



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: 20 January 2017

Purpose of Report:

To provide Members with the results of the internal audit work undertaken in relation to Cardiff Checks in 2015/16.

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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 been returned to Internal Audit.
- 2.4 Invoice number 1 related to the Cognitive Centre and was in respect of a delegate attending a conference held in April 2015. The cost amounted to £295. The auditor noted that the order was raised on the system at the point the invoice was received and not at the point the commitment was made with the supplier. The recommendation was that orders should be raised at the point of commitment with the supplier and not on receipt of the invoice. This accords with the Authority’s policies and a briefing note has been issued to all Requisitioners highlighting the need to ensure the proper process is followed when procuring goods or services to comply with the Procurement Policy and Financial Regulations.
- 2.5 The second invoice under review was a payment to Trent Cars in respect of taxi fees for the month of February 2015 for work related journeys travelled by an individual employee. The value of the invoice was £238.92 including VAT.

The auditors made a number of recommendations as a result of their examination and these can be seen at Appendix A. In summary they covered the requirement for market testing although it was acknowledged that in this instance a single source of supply form could be completed to justify use of this particular contractor; the need for a formal contract to be in place including an agreed rate of charge; the creation of a value order against which journeys can be “called off” and improved checking of Access to Work claims and invoices. All of the recommendations are accepted.

- 2.6 The third invoice related to legal work undertaken by Browne Jacobson between October 2014 and January 2015. The work amounted to a gross payment of £9,282.72 for seven areas of legal work including areas of capital expenditure and HR issues. The invoice was paid on 25 February 2015. The auditors’ recommendations focussed on the inability to check charges against the procurement framework agreement as a result of a lack in information included on the invoice. This is accepted and discussions will take place with the supplier to request that further detail is included with future invoices to enable sufficient checks to be made when authorising payments.

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

That Members note the contents of this report.

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

None.

John Buckley
CHIEF FIRE OFFICER

FIRE & RESCUE SERVICE - CARDIFF CHECKS 2015/16

Invoice 1 Training

1. Invoice Information

- 1.1 A payment was made to the Cognitive Centre - Internal Invoice No 9059451. This payment was in respect of a delegate attending a conference held in April 2015 and amounted to £295.
- 1.2 The invoice was paid on 25 March and posted to the correct account code which was staff conference expenses.

2. Summary of Findings

- 2.1 The order was raised on the system at the point the invoice was received and not the point the commitment was made with the supplier. As the invoice matched the order payment was made automatically.
- 2.2 The course was specific to the role of the delegate as Fire Setters Coordinator. Fire Setters Coordinators are staff who work with juveniles who deliberately set fires. The delegate is required, as part of their CPD process, to ensure they are up to date with relevant legislation. This was a specialised course and could not have been provided in-house.

3. Recommendation

- 3.1 An order should be raised at the point of commitment with the supplier and not on receipt of the invoice.

4. Response of the Chief Fire Officer

- 4.1 An intranet briefing note will be issued to all Requisitioners highlighting the need to ensure the proper process is followed when procuring goods or services to comply with the Procurement Policy and Financial Regulations.
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FIRE & RESCUE SERVICE - CARDIFF CHECKS 2015/16

Invoice 2 Taxi Fees

1. Invoice Information

- 1.1 This payment to Trent Cars was in respect of taxi fees for the month of February 2015 for work related journeys travelled by an individual employee. The value of the invoice was £238.92 including VAT.
- 1.2 Because the invoice matched the order which was authorised by the Budget Holder, approval of the invoice was automatic.
- 1.3 The invoice was paid on 18 March and was coded to the public transport account code.

2. Summary of Findings

- 2.1 The level of expenditure for this service does not require a tendering process to be undertaken. However as this is a regular arrangement, the market should be tested to ensure that value for money is being obtained. The market was last tested in 2011. This supplier was chosen based not only on the price but also on the level of service required. Despite the regularity of use, there is no formal contract in place with this provider so prices charged can vary.
- 2.2 The user does not receive an acknowledgement at the point a journey is made with the taxi company. The user creates an order on the system to the value of the monthly travel, retrospectively and upon receipt of the invoice. In this instance the order was raised in the accounting system on 9 March 2015 for £239.92 although the order invoice value was £238.92.
- 2.3 The order on the system is authorised by the user's manager following a visual reasonableness test. Evidence of checking of the journeys made is not formally documented, however as part of the audit process we were able to match each journey to supporting documentation confirming the business need for the journey.
- 2.4 The rate charged by the company is only checked for reasonableness. The rate charged per mile is not shown on the invoice for individual journeys. As a result we were unable to confirm that the rate being charged is as agreed with the supplier. An exercise was carried out to establish the rate charged per mile based on the mileage between establishments as shown on the internet. This resulted in charges ranging between £1.28 and £1.97 per mile.
- 2.5 A proportion of the costs of the provision of the taxi service are funded through the Department of Works and Pensions under the Access to Work Scheme. The employer is required to contribute £0.58 per mile (£0.522 at the time of the claim being made) for travel in work and this is deducted from the DWP claim. A review of the reimbursement claim identified errors had been made with the declaration of the mileages which resulted in an under claim of 79 miles (£41.24). Checking of the claim by a second person should have identified the error.

3. Recommendations

- 3.1 The market should be tested periodically to ensure the authority is obtaining best value for money.
- 3.2 A contract agreement should be drawn up for the provision of taxi journeys to the fire authority.
- 3.3 A single provider justification form should be completed in order to comply with Financial Procedures as regular expenditure is incurred with the single provider over the year in excess of £500.
- 3.4 Orders should be processed prior to the commitment with the supplier. This could be achieved by estimating the cost for the year and using a call off system.
- 3.5 The agreed rate of charge should be established in the contract and recorded on the suppliers invoice. Spot checks should be carried out to ensure the company is charging the specified rate.
- 3.6 Access to Work claims to the DWP should be subject to a checking process to ensure all the appropriate mileage claims are correct.

4. Response of the Chief Fire Officer

- 4.1 The Procurement Section will undertake market testing to ensure that the rates being charged are competitive and agree a schedule of rates.
- 4.2 It should be noted that in this particular case the member of staff uses the same supplier for travel to and from work which he partially funds himself. The member of staff is content using the current provider which caters for his guide dog, and the consistency of service is important to him. As such the Equality & Diversity department shall complete a Single Source Supplier Form.
- 4.3 A valuation order will be produced for an annual contract.
- 4.4 The Equality & Diversity Manager will ensure that appropriate checking takes place.

Invoice 3 Legal Charges

1. Invoice Information

- 1.1 This invoice was for the provision of various legal work undertaken by Browne Jacobson between October 2014 and January 2015. The work amounted to a gross payment of £9,282.72 for seven areas of legal work including areas of capital expenditure and HR issues. The invoice was paid on 25 February 2015.

- 1.2 The provision of legal work is exempt from the need to raise an order in the accounting system so no order was raised associated to the payment.

- 1.3 The provision of legal advice is subject to a framework agreement with EM Law Share (a legal services consortium for public bodies).

- 1.4 Due to the nature of the legal work completed, the invoice was subject to approval prior to payment by two authorisers and coded to two separate account codes for the revenue and capital elements of the legal fees.

2. Summary of Findings

- 2.1 A review of the narrative on the invoice does not provide the authoriser with sufficient detail to establish if the charges made are reasonable. As a result it is not possible for the authoriser of the payment to check the reasonableness of the charge made and to ensure it is complying with the framework agreement.

- 2.2 Levels of authorisation of the payments are recorded in the accounting system and detailed within the work flow system. Each project invoiced is authorised separately.

3. Recommendation

- 3.1 The supplier should be requested to provide a more detailed breakdown of the work carried out so the charges can be checked against the framework agreement.

4. Response of the Chief Fire Officer

- 4.1 Discussions will take place with the supplier to request a more detailed breakdown of charges on future invoices, to enable sufficient checking to take place.
