



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

INTERNAL AUDIT REPORT – CARDIFF CHECKS

Report of the Chief Fire Officer

Date: 09 October 2015

Purpose of Report:

To provide Members with the results of the internal audit work undertaken in relation to Cardiff Checks.

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1. BACKGROUND

- 1.1 Members will be aware that as part of their audit programme, the Internal Auditors carry out a “Cardiff Checks” audit each year.
- 1.2 The Cardiff Checks audit is effectively a “cradle to grave” audit of all aspects of procurement and finance relating to a small number of invoices selected as a random sample by members of the Finance and Resources Committee. As Members are directly involved in this audit, it is felt that they will have a particular interest in the audit findings, so the audit report is attached as Appendix A.

2. REPORT

- 2.1 At a previous meeting of the Finance and Resources Committee members were presented with a live view of the Authority’s finance and procurement system (Agresso). A report was run in Agresso in real time, which enabled Members to see the transaction numbers of the hundreds of invoices and expenses claims paid over the year. Members selected ten transaction numbers and were then provided with a report showing the ten transactions either side of the original numbers selected – a total of 200 payments. Further detail of each payment was provided e.g. the payee name, the amount and a description of the goods or services paid for. From this detail Members selected five invoices of interest to them.
- 2.2 The five invoices selected were passed to Internal Audit, who selected three of these for detailed scrutiny. The audit work included a check that all relevant financial and procurement policies, processes and checks were carried out in respect of each of the selected transactions.
- 2.3 The report attached at Appendix A gives the findings of the auditor and makes a number of recommendations. The Authority’s responses to the recommendations are also shown and have recently been returned to Internal Audit.
- 2.4 Invoice number 1 related to the commissioning of Age UK to carry out specific targeted home safety checks. The auditors noted that the original contract specified that payments were to be made in arrears when in fact this one payment had been made in advance. All subsequent payments have been made in arrears as per the contract.
- 2.5 The auditors also noted that there had been no recent monitoring or quality assurance around this contract which, following an internal restructure, is now carried out as a matter of course.
- 2.6 The auditors were also concerned that the costs of this contract were beginning to rise and advised that a review should be carried out to ensure

that value for money was still being achieved. A review of the contract with Age UK has already begun and is due to report later in the year.

- 2.7 The second invoice under review was for the cleaning and repair of Fire Kit (PPE). The auditors made a number of recommendations as a result of their examination. The recommendations and managerial responses (in italics) are set out below:

Tender documentation should be recorded and retained.

See below

Original contracts should be retained for the duration of the contract.

Procurement processes have changed significantly since this contract was tendered, and tender documentation and contract documentation is now retained as a matter of course.

Estimated orders should be issued to ensure the commitment of expenditure is logged on the finance system.

As the value of work carried out can be so variable, a value order will be raised for an estimated amount for the whole year, against which invoices can be processed.

*Responsibility: Equipment Manager
Timing: By 30th September 2015.*

When automated logs are introduced a sample of details of items processed should be extracted and matched to those charged on the invoice.

Sample checks will be carried out when activity logs are automated. The timing of this is not currently known.

Responsibility: Equipment Manager.

Confirmation that the work invoiced has been completed should be advised to Stores who should then complete the goods received process.

See below

Sample checks on prices charged should be introduced to ensure the invoices reflect the prices detailed in the contract/SLA.

Confirmation of work completed for the goods received process can only be carried out for a small sample of items, as the volumes are so high that this could adversely affect the ability to pay the invoice on time if all items were checked

2.8 The third invoice related to vehicle maintenance where the auditors make no recommendations.

3. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report, other than those around financial processes.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no direct human resources or learning and development implications arising from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report does not consider matters of policy. Equality Impact Assessments will be prepared as initiatives are developed.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

Internal Audit forms part of the wider system of internal control which deals with the Authority's exposure to financial and, to some extent, non-financial risk. The recommendations made by Internal Audit are aimed at ensuring that effective risk controls are in place.

9. RECOMMENDATIONS

It is recommended that Members note the contents of this report.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

John Buckley
CHIEF FIRE OFFICER

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Appendix A

Invoice 1 Preventative fire safety checks.

1. Invoice Information

- 1.1 This payment was in respect of Home Safety Checks and related to fire risk reduction actions commissioned by NFRS and provided by Age UK.
- 1.2 The invoice covered the period 1/10/13 to 31/12/13 and was for £2,000.
- 1.3 Payment of the invoice was approved by the Budget Holder.
- 1.4 The invoice was paid on 22nd October 2013 and posted to the correct account code.

2. Summary of Findings

- 2.1 NFRS are required to provide risk reduction services to vulnerable people and selected Age UK to provide these services to elderly residents within the Nottingham City area in 2009. It was considered Age UK could provide the service in a more cost effective manner than NFRS for this group of vulnerable people.
- 2.2 There is a Service Level Agreement (SLA) which defines the services to be provided, various quality measures, charges, payment and review arrangements.
- 2.3 The SLA specifies payments will be made quarterly in arrears. This invoice was paid quarterly in advance.
- 2.4 As the invoice refers to a recurring service it is a non-order invoice and is directed to the Budget Holder for authorisation rather than using the Goods Received Process within the Agresso finance system. Monitoring of the service provided is undertaken by the Risk Reduction Officer. However, no quality assurance visits have been undertaken recently and the results of monitoring are not checked by the Budget Holder who approves the payments.
- 2.5 The SLA relating to the selected invoice specified annual charges of £8,000. The invoice for the service was correctly priced. The current (2014) SLA specifies charges of £20,000 per annum.

3. Recommendations

- 3.1 Payments should be made in arrears in accordance with the SLA.

3.2 Monitoring should include quality assurance visits and the Budget Holder should confirm satisfactory services have been received prior to authorising payment of the invoices.

3.3 Given that charges have increased significantly NFRS should revisit the comparative costing for provision of these services and confirm value for money is still being obtained.

4. Response of the Chief Fire Officer

4.1 Recommendation 3.1: The most recent four quarterly invoices have all been paid in arrears as specified by the SLA and the budget holder will continue to check that the timings of payments are appropriate.
Responsibility: Group Manager, Community Safety
Timing: Already in place.

4.2 Recommendation 3.2: Following the restructure and review of Community Safety, all commissioning arrangements are now managed by a Partnerships and Engagement Officer. An annual review of this SLA, and a quarterly review of Home Safety Check work undertaken by Age UK will be carried out and reported to the budget holder. This will give the budget holder assurance that the services provided are in line with expectations, before authorising invoices for payment.
Responsibility: Group Manager, Community Safety
Timing: Already in place.

4.3 Recommendation 3.3: A review of the commissioning arrangement with Age UK has already started and will be completed later this year. Any recommendations arising will be reported to the Area Manager, Service Delivery.
Responsibility: Group Manager, Community Safety
Timing: by 31st October 2015.

FIRE & RESCUE SERVICE - CARDIFF CHECKS 2014/15

Appendix B

Invoice 2 Cleaning and repair of Fire Kit.

1. Invoice Information

- 1.1 This payment was in respect of the cleaning and repair of personal protective equipment (PPE) during September 2013 and was for £4,430.88 including VAT.
- 1.2 Because the invoice matched the order which was authorised by the Budget Holder, approval of the invoice was automatic. Confirmation of goods received was recorded on 4 October 2013 by stores personnel.
- 1.3 The invoice was paid on 22 October 2013 and was coded to the correct account codes.

2. Summary of Findings

- 2.1 The level of expenditure under this contract requires a tendering process to be undertaken. We were advised that the contract was let in 2007. Organisational and staff changes since this date have meant that current staff were not involved in the tendering process and documentation could not be located. The original contract could not be located although a Service Level Agreement effective since 1 January 2012 was available.
- 2.2 Items of PPE are issued to individual members of staff who maintain a log of dates when items are cleaned/inspected/repared. These logs are checked every six months by managers to ensure items have been processed correctly. There is no check from the logs to the items invoiced. It is intended the logs will be moved to an automated system in the future.
- 2.3 Stores collect and deliver items from retained stations and also handle surplus items which are being returned to stock. The contractor collects PPE from individual full time fire stations and Stores each week and returns processed items the following week.
- 2.4 The contractor records details of the items processed and issues an invoice each month. The invoice examined was dated 30 Sept 2013 and an order for the invoiced amount was authorised on 1 October 2013. An accurate order cannot be issued in advance as the charges for repairs cannot be costed until after inspection and some items will be condemned rather than repaired so there will be no charge for these.
- 2.5 Confirmation of goods/services received was entered onto the finance system by the Stores Group. Stores are not in a position to confirm this information for individual stations and do not undertake a check between items returned to Stores and items invoiced.

3. Recommendations

- 3.1 Tender documentation should be recorded and retained.
- 3.2 Original contracts should be retained for the duration of the contract.
- 3.3 Estimated orders should be issued to ensure the commitment of expenditure is logged on the finance system.
- 3.4 When automated logs are introduced a sample of details of items processed should be extracted and matched to those charged on the invoice.
- 3.5 Confirmation that the work invoiced has been completed should be advised to Stores who should then complete the goods received process.
- 3.6 Sample checks on prices charged should be introduced to ensure the invoices reflect the prices detailed in the contract/SLA.

4. Response of the Chief Fire Officer

- 4.1 Recommendations 3.1 and 3.2: Procurement processes have changed significantly since this contract was tendered, and tender documentation and contract documentation is now retained as a matter of course.
Responsibility: Head of Estates and Procurement
Timing: Already in place.
 - 4.2 Recommendation 3.3: As the value of work carried out can be so variable, a value order will be raised for an estimated amount for the whole year, against which invoices can be processed.
Responsibility: Equipment Manager
Timing: By 30th September 2015.
 - 4.3 Recommendation 3.4: Sample checks will be carried out when activity logs are automated. The timing of this is not currently known.
Responsibility: Equipment Manager.
 - 4.4 Recommendations 3.5 and 3.6: Confirmation of work completed for the goods received process can only be carried out for a small sample of items, as the volumes are so high that this could adversely affect the ability to pay the invoice on time if all items were checked. Sample checks on work completed and on prices charged will be undertaken by the Equipment Section.
Responsibility: Equipment Manager
Timing: by 31st July 2015.
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Invoice 3 Fleet maintenance

1. Invoice Information

- 1.1 This payment was for unplanned vehicle maintenance during September 2013 and was for £5,177.67 including VAT.
- 1.2 The invoice matched the amount of the goods received note on the finance system and was automatically approved for payment.
- 1.3 The invoice was paid on 15 October 2013 and each element of cost was coded to a relevant account code.

2. Summary of Findings

- 2.1 Planned and unplanned maintenance of the brigade's vehicles and associated equipment is provided by Nottingham City Council. The contract was let in 2010 using the Office of Government Governance's Competitive Dialogue Procedure.
- 2.2 The invoice is dated 22 September 2013 and relates to maintenance services provided in August/September 2013.
- 2.3 An annual order for the services during the year was issued in April 2013 and approved by the Head of Finance.
- 2.4 Maintenance worksheets are checked and signed off by the Fleet Maintenance Manager and summarised on the Nottingham City Council system. Summaries are uploaded into the NFRS system and entered onto Agresso via the goods received process. When the invoice is received this is compared to the summary and entered onto Agresso. Because the invoice matched the goods received it was automatically paid.
- 2.5 We confirmed prices charged for a sample of maintenance services agreed with the prices specified in the contract.

3. Recommendations

- 3.1 None.

4. Response of the Chief Fire Officer

- 4.1 No response required.
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