



## Governance and Audit Committee – 3 December 2014

### Disabled Facilities Grants

---

#### Purpose of report:

To provide members with an update following the 'limited assurance' findings from the Disabled Facilities Grant Internal Audit Report in February 2014.

#### Attachment(s)

Appendix A: The Welland Partnership Internal Audit Report

---

#### 1.0 Background

- 1.1 As part of the Internal Audit programme a review was undertaken to look at the length of time invoices submitted for completed Disabled Facilities Grants (DFG) were taking to be paid and if delays were found, whether there was a risk that the contractor would be able to claim interest on those invoices due to the length of delay.
- 1.2 The process of invoices being submitted had been changed in September 2013 on request from Care and Repair who at that time managed all of our complex cases. Due to staff resources within Care and Repair they were unable to manage the administration of the invoices and requested that the invoices be paid by the Council rather than payments in full made to them and the contractor invoices being paid by Care and Repair.

#### 2.0 Audit Review and Findings

- 2.1 The internal audit process looked at the current processes and a list of cases paid since the changeover was provided. Audit reviewed the timescales for payments of these invoices with the Encor Finance Team and discussed the processes for payment of invoices with all officers.
- 2.2 The audit review found that two thirds of the invoices paid using the reviewed process had been paid outside of the terms stated on the Contractors invoice. The timescales for payments requested by the contractors varied from 7 to 30 days and late payments by the Council varied from 2 to 58 days.
- 2.3 Part of the delays in payment was due to the delay in the Council receiving the invoice initially from Care and Repair. The contractors were completing the work and the Care and Repair team were then visiting the client to check the works and sign it off. On some occasions there were delays in getting hold of the client to carry out this visit, resulting in the first delay of the invoices being received by the Council.
- 2.4 Once the invoices reached the Council, audit noted that we were then also completing a visit to the property to ensure that we were happy with the work and the work that was signed off by Care and Repair, this added in further delays. The review looked at the proposals at the time of a new Home Improvement Agency contract and how the payments process could be improved and managed in the new contract.
- 2.5 As a result of the above findings the Auditor could only provide a Limited Assurance that the processes currently in place at the time of the audit would mitigate the risk of late payments to the contractors and therefore the risk of contractors requesting a

percentage charge due to late payment.

- 2.6 The outcome of the report was that the processes would continue until the work with Care and Repair ended through the Joint Procurement of a new Home Improvement Agency. It was also agreed that within the specification for this contract the payment process would be clearly set out to ensure that the Council was not put at risk.

### **3.0 Changes to the DFG Process**

- 3.1 As members will be aware, the joint procurement with Wellingborough for a new shared Home Improvement Agency was terminated due to the continuing changes nationally and countywide regarding the implementation of the Better Care Fund, which was preventing a finalised specification from being written. As a result members agreed to take the DFG service back in house and terminate our work with Care and Repair. From the 1<sup>st</sup> October 2014 DFGs are now completed entirely by the in house team at the Council.

- 3.2 The new service has been in place for just over a month and a number of changes and improvements have been made and the service will continue to be reviewed for the foreseeable future.

- 3.3 As a result of moving the service back in house the invoices are sent direct to the council for payment straight away removing a number of stages that Care and Repair were involved in.

- 3.4 The Housing Grants, Construction and Regeneration Act 1996, requires the council to ensure that upon completion of the works that an inspection is undertaken prior to the invoice being paid. This is to ensure that we are satisfied that the work has been completed to our satisfaction and that the works meet the requirement of the client as determined by the Occupational Therapist.

- 3.5 There will be occasions where arranging access with the client causes a delay, especially if they are in hospital etc. However, we are endeavouring to reduce this by liaising more closely with the contractor towards the end of the works so that we can complete a joint final inspection with the contractor and client to deal with any possible snagging issues prior to the invoice being submitted to the council so that payments can be made faster. This process will be kept under review and improvements made where possible.

### **4.0 Equality and Diversity Implications**

- 4.1 There are no Equality and Diversity Implications noted from this report.

### **5.0 Legal Implications**

- 5.1 There are no further legal implications arising from this report.

### **6.0 Risk Management**

- 6.1 Identified risks have been reduced by bringing the service in house and processes will be kept under review to manage any late payment risks.

### **7.0 Financial Implications**

- 7.1 There are no financial implications arising from this report.

### **8.0 Corporate Outcomes**

- 8.1 This paper relates to the following Corporate Outcomes:

- Effective Management
- High Quality Service Delivery
- Good Value for Money

## 9.0 Recommendations

9.1 The Committee is recommended to

- 1) Note the improvements made to DFG payments following the Audit Report in February 2014.

*(Reason: To satisfy auditor recommendations)*

<b>Legal</b>	Power: Housing Grants, Construction and Regeneration Act 1996				
	Other considerations:				
<b>Background Papers:</b>					
<b>Person Originating Report:</b> Jenny Walker, Environmental Protection Manager, 01832 742209, jwalker@east-northamptonshire.gov.uk					
<b>Date:</b> 30 <sup>th</sup> October 2014					
<b>CFO</b>		<b>MO</b>		<b>CX</b>	

(Committee Report Normal Rev. 22)

# INTERNAL AUDIT REPORT



## Disabled Facilities Grants 2013-14

<b>Issue Date:</b>	21 <sup>st</sup> February 2014	<b>Issued to:</b>	Sharn Matthews	Executive Director
<b>Author:</b>	Richard Hastings & Nicola Scott		Mike Deacon	Head of Environmental Services
			Jenny Walker	Environmental Protection Manager
			Glenn Hammons	Chief Finance Officer
			Kelly Watson	Finance Manager

Date: 21st February 2014

# Disabled Facilities Grants Review of Invoice Processing 2013/14

## EXECUTIVE SUMMARY

---

### 1. CONTEXT

A review was requested as part of the 2013/14 annual audit plan, of the processes to pay contractor invoices following completion of works commissioned using Disabled Facilities Grants. This was due to concerns by the Environmental Protection Manager that processes were leading to delays in payment.

### 2. REVIEW

The review determined the current processes in place, the controls within those processes and the performance achieved by those processes.

### 3. FINDINGS

Review found:

- Adequate processes are in place to ensure legitimacy of invoices received by inspecting work prior to the payment of invoices. However currently two inspections are taking place for each piece of work completed, one by Care & Repair Services and one by the Council.

Environmental Protection Manager stated that secondary check is completed as 'there are occasions where we are not satisfied with the end works or some areas are still outstanding and we also have to ensure that Care and Repair are delivering the level of service we expect of them. Even moving forward with the new contract we will be doing some of the final visits to ensure that we are happy with the works';

- Invoices are currently sent from Suppliers to Spire Homes to trigger their inspection and client approval of works, before being sent on to Environmental Protection at the Council and lastly to EnCor Financial Services for payment, only when Environmental Services have completed their secondary inspection and issued a completion notice;
- The Council has an obligation to pay invoices received by the payment terms stated on the Contractor's invoices. Payment terms were found to vary from 7 to 30 days;
- Two thirds of invoices paid using the current process have been paid outside of payment terms due to delays in the process. Late payments varied from 2 days up to 58 days;
- There are significant delays in the Council receiving Invoices from Suppliers, arising from Care & Repair Inspections. For 17 out of the 23 invoices processed using the current process, the delay was over 10 days. Most significant delay was 58 days;
- There were some significant delays in Environmental Protection processing invoices. For 12 of the 23 invoices processed to date, the delay was over 10 days (between the Council receiving the invoice and the invoice being sent to EnCor for payment). Most significant delay was 32 days.
- There does not appear to be a problem in the processing of invoices by EnCor Financial Services. For 21 of the 23 Invoices processed, the Invoices were paid within 9 days of EnCor receiving the invoice. Testing established that of the other two, one was paid in 16 days and the other is yet to be paid.

Due to these findings the Auditor can only provide **LIMITED ASSURANCE** that the processes in place mitigate the risk of late payment to Contractors.

#### 4. OPTIONS

The following options could be considered to improve processes:

- Establish whether Contractor Payment Terms could be extended;
- Determine whether the delay in receiving invoices can be improved by having invoices sent directly to the Council and/or only when work has been approved as fit for purpose;
- Improve the quality of inspections completed by the Care & Repair service by providing further, specific guidance of requirements. This would enable the Council to rely on their inspection and cease duplicate inspections; or
- Accept the risk that action could be taken by Contractors due to breach of payment terms.

#### 5. OUTCOMES

The findings of the process review were discussed with the Head of Environmental Services and the Environmental Protection Manager. It was decided by the Head of Environmental Services and the Environmental Protection Manager that:

- The Council will continue to use the same process until the agreement with the current Care & Repair service provider ends. It is deemed that there is a low level risk that interest could be charged on the remaining outstanding invoices but this risk is accepted by management.
- Going forward the Council will provide a more detailed specification to the new Care & Repair service provider in terms of what is required when inspecting a property and before work should be signed off as complete. By providing a more detailed specification the Council can cease to carry out second inspections of properties and so speed up the overall process.

The new Care & Repair service provider will also be notified that Invoices should be sent straight to EnCor Financial Services at the Council to again speed up the process.

It is anticipated that by removing two time-consuming stages of the process, invoices can be processed in a timely manner when the new contract begins. This will be monitored by the Environmental Protection Manager.

# GLOSSARY

## The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

	<b>Design of Control Framework</b>	<b>Compliance with Controls</b>
<b>SUBSTANTIAL</b>	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
<b>SUFFICIENT</b>	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
<b>LIMITED</b>	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
<b>NO</b>	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

## Limitations to the scope of the audit

Scope of the review was limited to the risk of late payment of invoices as identified by the client, only. No other aspect of Disabled Facilities Grants processing or performance was included in the review.

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.