

Crawley Borough Council

Report to the Audit Committee

26th July 2016

Internal Audit Progress Report as at 30th June 2016 Incorporating Risk Management Update as at 30th June 2016

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Report of the Audit and Risk Manager – FIN 386

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 9th March 2016, the following reviews have been completed:

Audit Title	Audit Opinion
Disposal of IT Hardware	Adequate
Payroll	Adequate
Housing Benefits	Adequate
Creditors	Substantial
Sundry Debtors	Substantial
Cash and Bank	Adequate
Housing Rents	Substantial
FMS (Financial Management System)	Substantial
Budgetary Control	Substantial
Asset Management	Substantial
Treasury Management	Substantial
Town Centre Regeneration	Substantial
DWP CIS (Customer Information System) Compliance	Adequate
Data Protection and Subject Access Requests	N/A
BACS	Substantial
Disposal of Deceased Persons' Assets	Limited Assurance

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

DWP CIS Compliance

Administrative Procedures were found to be requiring improvement and measures have been taken to strengthen control in this area.

Payroll

Training

During the course of this review, we made recommendations in respect of training of staff following the CHRIS 21 upgrade.

Disposal of Hardware

Storage of IT Hardware

During this review, IT hardware that was waiting for disposal was examined. It was found that this was not appropriately stored. We also found that a record of the equipment stored, and the information contained therein, was not maintained.

Records of Disposals

At the time of disposal, a reconciliation was not undertaken between items sent for disposal and items confirmed as having been disposed of. This means that it could not be confirmed that all items had been securely and appropriately dealt with.

The Head of People and Technology has agreed that in the future, the issues raised by the audit section will be taken into account and more suitable measures taken. The reconciliation has subsequently been undertaken and all items confirmed as included for disposal.

Disposal of Deceased Persons' Property

When a person dies within the Crawley Borough Council boundary and there is no one prepared or available to take responsibility for the funeral, under Section 46 of the Public Health (Control of Disease) Act 1984 the Council will arrange for the funeral to be held. Under this act, the funeral expenses are the first call on any monies of the deceased person's estate. The Council is empowered under the Act to collect any and all sums of money due or belonging to the deceased and to sell any belongings of the deceased in order to help offset the costs.

We undertook this review at the request of the Community Facilities Manager and agreed actions with him that will improve the control environment.

Standardisation of Procedures

It was found that Community Facilities and Crawley Homes have different procedures for dealing with the property of deceased persons. It has been agreed that a new procedure which standardises the processes will be introduced by the end of July 2016.

Recording and storage of Items

Following discussions with the Community Facilities Manager, record keeping and storage arrangements for property removed have been improved.

We will undertake a follow up review to confirm that the agreed actions have been satisfactorily implemented and will report back our findings at the next Committee meeting in September 2016.

4.3 Follow up Audits

We have undertaken these follow ups since the last Audit Committee.

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 were attended by twenty two officers. We recommended that all key officers should attend the further briefing sessions. The Procurement Team responded that officers were told to contact them 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; 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. We will review this later in this financial year, once the process has been fully established.

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. The Procurement Team has responded that they would 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.

4.4 Freedom of Information (FOI) Requests

Between 10th February 2016 and 30th June 2016, we have processed 272 requests and of these, 20 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:

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.

Cabinet has reallocated £1.5 million of Borough Council capital programme funding, originally earmarked for the Queens Square regeneration scheme, to the Three Bridges station improvements programme. This can then be combined with £500,000 (£430,000 referred to above and £70,000 from Forge Wood) of S106 resources already secured for the station.

The Council is able to reallocate the above amount to Three Bridges station because it has successfully bid to the Coast to Capital Local Enterprise Partnership (LEP) for £1.5 million of Local Growth Fund to invest in the Queens Square regeneration scheme, supported by the County Council. This will be combined with £1.7 million of resources already committed to Queens Square by the County Council.

The original intention was for the Three Bridges station improvement project to receive LEP funding via the Crawley Transport Area Package. However the County Council was unable to obtain confirmation of support from Network Rail in time. The intention is now to progress the scheme using the above combination of resources, working closely with Network Rail.

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.

Blakedown Landscapes have been appointed as the principal contractor to the Queens Square scheme and the actual works are due to commence in August, running for a period of 12 months, with hoardings going up in Queens Square in August.

- **Cemetery**

Planning permission to create new cemetery at Little Trees was obtained in November 2015. Phase 1 of construction is due for completion during 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.

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, Planning, 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.

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

The Housing and Planning Bill included -

- 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 2017/18 – 2021/22 [Fin/386](#) was approved by Cabinet on 29th June 2016. The report highlighted increased income, savings and efficiencies that have already been identified. 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 reduce 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 £0.5m 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.

New and Amended Risks identified by the Corporate Management Team

The rising cost of Homelessness and a failure to meet our duty

The increase in the use of nightly paid Temporary Accommodation is the result of a combination of factors. The buoyancy of the local private rented market has heavily impacted on affordability, with rent levels rarely at the Local Housing Allowance. Therefore the use of the private rented sector for prevention and the discharge of homelessness duty has become increasingly difficult for the Council to achieve. This, coupled with a reduction in the turnover of social rented housing, has resulted in a reduction of other forms of available temporary accommodation driving increased usage of more expensive nightly paid TA. Levels of homelessness are unlikely to fall given the impact of welfare reform, and the government are considering proposals which, if implemented, would widen the Council's existing prevention and accommodation duties. Minor amendments to the Council's allocation policy are being implemented to improve temporary accommodation throughput, and options to increase the supply of temporary accommodation through direct acquisition and the Council's enabling role are being pursued.

Economic Downturn after EU Referendum (added to the budget risk)

This could impact upon the income received by the council such as investment income, car parking, development control and building control. At the same time we could see a slowdown of private sector investment. There could also be a strain on demand led services such as homelessness and housing benefits. The council has invested over £14m in investment properties which have a lease attached to them which guarantees income.

CMT will review 'hotspots' on a monthly basis and report to Members through the quarterly monitoring process.

Failure to Delivery the affordable housing programme (amended housing risk)

The Administration has pledged to deliver 1000 new affordable homes over a four year period and to look to add a further 250 new affordable homes to this programme in year five. Meeting this objective requires a twin track approach through both the Council's enabling role and its own-build programme. Progress is closely monitored on a monthly basis through the corporate Strategic Housing Board and is overseen by CMT. The programme is currently on-track to meet these delivery targets.

Removed from Strategic Risk Register

Local Plan

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](#)

It is likely that a partial review of the Local Plan will be required as a consequence of aspects of the Housing & Planning Act coming into force. Further government guidance is awaited. A decision on additional runway capacity in the South East is also likely to trigger the requirement for a full or partial review of the Local Plan.

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. A partnership contract has been agreed with Surrey County Council for them to host the data centre. Migration planning is underway with an anticipated date of end of September 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. Once the Data Centre is relocated there will be resilient links to this centre so that systems will remain operational and it will be possible for staff to get into the CBC network via these links.. Access will also be possible from other Council sites. Wi fi will allow access for up to 50 users at the Bewbush Centre using laptops and a small number of desktop network points.

Summary of Current Strategic Risks

- Failure to deliver key infrastructure projects as planned, on time and within budget,
- Failure to deliver the affordable housing programme;
- The rising cost of Homelessness and a failure to meet our duty;
- A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable;
- Recruitment and retention of key specialist and professional roles.

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 and 2016/2017

Progress Report as at 30th June 2016

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Disposal of IT Hardware	2015/16	Adequate		
Payroll	2015/16	Adequate	3	
Housing Benefits	2015/16	Adequate		
Creditors	2015/16	Substantial		
Sundry Debtors	2015/16	Substantial		
Cash and Bank	2015/16	Adequate		
Housing Rents	2015/16	Substantial		
FMS	2015/16	Substantial		
Budgetary Control	2015/16	Substantial		
Asset Management	2015/16	Substantial		
Treasury Management	2015/16	Substantial		
Town Centre Regeneration	2015/16	Substantial		
DWP CIS Compliance	2015/16	Adequate		
Data Protection and Subject Access Requests	2015/16	N/A		Superseded by Information Project
BACS	2016/17	Substantial		
Disposal of Deceased Persons' Belongings	2016/17	Limited		
B. Work In Progress				
FOI Requests – day to day work				
Eastbourne Borough Council Peer Review	2015/16			
Museum	2015/16			
Little Trees Cemetery	2015/16			
BACS	2016/17			
Car Parking	2016/17			
Community Centres	2016/17			
Crawley Deposit Scheme	2016/17			
Disposal of Deceased Persons' Belongings	2016/17			
Publication Scheme	2016/17			
Tendering Procedures	2016/17			
Rent Deposit Scheme update	2016/17			Ongoing – verbal update
Other Work				
Mid Sussex District Council	2015/16			2015/2016 audit plan was completed by 31 st March 2016
Mid Sussex District Council	2016/17			Work is ongoing.