

Crawley Borough Council

Report to the Audit Committee

9th March 2016

Internal Audit Progress Report as at 12th February 2016 Incorporating Risk Management Update as at 9th February 2016

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Report of the Audit and Risk Manager – FIN 382

1. Purpose

- 1.1 The Committee has a responsibility to review the Internal Audit Progress report to ensure that action has been taken by relevant managers on risk based issues identified by Internal Audit.

2. Recommendations

- 2.1 The Committee is requested to receive this report and note progress to date.

3. Reasons for the Recommendations

- 3.1 The Committee has a responsibility to ensure that action has been taken by relevant managers on risk based issues identified by Internal Audit.

4. Background

Work Completed

- 4.1 Since the last report, as at 13th November 2015, the following reviews have been completed:

Audit Title	Audit Opinion
Gas Servicing	Substantial
Procurement	Adequate
Refurbishment of Playgrounds	Substantial
Council Tax	Substantial
NNDR	Substantial

Work in Progress

4.2 The reviews in progress and other work that we have undertaken in the period are shown at Appendix A.

4.3 High priority findings in this period

Procurement Audit Including Transparency Code 2015/2016

Changes to EU Procurement Arrangements

We found that the roll out of the changes made to EU Procurement arrangements was made via the Intranet and by two briefing sessions for CBC officers that was attended by twenty two officers. We recommended that all key officers should attend the further briefing sessions. Management responded that officers were told to contact the Procurement team for any Procurement above £50,000 in order to ensure that the new regulations were being followed. The Procurement team have had an increase in demand for advice and therefore believe there was limited risk of staff using out of date processes. Further briefing sessions were held later in 2015 and an approach was made to all Heads of Service to encourage officers to attend these briefing sessions.

Single Source Supplier

The Council's policy for the use of a single source supplier is for the user department to complete an Exemption Form which is signed by their Director, the Head of Finance, the Head of Legal and Democratic Service, CMT and by the Portfolio Holder. We found that there were five such purchases made, none of which were subject to an Exemption Form being completed. Management have responded that the Procurement pages of the intranet have been updated with a new Exemption Form to be completed. As part of the procurement training sessions officers were reminded of the exemption process.

Transparency Code

We reviewed the Council's first submission of Procurement data for the DCLG's Transparency Code where Local authorities must publish details of every invitation to tender for contracts to provide goods and/or services that exceed £5,000. We found that the Council did not have a process to record and check the details entered on to the template that Officers used for this purpose and that there was no correlation between the data reported and the actual value of the invitations to tender to confirm that the reported data is correct. Management have responded that the Procurement team will be copied into template entries from September 2015. The new Procurement Code makes reference to the requirements of the Transparency Code (section 16) and this was highlighted to officers at the procurement training sessions that took place during the autumn.

We will undertake a follow up audit to confirm that the agreed actions have been implemented and report the outcome of this to the June meeting of this Committee.

4.4 Follow up Audits

There have been no follow up audits undertaken since the last Audit Committee.

4.5 Freedom of Information (FOI) Requests

Between 14th November 2015 and 9th February 2016, we have processed 146 requests and of these, 8 responses were sent to the requester outside of the 20 working day deadline. This was due to annual leave and the complexity of the requests. We wrote to the requester in all cases to apologise for the delay and provided the information as quickly as possible.

5. **Strategic Risks Update**

The following have been identified as strategic risks for the Council:

Disaster recovery and business continuity.

A report to Cabinet on 9th September [Relocation of the Council's Data Centre PAT/25](#) Recommended a more resilient hosting of data by providing a resilient, energy efficient, cost effective and available hosting environment for the IT systems to support our services. Talks have commenced with Surrey County Council to agree a partnership contract for them to host the data centre. Migration planning is underway with an anticipated date of end of March 16 for the relocation to take place.

The Bewbush Centre has been designated as the Council's main alternative site should there be no or limited access to the Town Hall building. If the Data Centre systems remain operational it will be possible for staff to get into the CBC network via remote access. Access would also be possible from other Council sites. Access for up to 50 users would be available at the Bewbush Centre subject to availability of PC's, laptops, etc. However, there would be no network access to staff should the Data Centre not be operational. Once the relocation of the Data Centre has taken place a link between its new location and the Bewbush Centre will be established to provide the necessary level of resilience.

The Government's imposed rent reduction on Crawley Homes properties means that the Council may not be able to deliver against its all plans for the HRA. Staff and Members are looking at mitigating actions to enable the Council to still meet the manifesto commitment on housing delivery.

The Housing and Planning Bill includes -

- Sale of high value homes – payment from HRA to government. Unknown impact at present.
- Market rent for high earners – could increase RTBs or push more households into hardship
- Rent reduction of 1% for next four years

All above will impact on the HRA business plan. The 1% reduction has been modelled, however we are still awaiting details of the high value homes. Mitigating actions are being taken to meet the commitment on housing delivery including new developments at an affordable rent rather than social rent, looking at discounted sale as an alternative tenure option for new developments and a reduced capital programme for existing dwellings.

A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable.

The [Budget Strategy 2016/17 – 2020/21 FIN/368](#) was approved by Full Council on 21st October 2015. The transformation programme of service improvements and efficiencies achieved through systems thinking and other types of review will continue with the aim of continual streamlining of internal processes to reduced waste and duplication, and also to focus on the defined purpose and measures of each service. The budget report to Cabinet on 10 February 2016 [FIN 380](#) shows a transfer to reserves in 2016/17 of £431,634, however there is a budgeted gap in 2017/18 of £1.5m which may result in a transfer from reserves to help smooth out the approach to meeting future gaps. A major reason for the increase in the gap is changes to Government funding including reducing the payments we receive for New Homes Bonus.

Failure to deliver key infrastructure projects as planned, on time and within budget, such as:

- **LEP Infrastructure**

A series of business cases will be put together in order to present proposals to Cabinet for the allocation of the remaining £15 million from the LEP funded Crawley Transport Area package. This funding will need to be fully spent by March 2021. The drafting of these business cases will be co-ordinated by West Sussex County Council – the accountable body for the LEP funding.

- **Three Bridges Railway Station**

On 11th February 2015 [SHAP/43](#), Cabinet approved the allocation of £430,000 of S106 funding towards the delivery of improvement works to the Station Forecourt and this will be spent by March 2017. West Sussex County Council are finalising delivery plans in order to draw down an additional £850,000 of funding from the Local Enterprise Partnership, which will enable completion of the Station scheme. Key issues for delivery are time needed for planning, procuring contractor and phasing works with adjacent schemes. There are legal processes to be completed, land transfer and stopping up of the highway. West Sussex County Council, with CBC and GTR, continue to project manage the issues and risks.

- **Town Centre**

Cabinet approved the final design concept for the Queens Square Environmental Improvement Scheme on 18th March 2015 [PES/169](#), whilst delegating authority to the Head of Economic and Environmental Services to spend up to the allocated budget of £3 million for the Scheme (of which £1.5 million is contributed by West Sussex CC).

- **Cemetery**

Planning permission to create new cemetery at Little Trees was obtained in November 2015. Phase 1 of construction is due to for completion early 2017 which is within the deadline, after which some sections at Snell Hatch Cemetery reach full capacity. Some infrastructure has been delayed to Phase 2 in order to deliver Phase 1 of the project within current budget.

A Local Plan that meets the needs and aspirations of local people, that is capable of being delivered and is acceptable through public examination to the Planning Inspectorate is not achieved.

The plan was approved at the Council meeting held on 16th December 2015
[Minutes of Full Council](#)

Recruitment and retention

Recruitment and retention of key specialist and professional roles. The impact of a period of pay restraint in the public sector combined with an increase in salary levels generally in the South East has led to problems with recruitment and retention in roles such as Economic Regeneration, IT, Project Management and some Housing roles. HR officers are working with managers to ensure we promote these roles effectively. The Council promotes the use of apprenticeships and trainee roles to grow our own skills. There is a recruitment and retention scheme which will allow time limited salary uplifts on appointment but this is only a temporary incentive and it does cause pay inequality within teams.

Background Papers

6.11

Risk Management Strategy [FIN/364](#) Audit Committee 24th June 2015.
Risk Management Strategy – update 24th September 2015 [FIN/371](#)
Internal Audit Plan 2015/2016

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ENDS

Internal Audit Plans 2015/2016

Progress Report as at 12th February 2016

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Gas Servicing	2015/16	Substantial		
Procurement	2015/16	Adequate	3	
Refurbishment of Playgrounds	2015/16	Substantial		
Council Tax	2015/16	Substantial		
NNDR	2015/16	Substantial		
B. Work In Progress				
FOI Requests – day to day work	2015/16			
Disposal of IT Hardware	2015/16			
Payroll	2015/16			
Housing Benefits	2015/16			
Creditors	2015/16			
Sundry Debtors	2015/16			
Cash and Bank	2015/16			
Housing Rents	2015/16			
FMS	2015/16			
Budgetary Control	2015/16			
Asset Management	2015/16			
Treasury Management	2015/16			
Museum	2015/16			
Town Centre Regeneration	2015/16			
Cemetery	2015/16			
DWP CIS Compliance	2015/16			
Data Protection and Subject Access Requests	2015/16			
Other Work				
Mid Sussex District Council	2015/16			Work is ongoing to complete the audit plan by 31 st March 2016
C. Follow Up Audits				