

FINAL INTERNAL AUDIT REPORT
ENVIRONMENT AND COMMUNITY DEPARTMENT

REVIEW OF ENVIRONMENTAL PROTECTION 2016-17

Issued to: Jim McGowan, Head of Environmental Protection

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REVIEW OF ENVIRONMENT PROTECTION 2016-17

INTRODUCTION

1. This report sets out the results of our systems based audit of Environmental Protection 2016-17. The audit was carried out in quarter Q3 as part of the programmed work specified in the 2016-17 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on the 9th September 2016. The period covered by this report is from 1st January 2015 to 31 August September 2016.
4. The spend on Coroners Service for 2015/16 was £216,871 and £96,000 for payments to the Mortuary. The total spend on Works in default since April 2015 to date is £1836.40.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

7. We would like to draw to Managers attention the following issues:

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- Invoices raised to recharge for WID are not correctly calculated.
- Invoices are not always raised and set to recover works in default charges
- Purchase orders are not being raised until after the commitment to purchase has been made and are not being raised for an accurate estimated amount.
- Staff undertaking financial activities have not completed the authorities Financial Regulations and Contract Procedure Rules training.
- The department risk register does not include risks for a number of statutory functions under Environmental Protection.
- Contract monitoring of the Corpse Collection contract organised by Croydon Council, is not being undertaken.

It was also identified during the review that 4 contracts in place to utilise MOPAC grant funding, which had recently been procured by Environmental Protection but now transferred to ECHS Strategic and Business Services, had procurement issues which are being addressed by the new department.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. No significant findings were identified in this review.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

10. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>A sample of 5 WID (works in default) were tested to determine that the works have been fully recharged, that any admin charges have been accurately added and VAT has been correctly accounted for.</p> <p>It was also found for WID that the invoice from the contractor was for £156. The charge to the customer should therefore have been £296 (£156 recharged and £140 admin charge). However the request to raise an invoice was for £300 and this was what was subsequently raised. The invoice that was raised was also subsequently cancelled as it had been sent to the wrong address, but not resent.</p> <p>It was also found that one invoice has not been raised despite a request sent to the Exchequer Contractor (the invoice would be for £396).</p>	<p>Income due may not be collected.</p>	<p>The invoice request document should be used to request invoices to be raised for works in default.</p> <p>Confirmation should be received from the Exchequer Contractor of those invoices that have been raised and where debts are outstanding [Priority 2]</p>
2	<p>Testing of a sample of 5 WID found that for all 5 a purchase order had been raised and for all 5 there remains an amount outstanding after payment of the bill. In each case it appears the PO is raised for the total amount of the invoice, though when it is paid, only the net amount is charged to the cost centre and the remainder to the VAT cost code.</p>	<p>The budget can be distorted and not show an accurate impression of the actual position.</p> <p>Invoices could be paid for</p>	<p>Purchase orders should be raised prior to the commitment to spend and closed down where amount is left outstanding on the invoice after paying</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	Each invoice was supported by adequate documentation and a purchase order, However each PO has only been raised once the invoice has been received.	services which are not actually due.	of the invoice. [Priority 2]
3	<p>The corpse collection contract has just been re tendered and the requirement to provide contract monitoring information has been written in to the new contract.</p> <p>The Contract is now with Corpse Collect Contractor A for £138,502 pa. With the previous contractor it was approximately £67k per annum.</p> <p>Despite a number of requests evidence has not been provided that contract monitoring of the service is undertaken.</p>	Insufficient Contract monitoring of the Corpse collection contract may result in issues not being identified.	<p>Contract monitoring should be undertaken of the corpse collection contract by the Coroner, to ensure compliance with the terms of the contract and ensure payments made are justified, given the levels of service. This should include figures of actual collections for each month.</p> <p>[Priority 2*]</p>
4	It was identified that two Officers involved in the invoicing and payment process of Works in Default have not undertaken Financial Regulations or Contracts Procedure Rules training.	Staff requesting the raising of invoices may not be doing so in accordance with	Staff with Financial Responsibilities should undertake Financial

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No.	Findings	Risk	Recommendation
		Financial Regulations	Regulations and Contract Procedure Rules training. [Priority 2]
5	Examination of the ECS contract register identified only one risk in Environmental Protection. Given the number of statutory services under Environmental protection, it is considered that there could be more risks placed on the risk register.	Keys risks relating to Environmental Protection may not be assessed and monitored by the department.	The Head of service should consider reviewing his risks on the departmental risk register to include the Coroners/mortuary service, Dogs service and other statutory areas under his responsibility. [Priority 3]

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p><u>Works in Default</u></p> <p>The invoice request document should be used to request invoices to be raised for works in default. VAT should be correctly accounted for on any invoices raised.</p> <p>Confirmation should be received from the Exchequer Contractor of those invoices that have been raised and where debts are outstanding</p>	2	<p>The Admin Officer responsible for this area of work has agreed that she will process the invoice using this form for all future transaction. She is also due to attend Financial training.</p> <p>The Exchequer Contractors have been asked to confirm to the Admin officer when invoices are sent out.</p> <p>As reports for debts outstanding need access to Oracle, this matter is being discussed with the Department's Finance officer to arrange a regular report showing debts still outstanding.</p>	<p>Head of Service, Jim McGowan</p> <p>Head of Service, Jim McGowan</p>	<p>December 2016</p> <p>December 2016</p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	Purchase orders should be raised prior to the commitment to spend and closed down where amount is left outstanding on the invoice after paying of the invoice.	2	Purchase Orders are raised prior to commitment to spend and the Officers who raise these orders have all been advised that they must not include VAT, such that no amounts are left outstanding when it is closed down.	Head of Service, Jim McGowan	December 2016
3	<p><u>Coroners & Mortuary</u></p> <p>Contract monitoring should be undertaken of the corpse collection contract by the Coroner, to ensure compliance with the terms of the contract and ensure payments made are justified, given the levels of service.</p> <p>This should include figures of actual collections for each month.</p>	2*	This contract lies with the Coroner and is administered by the Consortium lead Borough, which is LB Croydon. Discussions are being arranged with LBC and the Coroner to ensure compliance with the terms of the contract. This will include a requirement for the Coroner to send monthly or quarterly statistics.	Head of Service, Jim McGowan	April 2017

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	Staff with Financial Responsibilities should undertake Financial Regulations and Contract Procedure Rules training.	2	The Admin Officer responsible for this area of work is due to attend Financial and Contract Procedure training.	Head of Service, Jim McGowan	December 2016
5	The Head of service should consider reviewing his risks on the departmental risk register to include the Coroners/mortuary service, Dogs service and other statutory areas under his responsibility.	3	This is in progress	Head of Service, Jim McGowan	December 2016

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OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.