



**Audit and Risk Management Committee**  
**Monday, 11 March 2019**

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT REVIEW INTO PAYMENTS MADE TO FORGE HOUSE ASSOCIATES LTD</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>

**REPORT SUMMARY**

The purpose of this report is to provide Members of the Committee with the outcome from an Internal Audit review, following a referral made to Internal Audit, regarding concerns that the Council was paying invoices to a company for consultancy services, that is listed on "Companies House" as dissolved and the VAT registration number the company is using is invalid.

**RECOMMENDATION**

Members note the report.

## **SUPPORTING INFORMATION**

### **1.0 REASON FOR RECOMMENDATION**

- 1.1 To provide the Members with assurance that the Council has taken action to address concerns raised by Council Officers, in line with the Anti-Fraud and Corruption Policy and is subsequently taking appropriate action to enhance the Council's control environment and prevent a reoccurrence, by implementing recommendations made by Internal Audit.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options considered.

### **3.0 BACKGROUND**

- 3.1 An initial review of the concerns relating to the payment of consultancy services to Forge House Associates Limited was undertaken by Officers within the Financial Management Team in January 2019 and as a result of the review it was recommended that Internal Audit undertake further work in relation to concerns raised. This work was completed by Internal Audit in early February 2019.

#### **INTERNAL AUDIT REVIEW – PAYMENTS TO FORGE HOUSE ASSOCIATES LIMITED**

- 3.2 The findings from the review identified that despite the Council's procedures being followed correctly in relation to the validation of the change in bank details, ensuring the supplier invoices were arithmetically correct and that the VAT registration number was quoted on the supplier invoices, the Council has paid invoices to a company in good faith that no longer legally exists and whose VAT number has been declared invalid by the tax authorities.
- 3.3 It was found that just prior to and during the Internal Audit review; Officers within the Council had already taken positive steps to address some of the issues raised. However, a number of additional actions are required to correct the current VAT position, strengthen internal control and prevent a reoccurrence. See attached Internal Audit Report – Payments to Forge House Associates Limited, Appendix A for details.
- 3.4 One recommendation in particular which was made and implemented during the review was to commission Internal Audit to undertake detailed reviews, to provide management with assurances regarding the efficiency and effectiveness of the systems in operation in the following areas:
- (i) Verification of the Validity of Supplier VAT Registration Numbers.
  - (ii) Appointment and Employment Status of Interims/Contractors.

## **INTERNAL AUDIT REVIEW – VERIFICATION OF THE VALIDITY OF SUPPLIER VAT REGISTRATION NUMBERS**

- 3.5 The review relating to the Verification of the Validity of Supplier VAT Registration Numbers is currently being undertaken and the outcome will be reported to Members in due course.

## **INTERNAL AUDIT REVIEW – APPOINTMENT AND EMPLOYMENT STATUS OF INTERIMS/CONTRACTORS**

- 3.6 The review relating to the appointment and employment status of Interims/Contractors is currently being undertaken and the outcome will be reported to Members in due course.

### **4.0 FINANCIAL**

- 4.1 There are none arising from this report.

### **5.0 LEGAL IMPLICATIONS**

- 5.1 There are none arising from this report.

### **6.0 RESOURCE IMPLICATIONS**

- 6.1 It is envisaged that the implementation of the recommendations will be carried out with existing resources.

### **7.0 RELEVANT RISKS**

- 7.1 Failure by Officers of the Council to implement the recommendations detailed within the Internal Audit reports, which could result in a reoccurrence.

### **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 Internal Audit consulted with relevant Officers within the Council and has sought guidance from HMRC.

### **9.0 EQUALITY IMPLICATIONS**

- 9.1 There are no specific equality implications arising from this report.

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## **APPENDICES**

Appendix A: Audit Report – Payments to Forge House Associates Limited.  
Appendix A1: Payments to Forge House Associates  
Appendix A2: Timeline of Events  
Appendix A3: Bank Account Change Request  
Appendix A4: Cost Code B8466

Appendix A5: Cost Code F2009

**BACKGROUND PAPERS**

None

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>