the order raised; the failure of officers to review invoice amounts against orders and goods received; the overriding of controls relating to allowed spend, in that a number of officers have access to override the set budget limits for goods and services; no monitoring and / or reporting of use of override facility; orders raised after goods / services received and invoiced; incorrect orders; goods / services receipted prior to physical receipt; lack of supervisory review of Admin users log.	The findings constitute significant breaches of the governance framework that is the Council's Financial Procedure Rules, further the weakness in control leave the Council open to risk of fraud, error, officers acting beyond their delegated authority and could result in material misstatement in the accounts, loss of monies to the Council and inaccurate financial recording and reporting. This demonstrates that the operation of controls in those areas reviewed are ineffective. The findings are contra to the answers in the Service Assurance Statements.	Internal Audit will undertake further work in 2020/21 plan to determine the extent of the potential issues for both Councils, this will require substantive testing of all payments against orders to identify the value and number of invoices paid exceeding order values, this is in order to determine if there is potential for material misstatement or not prior to the audit of accounts. Internal Audit will work with the Section 151 Officer to implement appropriate controls and strengthen rules and regulations in the areas required to address the issues identified. Other audit reviews, e.g., budget monitoring / management will identify if any compensatory controls exist in other areas specifically in regard to the review of payments against orders and goods received. SRBC Financial Regulations are to be reviewed, updated and aligned to CIPFA best practice. A series of training sessions are to be provided to all staff relating to Financial Regulations as part of Governance training.
Procurement – Utilities Contract	Limited	There are robust Contract Procedure Rules in place to ensure that provides a robust framework for the procurement of goods and services to the Council. This review specifically reviewed the Procurement of Utilities for South Ribble BC. The procurement exercise breached all Contract Procedure Rules, rules in respect of Key Decisions, management and reporting rules in respect of responsibilities of Cabinet and rules in respect of legislative requirements both internal to the Council and external in that EU procurement rules were also breached. It was also identified that there the member of staff responsible was new to the Officer role and was not aware of CPR's / Financial Regulation and had not been provided with any training / instruction or support. The procurement exercise that was undertaken is flawed and does not evidence / demonstrate that the Council has achieved best value in regards to the procurement of utilities.	The complete failure of adherence to the governance framework in place demonstrates ineffective governance, the lack of controls does not demonstrate / evidence best value has been achieved. The failure to comply with EU rules and the rules / regulations of the Council leaves the Council open to significant financial, reputational and legislative damage / harm. The operation of controls in relation to Procurement, Decision making and Legal process have not operated effectively in relation to this procurement exercise. The lack of training / support and induction to the new role for the officer demonstrates significant failure in management controls in that area, this has been recognised in the Service Assurance Statement.	A further review of other procurement exercises is to be undertaken by Internal Audit as part of the 2020/21 Audit Plan, a review of high value expenditure against suppliers is in the process of being undertaken to ascertain if there are any other issues relating to breaches of CPR's and Council decision making as part of the 2020/21 Audit Plan. The report relating to the Utilities Contract will be presented to the Director, S151 Officer, Interim Chief Executive, Deputy Chief Executive and Governance Committee. A series of training sessions in relation to Contract Procedure Rules has commenced initially with relevant staff, i.e., those who undertake procurement exercises, this will be extended to all staff as part of the Governance training.