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DATE: Thursday 27 November 2014

## **AUDIT SUB-COMMITTEE INFORMATION BRIEFING**

**Meeting to be held on Thursday 27 November 2014**

### **QUESTIONS ON THE INFORMATION BRIEFING**

#### **1 AUDIT INFORMATION BRIEFINGS (Pages 3 - 344)**

Members and Co-opted Members have been provided with advanced copies of the briefing via email. The briefing is also available on the Council website at the following link:

<http://cds.bromley.gov.uk/ieListMeetings.aspx?CId=559&Year=0>

*Copies of the documents referred to above can be obtained from*  
[www.bromley.gov.uk/meetings](http://www.bromley.gov.uk/meetings)

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**FINAL INTERNAL AUDIT REPORT**  
**ENVIRONMENT AND COMMUNITY SERVICES**

**PARKING INCOME AUDIT FOR 2013-14**

**Issued to:** Gavin Moore, Assistant Director, Parking and Customer Services  
Claire Martin, Head of Finance, Environment & Community Services  
Ben Stephens, Head of Parking

**Prepared by:** Senior Auditor (Wandsworth Council of behalf of LBB)

**Date of Issue:** 16 June 2014

**Report No.:** ENV/004/01/2013.

## REVIEW OF PARKING INCOME - AUDIT FOR 2013-14

### INTRODUCTION

1. This report sets out the results of our systems based audit of Parking Income. The audit was carried out in quarter Q4 as part of the programmed work specified in the 2013-14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 3<sup>rd</sup> March 2014. The period covered by this report is April 2013 to March 2014.

### AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

5. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

6. Bromley Council has a contract with Vinci Park for the administration of car parks, maintenance of car parking ticket machines and collection of car parking income from the ticket machines. Cash collected from machines is counted, recorded and banked by Liberata.

## REVIEW OF PARKING INCOME - AUDIT FOR 2013-14

7. Ticket machines are located at surface car parks, on-street parking sites and multi-storey car parks. Parking charges can also be paid by mobile phone, or by credit card (at two multi-storey car parks).
8. 2 out of 3 previous recommendations made by audit in 2012-13 have been partially implemented however the recommendation relating to procedure notes has not been actioned.
9. Audit also followed up a recommendation made by Bexley Council relating to the lack of performance data, however this has now been implemented as The Head of Parking now prepares car parking income and parking usage data.
10. The audit reviewed controls in the following areas: policies, procedures and training; contract monitoring; reconciliation and banking of income; and monitoring and reporting.
11. During the audit the following issues were identified:
  - The procedure notes for the collection and reconciliation of car park income were not version controlled and some require updating;
  - Individual payment reconciliations were reasonably up to date, but had not been performed regularly throughout the year; and
  - Processes for verifying that mobile phone income relating to parking charges is banked require improvement.

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

12. None

### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

13. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

**ACKNOWLEDGEMENT**

14. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation   |
|-----|---|---|--|
| 1   | <p>Audit established that there are procedure notes available for income reconciliations. These procedure notes do not include a version control and now need updating following the introduction of Microsoft Office 2010 in January 2014.</p> <p>Version controls evidence that any changes to procedures have been documented and implemented.</p> <p>Reconciliation procedure documents already in place provide step-by-step procedures to export and compare income reports. Microsoft 2010 requires different processes and these procedure notes therefore require updating.</p> <p><u>2012/13 Findings</u><br/>                     Audit established that there are procedure notes available for income reconciliations. From discussion with the Contracts and CCTV Manager, it was confirmed that the procedure notes had been updated within the last year. However, it was noted that there was no version control included on the procedural documentation.</p> | <p>Cash collection procedures for all car parking income may not be adequate to prevent financial losses.</p> | <p><b>The Car Parking Procedure Manual should include version control which shows most recent review date. Reconciliation procedure notes should be updated to reflect Microsoft Office 2010 procedures. Regular review of procedures ensures that these are up to date and cover all aspects of the process. [Priority 2]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation  |
|-----|---|---|---|
| 2   | <p>The Pay-on-Foot system used for off-street car park meters is Parkare, with Parkeon used for Pay and Display on-street parking meters.</p> <p>Audit established that whilst reconciliations of Parkare and Parkeon system reports had been undertaken, these had not been performed on a regular basis throughout the year.</p> <p>Parkeon reports were extracted to reconcile to income received on the 17<sup>th</sup> January 2014 and this reconciliation covered the period from 9<sup>th</sup> August 2013. Parkare reports were extracted on 18<sup>th</sup> January 2014 and this covered the period from 5<sup>th</sup> August 2013.</p> <p><u>2012/13 Findings</u><br/>                     Audit established that reconciliations of individual credit/debit card transactions from Parkare or Yespay individual transactions listings to the batch reports of the banked amounts produced by Yespay had not been carried out since 11 August 2012.</p> | <p>Errors and income losses may not be identified for some time if regular reconciliations are not undertaken, potentially leading to increased losses.</p> | <p><b>Ensure that all reconciliations relating to Parking income are undertaken on a regular basis [Priority 2]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement



DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation  |
|-----|--|---|---|
| 3   | <p>Audit noted that a mystery shopping exercise was undertaken on 14<sup>th</sup> March 2014, a process which was recommended to be undertaken at least monthly in the 2012/13 audit report. This was the only mystery shopping exercise undertaken in 2013/14.</p> <p>The mystery shopping exercises pay for parking charges by mobile phone, which are then checked against income records.</p> <p><u>2012/13 Findings</u><br/>                     Audit noted that mystery shopping exercises, where parking charges are paid for by mobile phone, and then checked to income records, are due to be conducted annually. However no random mystery shopper checks have been carried out in 2012 to date. Furthermore, on 25 September 2012, the Council's Environment Policy Development and Scrutiny Committee reviewed and recommended a report which advised extending the mobile phone contract, and continue reducing the number of pay and display machines where practical.</p> | <p>If checks are not conducted on mobile phone transactions, there is a risk that payments made by customers may not be received into the Council's bank account, resulting in financial loss to the Council.</p> | <p><b><u>2012/13 Internal Audit Recommendation</u></b><br/> <b>Mystery shopping exercises in respect of parking charges paid for via mobile phones should be conducted at least once a month using various amounts (which correspond to the increments of the parking tariffs), from various mobile phone numbers, and for various parking spaces. Each mystery shopping exercise should be fully documented, and any supporting records should be retained.</b><br/> <b>[Priority 2]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment | Responsibility                      | Agreed<br>Timescale |
|-------------|---|---|--------------------|-------------------------------------|---------------------|
| 1           | The Car Parking Procedure Manual should include version control which shows most recent review date. Reconciliation procedure notes should be updated to reflect Microsoft Office 2010 procedures. Regular review of procedures ensures that these are up to date and cover all aspects of the process. | 2*  | Agreed.            | CCTV Enforcement & Contract Manager | 30 June 14          |
| 2           | Ensure that all reconciliations relating to Parking income are undertaken on a regular basis  | 2*  | Agreed.            | CCTV Enforcement & Contract Manager | 30 June 14          |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority<br>*Raised in Previous Audit | Management Comment | Responsibility                      | Agreed Timescale |
|-------------|---|---------------------------------------|--------------------|-------------------------------------|------------------|
| 3           | <p><b>Mystery shopping exercises in respect of parking charges paid for via mobile phones should be conducted at least once a month using various amounts (which correspond to the increments of the parking tariffs), from various mobile phone numbers, and for various parking spaces. Each mystery shopping exercise should be fully documented, and any supporting records should be retained.</b></p> | 2*                                    | Agreed.            | CCTV Enforcement & Contract Manager | 30 June 14       |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.



**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION, CARE & HEALTH SERVICES**

**DORSET ROAD INFANT SCHOOL AUDIT FOR 2014-15**

**Issued to:** Jean Hiller, Headteacher

**Cc:** Tim Edwards, Chair of Governors  
Schools Finance Team (Final report only)

**Prepared by:** Principal Auditor

**Date of Issue:** 13 August 2014  
**Report No.:** CYP/P21/01/2014

**INTRODUCTION**

1. This report sets out the results of our internal audit review of Dorset Road Infant School carried out in quarter 1 of 2014/15. The school had planned to convert to academy status on the 01 August 2014, however subsequently audit were notified that the conversion had now been postponed.
2. The purpose of this visit is to identify any issues which need to be resolved prior to proposed closure of the accounts, therefore appropriate audit testing was carried out. Due to the delay in conversion to academy status there will have to be another closure audit at the time the Schools converts.
3. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
4. The original scope of the audit was outlined to the school prior to the review. The period covered by this report is from July 2013 to July 2014.

**AUDIT SCOPE**

5. The scope of the audit was to review transactions for the period 10 July 2013 to 10 July 2014 and included payments, leases and contracts, payroll, bank reconciliations and the Commercial Transfer Agreement.

**AUDIT OPINION**

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls in areas reviewed. Definitions of the audit opinions can be found in Appendix A.

**MANAGEMENT SUMMARY**

7. While on site audit sampled primary accounting documents including: expenditure, leases and contracts, payroll records and bank reconciliations. The samples were selected from the period 10 July 2013 to 10 July 2014. There were no issues arising from the testing carried out.
8. Audit also considered the Commercial Transfer Agreement, which has been prepared however due to the postponement of conversion the document was not signed by the Council, the governing body and the School's Academy Trust.
9. The aged creditor report dated 11/07/14 showed no outstanding financial liabilities owed by the school, however the invoice log showed a number of outstanding payments to be made to the school, which the school should recover.
10. The school has submitted timely VAT returns up to June 2014.
11. The school's procurement card was to be forwarded by the Finance Officer to the Schools Finance Team, however this may now be retained by the school until a new conversion date is agreed.

**SIGNIFICANT FINDINGS**

12. None

**ACKNOWLEDGEMENT**

13. Audit would like to thank staff contacted during this review for their help and co-operation.

SCHOOLS OPINION DEFINITIONS

APPENDIX A

As a result of their audit work auditors should form an overall opinion on the extent that actual controls within the school provide reasonable assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

There is a sound system of control designed to achieve all the system and school procedures objectives tested.

Substantial Assurance

While there is a basically sound system and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the schools finances. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to Governors, material income losses.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse.



**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVES DEPARTMENT**

**REVIEW OF IT LICENSES AND ASSET REGISTER AUDIT FOR 2014-15**

**Issued to:** Stuart Elsey, Interim Head of ICT

**Cc:** Mark Bowen, Director of Corporate Services

**Prepared by:** Principle Auditor

**Date of Issue:** 5th November 2014

**Report No.:** CX/051/01/2014

## REVIEW OF IT LICENSES AND ASSET REGISTER AUDIT FOR 2014-15

### INTRODUCTION

1. This report sets out the results of our systems based audit of IT Licenses and Asset register Audit for 2014-15. The audit was carried out in quarter Q1 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on the 16/04/14. The period covered by this report is from 01/01/13 to 01/05/14.
4. Approximately £8,864,546, has been spent on IT licenses across the authority in the last 3 years.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that due to the issue of overpayments on key fobs and licenses for remote working only limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

7. During the audit the following areas were reviewed: Contract performance of the main ICT contract, the largest 25 systems (in terms of spend) were reviewed to ensure excess licenses than were required, were not being held. Adequate records of IT

## REVIEW OF IT LICENSES AND ASSET REGISTER AUDIT FOR 2014-15

assets and licenses are held, arrangements of carrying out maintenance of systems and hardware, policies and procedures for mobile IT working were reviewed, other controls around mobile devices were reviewed. Additionally the review incorporated following up a recent audit investigation into the misuse of mobile phones.

8. Controls were found to be working well in the areas of:
  - The ICT Contractual requirements are being monitored and meet.
  - Sufficient arrangements are in place to ensure maintenance is carried out on IT assets on a regular basis and as required.
  - Accurate asset registers are kept for all types of ICT equipment and contain detailed information of the assets. Processes are also in place to update the asset register and ensure that all newly procured assets are placed on the register and obsolete assets are removed, though it is acknowledged that departments do procure IT equipment outside of the agreement with the IT Contractor and that these are not supported by the contract.
  - Procedures and policy documents highlight security requirements when using mobile devices.
9. However we would like to draw to Management's attention the following issues:
  - Bromley hardware is not security marked
  - The contracts for a number of IT licenses are not listed on the authority's contract register
  - Excess key fobs are being paid for, that are not being used by staff.

### SIGNIFICANT FINDINGS (PRIORITY 1)

10. It was identified during the audit that the authority is paying for key fobs and licenses for remote working, which are no longer being utilised. The authority paid for 2810 fobs at £12.06 when invoiced last year, when in effect it only utilises 1696. 1114 of them were not being used which equates to £13,434. 84. It is likely that we have overpaid for key fobs and licences in the previous year i.e. 2012/13 but Audit has not calculated an amount.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

**ACKNOWLEDGEMENT**

12. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
| 1   | <p>Testing of a sample of 18 IT systems found that in one instance more licenses were held than required, with the result that it would cost Bromley money. This was for the mobile working key fobs, of which Bromley paid for 2810, despite the fact that only 1696 were assigned to staff on the 27/01/14. This equates to approximately £13,400 for 2013/14 , with the contract having been in place for 2 years.</p>  | <p>Licences are not managed effectively.</p>  | <p><b>Excess licenses for key fobs that are not assigned and not required should be reconciled and cancelled.</b><br/> <b>[Priority 1]</b></p>                                 |
| 2   | <p>Discussed with the Interim Head of ICT that Bromley devices are no longer tagged. This was formerly carried out by Facilities Service’s staff and consisted of tagging each device with a label, which could be removed. He expressed his opinion, that this was not very effective and that this method would most likely not result in a device being recovered.</p> <p>As part of the record of assets held serial numbers are recorded.</p> <p>All Bromley built PCs have it inbuilt that they belong to Bromley and will set up to log on via this method. Additionally PC's require network access to amend the software. However this does not cover items such as monitors/IPADs etc.</p> | <p>Controls aren’t in place to ensure missing items are not secure or can be identified as Bromley’s.</p> | <p><b>Consideration should be given to security marking mobile items so should they be lost/stolen, they can be identified as Bromley assets.</b><br/> <b>[Priority 3]</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk                                  | Recommendation  |
|-----|---|---------------------------------------|---|
| 3   | Testing of a sample of 25 items with the highest spend on the IT license subjective code found that 18 were actual IT licenses. Of these 18, 12 were over £100,000. Of these 12, 5 are on Bromley's contracts register, one has ceased to be used, 2 would not be on there (as the systems are shared with other authorities) and 4 are not listed, where they would be expected to be. | Licences are not managed effectively. | <b>The contracts listed in the finding should be placed on the Corporate Contracts register. [Priority 2]</b> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment   | Responsibility | Agreed<br>Timescale |
|-------------|---|---|--|----------------|---------------------|
| 1           | Excess licenses for key fobs that are not assigned and not required should be reconciled and cancelled. | 1   | Once reports have been provided from the IT Contractor a reminder will be sent to Management to request them to confirm active / redundant accounts, where known, and the decision will be taken on the number of tokens required across the council. It is proposed to maintain an additional number of accounts for new starters or 3rd parties as we commission more services, as once the token is removed from the support contract it cannot be added and a complete new token, license and support need to be purchased. Any surplus accounts Above this contingency will be discontinued. ICT are reliant on the leavers process being followed to maintain the correct number of tokens and accounts. | Head of ICT    | March 2015          |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility   | Agreed Timescale                |
|-------------|---|------------------------------------|--|--|---------------------------------|
| 2           | Consideration should be given to security marking mobile items so should they be lost/stolen, they can be identified as Bromley assets. | 3                                  | Security marking provides limited assurance and there are very few that cannot be easily removed without causing damage to the device. therefore we will evaluate the cost for marking, but funding will need to be identified. It should be noted that LBB devices are asset tagged with the Bromley logo and a reference number. | Recommendation not accepted  | NA                              |
| 3           | The contracts listed in the finding should be placed on the Corporate Contracts register.   | 2                                  | ICT are not responsible for several of the contracts, however we will confirm any that we are responsible for and add them to the asset register.<br><br>Agreement from Managers responsible for systems to add to the contracts register.   | Head of ICT<br><br>Head of Asset Management and Strategic Projects and Environmental | March 2015<br><br>November 2014 |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement



MANAGEMENT ACTION PLAN

| Finding No. | Recommendation | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment | Responsibility         | Agreed<br>Timescale |
|-------------|----------------|---|--------------------|------------------------|---------------------|
|             |                |   |                    | Development<br>Manager |                     |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

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Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.



**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION, CARE & HEALTH SERVICES**

**PRE ACADEMY INTERNAL AUDIT OF KESTON PRIMARY SCHOOL 2014-15**

**Issued to:** Mrs Julia Evison, Headteacher

**Cc:** Jo Simmons, Chair of Governors  
Schools Finance Team (Final report only)

**Prepared by:** Principal Auditor

**Date of Issue:** 02 June 2014  
**Report No.:** CYP/P35/01/2014

## **INTRODUCTION**

1. This report sets out the results of our internal audit review of Keston Primary School carried out in quarter 1 of 2014/15. The school converted to academy status on the 01 April 2014.
2. The purpose of this visit is to identify any issues which need to be resolved prior to closure of the accounts.
3. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
4. The original scope of the audit was outlined to the school prior to the review. The period covered by this report is from 1 April 2013 to 31 March 2014.

## **AUDIT SCOPE**

5. The scope of the audit was to review transactions for the period 1 April 2013 to 31 March 2014 and included payments, leases and contracts, payroll, bank reconciliations and the Commercial Transfer Agreement.

## **MANAGEMENT SUMMARY**

6. While on site audit sampled primary accounting documents including: expenditure, leases and contracts, payroll records and bank reconciliations. The samples were selected from the period 1 April 2013 to 31 March 2014. There were no issues arising. Audit also considered the Commercial Transfer Agreement, which has now been signed by the council, the governing body and the School's Academy Trust and there are no issues arising.
7. The aged debtor and creditor reports dated 14/05/14 showed no outstanding financial liabilities owed by the school and no monies owed to the school. Un-paid orders will be overseen by schools finance team on receipt of any invoices due.

8. The school uses an external provider for payroll services and March 2014 salaries totalling £56,007.81 are still to be paid over to the Borough however the school are awaiting the invoice to be prepared by School's Finance Team.

#### **SIGNIFICANT FINDINGS**

9. None

#### **ACKNOWLEDGEMENT**

10. Audit would like to thank staff contacted during this review for their help and co-operation.

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**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION, CARE & HEALTH SERVICES**

**FOLLOW UP REVIEW OF LEARNING DISABILITIES FOR 2013-14**

**Issued to:** Executive Director, Education, Care & Health Services,  
Assistant Director, Care Services (Interim),  
Joint Team Manager, CLDT,  
Assistant Director, Commissioning,

**Cc:** Head of ECH Finance,  
Assistant Director, Strategic Development & Performance,  
Director of Finance,  
Chief Executive

**Prepared by:** Principal Auditor,

**Date of Issue:** September 10th 2014  
**Report No.:** ECH/011/01/2013

## **FOLLOW UP REVIEW OF LEARNING DISABILITIES AUDIT FOR 2013-14**

### **INTRODUCTION**

1. This report sets out the results of our follow up audit of Learning Disabilities. The audit was carried out in quarter 4 as part of the programmed work specified in the 2013-14 Internal Audit Plan, agreed by the Director of Resources and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

### **AUDIT SCOPE**

3. This follow up review considered the Learning Disabilities Audit for 2012-13. The final report gave a nil assurance opinion and was issued in September 2013. This review considers the progress made on implementing the 16 previously agreed recommendations.
4. The methodology used in carrying out this audit was to follow up the cases raised in the previous Internal Audit report, examine a sample of new cases (i.e. post -dating the issue of the previous audit report) from a list requested and supplied by ECH management and review budget monitoring findings that finance undertake. Our results are summarised below.

### **MANAGEMENT SUMMARY**

5. From the previous review, sixteen recommendations were made of which 12 were priority one and four were priority two. Eight recommendations, of which 6 were priority one, were found to have been fully implemented; five (including three priority one recommendations) had been partially implemented; two priority one recommendations, were found to still to be outstanding; and for one priority 1, relating to the panel process, there had been a procedural change. One new recommendation (priority two) has also been made with regard to the authorisation of support plans. Therefore, in our opinion, since the original Internal Audit report, where a nil assurance was given, we can conclude that there has been satisfactory progress towards implementing the audit recommendations, but in some areas specifically timely authorisation of cases and issues identified as a result of budget monitoring, sufficient progress has not been demonstrated on the evidence reviewed.

For the selected sample i.e. original cases to be followed up and new cases to be tested information was reviewed on CareFirst and CareStore. Appropriate officers in the service have been issued with queries during the process and in some instances the information is still outstanding or cases are still being resolved. This is acknowledged in the detailed findings shown in Appendix A that management are still reviewing the cases and Internal Audit will be informed of the outcome.



## **FOLLOW UP REVIEW OF LEARNING DISABILITIES AUDIT FOR 2013-14**

7. It is acknowledged that there has been management action to address findings within the original report, however, issues still remain as summarised below and priority 1 issues at paragraph 9.
- Budget monitoring for 2013-14 identified that circa £126K has been made in mainly overpayments due to a lack of discipline in ending service lines in a timely manner. It should be noted that the majority of the monies have since been recovered or in the process of being recovered. The audit sample testing has identified potential £12.7k of losses which includes overpayments and lost client contributions, which is over and above the £126K. It should be noted that £11k of the £12.7K has been recovered.
  - Case 1 was identified in the original audit, as no service agreement had been set up. This case has still not been resolved although there is ongoing management action to resolve this complex case.
  - For Case 8, this client service ended on 12/4/12 at a cost of £450 per week. This service was not ended until 16/1/13 and was an ordinary residence case. This has resulted in an overpayment of £19,092.86. Management are aware of this case. This will be picked up in the Ordinary Residence Audit for 2014-15.
8. As mentioned above, there is a new recommendation made within this report which relates to the lack of authorisation of support plans.

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

9. As discussed in paragraph 5, 6 priority 1 recommendations have been satisfactorily implemented and 1 recommendation has been superceded by a change in procedures. However, the following issues previously given a priority 1 need to be brought to management's attention:-
- Unauthorised service agreements remaining on Carefirst. Classified as outstanding as there were issues on the original and new cases tested.
  - Recovery of the original overpayment, due to the decision to pay by stream rather than invoice for two cases is under management review. Classified as partially implemented as management are in the process of resolving these two cases.
  - Inadequate budget monitoring undertaken by care management. Classified as outstanding as some cases with issues were still being identified as part of budget monitoring.
  - Contracts not in place as expected. Classified as partially implemented as there some queries on cases with no contracts.
  - Confirmation that all staff have had mandatory training. Classified as partially implemented as some staff still had to be trained on CareFirst.

## **FOLLOW UP REVIEW OF LEARNING DISABILITIES AUDIT FOR 2013-14**

### **DETAILED FINDINGS/MANAGEMENT ACTION PLAN**

10. Appendix A provides information on the recommendations that are being followed-up. Appendix B of this report details recommendations that are being progressed for completion and are re-recommended and any new findings arising during the follow up. The progress made on these recommendations has been acknowledged in the follow up comments but a revised target date should be detailed on the management action plan. Appendix C gives definitions of the priority categories.

### **ACKNOWLEDGEMENT**

11. We would like to thank all staff contacted during this review for their help and co-operation.

| Recommendation  | Management Comment  | Follow-up comments   | Status                    |
|---|---|--|---------------------------|
| <p><b>1. Service Agreement Lines not being set up on Carefirst Services agreements should be set up within CareFirst (with all supporting documentation already in place) and authorised within a timely manner, enabling payment for associated services to be made in respect of the individual client.</b></p> <p><b>Client contributions, where relevant may be collected. Care Management staff should be reminded without delay of this requirement.</b></p> <p><b>Priority : 1</b></p> <p><b>Target Date : Immediate</b></p> <p><b>Responsibility: Assistant Director, Care Services (Interim) / Joint Team Manager.</b></p> | <p>Carefirst refresher training has been rolled out to managers and all staff. Managers are also working with CF to ensure consistency in the forms used within CF and the domains that are used for recording specific events and care package changes</p> <p>No placements are made until £50k waiver has been scrutinised by the AD and passed for authorisation to the Director and PH. Panel papers and ISAs are all agreed and input onto Carefirst and discussed with staff in their supervision sessions.</p> | <p><b>Original Sample:-</b><br/>For the 5 cases previously identified testing was undertaken to confirm that service agreements are set up within Carefirst (with all supporting documentation in place) and authorised in a timely manner. All cases have been implemented with the exception of Case 1. This remains outstanding in July 2014..- see paragraph 7 comment in the management summary.</p> <p><b>New Sample :-</b><br/>For the sample of 28 cases, 26 had no issues but there are findings in respect of 2 cases:-</p> <ul style="list-style-type: none"> <li>• Sample 1, at the time of the audit, the supported living line remains incomplete, namely the service agreement that commenced on 28/8/13 at £446.68 per week. It is not clear if this service line is still required. Also there are two service lines for this client, one commencing 16/9/13 for £103.08 for hydro and another starting 14/7/11 for £2068.88 per week. There is also a query relating to whether this client is fully funded. The Joint Team Manager confirmed that the service lines in this case had been authorised.</li> <li>• Sample 26, had no current service open for supported living at the time of the audit.</li> </ul> | <p><b>Implemented</b></p> |

| Recommendation  | Management Comment  | Follow-up comments  | Status   |
|---|---|---|--|
| <p><b><u>2. Unauthorised Service Agreements</u></b></p> <p><b>Service agreements should be reviewed on a regular basis and if appropriate authorised in a timely manner to ensure that suppliers are paid in a timely manner and that client contributions are collected and that commitments are accurately reflected in the budget.</b></p> <p><b>Priority : 1</b></p> <p><b>Target Date : Immediate</b></p> <p><b>Responsibility:<br/>Joint Team Manager<br/>/Assistant Director, Care Services (Interim).</b></p> | <p>Service agreements now reviewed regularly. Now implemented a tracker spreadsheet – detailing cases, completion of service agreements, detailing all associated costs. These costs are presented as actuals and projected with all details entered into care first and discussed at budget meetings.</p> <p>As detailed above there is a Roll out of all CF training with a particular focus on the financial recording within real time – these issues are also picked up in supervision sessions</p> <p>Central Brokerage Service now established to focus on commissioning placements ensuring that care managers can focus on the</p> | <p><b>Original Sample:-</b><br/>11 cases were revisited from the original sample and the main issues arising are summarised as follows:-</p> <ul style="list-style-type: none"> <li>• Case 2 – originally found that a service agreement commencing 22/10/12 remained unauthorised amounting to 21 weeks at £1437 per week totaling £30,177 remaining unpaid at that time. This has since been authorised. There was also a second service agreement 8/11/12 also unauthorised which amounted to £6,165. This was subsequently authorised on 25/3/13 and ended on 12/5/13. Recent activity has now seen that the fee has since been updated to £1920 per week and authorised on 25/3/13 and the service ended on 1/9/13. This client is now in a residential placement.</li> <li>• Case 3 - originally found that the service started on 14/1/13 and remained unauthorised on the system - weekly care costs £1537.66 (9 weeks amounting to £13,838.94 unpaid at the time of the audit). Recent activity on this case has resulted in the service agreement being approved on 17/4/2013. The weekly cost has been increased to £1827.66 for 6 months only. Concerns were highlighted within the Internal Audit report that it was unclear what safeguards had been put in place to ensure that this does not go beyond six months. A waiver was completed with the proviso that this was for 6 months only and after that time the weekly costs were to reduce to £1537.66. There is a new service agreement from 15/6/13 for the same provider at a rate of £1827.66 that remains current. As at 27/2/14 we continue to pay at £1827.66. Therefore, we have potentially overpaid this</li> </ul> | <p><b>Outstanding</b><br/><b>See rec 1 App B</b></p> |

| Recommendation | Management Comment                              | Follow-up comments  | Status |
|----------------|---|---|--------|
|                | <p>quality of care assessments and reviews.</p> | <p>supplier £290 per week from 14/7/13 to date amounting to approximately £11,020.(March 31<sup>st</sup> 2014).The client contributes £76.80 per week. The original waiver documentation stated that the enhanced amount was to be for 6 months only. The Joint Team Manager produced a panel paper dated 8/8/13 but it does not include a start from date. A recoupment has been made via the stream payments.</p> <ul style="list-style-type: none"> <li>• Case 4 now has a new service agreement commencing 3/2/14 not authorised at £2,980.77 per week; 8 weeks @ £2980.77 = £23,846.16 was outstanding to supplier, if still required, at the time of the audit. This is a residential placement.</li> </ul> <p>The other 8 cases were satisfactorily implemented</p> <p><b>New Sample:-</b><br/>Further testing of 25 new cases revealed that for Sample 1, service commencing 28/8/13 remains unauthorised at £446.68 per week which amounts to approximately £12,507 outstanding, if found to still be required.</p> <p>For the remaining 24 new cases reviewed all were authorised however allowing a 14 day tolerance the following 6 cases were not timely:</p> <ul style="list-style-type: none"> <li>• 14-30 days – Sample 12 (nil client contribution)</li> <li>• 31-60 days- Sample 4, (Nil client contribution), and</li> <li>• Sample 24 (Nil client contribution).</li> <li>• 61-90 days –Sample 14 (Nil client contribution)</li> <li>• 91 days + -, Sample 7, (lost client contributions of £169.94)</li> </ul> |        |

| Recommendation   | Management Comment  | Follow-up comments   | Status                     |
|--|---|--|----------------------------|
|  |   | Sample 17 lost client contributions of £1522). Total losses of £1691.94 and delayed payment to suppliers.  |                            |
| <p><b><u>3.Financial Assessments &amp; Write Offs</u></b></p> <p><b>The cases detailed above should be reviewed and the relevant assessments undertaken where necessary. It should be determined if the financial assessment has been requested by care management to the visiting officers. These cases have resulted in substantial write offs and further potential write offs that could have easily been avoided. Staff should be understand that the implications of not updating Carefirst results in loss of income to the Authority.</b></p> <p><b>Priority : 1</b></p> <p><b>Target Date : Immediate</b></p> <p><b>Responsibility:</b></p> | <p>All cases detailed above have been reviewed and all assessments have been undertaken as necessary. Standard statement added to assessment/review form advising users/carers of possible care charges. There is also now a link from care services procedures into the financial assessment forms and all users should be referred for a financial assessment Managers and Care Managers have been reminded in team meetings and supervision and re-issued with the policy and the link mentioned above. There is now no excuse for financial assessments not taking place No</p> | <p><b>Original Sample:-</b><br/>From the nine cases originally highlighted, eight of the clients have since been financially assessed. For Case 1, this remains outstanding as noted in paragraph 7 of the management summary.</p> <p>It should be noted that since November 2013, referrals are made by the Brokerage team to the financial assessment team desktop via Carefirst.</p> <p><b>New Sample:-</b><br/>A sample of 25 cases was checked; no further issues arose although it was noted that Sample 1 , has CHC funding (continuing healthcare funding, so this was not applicable). No write offs have been found in relation to this service area since the last audit.</p> | <p><b>Implemented.</b></p> |

| Recommendation   | Management Comment  | Follow-up comments  | Status  |
|--|---|---|---|
| <p><b>Assistant Director, Care Services (Interim)/ Joint Team Manager.</b></p>   | <p>placements are to commence until after financial assessment requested</p>  |   |   |
| <p><b><u>4. Overpayments by decision to pay by stream</u></b></p> <p><b>The individual cases should be reviewed and payment should be made by invoices and not stream. Overpayments should be clawed back from the provider, if possible.</b></p> <p><b>Priority : 1</b></p> <p><b>Target Date : Immediate</b></p> <p><b>Responsibility: Joint Team Manager / Assistant Director, Care Services (Interim).</b></p> | <p>All cases identified in the audit have been resolved. It has also been agreed with Finance that we will move to an – invoice payment system as appropriate. The HoS will be working closer with finance to ensure support from central finance is requested earlier and issues resolved with no cost to the council.</p> | <p>A finance officer confirmed that the supplier in respect of Case 31 and Sample 4 have been paid by invoice for December 2013, January and February 2014.</p> <p>The Business &amp; Planning Manager has been working on the reconciliation for these two cases and notified Internal Audit that rather than an overpayment, it was potentially an underpayment as there was a void at the supported living property.</p> <p>The Business &amp; Planning Manager has been liaising with a provider to gather this information. On 2/5/14, a reconciliation had been made and the Business &amp; Planning Manger calculated that an overpayment of £22,958.29 had been made. The Auditor advised on 7/5/14 that a decision would be required in consultation with the Assistant Director, Commissioning and the Head of Finance, EC&amp;HS to comply with financial regulations in regard to recovery of this overpayment.</p> | <p><b>Partially Implemented</b><br/><b>See Rec 2 App B</b></p> <p><b>Internal Audit to be advised of the outcome.</b></p> |

| Recommendation   | Management Comment   | Follow-up comments  | Status   |
|--|--|---|--|
| <p><b>5. Overpayments to providers in respect of Ordinary Residence Claims</b></p> <p><b>Ordinary Residence claims should be effectively monitored to ensure that payments from this Authority cease immediately at the time claims are accepted.</b></p> <p><b>Priority : 1</b></p> <p><b>Target Date : Immediate</b></p> <p><b>Responsibility: Joint Team Manager / Assistant Director, Care Services (Interim).</b></p> | <p>We have now put in place a system for capturing All simple OR cases. The HoS is also working closer with contracts to resolve cases at the earliest possibility – to ensure good practice and efficiency.</p> | <p><b>Original Sample:-</b><br/>4 cases were revisited to confirm that monies had been recouped as expected. Confirmation has been received that all monies have been received for all these</p> <p><b>New Sample:-</b><br/>A sample of cases was selected from the Ordinary Residence spreadsheet.</p> <ul style="list-style-type: none"> <li>• For Case 5, an appointment is due to be made with the relevant local Authority with the aim of rejecting the claim.</li> <li>• For Case 6, this claim was successfully defended and the relevant local Authority was informed on what basis this decision was made.</li> <li>• For Case 7, this case is progressing well and is being followed up with the relevant Authority with a view to them accepting responsibility. It is expected that this case should be transferred to them within the next couple of months.</li> <li>• For Case 8, this client service ended on 12/4/12 at a cost of £450 per week. This service was not ended until 16/1/13. This has resulted in an overpayment of £19,092.86. An invoice was raised on 21/2/13 which still remains unpaid as at 21/3/14 and this will be progressing to court action. It is unclear why the service was not ended until some 7 months later. It appears that this client might be the responsibility of another Borough and checks are ongoing. The Joint Team Manager confirmed that the OR procedures have since been updated to prevent this situation arising again.</li> </ul> | <p><b>Implemented</b></p> <p><b>Internal Audit to complete a planned audit of Ordinary Residence cases in 2014-15.</b></p> |



| Recommendation   | Management Comment   | Follow-up comments  | Status                    |
|--|--|---|---------------------------|
| <p><b><u>6. Duplicate payments to providers</u></b><br/> <b>Care management staff should urgently be reminded of how services should be set up on Carefirst. There should also be greater management checks to ensure that duplicate service lines are not set up.</b></p> <p><b>Priority : 1</b></p> <p><b>Target Date : Immediate</b></p> <p><b>Responsibility:<br/>                     Joint Team Manager / Assistant Director, Care Services (Interim).</b></p> | <p>The new functionality within Carefirst enables managers to run checks/ sequence lines chronology enabling managers to ID and amend duplicate service lines where indicated – as previously mentioned there is a roll out of the training with an emphasis on service lines and recording.</p> | <p>The Joint Team Manager confirmed that all staff within the CLDT team have received Carefirst training. No duplicate payments were found to be outstanding through testing.</p> | <p><b>Implemented</b></p> |

| Recommendation   | Management Comment   | Follow-up comments  | Status                     |
|--|--|---|----------------------------|
| <p><b>7. <u>Interim payments are not recorded within Carefirst</u> CareFirst should be utilised to record interim payments in order that each placement, complete with start, end and weekly rates. Advice should be sort from the CareFirst team in order to ascertain how this should be progressed.</b></p> <p><b>Priority : 1</b></p> <p><b>Target Date :Completed</b></p> <p><b>Responsibility: Joint Team Manager.</b></p> | <p>This Refers to Padua supported living – this was part of a management investigation in 2012. The issue was that no contract was in place for the provider – an interim payment was recorded and put into place.</p> <p>This was a one off - No interim payments are now made.</p> | <p>It was confirmed that this was a one-off and interim payments are no longer occurring.</p> | <p><b>Implemented.</b></p> |

| Recommendation   | Management Comment   | Follow-up comments  | Status  |
|--|--|---|---|
| <p><b><u>8.Inadequate and ineffective budget monitoring undertaken by care management.</u></b></p> <p><b>Budget monitoring needs to be undertaken effectively by care management. Finance should not have to undertake the role of highlighting unauthorised or missing service agreements and duplicate service lines.</b></p> <p><b>Priority : 1</b></p> | <p>As part of supervision financial arrangements, financial commitments and the scrutiny of budget spreadsheet sets are completed and discussed prior to 1:1s and then followed up in 1:1s to escalate any issues.</p> <p><b>Target Date :Immediate</b><br/> <b>Responsibility: Assistant Director/ Joint Team Manager.</b></p> <p>These matters are also discussed with appropriate action taken at pre budget meetings (monthly). HoS and managers are requested to comment on any irregularities within their cost centres</p> <p><b>Target Date :Monthly</b><br/> <b>Responsibility: Joint Team Manager.</b></p> | <p><b>Original Sample :-</b><br/>                     As mentioned previously in finding 2 above, Case 3, was placed 14/1/13, at the weekly rate of £1827.66 for 6 months only, as per the waiver documentation. A new service agreement was commenced on 15/6/13 for exactly the same rate instead of the reduced rate of £1537.66. Therefore an overpayment has been made of £290 per week x 9 months =£11,020. The overpayment has since been recovered via stream payments.</p> <p><b>New Sample:-</b><br/>                     From the monthly budget monitoring report Case 9 was reviewed. It was found that an overpayment of £14.5 K has been made as a service line was not closed in a timely manner. The service was closed on 01/12/13 but this was not authorised until 13/3/14. The £14.5K has since been recovered by stream payments.</p> <p>A review of the monitoring spreadsheets provided by Finance as part of the bi-monthly budget monitoring process showed that:-</p> <ul style="list-style-type: none"> <li>• For financial year 2013-14, just over £126K has been highlighted mainly due to overpayments. It should be noted that £92.5 K has since been recovered, but there is still a lack of discipline by care management in closing service agreement lines in a timely manner.</li> <li>• Since the issue of the previous audit report in September 2013, Finance have identified 10 cases with potential losses totaling £98K.</li> <li>• Furthermore since October 2013, 38 individual cases were identified (this excludes duplicate lines for the same case,</li> </ul> | <p><b>Outstanding</b><br/> <b>See Rec 3 App B</b></p> |

| Recommendation  | Management Comment  | Follow-up comments   | Status   |
|---|---|--|--|
|   |   | <p>two long standing queries Sample 4 and Case 31, as discussed in finding 4 and a line for information only)</p> <p>Of these 38 cases:-</p> <ul style="list-style-type: none"> <li>-14 relate to overpayments/non payments</li> <li>-21 relate to budget information, miscoding and forecasts</li> <li>-3 relate to ad hoc queries</li> </ul> <ul style="list-style-type: none"> <li>• Of the 43 lines of case queries (excluding Sample 4 and Case 31 and the line for information only), 10 are shown as outstanding .</li> </ul>   |  |
| <p><b>9. Contracts</b></p> <p><b>Processes should be urgently reviewed to ensure that core contracts and the relevant individual service agreements should be in place. Care management should be requesting financial assessments to be undertaken as part of this process. The revised policy should be made available to Internal Audit.</b></p> <p><b>The Authority should have the relevant contracts in place with providers.</b></p> | <p>Managers and staff have been reminded that no placements should be made without there first being a contract in place – based on the individuals support plan.</p> <p>At the same time staff request for a financial assessment prior to any placement being made</p> <p>Staff have been reminded of this in supervision sessions and at team meetings</p> | <p>The Joint Team Manager has confirmed that all staff have been reminded through supervision/team meetings that placements should not take place without the required contracts in place.</p> <p><b>Original Sample:</b></p> <p>Confirmation has been sought from Commissioning that the following contracts are in place or have been fully signed for the 8 original cases identified in the audit.</p> <p>Comments from Commissioning state the following:-</p> <ul style="list-style-type: none"> <li>• Case A – there were ongoing discussions regarding the use of this provider. These have now been resolved and the Procurement &amp; Contract Compliance officer will shortly be sending out a contract covering all clients receiving a package of care from them.</li> <li>• Case B– The client is in placement. A contract was sent in May 13 but this was not returned and there has been slippage in chasing up the returns. The provider has now been contacted in March 2014 and they will return the document as soon as possible. Waiver documentation is still</li> </ul> | <p><b>Partially implemented</b><br/><b>See Rec 4 App B</b></p> |

| Recommendation  | Management Comment  | Follow-up comments  | Status |
|---|---|---|--------|
| <p><b>Priority : 1</b></p> <p><b>Target Date :Completed</b></p> <p><b>Responsibility:<br/>Joint Team Manager.</b></p> | <p>Revised policy sent to Internal Audit</p> <p>ISA provided by payments<br/>Care contract provided by contracts.</p> | <p>to be provided.</p> <p><b>New Sample:-</b></p> <ul style="list-style-type: none"> <li>• For Samples 5, 23, 24 and 28 (had contracts for the lifetime of the service user(s) and one until the remaining client moves out. The Department needs to satisfactorily clarify that contracts placed on this basis are acceptable.</li> <li>• For Sample11, the Procurement Officer was not aware that this client was in residence and was not included within the schedule. This client moved in on 19/1/14 and the tenancy commenced on 24/01/2014.A further update has been requested.</li> <li>• For Sample 19, there was no contract in place. The Procurement Officer confirmed on 6/3/14 that the contract with the provider was for different clients and needs to be updated. The Procurement Officer also advised that they would be writing to the provider to put this in place. Internal Audit are awaiting confirmation that this document has been returned. Information has been requested and if provided the report will be updated prior to finalisation.</li> </ul> |        |



| Recommendation  | Management Comment  | Follow-up comments   | Status   |
|---|---|--|--|
| <p><b><u>11.Lack of supporting documentation to support panel approval</u></b></p> <p><b>Panel papers should be readily available to confirm that service agreements are duly authorised.</b></p> <p><b>Priority : 2</b></p> <p><b>Target Date :Completed</b></p> <p><b>Responsibility: Joint Team Manager.</b></p> | <p>There were cases where Agreements in principle were made with estimated costs, these arose out of lack of core contracts. Managers and staff have now been reminded that contracts must be in place - in addition the panel papers must give as much detail as possible so that it can conclude cases and recommend appropriate support and care with any financial impact</p> | <p><b>Original Sample:-</b><br/>A copy of the full panel documentation has been requested for Sample 3.Waiver documentation state that the date of the panel meeting was 29/7/13 for the start date of 17/10/11,but this could not be located within the Central record of LD Panel decisions for 2013.The Joint Team Manager confirmed that the original panel paper could not be located and a replacement document was drawn up and signed of in January 2014 which has now been scanned onto Carestore.</p> <p><b>New Sample:-</b><br/>Testing revealed that out of the 28 cases reviewed, 26 could be located satisfactorily. For 2 cases, panel papers could not be located on CareStore. (Case C and Case D).</p> | <p><b>Partially Implemented</b><br/><b>See Rec 6 App B</b></p> |

| Recommendation   | Management Comment  | Follow-up comments  | Status                    |
|--|---|---|---------------------------|
| <p><b><u>12. Ineffective monitoring of voids</u></b></p> <p><b>Voids should be monitored more effectively and more regularly to ensure that voids are filled efficiently. A comprehensive list detailing all current voids and all supported living schemes should be available.</b></p> <p><b>Priority : 2</b></p> <p><b>Target Date :Compliant</b></p> <p><b>Responsibility: Joint Team Manager.</b></p> | <p>There is now a process for recording all voids, with a forward plan of proposed tenants. This list is circulated to care managers to ensure that any remedial work is undertaken and realistic times are set for planning future transitions into tenancies. This work is being covered by the access worker to ensure consistency and accountability.</p> | <p>The void spreadsheet available at the time of the follow up audit was reviewed. Seven voids were queried along with the length of time that they have remained void.</p> <ul style="list-style-type: none"> <li>• Void 1 – void since 8/1/14 but client identified to move in 24/3/14. Weekly shared costs: £374 pw (includes equal share of night support and shared hours) Zero void rent cost.</li> <li>• Void 2 – void since 2/9/13. It has not been possible to place at this property due to issues with the void room. There has been significant water damage that has taken the landlord 8 months to rectify and decorate. The property became available for rent in the first week of June 2014. During this period we have not paid the care provider shared costs or the landlord void rent.</li> <li>• Void 3 – void since 9/3/14 P4110, Shared costs currently £450 pw (includes night support and shared hours): currently under review with the provider.</li> <li>• Void 4- void since May 2012– From October 1<sup>st</sup> 2013, shared costs £186.26 per week with the provider. Prior to 1.10.13, this was another contractor provided the service with shared care costs of £173.25 pw.</li> <li>• Void 5 – void since 23/12/13. Void cost is £207.50 pw.</li> <li>• Void 6 - void since 11/12/13. There is a cost to the ‘in house’ LD service of providing care into this property that is factored into existing budgets. In situations where there is a void, the in house service will reduce staffing and associated costs where it is able to do so. It is likely that shared costs (such as sleep in costs) will not reduce and therefore the cost will be apportioned against a lower number of clients.</li> </ul> | <p><b>Implemented</b></p> |



| Recommendation | Management Comment | Follow-up comments   | Status |
|----------------|--------------------|--|--------|
|                |                    | <ul style="list-style-type: none"> <li>Void 7 – void since 16/2/14. Increased cost for other tenants during void period. 2 of the tenants at this unit were suffering from dementia. One of them moved on 16/2/14 and a decision was made not to place anybody into 50 Vinson until the remaining tenant with dementia had moved out. This was due to increasing episodes of challenging behaviour and increased staffing whilst a suitable placement was found for him.</li> </ul> <p>The service was able to explain each of the void periods and evidence that attempts are being made to place clients in these properties. The issue remains that lengthy voids are a cost to the Authority as evidenced by the Void 5.</p> |        |

| Recommendation  | Management Comment  | Follow-up comments   | Status   |
|---|---|--|--|
| <p><b><u>13. Care Records</u></b></p> <p><b>Confirmation should be sought by the fundamental review that care records are comprehensive and updated as expected within this service area.</b></p> <p><b>Priority : 2</b></p> <p><b>Target Date :QA review ongoing?.</b></p> <p><b>Responsibility: Joint Team Manager.</b></p> | <p>QA review being completed. Of those identified where outstanding work is needed this has been completed and lessons learnt. As mentioned previously there is now an explicit expectation that care records are completed timely with all appropriate financial and performance data entered.</p> | <p>The Quality Assurance Review is still ongoing as at time of the Internal Audit review. However it is noted that the fundamental review has partly covered this issue.</p> | <p><b>Partially implemented</b><br/><b>See Rec 7 App B</b></p> |

| Recommendation   | Management Comment  | Follow-up comments   | Status   |
|--|---|--|--|
| <p><b>14. Panel Process</b><br/> <b>A new process should be implemented to ensure that all decisions at panel, agreed, not agreed, agreed outside of panel and in principle decisions are logged on a centrally held record detailing all relevant information. All cases should then return back to panel for final sign off.</b><br/> <b>The current process for panel decisions should be reviewed.</b><br/> <b>Processes should be revised to ensure that this does not happen in the future. The need for the continued panel process should also be reviewed.</b><br/> <b>Priority : 1</b><br/> <b>Target Date :In Place</b><br/> <b>Responsibility:</b><br/> <b>Joint Team Manager/ Planning Development Manager.</b></p> | <p>There is now a Panel administrator in place with the responsibility for minuting meetings and collating feedback. These minutes are stored securely and are used to update financial forecasting which are signed off by the panel chair</p> <p>Only in exceptional circumstances will cases be agreed outside of panel –the AD Social Care will need to discuss these with the HoS and authorise with an amendment to the panel papers for final sign off</p> <p>The panel process is currently being reviewed - with a report on the functionality and appropriateness being prepared by the Planning and Development Mgr.</p> | <p>The updated position has been requested from the Planning &amp; Development Manager and the Assistant Director, Strategic and Support Services.</p> <p>It has been confirmed that since the original audit with the implementation of the new brokerage processes, it was agreed that the review of the panel process would be suspended until after full implementation. Since this decision, work has commenced on establishing S.75 arrangement for the provision of adult learning disability assessment and care management. Preparation work for this transfer will include the processes for agreeing placement funding.</p> | <p><b>Change of process. Confirmation to be provided to Internal Audit on outcome of decision.</b></p> |

| Recommendation  | Management Comment   | Follow-up comments  | Status   |
|---|--|---|--|
| <p><b>15. Mandatory Training</b></p> <p><b>Mandatory training should be provided to care managers to ensure that the correct processes are followed.</b></p> <p><b>Staff should be reminded that procedures must be followed at all times.</b></p> <p><b>Priority : 1</b></p> <p><b>Target Date :Ongoing</b></p> <p><b>Responsibility: Joint Team Manager</b></p> | <p>As mentioned previously there is now a roll out of Carefirst training. This refresher training will focus on the expectations of managers on care managers to ensure we are compliant with finance and performance management expectations. The training started 1 month ago and will be on a rolling programme.</p> <p>It is important to note there are some capacity issues with care first staffing – however we are working together to ensure training takes place.</p> | <p>The Joint Team manager confirmed that mandatory training has been completed for all staff within CLDT. All staff have now completed Financial Regulations and Contract Procedure Rules training.</p> <p>The auditor was notified that Carefirst training is ongoing, as capacity issues within the support team have limited the number of visits.</p> <p>The Systems Support Officer confirmed that Carefirst training delivered to date is as follows:-</p> <ul style="list-style-type: none"> <li>• One officer has completed refresher/new user training on 21/2/14.</li> <li>• One officer had new user training on 3/2/14</li> <li>• Two officers had training on service agreements on 3/2/14</li> <li>• Three officers had training on ad hoc queries on 3/2/14</li> <li>• One officer had training on assessments and minor ad hoc queries on 3/2/14.</li> <li>• Twelve officers had completed no training.</li> <li>• Two officers had completed training last year details of which unknown as the trainer has since left the department. The Joint Team Manager provided the Auditor a copy of the training plan on 13/5/14 but this was found not to be up to date and incomplete.</li> </ul> | <p><b>Partially Implemented</b><br/><b>See Rec 8 App B</b></p> |

| Recommendation   | Management Comment  | Follow-up comments   | Status                     |
|--|---|--|----------------------------|
| <p><b>16.Fundamental Review</b><br/> <b>The Director, Education, Care &amp; Health Services should undertake a fundamental review in order to provide assurance to confirm all issues highlighted by this report as well as those highlighted over the last six months by the Assistant Director, Finance, have been addressed and the required action has been taken in order to prevent further losses.</b><br/> <b>The department should employ a dedicated, temporary resource, independent from the staff in care management to ensure that the information held within Carefirst is accurately reflected and is complete and up to date.</b><br/> <b>Priority : 1</b><br/> <b>Target Date :Immediate</b><br/> <b>Responsibility:</b><br/> <b>Director of Education Care &amp; Health Services.</b></p> | <p>Director of ECHS commissioned a management review, management investigation and QA review of all case work. Revised operating procedures resulting from these actions are reflected in the points above.</p> | <p>The Executive Director Education, Care &amp; Health Services has confirmed that a fundamental review was undertaken. As a result of the original audit the following action was taken:-</p> <ul style="list-style-type: none"> <li>• Management Investigation</li> <li>• Quality Assurance Review</li> <li>• Review of CLDT cases (80 Sampled) by officers outside the team.</li> <li>• Establishment of Social Work Improvement Board</li> <li>• Regular DMT reports</li> <li>• Changes to supervision for staff.</li> </ul> | <p><b>Implemented.</b></p> |

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment   | Responsibility   | Agreed Timescale                                     |
|-------------|--|------------------------------------|--|--|--|
| <u>1</u>    | <p><b><u>Unauthorised Service Agreements</u></b></p> <p><b>Service agreements should be reviewed on a regular basis and if appropriate authorised in a timely manner to ensure that suppliers are paid in a timely manner and that client contributions are collected and that commitments are accurately reflected in the budget.</b></p> | 1*                                 | <p>A weekly Boxi report is sent to care management and brokerage (care placements team) and <u>if appropriate</u> they are authorised. Unauthorised service lines remain unauthorised for legitimate reasons e.g. the non-return of a contract or ISA by a provider or service user.</p> | <p><b>Joint Team Manager, CLDT and Strategic Commissioner, Client Resources.</b></p> | <p><b>Implemented July 31<sup>st</sup> 2014.</b></p> |
| <u>2</u>    | <p><b><u>Overpayments by decision to pay by stream</u></b></p> <p><b>The individual cases should be reviewed and payment should be made by invoices and not stream. Overpayments should be clawed back from the provider, if possible. Management to advise Internal Audit of outcome of management review of these cases.</b></p>         | 1*                                 | <p>Overpayment of £22,958 – Following reconciliation and having considered the supporting information AD Commissioning has agreed to write off the historic overpayment and is seeking agreement from Head of Finance.</p>   | <p><b>Assistant Director, Commissioning.</b></p>                                     | <p><b>December 31<sup>st</sup> 2014.</b></p>         |

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility                   | Agreed Timescale                   |
|-------------|---|------------------------------------|---|----------------------------------|------------------------------------|
| 3           | <p><b><u>Inadequate and ineffective budget monitoring undertaken by care management.</u></b></p> <p><b>Budget monitoring needs to be undertaken effectively by care management. Finance should not have to undertake the role of highlighting unauthorised or missing service agreements and duplicate service lines.</b></p> | 1*                                 | In the scheduled bi-Monthly Budget Monitoring meetings, cases with queries are reviewed line by line and remedial action is taken where appropriate/possible. | <b>Joint Team Manager, CLDT.</b> | <b>Implemented July 31st 2014.</b> |

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility                     | Agreed Timescale                  |
|-------------|---|------------------------------------|--|------------------------------------|-----------------------------------|
| 4           | <p><b><u>Contracts</u></b><br/> <b>Processes should be urgently reviewed to ensure that core contracts and the relevant individual service agreements should be in place. Care management should be requesting financial assessments to be undertaken as part of this process. The revised policy should be made available to Internal Audit.</b></p> <p><b>The Authority should have the relevant contracts in place with providers.</b></p> | 1*                                 | <p>Contract with provider covering all clients signed and returned by provider.</p> <p>Contract signed and returned by provider. £50k waiver located.</p> <p>These are small shared tenancies within which the care is linked to the landlord and which originally predate the framework for LD supported living. Contracts were set up in accordance with practice at the time. These have been reviewed to establish vfm and opportunities will be sought as clients change to explore whether there could be alternative arrangements. However options may be limited.</p> <p>Variation to contract to cover this client has been completed (forms part of overarching contract).</p> <p>Contract in place for client with provider at time of audit.</p> <p>Contract updated and returned from 2/4/14.</p> | Assistant Director, Commissioning. | Completed. Implemented July 2014. |



| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility   | Agreed Timescale  |
|-------------|---|------------------------------------|---|--|---|
| 5           | <p><b><u>Authorisation of support plans</u></b></p> <p>All support plans should be suitably authorised. There should only be one document that is current. It should be confirmed when this is being rolled out to the LD team.</p> | 2                                  | <p><u>This is an issue for all service user groups not just LD.</u> The matter has been discussed at the LBB CareFirst consistency group where it was decided that as the needs identified within support plans pull through to assessments and reviews automatically, appropriate authorisation takes place when assessments and reviews are authorised.</p> | <p><b>Joint Team Manager (CLDT)/ Carefirst Consistency Group.</b></p>          | <p><b>Completed. Implemented July 31<sup>st</sup> 2014.</b></p> |
| 6           | <p><b><u>Lack of supporting documentation to support panel approval</u></b></p> <p>Panel papers should be readily available to confirm that service agreements are duly authorised.</p>   | 2*                                 | <p>Are scanned into Carestore by the panel administrator. The CF support Desk has drafted a LD panel paper which has been issued for comments.</p> <p>Panel process currently still in place (improvements documented in audit report) but subject to agreement regarding future process for authorising spend.</p>   | <p><b>Joint Team Manager, CLDT and Planning &amp; Development Manager.</b></p> | <p><b>March 31<sup>st</sup> 2015.</b></p>                       |
| 7           | <p><b><u>Care Records</u></b></p> <p>Confirmation should be sought by the fundamental review that care records are comprehensive and updated as</p>   | 2*                                 | <p>The fundamental review has been completed and a Quality Assurance Audit was completed in June 2014 concluding that practice standards were good with elements of excellent practice.</p>   | <p><b>Joint Team Manager, CLDT.</b></p>  | <p><b>Implemented September 30<sup>th</sup> 2014.</b></p>       |

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility                                    | Agreed Timescale                   |
|-------------|---|------------------------------------|---|---|------------------------------------|
|             | expected within this service area.  |                                    |   |   |                                    |
| <u>8</u>    | <p><b><u>Mandatory Training</u></b></p> <p>Mandatory training should be provided to care managers to ensure that the correct processes are followed.</p> <p>Staff should be reminded that procedures must be followed at all times. Internal Audit to be advised when this task is completed.</p> | 1*                                 | CF training has continued and is ongoing, dependent on the capacity of the CF helpdesk. | Joint Team Manager, CLDT/ Carefirst Support Team. | <b>March 31<sup>st</sup> 2015.</b> |

**Priority 1**

**Required to address major weaknesses  
and should be implemented as soon as  
possible**

**Priority 2**

**Required to address issues which do not  
represent good practice**

**Priority 3**

**Identification of suggested  
areas for improvement**

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**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF PURCHASING CARD AUDIT FOR 2014-15**

**Issued to:** Dave Starling, Head of Corporate Procurement  
Claudine Douglas-Browne, Exchequer Manager

**Cc:** Peter Turner, Director of Finance (Final Report Only)

**Prepared by:** Principal Auditor

**Date of Issue:** 22nd July 2014

**Report No.:** CX/055/02/2014

## REVIEW OF PURCHASING CARD AUDIT FOR 2014-15

### INTRODUCTION

1. This report sets out the results of our systems based audit of Purchasing Card Audit for 2014-15. The audit was carried out in quarter Q1 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on The period covered by this report is from 1<sup>st</sup> April 2013 to 1<sup>st</sup> April 2014.
4. In 2013-14 a total of £337436.13 of expenditure was made using purchase cards in 5285 transactions. 68 Cards are held by former CYP, 27 by Environment, 16 by former ACS, 7 each for Resources and Regeneration, 5 for Legal and Democratic Services and one for the Chief Executives.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that Limited Assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

## REVIEW OF PURCHASING CARD AUDIT FOR 2014-15

7. Section 8.34 of Financial Procedures states that Purchasing Cardholder Procedures must be complied with as applicable, whilst Section 1.5 of the Financial Regulations requires that Each Chief Officer is responsible for ensuring that these Regulations are strictly adhered to, throughout the department under their control. The responsibility for the approval and monitoring of transactions and all types of expenditure is entirely delegated to Managers. Corporate Procurement carry out training for new card holders whilst, basic administration is carried out by the Finance Officer, Exchequer Services. A business case is created for all card holders and approved by the relevant Manager and Line Manager. It is the relevant Line Manager's responsibility to monitor all transactions to ensure they comply with Financial Regulations and Contract Procedures Rules and to inform Exchequer services if the person is leaving and to hand back the purchase card..
8. All issues identified in this report are covered by stated requirements within Financial Regulations/Procedures (FP's), Contract Procedure Rules and Purchase Card Holder Procedures.(PCHP). All Card users and Approvers receive training on receipt of their Cards on the requirements of the PCHP's. Managers have also been required to identify and nominate staff involved in Finance/Procurement activity to undertake a specific IT based training package on Financial Procedures and Contract Procedure Rules (CPR's). All documents referred to are available and included on "One Bromley.
9. Controls were in place and working well in the areas of:
  - Requirements have been put in place to ensure staff are only given a purchase card once they have undertaken the Purchase Card training and have activated their MiVision account.
  - Staff are only issued a card upon the approval of their Manager, Head of Finance and Internal Audit.
  - Reconciliation of MiVision transactions to HSBC invoices is regularly undertaken.
  - Adequate controls are in place to prevent card holders spending over predetermined limits and allocating expenditure to the correct cost centres.
10. However we would like to draw to Managements attention the following issues:
  - Controls are insufficient to prevent staff leaving without returning their purchase cards
  - Some card Holders and Approvers who have been set up for over 2 years are not aware of the current procedures
  - A number of Staff are being issued a purchase card who have not undertaken Financial Regulations or Contract Procedure Rules training.

## REVIEW OF PURCHASING CARD AUDIT FOR 2014-15

- Transactions are being coded to the wrong subjective code.
- Cards have been issued with little or no use being made of them, although some of these are for emergency control purposes.
- Contract Procedure Rules and Purchase Card Procedures state staff are not to split transactions, however there are no actual controls in place to prevent card holders from splitting transactions across two cards.
- Management are not ensuring that card holders are promptly processing transactions
- Instances have been identified where sections and staff are sharing cards
- Departments are not retaining receipts and invoices as required.
- Expenditure is being made which is not in compliance with Financial Regulations/Procedures and CPR's and which there are not specific business needs.
- VAT is not being claimed in several instances at a cost to this authority.

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

11. Three significant findings were identified. One Significant Finding was : Examination of all the transactions for February 2014 found that VAT had not been accounted for 110 of the 424 transactions that took place. It was calculated by the Auditor that although £590.70 of VAT was accounted for, £1121.1 was not, where it could have been.

Testing of a sample of 25 transactions found that in seven instances, VAT was not accounted for. Three of these transactions actually stated the amount of VAT on the receipt, but was not input. In the other 4 instances a VAT receipt or invoice was not received or kept. In 4 instances no copy of the receipt or invoice was provided.

12. The second significant finding was that it was identified that 4 card holders have not retained copies of their receipts as requested by the procedure (covering 22 transactions) documents. It is thus not possible to accurately determine if expenditure incurred was for a business need and if VAT had been correctly accounted for.
13. The final significant finding was that of the transactions that were made between 1/04/13 to 31/03/14 it was found that on numerous occasions transactions had been made to the same supplier on the same day. In 8 instances the spend with the



## REVIEW OF PURCHASING CARD AUDIT FOR 2014-15

supplier has been more than £500 and for 4 of these it is apparent that a spend over £500 has been split across 2 cards. Specific requirements are included within the CPR's, PCHP's and Financial Procedures and Regulations on all of these matters.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

14. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

15. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation   |
|-----|--|--|--|
| 1   | <p>The list of all purchase card holders at 25/04/14 was obtained and a list of all leavers from the authority from 01/01/13 to 30/04/14. The two lists were matched, to determine if any leavers of the authority still had a purchase card and it was found that 4 former employees still had an active card. Usage was checked and it was found that one card had been used after the leaving date. On subsequent investigation it was found this member of staff had been taken on as a temporary employee, in the same position she had previously had.</p> <p>During the audit it also came to light that another former member of staff who had a purchase card, had left the authority to move to Liberata and still had an active purchase card. This was cancelled. There is a planned 2014/15 audit of procedures for leavers , however hand back of purchase cards has been identified in this audit as an issue and should be addressed in this report.</p> | Leavers of the authority could still continue to use their purchase card.                        | <p><b>Controls should be put in place to ensure staff , who are leaving the Authority, do not leave with an active purchase card.</b><br/> <b>[Priority 2]</b></p> |
| 2   | A report has been run for all transactions for 2013-14 which highlighted those transactions which have not been approved by the Manager. It was identified that there are 2 transactions (totalling £226.76) which have not been approved by a Manager after one year. There are 24 transactions which   | Cardholders and Approvers might make expenditure that does not comply with financial regulations | <p><b>Staff should be offered refresher training or a reminder about updates to procedures should be sent to cardholders and</b></p>                               |

Page 66

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation  |
|-----|--|--|---|
|     | <p>remain unapproved after 3 months (£1661.50) and 128 transactions awaiting approval over a month (£17738.67).</p> <p>An email sent to all purchase card holders and Approvers on the 25/06/14 advising them of updates to the Purchase Card Procedures and requirement of what must now take place.</p>  |  | <p><b>approvers [Priority 3]</b></p>  |
| 3   | <p>Testing of a sample of 10 new cardholders and 10 existing card holders found that all had passed their probation period, except one (though this member of staff had been an employee at Bromley for 8 years). Further testing however found that 8 had not completed either Fin Regs or CPR course, 6 had only passed the Fin Regs course and 1 had only passed the CPR course.</p> <p>Have identified that of the 132 members of staff who have a purchase card, 76 haven't passed CPR course and 52 haven't passed Fin Regs course. A list of officers in this category will be provided on acceptance of this recommendation.</p> | <p>Staff may make purchase that are not compliant with Financial Regulations or Contract Procedures.</p> | <p><b>Staff who are issued a purchase card should have to undertake the interactive Financial Regulations and Contract Procedure Rules Training. [Priority 2]</b></p> |
| 4   | <p>Testing of a sample of 25 transactions found that of the 22 that have been approved, 7 had not been coded to the correct subjective, including a rent deposit and purchase of two</p>   | <p>Accurate budget monitoring won't be able to be carried out due to incorrectly coded</p>               | <p><b>Staff should be reminded to code transactions to the correct subjective</b></p>   |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation  |
|-----|--|---|---|
|     | keyboards that were coded as staff travelling expenditure.   | transactions.   | code.<br>[Priority 2]   |
| 5   | It was identified that 21 cards which were still active, have had no expenditure in 2013/14 (four of these are held for emergency control reasons). It was also found that 11 cards have had less than 10 transactions in the year and a total of less than £500 of expenditure and 3 cards where less than 10 transactions have taken place, but more than £500 expenditure has been made. Twenty six cards have only had between 10 and 20 transactions in the year.   | All cards are at risk of being cloned or stolen. The greater the number of cards, the greater the risk this could happen. | <b>Management should review those cards that have been issued to staff with little or no use.</b><br>[Priority 2]   |
| 6   | Testing of the transactions that were made from 1/04/13 to 31/03/14 found that on numerous occasions transactions had been made to the same supplier on the same day. In 8 instances the spend with the supplier has been more than £500 and for 4 of these it is apparent that a spend over £500 has been split across 2 cards. This is a direct breach of Contract Procedure Rules sections 1.2 and 8.1.3, where sections break work up into smaller packages, to get under authorisation thresholds and therefore a direct breach of Financial Regulations. | Expenditure is incurred that doesn't comply with Financial Regulations & Contract Procedure Rules                         | <b>Staff with purchase cards cannot split transactions across two or more purchase cards to avoid having to seek authorisation procedures. If this occurs then withdrawal of the card should be actioned.</b><br>[Priority 1] |

Page 68

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation   |
|-----|--|--|--|
| 7   | <p>It was identified that on the 25/04/14 there were 174 transactions (£17738.67) that had not been processed by the card holder within one month, 71 of which were over 3months (£9329.82) and 11 over a year old (£764.09). Those over 3 months include one payment to Curry's for £477.99, seven to Argos of £319, £444.99, £429.99, £238.99, £708.93, £338.93 and £1013.49.</p> <p>It was also found that 128 were awaiting approval by the Approver for over one month (£7849.03), 24 of which were over 3months (£1661.50) and 2 over one year (both transactions are for members of staff who have now left £226.76). Those over 3months include one transaction of £240.72 to Falconbury and three payments to Amazon of £108.21, £161.94 and £176.41.</p> <p>It was discussed with the Finance Officer that a reminder is sent out on a monthly basis to cardholders and approvers to remind them of transactions that are awaiting approval. However due to a change in HSBC software this had not been received for 3 months. This issue is now being resolved.</p> | <p>Inappropriate expenditure might be incurred by cardholders.</p> | <p><b>Immediate action to be taken by managers to approve outstanding transactions on MiVision on a timely basis and to continue to do so.</b></p> <p><b>Purchase cards should be removed from departments where transactions are not processed or approved within 3months. [Priority 2]</b></p> |
| 8   | <p>Examination of all the transactions for February 2014 found</p>   | <p>VAT may not be correctly</p>                                    | <p><b>Staff should be reminded</b></p>   |

Page 69

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation  |
|-----|---|--|---|
|     | <p>that VAT had not been accounted for 110 of the 424 transactions that took place. It was calculated by the Auditor that although £590.70 of VAT was accounted for £1121.1 was not, where it could have been. Purchase cards were first used in June 2009 and the total amount spent at March 2014 is £1,106,038.07, through purchase cards. Unclaimed VAT could be significant over the period based on the one month's findings.</p> | <p>accounted for leading to a loss of funds for the authority.</p>                         | <p><b>of the requirement to request proper VAT invoices and receipts. They should also be reminded of the requirement to reclaim VAT on transactions where eligible. Non compliance with this requirement should result in withdrawal of the card.</b></p> <p><b>Where possible a back dated claim is made to recover VAT if receipts are available.</b><br/> <b>[Priority 1]</b></p> |
| 9   | <p>The Purchase Card procedures clearly state that cardholders are not to share their card with anyone else. Despite this it was identified that one card was being shared around by a section in direct violation of procedures. The card was held by the Officer (A), who acknowledged that others in her department</p>  | <p>Cards could be used by staff who aren't the card holder for fraudulent expenditure.</p> | <p><b>Card Holders and Approvers should be reminded that cards are issued to individuals and are to be utilised by them</b></p>   |

Page 70

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation  |
|-----|---|---|---|
|     | <p>were using the card for internet transactions. Following discussions with Procurement a reminder was sent to all purchase card holders reminding them not to share the card.</p> <p>Subsequently an email was received from Officer (B) requesting her card be cancelled as this had also taken place with her card.</p>   |   | <p><b>only.</b><br/> <b>[Priority 2]</b></p>  |
| 10  | <p>70 requests for receipts were made to cardholders. As per the procedure documents, cardholders are to keep receipts they are requested to provide them. However receipts were not provided from 4 approvers (in total 22 transactions). Three of the approvers have stated that they have either lost or binned the receipt. Procurement have changed the procedure and have now requested that all staff scan receipts and attach them to transactions on MiVision. It is therefore not possible to audit some of this expenditure and is a direct breach of Financial Procedures section 4.15, which states accounting records should be maintained in safe custody for a minimum of six year.</p> | <p>Insufficient accounting records aren't retained, meaning there is insufficient accountability and records for accounting purposes.<br/>                     Inability to claim VAT</p> | <p><b>Procedures should be amended to insure all invoices and receipts are scanned and attached to MiVision. If not possible they must be retained for at least 6 years. Non-compliance will result in withdrawal of the card.</b><br/> <b>[Priority 1]</b></p> |
| 11  | <p>Testing of a sample of 25 transactions made on the purchase card found 2 instances where transactions have been made, where the expenditure is queried on the basis of whether it is</p>   | <p>Expenditure is made that doesn't comply with Financial Regulations and</p>   | <p><b>Cardholders and approvers should be reminded of the</b></p>   |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation   |
|-----|---|--|--|
|     | for business purposes . One transaction was for the payment of an individual’s membership fees to a professional body (£114), one was for the deposit for a team lunch (£50). | doesn't show sufficient VFM or for a valid business purpose. | <b>requirements of financial regulations. If there is no satisfactory explanation appropriate action should be taken to recover the monies and warn the cardholder.<br/>[Priority 2]</b> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement



MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale |
|-------------|--|------------------------------------|---|---|------------------|
| 1           | Controls should be put in place to ensure staff do not leave with an active purchase card. | 2                                  | <p>Procurement comment:<br/>As identified, prime responsibility for action rests with managers., However, the issues highlights other areas of concern around “Leavers” - for instance - asset and data access &amp; security, return and/or repayment for equipment and of loans etc. A secondary control would require HR to circulate or provide access to) a weekly” Leavers” list to named officers with responsibilities in the above area.</p> <p>If this was done the Finance Officer who supports the Purchase Card System would be able to take prompt action in disabling the cards and alerting management to any outstanding requirements.</p> | <p>Managers – Prime responsibility.</p> <p>Directors/ Heads of Service - Any initial none Notification and follow up.</p> | Immediately      |

Project Code: CX/055/02/2014

Page 13 of 20

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility                           | Agreed Timescale |
|-------------|---|------------------------------------|---|--|------------------|
|             |   |                                    | HR to be consulted about making this list available to the Finance Officer.   |  |                  |
| 2           | Staff should be offered refresher training or a reminder about updates to procedures should be sent to cardholders and approvers. | 3                                  | Users and their managers are regularly updated on any changes to procedures, which are hosted and accessible on Bromley Knowledge. Amendments on all current issues have already been completed and a "Heavy" "News Flash" update will be issued on the Audit findings to further highlight findings and their requirements / responsibilities. The opportunity for refresher training is always available and will be further covered in the update. | Head of Corporate Procurement            | 31 July 2014     |
| 3           | Staff who are issued a purchase card should have to undertake the   | 2                                  | All managers were requested to identify and nominate for this   | Prime Responsibility - Directors/Manager | 30th Septemb     |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility   | Agreed Timescale           |
|-------------|--|------------------------------------|---|--|----------------------------|
|             | interactive Financial Regulations and Contract Procedure Rules Training.                               |                                    | training all staff involved in Financial/Contracting activity . This will be drawn to their attention again and any staff or managers not completing within 3 Months will have their card withdrawn | Corporate Procurement (CPR's) and Audit FR's) to monitor and take action as necessary      | er 2014                    |
| 4           | Staff should be reminded to code transactions to the correct subjective code.                          | 2                                  | This is a responsibility for Budget Holders and Approvers.<br><br>Will include need in News Flash   | Approvers/Budget Holders<br>Head of Corporate Procurement                                  | 31st July 2014             |
| 5           | Management should consider reviewing those cards that have been issued to staff with little or no use. | 2                                  | List will be provided to Management for them to respond.  | Directors/Managers<br><br>List to be provided by Card Administrator/ Corporate Procurement | 31 <sup>st</sup> July 2014 |
| 6           | Staff with purchase cards cannot split transactions across two or                                      | 1                                  | Control Process will require analysis to be provided by FN from   | Directors/Managers   | 31 <sup>st</sup> July 2014 |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment   | Responsibility   | Agreed Timescale           |
|-------------|--|------------------------------------|--|--|----------------------------|
|             | more purchase cards to avoid FR/CPR requirements authorisation procedures. If this occurs then withdrawal of the card should be actioned.  |                                    | PCard data – suggest then added to monthly reports to be issue to management.  | Analysis report to be provided by Card Administrator/ Corporate Procurement          |                            |
| 7           | Immediate action to be taken by managers to approve outstanding transactions on MiVision on a timely basis and to continue to do so.<br>Purchase cards should be removed from departments where transactions are not processed or approved within 3months. | 2                                  | Information is issued on a regular basis – Will reissue and set new policy – “Any Transactions not cleared in 3 Months, cards will be withdrawn from User and / or Manager – Add to Monthly report | Directors/Managers<br><br>Card Administrator/ Corporate Procurement to provide info. | 31 <sup>st</sup> July 2014 |
| 8           | Staff should be reminded of the requirement to request proper VAT invoices and receipts. They should also be reminded of the requirement to reclaim VAT on   | 1                                  | Has been done and is also an element of FP/PC training – but not a matter we can fully overview centrally. Particularly where bills have split VAT/None Vat  | Directors/Managers<br><br>Card Administrator /Corporate Procurement Will             | 31 <sup>st</sup> July 2014 |

Page 76

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale           |
|-------------|--|------------------------------------|---|---|----------------------------|
|             | <p>transactions where eligible. Non-compliance with this requirement should result in withdrawal of the card.</p> <p>Where possible a back dated claim is made to recover VAT if receipts are available.</p> |                                    | <p>elements– will have to be for Management at local level to ensure.</p> <p>On a trial basis CP/FN will see if some elements of central monitoring overview on the limited basis identified can route out main culprits for additional training or having cards withdrawn.</p> <p>CP to issue a reminder to Chief Officers of the requirements for card holders to claim VAT and reclaim it for past transactions and that this will be reported to audit Sub.</p> | <p>include (again) in “News flash”</p> <p>Head of Corporate Procurement</p> |                            |
| 9           | Card Holders and Approvers should be reminded that cards are issued to individuals and are to be utilised by them only.  | 2                                  | Has been done and is also an element of FP/PC training – but not a matter we can overview centrally – will have to be for Management  | Directors/Managers<br><br>Card Administrator/ Corporate                     | 31 <sup>st</sup> July 2014 |

Page 77

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility                      | Agreed Timescale           |
|-------------|--|------------------------------------|---|-------------------------------------|----------------------------|
|             |  |                                    | at local level to ensure. If identified card should be taken away from Card holder and/or Authoriser.<br><br>Will be included (again) in "News flash"                 | Procurement to send reminder        |                            |
| 10          | Procedures should be amended to insure all invoices and receipts are scanned and attached to MiVision. If not possible they must be retained for at least 6 years. Non-compliance will result in withdrawal of the card. | 1                                  | Has already been done and Notified to Card holders and Authorisers Requirement is a FR/FPS and covered in all training FN/CP Will be included (again) in "News flash" | Directors/Mangers                   | 31 <sup>st</sup> July 2014 |
| 11          | Cardholders and approvers should be reminded of the requirements of financial regulations and contract procedure rules. If there is no satisfactory explanation  | 2                                  | Chief Officers to ensure transactions comply with Financial Regulations.<br><br>Approvers to be contacted to  | Chief Officers<br><br>Approvers for | Ongoing<br><br>Immediat    |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility          | Agreed Timescale |
|-------------|---|------------------------------------|--|-------------------------|------------------|
|             | appropriate action should be taken to recover the monies and warn the cardholder. |                                    | ensure repayments are made for transactions that don't comply with Fin Regs. | transactions identified | ely              |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.





**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION,CARE AND HEALTH SERVICES**

**REVIEW OF PRINCES PLAIN PRIMARY AUDIT FOR 2014-15**

**Issued to:** Rev. R Bristow, Chair of Governors

**Cc:** Mrs P King, As former Head Teacher  
Mr B Blakelock, Associate Head of Aquinas  
Mrs M Duncan, Chair of Finance Committee

**Prepared by:** Principal Auditors

**Date of Issue:** 08<sup>th</sup> October 2014  
**Report No.:** CYP/P52/01/2014

## REVIEW OF PRINCES PLAIN PRIMARY AUDIT FOR 2014-15

### INTRODUCTION

1. This report sets out the results of our systems based audit of Princes Plain Primary Audit for 2014-15. The audit was carried out in quarter 2 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on the 13<sup>th</sup> June 2014. The period covered by this report is from 01/06/13 to 01/06/14.

### AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference.

### MANAGEMENT SUMMARY

5. Controls were in place and working well in the areas of :
  - Information is promptly provided to LBB as required
  - Budget Monitoring Reports are satisfactorily produced and monitored
  - Bank reconciliations are regularly carried and accurately out.

## REVIEW OF PRINCES PLAIN PRIMARY AUDIT FOR 2014-15

6. However we would like to draw to Management's attention the following issues:
- The Asset register held on the school's system is not password protected.
  - The scheme of delegation is not clear in requiring the Head Teacher and Chair of Governors to authorise the award of a tender if the lowest is not accepted.
  - Pecuniary interest forms have not been completed in full by the School's Governors.
  - Purchase orders are not raised, for a number of items of expenditure where this would be expected.
  - Regular market testing of contracts does not take place.
  - The school does not carry out a reconciliation between the system used to raise invoices for the school's Nursery and the school's bank account or financial system.
  - Arrangements for Governor meetings, minutes and attendance

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

7. There were no significant findings identified in the review.

### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

8. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### **AUDIT OPINION**

9. Overall, the conclusion of this audit was that Substantial Assurance can be placed on the effectiveness of the overall controls. Opinion definitions are given in Appendix C.

### **ACKNOWLEDGEMENT**

10. We would like to thank all staff contacted during this review for their help and co-operation.

**REVIEW OF PRINCES PLAIN PRIMARY AUDIT FOR 2014-15**

Page 84

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
| 1   | A sample of 20 items of school expenditure from the last 12 months was selected. Of these 4 were over £5000 as these were thought only payments the school made over this amount. It was found that purchase orders were raised where expected except in 3 instances. This was for sample numbers 9, 18 and 19. The first was raised after the commitment to purchase had been made, owing to it being for emergency work that was required to take place. For the other items purchase orders were not raised at all. | Payments may not be made in compliance with Financial Regulations and the Schools own procedures. | <b>The school should remind staff of the requirement to raise purchase orders before the commitment to purchase is made.</b><br>[Priority 2] |
| 2   | Quotes or Tenders were obtained where required for items of expenditure tested though in two instances (samples 6 and 7) the school was unable to provide these for contracts which had been held for significant time and which had been approved each year by Governors to be rolled over. It was discussed with the Business Manager that periodically market testing should be undertaken for these contracts to ensure best value is obtained.  | Payments may not be made in compliance with Financial Regulations and the Schools own procedures. | <b>Market testing of contracts in place should be undertaken to ensure best value is achieved for contracts in place.</b><br>[Priority 2]    |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation   |
|-----|---|---|--|
| 3   | <p>It was discussed with the School Business Manager that the school does not raise invoices for its Nursery on the Financial system and instead uses another finance system. Income for these invoices is received in the school's bank account and recorded on the ledger. On a weekly basis the Finance Officer goes through the bankings to record which parents have paid. However a reconciliation is not carried out between the two systems to confirm for invoices raised that cash is received.</p> | <p>Income due to the school may not be collected.</p> | <p><b>The school should consider carrying out a reconciliation between the Finance system and schools accounts to ensure all income invoiced for, for Nursery placements, is collected. [Priority 3]</b></p>   |
| 4   | <p>Scheme of delegation taken to Resources 1/5.14. Two amendments discussed and agreed. Minutes reflect the changes and current scheme of delegation updated.</p> <p>Under "Tenders" The wording should be changed for the H/T and Chair of Governors to sign and approve any tender accepted that is not the lowest, rather than "The H/T considers these (tenders &gt; £5k) and decides best value".</p>  | <p>Financial delegation may not be adequate</p>       | <p><b>The scheme of delegation should be amended to include the requirement for the Head Teacher and Chair of Governors to authorise the award of a tender if the lowest is not accepted. [Priority 3]</b></p> |

Page 86

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation  |
|-----|---|---|---|
| 5   | <p>The asset register is now maintain as a spreadsheet document on the system. The H/T had signed the hard copy of the document to certify the annual stocktake dated 21.1.14.</p> <p>This is a comprehensive register including model and serial number, however the document is not secured on the system and could be accessed and edited.</p> | <p>A register of assets is not maintained and up to date. Assets are not kept secure.</p> | <p><b>The asset register should be password secured and held as a protected document to allow adequate control for deletions and amendments. [Priority 3]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk | Recommendation   |
|-----|---|------|--|
| 6   | <p>The review of Resources and Full Governing Body minutes for the previous 12 months raised the following issues:-</p> <ul style="list-style-type: none"> <li>It was noted that the 1.5.14 minutes stated that "Governors agreed to approve meeting the statement of internal controls later". However the minutes did not indicate the reason for the delay: the statement was signed by the Head and 2 Chairs on the 14/5/14 and 17/6/14.</li> <li>The Finance Officer was the minute taker for these meetings, as well as being an active contributor to the meeting. A new clerk to governors has been appointed however it should be noted that if the need arises again the minute taker should not be an officer that takes an active role in proceedings.</li> <li>It was noted that for the majority of Resources meetings reviewed more staff attended than governors. The H/T had raised this as a concern at the FGB 16.10.13.</li> <li>Governor meetings are not planned and diarised at the beginning of the academic year. The next meeting date was set at the end of each meeting.</li> </ul> |      | <p><b>Committee minutes should provide adequate detail to support any decisions taken at the meeting.</b></p> <p><b>The Clerk to Governors should be independent to the committee and not be a contributor to the meeting.</b></p> <p><b>Consider planning the meetings for the year ahead.</b></p> <p><b>[Priority 2]</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**



DETAILED FINDINGS

| No. | Findings   | Risk                                     | Recommendation   |
|-----|--|--|--|
| 7   | <p>The Governor membership as at June 2014 was checked to the pecuniary interest forms. 5 governors had signed the forms but not declared "none" as specified on the declaration.</p> <p>All staff sign a pecuniary interest form, 3 are outstanding however these officers are not budget holders or have a financial role in the school.</p> | Financial delegation may not be adequate | <p><b>Governors be requested to complete the pecuniary interest form and declare "None" as requested.</b></p> <p><b>[Priority 3]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale                                   |
|-------------|--|------------------------------------|---|---|--|
| 1           | The school should remind staff of the requirement to raise purchase orders before the commitment to purchase is made.  | 2                                  | All staff to ensure that orders are raised for ALL goods and services. The school has made no commitment to honour orders submitted without a purchase order. | SBM to reinforce purchasing procedures at whole staff meetings  | SBM briefed staff at whole staff meeting on 1.9.14 |
| 2           | Market testing of contracts in place should be undertaken to ensure best value is achieved for contracts in place.     | 2                                  | Review of contracts to be undertaken and market testing carried out on higher value contracts.  | Finance Committee reviewed contracts at Finance meeting on 8th October 2014 and subsequent market testing to be carried out by SBM or Aquinas | By 31 <sup>st</sup> March 2015                     |
| 3           | The school should consider carrying out a reconciliation between the finance system and schools accounts to ensure all | 3                                  | Weekly reconciliation is now being carried out between income received on the separate finance system and income recorded on                                  | Finance Officer   | Completed  |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility                                | Agreed Timescale              |
|-------------|---|------------------------------------|--|---|-------------------------------|
|             | income invoiced for, for Nursery placements, is collected.  |                                    | FMS  |   |                               |
| 4           | The scheme of delegation should be amended to include the requirement for the Head Teacher and Chair of Governors to authorise the award of a tender if the lowest is not accepted. | 3                                  | The amended scheme of delegation was approved by the Finance Committee on the 8th October 2014. It will be presented to the TGB on the 14th October 2014 for ratification. | SBM, Finance Committee and The Governing Body | 14 <sup>th</sup> October 2014 |
| 5           | The asset register should be password secured and held as a protected document to allow adequate control for deletions and amendments.  | 3                                  | The asset register has been password secured and knowledge of password is restricted to SBM and school's IT provider   | SBM   | Completed                     |
| 6           | Committee minutes should provide adequate detail to support any decisions taken at the meeting.   | 2                                  | On appointment, the new Clerk will have access to training via the Governor Training Package   | TGB   | December 2014                 |

Page 91

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility  | Agreed Timescale                              |
|-------------|---|------------------------------------|--|---|---|
|             | <p>The Clerk to Governors should be independent to the committee and not be a contributor to the meeting.</p> <p>Consider planning the meetings for the year ahead.</p> |                                    | <p>The post of Clerk to Governors is currently vacant and when filled will be independent to the committee.</p> <p>When the new local governing body is set up the Chair of Governors will recommend that they plan meetings for the year ahead.</p> | <p>TGB</p> <p>IEB</p>                                   | <p>December 2014</p> <p>December 2014</p>     |
| 7           | Governors be requested to complete the pecuniary interest form and declare "None" as requested.   | 3                                  | <p>Incomplete forms will be returned to governors for completion.</p> <p>In future, pecuniary interest forms will be checked by the Clerk when completed by governors to ensure that the word 'None' is present</p>                                  | <p>SBM</p> <p>New Clerk To Governors when appointed</p> | <p>31st October 2014</p> <p>December 2014</p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

SCHOOLS OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls within the school provide reasonable assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

There is a sound system of control designed to achieve all the system and school procedures objectives tested.

Substantial Assurance

While there is a basically sound system and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the schools finances. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to Governors, material income losses.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse.

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**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION CARE AND HEALTH SERVICES**

**PRE ACADEMY INTERNAL AUDIT OF LEESONS PRIMARY SCHOOL 2014-15**

**Issued to:** Mrs. A Rush, Headteacher

**Cc:** Mr. R Humby, Chair of Governors  
Schools Finance Team (Final report only)

**Prepared by:** Principal Auditor

**Date of Issue:** 06 October 2014  
**Report No:** CYP/P36/01/2014

## **INTRODUCTION**

1. This report sets out the results of our internal audit review of Leasons Primary School carried out in quarter 3 of 2013/14. The school converted to academy status on the 01 September 2014.
2. The purpose of this visit is to identify any issues which need to be resolved prior to closure of the accounts.
3. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
4. The original scope of the audit was outlined to the school prior to the review. The period covered by this report is from September 2013 to August 2014.

## **AUDIT SCOPE**

5. The scope of the audit was to review transactions for the period September 2013 to August 2014 and included payments, leases and contracts, payroll, bank reconciliations and the Commercial Transfer Agreement.

## **MANAGEMENT SUMMARY**

6. While on site on 22/09/14 audit sampled primary accounting documents including: expenditure, Contracts and Leases, payroll records and bank reconciliations. The samples were selected from the period September to August 2014. Audit also considered the Commercial Transfer Agreement, which has now been signed by the Council, the governing body and the School's Academy Trust and there are no concerns arising.
7. The aged debtor report dated 22/09/14 showed two invoice payments totalling £1,254.30 due to the school and the aged creditor report dated 22/09/14 showed outstanding no financial liabilities owed by the school.



8. The school uses the London Borough of Bromley's providers for payroll services; therefore no actual auditing was required in this area as part of the closure process as this is covered by a corporate audit of payroll. However August 2014 payroll totals were checked. The school's financial system [ Journal Definition dated 22/9/14] showed that August 2014 payroll totalled £89,936.44 however the school is awaiting an invoice from The London Borough of Bromley to re-pay this amount.
9. The school is expecting confirmation of the percentage that the school has to pay for employers LBB pension contributions from the actuary.
10. It is the responsibility of the Local Authority [LA] to formally close the accounts and once all monies have been correctly accounted for, the LA will then arrange for surplus funds to be transferred to the new academy account within the agreed timescales.

#### **SIGNIFICANT FINDINGS**

11. None

#### **ACKNOWLEDGEMENT**

12. Audit would like to thank staff contacted during this review for their help and co-operation.

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**FINAL INTERNAL AUDIT REPORT**  
**ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT**

**REVIEW OF PENALTY CHARGE NOTICES (PCN) AUDIT FOR 2013-14**

**Issued to:** Ben Stephens, Head of Parking Services

**Cc:** Claire Martin, Head of Finance, Environmental Services  
Gavin Moore, Assistant Director, Parking and Customer Services

**Prepared by:** Principal Auditor

**Date of Issue:** 16th July 2014

**Report No.:** ENV/004/02/2013

DETAILED FINDINGS

| No. | Findings | Risk | Recommendation |
|-----|----------|------|----------------|
|-----|----------|------|----------------|

**INTRODUCTION**

1. This report sets out the results of our systems based audit of PCN Audit for 2013-14. The audit was carried out in quarter Q4 as part of the programmed work specified in the 2013-14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 9<sup>th</sup> of December 2013. The period covered by this report is from 1<sup>st</sup> January 2013 to 31<sup>st</sup> January 2014.
4. Total expected income from Car Parking Enforcement for 2013/14 is £3,768,710 based on the assumption 66,500 PCNs will be issued. The total net expenditure expected for Car Parking Enforcement is £2,804,930 including recharges of £1,123,900. Therefore, the overall expected income is £963,780.
5. This is the first audit undertaken of Parking Services which is now part of a share service agreement with the London Borough of Bexley. The scope of the audit was only to look at PCNs issued within Bromley.

**AUDIT SCOPE**

Project Code: ENV/004/02/2013

Page 2 of 14

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

**DETAILED FINDINGS**

| No. | Findings | Risk | Recommendation |
|-----|----------|------|----------------|
|-----|----------|------|----------------|

6. The scope of the audit is detailed in the Terms of Reference.

**AUDIT OPINION**

7. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

**MANAGEMENT SUMMARY**

8. Controls were in place and working well in the areas of:
- PCNs are being appropriately cancelled, waived and written off.
  - Contract monitoring arrangements are adequate
  - The shared services agreement in place is complete and covers all risk areas.
  - Board Monitoring of Shared services arrangements are adequately taking place.
9. However we would like to draw to Management’s attention the following issues:
- Insufficient documented procedures are in place to cover the new computer system being utilised by Parking Services
  - Insufficient debt recovery has been taking place in respect of lodging debts at Northampton County Court
  - Some waivers, cancellations and write offs are being incorrectly coded on the Parking Computer System.

**SIGNIFICANT FINDINGS (PRIORITY 1)**

Project Code: ENV/004/02/2013

Page 3 of 14

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

**DETAILED FINDINGS**

| No. | Findings | Risk | Recommendation |
|-----|----------|------|----------------|
|-----|----------|------|----------------|

10. There were no significant findings identified in this review.

**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

11. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

**ACKNOWLEDGEMENT**

Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
| 1   | <p>Discussion with the Head of Parking Services and Head of Environmental Finance stated that reports cannot currently be accurately run from the system which show levels of debt and allow for reconciliation of the ICES system.</p> <p>When reports were first run, it overstated the amount of income collected by £4million (across three years) relating to individual cases.</p> <p>Examples have been provided to Audit, which identifies where discrepancies have arisen between data on Civica and ICES. For samples such as PCN ref BY80562638 and BY350072907 differences of £180 and £40 income collected exist, where ICES is overstating income collected.</p> <p>It was later confirmed by the Head of Environmental Finance that the year-end reconciliation was completed without significant variations, though this was only after some considerable work from the Environment Finance Team. There were ongoing concerns that subsequent reconciliations would not be able to be carried out accurately.</p> <p>Following the monthly reconciliation carried out for June 2014 it</p> | <p>Levels of income may not be accurately recorded on the authorities ledger resulting in potential losses.</p> | <p><b>Issues with the new ICES system should be promptly resolved to allow reconciliations to take place and information about levels to be produced.</b><br/> <b>[Priority 2]</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk | Recommendation |
|-----|---|------|----------------|
|     | <p>was confirmed that the reconciliation could not be completed accurately due to discrepancies arising around write offs, waivers and cancellations. Income had been reconciled between the three main systems, the bank account and the Oracle system, however there were still problems reconciling the cash received to the reports being produced from ICES, although it had been shown that materialistically nothing was being lost. The only other outstanding issue is around the accuracy of the levels of write offs, waivers and cancellations.</p> |      |                |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement



DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation   |
|-----|--|--|--|
| 2   | <p>Testing of a sample of 25 PCN write offs, 20 waivers and 20 cancellations found that all were correctly coded except for 2 waivers, 2 cancellations and one write off. From discussion with the Processing and Representation Manager, it was discussed that the reason for the majority of wrong codings was due to changing between three computer systems in the course of the year. Of those which were incorrectly coded, one cancellation and one write off were action within a month of changing over to the new computer system.</p> <p>Only one of these, the write off though was in completely the wrong category. This should have been cancelled not written off. The others that were incorrectly coded were correctly coded as a cancellation etc., but the wrong type of cancellation.</p> | <p>Analysis of cancellations, waivers and write offs will not be accurate based on information available.</p>                  | <p><b>The reason for waiving, cancelling and writing off debts should be correctly coded when being entered on the system.</b><br/> <b>[Priority 3]</b></p>        |
| 3   | <p>A sample of 25 outstanding PCNs was tested to ensure they were being recovered via the correct recovery procedures. It was identified that 19 cases were being adequately processed for recovery.</p> <p>However it was identified that for one case sampled which had been progressed to the stage of registering the debt at</p>  | <p>Outstanding PCN debt may not be processed correctly according to procedures leading to it being unable to be collected.</p> | <p><b>The issue regarding debts delayed in being registered at Northampton County Court should be resolved and cases being held up should be progressed by</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation  |
|-----|--|--|---|
|     | <p>Northampton County Court, was held up for 3 weeks and that this is a problem that is holding up all cases that needed to be registered. The issue has arisen due to the changeover in computer systems, with the new one not being registered with the Court to send cases there.</p> <p>It was also identified for another five cases that they have been held up for over a month with no action taken to progress them. Each one of these had progressed past the Notice to Owner stage and for three of them, they have received correspondence or representation, which have not been acted upon. For the other two, one has received a Royal Mail Return, so will probably be written off and the other has been identified as being a lease vehicle and the leaser having been identified, so needing to be contacted.</p> |  | <p><b>Management to ensure recovery.</b><br/> <b>[Priority 2]</b></p>   |
| 4   | <p>From the 2012/13 Audit Report the finding in the 2012-13 Audit was that: "Examination of the 'London Borough of Bromley Pro-form invoice to the Parking Contractor which included the PCN ELA for the half year established that a calculation used to determine the half year bonus payment to the contractor was incorrect resulting in an overpayment of £375 to the contractor. The contractor issued 37465 PCNs during the first half of the</p>   | <p>Where pro-forma invoices are calculated incorrectly and not checked by another member of staff, there is a risk that the Council pays more than required to the contractor.</p> | <p><b>Ensure that future pro-forma invoices issued to the Contractor have been documented correctly and the Council pays the correct bonus payment.</b></p> |

Project Code: ENV/004/02/2013

Page 8 of 14

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk | Recommendation       |
|-----|--|------|----------------------|
|     | <p>contract year, surpassing its target of 33250 by 4215. Only 250 were allocated to the £8.50 rate when it should have been 500. As a result, 250 additional PCN bonus awards were allocated to the £10.00 rate than was necessary. 250 x (10.00-8.50) = £375.”</p> <p>This was followed up in 2013-14 and it was identified that the payment that was made for this financial year (for invoice 84b) was made at exactly the same rate as last year.</p> |      | <p>[Priority 2*]</p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

**OPINION DEFINITIONS**

**APPENDIX C**

|   |   |   |   |  |                         |
|---|---|---|---|--|-------------------------|
| 1 | Issues with the new ICES system should be promptly resolved to allow reconciliations to take place and information about levels to be produced. | 2 | <p>Parking Services and Finance have worked closely over a number of months to develop the ICT system to produce accurate reports. The lead member of staff (the ICT and Projects Manager) with the relevant skills and knowledge to address these issues re-joined Bromley on 14th April 2014 the post was vacant for the 6 months prior to the audit, including the 'go live' period). The post-holder has been dedicated to resolution of these issues since his return and will continue to make them his highest priority. Immediately following the audit inspection, sufficient issues were resolved to allow the accounts to go forward for sign-off.</p> <p>Further progress continues to be made with a target date for full resolution later in 2014 to be agreed with the Head of Finance (E &amp; CS).</p> | <p>ICT and Projects Manager</p> <p>Head of Finance (E &amp; CS).</p> | Ongoing                 |
| 2 | The reason for waiving, cancelling and writing off debts should be correctly coded when being entered on the system.                            | 3 | The Shared Service has in the past 12 months seen the greatest changes to processes, procedures, policy and ICT since the decriminalisation of parking in 1993. Two formerly separate services have now aligned and are working on the same ICT system and procedures. Significant data migration has taken place,  | Head of Parking Services   | Implemented and ongoing |

OPINION DEFINITIONS

APPENDIX C

|   |  |   |   |                          |                         |
|---|--|---|---|--------------------------|-------------------------|
|   |  |   | <p>raising a number of issues including staff training and improving capability in recording data.</p> <p>Note that all decisions to either pursue or cancel a PCN were found to be correct; however, some recording errors were identified. Previously Bexley only closed cases as 'cancelled' or 'paid'; and Bexley did not have 'written off' or 'waived' sub-categories. The categories described have also evolved over the past year. Given that Bexley staff had not previously recorded this level of detail it is not surprising that some recording errors were made during the transitional period.</p> <p>Procedure changes have been implemented and are already being worked to. Training was and is ongoing and we are working towards a continuing reduction in errors.</p> |                          |                         |
| 3 | The issue regarding debts being delayed being registered at Northampton County Court should be resolved. | 2 | Changes in the way debt recovery is undertaken have also taken place during the first year of the shared service. This resulted in some cases not being progressed to their next stage on the first day they could have done under the regulations. However,  | Head of Parking Services | Implemented and ongoing |

|  |  |  |  |  |
|--|--|--|--|--|
|  |  | <p>a short delay does not render a PCN invalid.</p> <p>Automated processes have now been developed, and routine procedures have been established to ensure cases progress efficiently.</p> <p>In addition, London Councils changed their procedures around the time of the audit requiring: (1) LB Bromley to pay in advance, rather than in arrears; and (2) because of a change in ICT supplier (ICES). ICES became responsible for the transfer of data/information on Bromley's behalf with the Traffic Enforcement Centre at Northampton County court, rather than the Local Authority sending data directly.</p> <p>A formal recognition of this change resulted in agreements being drawn up and signed between the various parties which caused some delay in the processing of cases at this stage. Again these issues have now been resolved.</p> <p>These changes have been implemented and the new procedures are already being worked to.</p> |  |  |
|--|--|--|--|--|

**OPINION DEFINITIONS**

**APPENDIX C**

|   |   |    |  |                          |                         |
|---|---|----|--|--------------------------|-------------------------|
| 4 | Ensure that future pro-forma invoices issued to the Contractor have been documented correctly and the Council pays the correct bonus payment. | 2* | <p>This additional payment is a contractual entitlement, paid when Vinci have issued more than the expected number of PCNs provided all other requirements of the contract (eg CEO deployment) have been achieved.</p> <p>This calculation error has now been rectified and an additional formal agreement will now be required by Finance section by agreeing the number of PCN's issued for both 6 monthly and 12 monthly contract payments/deductions.</p> <p>. Note that there has been no financial loss to the Council, as this was only an interim payment for the first 6 month period. The correct calculation and adjustment would have been made at the end of the final payment stage in April, correcting any error in the interim 6 month payment.</p> <p>["Payment structure/ invoicing<br/>"Payment/ deduction related to performance will be made twice per year, depending on performance in the previous 6 months. For the first 6 months of the relevant year, the baseline number of PCNs and the</p> | Head of Parking Services | Implemented and ongoing |
|---|---|----|--|--------------------------|-------------------------|

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  |  |  | payment per PCN (or deduction if applicable) will be reduced by 50%. Adjustment will be made at the end of the relevant 12 months.”] |  |  |
|--|--|--|--|--|--|

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.



**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVES- FINANCE DEPARTMENT**

**REVIEW OF HOUSING BENEFIT AUDIT FOR 2013-14**

**Issued to:** John Nightingale, Head of Revenues and Benefits

**Cc:** Jayne Carpenter, Benefits Operations Manager  
Peter Turner, Director of Finance

**Prepared by:** Principal Auditor

**Date of Issue:** 16<sup>th</sup> June 2014

**Report No.:** CX/004/01/2013.bf

## REVIEW OF HOUSING BENEFIT AUDIT FOR 2013-14

### INTRODUCTION

1. This report sets out the results of our systems based audit of Housing Benefit Audit for 2013-14. The audit was carried out in quarter Q4 as part of the programmed work specified in the 2013-14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 28<sup>th</sup> February 2014. The period covered by this report is from 01/02/13 to 28/02/14.
4. The total budgeted payments expected for Housing Benefit for 2013/14 was £127,497,170. Of this £122,379,530 is for Rent allowances, £3,476,780 for Bed and Breakfast and significantly increased for this year 2013/14 £700,180 for DHP.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

## REVIEW OF HOUSING BENEFIT AUDIT FOR 2013-14

### MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of:

Adequate Internal Controls and Security are in place

Reconciliations are regularly carried out

Satisfactory Counter Fraud Policies and Procedures

Authorised Payments are made

Key management reports are prepared promptly, reviewed by an appropriate member of staff and followed up.

8. Of the 3 recommendations made within the previous Internal Audit review of Housing and Council Tax Benefit for 2012/13, issues surrounding two of the recommendations still exist. Re-recommendations have been made within this report to address the following issues:

Appeals are not monitored to ensure a response is given within 28days.

An out of date escalation procedure is in place.

9. However we would like to draw to Manager's attention:

Applications are not promptly identified and properly processed

Overpayments that are identified are not being adequately recovered.

### SIGNIFICANT FINDINGS (PRIORITY 1)

10. There were no significant findings within the review.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

**ACKNOWLEDGEMENT**

12. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation  |
|-----|---|--|---|
| 1   | <p>Testing of a sample of 25 new claims and changes of circumstances found that five had taken longer than target time of 14 days to process claims. These had taken on average 22.4 days to process.</p> <p>Examination of the performance against the Right Time Indicator found that the target is not actually being met. Discussion with the Benefits Operations Manager has found that they are aware of performance not currently being at the required level and this has been escalated within the Authority and Contractor.</p>   | <p>Applications are not processed within the timescales set in the SLA, potentially leading to arrears action being taken in respect of outstanding rent and/or council tax.</p> | <p><b>Action should be taken with the contractor to ensure performance improves in relation to processing new claims and change of circumstances. If action doesn't improve the authority should consider issuing a default.</b><br/>[Priority 2]</p> |
| 2   | <p>Testing was conducted of a sample of 25 HB overpayments that have been invoiced and are in recovery. It was found that one invoice was incorrectly coded as change in income, when in fact the claimant didn't inform Bromley of information when requested to do so. The overpayment was still relevant.</p> <p>However one overpayment occurred due to a claim being assessed on a claimants sick pay. Although the overpayments correctly identified, there is a weakness in controls which meant that the claim was not reviewed for 2 years and continued to be based on the sick pay amount.</p> | <p>Overpayments arise due to change in claimants circumstances.</p>  | <p><b>A procedure should be put in place to ensure claimants who are receiving sick pay, have their cases regularly reviewed to ensure their circumstances are correct.</b><br/>[Priority 2]</p>  |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation   |
|-----|---|--|--|
| 3   | <p>Testing of a sample of 20 DHP that have been made, has found that for six of these a completed application form has not made. The Head of Revenues and Benefits advised that where it was known that claimant's circumstances merited a DHP they would not insist on completion of the designated form. Computer records obtained from the Benefits system had been used to confirm the claimant's circumstances.</p>  | <p>Discretionary Housing Payments may be made inappropriately.</p> | <p><b>An application form should be completed for all DHP claims, to improve accountability. [Priority 2]</b></p>  |
| 4   | <p>Testing of a sample of 25 of overpayments that have been invoiced found that:<br/>                     For all 25, the invoice raised was for the correct amount and sent to the correct party. 23 of the 25 invoices were raised promptly. The other 2 took 47 days and 3months to raise.</p> <p>Testing also found that although all of the overpayments are being progressed though the overpayment recovery procedure, for five overpayments, insufficient recovery action is actually being taken. For four cases in recovery they are currently at the stage of 'passed for court action'. However each one of these has been at this stage for two for 3, 6 and 9 months, with no further action taken (though apparently one of these is with the solicitors). The other invoice has also been passed for court action, though only on the 5thFeb 2014. This customer is</p> | <p>Overpayments that arise aren't recovered.</p>                   | <p><b>Invoices to recover overpayments should be raised promptly once all information has been received identifying the overpayment has arisen.</b></p> <p><b>Procedures should be put in place to ensure that overpayments that are identified are recovered promptly and efficiently. [Priority 2]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation  |
|-----|---|---|---|
| 5   | <p>also in the process of applying for underlying entitlement.</p> <p>Testing of a sample of 25 new or changed applications identified that there are sufficient processes in place to request all required documentation according to procedures. Only in one instance was further information not received as requested.</p> <p>It was noted where the claimant is on a passport benefit, certain evidence will not be requested, for example proof of capital. Whilst this is correct, one claim was found where passported benefit had been turned down (excess capital) and the Authority initially rejected HB without first making its own determination. Following a complaint it was subsequently found the claimant had only £2000 and therefore was eligible for benefits.</p> | <p>People may be denied Housing Benefit when entitled.</p>  | <p><b>Contractor should verify income/capital details rather than rely on DWP information where passported award not made</b><br/> <b>[Priority 2]</b></p>                                |
| 6   | <p>Identified that the due to the large number of appeals being received, prompt consideration often not being given.</p> <p>The list of Appeals for 2013-14 was obtained and of the 114 appeals made, 93 were not responded to within the 28 day target.</p>   | <p>Where appeals are not processed within the target deadline, there is a risk that claimants are suffering unnecessary financial hardship where an incorrect decision has been</p> | <p><b>Where appeals are approaching the target date, actions should be taken to ensure that these are reviewed within the 28 day target as per the SLA.</b><br/> <b>[Priority 2*]</b></p> |

Project Code: CX/004/01/2013.bf

Page 7 of 12

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation   |
|-----|---|--|--|
| 7   | As per the email from the Head of Revenues and Benefits, the escalation procedure is still to be reviewed, due to the Customer Contact Centre being outsourced to Contractor. | awarded on a benefit claim.<br>Out-of-date details within the escalation procedures may result in delays occurring when urgent action is required to rectify a known problem in service. | <b>Details held within the escalation procedures agreed between the Contractor and LBB should be maintained up-to-date at all times. [Priority 2*]</b> |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement



MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility                | Agreed Timescale |
|-------------|--|------------------------------------|---|-------------------------------|------------------|
| 1           | Action should be taken with the contractor to ensure performance improves in relation to processing new claims and change of circumstances. If action doesn't improve the authority should consider issuing a default. | 2                                  | It is acknowledged that the processing times are currently not at the required rate and this has been escalated. However, in the financial year covered by the audit (13/14) the RTI indicator was 13.59 days.<br>Action plan for this financial year produced, intention to improve on performance of 13/14. | Head of Revenues & Benefits   | Mar 2015         |
| 2           | A procedure should be put in place to ensure claimants who are receiving sick pay; case is regularly reviewed to ensure their circumstances are correct.   | 2                                  | Reminder to be provided to assessment staff that regular reviews should be made of cases where circumstances of household likely to change.   | Benefits Operations Manager   | July 14          |
| 3           | An application form should be completed for all DHP claims, to improve accountability.   | 2                                  | Where an application or request for additional assistance is not on file, The officer making the award will enter on Academy the reason as to why the DHP was awarded.  | Head of Revenues and Benefits | July 2014        |

Project Code: CX/004/01/2013.bf

Page 9 of 12

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
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Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility                | Agreed Timescale |
|-------------|---|------------------------------------|---|-------------------------------|------------------|
| 4           | <p>Invoices to recover overpayments should be raised promptly once all information has been received identifying the overpayment has arisen.</p> <p>Procedures should be put in place to ensure that overpayments that are identified are recovered promptly and efficiently.</p> | 2                                  | <p>Notifications of overpayments are issued at the time of creation. Invoices should be raised immediately net amount known.</p> <p>Overpayment recovery at a record level with target exceeded. However, accepted that in respect of some cases there has been a delay in the debt recovery process.</p> <p>Contractor asked to “step-up” monitoring of debts progression through the recovery process</p> | Revenues and Benefits Manager | July 14          |
| 5           | Contractor should seek own verification in respect of cases where passported benefit turned down.   | 2                                  | Agreed. Contractor to be advised to remind staff.   | Revenues and Benefits Manager | July 14          |
| 6           | Where appeals are approaching the target date, actions should be  | 2*                                 | Agreed. Further monitoring will be undertaken to ensure reviews take  | Revenues and Benefits Manager | July 14          |

Project Code: CX/004/01/2013.bf

Page 10 of 12

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility                | Agreed Timescale |
|-------------|---|------------------------------------|---|-------------------------------|------------------|
|             | taken to ensure that these are reviewed within the 28 day target as set in the SLA. [   |                                    | place within timescales.                                    |                               |                  |
| 7           | Details held within the escalation procedures agreed between Contractor and LBB should be maintained up-to-date at all times. | 2*                                 | A graph to be produced/agreed showing the escalation route. | Head of Revenues and Benefits | August 14        |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

### **Assurance Level**

### **Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there are a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there is priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.



**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT**

**PRE-ACADEMY AUDIT OF CASTLECOMBE PRIMARY SCHOOL 2014-15**

**Issued to:** Roger Ward, Head Teacher

**Cc:** Dr Beryl Magrath, Chair of Governors (final report only)  
Schools Finance Team (final report only)

**Prepared by:** Principal Auditor  
**Date of Issue:** 28 May 2014

**Report No.:** CYP/P11/01/2014

## INTRODUCTION

1. This report sets out the results of our closure audit of Castlecombe Primary School carried out in quarter 1 of 2014/15. The school transferred to academy status on 1<sup>st</sup> January 2014.
2. The purpose of this visit was to identify any issues which need to be resolved prior to closure of the accounts.
3. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
4. The original scope of the audit was outlined in the Terms of Reference issued on 25<sup>th</sup> April 2014. The period covered by this report is from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013.

## AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

## MANAGEMENT SUMMARY

6. We have reviewed primary accounting information including: expenditure, income, leases and contracts, payroll records, VAT returns and bank accounts. We also reviewed the position with regards to the completion of the Commercial Transfer Agreement.
7. There were no major findings however we would like to bring the following to management's attention:
  - (1) The school's invoiced income records for 2013 continues to show an invoice for £350.00 issued to Nina Newell at LBB on 25 June 2013 in respect of work undertaken by the previous Head Teacher (Tim Smith) at St John's Primary School, as

remaining outstanding. There was no supporting documentation to confirm that this had been chased for settlement. It is recommended that the required action is now taken to recover this sum.

## **ACKNOWLEDGEMENT**

8. We would like to thank all staff contacted during this review for their help and co-operation.

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**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION, CARE & HEALTH SERVICES DEPARTMENT**

**REVIEW OF TROUBLED FAMILIES PROGRAMME [TFP] AUDIT FOR 2014-15**

**Issued to:** Neil Dilkes, Troubled Families Co-ordinator  
Rachel Dunley, Bromley Children Project Manager  
Kay Weiss, Assistant Director Safeguarding & Social Care  
Anne Watts, Assistant Director Strategic and Support Services  
David Bradshaw, Head of Finance, Education and Care Services  
Terry Parkin, Education, Care & Health (final only)

**Prepared by:** Principal Auditor

**Date of Issue:** 22 August 2014

**Report No.:** ECS/005/01/2014

## INTRODUCTION

1. This report sets out the results of our systems based audit of Troubled Families Programme Audit. The audit was carried out in quarter 1 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 08/04/14. The period covered by this report is from October 2013 to April 2014.
4. At the time of the audit, funding claims had been submitted to the Department for Communities and Local Government [DCLG] for 162 troubled families successfully turned around by The Authority and these families were the focus of this review. This audit did not include the May 2014 claim to the DCLG.

## AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

## AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

## MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of holding quarterly project board meetings

8. The business case troubled families grant and key committee meeting documents were referenced by audit to confirm the Authorities TFP service model and links to existing programmes and projects within the organisation.
9. Troubled families data analyst staff collect data from across the organisation and external sources and then cross matched records to identify potential turned around families. After full examination of families records, quarterly claims are made to the DCLG.
10. Funding claims for July 2013, October 2013 and February 2014 were checked to confirm that a sample of 20 troubled families selected from the 162 cases which had been successfully turned around were valid and families met the laid down agreed criteria. Reference was made to the DCLG financial framework and the authorities clarification of criteria for troubled families.
11. Audit testing identified
  - A single clear comprehensive procedure document does not exist to confirm the data matching process for all staff to have access to.
  - 2/20 families selected were not on benefits as expected; management have confirmed that this was corrected for the May 2014 claim. The data matching errors had occurred when matching benefits records however this was identified by the data analyst and additional training has now been received to address the issue.

#### **SIGNIFICANT FINDINGS (PRIORITY 1)**

12. None

#### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

13. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

**ACKNOWLEDGEMENT**

14. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation   |
|-----|---|--|--|
| 1   | <p>The data analyst team for the troubled families programme collect and match data from various sources ie the benefits system / school attendance team / Not in Education Employment or Training information / anti social behaviour team / offenders under 18 / Carefirst client records / police data Data matching is on-going and is carried out as and when information is received by the team.</p> <p>There are a number of process documents , however no one complete, clear, comprehensive version for staff to access too.</p> | <p>Staff may not be fully aware of their duties with regards to data matching information</p>                                      | <p><b>Ensure comprehensive procedures are prepared and made available to staff to confirm the data matching process for the troubled families programme [Priority 2]</b></p>   |
| 2   | <p>The Authority had made claims for funding for the identified 162 troubled families which had been successfully turned around since the start of the programme.</p> <p>A sample of 20 families were selected from the 162 cases and the supporting documents and systems were physically checked to independently verify the data matching process undertaken by the team.</p> <p>Audit identified that 2 out of 20 troubled families were not on benefits as expected<br/>Benefit references 1141597 and 10164694</p>                    | <p>The Authority may not be entitled to funding given by the DCLG as part of the programme and therefore a claw back may arise</p> | <p><b>Ensure the Early Intervention Assurance Officer can provide evidence to audit during the follow up review that the errors identified in data matching have been rectified and the correct numbers of turned around families were claimed by the Authority in May 2014 as DCLG prescribed</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk | Recommendation                             |
|-----|---|------|--|
|     | <p>The Tackling Troubled Family Data Analyst confirmed that the incorrect field had been used when matching data on the Academy System to determine benefit end dates. The data analyst team had identified the problem and received additional training to ensure future data matching of Academy records is carried out correctly. The Early Intervention Assurance Officer confirmed the error was rectified for the claim in May 2014 as prescribed by the DCLG, however this was not reviewed by audit during this review.</p> |      | <p><b>procedures.<br/>[Priority 2]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment   | Responsibility                   | Agreed Timescale |
|-------------|--|------------------------------------|--|----------------------------------|------------------|
| 1           | Ensure comprehensive procedures are prepared and made available to staff to confirm the data matching process for the troubled families programme  | 2                                  | The staff team receive a comprehensive induction, and are supported through regular monthly supervision as well as on-going daily support, and weekly progress meetings. The need for a single document had already been identified and this was shared during the audit as was the fact that this was an on-going current task for completion by October. | Bromley Children Project Manager | 31/10/14         |
| 2           | Ensure the Early Intervention Assurance Officer can provide evidence to audit during the follow up review that the errors identified in data matching have been rectified and the correct numbers of turned around families were claimed by the Authority in May 2014 as DCLG prescribed procedures. | 2<br><br>2                         | On occasions where families cease to meet the claims criteria due to change of fortune/ behaviours, or where errors are spotted in source data, the prescribed DCLG action to amend the next claim return will continue to be followed. This will be clearly detailed in the single instruction document.  | Bromley Children Project Manager | 31/07/14         |

Project Code: ECS/005/01/2014

Page 7 of 8

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.



**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF ESSENTIAL CAR USERS AUDIT FOR 2013-14**

**Issued to:** Doug Patterson, Chief Executive  
Charles Obazuaye, Director of Human Resources  
Sue Sydney, Head of HR Operational Services  
Barbara Plaw, HR Manager (Pay & Benefits)  
Peter Turner Director of Finance

**Prepared by:** Principal Auditor

**Date of Issue:** 30/10/2014

**Report No.:** CX/046/01/2013

## REVIEW OF ESSENTIAL CAR USERS AUDIT FOR 2013-14

### INTRODUCTION

1. This report sets out the results of our systems based audit of Essential Car Users Audit for 2013-14. The audit commenced in quarter 3 as part of the programmed work specified in the 2013-14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 02/08/2013. The period covered by this report is from 01/11/2012 to 31/12/2013.

### AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

5. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

6. Internal Audit reviewed the period from November 2012 when the revised Essential Car User criteria came in to operation following a review by management. The revised criteria applies only to those employees where:
  - a) driving a car/vehicle is an integral and regular feature of the job; and therefore

## REVIEW OF ESSENTIAL CAR USERS AUDIT FOR 2013-14

b) having a current driving licence and use of their own car/vehicle are deemed to be essential and compulsory for the performance of the job.

Audit were advised that the revised criteria for Essential Car User has been fairly applied to ensure that essential users are those who are required to use their cars for their everyday jobs.

7. A report generated from Resource Link of all Essential Car Users and mileage claimed between 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013 was reviewed by Internal Audit to ensure that they met the current Essential Car User criteria. Of the 263 Essential Car Users, no mileage had been claimed by 16 staff in this period. The review also highlighted a number of infrequent users getting Essential Car User allowance. 25 staff i.e. 15.50% of Essential Car Users have only claimed between 0 to 500 miles over a 12 month period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013 under the revised scheme. A further 44 staff i.e. 16.70% have claimed between 500 to 1000 miles in the period reviewed. This indicates that the Essential Car User criteria may not been robustly applied to ensure that Essential Car Users are only awarded to those for whom driving a car/vehicle is an integral and regular feature of the job.

### Period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013

| Essential users total as at 31/12/2013= 263 | No. of Essential Car User | Cost to council (assuming £963 lump sum payment plus £0.409 per mile) | Cost to council if the staff were casual user |
|---|---------------------------|---|---|
| Zero miles                                  | 16                        | £15,408   | £ 0   |
| 0-100miles                                  | 2                         | £1,994  | £87   |
| 100-250miles                                | 8                         | £8,303  | £764  |
| 250-500 miles                               | 15                        | £16,884   | £3,112  |
| 500-1000 miles                              | 44                        | £55,738   | £17,059                                       |
| <b>Total</b>                                | <b>85</b>                 | <b>£98,327</b>  | <b>£21,022</b>                                |

8. Further analysis of total expenditure on Essential Car User highlighted that the Council paid approximately £496,769 to Essential Car Users as lump sum payments (£254,289) and mileage claim reimbursements (£242,480) between 01/01/2013 and 31/12/2013. Reimbursement of mileage claimed by Essential Car Users would have cost the Council only £309,627 at casual car user rates, during this period. Therefore, it could be argued that running the Essential Car User scheme has

## REVIEW OF ESSENTIAL CAR USERS AUDIT FOR 2013-14

resulted in an additional cost of £187,142. This figure does not include free parking for Essential Car User for using the staff car park. These figures are based on an assumption of no essential car user scheme being applied.

9. A sample of 20 Essential Car User was selected from a report from Resource Link system to review the evaluation undertaken before nomination as Essential Car User. Backing documents to support evaluation of job against the revised criteria for Essential Car User were not available. The panel meetings were not minuted. In absence of supporting documents, it is not possible to conclude that the revised criteria were applied consistently across the departments.

As stated above, having a current driving licence and use of their own car/vehicle are deemed to be essential and compulsory for the performance of the job was one of the revised criteria for Essential Car User. However, the criteria does not specify the responsibility and frequency of the checks on driving licence and insurance documents to support continued eligibility and availability of the car for business purposes. As per Financial Regulation 15.14 ***'Any officer of the Council who is authorised to make use of their own vehicle in the execution of the Council's business shall be responsible for effecting adequate insurance cover for such use and shall produce to their Chief Officer or the Finance Director on request evidence of the adequacy of such cover.'*** Therefore, a sample of 5 Essential Car User was selected and their managers were emailed to query if they have checked the driving licence and insurance documents for the car used for business purposes by their staff. A sample of 5 Essential Car User selected indicated that this was not being diligently checked.

10. The rate of lump sum and business miles paid to Essential Car User depends on the engine size of the car used for business. Checks were made to ensure that correct rate of lump sum and business miles are being paid. 8/20 were found to be correct and 12/20 could not be checked as they have not submitted any mileage claim (which has a record of engine size) since November 2012. No recommendation is being made for this finding.
11. 11/263 Essential Car Users are in receipt of higher lump sum payment as their posts have been assessed as needing use of a car of 1200cc or more. It was observed that in 9/11 cases, team members of these staff are undertaking similar duties using cars which are less than 1200cc.
12. A report comparing casual mileage and Essential Car User mileage claimed between January 2013 and December 2013 was reviewed. Based on business miles claimed and regularity of claims, a number of casual users have been using their cars

## REVIEW OF ESSENTIAL CAR USERS AUDIT FOR 2013-14

regularly for business purposes, with 16 users claiming more than 2000 miles between January 2013 and December 2013. It could be argued that they fulfil the current criteria for Essential Car User that driving a car/vehicle is an integral and regular feature of the job.

### SIGNIFICANT FINDINGS (PRIORITY 1)

13. There are three priority one recommendations:

#### **Review of nil and low usage Essential Car Users**

14. A report generated from Resource Link of all Essential Car Users and mileage claimed between 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013 was reviewed by Internal Audit to ensure that they meet the current Essential Car User criteria. Of the 263 Essential Car Users, no mileage has been claimed by 16 staff in this period. The review also highlighted a number of infrequent users getting Essential Car User allowance. 25 staff i.e. 15.50% of Essential Car Users have only claimed between 0 to 500 miles over a 12 month period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013 under the revised scheme. A further 44 user i.e. 16.70% have claimed between 500 to 1000 miles in the period reviewed. This indicates that the Essential Car User criteria may not been robustly applied to ensure that Essential Car Users are only awarded to those for whom driving a car/vehicle is an integral and regular feature of the job.

#### **Checking eligibility to drive cars for business purposes and having a car for use**

15. One of the revised criteria for Essential Car User was having a current driving licence and use of their own car/vehicle was deemed to be essential and compulsory for the performance of the job. However, the criteria does not specify the responsibility and frequency of the checks on driving licence and insurance documents to support continued eligibility and availability of the car for business purposes. However, there is a financial regulation requirement that checks should be made for adequacy of cover.

16. A sample of 5 Essential Car Users was selected and their managers were emailed to query if they have checked the driving licence and insurance documents for the car used for business purposes by their staff.

## REVIEW OF ESSENTIAL CAR USERS AUDIT FOR 2013-14

- 2 managers had not previously checked these documents and only did so when prompted by the email from internal audit. The supporting documents provided by these managers were reviewed. Insurance for one staff member did not cover business use of their vehicle.
- One manager responded that a member of staff has not used the car for business since last winter due to involvement in a traumatic incident which has resulted in a loss of confidence. The member of staff has been using public transport since the accident. The member of staff did not notify the manager of the change in circumstances and continued to receive Essential Car User lump sum payments of £80.25 per month.
- One manager advised that the staff member has a car loan and she relies on the external leasing company to undertake these checks. The manager has not checked the driving licence and insurance documents.
- One manager has not responded to the enquiry.

### Review Criteria to prevent anomalies

17. A report comparing casual mileage and Essential Car User mileage claimed between January 2013 and December 2013 was reviewed. Based on business miles claimed and regularity of claims, a number of casual users have been using their cars regularly for business purposes, with 16 users claiming more than 2000 miles between January 2013 and December 2013. This figure increases to 69 if usage is pitched at over 1,000 miles only per annum. It could be argued that they fulfil the current criteria for Essential Car User that driving a car/vehicle is an integral and regular feature of the job.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

18. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

19. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation   |
|-----|---|---|--|
| 1   | <p>A report generated from Resource Link of all Essential Car Users and mileage claimed between 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013 was reviewed by Internal Audit to ensure that they meet the current Essential Car User criteria. Of the 263 Essential Car Users, no mileage has been claimed by 16 staff in this period. The review also highlighted a number of infrequent users getting Essential Car User allowance. 25 staff i.e. 15.50% of Essential Car Users have only claimed between 0 to 500 miles over a 12 month period from 1<sup>st</sup> January 2013 to 31<sup>st</sup> December 2013 under the revised scheme. A further 44 user i.e. 16.70% have claimed between 500 to 1000 miles in the period reviewed. This indicates that the Essential Car User criteria may not be robustly applied to ensure that Essential Car Users are only awarded to those for whom driving a car/vehicle is an integral and regular feature of the job.</p> <p>There is no yearly review of essential car user mileage – this may need a central focal point from HR to disseminate to the managers to prevent several requests to Liberata.</p> | <p>Value for money may not be demonstrated.</p> | <p><b>Essential Car User lump sum payments should be reviewed for all non users and infrequent users as highlighted by this audit. Where staff have claimed that they have incurred business mileage, they must demonstrate details of journeys undertaken to justify Essential Car User status.</b></p> <p><b>[Priority 1]</b></p> <p><b>It is suggested that essential car user mileage is reviewed at yearly intervals to justify continuance.</b></p> <p><b>[Priority 2]</b></p> |

Project Code: CX/046/01/2013

Page 7 of 16

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation  |
|-----|--|---|---|
| 2.  | <p>One of the revised criteria for Essential Car User was having a current driving licence and use of their own car/vehicle was deemed to be essential and compulsory for the performance of the job. However, the criteria does not specify the responsibility and frequency of the checks on driving licence and insurance documents to support continued eligibility and availability of the car for business purposes.</p> <p>As per Financial Regulation 15.14 <i>‘Any officer of the Council who is authorised to make use of their own vehicle in the execution of the Council’s business shall be responsible for effecting adequate insurance cover for such use and shall produce to their Chief Officer or the Finance Director on request evidence of the adequacy of such cover.’</i></p> <p>A sample of 5 Essential Car Users was selected and their managers were emailed to query if they have checked the driving licence and insurance documents for the car used for business purposes by their staff.</p> <ul style="list-style-type: none"> <li>➤ 2 managers had not previously checked these documents and only did so when prompted by the email from internal audit. The supporting documents provided by these managers were reviewed. Insurance for one staff member did not cover business use of their vehicle.</li> <li>➤ One manager responded that her member of staff has</li> </ul> | <p>Risk of insurance liability falling on LBB if staff fail to have necessary insurance when using their own car for business purposes.</p> | <p><b>In compliance with Financial Regulation 15.14 Chief officers should ensure that the driving licence and insurance documents to support continued eligibility and availability of the car for business purposes are checked for the staff within their departments.</b></p> <p><b>Essential Car Users should be reminded that they need to report any incident that result in them being unable to drive a car or any change that result in their car being unavailable for business at the earliest to their line manager. In the instance identified</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**



DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation   |
|-----|---|---|--|
|     | <p>not used the car for business since last winter as she was involved in a traumatic incident which has resulted in her losing her confidence. She has been using public transport since her accident. She did not notify her manager of her change in circumstances and continued to receive Essential Car User lump sum payments of £80.25 per month.</p> <ul style="list-style-type: none"> <li>➤ One manager advised that the staff member has a car loan and she relies on the external leasing company to undertake these checks. She has not checked driving licence and insurance documents.</li> <li>➤ One manager has not responded to the enquiry.</li> </ul> |   | <p><b>where the claimant has not used their car, recovery should be made.</b></p> <p><b>[Priority 1]</b></p>   |
| 3.  | <p>A report comparing casual mileage and Essential Car User mileage claimed between January 2013 and December 2013 was reviewed. Based on business miles claimed and regularity of claims, a number of casual users have been using their cars regularly for business purposes, with 16 users claiming more than 2000 miles between January 2013 and December 2013. It could be argued that they fulfil the current criteria for Essential Car User that driving a car/vehicle is an integral and regular feature of the job. The figure increases to 69 if usage is pitched at over 1,000 miles per annum.</p>   | <p>Criteria is not applied consistently leaving the authority open to claims from casual car user staff</p> | <p><b>The Criteria for essential car user allowance should be reviewed as it potentially creates an anomaly for casual users who claim regular and substantial mileage.</b></p> <p><b>[Priority 1]</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk                               | Recommendation   |
|-----|--|------------------------------------|--|
| 4   | Further analysis of total expenditure on Essential Car User highlighted that the Council paid approximately £496,769 to Essential Car Users as lump sum payments (£254,289) and mileage claim reimbursements (£242,480) between 01/01/2013 and 31/12/2013. Reimbursement of mileage claimed by Essential Car Users would have cost council only £309,627 at casual car user rates, during this period. Therefore, it could be argued that running the Essential Car User scheme has resulted in an additional cost of £187,142. This figure does not include free parking for Essential Car User for using the staff car park. These figures are based on an assumption of no essential car user scheme being applied. | Inefficient use of council's funds | <p><b>Longer term benefit of Essential Car User scheme to the Council should be reviewed in light of the findings of this report.</b></p> <p><b>[Priority 2]</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation   |
|-----|--|--|--|
| 5.  | A sample of 20 Essential Car User was selected from a report from Resource Link system to review the evaluation undertaken before nomination as Essential Car User. Backing documents to support evaluation of job against the revised criteria for Essential Car User were not available. | Overpayments to staff as criteria applied inconsistently | <p><b>Evaluation process for Essential Car User should be consistent across departments and supporting documents from the process should be retained to evidence that the criteria was appropriately applied.</b></p> <p><b>[Priority 2]</b></p> |
| 6   | 11/263 Essential Car Users are in receipt of higher lump sum payment as there posts have been assessed as needing use of a car of 1200cc or more. In 9/11 cases, team members of these staff are undertaking similar duties using cars which are less than 1200cc.                         | Loss to council  | <p><b>A higher lump sum should not be paid if there is no business reason to use a car with an engine size of 1200cc or more.</b></p> <p><b>[Priority 2]</b></p>   |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

**REVIEW OF ESSENTIAL CAR USERS AUDIT FOR 2013-14  
MANAGEMENT ACTION PLAN**

**APPENDIX B**

| <b>Finding No.</b> | <b>Recommendation</b>   | <b>Priority<br/>*Raised in<br/>Previous<br/>Audit</b> | <b>Management Comment</b>   | <b>Responsibility</b>       | <b>Agreed<br/>Timescale</b> |
|--------------------|---|---|---|-----------------------------|-----------------------------|
| 1a.                | <b>Essential Car User lump sum payments should be reviewed for all non-users and infrequent users as highlighted by this audit. Where staff have claimed that they have incurred business mileage, they must demonstrate details of journeys undertaken to justify Essential Car User status.</b> | 1   | Benchmarking information is being collated as part of a formal review of the current criteria. This may lead to a policy change subject to the usual staff / Trade Union consultation exercise.<br>Under the current criteria the entitlement to essential car user status is not solely dependent on mileage. The current criteria recognises that for some staff the use of a car is an integral part of their job for efficiency and safety reasons, irrespective of mileage incurred. | Director of Human Resources | April 2015                  |
| 1b.                | <b>It is suggested that essential car user mileage is reviewed at yearly intervals to justify continuance.</b>  | 2   | See 1.a. above.   | Director of Human Resources | April 2015                  |

Project Code: CX/046/01/2013

Page 12 of 16

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

REVIEW OF ESSENTIAL CAR USERS AUDIT FOR 2013-14  
MANAGEMENT ACTION PLAN

APPENDIX B

| Finding No. | Recommendation  | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment   | Responsibility                              | Agreed<br>Timescale |
|-------------|---|---|--|---|---------------------|
| 2.          | <p><b>In compliance with Financial Regulation 15.14 Chief officers should ensure that the driving licence and insurance documents to support continued eligibility and availability of the car for business purposes are checked for the staff within their departments.</b></p> <p><b>Essential Car Users should be reminded that they need to report any incident that result in them being unable to drive a car or any change that result in their car being unavailable for business at the earliest to their line manager.</b></p> <p><b>In the instance identified where the claimant has not used their car, recovery should be made.</b></p> | 1   | <p>(a) Managers will be briefed using the existing communication channels including Managers Briefing, Doug's page etc.</p> <p>(b) Internal Audit and HR to carry out periodic random sampling reviews of selected car users.</p> <p><i>Audit comment:</i><br/><i>This recommendation will be followed up as part of the priority 1 procedures</i></p> | Head of Audit / HR Manager (Pay & Benefits) | April 2015          |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

**REVIEW OF ESSENTIAL CAR USERS AUDIT FOR 2013-14  
MANAGEMENT ACTION PLAN**

**APPENDIX B**

| <b>Finding No.</b> | <b>Recommendation</b>  | <b>Priority<br/>*Raised in<br/>Previous<br/>Audit</b> | <b>Management Comment</b> | <b>Responsibility</b>       | <b>Agreed<br/>Timescale</b> |
|--------------------|--|---|---------------------------|-----------------------------|-----------------------------|
| 3.                 | <b>The Criteria for essential car user allowance should be reviewed as it potentially creates an anomaly for casual users who claim regular and substantial mileage.</b>                                       | 1   | See 1.a. above.           | Director of Human Resources | April 2015                  |
| 4.                 | <b>Longer term benefit of Essential Car User scheme to the Council should be reviewed in light of the findings of this report.</b>   | 2   | See 1.a. above.           | Director of Human Resources | April 2015                  |
| 5.                 | <b>Evaluation process for Essential Car User should be consistent across departments and supporting documents from the process should be retained to evidence that the criteria was appropriately applied.</b> | 2   | See 1.a. above.           | Director of Human Resources | April 2015                  |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

REVIEW OF ESSENTIAL CAR USERS AUDIT FOR 2013-14  
MANAGEMENT ACTION PLAN

APPENDIX B

| Finding No. | Recommendation   | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment  | Responsibility              | Agreed<br>Timescale |
|-------------|--|---|---|-----------------------------|---------------------|
| 6.          | <b>A higher lump sum should not be paid if there is no business reason to use a car with an engine size of 1200cc or more.</b> | 2   | The current payments including the lump sum and mileage rates are part of the proposed review with a view to:<br>(a) consider the merit of a single payment system<br>And/or<br>(b) adopt another rate such as HMRC | Director of Human Resources | April 2015          |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.



**STRICTLY PRIVATE & CONFIDENTIAL  
FINAL INTERNAL AUDIT REPORT  
EDUCATION CARE & HEALTH SERVICES**

**REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15**

**Issued to:** Group Manager, Family Placements,  
Head of Service, Care & Resources,  
Assistant Director, Safeguarding & Social Care,  
Strategic Commissioner,  
Assistant Director, Commissioning,  
Head of Finance ECH&S,  
Exchequer Manager,  
Director of Finance,  
Assistant Director, Strategic Development & Performance,

**Cc:** Executive Director, EC&H Services,  
Chief Executive,

**Prepared by:** Principal Auditor.  
**Date of Issue:** September 23rd 2014

**Report No.:** ECH/017/01/2014

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

### INTRODUCTION

1. This report sets out the results of our systems based audit of **Family Placements Audit for 2014-15**. The audit was carried out in quarter 1 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 29/04/2014. Additionally, this audit was approved by Audit Sub-Committee for a review of the value for money arrangements in place for this service. The outcome of this is expanded upon in this report. During the review, Internal Audit were also asked to verify expenditure in relation to the Adoption Reform Grant in respect of a grant to the value of £148K. This has been satisfactorily completed and was returned on 30/6/14.
4. The Adoption and Children Act 2002 (the Act) is the principal piece of legislation governing adoption in England and Wales, whilst the Children Act 1989 sets the general framework for the support of children in need and planning for their future if they become looked after, the Act provides the framework for implementing plans for adoption.
5. The National Minimum Standards, together with Fostering Services (England) Regulations 2011, form the basis of the regulatory framework under the Care Standards Act 2000 (CSA) for the conduct of fostering services.  
  
The department has procedures in place such as the foster carers handbook and the Statement of purpose for the Adoption Agency.
6. The Performance Digest showed that as at March 31<sup>st</sup> 2014, there were 277 looked after children, of these 184 were in Foster Care and 21 children had been placed for adoption. The budgets for this service are held within the children's placements budget which includes residential placements. The budget for the children's placements budget in 2013-14 was £10,468,620

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

and actual spend was £10,451,111. For Fostering the actual spend was £6,115,089 (against a budget of £5,484,710) and the actual spend for Adoption was £512,358 (against the budget of £389,430). For 2014-15 the children's placement budget to £12,800,250. With the budgets both increasing for fostering to £6,380,630 and adoption £466,590. The budget for children's placement is managed differently to other service areas, the costs associated with the child follow the child, they are not specific to a team.

7. The Assistant Director, Safeguarding & Social Care, requested that Internal Audit reviewed the payment of allowances for fostering and adoption as part of this audit. The locally agreed fostering allowances are paid according to the age of the child. For fostering payments this included the fostering maintenance, professional fees and retainers as well as the allowances in payment for residence orders, special guardianship and Connected Persons (Kinship). Adoption allowances were also reviewed.
8. Residence order allowances have since been replaced by Child Arrangement Order in April 2014, whereby a court order decides where the child lives, makes arrangements for contact, and in some cases specify the amount to be paid in respect of the placement. The granting of a Residence Order does not discharge the parental responsibility of the child's parents. Local authorities have a discretionary power under the Children Act 1989 to make financial contributions towards the costs of the accommodation and maintenance of a child who is the subject of a Residence Order. There is no statutory guidance as to the amount, however, this Authority pay locally determined allowances which are reviewed annually. In order to establish the child's needs are met and that the carer is still entitled to the payment, welfare checks should be undertaken as good practice.
9. A Special Guardianship Order (SGO) is a formal court order which allows parental control over a child by an individual other than the parent such as a grandparent. The Special Guardian will have parental responsibility for the child and will have clear responsibility for the day-to-day decisions about caring for the child. The child's parents will continue to hold parental responsibility but their exercise of it will be limited. Special Guardians must be helped to access any benefits to which they are entitled; this will usually include child benefit and tax credits such as Child Tax Credit and Working Tax Credit. The local authority should undertake a financial assessment to account for any other grant, benefit, allowance or resource available to the person in respect of his needs as a result of becoming a Special Guardian of a child.

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

10. Connected Persons fostering (Kinship) arrangements is whereby the local authority has legal responsibility for the child and place them with a family member or friend who is the foster carer for that child. An allowance is payable to carers in respect of the child.

### AUDIT SCOPE

11. The scope of the audit is detailed in the Terms of Reference. A sample of 32 fostering placements and 18 adoption cases were selected from a report provided by the Planning & Development Manager.
- Additionally, a sample of 30 cases were taken from residence orders, special guardianship orders and kinship placements (10 from each).
  - Six of the retainer payments were also reviewed from a report provided from the Deputy Group Manager, Fostering.
  - The spreadsheet detailing Adoption Allowances were reviewed.
  - One area that was not reviewed due to time limitations were the social assessments and reviews.

### AUDIT OPINION

12. Overall, the conclusion of this audit was that no assurance can be placed on the effectiveness of the overall controls within fostering and limited assurance within adoption. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

13. The following issues arose during the audit that need to be brought to management's attention:-
- Overpayments were found to have increased in respect of foster placements, as service agreements had not been closed in a timely manner and a lack of monitoring
  - DBS checks were found to have expired. The timing of renewals, receipt of completed checks to CareFirst and category of carer to be checked requires clarification and review.
  - There is no policy around savings or a central log of what should transfer with the child when a placement ends or changes
  - Legal orders could not be located within Carestore as expected.

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

- Connected persons allowances were found to be incorrect in some cases.
- Residence order welfare checks had not been undertaken since January 2014.
- Adoption Allowances were found to have been calculated incorrectly and annual reviews had not been undertaken.
- Special Guardianship Orders were found not to have been reviewed annually, legal orders and previous financial assessments were not held in some cases.
- Training needs for fostering and adoption officers should be identified and addressed for Carefirst, financial regulations and Contract Procedure Rules.
- Procedures were found to be in need of revision and update.
- The transfer of adoption records to being held electronically had not progressed.
- There was no system in process to ensure that notification to HMRC is undertaken to terminate child benefit.
- Contract documentation was found in one case to be incomplete and missing.

### **Staying Put Grant**

14. Under the Care Leavers (England) Regulations 2010, the Planning Transition into Adulthood for Care Leavers Guidance and Staying Put Guidance (2013) and the Children and Family Act 2014, the local authority has responsibility for supporting former care leavers until 21 or up to 25 if they are involved in further or higher education. The local authority must also provide information about extending placements with foster carers beyond the age of 18. These are known as Staying Put arrangements. The 2014 Act effectively ensures that children and young people have the right to remain with their foster carers if they and the carers want this to happen. The Authority is currently awaiting confirmation of their grant allocation.
15. The Head of Social Care, Care & Resources has set up separate budget codes with finance to monitor this spend and assist with future planning. A paper went to the Executive working party on 29<sup>th</sup> April 2014, on the arrangements for staying put. The cohort of staying put clients will be identified as the young person approaches 18 based on their plans and whether the carer wishes to continue.

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

### Value For Money

16. The standard methodology to review value for money arrangements (vfm) was agreed by Members in September 2010. The matrix to assess value for money gives a rating 1 to 4, with 1 equating to not met and 4 equating to fully met. The vfm arrangements for this service was discussed with management and based on the findings, a score rating of 2 out of 4 is reported, which is partially met. There are some aspects of vfm in place but these are not sufficiently robust to reach an informed decision that the service is achieving vfm.
17. This score of 2 is based on:
- Limited customer feedback is undertaken and other local authorities are not contacted in order to learn how services could be improved.
  - Unit cost data is not available for the adoption service.

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

18. There were 8 significant findings identified during this audit:-

#### Overpayments

19. A list of aged debts was provided by the Strategic Commissioner, in respect of the fostering service. These were debts that had been invoiced. From the report dated 6/6/14, it could be seen that between the period of 18/8/10 and 2/6/14 £90,923.92 (relates to 34 transactions) had been overpaid and £77,295.71 remains outstanding and £816.70 from this has been sent for write off. The breakdown of debt is shown in paragraph 19 below.
20. The Exchequer Manager provided a spreadsheet that detailed credits held within Carefirst which were overpayments that would be recouped against a future placement, but have not yet been invoiced. Also detailed were credit notes raised in Oracle Financials. This report showed that for the period January to June 2014 there was a total of £20,363.58 of which £3,201.36 remains outstanding, at the time of the audit. The Exchequer Manager, has since written a new procedure in June 2014 to ensure that credits do not remain within Carefirst for more than two months. After this time, the amount will be removed from Carefirst and the carer will be invoiced Significant weakness continue to exist within the financial controls.

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

21. See below for the fostering overpayments identified across each financial year:-

| <b>Breakdown of Overpayments</b> |  |                   |
|----------------------------------|--|-------------------|
| <b>2010-11</b>                   |  | <b>£22,136.14</b> |
| <b>2011-12</b>                   |  | <b>£0.00</b>      |
| <b>2012-13</b>                   |  | <b>£7,409.69</b>  |
| <b>2013-14</b>                   |  | <b>£46,806.57</b> |
| <b>2014-15 to date</b>           |  | <b>£943.31</b>    |
| <b>2014-15 (Carefirst)</b>       |  | <b>£3,201.36</b>  |
|                                  |  | <b>£80,497.07</b> |

22. The overpayments discussed in paragraphs 19 to 21, indicate that there is still a significant problem with foster carer accounts going in to overpayment. Audit testing indicated that reasons identified include:-

- Service agreements not being closed in a timely manner.
- Lack of understanding of roles & responsibilities
- Lack of understanding of how Carefirst operates now that it is a financial system.
- Insufficient monitoring to identify early alerts.

23. The previous audit for Children's Social Care Payments in 2012-13 identified a priority one finding regarding overpayments monitoring and recovery. This was also reported to Audit Sub Committee in November 2012. Management at the time confirmed the following:- 'Overpayments are currently recorded and monitored within the Exchequer Service and information can be provided to CSC as required. CSC will ensure that the information received from Exchequer is used to take action to prevent further overpayments being made'. At this time, £69,707 overpayments were identified. This related to 29 transactions.

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

24. During the Looked After Children Audit for 2013/14 (finalised May 14), it was reported that in respect of P188732, an overpayment had been made of £11,336.82 (relating to the period 12/6/13-4/01/13). A further overpayment was made in respect of another child to the same carer also for £11,809.86 (for the period 9/7/13-1/3/14). Both these payments are included within the aged debt amount of £80,497.07. As a result of the Audit, the department have since introduced a process whereby as soon as there is a placement change the Adoption Manager and the Fostering Manager will notify the CCT, however, the effectiveness of this procedure has not yet been tested. It has only been during the audit that a repayment plan has been discussed with the carer. It was also found that this carer also provided Outreach and it was agreed to pay this carer a one off payment of £102.63 relating to Outreach on 17/6/14 and plans are being made for a new placement to be made with this carer.
25. The fostering allowances were reviewed and reconciled back to the actual payments. A sample of 32 were selected, 24 in house and 8 independent fostering agency (IFA) placements. Queries arose in three of the in house cases sampled relating to the actual payments being received. Allowances are based on the age of the child and these three payments could not be reconciled. In each of the three cases, the carer received the enhanced professional fee despite the children being below the qualifying age band of 13. For the IFA placements, three queries were raised regarding one overpayment of £480 and two placements where an annual agency fee of £6,800 was charged over and above the weekly care costs. In one case, the annual agency fee had not been invoiced by the provider since 2012 and this was being investigated.
26. At the time of the audit, the allowances in payment related to those agreed for 2013-14. The 2014-15 rates went to Committee on 26/6/14 for approval. Over a year, the total cost of the maintenance and professional fees currently in payment, would be £2,923,017.03.
27. Retainers in payment were also reviewed. A standard retainer of £100 can be paid to the foster carer for a maximum of eight weeks. From a list provided by the Fostering Deputy Group Manager, it was found that out of the standard retainers 6 out of 11 cases were found to be in overpayment totalling circa £2,500. These are over and above the overpayments detailed above in paragraph 19. The Auditor was informed by the Fostering Deputy Group Manager, that once a retainer is set up for payment, an end date cannot be input as the retainer may not be for the full eight weeks, during this time a child may be placed with the carer. Therefore, as Carefirst cannot be used to trigger the end date, departmental management must have a robust monitoring system in place, to ensure that overpayment do not continue to occur. Queries have also been highlighted with three fostering agency placements where enhanced rates are in payment. Additionally, queries have been highlighted with three agency foster placements relating to an overpayment and the payment of annual inter-agency fees over and above the weekly care costs.



## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

### Savings

28. Included within the maintenance amounts paid to foster carers is a savings element included. As detailed on the 2013-14 allowances sheet, saving elements for the following age bands are as follows; 5-10 is £10, 11-15 is £15 and 16+ is £25. However, the Auditor was informed by the Deputy Fostering Manager that the saving bands for 5-10 were actually £5, 11-15 £10 and 16+ £10. Queries were raised in relation to the saving element included within the maintenance of the foster carer allowance for age bands 5-10, 11-15 and 16+ and the Deputy Fostering Manager informed the Auditor that the age bands were incorrect. It is unclear what has been done to update the rates and correct the maintenance figures.
29. Furthermore, it was found that there is no policy surrounding the transfer of savings for the child when the placement ends or changes.
30. There is no central log of what amount should have been saved and which amount should transfer with the child when a placement ends or changes. Foster carers were notified of responsibilities re savings via a newsletter, as advised by the Head of Social Care.
31. It should be noted that pocket money paid via the maintenance fee to the foster carers on behalf of the child, was not tested during this review. The handling of Children's ISA's and the Child Trust funds, was also not tested. Guidance on transfer of the ISA's and trust funds from the local authority's responsibility to the adoptive parent should be readily available.

### Legal Orders

32. Carefirst and Carestore was reviewed to locate the legal orders to support the payments made to carers in respect of the Special Guardianship Orders and Residence Orders, of which 2 out of 18 orders selected for audit examination were located. All records are now held electronically, so there is no paper file. Cases that remain in payment have since had their paper files archived. The Auditor contacted Legal to obtain copies of the relevant court orders. Legal only hold a limited number of the orders as they may not always be involved in proceedings.
33. Legal evidenced an email dated 19/6/14 highlighting concerns that copies of legal orders were not being retained and uploaded onto Carefirst/Carestore. Legal confirmed that at the end of care proceedings the relevant Solicitor will provide

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

copies of the legal order to the Social Worker and asking that the legal orders are to be placed on Carestore. Key documentation is not being retained.

### Connected Persons CP's (Kinship) Allowances

34. From sample testing, it was found that queries arose in three cases and these were referred to the Strategic Commissioner, CCT. For two of the cases the incorrect rate was in payment resulting in underpayments. These have since been amended.
35. There are currently 30 Connected Persons (kinship) allowances in payment (according to the Carefirst report) and payments at the time of the audit would be £302,609.48 per annum.

### Residence Orders (RO's)

36. There are currently 46 Residence Order allowances in payment at the time of the audit and over a year the total cost would be £349,235.66 per annum. RO's in payment in respect of 36 out of 46 children could not be reconciled back to the agreed allowances, in the absence of the key documentation namely the residence order ( which may or may not specify rates) and the previous original financial assessment. Reviewing the list of the residence orders and reconciling this back to the agreed allowances it appears that 23 were in overpayment and 13 in underpayment. However, this cannot be confirmed in the absence of key documentation, namely the residence order and the previous financial assessments.
37. As discussed in paragraph 33, legal orders for Residence Orders were found not to be held as expected. Under the Children's Act 1989, residence orders are not subject to any formal financial assessment. It is at the discretion of the local authority. On reviewing the residence order allowances in payment and reconciling this to the agreed allowances, sample testing showed that for three of the cases sampled, residence order allowances were in payment, but all three cases were classified as fostering/kinship cases within Carefirst.
38. Previously, RO's came under the CCT and they were responsible for undertaking the welfare checks to confirm that the child continued to be in placement and also a telephone call to the school to confirm the child was still in attendance and that all was well. Generally, checks were undertaken on a rolling programme a year after the order was made or a year from the last review. RO;s transferred from CCT to the Head of Social Care in November 2013 and since that date no welfare checks have

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

been undertaken. There is currently no officer monitoring residence orders. The Head of Social Care, Care & Resources, has asked the Carefirst Support Team to set up a virtual team for these cases to be allocated to.

### Adoption Allowances

36. The Head of Social Care, Care & Resources, (HOSC,C&R) informed the Auditor that the adoption allowances in payment had been financially assessed incorrectly. The Auditor was told that the allowances had not been reviewed for some years, possibly 2 or 3 years. This is not in line with the adoption regulations that state that they should be reviewed annually.
40. During the audit, the HOSC,C&R explained that he would be reviewing all the adoption allowances and write to all the adopters as applicable. Currently, there are adoption allowances paid every two weeks and the payment batch for the period 01/06/14-14/06/14 totalled £15,988.52. Over a year, this would amount to £415,701.52 relating to 46 children (at the time of the audit).
41. On 1/7/14, a list of cases was provided to the Auditor by the HOSC,C&R detailing cases where the assessments had been re-calculated and therefore the service had identified the errors. It was found that 5 carers had failed to return financial information to support payments. Internal Audit request confirmation of what action will be taken on these five cases.
42. At the time of the audit, six carers adoption allowances were due to almost double in payment due to an error in the original calculation the Head of Service advised. Equally three allowances are due to be significantly lower and further investigation is required. It needs to be determined the level of over and underpayments that have been made and the outcome of which reported back to Internal Audit. The HOSC,C&R stated by email that 'My plan is to pay the new rates from the 1 July 2014. I'm not anticipating any need to back date although I am anticipating appeals where the amount has been reduced'. The Head of Service plans not to backdate calculations and pay the new rates from the 1 July 2014, however, the basis for the decision and the authority for this decision has yet to be determined.ie Member approval compliance with financial regulations.

### Special Guardianship Orders

43. For the Special Guardianship cases , there are currently 66 SGO's in payment at the time of the audit and over a year the cost would equate to £556,825.23 per annum. Financial assessments are undertaken for the Special Guardianship Orders and these should be reviewed annually. At the time of the audit, it was confirmed by the Special Guardianship Development

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

officer that financial assessment reviews are undertaken for the first three years only. Therefore, it was not possible to verify all payments being made under this classification. A copy of the Special Guardianship Policy has been requested.

44. Further inconsistencies arose with the rates currently in payment when matched to the court orders (where allowances were detailed) and then cross referenced to the financial assessment.
45. The department had identified 59 SGO cases had been mis-classified on Carefirst and required investigation and amendment; this work was still outstanding.

### Training

46. During the course of the audit, it was evident that the officers interviewed within the fostering and adoption teams, do undertake financial duties, however, none had been nominated to undertake the financial regulation and contract procedure rules training. For those staff identified with financial duties, the training was then mandatory. The Group Manager, Family Placements, had been nominated to undertake this mandatory training for Contract Procedure Rules and Financial Regulations, however, it appears that the Group Manager, Family Placements, has still to complete both these courses.
47. As Carefirst is now finance based, the importance of how the system works and keeping the system up to date is crucial to understand how overpayments are continuing to rise. Enquiries have also been made in relation to the level of training that has been undertaken by key members of staff on Carefirst. In some instances, there is not an adequate level of understanding on the use of Carefirst.

## CONCLUSION

48. In summary, from the findings highlighted within this report and the significant weaknesses found to exist in the financial controls. There was a lack of documents to evidence decisions made, lack of reconciliation of actual payments to agreed allowances non compliances with regulations and minimum care standards, inaccurate information recorded on Carefirst. There needs to be more robust management and supervisory checks being undertaken.

## REVIEW OF FAMILY PLACEMENTS AUDIT FOR 2014-15

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

49. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

50. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation |
|-----|--|--|----------------|
| 1   | <p><b>Overpayments</b></p> <p>A list of aged debts was provided by the Strategic Commissioner, in respect of the fostering service. These were debts that had been invoiced. From the report dated 6/6/14, it could be seen that between the period of 18/8/10 and 2/6/14 £90,923.92 had been overpaid and £77,295.71 remains outstanding and £816.70 from this has been sent for write off.</p> <p>The Exchequer Manager provided a spreadsheet that was detailed accounts in credit on Carefirst which were overpayments that would be recouped against a future placement, but have not yet been invoiced. Also included were credit notes raised in Oracle Financials. This report showed that for the period January to June 2014 there was a total of £20,363.58 of which £3,201.36 remains outstanding, at the time of the audit. The Exchequer Manager, has since written a new procedure 'Procedures for clearing Credit Notes in AP' dated 17<sup>th</sup> June 2014 to ensure that credits do not remain within Carefirst for more than two months. After this time, the amount will be removed from Carefirst and the carer will be invoiced. Significant weakness continue to exist within the financial controls. The overpayments discussed in paragraphs 19 to 21, indicate that there is still a significant problem with</p> | <p>Poor processes can lead to overpayments and losses.</p> |                |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No.                         | Findings  | Risk                      | Recommendation |  |  |      |        |      |        |         |  |  |            |         |  |  |       |         |  |  |           |         |  |  |            |                 |  |  |         |                             |  |  |           |  |  |  |            |  |   |
|-----------------------------|---|---------------------------|----------------|--|--|------|--------|------|--------|---------|--|--|------------|---------|--|--|-------|---------|--|--|-----------|---------|--|--|------------|-----------------|--|--|---------|-----------------------------|--|--|-----------|--|--|--|------------|--|---|
| 1<br>cont                   | <p>foster carer accounts going in to overpayment. Audit testing indicated that reasons identified include;-</p> <ul style="list-style-type: none"> <li>• Service agreements not being closed in a timely manner.</li> <li>• Lack of understanding of roles &amp; responsibilities</li> <li>• Lack of understanding of how Carefirst operates now that it is a financial system.</li> <li>• Insufficient monitoring to identify early alerts.</li> </ul> <table border="1" data-bbox="293 751 1160 1137"> <thead> <tr> <th colspan="4">Breakdown of Overpayments</th> </tr> <tr> <th>Year</th> <th>Amount</th> <th>Year</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>2010-11</td> <td></td> <td></td> <td>£22,136.14</td> </tr> <tr> <td>2011-12</td> <td></td> <td></td> <td>£0.00</td> </tr> <tr> <td>2012-13</td> <td></td> <td></td> <td>£7,409.69</td> </tr> <tr> <td>2013-14</td> <td></td> <td></td> <td>£46,806.57</td> </tr> <tr> <td>2014-15 to date</td> <td></td> <td></td> <td>£943.31</td> </tr> <tr> <td>2014-15 (Carefirst credits)</td> <td></td> <td></td> <td>£3,201.56</td> </tr> <tr> <td></td> <td></td> <td></td> <td>£80,497.27</td> </tr> </tbody> </table> | Breakdown of Overpayments |                |  |  | Year | Amount | Year | Amount | 2010-11 |  |  | £22,136.14 | 2011-12 |  |  | £0.00 | 2012-13 |  |  | £7,409.69 | 2013-14 |  |  | £46,806.57 | 2014-15 to date |  |  | £943.31 | 2014-15 (Carefirst credits) |  |  | £3,201.56 |  |  |  | £80,497.27 | <p>Non recovery of LBB monies which may result in write off's.</p> | <p><b>Processes must be revisited and must be more robust to prevent overpayment situations arising. Service agreements within Carefirst must be closed in a timely manner to prevent overpayments arising. Overpayments should be monitored for recovery.</b></p> <p>A decision should be made on the best way to recover the overpayment either a credit via Carefirst or by recovery by invoice.</p> |
| Breakdown of Overpayments   |   |                           |                |  |  |      |        |      |        |         |  |  |            |         |  |  |       |         |  |  |           |         |  |  |            |                 |  |  |         |                             |  |  |           |  |  |  |            |  |   |
| Year                        | Amount  | Year                      | Amount         |  |  |      |        |      |        |         |  |  |            |         |  |  |       |         |  |  |           |         |  |  |            |                 |  |  |         |                             |  |  |           |  |  |  |            |  |   |
| 2010-11                     |   |                           | £22,136.14     |  |  |      |        |      |        |         |  |  |            |         |  |  |       |         |  |  |           |         |  |  |            |                 |  |  |         |                             |  |  |           |  |  |  |            |  |   |
| 2011-12                     |   |                           | £0.00          |  |  |      |        |      |        |         |  |  |            |         |  |  |       |         |  |  |           |         |  |  |            |                 |  |  |         |                             |  |  |           |  |  |  |            |  |   |
| 2012-13                     |   |                           | £7,409.69      |  |  |      |        |      |        |         |  |  |            |         |  |  |       |         |  |  |           |         |  |  |            |                 |  |  |         |                             |  |  |           |  |  |  |            |  |   |
| 2013-14                     |   |                           | £46,806.57     |  |  |      |        |      |        |         |  |  |            |         |  |  |       |         |  |  |           |         |  |  |            |                 |  |  |         |                             |  |  |           |  |  |  |            |  |   |
| 2014-15 to date             |   |                           | £943.31        |  |  |      |        |      |        |         |  |  |            |         |  |  |       |         |  |  |           |         |  |  |            |                 |  |  |         |                             |  |  |           |  |  |  |            |  |   |
| 2014-15 (Carefirst credits) |   |                           | £3,201.56      |  |  |      |        |      |        |         |  |  |            |         |  |  |       |         |  |  |           |         |  |  |            |                 |  |  |         |                             |  |  |           |  |  |  |            |  |   |
|                             |   |                           | £80,497.27     |  |  |      |        |      |        |         |  |  |            |         |  |  |       |         |  |  |           |         |  |  |            |                 |  |  |         |                             |  |  |           |  |  |  |            |  |   |

**Priority 1**  
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**Priority 2**  
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**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No.       | Findings  | Risk   | Recommendation   |
|-----------|---|--|--|
| 1<br>cont | <p>During the Looked After Children Audit for 2013/14 (finalised May14), it was reported that in respect of P188732, an overpayment had been made of £11,336.82 (relating to the period 12/6/13-4/01/14). A further overpayment was made in respect of another child to the same carer also for £11,809.86 (for the period 9/7/13-1/3/14). Both these payments are included within the aged debt amount of £80,497.07. The department have since introduced a process whereby as soon as there is a placement change the Adoption Deputy Group Manager and the Fostering Deputy Group Manager will notify the CCT, however, the effectiveness of this procedure has not yet been tested. It has only been during the audit that a repayment plan has been discussed with the carer. It was also found that this carer also provided Outreach and it was agreed to pay this carer a one off payment of £102.63 relating to Outreach on 17/6/14.</p> <p>The current foster care allowances in payment at the time of the audit related to 2013-14. Therefore, testing had been made against these rates. Rates were found to have been agreed on 26/6/14.</p> <p>A sample of IFA agency placements were also reviewed. From sample testing, the following queries arose in respect of the</p> | <p>Monitoring and reconciliation of data not being undertaken resulting in overpayments.</p> | <p><b>Fostering allowances must be in payment based on the age of the child. If there are reasons for deviating from the normal rate, then this should be evidenced by the Head of Service. Allowances should be planned for approval and be in place from the start of the financial year in line with the budgets.</b></p> <p><b>The IFA cases highlighted should be Investigated.</b></p> |

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DETAILED FINDINGS

| No.       | Findings   | Risk  | Recommendation   |
|-----------|--|---|--|
| 1<br>cont | <p>fostering allowances and retainers and IFA placements</p> <ul style="list-style-type: none"> <li>• Queries were identified with allowances in payment where additional payments were received by 3 carers in relation to professional fees.</li> <li>• For one Independent Fostering Agency placement, the incorrect fee was found to have been paid resulting in an overpayment of £480 .The contract documentation shows £730 per week whereas Carefirst details £850 per week, for the period of 8/4/14-6/5/14 resulting in an overpayment of £120 per week.</li> <li>• Two IFA placement had an annual agency fee of £6,800 over and above the weekly care costs, which is not detailed on Carefirst. For P10733, the weekly care costs are £963 per week, however, the annual agency fee of £6,800 had not been invoiced by the provider since 2012 and the department is looking into the case further as records could not be located. For P6595, the weekly care costs are £548.73 and the annual cost of £6,800 also applied. Further information has been requested to support the payments</li> </ul> <p><i>Standardised fostering rates are covered by the Minimum Care</i></p> | <p>Loss of monies to the Authority due to a lack of monitoring. Inaccurate budget monitoring.</p> | <p><b>All cases should be reviewed and if found to have been in overpayment, monies should be recovered.</b></p> |

Page 169

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DETAILED FINDINGS

| No.      | Findings  | Risk | Recommendation   |
|----------|---|------|--|
| 1<br>Con | <p><i>Standards – Standard 28.7 ‘Criteria for calculating fees and allowances are applied equally to all foster carers’.</i></p> <p>The payment structure for the fostering respite as well as those for disabled children is complex and as result staff appear not to be checking these payments.</p> <p>The foster carer retainers currently in payment were reviewed. A report is circulated to designated officers periodically in order to confirm that retainer payments should indeed continue in payment. From reviewing the list, it could easily be seen that overpayments had been made.</p> <p>In six cases, standard retainers continued to be in payment beyond the eight week limit resulting in overpayments of circa £2,500</p> <p>The Fostering Deputy Group Manager explained that the eight week period could be extended in exceptional circumstances by the Head of Service. The Auditor was informed by the Fostering Deputy Group Manager, that once a retainer is set up for payment, an end date cannot be input as the retainer may not be for the full eight weeks, during this time a child may be placed with the carer. Therefore, as Carefirst cannot be used to</p> |      | <p><b>Monitoring of retainer payments must be more robust and staff should check the reports to confirm that retainers should continue in payment or not. The department should decide the best way to process set up retainer payments. Overpayments should be recovered.</b></p> |

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| No.       | Findings   | Risk   | Recommendation  |
|-----------|--|--|---|
| 1<br>cont | <p>trigger the end date, departmental management must have a robust monitoring system in place, to ensure that overpayment do not continue to occur.</p> <p>The short break retainer fees, children with disabilities and the other looked after children are dated 2010/11. These rates have not been updated in line with the other fostering allowances and were not specifically tested.</p> |  | <p><b>IFA records should be located and then determined whether monies are due to the provider.</b></p> <p><b>Short break/respice retainer rates should be reviewed along with the respice rates for children with disabilities.</b></p> <p><b>[Priority 1]</b></p> |
| 2         | <p><b><u>DBS Checks</u></b><br/>The Auditor requested a log of the DBS checks undertaken.</p>  | Carers may have an undisclosed criminal record | <b>All DBS checks must be scheduled for renewal in a</b>  |

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| No.       | Findings  | Risk   | Recommendation  |
|-----------|---|--|---|
| 2<br>cont | <p>The report provided included 13 expired DBS checks and 10 that due were to expire. The oldest expired case was 22/9/13 and the most recent expired was 16/5/14. Further checks identified that 2 of the 13 were current carers:-</p> <ul style="list-style-type: none"> <li>• DBS required by 14.4.14, DBS request sent off 28.5.14 and as at 30.7.14 tracking shows that the DBS was dispatched to the carer on 17.7.14. The placement open to the carer started 23.5.14.</li> <li>• DBS required by 3.1.14, DBS request sent off 28.5.14 and as at 30.7.14 tracking shows that the check is at stage 4 (police) since 9.6.14. Two placements are current for this carer opened on the 7<sup>th</sup> and 31<sup>st</sup> March 2014.</li> </ul> <p>Of the 13 carers detailed as expired, 5 had the designated role as “Approved Foster Carer”, 2 as “Respite Carer” and 6 as “other”. Discussion with the Head of Social Care indicated that the “other” category may not have a direct care role for the child but be associated with the foster carer or be over 18 and resident in the carers home. As a sample check 1 of the 6, , was checked to CareFirst; the role and relationship to the foster</p> | <p>therefore placing vulnerable children at risk.</p> <p>Noncompliance to the Minimum Care Standards – Standard 19.3.<br/><i>‘The fostering service has a record of the recruitment and suitability checks which have been carried out for foster carers and those working (including as volunteers) for the fostering service. Including CRB Disclosures, including the level of the Disclosure, and the unique reference number’</i></p> | <p><b>timely manner, allowance given to the potentially lengthy delay at stage 4.</b></p> <p><b>The responsible care worker should ensure that CareFirst is updated promptly and any issues arising from the DBS check addressed and evidenced.</b></p> <p><b>The Department should be able to evidence close monitoring of cases whereby the DBS has expired and a child is placed with that carer.</b></p> <p><b>The Department should clarify the DBS checks for</b></p> |

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| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
|     | <p>carer was unclear.</p> <p>The carer of Sample 29 (and Sample 30 since 7/4/14 was not found on the DBS central log. Further checks with the administrator confirmed that the carer's name had been misspelt on the tracking database; the error was corrected.</p> |   | <p><b>carers allocated the role of "other" and the authority's responsibility to ensure records are current and accurate.</b></p> <p><b>Periodically reconcile the DBS tracking record to a CareFirst generated report to identify data entry errors.</b></p> <p><b>[Priority 2]</b></p> |
| 3   | <p><b><u>Savings</u></b><br/>                     From November 2013, as part of the maintenance element of the fostering allowances, a proportion of the fee is based upon</p>  | <p>Savings may not transfer with the child.</p> | <p><b>A policy must be written on the treatment of</b></p>   |

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| No.       | Findings   | Risk | Recommendation   |
|-----------|--|------|--|
| 3<br>cont | <p>savings and pocket money for the foster child. The foster carer is required to keep the savings for the child so that if the child subsequently changes placement for whatever reason, the savings transfer with the child.</p> <p>As detailed on the 2013-14 allowances sheet, saving elements for the following age bands are as follows; 5-10 is £10, 11-15 is £15 and 16+ is £25. However, the Auditor was informed by the Fostering Deputy Group Manager that the saving bands for 5-10 was actually £5, 11-15 £10 and 16+ £10. Queries were raised in relation to the saving element included within the maintenance of the foster carer allowance for age bands 5-10, 11-15 and 16+ and staff informed the Auditor that the age bands were incorrect. It is unclear what has been done to update the rates and correct the maintenance figures.</p> <p>This is reflected within the foster carer handbook but not within the allowances sheet that was provided to the Auditor to test against.</p> <p>Furthermore, it was found that there is no policy surrounding the transfer of savings to adoptive placements for children currently in foster placements.</p> |      | <p><b>savings and pocket money for children in local authority care. The fostering care allowances must be amended to incorporate the correct saving elements for the relevant age bands. When a placement ends and/or the child moves, the savings transferring should be easily identifiable.</b></p> <p><b>[Priority 1]</b></p> |

Page 174

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DETAILED FINDINGS

| No.                          | Findings  | Risk   | Recommendation   |
|------------------------------|---|--|--|
|                              | <p>There is no central log of what should be saved and what should transfer for the child. It is understood that all foster carers were notified of responsibilities regarding savings via a newsletter, as advised by the Head of Social Care. The Newsletter states 'Please note that with effect from November 2013, the minimum amount of savings that carers must save for Children under 10 years is £5 per week and children over 10 £10 per week.</p>   |  |  |
| <p>4<br/><br/>4<br/>cont</p> | <p><b>Legal Orders</b><br/>Carefirst and Carestore was reviewed to locate the legal orders to support the payments made to carers in respect of the Special Guardianship Orders and Residence Orders, of which 2 out of 18 orders selected for audit examination were located. The Auditor was advised to contact Legal who would have the relevant court orders. Having contacted Legal, to request copies of a total of 18 orders (9 SGO's and 9 RO's), only 6 in total were located, as they would not necessarily always be involved in all cases. Legal indicated that a further 2 cases may be held under a different surname and these have been referred to the Head of Social Care to verify. (The final report will be updated accordingly)</p> | <p>Lack of legal documentation to support actual payments to carers.</p> | <p><b>Legal orders for all Special Guardianship and Residence Orders must be held securely and uploaded onto Carestore by social care staff, in order to verify the actual payments made to carers.</b></p> <p><b>All staff must be reminded that legal documents such as these, must be</b></p> |

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| No. | Findings  | Risk | Recommendation  |
|-----|---|------|---|
|     | <p>The Special Guardianship Development Officer was unaware where the orders were held on Carestore and suggested that the Auditor contact Legal department as they hold all legal orders.</p> <p>Legal advised the Auditor that as a matter of process, at the end of care proceedings the relevant Solicitor will provide copies to the Social Worker and asking that the legal orders are to be placed on Carestore. Subsequently, an email has been issued to Heads of Service instructing staff to retain the court documentation.(This would further indicate that legal orders were are not being retained as expected).</p> |      | <p><b>uploaded onto the legal folder within Carestore.</b></p> <p><b>[Priority 1]</b></p> |
| 5   | <p><b><u>Connected Person (Kinship) Allowances</u></b></p> <p>Kinship foster carers are sometimes called connected persons.</p>   |      | <p><b>Connected Persons Allowances (Kinship) need</b></p>                                 |

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DETAILED FINDINGS

| No.       | Findings   | Risk                                   | Recommendation  |
|-----------|--|--|---|
| 5<br>cont | <p>There are currently 30 Connected Persons (kinship) allowances in payment (according to the Carefirst report) and payments at the time of the audit would be £302,609.48 per annum. From the sample testing it was found that comparing the actual allowances rates for 2013-14, inconsistencies arose in the actual payments being made.</p> <p>A sample of four cases were referred to the Children’s Commissioning Team and inconsistencies were found with 3 of the cases.</p> <p>For one case, the incorrect rate was in payment, £275.94 was found to be in payment instead of £277.55, therefore a total underpayment of £49.91 had been made between 17/11/13 to 21/6/14. This has now been paid to the carer.</p> <p>The second case, the rate in payment was £272.13 instead of £277.55. For the period 1/4/13 to 7/6/14 £311.26 had been underpaid and this has now been paid to the carer.</p> <p>For the third case, the Auditor was subsequently informed that this Connected Persons placement was actually an SGO and information was awaiting in respect of the correct amount that</p> | <p>Incorrect rates are in payment.</p> | <p><b>to be revisited to confirm that the correct classification is recorded within Carefirst and that the correct rate is currently in payment to the carers. All records must be updated accordingly.</b></p> <p><b>All staff need to be reminded that rates should not be overwritten and pre-set fees should be utilised.</b></p> <p><b>judgement.</b></p> <p><b>[Priority 1]</b></p> |

Page 177

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| No. | Findings   | Risk                       | Recommendation                |
|-----|--|----------------------------|-------------------------------|
|     | <p>should be in payment. This information was still outstanding at the time of the Audit.</p> <p>Discussions took place with the Strategic Commissioner, CCT who confirmed that as a result all Connected Persons allowances would be subsequently reviewed.</p> <p><i>Minimum Care Standard 28.3 - Allowances and fees are reviewed annually.</i></p> |                            |                               |
| 6   | <p><b><u>Residence Orders</u></b></p> <p>Sample testing revealed that the legal orders for residence</p>   | Monitoring of cases is not | <b>Welfare checks must be</b> |

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| No.       | Findings  | Risk   | Recommendation   |
|-----------|---|--|--|
| 6<br>cont | <p>orders were found not to be held as expected (See Recommendation 4) . Residence orders are no longer means tested and having requested copies of the previous financial assessments, staff were not aware where these previous financial assessments were located therefore it is not understood how current rates of payment continue to be verified in all cases.</p> <p>There are currently 46 Residence Order allowances in payment at the time of the audit and over a year the total cost would be £349,235.66 per annum. RO's in payment in respect of 36 out of 46 children could not be reconciled back to the agreed allowances.</p> <p>Reviewing the list of the residence orders and reconciling this back to the agreed allowances it appears that 23 were in overpayment and 13 in underpayment. However, this cannot be confirmed in the absence of key documentation, namely the residence order and the previous financial assessments.</p> <p>Queries also exist in relation to the correct classification of cases on Carefirst. Sample testing showed that for three of the cases sampled, residence orders were in payment but all three cases were classified as fostering/kinship cases within Carefirst.</p> <p>(It is acknowledged that some of these rates may relate to</p> | <p>undertaken and allowances may continue despite a child moving to elsewhere.</p> | <p><b>undertaken periodically to confirm that the placement is going well and the child is still in placement. This is also required to confirm that the payment of the residence order allowance is still appropriate. The Residence Order allowances need to be fully reviewed to confirm that the current payments are correct and each case has the correct classification recorded within Carefirst.</b></p> <p><b>[Priority 1]</b></p> |

Page 179

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| No. | Findings   | Risk | Recommendation  |
|-----|--|------|---|
|     | <p>when residence order allowances were means tested and they may have resulted from the financial assessments. However, these financial assessments have not been located. The Residence orders do not always specify the rates to be paid, however as these could not be located this could not be confirmed.</p> <p>Furthermore, there is no officer monitoring of residence orders. Until November 2013, RO's came under the CCT and they were responsible for undertaking the welfare checks to confirm that the child continued to be in placement and also a telephone call to the school to confirm the child was still in attendance and that all was well. RO's transferred from CCT to the Head of Social Care, Care &amp; Resources in November 2013 and since that date no welfare checks have been undertaken. There is no one officer overseeing RO's currently. The Head of Social Care, Care &amp; Resources has asked the Carefirst Support Team to set up a virtual team for these cases to be allocated to as they cannot be allocated to individual officers.</p> |      |   |
| 7   | <p><b><u>Adoption Allowances</u></b><br/>The Head of Social Care, Care &amp; Resources, informed the Auditor that the adoption allowances in payment had been</p>  |      | <p><b>Adoption allowances must be reviewed annually and</b></p> |

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| No.       | Findings   | Risk  | Recommendation   |
|-----------|--|---|--|
| 7<br>cont | <p>financially assessed incorrectly. The Auditor was told that the allowances had not been reviewed for some years, possibly 2 or 3 years.<br/>This is not in line with the adoption regulations that state that they should be reviewed annually.</p> <p>During the audit, The Head of Social Care, Care &amp; Resources explained that he would be reviewing all the adoption allowances and write to all the adopters as applicable.</p> <p>Currently, there are adoption allowances paid every two weeks and the payment batch for the period 01/06/14-14/06/14 totalled £15,988.52. Over a year this amounts to £415,701.52 relating to 46 children. It should be noted that some carers have more than one allowance in payment (based on the children they have adopted).</p> <p>On 1/7/14, a list of cases was provided to the Auditor detailing cases where there assessments had been re-calculated.</p> | <p>Unable to verify adoption allowances in payment.</p> | <p><b>based on the financial assessment to ensure that we are in compliance with the adoption regulations. Financial information must be returned by the carers on request to enable on-going payments, subject to their financial assessments, to ensure that any changes in circumstances are identified. If carers do not provide financial assessment information then the management should consider suspending payments.</b></p> <p><b>The Head of Social Care's decision not to backdate calculations should have</b></p> |

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| No. | Findings  | Risk | Recommendation   |
|-----|---|------|--|
|     | <ul style="list-style-type: none"> <li>• It was found that 5 carers had failed to return financial information to support on-going payments.</li> <li>• From the list it was found that six carers are due to have their allowances almost doubled in payment due to an error in the original calculation formula the Head of Social Care, Care &amp; Resources advised.</li> <li>• Equally allowances for three carers are significantly lower and further investigation is required.</li> <li>• The Head of Social Care, Care &amp; Resources explained that he plans not to backdate calculations and pay the new rates from the July 2014, although the basis for this decision has yet to be confirmed.</li> </ul> |      | <p><b>the necessary approval/authority.</b></p> <p><b>[Priority 1]</b></p>             |
| 8   | <p><b><u>Special Guardianship Order (SGO)</u></b></p> <p>For the Special Guardianship cases , there are currently 66</p>  |      | <p><b>A review of the Special Guardianship Cases must be undertaken to confirm</b></p> |

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DETAILED FINDINGS

| No.       | Findings   | Risk                                   | Recommendation   |
|-----------|--|--|--|
| 8<br>cont | <p>SGO's in payment at the time of the audit and over a year the cost would equate to £556,825.23 per annum.</p> <p>Financial assessments are undertaken for the Special Guardianship Orders and these should be reviewed annually. At the time of the audit, it was confirmed by the Special Guardianship Development officer that financial assessment reviews are undertaken for the first three years only. Access to the records was problematic as SGO records were held on the M Drive (personal drive) of the SGO Development Officer, and not on the shared area (N Drive) as expected. Additionally, it was not possible to locate SGO orders for a number of cases as mentioned in finding 4. Inconsistencies arose with the rates currently in payment which were matched to the court orders (where allowances were detailed) and then cross referenced to the financial assessment.</p> <p>The Department had undertaken a data cleansing exercise in conjunction with the CareFirst support team. 59 cases had been identified where the data on CareFirst was not recorded</p> | <p>Incorrect rates may in payment.</p> | <p>that the correct classification is attributed to the cases within Carefirst.</p> <p>All SGO orders should be located and scanned onto Carestore. All SGO cases in payment must hold the relevant financial assessment and legal order these should be reviewed annually to confirm that the allowance is still appropriate to be in payment, subject to the court order and the age of the child.</p> <p>All key documents must be held on the shared area to enable other designated</p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No.       | Findings   | Risk | Recommendation  |
|-----------|--|------|---|
| 8<br>cont | <p>correctly. In the majority of cases the service agreement needed to be amended to reflect the change in classification for example kinship to SGO. The Fostering team were expected to review all 59 cases and investigate, amend and resolve as appropriate. As at 18/8/14 this work had not been started. The SGO Development Officer believed that it was the responsibility of Legal to upload legal orders onto Carefirst/Carestore.</p> <p>The Auditor was asked to provide copies of the SGO (legal orders) to the team if they were provided from the legal department.</p> <p>The Auditor requested copies of the latest financial assessment and SGO Orders for 10 children from the SGO Development Officer. Five financial assessments were provided.</p> <ul style="list-style-type: none"> <li>• Queries arose with two of these as allowances that were in payment for two siblings. The financial assessment for the carer for the first sibling was for £147.60 and the second gave a negative amount of £-84.61. However, for the first sibling we are paying an allowance of £140.14 and the second sibling we are paying £77.00.</li> </ul> |      | <p><b>officers to access records as and when required.</b></p> <p><b>[Priority 1]</b></p> |

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DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation  |
|-----|---|--|---|
|     | <ul style="list-style-type: none"> <li>The Auditor was advised that in two cases no means test was undertaken as the special guardian is a foster carer so according to Bromley policy foster carers will continue to receive their fostering rate for two years post order. However, due to the child's age the allowance will continue at this rate until they are 18 years old.</li> <li>For two cases, the last financial assessment could not be provided. Copies have not been retained. The order was granted in 2006. No further reviews have been undertaken but payments of £86.28 and £88.25 continue to be paid without review.</li> <li>The last cases, the carer was on full benefits so no financial assessment was undertaken.</li> </ul> |  |   |
| 9   | <p><b>Training</b><br/>During the course of the audit, it was evident that the officers interviewed within the fostering and adoption teams, do</p>   | Staff may be operating to different working practices. Inaccuracies may occur in | <b>Officers need to be identified within the service that undertake any</b> |

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| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
|     | <p>undertake financial duties, however, none had been nominated to undertake the financial regulation and contract procedure rules training. For those staff identified with financial duties, the training was then mandatory. The Group Manager, Family Placements, had been nominated to undertake this mandatory training for Contract Procedure Rules and Financial Regulations, however, it appears that the Group Manager for Fostering &amp; Adoption has still to complete both these courses.</p> <p>As Carefirst is now finance based, the importance of how the system works and keeping the system up to date is crucial to understand how overpayments are continuing to rise. Enquiries have also been made in relation to the level of training that has been undertaken by key members of staff on Carefirst. In some instances, there is not an adequate level of understanding on the use of Carefirst.</p> | <p>Carefirst data which may have a financial impact on the Authority.</p> | <p><b>financial duties and nominated to undertake the mandatory on-line training for financial regulations and contract procedure rules.</b></p> <p><b>All staff using Carefirst follow agreed procedures and fully comprehend the implications of data entry and non -entry to Carefirst as a financial system.</b></p> <p><b>Training needs specific to Carefirst should be identified and met for all staff.</b></p> <p><b>[Priority 1]</b></p> |

**Priority 1**  
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DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation   |
|-----|---|---|--|
| 10  | <p><b>Procedures</b><br/>                     The foster carer handbook which provides guidance to both foster carers and staff on a number of areas is updated twice a year.</p> <p>The 2014 -15 rates were agreed at committee in June and will be revised at the next update. The Staying Put Policy section is still highlighted as draft and will be formalised as the scheme is implemented. The Special Guardianship section is currently being revised.</p> | <p>Staff may be operating to different working practices.</p> | <p><b>The foster care handbook should be reviewed to include guidance on savings, update agreed rates, draft procedures once formalised and confirm that the procedures document are appropriate and valid. Staff should be reminded that procedures must be followed at all times</b></p> <p>[Priority 3]</p> |

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DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation  |
|-----|---|--|---|
| 11  | <p><b><u>Adoption records held electronically.</u></b><br/>                     It was confirmed by the Deputy Adoption Manager that records for Adoption have not been scanned onto Carestore. The team transferred onto Carefirst in July 2013. No records are held on Carestore currently. Records are held on manual files currently.</p> | <p>Physical security of sensitive data may be compromised or records may easily be lost.</p> | <p><b>The transfer to electronic records for adoption should be progressed once the adoption reporting requirements have been satisfied.</b></p> <p><b>[Priority 2]</b></p> |

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DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation  |
|-----|--|--|---|
| 12  | <p><b><u>Notification to HMRC of Child Benefit Termination</u></b></p> <p>During the audit, a query arose in relation to the termination of child benefit payments to the birth parent, once a child is removed.</p> <p>The Head of Social Care, Care &amp; Resources, confirmed that the parents can continue to claim Child Benefit for the first eight weeks after a child becomes a looked after child.</p> <p>Staff were not able to confirm which team were responsible for notification to HMRC to terminate child benefit payments. Subsequently, social workers have since been reminded to complete form CH193 and then update Observations on Carefirst.</p> <p>Additionally, this is also the case for Connected Persons (kinship) fostering where a child benefit was in payment to the birth parent and then should transfer to the new carer.</p> | <p>Notification to HMRC to cease payments is not made for children under LBB care.</p> | <p><b>A process should be in place to notify HMRC eight weeks after a child has become looked after to cease child benefit payments. CH193 form should be completed by the relevant social worker and Carefirst updated that notification has been made.</b></p> <p><b>[Priority 2]</b></p> |

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DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
| 13  | <p><b><u>Contract documentation &amp; waivers</u></b></p> <p>The Auditor requested a copy of the contract for one of the IFA placements mentioned in Recommendation 1, however, a document 'inter agency placement agreement' was provided dated 14/11/02 to the Audit by the Strategic Commissioner, CCT. This agreement does not detail any weekly rate of payment or signatures. This was sought from the directly from the provider instead of being retained. It is unclear what supporting documentation exists to support these continued payments.</p> | <p>Lack of contract documentation to support continued payment. and budget monitoring may not be correct.</p> | <p><b>Waiver documentation must be renewed without delay. CCT should investigate why the inter-agency fee has not been paid since 2012. A valid contract should be in place detailing weekly rates and should be duly signed. Overpayments should be recovered.</b></p> <p><b>[Priority 2]</b></p> |

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| No. | Findings  | Risk   | Recommendation  |
|-----|---|--|---|
| 14  | <p><b>VFM Assessment – Customer Feedback</b><br/>                     The Head of Social Care, Care &amp; Resources confirmed that there is no specific customer feedback undertaken in order to initiate improvements to services. The only customer feedback is via panel meeting minutes and the foster carers being willing to attend fostering events.</p> <p>Additionally, other local authorities that are performing well are not contacted as a matter of course, in order to understand how services are managed and delivered differently.</p> | <p>Service improvements are not made and services to do not continue to improve.</p> | <p><b>Customer feedback should be sought from information evenings organised for fostering and adoption events. Feedback should be considered and if relevant acted upon in order to improve service delivery.</b></p> <p><b>Other authorities that are performing well should be contacted in order to learn how services are delivered and how services are delivered and managed differently.</b></p> <p><b>[Priority 2]</b></p> |

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| No. | Findings   | Risk                                     | Recommendation  |
|-----|--|--|---|
| 15  | <p><b><u>VFM Assessment - Unit Cost Data</u></b></p> <p>It was confirmed by the Head of Social Care, Care &amp; Resources, that no unit cost data was available for the adoption service. However, work has been undertaken on the unit costs for fostering. This information has yet to be provided to Internal Audit for review.</p> | <p>Efficiencies may not be realised.</p> | <p><b>Unit cost data should be readily available for the adoption service, in order to identify possible efficiency savings.</b></p> <p><b>[Priority 2]</b></p> |

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**Priority 3**  
**Identification of suggested areas for improvement**



OPINION DEFINITIONS

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility   | Agreed Timescale                            |
|-------------|--|------------------------------------|---|--|---|
| 1           | <p><b><u>Overpayments</u></b></p> <p><b>Processes must be revisited and must be more robust to prevent overpayment situations arising. Service agreements within Carefirst must be closed in a timely manner to prevent overpayments arising. Overpayments should be monitored for recovery. A decision should be made on the best way to recover the overpayment either a credit via Carefirst or by recovery by invoice.</b></p> | 1                                  | <p>A number of actions have already been put into place to address overpayments. The significant overpayments in 2013/14 was a result of three children being moved from foster placements to adoptive placements without the central placements team being informed and the service agreement closed down.</p> <p>Immediately these issues were identified we:</p> <p>Introduced a system whereby the DGM adoption informs the central placements team when children moved into adoptive placements.</p> | <p>Head of Service – Care and Resources</p> <p>Deputy Group Manager – Fostering and Adoption</p> | <p>Completed</p> <p>30th September 2014</p> |

OPINION DEFINITIONS

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility   | Agreed Timescale   |
|-------------|---|------------------------------------|---|--|--|
|             | <p><b>Fostering allowances must be in payment based on the age of the child. If there are reasons for deviating from the normal rate, then this should be evidenced by the Head of Service. Allowances should be planned for approval and be in place from the start of the financial year in line with the budgets. The IFA cases highlighted should be Investigated. All cases should be reviewed and if found to have been in overpayment, monies should be recovered.</b></p> |                                    | <p>We are also writing to foster carers to remind them about the need to inform us if they have been (or think they have been overpaid).</p> <p>Introducing a 'movement form' on CareFirst for completion by the social worker which will be auto forwarded to the Central Placements Team to update the service agreement.</p> <p>Arrangements had been put in place in recover the overpayments. However, we were awaiting a financial assessment to be undertaken by debt team before a repayment plan could be agreed.</p> <p>The highlighted cases have been investigated:</p> | <p>Deputy Group Manager – Fostering and Adoption</p> <p>Deputy Group Manager– Fostering and Adoption</p> <p>Deputy Group Manager– Fostering and Adoption</p> | <p>30th September 2014</p> <p>Completed. Review due 30th November 2014</p> |

OPINION DEFINITIONS

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale                  |
|-------------|---|------------------------------------|---|---|-----------------------------------|
|             | <p><b>Monitoring of retainer payments must be more robust and staff should check the reports to confirm that retainers should continue in payment or not. The department should decide the best way to process set up retainer payments. Overpayments should be recovered. IFA records should be located and then determined whether monies are due to the provider. Short break/respice retainer rates should be reviewed along with the respice rates for children with disabilities.</b></p> |                                    | <p>In three cases the receipt of an enhanced professional fee to the carer has been approved (and the decision was captured on the CF funding decision sheet). The wrong allowance code had been used to capture the payment on CF. Placement officers have been reminded to ensure they use the right code.</p> <p>The one case were an IFA looked as though they had been overpaid, due to human error, the wrong figure had been put on the service agreement. However, as IFA's are paid via the submission of an invoice no actual overpayment happened. The finance officer in the Central Placement Team cross references all IFA invoices against</p> | <p>Head of Service – Care and Resources – Care and Resources</p> <p>Strategic Commissioner – Client Resources</p> | <p>Completed</p> <p>Completed</p> |

OPINION DEFINITIONS

| Finding No. | Recommendation | Priority *Raised in Previous Audit | Management Comment   | Responsibility  | Agreed Timescale  |
|-------------|----------------|------------------------------------|--|---|---|
|             |                |                                    | <p>the service agreement and had rectified the mistake.</p> <p>The two IFA cases which had an annual agency fee in addition to the weekly fee are pre adoptive placements where we pay an interagency fee. The interagency fees stop at the point of adoption which is why there had been no further fee since 2012 but the weekly payments had continued. Evidence was provided to the auditor.</p> <p>A review of the respite payment scheme to be completed in 2014/15 which will be simpler to understand and apply.</p> | <p>Head of Service – Care and Resources</p> <p>Group Manager – Fostering and Adoption</p> <p>Group Manager – Fostering and Adoption</p> | <p>Completed</p> <p>30th November 2014</p> <p>Completed. Review to be undertaken by 30<sup>th</sup> November 2014</p> |

OPINION DEFINITIONS

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale |
|-------------|---|------------------------------------|---|---|------------------|
|             |   |                                    | A new system to 'track' retainers has been introduced which is checked on a weekly basis. Where it is agreed that a retainer should be paid, in exceptional circumstances, beyond 8 weeks – this is clearly recorded with a review/end date identified.   | Deputy Group Manager - Fostering  |                  |
| 2           | <p><b><u>DBS Checks</u></b></p> <p><b>All DBS checks must be scheduled for renewal in a timely manner, allowance given to the potentially lengthy delay at stage 4. The responsible care worker should ensure that CareFirst is updated promptly and any issues arising from the DBS check addressed and evidenced.</b></p> | 2                                  | <p>A CF business object report has been developed to ensure that the need for a DBS check is highlighted within good time. The senior administrator is responsible for monitoring the reports and alerting the DGM – Fostering of DBS check that need to undertaken.</p> <p>A formal risk assessment, including</p> | <p>Group Manager – Fostering and Adoption</p> <p>Deputy Group Manager – Fostering</p> | Completed        |

OPINION DEFINITIONS

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale                            |
|-------------|---|------------------------------------|---|---|---|
|             | <p><b>The Department should be able to evidence close monitoring of cases whereby the DBS has expired and a child is placed with that carer.</b></p> <p><b>The Department should clarify the DBS checks for carers allocated the role of “other” and the authority’s responsibility to ensure records are current and accurate. Periodically reconcile the DBS tracking record to a CareFirst generated report to identify data entry errors.</b></p> |                                    | <p>an increase in visiting frequency must be put in place where there is a delay in obtaining an up to date DBS and a child is already in placement. Where the carer has no child in placement they must not be used until the department is in receipt of a satisfactory DBS.</p> <p>The ‘spread sheet’ of current CRB/DBS checks to be updated and where a check is no longer required (i.e. the adult who previously had a check undertaken no longer is involved in the fostering activity) their name to be removed from the list.</p> | <p>Group Manager – Fostering and Adoption</p> <p>Deputy Group Manager – Fostering</p> <p>Group Manager – Fostering and Adoption</p> <p>Deputy Group Manager – Fostering</p> | <p>Completed</p> <p>30th September 2014</p> |
| 3           | <p><b><u>Savings</u></b><br/> <b>A policy must be written on the</b></p>  | 1                                  | A savings policy to be written and  | Group Manager   | 30th  |

OPINION DEFINITIONS

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility   | Agreed Timescale                      |
|-------------|--|------------------------------------|---|--|---------------------------------------|
|             | <p><b>treatment of savings and pocket money for children in local authority care. The fostering care allowances must be amended to incorporate the correct saving elements for the relevant age bands. When a placement ends and/or the child moves, the savings transferring should be easily identifiable.</b></p> |                                    | <p>included in the foster carers handbook and child care procedure manual.</p> <p>The foster carer allowance schedule has been updated to reflect the changes to the savings amount.</p>  | <p>– Fostering and Adoption</p> <p>Group Manager – Looked After Children</p> <p>Head of Service – Care and Resources</p> | <p>November 2104</p> <p>Completed</p> |
| 4           | <p><b><u>Legal Orders</u></b><br/> <b>Legal orders for all Special Guardianship and Residence Orders must be held securely and uploaded onto Carestore by social care staff, in order to verify the actual payments made to carers.</b></p>  | 1                                  | <p>Copies of Legal Orders and support plans to be uploaded onto CareFirst at the time that the order was made by the social work team. Where a financial assessment has been completed this must also be uploaded into CareStore. Guidance to be issues to staff.</p> | <p>Head of Service– Safeguarding and Care Planning</p>   | <p>30th September 2014</p>            |

OPINION DEFINITIONS

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale          |
|-------------|---|------------------------------------|---|---|---------------------------|
|             | <p><b>All staff must be reminded that legal documents such as these, must be uploaded to the legal folder onto Carestore.</b></p>   |                                    | <p>We will retrospectively upload Orders on open cases where they are currently missing.</p>  | <p>Group Manager – Fostering and Adoption<br/><br/>Deputy Group Manager – Connected Person Team</p> | <p>30th November 2014</p> |
| 5           | <p><b><u>Connected Persons (Kinship) Connected Persons Allowances (Kinship) need to be revisited to confirm that the correct classification is recorded within Carefirst and that the correct rate is currently in payment to the carers. All records must be</u></b></p> | 1                                  | <p>All CP allowances has been reviewed and corrected where necessary. Some of these payments were historic and paid at a different (adhoc) rate, Following the Tower Hamlets ruling the weekly payment rates mirror those of our professional carers both pre and</p> | <p>Head of Service – Care and Resources.</p>  | <p>Completed</p>          |



OPINION DEFINITIONS

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|-------------|---|------------------------------------|---|--|-----------------------------------|
|             | <p>updated accordingly.</p> <p>All staff need to be reminded that rates should not be overwritten and pre-set fees should be utilised.</p>  |                                    | <p>post approval.</p> <p>The Central Placement Team are aware of the new rates and processes.</p>   | <p>Strategic Commissioner – Client Resources</p>   | <p>Completed</p>                  |
| 6           | <p><b>Residence Orders</b></p> <p>Welfare checks must be undertaken periodically to confirm that the placement is going well and the child is still in placement. This is also required to confirm that the payment of the residence order allowance is</p> | 1                                  | <p>All welfare checks have been completed and are up to date.</p> <p>A new system has been introduced and the annual task will be completed by the Finance Officer and overseen by the GM – Fostering and Adoption.</p> | <p>Head of Service –Care and Resources</p> <p>Group Manager – Fostering and Adoption</p> | <p>Completed</p> <p>Completed</p> |

OPINION DEFINITIONS

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility  | Agreed Timescale                    |
|-------------|---|------------------------------------|--|---|-------------------------------------|
|             | <p>still appropriate. The Residence Order allowances need to be fully reviewed to confirm that the current payments are correct and each case has the correct classification recorded within Carefirst.</p>                                   |                                    | <p>The Residence Order allowances have been reviewed. Residence Order have, since 2012, been paid at a standard 50% of the weekly fostering maintenance allowance <u>except</u> where a different rate has been agreed by a Court.</p> | <p>Finance Officer<br/><br/>Group Manager – Fostering and Adoption</p>                      | <p>Completed.</p>                   |
| 7           | <p><b><u>Adoption Allowances</u></b><br/>Adoption allowances must be reviewed annually and based on the financial assessment to ensure that we are in compliance with the adoption regulations. Financial information must be returned by</p> | 1                                  | <p>All annual financial assessments have been completed and are up to date.<br/><br/>A new system has been introduced and the annual task will be completed by the Finance Officer and overseen by the DGM – Post</p>                  | <p>Head of Service – Care and Resources<br/><br/>Group Manager – Fostering and Adoption</p> | <p>Completed<br/><br/>Completed</p> |

OPINION DEFINITIONS

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale   |
|-------------|---|------------------------------------|---|---|--|
|             | <p><b>the carers on request to enable on-going payments, subject to their financial assessments, to ensure that any changes in circumstances are identified. If carers do not provide financial assessment information then the management should consider suspending payments. The Head of Social Care's decision not to backdate calculations should have the necessary approval/authority.</b></p> |                                    | <p>Adoption Support.</p> <p>Where completed financial assessments have not been returned payments have been suspended. Guidance issued in relation to this.</p> <p>Revised payments have been agreed with all adopters as necessary – it is impossible to calculate any backdated payments as they are based on the fostering maintenance allowance that was changed in 2011. No representations have been made by adopters in relation their new allowances or whether this should be backdated.</p> | <p>Deputy Group Manager – Post Adoption Support</p> <p>Head of Service – Care and Resources</p> <p>Head of Service – Care and Resources</p> | <p>Payments suspended – completed.</p> <p>Guidance to be issued by 30th September 2014 Completed</p> |

OPINION DEFINITIONS

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale   |
|-------------|--|------------------------------------|---|---|--|
| 8           | <p><b>Special Guardianship</b><br/> <b>A review of the Special Guardianship Cases must be undertaken to confirm that the correct classification is attributed to the cases within Carefirst. All SGO orders should be located and scanned onto Carestore. All SGO cases in payment must hold the relevant financial assessment and legal order these should be reviewed annually to confirm that the allowance is still appropriate to be in payment, subject to the court order and the age of the child. All key documents must be held on the shared area to enable other designated officers to access records as and when required.</b></p> | 1                                  | <p>A review of Special Guardianship cases has been undertaken and we are confident that SGO cases are correctly recorded on CareFirst.</p> <p>Social work teams are to be reminded of the importance of ensuring that the correct legal status and cost code are recorded properly even if the amount of ongoing payments remains the same.</p> <p>SGO order and financial assessments to be uploaded onto CareStore.</p> | <p>Group Manager – Fostering and Adoption</p> <p>Head of Service – Care and Resources</p> <p>Special Guardianship Officer</p> | <p>Completed</p> <p>30th September 2014</p> <p>30th October 2014</p> |

OPINION DEFINITIONS

| Finding No. | Recommendation | Priority *Raised in Previous Audit | Management Comment  | Responsibility   | Agreed Timescale    |
|-------------|----------------|------------------------------------|---|--|---------------------|
|             |                |                                    | A new system for the annual financial assessment has been introduced and the annual task will be completed by the Finance Officer and overseen by the DGM – Connected Person Team | Deputy Group Manager- Connected Person Team<br><br>Finance Officer | 30th September 2014 |

OPINION DEFINITIONS

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment   | Responsibility   | Agreed Timescale   |
|-------------|--|------------------------------------|--|--|--|
| 9           | <p><b>Training</b><br/> <b>Officers need to be identified within the service that undertake any financial duties and nominated to undertake the mandatory on-line training for financial regulations and contract procedure rules.</b></p> <p><b>All staff using Carefirst follow agreed procedures and fully comprehend the implications of data entry and non-entry to Carefirst as a financial system.</b></p> <p><b>Training needs specific to Carefirst should be identified and met for all staff.</b></p> | 1                                  | <p>All managers and administrators to complete the online financial regulations and contract procedures rules. List of manager and administrators to be provided to the training team to enable the online training to be set up.</p> <p>Specific CareFirst training to be provided to administrators both in relation to financial matters and recording roles and service types.</p> <p>General CareFirst training needs of staff to be identified and put into place.</p> | <p>Head of Service- Care and Resources</p> <p>Group Manager – Fostering and Adoption</p> <p>Group Manager – Fostering and Adoption</p> | <p>Training to be completed by 31st October 2014.</p> <p>Training to be completed by 31st October 2014.</p> <p>Training to be completed by 30th November 2014.</p> |

OPINION DEFINITIONS

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment   | Responsibility   | Agreed Timescale |
|-------------|--|------------------------------------|--|--|------------------|
| 10          | <p><b><u>Procedures</u></b><br/> <b>The foster care handbook should be reviewed to include guidance on savings, update agreed rates, draft procedures once formalised and confirm that the procedures document are appropriate and valid.</b></p> <p><b>Staff should be reminded that procedures must be followed at all times</b></p> | 3                                  | <p>The foster carers hand book is updated in January and July each year (as per our contract with Tri-X). The July update reviewed and refresh many areas, however the ever changing statutory framework in which foster carers operate means that it will be inevitable that some will need updating. It is not financially viable to have a contract that allows continual access to Tri-X for updating.</p> | <p>Head of Service – Care and Resources</p> <p>Deputy Group Manager – Fostering and Adoption</p> | Completed        |

OPINION DEFINITIONS

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale           |
|-------------|---|------------------------------------|---|---|----------------------------|
| 11          | <p><b><u>Adoption records held electronically.</u></b></p> <p><b>The transfer to electronic records for adoption should be progressed once the adoption reporting requirements have been satisfied.</b></p>   | 2                                  | <p>Work continues to transfer the adoption manual files onto CareFirst and CareStore. There are still some minor pieces of work to be undertaken to make CareFirst fit for purpose for adoption files given the sensitivity of these cases.</p> | <p>Adoption Reform Lead</p> <p>CareFirst Support Team</p> | <p>By 31st March 2015</p>  |
| 12          | <p><b><u>Notification to HMRC of Child Benefit Termination</u></b></p> <p><b>A process should be in place to notify HMRC eight weeks after a child has become looked after to cease child benefit payments. CH193 form should be completed by the relevant social worker and Carefirst updated that notification has been made.</b></p> | 2                                  | <p>Guidance to be issued to team administrators of the need to inform the HMRC when a child becomes looked after.</p>   | <p>Head of Service – Care and Resources</p>               | <p>30th September 2014</p> |



OPINION DEFINITIONS

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility                        | Agreed Timescale |
|-------------|---|------------------------------------|---|---------------------------------------|------------------|
| 13          | <p><b><u>Contract documentation &amp; waivers</u></b><br/> <b>Waiver documentation must be renewed without delay. CCT should investigate why the inter-agency fee has not been paid since 2012. A valid contract should be in place detailing weekly rates and should be duly signed. Overpayments should be recovered.</b></p> | 2                                  | <p>Up to date and appropriate waiver documentation and authorisation is currently in place for each case as required. We are not clear what this refers to.</p> <p>The inter-agency fee stopped in 2012 as the child was adopted and no further fee was payable. However, the weekly allowance continues. There is no over or under payment and there is duly signed documentation to support this.</p> | Head of Service – Care and Resources. | Completed        |

OPINION DEFINITIONS

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility   | Agreed Timescale                              |
|-------------|--|------------------------------------|---|--|---|
| 14          | <p><b><u>VFM – Customer Feedback &amp; Service Improvements</u></b><br/> <b>Customer feedback should be sought from information evenings organised for fostering and adoption events. Feedback should be considered and if relevant acted upon in order to improve service delivery.</b></p> <p><b>Other authorities that are performing well should be contacted in order to learn how services are delivered and how services are delivered and managed differently.</b></p> | 2                                  | <p>We will explore ways in which we can obtain feedback about the services we provide on a routine basis. To be added to the service user engagement agenda currently being developed.</p> <p>Examples of good practice elsewhere to be identified and disseminated to improve the way in which we deliver the service.</p> | <p>Head of Service – Care and Resources</p> <p>Group Manager– Fostering and Adoption</p> <p>Adoption Reform Lead</p> | <p>31st March 2015</p> <p>31st March 2015</p> |

OPINION DEFINITIONS

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment   | Responsibility                              | Agreed Timescale       |
|-------------|--|------------------------------------|--|---|------------------------|
| 15          | <p><b><u>Unit Cost Data</u></b><br/> <b>Unit cost data should be readily available for the adoption service, in order to identify possible efficiency savings.</b></p> | 2                                  | <p>To be explored although in reality this is quite difficult to do as each local authority acts differently in relation to the number of staff they employ and deploy to certain tasks so it will be complex to identify possible efficiency savings.</p> | <p>Head of Service – Care and Resources</p> | <p>31st March 2015</p> |

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

**FINAL INTERNAL AUDIT REPORT**  
**ENVIRONMENT & COMMUNITY SERVICES**

**REVIEW OF CARBON REDUCTION COMMITMENT (CRC) SCHEME  
AUDIT FOR 2014-15**

**Issued to:** Alastair Baillie, Environmental Development Manager  
Lee Gullick, Carbon Management Officer

**Cc:** Nigel Davies, Executive Director, Environment and Community Services

**Prepared by:** Principal Auditor

**Date of Issue:** 23rd July 2014

**Report No.:** ENV/014/02/2014

## REVIEW OF CARBON REDUCTION COMMITMENT (CRC) SCHEME - AUDIT FOR 2014-15

### INTRODUCTION

1. This report sets out the results of our systems based audit of **Carbon Reduction Commitment (CRC) Scheme - Audit for 2014 -15**. The audit was carried out in quarter 2 as part of the programmed work specified in the 2014/15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 3 July 2014 and covers the reporting period for the submission of the Annual Report for 2013-14.
4. The Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES) is a regulatory incentive to improve energy efficiency in large public and private sector organisations. It is a mandatory scheme that aims to improve energy efficiency and reduce the amount of carbon dioxide (CO<sub>2</sub>) emitted in the UK. This is vital to achieving the overall targets of reducing greenhouse gas emissions by at least 80% by 2050, as compared to the 1990 baseline.
5. Under the CRC EES, participants must report their carbon emissions within a stringent quality framework and then purchase and surrender sufficient CRC allowances to cover those emissions. Non-compliance with the scheme requirements can lead to substantial fines, civil and criminal proceedings. Inadequate management and poor standards of reporting may lead to fines and the requirement to buy additional allowances, which may be charged at a higher rate. It is therefore fundamental that the Authority is not only able to comply, but also has good quality data and management information and an effective implementation plan.

### AUDIT SCOPE

6. The scope of the audit is detailed in the Terms of Reference.

## REVIEW OF CARBON REDUCTION COMMITMENT (CRC) SCHEME - AUDIT FOR 2014-15

### AUDIT OPINION

7. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

8. Controls were in place and working well in all of the key areas of the Authority's CRC scheme operation and the staff involved in this area were found to be thorough, knowledgeable and dedicated to their roles. It was also clearly evident that there was an excellent working relationship between the CRC team and the support staff from Laser Bureau Services – who are key to the collection and validation of energy consumption data, and to produce a variety of reports which are used for CRC reporting purposes.
9. As in the previous year, the internal audit review to support the Authority's Annual Report included drawing assurances from review undertaken by Green Energy Partners, appointed by the London Energy Project to carry out internal audits in this area. The Assessor who undertook the site audit on 10 June 2014 was of the opinion that the Authority's CRC Evidence Pack was of a very high standard, and the resultant Draft Audit Report provided the following overall assessment:

*'The participant is compliant with scheme regulation and carries a low risk of penalties or fines and is expected to generate its Annual Report within the permitted 5% tolerance for accuracy.'* The report went on to state:

- *Appropriate actions required to comply with changes to the CRC in the current reporting period have been implemented.*
- *Data sources are clear and data is being collected in an appropriate and timely fashion with few barriers encountered.*
- *Effective and sound systems are in place.*
- *Procedural controls are being followed.*
- *A comprehensive Evidence Pack is in place.*

## REVIEW OF CARBON REDUCTION COMMITMENT (CRC) SCHEME - AUDIT FOR 2014-15

10. Although the final year-end data and reports had not been input at the time of the Green Energy Partners review, the required information has now been uploaded and the final reports validated by the LBB Principal Auditor. However, included within the Green Energy Partners report were identified one medium risk area and one low risk area. The two risk areas are:

(1) The Authority has the evidence required to demonstrate its compliance with the CRC EES

(2) The Authority is able to submit its CO2 emissions Annual Report within the permitted tolerance for accuracy and has appropriate processes to collect, collate and maintain energy consumption data

The above two points have been expanded upon in 'Detailed Findings' – Appendix A.

11. The 2 recommendations raised in the 2013-14 report were followed-up during this review and it was adequately evidenced that all recommendations have now been fully implemented. Please refer to Appendix B attached.

12. The Annual Report data was checked for accuracy of calculations relating to the total annual footprint of 24,637 tonnes CO2 for 2013-14, which equates to a financial cost of £295,647. This favourably compares to 26,731 tonnes CO2 in 2012-13.

13. As indicated in the Green Energy Partners report mentioned above, the Authority is not required to participate in Phase 2 of the CRC EES with a non-qualifying consumption of 5373 MWh.

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

14. There are no Priority 1 recommendations raised in this report.

### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

15. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix C.



**ACKNOWLEDGEMENT**

16. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation  |
|-----|--|---|---|
| 1   | The Evidence Pack contains or sign-posts all the relevant documents and communication records; however primary data (invoice and profile) was not contained within the Authority's own electronic file system. | If the Evidence Pack is missing or incomplete penalties may be applied. | <p><b>All primary data should be contained in the Evidence Pack or contain a reference to a location within the Authority's control where it is securely stored for the required retention period.</b></p> <p><b>LBS Protocol should be amended to reflect the recommendation.</b></p> <p><b>Priority 2</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation  |
|-----|--|--|---|
| 2   | <p>Energy data management is outsourced to LBS who use Systems-Link as the energy management system. LBS use the best data available which is based on the following hierarchy:<br/> <b>Half-hourly &gt; meter reads &gt; invoice &gt; supplier statement</b></p> <p>It was noticed that the hierarchy outlined in the Authority's CRC Protocol (section 4.3) had placed supplier statements before invoices in the hierarchy which is in conflict with LBS's order above.</p> | <p>Inadequate process and/or unclear documented procedures impacts on consistency and quality of reporting</p> | <p><b>The Authority's CRC Protocol (section 4.3) should be adjusted to match the data hierarchy used by LBS.</b></p> <p><b>Priority 3</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

REVIEW OF CARBON REDUCTION COMMITMENT (CRC) SCHEME - AUDIT FOR 2014-15

FOLLOW-UP OF RECOMMENDATIONS RAISED IN 2013-14 AUDIT REPORT

APPENDIX B

| Rec No. | Recommendation  | Management Comment  | Target Date | Priority | Responsibility                           | Follow-up comments   | Status                   |
|---------|---|---|-------------|----------|--|--|--------------------------|
| 1       | <b>The Laser Bureau Services protocol for developing reports, managing consumption data and data analysis is included (to an appropriate extent) within LBB's CRC Protocol.</b> | The Laser Bureau Service protocol has been uploaded in its entirety to the LBB Evidence Pack in <a href="#">Drawer: Responsibilities File: 4.4</a>                | 31/07/2013  | 3        | Environmental Development Manager        | <b>Internal Audit response 7/14:</b><br>The Laser Bureau protocol has been uploaded in Evidence Pack.  | Recommendation completed |
| 2       | <b>It would be beneficial to include the two action tables as updateable review documents which can be accessed and 'ticked off' when the actions are completed</b>             | <b>The LBB Protocol is a live document which includes action tables. Once the annual CRC process is complete, the Protocol is date-stamped and saved as a PDF</b> | 30/09/2013  | 3        | <b>Environmental Development Manager</b> | <b>Internal Audit response 7/14:</b><br>The CRC protocol for 2012-13 has been saved as a PDF document. | Recommendation completed |

**REVIEW OF CARBON REDUCTION COMMITMENT (CRC) SCHEME - AUDIT FOR 2014-15**

**FOLLOW-UP OF RECOMMENDATIONS RAISED IN 2013-14 AUDIT REPORT**

**APPENDIX B**

| Rec No. | Recommendation  | Management Comment  | Target Date | Priority | Responsibility | Follow-up comments | Status |
|---------|---|---|-------------|----------|----------------|--------------------|--------|
|         | <p><b>(along with the dates the actions are completed). The tables can remain in the Protocol document, with specific dates for when each action should be completed remaining as references. This would leave the Protocol document as a document which can be write-protected and version controlled. If updated, an updated version can be created and uploaded to</b></p> | <p><b>to act as a permanent record. Furthermore, the Protocol is held in a secure SharePoint site with controlled access so it is very unlikely to be amended by unauthorised persons. Importantly, the SharePoint system includes 'version history' which means that the document is already 'version controlled'. All that said, improvements will be made to</b></p> |             |          |                |                    |        |

**REVIEW OF CARBON REDUCTION COMMITMENT (CRC) SCHEME - AUDIT FOR 2014-15**

**FOLLOW-UP OF RECOMMENDATIONS RAISED IN 2013-14 AUDIT REPORT**

**APPENDIX B**

| Rec No. | Recommendation  | Management Comment  | Target Date | Priority | Responsibility | Follow-up comments | Status |
|---------|---|---|-------------|----------|----------------|--------------------|--------|
|         | <b>the C-hub, with the previous version archived.</b> | <b>the layout of the action tables to show both a target date and a completion date wherever practicable.</b> |             |          |                |                    |        |

REVIEW OF CARBON REDUCTION COMMITMENT (CRC) SCHEME - AUDIT FOR 2014-15

Management Action Plan

APPENDIX C

| Finding No. | Recommendation   | Priority * Raised in previous audit | Management Comment  | Responsibility                    | Agreed Timescale |
|-------------|--|-------------------------------------|---|-----------------------------------|------------------|
| 1           | <p><b>All primary data should be contained in the Evidence Pack or contain a reference to a location within the Authority's control where it is securely stored for the required retention period.</b></p> <p><b>LBS Protocol should be amended to reflect the recommendation.</b></p> | 2                                   | <p>LBS Protocol has been amended to reflect the recommendation.</p> <p>LBB is due to receive primary data snap shot on 21/07/2014</p> | Environmental Development Manager | 21/7/2014        |

REVIEW OF CARBON REDUCTION COMMITMENT (CRC) SCHEME - AUDIT FOR 2014-15

Management Action Plan

APPENDIX C

| Finding No. | Recommendation   | Priority * Raised in previous audit | Management Comment   | Responsibility                    | Agreed Timescale |
|-------------|--|-------------------------------------|--|-----------------------------------|------------------|
| 2           | The Authority's CRC Protocol (section 4.3) should be adjusted to match the data hierarchy used by LBS. | 3                                   | The typographical error in respect of the Data Hierarchy in the LBB Protocol has been corrected. | Environmental Development Manager | 21/7/2014        |



## REVIEW OF CARBON REDUCTION COMMITMENT (CRC) SCHEME - AUDIT FOR 2014-15

### Opinion Definitions

### APPENDIX D

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

| <b>Assurance Level</b> | <b>Definition</b>   |
|------------------------|---|
| Full Assurance         | There is a sound system of control designed to achieve all the objectives tested.   |
| Substantial Assurance  | While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording. |
| Limited Assurance      | Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.  |
| No Assurance           | Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.  |

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**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION CARE AND HEATH SERVICES DEPARTMENT**

**REVIEW OF ST OLAVE'S AND ST SAVIOUR'S GRAMMAR SCHOOL**

**Issued to:** Mr. A. Önaç, Head Teacher

**Cc:** Alan Wooley, Bursar  
Christine Dines, Finance officer

**Prepared by:** Head of Audit  
Principal Auditor

**Date of Issue:** 04/09/2014

**Report No.:** CYP/S28/04/2013

## REVIEW OF ST OLAVE'S AND ST SAVIOUR'S AUDIT

### INTRODUCTION

1. This report sets out the results of our systems based audit of St Olave's and St Saviour's Grammar School for 2013-14. The audit was carried out in quarter 1 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 07/04/2014. The period covered by this report is from 01/04/2013 to 31/03/2014.

### AUDIT SCOPE

4. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

5. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

6. Controls were in place and working well in the areas of financial management information, primary accounting documents, expenditure, income, leases and contracts, petty cash, voluntary funds, payroll records and governance arrangements. Based on our testing of expenditure, payroll and income there has been a significant improvement in controls operated by the School. Rather than make a recommendation where there was an odd instance of an order not raised or an invoice not paid in

## REVIEW OF ST OLAVE'S AND ST SAVIOUR'S AUDIT

a timely manner, we have advised the School of this occurrence. We would however like to highlight following areas for improvement:

- Scheme of financial delegation detailing budget holders and their delegated financial limits has not been completed.
- The list of contracts has not been presented to the Governors to ensure they are aware of all ongoing commitments.
- School holds substantial sums of money in its current account which could be held in a higher interest account.
- Incorrect pension contribution were deducted from 1/10 employee reviewed as part of the audit. This issue has been raised with the Finance Manager who has contacted the payroll provider to action necessary amendment. A recommendation is not being made in relation to this finding, however it would be advisable that going forward a small sample of employees is checked at say quarterly intervals to ensure that the correct pension has been deducted.

### SIGNIFICANT FINDINGS (PRIORITY 1)

7. There are no priority findings in this report.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

8. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

9. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
| 1   | A scheme of financial delegation detailing budget holders and their delegated financial limits has not been completed. This issue has been raised in previous audit reports.   | Financial delegation may not be adequate resulting in confusion on who can authorise and to what limit.                               | <b>The Governing Body should establish the financial limits of delegated authority, in compliance with the Financial Regulations 3.3.1.</b><br>[Priority 2*]                                       |
| 2   | A list of contracts was reviewed. The total annual expenditure in relation to ongoing contracts amounts to more than £200K. This list has not been presented to the Governors for approval as previously recommended by Audit. | Contracts may be let without following proper procedures and/or rolled over without proper approval.                                  | <b>An up-to-date list of ongoing contracts should be presented to Governors annually to ensure they are aware of all ongoing commitments.</b><br>[Priority 2*]                                     |
| 3   | As part of our bank reconciliation check it was noticed that the School holds substantial sums of money in its current account. Balance in the bank account was £601,695 on 25/04/2014.  | School may be missing out on opportunity to earn higher rate of interest on its balances by holding the surplus in a current account. | <b>The school should explore opportunities to earn higher interest on its surplus cash balances. It is suggested that advice is sought from LB Bromley in taking this forward.</b><br>[Priority 3] |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment  | Responsibility                              | Agreed<br>Timescale |
|-------------|--|---|---|---|---------------------|
| 1           | The Governing Body should establish the financial limits of delegated authority, in compliance with the Financial Regulations 3.3.1.   | 2*  | The requirement for a Scheme of Delegation was raised with Governors following the Local Authority's audit report last year and the School Business Manager provided a draft for consideration. Responsibility for introducing this is the responsibility of the Governors rather than the School's Management. The matter has been raised with members of the Governor's Finance Committee on at least three subsequent occasions and they are aware of the need to complete the task. | Members of the Governor's Finance Committee | December 2014       |
| 2           | An up-to-date list of ongoing contracts should be presented to Governors annually to ensure they are aware of all ongoing commitments. | 2*  | A formal annual presentation of commitments for review has been added to the cycle of meetings of the Governor's Finance Committee.   | Business Manager                            | December 2014       |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility   | Agreed Timescale |
|-------------|---|------------------------------------|--|------------------|------------------|
| 3           | The school should explore opportunities to earn higher interest on its surplus cash balances. It is suggested that advice is sought from LB Bromley in taking this forward. | 3                                  | The School's primary bank account is being moved to a different provider. An assessment of the options for investing funds will be made once this is complete to compare rates available. The size of the outstanding balances will be reduced very significantly over the next six months as funds are used for both the construction of new building work and some significant repairs to the School's infrastructure. | Business Manager | December 2014    |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement



As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

| <b>Assurance Level</b> | <b>Definition</b>   |
|------------------------|---|
| Full Assurance         | There is a sound system of control designed to achieve all the objectives tested.   |
| Substantial Assurance  | While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording. |
| Limited Assurance      | Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.  |
| No Assurance           | Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.  |

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**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF AGENCY STAFF AUDIT FOR 2014-15**

**Issued to:** Sue Sydney, Assistant Director Human Resources

**Cc:** Dave Starling, Head of Corporate Procurement  
Charles Obazuaye, Director of Human Resources

**Prepared by:** Principal Auditor

**Date of Issue:** 11th November 2014

**Report No.:** CX/047/01/2014

## REVIEW OF AGENCY STAFF AUDIT FOR 2014-15

### INTRODUCTION

1. This report sets out the results of our systems based audit of Agency Staff for 2014-15. The audit was carried out in quarter Q1 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 28/05/14. The period covered by this report is from 01/04/13 to 31/05/14.
4. Between May 2013 and May 2014, £7,010,692.45, was spent through the Agency staff contractor agreement, using 762 different agency workers.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that Substantial Assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of:
  - Ensuring all timesheets are checked for accuracy and appropriately authorised before being processed for payment.

## REVIEW OF AGENCY STAFF AUDIT FOR 2014-15

- Payments for staff are as per agreed contract rates.
  - Adequate procedures are in place to restrict IT access to agency staff if required.
  - The contract requires agency staff to provide references, identification, qualifications and safeguarding checks.
8. We would like to bring to Management's attention the following issues:
- Agency staff are not required to sign a declaration of interest form
  - Documented procedure notes for using Agency staff are not up to date and don't require agency staff to show their identity on their first day of service.
  - Agency staff are being used for more than six months without approval from the Director of Human Resources
  - Some agency staff have been utilised outside of the Agency staff contractor agreement,
  - There are insufficient controls to ensure Agency staff return Bromley owned resources

### SIGNIFICANT FINDINGS (PRIORITY 1)

9. No significant findings were identified in this review.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
| 1   | <p>A report was received from the Manager, HR Business Services, of all current Agency staff that are used within the authority that have been used for more than 6 months and who aren't qualified care staff. This report showed that the authority had at the 09/07/14 86 temporary staff who have been used for over 6 months.</p> <p>Testing of a sample of 20 Agency staff who are currently being used (and have been for more than 6months) found that 8 had not received authorisation from the Director of HR to use for over 6 months and for 4 of these an effective business case had not been drafted.</p> <p>One Administration Officer has been in post for 71months at an excess cost to the authority of £997 over the cost of recruiting a member of staff (including on costs).</p> <p>Discussed with the Manager, HR Business Services that should an agency staff member be taken on for a short period and then the decision taken to extend this would require further approval a more senior Manager.</p> | <p>The decision to use agency workers may not have been properly approved by DMT or other senior Managers</p> | <p><b>Managers should be reminded of the need to consider the costs of employing agency staff over six months against the cost of offering short term contracts and to consider the additional rights staff have. [Priority 2]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation   |
|-----|---|---|--|
| 2   | <p>A report was run through discoverer to identify all payments made to agency staff. All agency staff that are organised via the Agency staff contractor are invoiced via them and therefore any invoices received via other agencies it would appear are for staff outside of the contract.</p> <p>It was found that 4 suppliers were invoicing Bromley for agency staff outside of the agreement. On subsequent examination, it was found that two of the contracts were arranged separately but are for specialist care work and are really employed by the individual. However the other two were invoicing Bromley directly for Agency work outside of the contract (Contractor 1 £24,438.01 and Contractor 2 £951.76).</p> | <p>Staff are utilised outside of the Corporate Contract that may be more expensive to the authority.</p>  | <p><b>A reminder should be sent to Managers reminding them of the requirement not to utilise agency staff outside of the Agency staff contract. [Priority 2]</b></p>   |
| 3   | <p>A sample of 25 staff was selected and emails sent to determine if Managers within the authority check the identity of staff when they first present themselves for work. It was found that 4 Managers of the 11 questioned have not asked for identification or kept a copy of the ID provided.</p> <p>It was found that a procedure document does not currently exist for the use of Agency staff with the current contractor agency staff and that the only one that exists is from 2009 for</p>   | <p>Risk that agency worker presenting for work is not the individual against which the CRB and other safeguarding checks were undertaken by the agency.</p> | <p><b>A documented procedure for the use of Agency staff should be created and include a requirement for Managers to check Agency staff's Identification when they first present themselves at work.</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation  |
|-----|---|---|---|
|     | the previous contract.  |   | <b>[Priority 2]</b>   |
| 4   | <p>A list of agency staff who have left the authority was matched to a list of people who have been issued an access card to the Civic centre. It was identified that potentially 29 agency workers who have left, still have an access card. Discussion with the Mail Support Officer stated that Agency workers are only set up with access cards for 3 or 6 months and thus should anyone leave but retain their access card, they will only be granted access for a limited time.</p> <p>A list of staff who have a mobile phone was compared with a list of agency staff used in the last 18months. It was found that 21 Agency staff have or had a mobile phone and that according to the records kept of who holds a mobile phone, 11 Agency staff have left who still have a mobile phone.</p> <p>A list of current temporary staff who have been issued a key fob was obtained. This totalled 48 members of staff. Of these 20 staff were identified as having left the council.</p> <p>A sample of 20 staff who have left the authority was tested and it was identified that 4 of them still had a Bromley systems</p> | Robust procedures haven't been established to control security over access to Offices, systems and data (including issue and control over IT assets); | <p><b>Managers should be reminded of the requirements for them to collect key fobs, close system accounts, return mobile phones and access cards, when agency staff leave the authority.</b></p> <p><b>[Priority 2]</b></p> |

Page 240

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**



DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation   |
|-----|--|--|--|
|     | active account.  |  |  |
| 5   | <p>A copy of the contract and SLA in place with Agency staff contractor for the provision of Agency staff, was provided. It was discussed with the Lawyer (Commercial Team) that both of these documents are currently in draft as they have yet to be signed off by both parties. However he has stated they are currently waiting to be signed and are as good as final draft.</p> <p>There are two KPIs in the SLA which require the Agency to carry out safeguarding checks. There are also service requirements for the contractors to ensure appropriately experienced and qualified staff are used.</p> <p>A vetting and screening policy has been agreed with Agency staff contractor that details the level of evidence to be provided for each person recruited and the audit tests that Agency staff contractor will carry out on Contractors to make sure they comply with these standards.</p> <p>During the audit it was highlighted that there is no requirement in the SLA or procedure in place to ensure Agency staff have to sign a declaration of Interest form.</p> | <p>Risk that agencies might not have undertaken proper safeguarding checks of workers prior to presenting as candidates or have failed to declare issues of concern about workers to the Council</p> | <p><b>The SLA should be amended or a procedure put in place to ensure for posts required a declaration of interest form should be completed for agency staff. [Priority 2]</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation  |
|-----|--|--|---|
| 6   | Assurance was placed on the audit of agency workers carried out every six weeks by the Agency staff contractor. Thus a small sample of 5 worker’s references and qualifications was carried out by the auditor. Evidence was provided for four of the five members of staff, but for the final one no evidence of qualifications, identity, references or safeguarding checks was provided | Agency workers might be employed who are not sufficiently qualified, experienced and had the relevant safeguarding checks. | <b>The contractor should ensure they receive and retain copies of relevant agency staff documentation. [Priority 2]</b> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility          | Agreed Timescale     |
|-------------|---|------------------------------------|---|-------------------------|----------------------|
| 1           | Managers should be reminded of the need to consider the costs of employing agency staff over six months against the cost of offering short term contracts and to consider the additional rights staff have. | 2                                  | Agreed although this needs to be set in the wider context of the business case.   | Assistant Director (HR) | By end November 2014 |
| 2           | A reminder should be sent to Managers reminding them of the requirement not to utilise agency staff outside of the Agency staff contractor contract.  | 2                                  | In the 2 cases identified in one the business case was the requirement for a former employee to provide evidence at court and the other an arrangement which pre-dated the PCT joining LBB which has now ceased.<br><br>The agency staff contractor is regularly being challenged and encouraged to work with managers to better understand their recruitment needs in order to | Assistant Director (HR) | By end November 2014 |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment   | Responsibility          | Agreed Timescale   |
|-------------|--|------------------------------------|--|-------------------------|--|
|             |  |                                    | minimise the need to use off contract arrangements. Therefore recommendation agreed with the proviso that if the Agency staff contractor cannot supply then there may be a business need to procure workers outside the Agency staff contractor contract but this needs authorisation from HR and the relevant Assistant Director for the service. |                         |  |
| 3           | A documented procedure for the use of Agency staff should be created and include a requirement for Managers to check Agency staff's Identification when they first present themselves at work. | 2                                  | Agreed and in progress. The requirement for identity to be checked will be included in the reminder to be issued under 1 and 2 above.  | Assistant Director (HR) | 31/12/14 subject to capacity and other higher priorities |
| 4           | Managers should be reminded of the requirements for them to  | 2                                  | Agreed – to be incorporated into note as per 1 and 2 above   | Assistant Director (HR) | By end November  |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility   | Agreed Timescale                                |
|-------------|---|------------------------------------|--|--|---|
|             | collect key fobs, close system accounts, return mobile phones and access cards, when agency staff leave the authority.                                  |                                    |  |  | 2014  |
| 5           | The SLA should be amended or a procedure put in place to ensure for posts required a declaration of interest form should be completed for agency staff. | 2                                  | Agreed. The Agency staff contractor has been asked to include this as a job requirement on the Beeline proforma at the time of placing the order.  | HR Manager (Business Services)   | By end December 2014 as technical system change |
| 6           | The contractor should ensure they receive and retain copies of relevant agency staff documentation.   | 2                                  | This is already a requirement of the contract between the Agency staff contractor and LBB and between the Agency staff contractor and its 2 <sup>nd</sup> tier suppliers. Agency staff contractor regularly audit their suppliers and report outcomes to LBB with any agreed follow-up action. In the one case identified further evidence has | Agency staff contractor as required under the contract with LBB and monitored by Assistant Director (HR) | Ongoing   |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation | Priority *Raised in Previous Audit | Management Comment   | Responsibility | Agreed Timescale |
|-------------|----------------|------------------------------------|--|----------------|------------------|
|             |                |                                    | since been provided to audit and the individual (for unrelated reasons) no longer works for the Council. |                |                  |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

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**FINAL INTERNAL AUDIT REPORT  
CHIEF EXECUTIVE'S DEPARTMENT**

**REVIEW OF COUNCIL TAX AUDIT FOR 2013-14**

**Issued to:** John Nightingale, Head of Revenues and Benefits

**Cc:** Peter Turner, Finance Director

**Prepared by:** Principal Auditor

**Date of Issue:** 18/08/2014

**Report No.:** RD/003/01/2013.bf

## REVIEW OF COUNCIL TAXAUDIT FOR 2013-14

### INTRODUCTION

1. This report sets out the results of our systems based audit of **Council Tax Audit for 2013-14**. The audit commenced in quarter 4 as part of the programmed work specified in the 2013-14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 27/01/2014. The period covered by this report is from 01/11/2012 to 31/01/2014.
4. The planned collectable income in respect of 136,435 properties was £167m (net of benefits) for 2013-14. In-year collection rate as at 31/03/2014 was 97.5%. During the financial year 8,054 refunds to the value of £2,723,936.90 were issued.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

## REVIEW OF COUNCIL TAXAUDIT FOR 2013-14

### MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of a contract being in place, to outline the Service Scope and Delivery Principles. The contract is performance monitored monthly, including the collection rates by bailiffs. The contractor has engaged registered bailiffs to carry out some of the collection works.
8. However we would like to draw to Managements attention the following issues:
9. A sample of 25 recovery cases were reviewed to ensure procedures were followed and documentary evidence of action taken was retained. In 4/25 cases recovery action was not timely.
10. A sample of 10 properties receiving exempt discount were reviewed to ensure that the discount was supported by documentary evidence and that regular review is undertaken to ensure ongoing eligibility. Reviews did not take place as expected in 3 cases.
11. Two out of five of the previous recommendations made by audit have been implemented. Sample cases for recovery action and exemptions were tested as part of 2013-14 audit and two recommendations relating to these areas are being re-recommended. Recommendation relating to documenting meeting minutes is still outstanding and is also being re-recommended in this report.
12. Information has been requested from management regarding adjustments of SLA for localism and evidence of refunds relating to re-banding in 7 cases. If this information is not forthcoming we will make an additional recommendation.

### SIGNIFICANT FINDINGS (PRIORITY 1)

13. No significant findings were identified during the audit.

**DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

14. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

**ACKNOWLEDGEMENT**

15. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation   |
|-----|--|--|--|
| 1   | <p>A sample of 25 recovery cases were reviewed to ensure procedures were followed and documentary evidence of action taken was retained.</p> <p>Annual Demand for council tax is issued in March every year and payments are due on 1st day of each month. As per recovery procedures, reminders should be sent 7-12 days after instalment are due, allowing a further 10 days to pay.</p> <p>In following 4/25 cases recovery action was not timely:</p> <p>Account A: Instalment due on 01/04/2013. 1st reminder issued on 26/06/2013</p> <p>Account B: Instalment due on 01/04/2013. 1st reminder sent on 26/06/2013</p> <p>Account C: Instalment due on 01/04/2013. 1st reminder sent on 21/05/2014</p> <p>As per the SLA 2.13.71, where Liability Orders are returned from the Bailiffs unexecuted, the reasons for return for each Liability Order should be checked within 15 working days of return from the</p> | <p>Delays in recovery action may result in Bromley's ability to recover income owed.</p> | <p><b>Recovery Action should take place as per SLA and procedures and records kept of all recovery action.</b></p> <p><b>[Priority 2*]</b></p> |

Page 253

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk                       | Recommendation   |
|-----|--|----------------------------|--|
|     | <p>Bailiffs and further enforcement is taken where a balance remains in accordance with statutory requirements within a further 10 working days.</p> <p>Account D: Liability was returned from bailiff on 09/12/2013 for Attachment of Benefit which did not take place until 23/04/2014.</p>  |                            |  |
| 2   | <p>A sample of 10 properties receiving exempt discount were reviewed to ensure that the discount was supported by documentary evidence and that regular review is undertaken to ensure ongoing eligibility. Reviews took place as expected, except in 2 cases.</p> <p>Account E: Exemption J – person providing care. Discount applied since 1995 which was not supported by documentary evidence. Also, another individual is claiming exemption J on her own property, ref no Account F claiming to have been providing care to the same disabled individual for the last 6 years. The second carer has been referred to be first carer’s wife on Carefirst records. A management review of this case is suggested to ensure discount and exemption are applied correctly.</p> | Loss of council tax income | <p><b>All discounts and exemption should be supported by Documentary evidence. Exemptions should be reviewed periodically to ensure ongoing eligibility.</b></p> <p><b>In the case of diplomatic status it is recommended that an independent check is carried out e.g. land registry check on the property in question.</b></p> <p><b>[Priority 2*]</b></p> |

Page 254

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation  |
|-----|---|---|---|
|     | <p>Account G: Exemption W – Occupied Annexe discount applied was not supported by evidence. Last review took place in 2006. CTP is in receipt of full exemption since 2005. Exemption is applicable since 1<sup>st</sup> April 2007.</p> <p>Account H: Exemption V- Dwelling which is the main residence of a person with diplomatic privilege or immunity. No review of the case has taken place since 2005. Audit would recommend independent verification of the ownership of the property periodically to Land Registry records to ensure eligibility as evidence initially provided stated that the Indian High Commission owned the property. Currently there are 26 cases on the system where diplomatic privilege or immunity is claimed.</p> |   |   |
| 3   | <p>As raised in Council tax audit report 2012-13, meetings between the Head of Revenues and Benefits and Exchequer Contractor Management to discuss the changes that will be required to the SLA as a result of Localism bill were not documented. It was agreed that the contract with the Exchequer Contractor will be amended once the changes have been agreed.</p> <p>As part of this audit it was queried if the contract with the Exchequer Contractor has been amended to reflect responsibilities</p>  | <p>Arrangements to embrace the Localism Bill and its requirements may not be adequately in place.</p> | <p>Future meetings to discuss changes to the SLA with the Exchequer Contractor should be minuted.</p> <p>A signed copy of agreed changes to the SLA should be made available to audit for review.</p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk | Recommendation |
|-----|--|------|----------------|
|     | under new arrangement. Management assured audit that extra resources have been agreed to ensure performance targets are met. Documentary evidence of this change was requested from Management which is still outstanding. |      | [Priority 2*]  |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement



MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility  | Agreed Timescale |
|-------------|---|------------------------------------|--|---|------------------|
| 1           | Recovery Action should take place as per SLA and procedures and records kept of all recovery action.  | 2*                                 | Details of all recovery action undertaken should be entered on a combination of the Academy system and Information@work. Reminder will be provided to revenues staff that record should be kept of all actions   | Head of Revenues & Benefits and the Exchequer Contractor Revenues manager | August 2014      |
| 2           | All discounts and exemption should be supported by Documentary evidence. Exemptions should be reviewed periodically to ensure ongoing eligibility.<br><br>In the case of diplomatic status it is recommended that an independent check is carried out e.g. land registry check on the property in question. | 2*                                 | Recommendation agreed. Whilst SPD and student exemptions are extensively checked, a "lighter touch" is given to the less common exemptions. However, the contractor will be reminded that reviews need to be undertaken on an annual basis with supporting evidence collected. | Head of Revenues & Benefits and the Exchequer Contractor Revenues Manager | September 2014   |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility              | Agreed Timescale |
|-------------|--|------------------------------------|---|-----------------------------|------------------|
| 3           | <p>Future meetings to discuss changes to the SLA with the Exchequer Contractor should be kept.</p> <p>A signed copy of agreed changes to the SLA should be made available to audit for review.</p> | 2*                                 | <p>Agreed changes to SLA are attached to the relevant change control notice and available to audit for review.</p> <p>Responsibility for the signing of change control notices with Head of Revenues &amp; Benefits</p> | Head of Revenues & Benefits | September 2014   |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

| <b>Assurance Level</b> | <b>Definition</b>  |
|------------------------|--|
| Full Assurance         | There is a sound system of control designed to achieve all the objectives tested.  |
| Substantial Assurance  | While there are a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording. |
| Limited Assurance      | Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there is priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.  |
| No Assurance           | Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.   |

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**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION, CARE AND HEALTH SERVICES**

**REVIEW OF LEAVING CARE (Payments to Clients)  
AUDIT FOR 2013-14**

**Issued to:** Assistant Director, Safeguarding & Social Care,  
Head of Service, Care & Resources,  
Head of Safeguarding, Quality Assurance and Child Protection,  
Assistant Director, Strategic & Business Support Services,  
Head of Finance, Education and Care Services,

**Cc:** Executive Director of Education and Care Services,  
Director of Finance,

**Prepared by:** Auditor (Wandsworth Council on behalf of LBB),  
Principal Auditor.

**Date of Issue:** September 23rd 2014  
**Report No.:** ECH/018/01/2013

## REVIEW OF LEAVING CARE AUDIT FOR 2013-14

### INTRODUCTION

1. This report sets out the results of our systems based audit of Leaving Care Audit for 2013-14. The audit was carried out in quarter 4 as part of the programmed work specified in the 2013/14 Internal Audit Plan agreed by the Director of Finance and Audit Sub-Committee. This audit was included in the 2013-14 plan at the request of the Assistant Director Children's Social Care.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 13/02/2014. The period covered by this report is from April 2013 to March 2014.
4. The 16+ Leaving Care Team provides help and support to children and young people who have been looked after by the Authority and are leaving care. The team provides a range of services to advise and assist the young people leaving care.
5. The Leaving Care budget for 2013-14 was £1.4m; the main areas of spend being officers pay (budget £659K) and direct accommodation support to 16-17 year olds (budget £564K). The provisional outturn is £126K overspend which directly relates to an increase in the number of 16-17 year olds needing supported placements; this has been flagged in budget monitoring during the financial year.
6. This review focused on the predominantly cash-based financial support including meeting accommodation and maintenance needs, provided from the leaving care grant. This grant was set up to enable a young person to be set up in independent living accommodation. Each child receives a total leaving care grant of £2,500 with an extra £300 allocated for a young person with childcare responsibilities. The review also incorporated clothing and subvention payments.
7. A sample of 20 clients' s was selected for audit examination, taken from a population of 115 declared on the report generated by the Department.

## REVIEW OF LEAVING CARE AUDIT FOR 2013-14

### AUDIT SCOPE

8. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

9. Overall, the conclusion of this audit was that nil assurance can be placed on the effectiveness of the overall controls for the areas reviewed this time, namely cash handling, supporting documentation, monitoring, reconciliation and review of pathway plans. The audit opinion is not applicable to staffing and placements costs, accounting for some £1.2m, as these areas were excluded from this audit review. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

10. The audit reviewed the effectiveness of controls in the following areas: policies and procedures, documents to support payments, authorisation, reconciliations, monitoring of payments, cash security and pathway plans. A sample of 20 leaving care clients, that were all live cases between April 2013 and March 2014, were selected for audit testing. The CareFirst reference numbers (P Number) for this sample are shown at the end of Appendix A. Audit fieldwork identified weaknesses in the system, summarised as follows:-

- Policies and Procedures
- Documents to Support Payments
- Authorisation
- Cash Payments to Bank Accounts
- Monitoring of Payments
- Reconciliations
- Pathway Plans
- Rental of the storage facility

## REVIEW OF LEAVING CARE AUDIT FOR 2013-14

- Cash Security

11. LCT use cash payments for grant and allowances when timing issues do not allow BACS transfer; the Group Manager confirmed that BACS is used for the regular payments. Cash payments represent risks for the LC Officer, the client and the Authority and must therefore adhere to Financial regulations and good practice. It is understood that prepaid cards were investigated two years ago but dismissed due to the high unit costs. LCT were resistant to BACS payments given a perceived time delay of 1 week for funds to reach the client account. The Financial Information Systems Team confirmed that BACS transfer can be done in 2/3 days and in an emergency a CHAPS payment is a same day transfer but incurs a £5 fee. Initial meetings with Finance have indicated that payments through CareFirst will need to be investigated further to establish time constraints on the BACS process.
12. During the audit it was evident that the maintenance and control of the client records is exercised by the monitoring officer. With the imminent departure of this post holder the payment and monitoring and controls are at risk as there are no procedures notes or clarity of roles and responsibilities in the LCT for this processes.
13. Whilst the controls are perceived to be weak and can be easily manipulated, there is no evidence to suggest fraud or malpractice.

### SIGNIFICANT FINDINGS (PRIORITY 1)

14. During the audit the following issues were identified:

#### Policies and Procedures:

- There are limited policies and procedures in place. The Auditor was provided with documents that define procedures from a service user perspective but not with any internal LBB policies and procedures that govern working practices and financial procedures for leaving care grants and payments.

#### Documents to Support Payments

There is evidence of cash payments being made to 14 of the 20 clients sampled.



## REVIEW OF LEAVING CARE AUDIT FOR 2013-14

- Of the 200 Petty Cash Vouchers (PCV) tested, 44 vouchers did not have a complete set of signatures (33 not signed by the client, 10 not signed by the social worker and 1 not signed by social worker and certifying officer). The incomplete documents related to 8 clients in the sample.
- 6 PCV's had not been retained and were not available for audit examination; relating to 5 clients.
- 3 PCV's evidenced in the LCT did not match the copy held in Finance, signatures differed and signatures were missing. It is not clear why these prime documents are not identical.

### Authorisation

- Of the 200 Request For Finance forms (RFF) tested 17 had not been retained and available for audit examination.
- 3 cash transactions were not supported by adequate documentation either signature or dates
- RFF forms can be authorised by any one of the four managers. Without procedure notes to define the payment initiation, client checks and authorisation function and with no reference to the client-specific payment spreadsheet prior to authorising these forms, there is a risk of duplicating allowances.

### Cash Payments to Bank Accounts

- For 4 clients petty cash payments were made to bank accounts where client details had not been verified and for one of these cases supporting documentation such as the receipt was not available.
- For 1 of the 15 bank deposits tested it was identified that the social worker had obtained the petty cash and split the associated deposit into the client's account across two separate days, £53.60 on one day and a further £60 ten days later.
- For 1 of the 15 bank deposits tested, the deposit amount did not match the amount on the authorised RFF form, the deposit being £30 more than on the authorised request form.

### Monitoring of Payments

- There is no centralised log of payments maintained to ensure that the grant limit is not breached. A client-specific payment spreadsheet was maintained at the time of testing for 14 of the 20 clients tested with a further 5 being created as a result of audit testing. 1 remained outstanding at the end of fieldwork with no evidence of monitoring.
- Concerns raised that the Monitoring Officer stated that she was the only officer to use this payment spreadsheet. Interviews with the Group Manager established he does not refer to this payment spreadsheet prior to authorising payment

## REVIEW OF LEAVING CARE AUDIT FOR 2013-14

request forms and therefore raises issues regarding roles and responsibilities and clarity with regard to the authorisation function.

- A spreadsheet of overpayments totalling to £13,094.14 was provided by the Monitoring Officer however as this document was not dated, it cannot be identified to which periods these overpayments relates to. Management explained that these overpayments related to agreed payments exceeding the £2,500 grant. It was not clear that these overpayments were subject to additional authorisation or that the overpayment report was used to reconcile and agree payments exceeding the guideline threshold.

### Reconciliations

- Reconciliations are not undertaken by the service. Audit testing identified differences between the client record held on CareStore and actual expenditure coded to the client T reference on ORACLE for 16 cases. As the department cannot identify the exact amount provided to the young person there is a risk that overpayments are made.
- A review of LCT spend for 2013-14 identified £70K allocated to a default code. This is due to insufficient characters available on CareFirst to detail the client T code; the monitoring controls therefore need to be robust to account for all CareFirst spend to client level.
- An ORACLE report detailed £23.5 K coded to the default code for leaving care grants in 2013-14. A sample of payments from this report was satisfactorily checked to the client payment record, however 4 payments totalling £1,744 could not be traced to a specific client given the generic term "CYP imprest or reimbursement". The monitoring Officer has now traced these payments to 5 clients, however Internal Audit could not evidence that the client payment record had been updated in one case (£230).

### Pathway Plans

- From the sample of 20 cases tested, in one instance there was no Pathway Plan in place and seven instances where the pathway plan was flagged as incomplete by the CareFirst system.
- Whilst the legislation states that '*a Pathway Plan...must be prepared as soon as possible...*', in 2 of the 20 cases tested Pathway Plans were not in place within 3 months of the young person's 16<sup>th</sup> birthday.
- For 21 of the 24 Pathway Plans examined, these were not subjected to a 6 monthly review.
-

## REVIEW OF LEAVING CARE AUDIT FOR 2013-14

### Purchase of storage space/Purchase Card

- Noncompliance with Financial Regulations as costs have exceeded the threshold for 3 competitive quotes.
- No policy or procedure to operate the storage of client belongings.
- No evidence that the £355 per month offers value for money or is a space required by the items secured.
- Client payment made on the purchase card not recorded on the client payment record.

### Cash Security

- While access to the safe is restricted, observations made during the audit identified that social workers have been invited to help themselves to cash that is temporarily outside of the safe.
- It was established that this cash box stored client cash payments awaiting collection. However there is no record of these cash holdings or signatory evidence when cash is removed. There are no effective controls, ownership or accountability, an inadequate audit trail as cash is stored, removed and issued. Without this record the LCT cannot evidence what cash holdings are in the safe.

## DETAILED FINDINGS / MANAGEMENT ACTION PLAN

15. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

## ACKNOWLEDGEMENT

16. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation   |
|-----|--|--|--|
| 1   | <p><b>Policies and Procedures</b></p> <p>There are no Policies and Procedures governing the financial practices within the Leaving Care Team (LCT), specifically payments, recording, authorisation, cash handling and monitoring. Discussion with both the Group Manager and Monitoring Officer failed to evidence any appropriate documentation.</p> <p>It should be noted that the monitoring officer is apparently key to the financial procedures. Through interview and audit testing it was established that the LCT rely on this postholder to undertake the majority of case recording and monitoring and has become the control to ensure that source documents are scanned and financial records are updated to CareStore,. The monitoring officer is due to leave at the end of June; her knowledge and expertise will be a lost to the Authority that is not supported by comprehensive procedure notes to allow continuity of working practices and key controls that is demanded by the post.</p> | <p>Staff may not be aware of Policies and Procedures resulting in inconsistent practices being undertaken and failing to comply with legislation and/or other local government requirements.</p> | <p><b>Ensure that Policies and Procedures are in place that govern the process by which payments are made to clients, recorded on CareStore and monitored .</b></p> <p><b>[Priority 1]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation  |
|-----|---|---|---|
| 2   | <p><b>Documents to Support Payments</b></p> <p>The Department supplied a report, generated from CareFirst, of current clients known to the LCT from April 2013 to February 2014. From the 115 clients reported, a sample of 20 was selected for audit examination.</p> <p>It was established that clients are paid via CareFirst, Creditors and cash. This test was concerned with the supporting documentation evidenced to support cash transactions. 14 of the sample had cash payments recorded and from the summary payments schedule supplied by the Monitoring Officer some 200 PCV's were checked for these 14 clients. The main issues arising were:-</p> <ul style="list-style-type: none"> <li>• 33 PCV's were not signed by the client to evidence receipt of the funds, this related to 7 clients samples 1, 6, 8,12,13, 15 and 19</li> <li>• 10 PCV's were not signed by the social worker, this related to 3 clients, samples 1, 5 and 8</li> <li>• 1PCV not signed by the social worker and certifying officer, sample 8</li> </ul> | <p>It may not be possible to demonstrate that clients have received their payment or that social workers agree to the amount being paid unless they have signed the petty cash vouchers</p> | <p><b>Ensure that the petty cash receipts are completed and signed off by the appropriate individuals to evidence the transfer of cash between officers and then receipt of the funds by the client.</b></p> <p><b>All petty cash vouchers must be retained and available for inspection to support cash payments</b></p> |

Page 269

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation   |
|-----|---|--|--|
|     | <ul style="list-style-type: none"> <li>6 PCV's had not been retained and were not available for audit inspection, they related to 5 clients samples 3, 5, 8, 15 and 20. (Total value £380)</li> <li>3 PCV's retained in LCT did not match the PCV retained by the Finance team. There are different signatures missing on each copy; this relates to 2 clients samples 1 and 8.</li> </ul> <p>Internal Audit reviewed CareStore, vouchers held on paper files, vouchers held by the Monitoring Officer and vouchers held electronically on a shared drive awaiting upload to CareStore to locate the selected PCV's for audit examination and to account for the missing PCV's.</p> | <p>Misappropriation of funds if prime documents are amended.</p> | <p><b>All copies of the PCV must agree any discrepancy should be investigated and explained</b></p> <p><b>[Priority 1]</b></p> |

**Priority 1**  
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**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation   |
|-----|--|--|--|
| 3   | <p><b>Authorisation</b></p> <p>The Request for Finance form (RFF) is a prime document to evidence authorisation for all payment to LCT clients, whatever method of payment is actioned. This document details the initiating officer and that the appropriate authorising officer has approved the payment. The LCT utilise the OneBromley team site to facilitate this process for non-cash payments, cash payments are still on a manual RFF. Once authorised the RFF should be available on CareStore.</p> <p>Some 200 RFF forms for the sample of 14 clients receiving cash payments were checked, the main issues arising were:-</p> <ul style="list-style-type: none"> <li>• 17 RFF forms were not retained to support the petty cash payment made and it is therefore unknown whether these transactions were authorised. This related to 7 clients, samples 3, 8, 9, 12, 13, 15 and 20.</li> <li>• 1 RFF form was not signed to support the cash payment, sample 20</li> </ul> | <p>It may not be possible to sufficiently evidence an audit trail of authorised activity where key documents are not retained.</p> | <p><b>Petty cash vouchers and request for finance forms must be completed in a timely fashion, authorised by an appropriate officer and retained on the client files.</b></p> <p><b>Ensure that evidence of authorisation for any request of finance is maintained and dated.</b></p> <p><b>[Priority 1]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation   |
|-----|---|---|--|
|     | <ul style="list-style-type: none"> <li>1 cash transactions was not supported by documents that evidence timely authorisation of the payment and transfer of funds. PCV and RFF dated 26/7/13 but receipt note signed by client 23/7/13; sample 15.</li> <li>1 cash transaction evidenced by PCV dated 12/3/14, client signed receipt on the 6/3/14; the RFF was not dated; sample 19</li> </ul>   |   |  |
| 4   | <p><b>Cash Payments to Bank Accounts</b><br/>                     In some instances the cash withdrawn from the Bromley Imprest account is paid into the clients bank account. Testing on the transfer of these funds and the information available to support these transactions identified that for the sample of 14 clients receiving cash payments:-</p> <ul style="list-style-type: none"> <li>8 petty cash payments had been deposited into a bank account where the client account details cannot be verified. This related to 3 clients, samples 6,13 and 15.</li> <li>4 petty cash payments were deposited to a bank account that had no back up records available for sample 12.</li> </ul> | <p>There is a risk of misappropriation where evidence of appropriate bank details are not obtained or retained.</p> | <p><b>Ensure that the bank account details for the young person are verified.</b></p> <p><b>Retain evidence to support that cash is being deposited into the correct account. For sample 12 evidence that the client received the 4 deposits to eliminate fraud.</b></p> |

**Priority 1**  
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**Priority 3**  
 Identification of suggested areas for improvement



DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation   |
|-----|---|---|--|
|     | <ul style="list-style-type: none"> <li>Retention of client money by the social worker. The RFF form authorised on 27/09/13 and PCV dated 27/09/13, both for £113.60. £53.60 was deposited into a bank account on 27/09/13 with £60 banked on 07/10/13. This was the client whereby the bank account details cannot be identified, sample 12</li> <li>The amount authorised on the RFF differed to the cash paid into the client account. The amount on the PCV is £20, however the bank deposit receipt shows £50. The source of the additional £30 is unknown, sample 6</li> </ul> | <p>There is a risk of misappropriation where amounts requested do not reconcile with the amounts deposited.</p> | <p><b>Where Bank Account details are known, make payments by BACS or other secure electronic method.</b></p> <p><b>Cash withdrawn from imprest must be banked in full and in a timely manner.</b></p> <p><b>Ensure that any petty cash withdrawn for the client is reconciled against the authorised amount</b></p> <p><b>[Priority 1]</b></p> |

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**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
| 5   | <p><b>Monitoring of Payments:</b><br/>Interviews with LCT officers established that there is no centralised log of payments to LCT clients; payments are recorded on the individual client record held in CareStore. Monitoring is therefore at client level rather than a summary control sheet for all LCT clients.</p> <p>For the sample of 20 clients selected for audit testing, 14 had a payment record on CareStore, 5 were created as a result of the audit and 1 remained outstanding at the end of the audit with no evidence of monitoring.</p> <p>As discussed in finding 3 above the RFF is sent to the authorising officer on the OneBromley Team site for non-cash payments, a manual form for cash. Once authorised the Monitoring Officer will action the payment by the appropriate method, cash BACS or creditors. The LCT officer should check the client's payment record prior to raising the RFF as the authorising officer confirmed that he would not perform this check.</p> <p>Presently the monitoring officer updates all client records as she actions the RFF, however interviews indicated that this</p> | <p>There is a risk that payments made to a young person exceed their entitlement.</p> | <p><b>Review the monitoring function to ensure that adequate controls are in place to ensure client payments are within the set allowances.</b></p> <p><b>Set up a payment record on CareStore to ensure that all payments are recorded to allow adequate monitoring and control that allowances and grants are not exceeded</b></p> |

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**Priority 3**  
Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk | Recommendation   |
|-----|---|------|--|
|     | <p>function should be undertaken by the initiating officer. This is a labour intensive process and the audit evidenced a back log of records waiting to be scanned onto the system.</p> <p>The monitoring function relies on the diligence of one officer rather than system controls such as quarterly monitoring reports or reconciliation to actual spend shown in the Authority's accounts.</p> <p>A spreadsheet of overpayments totalling to £13,094.14 was provided by the Monitoring Officer however as this document was not dated, it cannot be identified to which periods this overpayment relates to. Of the audit sample of 20 cases, two are listed on the overpayment spreadsheet and are listed as having received a total overpayment of £328.</p> <p>At the end of audit meeting management confirmed that in certain circumstances the £2,500 would be exceeded as the value is an agreed guide. It was not evidenced that these overpayments were subject to an additional level of authorisation, are not specified in any procedure notes and the overpayment report not utilised by management to monitor and reconcile agreed overpayments.</p> |      | <p><b>Clarify the role and responsibilities of all LCT officers to ensure records are accurate and completed in a timely manner to ensure effective monitoring.</b></p> <p><b>Agree and specify the process to exceed £2,500 threshold for leaving care grant. Utilise the overpayments report to monitor and reconcile payments to authorisations.</b></p> <p><b>[Priority 1]</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation   |
|-----|---|--|--|
| 6   | <p><b>Reconciliations</b></p> <p>The Department do not undertake any reconciliation between the client payment record on CareStore and the main accounting system. The sample of 20 clients was used to attempt a reconciliation between LCT payment records and ORACLE however for 16 cases there were discrepancies between the two reports. This indicates possible mis-codings, but the major system weakness is that LCT cannot give full assurance of the value paid to individual clients. Audit attempted examination of the records failed to reconcile the two systems.</p> <p>A review of the 2013-14 LCT spend showed £70K against the default code, not allocated to a specific client. Interview with the service accountant identified this spend as being sourced from CareFirst. CareFirst does not have sufficient characters in the expenditure code field to allow costs to be allocated to the T code, client name. It is therefore imperative that record keeping in LCT is robust to ensure that this default expenditure is captured on client records.</p> | <p>There is a risk that payments are being made without the department acknowledging it.</p> | <p><b>Reconciliation between the LCT records and the values shown in the Authority's accounts should be undertaken regularly to confirm that information is reported correctly, identify miscodings and as part of the monitoring process.</b></p> <p><b>Periodically review the costs allocated to the default code in Authority's accounts to verify the expenditure and allocation to the specific client.</b></p> <p><b>[Priority 1]</b></p> |

**Priority 1**  
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**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk | Recommendation |
|-----|--|------|----------------|
|     | <p>A report generated from ORACLE identified that 23.5K was allocated to the default code for leaving care grant in 2013-14. A sample of 5 clients were selected from this report and satisfactorily traced to the payment record held on CareStore. A further 4 entries totalling £1,744, narrative “imprest” and “CYP Reimbursement” could not be assigned and have been sent to the LCT to resolve.</p> |      |                |

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**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
| 7   | <p><b>Pathway Plans</b></p> <p>A Pathway Plan sets out a way forward for a young person leaving care, taking account of their health, education, training, employment and housing needs. The responsible authority must create and review a young person’s Pathway Plan in accordance with the regulations set out in the Children (Leaving Care) Act 2000.</p> <p>Pathway Plans for the sample on CareFirst identified that:</p> <ul style="list-style-type: none"> <li>• For 7 of the 20 cases reviewed, the Pathway Plan was flagged as incomplete on CareFirst (Sample 2, 7, 8, 11, 14, 18 and 19)</li> <li>• For 1 of the 20 cases reviewed, the Pathway Plan was not in place with no explanation offered when questioned. (Sample 13)</li> <li>• For 2 of the 20 cases reviewed, the pathway plan was not in place within 3 months of their 16<sup>th</sup> birthday</li> <li>• For 21 of the 24 pathway plans examined, these were not subjected to a 6 month review, summarised as:-<br/>                     0-31 days over 6 months : 1 case<br/>                     31-60 days over 6 months: 3 cases<br/>                     61-90 days over 6 months: 3 case<br/>                     91+ days over 6 months : 14 cases</li> </ul> | <p>Adverse comments from external inspections giving rise to reputational damage and/or sanction for failing to comply with requirements.</p> <p>- <i>Section 6, Legislation 6 (1)</i><br/> <i>“A pathway plan ... must be prepared as soon as possible ...”</i></p> <p><i>Section 6, Legislation 7 (1),</i><br/> <i>“ The responsible authority must review the pathway plan of each relevant and former relevant child in accordance with this regulation”</i></p> <p><i>Part 2(C)</i><br/> <i>“ The responsible authority must arrange a review... in any event, at intervals of not more than six months”</i></p> | <p><b>Ensure that completed Pathway Plans are in place and reviewed as appropriate, compliant with legislation.</b></p> <p><b>[Priority 1]</b></p> |

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**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
| 8   | <p><b>Purchase Card</b></p> <p>The Monitoring Officer holds a purchasing card to facilitate on line procurement for the LCT. A review of the purchase card statement for March 2014 was checked back to LCT records. 1payment of £50 (P number) was not recorded on the client payment record.</p> <p>The main issue arising was the monthly payment of £355.60 to Company Afor storage. LCT Group Manager confirmed that the LCT had taken on the storage facility prior to the relocation to North Block, prompted by insufficient space available on the civic centre site. The storage unit is used for client’s personal belongings, however it was not known if the size of the area rented is in line with need . An inventory was evidenced and a designated LCT officer is responsible for the storage but there was no clear policy around retention and disposal or insurance values. It was agreed that this area needed to be reviewed.</p> <p>The total payments to Company A since 2012-13 has now exceeded £5,000 and without three competitive quotes this procurement is in breach of Financial Regulations.</p> | <p>Inappropriate costs incurred by the Authority.</p> | <p><b>All client payments must be recorded on the client payment record.</b></p> <p><b>Review the storage space rented from Company A to ensure the cost represents value for money.</b></p> <p><b>Review the policy for retention and disposal of client belongings.</b></p> <p><b>Ensure the inventory is up to date for insurance purposes.</b></p> <p><b>Evidence competitive quotes for the continued use of the Company A storage facility.</b><br/>[Priority 1]</p> |

**Priority 1**  
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**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation   |
|-----|--|---|--|
| 9   | <p><b>Cash Security</b></p> <p>As previously stated the section is involved in cash handling and transferring cash to clients and bank accounts. It is imperative that all officers have a good understanding of the risks of these processes and the need for accountability and transparency. During the course of the audit fieldwork it was observed that a social worker was left unattended to serve themselves with petty cash from the cashbox that had been removed from the safe.</p> <p>It was established that this cash box stored client cash payments awaiting collection. However there is no record of these cash holdings or signatory evidence when cash is removed. There are no effective controls, ownership or accountability, an inadequate audit trail as cash is stored, removed and issued. Without this record the LCT cannot evidence what cash holdings are in the safe.</p> | <p>The security of cash is at risk where appropriate controls are not maintained.</p> | <p><b>Ensure that access to cash in the safe is controlled at all times.</b></p> <p><b>Remind LCT officers that they should comply with agreed financial procedures when handling cash and transferring client monies</b></p> <p><b>A record of cash holdings should be introduced to control client funds awaiting collection. LCT officer should sign against the relevant entry as cash is issued. An independent officer should routinely reconcile this record to the cash held. [Priority 1]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement



MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale                                    |
|-------------|---|------------------------------------|---|---|---|
| 1           | <p><b><u>Policies and Procedures</u></b></p> <p>Ensure that Policies and Procedures are in place that govern the process by which payments are made to clients, recorded on CareStore and monitored .</p> | 1                                  | <p>The policies and procedures have been updated in consultation with the Head of Finance and issued to the relevant staff to include all aspects of financial management.</p> <p>We are currently exploring with colleagues in the CareFirst support team any opportunities to streamline these processes to ensure accurately recording and reporting</p> | <p>Head of Service – Care and Resources</p> <p>Group Manager – Leaving Care Team</p> <p>Finance Officer (C&amp;R)</p> <p>Finance and Monitoring Officer - Leaving Care Team</p> | <p>30th September 2014</p> <p>31st October 2014</p> |
| 2           | <p><b><u>Documents to Support Payments</u></b></p> <p>Ensure that the petty cash receipts are completed and signed off by the appropriate</p>   | 1                                  | <p>Staff to be reminded of the need to ensure that all cash payments are accompanied by the appropriate request form and duly signed petty cash voucher by the recipient client.</p>  | <p>Group Manager – Leaving Care Team</p> <p>Finance and</p>   | <p>30th September 2014</p>                          |

**Priority 1**  
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**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment   | Responsibility  | Agreed Timescale                  |
|-------------|--|------------------------------------|--|---|-----------------------------------|
|             | <p>individuals to evidence the transfer of cash between officers and then receipt of the funds by the client.</p> <p>All petty cash vouchers must be retained and available for inspection to support cash payments</p> <p>All copies of the PCV must agree any discrepancy should be investigated and explained</p> |                                    | <p>The finance officer to escalate individual issues of noncompliance with the GM – LCT for action.</p> <p>Petty cash vouchers to be scanned onto the clients CF record and retained to be presented with the petty cash reconciliation weekly report. Any discrepancies to be brought to the attention of the GM and Finance and Monitoring Office for investigation/explanation.</p> | <p>Monitoring Officer – Leaving Care Team</p> <p>Finance Officer</p> <p>Group Manager – Leaving Care Team</p> <p>Finance and Monitoring Officer</p> | <p>Completed</p> <p>Completed</p> |
| 3           | <p><u>Authorisation</u></p> <p>Petty cash vouchers and request for finance forms must be completed in a timely</p>   | 1                                  | Requests for funding to be authorised in accordance with the financial regulations and authorisation limits.   | Group Manager /Deputy Group Manager – Leaving Care Team   | Completed                         |

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 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment  | Responsibility   | Agreed<br>Timescale   |
|-------------|---|---|---|--|---|
|             | <p><b>fashion, authorised by an appropriate officer and retained on the client files.</b></p> <p><b>Ensure that evidence of authorisation for any request of finance is maintained and dated.</b></p> |   | <p>The Finance Officer is to be instructed that that she must not release any funds without an appropriately authorised finance form.</p> <p>Where authorisation has been given over the telephone to meet an immediate need this is to be recorded on the finance form and countersigned by the appropriate manager.</p> <p>All finance forms to be scanned/copied on to the client CF record.</p> <p>A system to be introduced to ensure compliance through regular monitoring by the Finance and Monitoring Officer.</p> | <p>Finance Officer</p> <p>Finance and Monitoring Officer</p> | <p>To be reviewed by 30<sup>th</sup> November 2014</p> <p>To be reviewed by 30<sup>th</sup> November 2014</p> |

**Priority 1**  
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Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment   | Responsibility  | Agreed<br>Timescale  |
|-------------|--|---|--|---|--|
| 4           | <p><b><u>Cash Payments to Bank Accounts</u></b></p> <p><b>Ensure that the bank account details for the young person are verified.</b></p> <p><b>Retain evidence to support that cash is being deposited into the correct account. For sample 12 evidence that the client received the 4 deposits to eliminate fraud.</b></p> <p><b>Where Bank Account details are known, make payments by BACS or other secure electronic method.</b></p> <p><b>Cash withdrawn from imprest must be banked in full and in a timely manner.</b></p> | 1   | <p>All regular cash payments paid manually into a client's bank account to be reviewed and transferred to the BACS system if possible.</p> <p>Cash payments that need to be paid manually into a client's bank account must be done in such a way to ensure that the payee details are recorded.</p> <p>Bank account details in relation to the clients account must be kept of the CF record after verification to enable reconciliation between paying in advice and the bank account details. These details must be verified by the client (i.e. copy of personalised paying in slip, signed confirmation of bank</p> | <p>Group Manager – Leaving Care Team</p> <p>Finance and Monitoring Officer</p> <p>Finance Officer</p> | <p>30th September 2014</p> <p>30th September 2014</p> <p>30th September 2014</p> |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility  | Agreed Timescale          |
|-------------|---|------------------------------------|--|---|---------------------------|
|             | <p><b>Ensure that any petty cash withdrawn for the client is reconciled against the authorised amount</b></p>   |                                    | <p>account details etc).</p> <p>Cash withdrawn on behalf of clients to be paid into their bank account must be deposited on the day of withdrawal. Where this is not possible, the money must be handed to the Finance Officer for safe storage in the safe. A system to be immediately introduced which records all money held in the safe on behalf of clients, together with the date and signature of the relevant member of staff at the time of reissue.</p> |   |                           |
| 5           | <p><b><u>Monitoring of Payments</u></b></p> <p><b>Review the monitoring function to ensure that adequate controls are in place to ensure client payments are within the set allowances.</b></p> | 1                                  | <p>All payments to clients to be recorded accurately on CF. Work to be undertaken with the CareFirst support team to see if it is possible for this to be an automated process (by creating a form that</p>  | <p>Head of Service – Care and Resources</p> <p>Group Manager / Deputy Group</p> | <p>30th November 2014</p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment   | Responsibility                     | Agreed<br>Timescale |
|-------------|--|---|--|------------------------------------|---------------------|
|             | <p><b>Set up a payment record on CareStore to ensure that all payments are recorded to allow adequate monitoring and control that allowances and grants are not exceeded</b></p> <p><b>Clarify the role and responsibilities of all LCT officers to ensure records are accurate and completed in a timely manner to ensure effective monitoring.</b></p> <p><b>Agree and specify the process to exceed £2,500 threshold for leaving care grant. Utilise the overpayments report to monitor and reconcile payments to authorisations.</b></p> |   | <p>records individual payments and provides an overview report). Guidance to be produced for staff.</p> <p>Where it is agreed that a payment may be made that would exceed to the £2,500 setting up home allowance limit – this to be fully recorded with supporting reasons of the CF record.</p> | <p>Manager - Leaving Care Team</p> |                     |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale               |
|-------------|--|------------------------------------|---|---|--------------------------------|
| 6           | <p><b><u>Reconciliation</u></b></p> <p><b>Reconciliation between the LCT records and the values shown in the Authority's accounts should be undertaken regularly to confirm that information is reported correctly, identify miscoding's and as part of the monitoring process.</b></p> <p><b>Periodically review the costs allocated to the default code in Authority's accounts to verify the expenditure and allocation to the specific client.</b></p> | 1                                  | <p>We are currently working with the ECHS Head of Finance and other finance colleagues and CareFirst Colleagues to identify whether the reconciliations between spend via CareFirst and details held in Oracle can be automatically reconciled and reviewed.</p> <p>Should this not be possible we will identify an alternative tracking mechanism, with clear lines or responsibility and accountability</p> | <p>Head of Service – care and Resources<br/>Head of ECHS Finance</p> <p>CareFirst Support Team</p> <p>Group Manager – Leaving Care Team</p> <p>Finance and Monitoring Officer</p> | 30 <sup>th</sup> November 2014 |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment   | Responsibility   | Agreed Timescale           |
|-------------|--|------------------------------------|--|--|----------------------------|
| 7           | <p><b><u>Pathway Plan</u></b></p> <p><b>Ensure that completed Pathway Plans are in place and reviewed as appropriate compliant with legislation.</b></p> | 1                                  | <p>The completion of Pathways plans is now monitored as part of the Divisional performance monitoring on a monthly basis and the performance data is published and scrutinised monthly by the senior management team. Performance issues are addressed with the GM and SGM;s for action.</p> | <p>Head of Service – Care and Resources</p> <p>SMT</p> <p>Group Manager / Deputy Group Manager - Leaving Care Team</p> | <p>30th September 2014</p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement



MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment  | Responsibility  | Agreed<br>Timescale   |
|-------------|--|---|---|---|---|
| 8           | <p><b><u>Purchase Cards</u></b></p> <p><b>All payments must be recorded on the clients payment record</b></p> <p><b>Review the storage space rented from Company A to ensure the cost represents value for money.</b></p> <p><b>Review the policy for retention and disposal of client belongings.</b></p> <p><b>Ensure the inventory is up to date for insurance purposes.</b></p> <p><b>Evidence competitive quotes for the continued use of the Company A storage facility.</b></p> | 1   | <p>A system has been introduced to ensure that any purchase made on behalf of a young person using a corporate procurement card is recorded on CF with all other expenditure.</p> <p>It is sometimes necessary to store young people's belongings (including large items) if for example, they are remanded in custody or receive a custodial sentence. The GM will review the space requirements and work with the facilities team to see if we can identify a more cost effective solution.</p> | <p>Group Manager – Leaving Care Team</p> <p>Finance and Monitoring Officer</p> <p>Group Manager - Leaving Care Team</p> | <p>30th September 2014</p> <p>30<sup>th</sup> November 2014</p> |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment  | Responsibility   | Agreed<br>Timescale |
|-------------|--|---|---|--|---------------------|
| 9           | <p><b><u>Cash Security</u></b><br/> <b>Ensure that access to cash in the safe is controlled at all times.</b></p> <p><b>Remind LCT officers that they should comply with agreed financial procedures when handling cash and transferring client monies</b></p> <p><b>A record of cash holdings must be introduced to control client funds awaiting collection. LCT officer should sign against the relevant entry as cash is issued. An independent officer should routinely reconcile this record to the cash held.</b></p> | 1   | <p>Access to the safe is strictly limited to the GM (or deputy in his absence), the Finance Officer and the Finance and Monitoring Office</p> <p>Financial guidance to be re-issued to all staff which clearly outlines the procedures and processes that must adhered to by all staff</p> <p>A system to be immediately introduced which records all money held in the safe on behalf of clients, together with the date and signature of the relevant member of staff at the time of reissue.</p> | <p>Head of Service – Care and Resources</p> <p>Group Manager - Leaving Care Team</p> | In place            |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

| <b>Assurance Level</b> | <b>Definition</b>   |
|------------------------|---|
| Full Assurance         | There is a sound system of control designed to achieve all the objectives tested.   |
| Substantial Assurance  | While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording. |
| Limited Assurance      | Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.  |
| No Assurance           | Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.  |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

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## **FINAL INTERNAL AUDIT REPORT**

### **Education, Care and Health Services**

#### **PRE-ACADEMY AUDIT OF ST JOHN'S CE PRIMARY SCHOOL 2013-14**

**Issued to:** Mrs. J. Ivil (Head of School)

**Prepared by:** Principal Auditor

**Date of Issue:** 23/06/2014

**Report No.:** CYP/P30/01/2013

## **INTRODUCTION**

1. This report sets out the results of our pre academy audit of St John's CE Primary School carried out in quarter 1 of 2014/15. The school transferred to academy status on 01/04/2014.
2. The purpose of this visit is to identify any issues which need to be resolved prior to closure of the accounts.
3. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

## **AUDIT SCOPE**

4. The period covered by this report is from 01/04/2013 to 31/03/2014. We also reviewed any post transfer transactions up to the date of the audit visit on the 15/05/2014 that related to pre academy status.

## **MANAGEMENT SUMMARY**

5. We have reviewed primary accounting information including: expenditure, leases and contracts, payroll records, VAT returns debtors, creditors and bank accounts. A signed copy of Commercial Transfer Agreement has been received from the School Finance Team.
6. There were no major findings however we would like to bring to management's attention that income and expenditure incurred have been checked up to 15/05/2014 and any transactions after this date will be matter between School Finance Team and the school. The school made a payment of £35,120 to an Academy Primary School on 19/03/2014 which relates to period after 31/03/2014. This now needs to be paid back into the school account by the Academy as part of closure procedure.
7. The VAT return for March 2014 is still outstanding and should be sent to LBB Finance team as soon as possible.

## ACKNOWLEDGEMENT

8. We would like to thank all staff contacted during this review for their help and co-operation..

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**FINAL AUDIT REPORT  
CHIEF EXECUTIVE'S DEPARTMENT**

**SINGLE PERSONS DISCOUNT REVIEW 2014-15**

**Issued to: John Nightingale, Head of Revenues and Benefits  
Peter Turner, Finance Director**

**Prepared by: Principal Auditor**

**Date of Issue: 06 October 2014**

## **INTRODUCTION**

1. Following an external allegation from a member of the public about the maladministration of a contractor, the Director of Finance requested that Internal Audit undertake a review of procedures and practices relating to Single Persons Discount and call centre responses to ensure The Authority is complying with The Council Tax Law Practice 2010.
2. Allegedly contracting staff were advising council tax payers incorrectly that the single persons discount would cease after the oldest child's 18 birthday unless evidence proved that they were in full time education.

## **METHODOLOGY**

3. Audit reviewed The Council Tax Law Practice 2010 defines single persons discount for school leavers / 18 year olds.  
"Reg - 3.6.4 A school or college leaver for council tax purposes is a person aged 18 or 19 who leaves school or college between 1<sup>st</sup> May to 31<sup>st</sup> October in any year. A person aged 18 or 19 who is still at school or college is a student but on leaving during the May to October becomes a school or college leaver. If the school or college leaver is living alone or with student the dwelling is exempt. If the school or college leaver has become a student by the 1<sup>st</sup> November the exemption will continue; if not council tax will become payable subject to any entitlement to discount."
4. Audit also reviewed the Liberata Single Person's Discount Council Tax Procedure document dated June 2012 which states "School and College Leavers under 20 – A student under the age of 20 who has left school or college after 1 May after undertaking a qualifying course of education [no higher than A level, or Higher level or equivalent] continue to be classed as full time students up to the 31<sup>st</sup> October. They do not have to go onto further or higher education to qualify for this disregard.
5. The Head of Benefits and Revenues requested that as part of this review audit was to make anonymous telephone contact with the council tax call centre to determine that contracting staff are advising residents correctly with regards to the cessation of single persons discount for 18 year olds for persons leaving school in July.

## **MANAGEMENT SUMMARY**

6. Audit made 8 telephone calls to the council tax call centre between 11/11/14 and 18/08/14. On 5 out of 8 occasions different members of contracting staff incorrectly advised that council tax single persons would cease either
  - When child benefit ends

- When the child becomes 18 or
  - When the child left school in July.
7. Audit suspended further telephone calls on the basis of the evidence being gathered.
  8. The above finding could have resulted in cases where the council tax payer has been overcharged and therefore refunds may be due.
  9. These results highlight a problem area with the contractor, Liberata.
  10. Depending on the implementation of the recommendation made below further testing may be necessary as guided by the Director of Finance.
  11. Audit understand that contractor is to introduce a call monitoring system in the near future, for training purposes.

## **CONCLUSION**

12. This exercise has proved to be useful as it has highlighted problems and potentially areas for management to address to ensure that The Authority is complying with The Council Tax Law Practice 2010 for dwellings occupied by school leavers. .

| No | Findings  | Risk   | Recommendation   |
|----|---|--|--|
| 1  | <p>Audit made 8 telephone calls to the council tax call centre between 11/11/14 and 18/08/14. On 5 out of 8 occasions contracting staff incorrectly advised that council tax single persons would cease either</p> <ul style="list-style-type: none"> <li>• When child benefit ends</li> <li>• When the child becomes 18 or</li> <li>• When the child left school in July.</li> </ul> | <p>The Authority may not be complying with The Council Tax Law Practice 2010 for dwellings occupied by school leavers, resulting in potential overpayments by residents.</p> | <p>Ensure contracting staff are given additional training on the cessation of single tax discount for school leavers aged 18 and other related issues i.e. school leavers over 18 taking a gap year and travelling abroad.<br/>[Priority 2]<br/>Ensure the contractor checks council tax records to confirm that single person's discounts ended at the correct date upon children reaching 18 and leaving school. Ensure any identified overpayments are refunded, with an agreed covering letter.<br/>[Priority 2]</p> |
| 2  | <p>Audit understand that the contractor is to introduce a call monitoring system in the near future, for training purposes.</p>   | <p>The Authority may not provide the correct advice for Council Tax related issues.</p>  | <p>Ensure the contractor utilises the call monitoring system as a training tool and in the event of any complaints raised.<br/>[Priority 2]</p>  |
| 3  | <p>The contractors Single Person's Discount Council Tax Procedure document dated June 2012 does not make reference to The Council Tax Law Practice 2010 which The Authority is required to adhere too.</p>  | <p>Contracting staff may not be aware of The Council Tax Law Practice 2010 for dwellings occupied by school leavers, resulting in potential overpayments by residents.</p>   | <p>Ensure the Single Person's Discount Council Tax Procedure document is reviewed and updated to make reference to The Council Tax Law Practice 2010 and made available to Liberata staff.<br/>[Priority 3]</p>  |

| No | Recommendation   | Priority | Management Comment   | Responsibility  | Agreed Timescale |
|----|--|----------|--|---|------------------|
| 1  | Ensure contracting staff are given additional training on the cessation of single tax discount for school leavers aged 18. | 2        | <p>The contractor has produced a desk aid for the Contact Centre advisors which covers student disregards and school leavers. This is based on the 2010 Council Tax law Practice regarding students and school leavers and Liberata's latest procedures for Student Disregards and School Leavers. The information contained in the desk aid has been reviewed and approved by the Contractors Quality Team.</p> <p>The contractor is also in the process of finalising a training plan based on the contents of this desk aid. Every advisor will have been through the training programme by 13th October 2014.</p> <p>To keep a record of the</p> | Head of Revenues & Benefits and Liberata's Financial Services Delivery Manager. | Oct 2014         |

| No | Recommendation   | Priority | Management Comment  | Responsibility   | Agreed Timescale     |
|----|--|----------|---|--|----------------------|
|    | <p>Ensure the contractor checks council tax records to confirm that single person's discounts ended at the correct date upon children reaching 18 and leaving school. Ensure any identified overpayments are refunded, with an agreed covering letter.</p> | 2        | <p>advisors training progress, a training record has been produced for each advisor. This record will be kept in their file and will be updated every time they take part in any training or refresher courses.</p> <p>A systems report has been requested to detail all student SPD's which have been removed since 1 April 2014. A full review will be undertaken on these to identify and then rectify any potential overpayments caused by misapplying the SPD guidelines. The result of this work will dictate whether it is considered appropriate to review transactions from earlier periods.</p> | <p>Head of Revenues and Benefits and Liberata's Financial Services Delivery Manager.</p> | <p>Dec 2014</p>      |
| 2  | <p>Ensure the contractor utilises the call monitoring system as a training tool and in the event of any complaints raised.</p>   | 2        | <p>The contractor is currently in the process of rolling out the call monitoring system at the Contact Centre.</p>  | <p>Head of Revenues and Benefits and Liberata's Financial Services Delivery Manager.</p> | <p>November 2014</p> |

| No | Recommendation   | Priority | Management Comment   | Responsibility  | Agreed Timescale |
|----|--|----------|--|---|------------------|
| 3  | Ensure the Single Person's Discount Council Tax Procedure document is reviewed and updated to make reference to The Council Tax Law Practice 2010 which The Authority is required to adhere too. | 3        | The Contractor's guidance document entitled 'Students – Council tax Procedure' and dated June 2011 details the terms and conditions under the Council Tax Law Practice 2010 which need to be considered when deciding when to end SPD for a student or school leaver. The procedure document will be amended to make reference by name to the Council Tax Law Practice 2010 legislation. | Head of Revenues and Benefits and Liberata's Financial Services Delivery Manager. | October 2014     |

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**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION,CARE AND HEALTH SERVICES**

**PRE ACADEMY AUDIT OF SCOTTS PARK PRIMARY SCHOOL 2014-15**

**Issued to:** Mrs A Buck, Head Teacher

**Cc:** Mr N Vincent, Chair of Governors (final report only)  
Schools Finance Team, (final report only)

**Prepared by:** Principal Auditor

**Date of Issue:** 22<sup>nd</sup> May 2014  
**Report No.:** CYP/P68/01/2014

## **INTRODUCTION**

1. This report sets out the results of our closure audit of Scotts Park Primary School carried out in quarter 1 of 2014/15. The school transferred to academy status on 01/04/14.
2. The purpose of this visit is to identify any issues which need to be resolved prior to closure of the accounts.
3. The controls we expect to see in place are designed to minimise the school's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
4. The original scope of the audit was outlined in the Terms of Reference issued on 30/04/14. The period covered by this report is from 01/04/2013 to 31/03/2014.

## **AUDIT SCOPE**

5. The scope of the audit is detailed in the Terms of Reference.

## **MANAGEMENT SUMMARY**

6. We have reviewed primary accounting information including: expenditure incurred by the school, leases and contracts, payroll records, VAT returns and bank accounts and reconciliations and there were deemed to be no issues. We also considered progress towards signing up to a Commercial Transfer Agreement and found this to be satisfactorily signed and completed.
7. There were no major findings and nothing we would like to bring to Management's attention.

## **ACKNOWLEDGEMENT**

8. We would like to thank all staff contacted during this review for their help and co-operation.



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**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION CARE & HEALTH SERVICES DEPARTMENT**

**REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL AUDIT FOR 2014-15**

**Issued to:** Mr P Foley, Headteacher

**Cc:** Mr B Golding, Chair of Governors (Final Only)  
Schools finance team, (Final Only)

**Prepared by:** Principal Auditor

**Date of Issue:** 11 September 2014

**Report No.:** CYP/P69/01/2013.bf

## REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL AUDIT FOR 2013-14

### INTRODUCTION

1. This report sets out the results of our systems based audit of Southborough Primary School. The audit was carried out in quarter Q1 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The period covered by this report is from 14/06/13 to 14/06/14.

### AUDIT SCOPE

4. The scope of the audit was to examine the controls in place in the areas of financial management, primary accounting documentation, including payments, leases, income, petty cash, contracts, voluntary funds, bank reconciliations, payroll and school meal accounts, assets and governance arrangements, including financial delegation, governor minutes, budget approval and business interests.

### AUDIT OPINION

5. Overall, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

6. Controls were in place and working well in the areas of , financial reports and returns to LBB, Primary accounting documentation including payments, leases, income, contracts, voluntary funds, school meals accounts and assets. In addition, governance arrangement at the school including updating DBS checks.

## REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL AUDIT FOR 2013-14

7. The school has completed a draft B02 Balance 2014 showing a surplus budget of £217,093 in 2013-14 and the reason for the high balances. The school shows a brief description of planned expenditure for 2014-15 with detailed costings totalling £815,734 and an un-allocated amount of £31,359.
8. The school holds a contracts list which was reviewed 03/03/14 however this is still to be up-dated to reflect rolling contracts end dates and the new photocopier leasing arrangement ending May 2017.
9. No application form for hire of premises was returned to the school by hirer A for the summer term.
10. Issues to raise to management include
  - Orders are not always raised for goods and services at the time of commitment to spend. Occasionally cheques are raised prior to receipt of invoices.
  - Tenders are not sent direct to the school. The school is currently paying 8% for consultancy costs for minor works carried out at the school.
  - The petty cash account is not reconciled regularly and supporting documentation is not always authorised.
  - The most recent HBSC school bank account reconciliation was not completed correctly.
  - The school holds three credit cards however the card statements are not reconciled and credit card procedures do not exist showing authorised users.
  - The scheme of delegation was not formally agreed by governors
  - The school's financial procedures have not been reviewed by governors since 2010
  - The school business manager has been acting as clerk to governors

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

11. One major weakness was identified and should be addressed by management promptly

## REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL AUDIT FOR 2013-14

- Bank accounts and credit card statements are not being reconciled as defined in Financial Regulations for Schools and Colleges Reg 12.4

“The Head Teacher shall ensure that the school/college’s main bank account is reconciled at least once a month and subject to independent review, with large or unusual items investigated as appropriate.

The Head Teacher shall ensure that all subsidiary accounts under their control are reconciled at least once a month, and subject to independent review, with large or unusual items investigated as appropriate.”

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

13. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.



DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation  |
|-----|--|---|---|
| 1   | <p>On 4 out of 20 occasions orders were raised after invoice date<br/>                     22/10/13 Supplier A £3,600.00<br/>                     19/05/14 Supplier B £5,970.00<br/>                     19/09/13 Supplier C £7,831.20<br/>                     04/03/14 Supplier D £10,289.00 [contracting arrangement]</p> <p>On one occasion the cheque was raised prior to the invoice date of 27/03/14<br/>                     27/03/14 Supplier E £1,350.00<br/>                     The finance officer confirmed the cheque was raised early before for end of financial year</p> | <p>Committed expenditure may not reflected in the budget.</p> | <p><b>Ensure orders are raised at the time of commitment to spend, when necessary, as defined in Financial Regulation for Schools and Colleges, Reg 5.</b></p> <p>[Priority 2]</p> <p><b>Ensure payments [cheques] are made on receipt of an invoice as defined in Financial Regulation for Schools and Colleges, Reg 7.1.2</b></p> <p>[Priority 2]</p> |
| 2   | <p>Expenditure over £5,000 audit findings,</p> <p>Works were carried out at the school associated to payments<br/>                     07/09/13 Supplier F £13,680.00</p>  |   | <p><b>Ensure tenders are sent direct to the school for opening to confirm best value is achieved</b></p>  |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk                                     | Recommendation  |
|-----|--|--|---|
|     | <p>10/12/13 Supplier G £61,200 however the finance officer confirmed tenders were sent to the consultant and not direct to the school for initial evaluation</p> <p>The school is paying 8% for consultancy costs for works associated to payment</p> <p>31/03/14 Supplier H £6,159.02</p> |  | <p><b>[Priority2]</b></p> <p><b>Consideration should be given by school management to explore commissioning services themselves in respect of small school maintenance projects, achieving savings on Consultancy Costs which are currently charged at 8% of all works tendered.</b></p> <p><b>[Priority 3]</b></p> |
| 3   | <p>A petty cash transaction listing was printed 09/06/14 however no reconciliation was carried out or authorised by an independent officer</p> <p>Two petty cash authorisation / receipt forms had not been signed by the authorising officer</p>  | Petty cash may not be properly operated. | <b>Ensure that the petty cash account is reconciled regularly, that regular reimbursement is sought and that the adequacy of the petty cash</b>   |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation   |
|-----|---|---|--|
|     |   |   | <p>amount/continuing need for the petty cash is regularly reviewed as defined in Financial Regulations for Schools and Colleges, Reg 8.2.1<br/>                     Ensure all petty cash authorisation / receipt forms are properly authorised</p> <p><b>[Priority 2]</b></p> |
| 4   | <p>The last bank reconciliation for May 2014 authorised by the HeadTeacher was reviewed however this was not signed as checked / prepared by finance staff.<br/>                     The opening balance shown on the bank statement 684 31/05/14 was £463,062.32 and did not match the opening balance on the associated bank reconciliation £465,133.76.<br/>                     The closing balance on the bank statement 31/05/14 was £462,759.99 whereas the bank reconciliation showed £464,833.43<br/>                     Audit identified 3 cheques being raised for the in-correct values<br/>                     Supplier J £35.13 instead of £42.16</p> | <p>The school's bank account and credit card account may not be properly controlled</p> | <p><b>Ensure the schools main bank account and credit card statements are regularly reconciled and signed as checked by finance staff and authorised by the headteacher. The overriding principle to be adhered to is that the authorisation and</b></p>                       |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk | Recommendation  |
|-----|---|------|---|
|     | <p>Supplier K - £46.00 instead of £146.77<br/>                     Supplier L - £3,113.94 instead of £932.70 due<br/>                     Equating to difference of £2,073.44.</p> <p>The last occasion the bank statement and the bank reconciliation balanced was 3/4/14</p> <p>There was no evidence that a full reconciliation had been carried out on transactions totalling £1,536.07 on credit card monthly statements dated 31/05/14</p> <p>A list of authorised credit card users, restrictions on the use of the card's spending limits and written instructions on the scope and use of the cards was not available.</p> |      | <p><b>certification checks should be meaningful and any discrepancies between bank / credit card statements and financial system bank reconciliations should be documented.</b></p> <p><b>[Priority 1]</b></p> <p><b>Ensure a list of authorised credit card users, restrictions on the use of the card's spending limits and written instructions on the scope and use of the cards is made available as per the schools financial procedures</b></p> <p><b>[Priority 2]</b></p> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings   | Risk  | Recommendation  |
|-----|--|---|---|
|     |  |   | <p>The school should use pre-printed cheques to potentially prevent any errors between the financial system and bank statements in the future</p> <p>[Priority 2]</p> |
| 5   | <p>The scheme of delegation was discussed at the finance committee held 23/06/14 and changes are to be formally agreed</p> | <p>Financial delegation may not be adequate</p>                   | <p>Ensure the draft scheme of delegation is agreed by governors</p> <p>[Priority 2]</p>   |
| 6   | <p>The Schools financial procedures have not been reviewed since 20/09/10.</p>   | <p>Staff may not be aware of their financial responsibilities</p> | <p>Ensure the schools financial procedures are reviewed and formally approved by governors</p> <p>[Priority 2]</p>  |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

DETAILED FINDINGS

| No. | Findings  | Risk                           | Recommendation   |
|-----|---|--------------------------------|--|
| 7   | The school business manager has been acting as clerk to governors | Conflict of business interests | <b>Ensure the school appoints an appropriate clerk to governors [Priority 2]</b> |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority *Raised in Previous Audit | Management Comment  | Responsibility  | Agreed Timescale                           |
|-------------|--|------------------------------------|---|---|--|
| 1           | Ensure orders are raised at the time of commitment to spend, when necessary, as defined in Financial Regulation for Schools and Colleges, Reg 5. | 2                                  | By far the vast majority of orders are raised in advance. The fact that the finance officer (no longer employed at the school) was working Monday and Tuesday did not work well in this regard. A new finance officer has been appointed to work over 5 days.<br><br>Additionally, communication regarding verbal agreements on bought in services by SLT and other staff via use of order requisition is being instigated. | Training of new finance officer by SBM/Finance Dept.<br><br>SLT/SBM/Finance Officer | Sept/Oct 2014<br><br>Sept 2014 and ongoing |
|             | Ensure payments [cheques] are made on receipt of an invoice as defined in Financial Regulation for Schools and Colleges, Reg 7.1.2               | 2                                  | This was a one off incident relating to need to raise cheque prior to financial year and finance officer working 2 days/week. New employee works 5 days/week  | SBM/Finance Officer   | Sept 2014 and ongoing                      |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility       | Agreed Timescale   |
|-------------|---|------------------------------------|--|----------------------|--|
| 2           | <p>Ensure tenders are sent direct to the school for opening to confirm best value is achieved</p> <p>Consideration should be given by school management to explore commissioning services themselves in respect of small school maintenance projects, achieving savings on Consultancy Costs which are currently charged at 8% of all works tendered.</p> | <p>2</p> <p>3</p>                  | <p>Audit comments concerning the external consultants have been noted and should the school decide to use external consultants in the future the recommendations of audit will be adhered to.</p> <p>Apart from previously agreed Seed Challenge work, all works undertaken this summer were managed 'in house'.</p> | Head Teacher/SLT/SBM | If major project undertaken requiring need for external consultant/ ongoing. |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement



MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility   | Agreed Timescale       |
|-------------|---|------------------------------------|--|------------------|------------------------|
| 3           | Ensure that the petty cash account is reconciled regularly, that regular reimbursement is sought and that the adequacy of the petty cash amount/continuing need for the petty cash is regularly reviewed as defined in Financial Regulations for Schools and Colleges, Reg 8.2.1<br><br>Ensure all petty cash authorisation / receipt forms are properly authorised | 2<br><br>2                         | In response to audit report and the closure of the local bank, management will recommend that Governors to approve closure of Petty Cash Account.<br><br>See above   | Governors        | October 2014           |
| 4           | Ensure the schools main bank account and credit card statements are regularly reconciled and signed as checked by finance staff and authorised by the headteacher. The overriding principle to be adhered to is that the authorisation and certification checks should be   | 1                                  | There was major concern at the discrepancies on cheques noted by audit. The member of staff responsible is no longer working at the school. As a new member of staff has been employed, in the immediate future the bank statement and credit card will be | Head Teacher/SBM | September and ongoing. |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment  | Responsibility   | Agreed Timescale                                     |
|-------------|---|---|---|--|--|
|             | <p>meaningful and any discrepancies between bank / credit card statements and financial system bank reconciliations should be documented.</p> <p>Ensure a list of authorised credit card users, restrictions on the use of the card's spending limits and written instructions on the scope and use of the cards is made available as per the schools financial procedures</p> <p>The school should use pre-printed cheques to potentially prevent any errors between the financial</p> |   | <p>reconciled by the SBM rather than the finance officer. Any discrepancies will be documented and brought to Head Teachers notice prior to his authorisation.</p> <p>At the time of audit the school had 2 credit cards (the third was sent back to finance when staff member left the school). A list of card users, instructions etc are available in school.</p> <p>This is the first audit since charge cards were introduced and audit recommendations have been noted and will be instigated.</p> <p>As the new copiers installed in May have adequate security print options pre-printed cheques be</p> | <p>Head/SBM/Finance Officer.</p> <p>Head Teacher/SBM</p> | <p>Sept 2014 onwards</p> <p>As soon as possible.</p> |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility                  | Agreed Timescale  |
|-------------|---|------------------------------------|---|---------------------------------|-------------------|
|             | system and bank statements in the future  |                                    | arranged.   |                                 |                   |
| 5           | Ensure the draft scheme of delegation is agreed by governors                            | 2                                  | Audit verbally confirmed that the draft scheme of delegation was suitably flexible for a school of this size. It will therefore be represented to Governors.              | Governors                       | Next GB Meeting.  |
| 6           | Ensure the schools financial procedures are reviewed and formally approved by governors | 2                                  | Schools financial procedures will be updated and presented to Governors for their approval.   | SBM/Head Teacher                | Oct/Nov 2014      |
| 7           | Ensure the school appoints an appropriate clerk to governors                            | 2                                  | The SBM had recognised the conflict and requested removal of this part of her job description in March 2014. An independent clerk has been appointed for the Autumn term. | Head Teacher/Chair of Governors | Already in place. |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

| <b>Assurance Level</b> | <b>Definition</b>   |
|------------------------|---|
| Full Assurance         | There is a sound system of control designed to achieve all the objectives tested.   |
| Substantial Assurance  | While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording. |
| Limited Assurance      | Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.  |
| No Assurance           | Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.  |

**FINAL INTERNAL AUDIT REPORT**  
**EDUCATION, CARE & HEALTH SERVICES DEPARTMENT**

**REVIEW OF SEN TRANSPORT AUDIT FOR 2014-15**

**Issued to:** Colin Lusted, Business & Planning Manager  
Maya Vadgama, Project Manager, SEN Transport  
David Bradshaw, Head of CYP Finance  
Anne Watts, Assistant Director, Strategic Development & Performance  
Lorna Blackwood, Assistant Director, Commissioning  
Terry Parkin, Executive Director, Education Care & Health Services [Final Report]

**Prepared by:** Principal Auditor

**Date of Issue:** 23 September 2014

**Report No.:** ECH/025/01/2014

## REVIEW OF SEN TRANSPORT AUDIT FOR 2014-15

### INTRODUCTION

1. This report sets out the results of our systems based audit of SEN Transport Audit. The audit was carried out in quarter Q1 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 08/04/14. The period covered by this report is from 01/04/2013 to 15/04/14.
4. The SEN transport budget for 2013-14 was £3,527,900 with a £3,528,760 spend, resulting in a £309,799 underspend. The budget for 2014-15 is £3,580,820 with actual spend May 2014 £78,023.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls, however limited assurance can be placed on the effectiveness of controls in the area of documenting the selection of transport suppliers from the transport framework. Definitions of the audit opinions can be found in Appendix C.

## REVIEW OF SEN TRANSPORT AUDIT FOR 2014-15

### MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of budget monitoring, route planning, checking invoices against the Transys system before payments are made to transport suppliers, authorisation of invoices and parental mileage authorisation.
8. A sample of 5 parents claiming parental mileage was selected from the current pupils with transport spreadsheet 2013-14 to confirm mileage was authorised and all was as expected.
9. Management confirmed at the start of the academic year and after all routes are planned [using Map Point] all transport routes and pupils are added to the Transys system. Starter and leaver amendments are made throughout the year. Audit reviewed the Transys system and established it was able to deal with operational changes to routes.
10. Reports are generated from the Transys system to show the number of trips per month for each route. Management confirmed the Transys system is not linked to Oracle however this has been considered in the past and will be reviewed in the future following the outcome of The Gateway Review which is currently determining the best method for the delivery of transport services in accordance with the Council's Target Operating Model.
11. Management also generate reports from the Transys system to compile performance data and March 2014 data was reviewed.
12. A sample 20 of invoices were selected at random from payments made to SEN transport suppliers from 01/04/13-15/04/14. A route and pupil was selected from each invoice to determine
  - That pupils met the eligibility criteria for home to school travel and transport assistance
  - That the Transys System had selected most efficient and effective route after the needs of the pupil had been decided.
  - Invoices are checked against the Transys system before payment is made
  - Invoices are authorised as per Financial Regulations
  - Value for money was achieved when selecting transport suppliers to operate routes.
  - Parents complaints are recorded on the Transys system

## REVIEW OF SEN TRANSPORT AUDIT FOR 2014-15

13. 2 out of 20 pupils selected from did not have evidence of a statement at their specialist school to meet the eligibility criteria for home to school travel and transport assistance, however the transport project manager confirmed that travel costs will be recharged to the Education Division and this coding error has now been adjusted.

Issues to raise to management include

- The reason the cheapest supplier is not always used from the transport framework is not consistently documented
- Complaint details, outcome and action taken, is not continually recorded
- No office procedure exist for SEN transport process

### SIGNIFICANT FINDINGS (PRIORITY 1)

13. None

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

14. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

15. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.



DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation  |
|-----|--|--|---|
| 1   | <p>A sample 20 of invoices were selected at random from payments made to SEN transport suppliers from 01/04/13-15/04/14. A route was selected from each invoice to determine that value for money was achieved for home to school travel and transport support arrangements. Audit identified on 11 out of 20 occasions the reason the cheapest supplier was not selected from the transport framework for a route was not documented</p> <p>Management provided audit with explanations for not selecting the cheapest supplier which included</p> <ul style="list-style-type: none"> <li>• pupils home location</li> <li>• the specific and often complex needs of individual children on a route</li> <li>• suppliers lack of interest to undertake proposed routes</li> <li>• lack of supplier availability</li> <li>• lack of escorts</li> <li>• impracticability of vehicles available</li> <li>• health and safety issues</li> <li>• changes in transport provision due to poor service</li> <li>• suppliers going into administration and the need to</li> </ul> | <p>Value for money may not be achieved when selecting suppliers for transport routes</p> | <p>Given the findings management should document the reason specific suppliers are selected for each route.</p> <p>[Priority 2]</p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation  |
|-----|--|--|---|
|     | <p>acquire an alternative provider at short notice</p> <ul style="list-style-type: none"> <li>• suppliers introducing new tail lift buses and available to provide additional routes and</li> <li>• distributing the transport business fairly across all providers in the framework</li> </ul> <p>however these reasons were not documented on the Transys system</p>   |  |   |
| 2   | <p>Complaints are logged on the Transys system. From a sample of 20 pupils, audit identified 3 complaints recorded however the outcome had not been recorded on 2 out of 3 occasions</p> <p>Sample 13 - showed an e-mail was sent from the parent on 6/9/12 to confirm no escort had arrived therefore the pupil did not attend school, however the resolution was not logged</p> <p>Sample 11- showed an e-mail 12/11/12 regarding a disruptive pupil on route no outcome recorded</p> <p>During the audit visits a number of telephone calls were taken by the SEN transport team in relation to transport arrangement issues however these are not logged on the Transys system</p> | <p>The Authorities reputation may be at risk with poor customer service.</p>         | <p><b>Complaint details, outcome and action taken, should be recorded, as should transport arrangement issues and used for future service improvement.</b><br/> <b>[Priority 2]</b></p> |
| 3   | <p>The project manager did provide audit with an e-mail outlining a brief summary of the route planning process and the transport administration staff supported the auditor to verify</p>   | <p>Staff may not be aware of their responsibilities when making school transport</p> | <p><b>Ensure detailed office procedures are prepared and approved to confirm</b></p>  |

Project Code: ECH/025/01/2014

Page 6 of 12

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings   | Risk         | Recommendation  |
|-----|--|--------------|---|
|     | office procedures, however no documented office procedures exist | arrangements | <b>eligibility for home to school travel and travel assistance</b><br><b>the route planning process at the start of each academic year</b><br><b>starter route planning during the year</b><br><b>the selection of suppliers from the framework; or</b><br><b>conduct of tendering for individual routes</b><br><b>parental mileage agreement / authorisation process;</b><br><b>additional payment arrangement for taxi;</b><br><b>waiting times</b><br><b>appeals procedure;</b><br><b>invoicing arrangements including dealing with queries;</b><br><b>guidance notes on the</b> |

Page 331

Project Code: ECH/025/01/2014

Page 7 of 12

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings | Risk | Recommendation   |
|-----|----------|------|--|
|     |          |      | recording on Transys system;<br>storage of documentation on the Transys system for auditing purposes<br>[Priority 2] |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No.   | Recommendation  | Priority<br>*Raised in<br>Previous<br>Audit   | Management Comment   | Responsibility  | Agreed<br>Timescale          |
|---|---|---|--|---|------------------------------|
| <p>1</p> <p>Project Code: ECH/025/01/2014</p> <p><b>Priority 1</b><br/>Required to address major weaknesses and should be implemented as soon as possible</p> | <p>Given the findings management should document the reason specific suppliers are selected for each route.</p> | <p>2</p> <p><b>Priority 2</b><br/>Required to address issues which do not represent good practice</p> | <p>Management are now using a drop down menu on The Transys System to display the rationale for the provider selection process. New entries can now be made easily throughout the year:</p> <ul style="list-style-type: none"> <li># Change of Provider required</li> <li># Continuity of service</li> <li># Emergency Transport required</li> <li># Escort required</li> <li># Health &amp; Safety reasons</li> <li># Provider availability/interest</li> <li># Pupil home location</li> <li># Pupil specific needs</li> <li># Vehicle type availability</li> </ul> <p>2014-15 annual route allocations will be noted on the planning documents</p> | <p>Operations Manager<br/>Passenger Transport Services</p> <p><b>Priority 3</b><br/>Identification of suggested areas for improvement</p> | <p>Completed August 2014</p> |

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment   | Responsibility  | Agreed Timescale  |
|-------------|---|------------------------------------|--|---|---|
| 2           | Complaint details, outcome and action taken, should be recorded, as should transport arrangement issues and used for future service improvement.  | 2                                  | Outcomes from relevant enquiries / comments, complaints will be noted on the Transys database with formal complaints progressed through the formal complaints procedures   | Operations Manager<br>Passenger Transport Services  | Implemented August 2014                                       |
| 3           | Ensure detailed office procedures are prepared and approved to confirm eligibility for home to school travel and travel assistance the route planning process at the start of each academic year starter route planning during the year the selection of suppliers from the framework for travel arrangements the conduct of tendering for individual routes parental mileage agreement / | 2                                  | The Council is currently developing its strategy for the provision of transport services., and there are plans to tender these services within the next 12 months. Following procurement of the new services detailed operational processes and procedures will be developed. and documented.<br><br>The revision of the SEN transport assistance policy, and the introduction of the EHC plans will | Operations Manager<br>Passenger Transport Services<br><br>Eligibility, application & review | By Dec 2015 (subject to tender timetable)<br><br>By Sept 2015 |

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment   | Responsibility                   | Agreed<br>Timescale |
|-------------|---|---|--|----------------------------------|---------------------|
|             | authorisation process<br>additional payment arrangement for taxi waiting times<br>appeals procedure<br>invoicing arrangements including dealing with queries<br>guidance notes on the recording on Transys system<br>storage of documentation on the transys system |   | affect the procedures and process's for determining eligibility, for transport assistance.<br><br>Detailed processes and procedures will be synchronised with the development of the EHC planning and review process . | Project manager<br>SEN transport |                     |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

**Assurance Level**

**Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.



**FINAL INTERNAL AUDIT REPORT**  
**CHIEF EXECUTIVES DEPARTMENT**

**REVIEW OF TREASURY MANAGEMENT AUDIT FOR 2013-14**

**Issued to:** Martin Reeves, Principal Accountant (Technical & Control)  
Tracey Pearson, Chief Accountant

**Cc:** Peter Turner, Director of Finance (Final Report only)

**Prepared by:** Principal Auditor

**Date of Issue:** 25 June 2014

**Report No.:** CX/014/01/2013.bf

## REVIEW OF TREASURY MANAGEMENT AUDIT FOR 2013-14

### INTRODUCTION

1. This report sets out the results of our systems based audit of Treasury Management Audit. The audit was carried out in quarter 4 as part of the programmed work specified in the 2013-14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 18 March 2014 and the period covered by this report is from April 2013 to March 2014.
4. As at the 31 March 2014, total investments held by the Authority amounted to £xxxm. The key areas of investment are fixed deposits with a wide variety of UK financial institutions. Under the direction of the Authority's external Treasury adviser (Sector), who continue to recommend caution, investment options have continued to remain limited, and interest rates low. This is expected to remain the financial climate for some time to come.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

## REVIEW OF TREASURY MANAGEMENT AUDIT FOR 2013-14

7. Controls were in place and working well in the areas of compliance with stipulated investment limits, recording of investment transactions and reporting to members in accordance with the approved Treasury Management Investment Strategy.
8. Internal Audit would like to bring to Management's attention the following:
  - 'Position Statements' had been provided to reflect quarterly investment positions during 2013/14, however at the start of the audit there was no expected quarterly reconciliations of investments and their associated interest payments received for the four quarters in 2013/4.
  - In one instance Treasury Management records were not updated when there was a change in the interest rate being applied to an investment. This related to an account which reduced the applied interest rate from 0.8% to 0.6% with effect from 25 October 2013. Records reviewed at the time of the audit continued to record the higher rate of 0.8%.

### **SIGNIFICANT FINDINGS (PRIORITY 1)**

9. None.

### **DETAILED FINDINGS / MANAGEMENT ACTION PLAN**

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### **ACKNOWLEDGEMENT**

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation   |
|-----|---|--|--|
| 1   | <p>At the commencement of the audit no quarterly reconciliations for either investments or interest had been undertaken in 2013/14, however audit was subsequently provided with quarterly 'Position Statements' which were undertaken at the appropriate time to reflect on investment positions at the quarter-end.</p> <p>By the end of the audit the auditor was provided with the full reconciliation of investments and interest as at the year-end of 31/3/14.</p> | <p>Errors in investments made and interest payments received may not be identified promptly.</p> | <p><b>Quarterly reconciliations of both investments and interest payments received should be undertaken on a regular basis.</b></p> <p><b>[Priority 2]</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation   |
|-----|---|---|--|
| 2   | <p>Sample testing of investments identified</p> <p>On one investment there was a differing interest rate being recorded in the Treasury Management records to that notified by the counterparty. This related to an account investment where the interest rate has been recorded as 0.8% however the counterparty confirmed on 12 July 2013 that the investment would be transferred from Account A to Account B with effect from 25 October 2013 - and the interest rate would be reducing to 0.6%. Treasury Management records had not been amended.</p> <p>However, upon reference to Page 6 of the Treasury Management - Performance Quarters 2 &amp; 3 2013-14 &amp; Part-Year review report to Council, the reference to this investment correctly showed an interest rate reduction from 0.8% to 0.6% in October 2013.</p> | <p>The Authority may not be aware of investments terms being applied.</p> | <p><b>Following notification of changes to investment terms treasury management records should be promptly updated.</b></p> <p><b>[Priority 3]</b></p> |

**Priority 1**  
**Required to address major weaknesses and should be implemented as soon as possible**

**Priority 2**  
**Required to address issues which do not represent good practice**

**Priority 3**  
**Identification of suggested areas for improvement**

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority *Raised in Previous Audit | Management Comment  | Responsibility       | Agreed Timescale |
|-------------|---|------------------------------------|---|----------------------|------------------|
| 1           | Quarterly reconciliations of both investments and interest payments received should be undertaken on a regular basis. | 2                                  | Agreed. Quarterly reconciliations will be done in a timely manner and this will be followed up in one to one meetings | Principal Accountant | Immediate        |
| 2           | Following notification of changes to investment terms treasury management records should be promptly updated.         | 3                                  | Agreed. This was an oversight – maintaining up to date records is standard practise.                                  | Principal Accountant | Immediate        |

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

| <b>Assurance Level</b> | <b>Definition</b>   |
|------------------------|---|
| Full Assurance         | There is a sound system of control designed to achieve all the objectives tested.   |
| Substantial Assurance  | While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording. |
| Limited Assurance      | Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.  |
| No Assurance           | Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.  |

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