

IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

FINANCIAL CHALLENGE 2011/12

Action plan 1

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| Objectives | Appropriate governance arrangements are in place which provide sufficient management and oversight of financial challenge. |
| Observations | At the outset the financial challenge was to find savings of approximately £9 million (equating to a 25% reduction in grant) over a four year period, and individual projects were set up to achieve this amount. Since then HFRS has received much more favourable funding allocations than expected. However, it is unclear at this time whether this means the full £9 million savings will be required in the remaining years or if these more favourable allocations will continue. Consequently the actual level of savings required could vary considerably from the current calculated worst case scenario (£9 million), which is still being worked towards. Whilst it is prudent to work towards the worst case scenario, due consideration should also be given to which projects (or parts of projects) could/should be continued and which ones could be halted should the opportunity arise. |

Management actions

| What | Priority (High, Medium, Low) | Responsible Officer | SMT | Target date | Date signed off as completed |
|--|---------------------------------------|------------------------|---------------|----------------|------------------------------------|
| Consideration is now being given to balancing savings projects timing and provisional adjustments in future council tax levels to accommodate more and less favourable settlements beyond this Comprehensive Spending Review period. | Medium | Chief Officer | Chief Officer | 19/12/2011 | 19/12/2011 |

Action plan 2

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| Objectives | Appropriate governance arrangements are in place which provide sufficient management and oversight of financial challenge. |
| Observations | Our testing of the overall management of the Financial Challenge programme found a couple of areas which could be enhanced. Our testing of the consideration, monitoring and reporting of risk found that the financial challenge itself is highlighted as a risk in the HFRS risk register, and where relevant, individual work streams have a risk register in place. However, there is not a risk register in place for the overall programme. An overall risk register for the programme could help to identify the risks which may affect more than one workstream, and therefore require closer management, and include additional risks to those for individual projects, such as changes to the savings amount required, or delays in individual projects which impact on other projects. We |

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| | also found that there is not a detailed programme timeplan in place outlining the phasing of work and savings for each workstream. The production of such a timeplan would assist monitoring of the overall programme and to highlight any interdependencies between projects. It would also assist with action plan 1, above. | | | | |
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| Management actions | | | | | |
| What | Priority (High, Medium Low) | Responsible Officer | SMT | Target date | Date signed off as completed |
| A programme risk register will be drafted | High | Financial Challenge Programme Manager/ Performance Review Manager | Chief Officer | 19/12/2011 | 22/12/2011 |
| Programme timeline to be prepared and reviewed as appropriate. | High | Financial Challenge Programme Manager/ | Chief Officer | 19/12/2011 extended to 30/06/2012 | |
| Action plan 3 | | | | | |
| Objectives | Areas identified for potential savings are managed, monitored and costed appropriately. | | | | |
| Observations | At the time we initially started this review an issue had become evident regarding the financial case for the Emergency Catering project, where the amount of savings realised was less than had been expected. This was due to the fact that costs outside of the project's control had been included in their savings figure. Since that time the financial side of the programme has been enhanced and more processes have been put in place to try to ensure that the situation does not arise again. A monitoring spreadsheet has also been established to record actual and forecast savings for each project, which is being monitored at each Financial Challenge Board Meeting. From discussion with the finance section we understand that they will now be more involved in the calculation of savings figures that are presented by project managers. Whilst they have not currently been through the financial cases for all projects to ascertain their appropriateness we understand that this will occur when figures and plans have been developed further. The Financial Challenge Programme Board should ensure that this does occur and that the review is timely, to enable them to have full confidence in the financial assumptions they are working with. | | | | |

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| Management actions | | | | | |
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| What | Priority (High, Medium Low) | Responsible Officer | SMT | Target date | Date signed off as completed |
| Governance and monitoring is now in place | High | Programme Manager and Head of Financial and Office Services | Chief Officer | Immediate | 19/12/2011 |
| Financial Challenge Programme spreadsheet now contains links for owners to obtain further information. | High | Financial Services Manager | Chief Officer | Immediate | 19/12/2011 |

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Revenue Contracts 2011/12

| Action plan 1 | | | | | |
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| Objectives | The organisation has a clear procurement strategy and contracts are let in accordance with procedures and legislation. | | | | |
| Observations | <p>The ICT Security Arrangements for Tenders and Purchases document requires all ICT related goods and services to be risk assessed for security impact and the requirements of the BSI ISO 27001 Security Certificate. Information Services informed us that they were not always involved in or aware of all ICT related purchases and were therefore unable to confirm in advance that spend was in line BSI ISO 27001. In addition, as some existing contracts had been let outside of Information Services they were not always aware of the key contact for the contract, the contract details and renewal/extension terms and dates.</p> <p>Without the involvement of Information Services with procurement, there is a risk that unsuitable ICT hardware or software could be purchased and/or existing contracts are not utilised. Without Information Services involvement or knowledge when renewing contracts, HFRS could commit itself to contracts which are inconsistent with the strategic ICT direction.</p> | | | | |
| Management actions | | | | | |
| What | Priority (High, Medium Low) | Responsible Officer | SMT | Target date | Date signed off as completed |
| A section on the additional requirements for ICT procurement to be added to Service Order 2/2 and circulated to all devolved budget managers. | Medium | Procurement and Contracts Manager | Head of Financial and Office Services | 30/03/2012 | 29/12/2011 |
| All devolved managers will be reminded via e-mail and Routine Notice that an Intranet self-service page exists that identifies contacts to provide advice on procuring specific goods and services. | Medium | Contracts Compliance Officer | Head of Financial and Office Services | 30/01/2012 | 28/02/2012 |
| Any ICT related procurements regardless of size or scale that the procurement function become aware of will be reported to the IS Admin Team. | Medium | Procurement and Contracts Manager | Head of Financial and Office Services | 30/01/2012 | 29/12/2011 |

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| Additional ICT requirements and ISO 27001 awareness to be added to Finance Workshop – procurement presentation. | Medium | Contracts Compliance Officer | Head of Financial and Office Services | 30/04/2012 | 28/02/2012 |
| Revenue Contracts 2011/12 | | | | | |
| Action plan 2 | | | | | |
| Objectives | The organisation has a clear procurement strategy and contracts are let in accordance with procedures and legislation. | | | | |
| Observations | Testing found instances of the long term use of specific suppliers where there is insufficient information to support whether their on-going use is adequately considered. Testing also identified a long standing relationship where the contract was let using the single tender option. However insufficient evidence was available to demonstrate that established Service Orders were followed. Without regular market testing, HFRA may not be obtaining value for money with their long standing arrangements. Unless documented tender processes are followed, there is a risk that HFRA are letting contracts which are inconsistent with established procurement practice. | | | | |
| Management actions | | | | | |
| What | Priority (High, Medium Low) | Responsible Officer | SMT | Target date | Date signed off as completed |
| The contract register will be used to approach devolved budget holders prior to contract renewal, any decision to extend will be documented on the register and held by the devolved budget manager. This will be annotated specifically on e-mails to the devolved budget managers when the contracts register is circulated for update. | Medium | Contracts Compliance Officer | Head of Financial and Office Services | 30/03/2012 - extended to May 2012 due to collecting financial year spend and updating register | |

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| Market testing will be advised in line with best practice. Devolved budget managers will be encouraged to document and store the results of benchmarking or market testing alongside the existing contract. Contract Standing Orders will also be reviewed and updated to include more detail on the need for continued benchmarking of existing supplier relationship management. | Medium | Procurement and Contracts Manager | Head of Financial and Office Services | 30/03/2012 | |
| Where a single tender is approved, details of the authorising officer and reason for awarding single tender will be annotated on the contract register. | Medium | Contracts Compliance Officer | Head of Financial and Office Services | 31/03/2012 | 28/02/2012 |
| Contract Standing Orders will be amended and re-circulated to all managers and this amendment will expand on the current process to document single tender requests. | Medium | Procurement and Contracts Manager | Head of Financial and Office Services | 31/03/2012 | |

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| Creditors 2011/12 | | | | | |
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| Action plan 1 | | | | | |
| Objectives | Official orders are raised and authorised in respect of all goods and services required by HFRS, except for those areas specifically exempt. | | | | |
| Observations | From our testing of a sample of 45 orders (excluding workshops) raised in 2010/11 and 2011/12, we found that eight were raised after the invoice was received. The correct ordering process as outlined in Service Order/2/2 is not followed and as a result there is a risk that blocked suppliers could be used and that the authorisation process is bypassed. In addition, there is a delay in recording a financial commitment on the system which could lead to inaccurate management information. | | | | |
| Management actions | | | | | |
| What | Priority (High, Medium Low) | Responsible Officer | SMT | Target date | Date signed off as completed |
| We will remind initiators about the correct ordering process. | Low | Financial Services Officer | Head of Financial and Office Services | 31/01/2012 | 06/03/2012 |
| We will consider creating a league table to show by department, the number of orders raised after the date the invoice was received. | Low | Financial Services Officer | Head of Financial and Office Services | 31/01/2012 | 06/03/2012 |

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| Creditors 2011/12 | | | | | |
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| Action plan 2 | | | | | |
| Objectives | Orders for goods and services are placed with the most appropriate supplier in terms of cost, quality and delivery. | | | | |
| Observations | From our review of the Register of Interests, we confirmed that it was completed by all members of the Senior Management Team (SMT) and was up to date. However, the register is not completed by budget managers. As a result, there is a risk that conflicts of interest may not be declared by staff who are able to authorise expenditure. | | | | |
| Management actions | | | | | |
| What | Priority (High, Medium Low) | Responsible Officer | SMT | Target date | Date signed off as completed |
| A declaration is currently made by SMT members and those who are involved in procuring contracts as part of their role. A system will be set up to require all budget holders to declare their interests and update the register. | Medium | Performance Review Manager | Director of Corporate Services | 30/06/2012 | |