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DATE: 29 March 2016

AUDIT SUB-COMMITTEE INFORMATION BRIEFING

Meeting to be held on Tuesday 5 April 2016

QUESTIONS ON THE INFORMATION BRIEFING

1 AUDIT REDACTED REPORTS (Pages 3 - 222)

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>

Printed copies of the briefing are available upon request by contacting Steve Wood on 020 8313 4316 or by e-mail at stephen.wood@bromley.gov.uk.

Copies of the documents referred to above can be obtained from
www.bromley.gov.uk/meetings

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FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF BICKLEY PRIMARY SCHOOL AUDIT FOR 2015-6

Issued to: Tracey Mortimer-Brown, Chair of Governors
Jennifer Mayhew, Head Teacher

Cc: Scott Magee, Chair of Finance and General Purpose Committee
Schools Finance Team (Liberata)

Prepared by: Principal Auditor

Date of Issue: 12th February 2016
Report No.: ECH/P05/01/2015

REVIEW OF BICKLEY PRIMARY SCHOOL AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Bickley Primary School Audit for 2015-6. The audit was carried out in quarter 4 as part of the programmed work specified in the 2015-16 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 19th January 2016. The period covered by this report is from 22/01/2015 to 22/01/2016.

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 financial management information and financial reporting to governors, primary accounting documents, expenditure incurred, income received, voluntary funds held, payroll records and governance arrangements.

REVIEW OF BICKLEY PRIMARY SCHOOL AUDIT FOR 2015-6

6. However we would like to draw to Management's attention that a detailed contracts register is not held by the school.
7. Additionally for two lettings a lettings form could not be evidenced as being completed nor evidence that insurance was paid for the letting.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. No significant findings were identified during the review.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. 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

10. 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

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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	It was identified that a detailed contracts register containing the dates and duration of the contract, value, purpose, value, supplier and payment schedule is not held by the school.		Contracts may be let without following proper procedures and/or rolled over without proper approval.		A contract register should be held by the school showing details of all contracts, including the value, duration, purpose and current supplier. It should be reviewed by Governors to make sure contracts are appropriately renewed. [Priority 2]
2	Five items of invoiced income were checked. Four were lettings due to the lack of other income streams. The lettings policy was approved by the Governing Body in June 2015. For two of the lettings in our sample we could not see evidence that a lettings form had been completed. For those same two lettings, a charge for insurance, as specified in the lettings policy, had not been made. We could not find evidence that the hirers had their own insurance policy in place.		Income due to the school may not be collected. The school may not be covered for insurance purposes in the event of damage or theft to school premises and equipment.		Review the lettings arrangements to ensure that :- (i) a completed lettings form is in place for all hiring of school premises and this has been approved by the Headteacher, and

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
					(ii) evidence of the hirer's insurance cover is checked. Where the hirer does not have adequate insurance cover, an insurance charge is made as set out in the lettings policy. [Priority 2]
1	A contract register should be held by the school showing details of all contracts, including the value, duration, purpose and current supplier. It should be reviewed by Governors to make sure contracts are appropriately renewed.	2	A contract register with full details including value, duration, purpose and current supplier will be created. The governors will review this annually (June) and make sure that contracts are appropriately renewed.	Jo Hiscock – SBM Jen Mayhew – Head Teacher to ensure this is in place GB – review annually in June	1 st April 2016
2	Review the lettings arrangements to ensure that :- (i) a completed lettings form is in	2	Review lettings policy and procedures with Governing Body (March) Lettings diary completed with	Jen Mayhew – revision of Lettings Policy GB – agree policy	1 st April 2016

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	<p>place for all hirings of school premises and this has been approved by the Headteacher, and</p> <p>(ii) evidence of the hirer’s insurance cover is checked. Where the hirer does not have adequate insurance cover, an insurance charge is made as set out in the lettings policy.</p>		<p>check list Head Teacher to sign all lettings forms prior to the let SBM to ensure that insurance is charged or checks made with attached evidence of insurance cover provided by the hirer.</p>	<p>SMB – create lettings diary SBM to carry out checks and file documents with appropriate evidence</p>	

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 & HEALTH SERVICES

REVIEW OF BLENHEIM PRIMARY SCHOOL AUDIT FOR 2015-6

Issued to: Lynda Doel, Headteacher
Mary Cooke, Chair of Governors (final report only)
Schools Finance Team, (final report only)

Cc: Jane Siegfried, School Business Manager

Prepared by: Barrie Cull, Principal Auditor

Date of Issue: 22 December 2015
Report No.: CYP_P08_01_2015

REVIEW OF BLENHEIM PRIMARY SCHOOL AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Blenheim Primary School Audit for 2015-6. The audit was carried out in quarter 3 as part of the programmed work specified in the 2016 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 14 October 2015. The period covered by this report is from 12 November 2014 to 11 November 2015.

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 financial management including budget monitoring, financial reports and returns to the London Borough of Bromley and primary accounting documentation including income, bank reconciliations, purchase cards, imprest payments and school meal accounts. In addition, governance arrangements at the school including Finance Committee meetings, budget approval, and updating DBS checks were also working effectively.
6. Our testing identified the following :-
 - There were 2 instances where an order had not been raised and 8 instances where the order had been raised after the invoice had been received.

REVIEW OF BLENHEIM PRIMARY SCHOOL AUDIT FOR 2015-6

- The list of contracts is not presented to governors each year to approve the continued use of suppliers with contracts and agreements that they want to roll over into the following year.
- Items are not security marked. The asset register showed that 4 out of the 6 ipads purchased in February 2015 had not been recorded. For the 2 ipads that had been recorded, the serial numbers shown in the asset register did not match the serial numbers shown on the invoice.
- Minutes of the Governing Body meeting held in December 2014 were not available and it was found subsequently that they had not been written.
- There were only 4 declaration of pecuniary interest forms completed in 2014/2015.

SIGNIFICANT FINDINGS (PRIORITY 1)

7. There were no significant findings arising.

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.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	The list of contracts was seen and is up to date. The list is not however presented to governors each year to approve the continued use of suppliers with contracts and agreements that they want to roll over into the following year.	Contracts may be let without following proper procedures and/or rolled over without proper approval.	<p>The list of contracts/agreements is presented to governors annually to approve the continued use of those suppliers the following year.</p> <p>[Priority 3]</p>
2	All invoices had been paid within 30 days with appropriate authorisation and there was evidence of separation of duties in place. For expenditure over £5,000 we saw that 3 quotes had been obtained and if the chosen supplier was not the lowest quote, there was sufficient reason for this and it had governors' approval. There were, however, 2 instances where an order had not been raised and 8 instances where the order had been raised after the invoice had been received.	Payments may not be made in compliance with Financial Regulations and the School's own procedures.	<p>Ensure that orders are raised before the invoice is received so that expenditure is committed on the school's financial system.</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
3	<p>The asset register was inspected and includes serial numbers and locations of items. There is also a signed staff user agreement for ipads. The register had been signed off by the headteacher on 24/11/15. From pre-audit questionnaire returned, items are not security marked. One ipad, equipment number 000207, is shown as missing. This was reported to the last meeting of the Governing Body. It went missing from the strongroom during the Summer holidays. This was not discovered until Sept when the school returned. All staff had access to the strongroom and could have been on site at some time during the holidays so it was impossible to identify when and how it went missing. Ipads have now been removed from the strongroom and kept secure in the Admin Office, where there is limited access. The asset register showed that 4 out of the 6 ipads purchased in February 2015 had not been recorded. From the 2 ipads that had been recorded, the serial numbers shown in the asset register did not match the serial numbers shown on the invoice.</p>	<p>If a register of assets is not maintained and kept up to date assets may not be identified in the event of losses through theft or fire..</p>	<p>Ensure that items are security marked and review the asset register for completeness and accuracy, showing the correct details and locations of all items including four of the ipads purchased in February 2015 which were not recorded. [Priority 2]</p>
4	<p>Minutes of the Governing Body meeting held in December 2014 were not available and had not been written. This was not picked up because the subsequent Governing Body meeting held in February 2015 was a 'Special' one.</p>	<p>Without signed and agreed minutes there is no formal record of the decisions taken by Governors.</p>	<p>Ensure that all Governing Body meetings are documented in future. [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
5	The folder of annual declarations of interest showed that there were only 4 declarations of pecuniary interest forms completed in 2014/2015.	Decisions may be made by staff or governors who have a vested interest in the outcome.	Ensure that all staff and governors complete a declaration of interest form. [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	The list of contracts/agreements is presented to governors each year to approve the continued use of those suppliers the following year.	3	This will be presented to Governors in the Spring Term at the Finance & Personnel meeting and going forward, on a yearly basis.	School Business Manager	Next Finance & Personnel meeting
2	Ensure that orders are raised before the invoice is received so that expenditure is committed on the school's financial system.	2	All SLT and office staff have been advised about the importance of informing the Finance Officer of any orders that need placing or purchases made so the Finance Officer can raise a purchase order in advance.	All staff	Immediately
3	Ensure that items are security marked and review the asset register for completeness and accuracy, showing the correct details and locations of all items including four of the ipads purchased in February 2015 which were not recorded.	2	The Finance Officer has sourced a company called Select-A-Mark who the school will be using to security mark all our assets. The asset register has been reviewed and the 4 ipads have been added.	School Business Manager	Spring Term

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
4	Ensure that all Governing Body meetings are documented in future.	2	We now have a full time Governor's Clerk responsible for documenting and filing all minutes, a signed copy of all Governors meetings will be retained in school.	Clerk to the Governors	Immediately
5	Ensure that all staff and governors complete a declaration of interest form.	2	This has now been completed for all staff, copy retained and sent to the clerk.	Senior Admin Officer	Completed

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

Priority 2
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Priority 3
 Identification of suggested areas for improvement

SCHOOLS OPINION DEFINITIONS

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Assurance Level

Definition

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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.

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FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF CHELSFIELD PRIMARY SCHOOL AUDIT FOR 2015-6

Issued to: Michaela Foley, Headteacher
Eileen Vassie, Chair of Governors (final version only)

Cc: Linda Diggins, Administration Officer
Kim Stonebridge, Administration Officer

Prepared by: Barrie Cull, Principal Auditor

Date of Issue: 8 January 2016

Report No.: ECH/P12/01/2015

REVIEW OF CHELSFIELD PRIMARY SCHOOL AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Chelsfield Primary School Audit for 2015-16. The audit was carried out in quarter3 as part of the programmed work specified in the 2015-16 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 14 October 2015. The period covered by this report is from 1 November 2014 to 2 November 2015.

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 financial management including budget monitoring, financial reports, debtors and creditors control, cash flow statements and primary accounting documentation including income and bank reconciliations. In addition, governance arrangements at the school including the scheme of delegation and updating DBS checks were also working effectively.
6. Our testing identified the following :-
 - Three invoices had not been paid within 30 days. There was one payment for expenditure over £5,000 to contractor 'A'. This had been arranged by contractor 'B' but the Headteacher and Finance Officer told us that they had not been

REVIEW OF CHELSFIELD PRIMARY SCHOOL AUDIT FOR 2015-6

provided with the other quotations, in spite of them asking for them. There were eight instances where an order had not been raised and seven instances where orders had been raised after the invoice had been received.

- The list of contracts is not presented to governors each year to approve the continued use of suppliers with contracts and agreements that they want to roll over into the following year.
- An asset register was in place but did not include the model and serial numbers of equipment or evidence that it had been checked and signed off by the Headteacher each year. Items are not security marked.
- The school needs to review its procedures for recording and reconciling meals information and income.
- Declarations of pecuniary interests had been signed but the form did not have 'None' written as evidence of no interests to declare.
- There was no evidence in minutes of the Finance Committee meetings held in March 2015 and July 2015 that an opportunity to declare interests was given.
- The school has not benchmarked expenditure against that of similar schools to compare and investigate where categories of spend appear high.
- The minutes of the Finance Committee meeting did not record the approval given by governors for changes to the original budget

SIGNIFICANT FINDINGS (PRIORITY 1)

7. There were no significant findings arising.

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.

REVIEW OF CHELSFIELD PRIMARY SCHOOL AUDIT FOR 2015-6

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.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	An asset register was in place but did not include the model and serial numbers of equipment or evidence that it had been checked and signed off by the Headteacher each year. Items are not security marked.	Assets may not be readily identified in the event of a loss through fire or theft	Items should be security marked and the asset register should be updated to include the model and serial numbers of equipment. It should be checked and signed off by the Headteacher each year. [Priority 2]
2	Finance Committee and Governing Body minutes show that an adequate number of members attend. Opportunity to declare interests was given in Oct 2015. There was however no evidence that opportunity to declare interests was given in minutes of FC meetings held in March 2015 and July 2015.	A conflict of interest may not be identified where the school trades with a company connected to a governor	Ensure that the opportunity to declare interests is given and recorded in the minutes of each Finance Committee and Governing Body meeting. [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	The list of contracts was seen and is up to date. The list does not however show the end date of the contracts. It is not presented to governors each year to approve the continued use of suppliers with contracts and agreements that they want to roll over into the following year.	Contracts may be let without following proper procedures and/or rolled over without proper approval.	Ensure that the list of contracts/agreements is updated to include the end date of formal contracts currently in place and is presented to governors annually to approve the continued use of suppliers for the following year. The school should seek competitive quotations from other companies periodically, to ensure that value for money is being obtained from existing suppliers. [Priority 2]
4	The schools' meals income total is currently showing a credit balance as some parents have paid in advance. We checked that the income received this term as recorded on the meals' spreadsheet was shown in the paying in book and bank statement. The Admin Officer maintains the spreadsheet,	Information about meals consumed by children and staff may not be accurate, leading to possible loss of income.	Review the procedures for recording and reconciling meals information and income. [Priority 2]

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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>which, in part, replicates the daily meals information in the meals registers. We checked the daily meals information for four teachers for this term and found ten instances where there was a meal recorded in the register but not on the spreadsheet. There were also two instances where there was a meal recorded on the spreadsheet but not in the register.</p>		
5	<p>We saw that all staff and Governors had signed and dated an annual declaration of pecuniary interests but the form did not have 'None' written by them as evidence of no interests to declare.</p>	<p>Staff and Governors may not have verified that they have no interests to declare.</p>	<p>Staff and Governors update their pecuniary interest forms and write 'None' to certify that they have no interests to declare.[Priority 2]</p>
6	<p>The school has not benchmarked expenditure against that of similar schools to compare and investigate where categories of spend appear high.</p>	<p>The school may not be achieving value for money in its expenditure.</p>	<p>Benchmark expenditure against that of similar schools to compare where categories of spend appear high. Investigate and report the results to governors. [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	<p>Three invoices had not been paid within 30 days. There was appropriate authorisation and there was evidence of separation of duties in place. There was one payment for expenditure over £5,000 to contractor 'A' for £11,756.40. This had been arranged by contractor 'B' but the Headteacher and Finance Officer told us that they had not been provided with the other quotations, in spite of them asking for them. There were eight instances where an order had not been raised and seven instances where orders had been raised after the invoice had been received.</p>	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures. Value for money may not be obtained.</p>	<p>Ensure that :- a) invoices are paid within 30 days, b) orders are raised for all expenditure and are raised before the invoice is received so that expenditure is committed on the school's financial system and c) 3 quotations for any work/services over £5,000 are obtained and evaluated before a supplier is selected and the Council's tender process is adhered to for any work/services over £50,000. [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
8	The minutes of the Finance Committee held on 9 Nov 2015 showed that variances made to the original budget had been discussed but there was no evidence in the minutes that these changes had been approved formally by governors following discussion.	No evidence that changes to the original budget were agreed by governors, leading to inaccurate financial reporting of decisions made.	Ensure that in future the minutes of the Finance Committee meeting record the approval given by governors for any changes to the original budget. [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	Items should be security marked and the asset register should be updated to include the model and serial numbers of equipment. It should be checked and signed off by the Headteacher each year.	2	It is planned that all items are security marked and serial numbers recorded.	Caretaker and Admin Staff	31 January 2016
2	Ensure that the opportunity to declare interests is given and recorded in the minutes of each Finance Committee and Governing Body meeting.	2	This will be included on all Finance Committee and full Governing Body Agendas and recorded in minutes in future.	Clerk to Finance Committee and Governing Body, Governors and Headteacher	31 March 2016
3	Ensure that the list of contracts/agreements is updated to include the end date of formal contracts currently in place and is presented to governors annually to approve the continued use of suppliers for the following year. The school should seek	2	This will be updated and investigated. We are at present looking into various contracts with a view to inviting suppliers to provide quotations.	Admin Staff and Headteacher	31 March 2016

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

Priority 2
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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
	competitive quotations from other companies periodically, to ensure that value for money is being obtained from existing suppliers.		Details of suppliers will be presented to Governors at the next meeting of the Governing Body.		
4	Review the procedures for recording and reconciling meals information and income.	2	We will revert to the previous method of good practice with a view of moving towards using SIMS from April 2016.	Admin Staff and Headteacher	30 April 2016
5	Staff and Governors update their pecuniary interest forms and write 'None' to certify that they have no interests to declare.	2	This will be undertaken immediately by staff and completed by Governors at the next meeting of the Governing Body.	Clerk to Governing Body and Admin Staff	31 March 2016
6	Benchmark expenditure against that of similar schools to compare where categories of spend appear high. Investigate and report the results to governors.	2	We have started to undertake benchmarking.	Admin Staff & Headteacher	31 March 2016

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

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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
7	Ensure that :- a) invoices are paid within 30 days, b) orders are raised for all expenditure and are raised before the invoice is received so that expenditure is committed on the school's financial system and c) quotations for any work/services over £5,000 are obtained and evaluated before a supplier is selected and the Council's tender process is adhered to for any work/services over £50,000.	2	This information will be presented to Governors to ensure that they are aware of responsibilities by the School a & b) Admin staff will be informed by Teaching Staff of orders raised so that the commitment is recorded and invoices will be paid within 30 days c) We will ensure quotations are obtained.	Admin Staff and Headteacher	31 March 2016
8	Ensure that in future the minutes of the Finance Committee meeting record the approval given by governors for any changes to the original budget.	2	The Governors & Clerk to the Finance Committee will be informed of this requirement.	Clerk to the Finance Committee, Headteacher & Chair of Finance Committee.	31 March 2016

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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.

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Definition

Full Assurance

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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 DEPARTMENT

**FOLLOW UP REVIEW OF CLARE HOUSE PRIMARY SCHOOL
2015/16**

Issued to: Mr. J. Budden, Head Teacher
CC: Mrs J Tibbalds, Chair of Governors (final report only)
Schools Finance Team, (final report only)

Prepared by: Principal Auditor

Date of Issue: 8th March 2016
Report No.: ECH/P15/01/2015

INTRODUCTION

1. This report sets out the results of our systems based follow up audit of Clare House Primary School. The audit was carried out in quarter four as part of the programmed work specified in the 2015/16 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.

AUDIT SCOPE

3. This follow up review considered the Internal Audit report finalised on 12th March 2015 and the progress made to implement the 4 recommendations.

MANAGEMENT SUMMARY

4. At the site visit on the 2nd March 2016 the Business Manager satisfactorily evidenced implementation of the 4 recommendations, as detailed in Appendix A. No new issues were arising, although it should be noted that authorisations should be dated and it is suggested that hard copy records such as the contracts and asset registers show the print date. The Schools Finance Team will conduct the closing audit prior to transfer to Academy status.

SIGNIFICANT FINDINGS (PRIORITY 1)

5. There are no priority one findings to report.

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

6. Appendix A provides information on the recommendations that are being followed-up and the definitions of the priority categories.

ACKNOWLEDGEMENT

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

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
1	The School should establish the reason for discrepancy and resolve it. It would be recommended that the school carry out regular reconciliation of School Meal Account to ensure that meals income received equates to the meals income banked.	<p>The control and debt recovery of the school meal procedures have improved significantly since the previous Audit. An escalation procedure and termly reconciliation have been put in place. It is the aim of the school to have a nil balance for all Leavers (Y6 & transferred pupils) before the end of academic year. However, there are cases where it was not possible (e.g. parents in bankruptcy situation).</p> <p>There is no discrepancy on the b/f however SIMS "standard" Report was not clear and it was not explained properly to the Auditor that Leavers balance were not carry forward into the new academic year Report. Pupil balance as of 23/07/2014 = - 595.08. (-£619.20 balance of the Leavers). Please note some pupils are in credit balance as refund are done at the beginning of new term).</p> <p>Pupil balance b/f as of 01/09/2014 Brought forward balance £22.02 (£619.20 minus £595.08 =</p>	Sept 2015	2*	School Business Manager	<p>The school now carries out half termly reconciliation for the school meals income. The outstanding arrears value as at 2.3.16 was £620, although this is largely due to one family where bankruptcy proceedings are ongoing.</p> <p>The £619 balance for leavers in 2014 was recovered.</p> <p>Governors considered procuring a bespoke report to monitor ongoing balances for school meals. However at the Finance Committee 18/5/2015, Governors agreed that this was too costly and manual controls were adequate.</p>	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
		£24.12) One pupil left mid term in debit = - £2.10) We are working with SIMS IT on the possibility of producing a more robust SIMS report to show the on-going balances clearly.					
2	Declaration of Interest should be an agenda item and should be recorded for every Governing Body meetings.	The Governing Body Agenda includes the Declaration of Pecuniary Interest however, there has been an oversight on the Minutes checked	March 2015	2	Chair of Governors and Head Teacher	Governors are now required to sign a summary declaration of interest sheet for each meeting. This is above the standard requirement of an annual declaration and opportunity to declare at each meeting but ensures that the information has been recorded. The school is reminded that all staff with budget responsibility should complete a declaration of interest annually.	Implemented
3	The list of contracts should be presented to Governors annually to ensure they are kept informed of ongoing commitments	An annual review of SLAs is conducted at the end of each year. The Report was discussed and signed by the Head Teacher. Any recommendations for termination or new contracts are discussed during the Finance Committee meeting. The recommendation to take the list of SLAs annually has been added to the Spring Term Finance agenda.	March 2015	3*	School Business Manager	The contract register is now signed off annually by the Head Teacher. The 2014 and 2015 register was evidenced at the site visit and although signed it is suggested that this document is also dated. At the Finance meeting 16.3.15 Governors agreed that the register be circulated prior to the meeting; an e-mail trail for 2015 evidenced that this was actioned.	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
4	A procedure of recording equipment when they are taken out and brought back to School should be put in place	A reminder has been sent to all Staff about their responsibility in logging out and in of any equipment (including camera and video recorder for journey/trips). A reminder will be sent every term. The equipment loan book is kept in the Office.	March 2015	3	School Business Manager and Admin Officer	<p>A copy of the asset register was evidenced at the site visit, signed by the Head Teacher. As discussed above all authorisations should be dated and the print date shown on the hard copy to date the document.</p> <p>The loans book has been used to record all temporary transfers off site. There were no outstanding items as at 2.3.16; a laptop was permanently assigned to a member of staff.</p>	Implemented

Definition of priority categories.

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

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF COUNCIL TAX AUDIT FOR 2015-16

Issued to: John Nightingale, Head of Revenues and Benefits
Jayne Carpenter, Benefit Manager (Operations)

Cc: Peter Turner, Finance Director

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

Date of Issue: 24th February 2016

Report No.: CX/09/02/2016

REVIEW OF COUNCIL TAX AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of Council Tax Audit. The audit was carried out in quarter Q3 as part of the programmed work specified in the 2015-16 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 17/08/15. The period covered by this report is from 01/02/15 to 31/10/15.
4. The target collection rate for 2015/16 is 97.70%. The collection rate for September 2015 was 58.33%, a positive variance of 0.46% against last year and a positive variance of 0.43% against target.

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 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, post bailiff recovery and bankruptcy and top debt action. The contractor has engaged registered bailiffs to carry out some of the collection works.
8. The following areas were tested:
 - 25 write offs to ensure procedures were followed and supporting evidence of action taken was retained
 - 47 accounts showing an exemption / discount to confirm reductions were due and were supported by the correct documentation (including SPDs)
 - 10 recovery cases to ensure recovery procedures were followed and supporting evidence of action taken was retained
 - 20 refunds to ensure they were authorised and due to payees
9. The following issues have been identified from testing:
 - Discounts and exemptions are not consistently supported by documentary evidence
 - Recovery action is not always in line with contract arrangements and records are not always kept of all actions
 - Unallocated balances from prior years are still showing in the suspense account
10. It is acknowledged there was a recent investigation (December 2015) into a resident incorrectly claiming SPD. The resident completed an online moving form and confirmed he was the sole occupier. According to the Contractor's SPD procedures, dated 27 May 2015, the discount can be applied to the account without a completed application form as long as necessary evidence has been provided by the taxpayer. It was later found that the taxpayer was not entitled to SPD and the discount has since been clawed back. The recommendation following the investigation is that no SPD should be awarded when liability is assumed by the incoming occupant unless specifically requested by them and supported by a signed application. It is now with the Service to assess the need for change in the application of SPDs.

SIGNIFICANT FINDINGS (PRIORITY 1)

11. None

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>Discounts and Exemptions In two out of 47 instances there was insufficient evidence to validate council taxpayers' discounts / exemptions.</p> <p><u>Account 1</u> – although this was a special individual case reviewed by the Client, no valid student certificate has been received since the 25% discount was granted on 21/09/15. Discounts / exemptions should only be granted on submission of suitable evidence.</p> <p><u>Account 2</u> – SPD has been granted to the taxpayer on receipt of a memo based on a call from the client. No online form or confirmation in writing has been received by the taxpayer.</p> <p><u>Account 3</u> – SPD was granted to a taxpayer who completed an online moving form and confirmed he was the sole occupier. It was later found that the taxpayer was not entitled to SPD and the discount has since been clawed back. The recommendation following the investigation into this case is that no SPD should be awarded when liability is assumed by the incoming occupant unless specifically requested by them and supported by a signed application.</p>	<p>Potential loss of Council Tax income</p>	<p>Ensure all discounts and exemptions are supported by documentary evidence and reviewed as per contract arrangements. [Priority 2*]</p> <p>Ensure the Service assesses the need for change in the application of SPDs [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
2	<p>Recovery and Enforcement Audit selected five accounts from the Top Debts and five accounts which were marked at enforcement stage.</p> <p>Account 4 – at the time of testing, the last account note was dated 11.06.15 relating to the Prelist June 15. The contractor has confirmed that this account will be part of the 100 cases to be sent to a solicitor who will send a letter to chase the debt. Audit acknowledge that a note has since been added to the account dated 22.01.16 (six months after the last note).</p>	<p>Delays in recovery action may result in Bromley’s inability to recover income owed</p>	<p>Recovery action should take place promptly as per SLA and records kept of all recovery action. [Priority 2*]</p>
3	<p>Accounting Systems Reconciliations Suspense account 52953080 holds an unallocated balance of -£1,184.84 from prior years (as far back as 2009/10) and - £797.79 for this year. The Contractor confirmed that the account is not updated unless missing or unallocated payments are identified and there is no time limit on how long balances remain unallocated.</p>	<p>Delays in reviewing and reallocating transactions posted to suspense may result in inaccuracies in the Council’s accounts and possible reputational risk</p>	<p>Ensure balances in the suspense account relating to prior years are cleared. [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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Ensure all discounts and exemptions are supported by documentary evidence and reviewed as per contract arrangements</p> <p>Ensure the Service assesses the need for change in the application of SPDs</p>	<p>2*</p> <p>2</p>	<p>In respect of the 3 cases cited, I believe there to be legitimate reasons for SPD to be in place where usual documentation not on Council Tax file.</p> <p>Account 1 – Client involvement on case through surgery work with Somali community. Also, college acceptance letter on benefits file.</p> <p>Account 2 – Resident moved out of the property for works to be undertaken and SPD removed. When moved back asked for SPD to be reapplied, not asked to complete new form. Acct has not been highlighted under financial checks exercise</p> <p>Account 3 – Previously agreed by Internal Audit applications could be taken by online form and email.</p> <p>However, as action will ask Council Tax to enter on notebook where decision based on benefit documentation.</p>	Head of Revenues and Benefits	March 2016

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	Recovery action should take place promptly as per SLA and records kept of all recovery action	2*	Agreed. The Contractor to be reminded of need for timely action and for this to be noted accordingly	Head of Revenues and Benefits	April 2016
3	Ensure balances in the suspense account relating to prior years are cleared	2	Every effort is made to identify the intended location for funds, if not the originating source. Where not possible, monies held in suspense on the basis that information might come to light at later date.	Head of Revenues and Benefits	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

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 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 DEBTORS - INCOME AUDIT FOR 2015-6

Issued to: Claudine Douglas-Brown, Head of Exchequer Services

Cc: Peter Turner, Director of Finance (Final Report only)
Anne Watts, Assistant Director, Strategic Development and Performance (Final Report only)

Prepared by: Principal Auditor

Date of Issue: 8th March 2016

Report No.: CX/067/01/2015

REVIEW OF DEBTORS - INCOME AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Debtors - Income Audit for 2015-6. The audit was carried out in quarter Q3-4 as part of the programmed work specified in the 2015/2016 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 13/11/15. The period covered by this report is from 01/01/15 to 31/12/15.
4. As at 31/03/14 there was an outstanding debt figure of £12.67 million, including debts over a year old totalling £2.5 million. At 30/09/15 the outstanding debt figure was £6,157K, of which £3,107k was over a year old.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.
6. In addition to this, the audit reviewed a significant proportion of ECHS debt.

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

REVIEW OF DEBTORS - INCOME AUDIT FOR 2015-6

8. The following areas were tested. 25 debts on suppression, 25 invoices that have been raised, 15 credit notes, 8 arrangements over £5000, 25 long term debts, 15 write offs.
9. Controls were in place and working well in the areas of:
 - The aged debtors summary account is reconciled to the general ledger control account.
 - Income due is posted to the correct account
 - A procedure has been drafted by Liberated.
10. However we would like to bring to Managements attention the following issues:
 - Large numbers of invoices are being raised which subsequently have to be cancelled
 - Sufficient recovery action is not being taken to recover some debt over a year old.
 - Invoices are not always been created promptly as per timescales in the SLA.
 - Cases in suppression are not always being progressed and action taken is not being recorded on the system.
 - Documentation in relation to debts is not always scanned onto Oracle
 - Debts due to be written off are not always being actioned promptly
 - Dom Care debts for some clients have built up with insufficient action taken to recover or review clients' needs

SIGNIFICANT FINDINGS (PRIORITY 1)

11. No significant findings were identified during this review.

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

REVIEW OF DEBTORS - INCOME AUDIT FOR 2015-6

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>Testing of a sample of 15 credit notes and cancellations raised found that all 13 were correctly approved. In the two instances where this was not the case, they have been instigated by the Exchequer Contractor member of staff, where it has not been recorded that the department have stated the invoice should be cancelled or a credit note created.</p> <p>It was found that in 5 instances the reason to apply a credit note, was to cancel the invoice, due to inaccuracies on the invoice.</p> <p>Stats were obtained of the number of invoices that were cancelled/credited between April and September 2015. The Income Team raised 8,301 sundry invoices with a value of £27.17m from 1st April 2015 to 30th September 2015 which was £10.46m more than in the previous year. Of these, 1,112 invoices, with a value of £2.52m, were subsequently cancelled. This is an increase of 4% from the previous year. (up from 9% to 13%)</p> <p>165 were cancelled due to the initiators error, 42 due to duplicate error, 130 due to tax rate error and 70 due to contractor error. (the other 700 are due to amended info</p>	<p>Invoices may be sent out with the wrong details on them, leading to debt not being recovered. Accounts could potentially be overstated.</p>	<p>Action should be taken to ensure invoices raised are accurate. [Priority 2]</p>

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Project Code: CX/067/01/2015

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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>received 384, cancellation 146, part cancellation 90 and a number of other assorted reasons.) It was noted that only about 70 invoices were cancelled due to contractor error , with the rest being due to an error by the service department raising the debt or information being subsequently received.</p>		
2	<p>A sample of 25 outstanding debts was selected to test whether sufficient recovery action had been taken. It was found that for three of the debts it was not possible to determine if reminder letters had been sent as due to an Oracle upgrade, details of sending out reminder letters had been deleted.</p> <p>Of the 25, 7 debts have been received or cleared. It was determined that for 6 of remaining 18 debts, timely or effective recovery action hasn't been taken.</p> <p>96078819 Debtor 1 £7445.55 (Invoice raised 16/03/15, no recovery action taken till 11/12/15)</p> <p>95505398 Debtor 2, £95 (Invoice raised 21/08/15, no recovery action recorded until 11/12/15 when carried out address check)</p> <p>96081952 Debtor 3 £58.01, invoice raised 19/08/15, recovery reminders sent out, but nothing on file between November 2014 and 11/12/15)</p> <p>95519534 Debtor 4 £145 (invoice raised 23/12/14, change of</p>	<p>Ineffective monitoring of non-payments, debts owed to the Authority remain outstanding.</p>	<p>The contractor should be reminded to process debts for recovery promptly or write them off. [Priority 2]</p>

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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>address details received by department 13/07/15 and asked to send details of money owed, they did not, weren't chased by the Exchequer Contractor until 04/11/15. 96083724 Debtor 5 £1,603.78, (invoice raised 25/06/15, reminder sent 26/08/15, then nothing recorded as happening until 22/11/15, when sent to DCA) 96100150 Debtor 6, £19452.00, (invoice raised 23/06/15 and no action was taken until a reminder letter was sent on the 22/11/15).</p>		
3	<p>Testing of a sample of 25 invoices raised in the last year could not determine that 6 had been raised promptly within the SLA required of 5 days. For four it appeared that it took longer than the 5 days and for 2 it was not possible to tell given backing documentation for the invoice was not available on Oracle. 70078009, 70080788, 70079698, 70049358 63007814, 70085426</p> <p>It could not also be determined for 2 invoices that they had been raised for the correct amount, one owing to backing documentation not being available and one had been raised for a different amount to the request document. All invoices were raised for the correct cost centre. 70080616, 21105485</p>	<p>Delays raising invoice can result in an inability to recover debt.</p>	<p>The Exchequer Service Manager should consider monitoring a sample of invoices raised to determine the time taken to raise invoices. [Priority 3]</p>

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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>It is identified that whilst this is reported as part of the monthly performance reports, the target is frequently not met. Testing above identified that statistics produced are not consistent with the results of the testing.</p>		
4	<p>Testing of a sample of 25 debts on suppression found that sufficient evidence is held to support 21 of them. For the 4 where this isn't the case, evidence was available for 2, however it had not been scanned onto the system and evidence does not exist for the other 2. Debtor 7 20012994 £2297.39 Debtor 8 63005877 £17792.86</p> <p>Testing found that for 3 of the sample the suppression code does not seem reasonable. Debtor 8 63005877- Apparently with Council's legal section, no evidence of this. Debtor 9 70072522- code should have been changed to write off. Debtor 10 70079221, this was sent back to the department for advice, though they don't really know what to do. (CIL debt)</p>	<p>Ineffective monitoring of non-payments, debts owed to the Authority remain outstanding.</p>	<p>Cases in suppression should be reviewed to make sure they are progressed for recovery.</p> <p>Evidence off suppressions should be attached on Oracle. [Priority 2]</p>

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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
	It was determined that for 6 of the samples insufficient action has been taken to continue chasing the debt. Debtor 10 63004340 £3541.93 Debtor 11 70028124 £4312.27 Debtor 12 70032455 £18678.17 Debtor 13 70051075 £893.99 Debtor 14 70030615 £10411.92 Debtor 15 70079221 £ 20567.75		
5	Testing of a sample of 25 debts that were written off found that 24 had been appropriately authorised for write off. For the one that has not, documentation cannot be found which shows that this was authorised for write off. (Debtor 16, 93004092). It was also found that details about write offs are not held on Oracle and had to be provided to the Auditor and in one instance, further details about a write off could not be located. It was also found that information for 5 invoices that have been raised, the Invoice request document was also not scanned.	Debts may not be recovered due to all documentation not being available.	The contractor should ensure that all documentation relating to debts is scanned and held on the system. [Priority 2]
6	The domiciliary care accounts were reviewed on 7/10/15 for the current balances. Three accounts had large balances	Dom Care debts may not be recovered	Where large account balances exist on debtor

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>Sample 2, 5 and 10. One account had a credit balance of £1334.94 – Sample 8.</p> <ul style="list-style-type: none"> • Sample 2 - £3500.20 outstanding. The contractor has advised that regular payments received but insufficient to cover current weekly charges. Insufficient instalment letter sent on 10th October 2015’. • Sample 5 - £2023.93 outstanding. Regular payments received but insufficient to cover current weekly charges. Insufficient instalment letter sent on 10th October 2015’. • Sample 10 - £4751.86 outstanding. The last payment made by this client in respect of care charges was 7/2/11. The contractor advised that this account ‘appeared on the ‘returned from debt collector list, also sent a letter on 23rd September requesting payment. No response, moving forward to do a county court claim’. 		<p>accounts for care charges, notwithstanding debt recovery procedures, a review may be required to determine whether the client is able to manage their own finances. [Priority 2]</p>
7	<p>Testing of a sample of 15 debts that have been written off, found that 3 C&D write offs were not written off promptly after that had occurred.</p> <p>Whilst also testing 25 debts on suppression found two debts</p>	<p>Inappropriate write offs leading to financial loss to the Council.</p>	<p>Debts should be written off in a timely manner once all avenues of pursuit have been exhausted</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
	which are due to be written off. One of the debts with Debtor 17 for £18678.17, has been due to be written off since January 2013, though has not been actioned. The other debt for debtor 18 £892. Has been due to be written off since July 2014 and has not yet been done so.		[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	Action should be taken to ensure invoices raised are accurate.	2	<p>The authorisation for the 2 cancellations referred to in the report have now been scanned. Invoices are raised according to the instructions provided by the service departments. If cancellations are subsequently requested, these are also actioned according to instructions.</p> <p>Once the invoice details are correct, recovery is more probable providing the investigations and corrections are completed promptly.</p> <p>The increase in the number of cancellations can be attributed to a larger than usual amount of</p>	All service departments/Head of Exchequer Services	1 st April 2016

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
			cancellations in respect of disputed Thames Water invoices and cancellations due to incorrect application of VAT. Service departments will be reminded of the need to insure invoice requests are accurate and VAT is correctly applied.		
2	The contractor should be reminded to process debts for recovery promptly or write them off.	2	The Exchequer Contractor is regularly reminded of the importance of prompt debt recovery and there is a process in place for escalation of performance issues. The Exchequer Contractor is currently reviewing all invoices raised prior to 1 st April 2015 to ensure the appropriate recovery action is taken.	The Exchequer Contractor Finance Service Delivery Manager/Senior Operations Manager	On going

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 Head of Exchequer Services Manager should consider monitoring a sample of invoices raised to determine the time taken to raise invoices.	3	Quarterly monitoring will be carried out from April 2016.	Head of Exchequer Services	April 2016
4	Cases in suppression should be reviewed to make sure they are progressed for recovery. Evidence off suppressions should be attached on Oracle.	2	Suppressed cases are reviewed by the Exchequer Contractor and by the Head of Exchequer Services as part of contract monitoring. Issues identified are addressed at the monthly service reviews.	The Exchequer Contractor Senior Operations Manager/ Head of Exchequer Services	1 st April 2016 on going
5	The contractor should ensure that all documentation relating to debts is scanned and held on the system.	2	Not all invoice backing documentation can be scanned to Oracle but can be provided upon request, i.e. bulk invoice requests and system uploads. Historically, write offs were not scanned to Oracle however these	The Exchequer Contractor Senior Operations Manager	30 th June 2016

Priority 1
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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
			are now being scanned.		
6	Where large account balances exist on debtor accounts for care charges, notwithstanding debt recovery procedures, a review may be required to determine whether the client is able to manage their own finances.	2	The Exchequer Contractor has been reminded of the requirement to follow the debt management policy for social care debts that was implemented in June 2015. The policy refers to the actions that must be taken where there are concerns about the client's mental capacity to manage their finances.	The Exchequer Contractor Senior Operations Manager	7 th March 2016
7	Debts should be written off in a timely manner once all avenues of pursuit have been exhausted	2*	Agreed. The Exchequer Contractor has been actively submitting unrecoverable debts to be written off. This is also monitored by the Contract Monitoring Officer.	The Exchequer Contractor, Senior Operations Manager/ Head of Exchequer Services	On going

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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
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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
EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6

Issued to: Kay Weiss, Director of Children's Services, Education, Care & Health Services
Eamon Brennan, Head of Service, Youth Offending Service
Tracey Rogers, Business Development Manager, Education, Care & Health Services

Cc: David Bradshaw, Head of Education, Care and Health Services Finance
Anne Watts, Assistant Director, Strategic Development and Performance, Education, Care and Health Services

Prepared by: Principal Auditor

Date of Issue: 15 March 2016

Report No.: ECH/020/01/2015

REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Youth Offending Service (YOS) Audit for 2015-16. The audit was carried out in quarter 3 as part of the programmed work specified in the 2015-16 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 2 November 2015. The period covered by this report is from 1 November 2014 to 31 October 2015. This area was audited previously in October 2010. Two recommendations were made at that time relating to expenditure and the need for an updated Service Level Agreement with organisation 'A'.
4. This audit was also approved by Members of the Audit Sub-Committee to include a value for money assessment (see paragraph 21 below).
5. It should be noted that an HMIP Inspection was carried out in January 2015. This identified that significant improvements to the service were required and changes in key personnel were made including the Head of Service, YOS Manager and Business Development Manager. None of the replacement staff had handover periods.

AUDIT SCOPE

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

REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6

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 timeliness, accuracy and authority levels of payments made and cash holding.
9. We acknowledge that the HMIP inspection in January 2015 resulted in changes in key personnel without a handover period. However we would like to draw to Management's attention the following issues which should be addressed going forward:
10. Benchmarking on data reporting has been carried out against another London Borough but there is no evidence of financial or other benchmarking against other authorities carried out.
11. For each of the ten Service Level Agreements in place with internal and external providers we were unable to evidence that they had been signed by both parties. Two had been signed by a YOS representative. The dates of the agreements ranged between 2011 and 2015 and it was unclear if they were still current. The service with organisation 'B' has been reviewed and will end on 31 March 2016. For the other SLAs, YOS management told us they were looking at the current position regarding these as part of their improvement work. We were unable to find documented evidence such as minutes confirming that the monitoring meetings and annual reviews specified in the SLAs had taken place or performance indicator information had been analysed.
12. At the time of our audit testing the Finance Budget Monitoring on Oracle for the period April 2015 - November 2015 showed that the budget monitoring had not been signed off/submitted by the budget holder, who was new to the Authority.

REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6

13. There were four transactions in our expenditure sample which related to IT equipment purchased. Whilst a local asset register was held by YOS, none of those items purchased had been recorded on it.
14. The asset register should include details of all the equipment and software held by the Youth Offending Service including make, model, serial number and locations of all items.
15. For the invoice submitted by supplier 'A' for interviews attended, we were unable to verify the amounts claimed for the duration of the interviews in seven instances because supporting information confirming the referral start and finish time was either not available or incomplete. We also found that there were no details on the invoice showing which adult had attended the interview.
16. There is a lack of evidence of supervisory checks carried out on performance data to confirm its accuracy, timeliness and completeness before it is submitted to senior managers and organisation 'C'.
17. We identified one item in our sample of payments where no purchase order had been raised. This was for clinical supervision and appears to be an on-going monthly commitment.
18. Controls over petty cash transactions should be strengthened including the completion and recording of claims and VAT, authorisation and evidence of reimbursement to individual claimants. The £5.80 excess currently shown should be recorded on the next reimbursement claim so that the balance can be reduced to the correct amount.
19. For the employment of the Interim YOS Manager between April and October 2015, whilst documents confirming the procurement process were seen, the signed version of the Contract Authorisation Form could not be found. We understand that the individual responsible for authorising the form has since left the organisation. The date on the purchase order shows that it was raised after the Interim YOS Manager started work.
20. From our examination of available records we identified that the Interim YOS Manager, Interim YOS Deputy Manager, Business Development Manager and one of the Operational Managers and Business Support Officers had not completed on-line Financial Regulations training. None of the team had been set up for on-line Contract Procedure Rules training.

REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6

21. Value For Money

The rating of the value for money assessment is 2.

This equates to VfM arrangements being partially met where there are some aspects of vfm in place but these are not robust enough to reach an informed decision that the service is achieving vfm. (e.g. data submitted for benchmarking is not accurate enough or cannot be substantiated or customer satisfaction surveys have not taken place, although there may be a benchmarking exercise that was completed; or that the service is operating at high unit costs in comparison with other Boroughs' costs although providing a satisfactory service).

- Benchmarking of data reports has been carried out against another London Borough (Section 1d of Youth Offending Service Improvement Plan refers), but there is no evidence of financial or other benchmarking against other authorities carried out. We have discussed this with the Head of Service and he is proposing to consult with the Youth Justice Board and YOS Heads of Service at other similar sized Boroughs in the near future to identify what financial or other benchmarking information can be obtained and analysed.
- HM Inspectorate of Probation undertook an inspection of the service in February 2015 where the service was compared against how other Youth Offending Services perform. Following this the service has implemented the Youth Offending Service Improvement Plan which is being regularly scrutinised by organisation 'C' in readiness for HM Inspectorate of Probation re inspection.
- The service has seconded an employee from organisation 'C' to assist in delivering the YOS Improvement.
- Feedback from service users is collated via the Children's Social Care Service User feedback forms. These are analysed by Strategic and Business Support every quarter. The service has received good feedback so far. In addition to this young people are requested to complete HMIP questionnaires. The service has exceeded the number of questionnaires which HMIP had requested to be completed by LB of Bromley young people by the deadline date of February 2016. Feedback on this should be available later in the year.

REVIEW OF YOUTH OFFENDING SERVICE AUDIT FOR 2015-6

- The service is aware that there has been an overspend in the last financial year. The service has been given permission to continue with the overspend by the Chief Executive and Councillors whilst improvements are being put into place. The staff structure and budget will be revisited again in 2017/18. Current staff consultation outlines proposals to reduce the budget.

SIGNIFICANT FINDINGS (PRIORITY 1)

22 There were none.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

23 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

24 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 service currently has a waiver in place with Supplier 'A' for the provision of appropriate adults for young people in police custody. There was one invoice in our sample of payments which had been submitted by Supplier 'A' for thirteen police interviews attended where a parent was not available or did not wish to attend. We were unable to verify the amounts claimed for the duration of the interviews in seven instances because supporting information confirming the referral start and finish time was either not available or incomplete.</p> <p>We also found that there were no details on the invoice showing which adult had attended the interview.</p>	<p>Value for money may not be obtained. Payments may be made for goods and/or services which have not been received or have been charged in excess of those provided by the supplier.</p>	<p>Ensure that :- i) there is adequate supporting information for the duration of interviews and attendees claimed for by Supplier 'A' , and (ii) that this can be can be verified independently before the invoice is authorised for payment in accordance with paragraph 8.7 of Financial Procedures. [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
2	<p>We were provided with a folder of ten Service Level Agreements and protocols which are in place with internal and external service providers. For each of the Service Level Agreements in place with providers none were signed by both parties. Two had been signed by a YOS representative. The dates of the agreements ranged between 2011 and 2015 and it was unclear if they were still current. We are aware that the service with organisation 'B' has been reviewed and is ending on 31 March 2016. For the other SLAs, YOS management told us they were looking at the current position regarding these as part of their improvement work. We were unable to find documented evidence such as minutes confirming that the monitoring meetings and annual reviews specified in the SLAs had taken place or performance indicator information had been analysed. We believe that they are still being used.</p>	<p>Risk that agreements are entered into which do not provide value for money. Roles and responsibilities of YOT and the provider may not be clearly set out and agreed. Meaningful key performance indicators may not be in place and the service not monitored, leading to an under-performance of the supplier.</p>	<p>Ensure that the existing Service Level Agreements are reviewed and new agreements are drawn up as appropriate. They should include the respective roles and responsibilities, key performance indicators, provision of information and arrangements for monitoring and reviewing the service provided. [Priority 2]</p>

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Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>The value for money matrix, completed by the interim Head of Service, states that benchmarking on data reporting has been carried out against another London Borough but this is the only area of benchmarking against other comparable local authorities which has been undertaken.</p>	<p>Due to a lack of comparative information the service is unable to demonstrate that it is providing value for money in the use of its resources.</p>	<p>Ensure that benchmarking of financial and other areas in addition to data reports is carried out against youth offending services in other similar local authorities. [Priority 2]</p>
4	<p>We obtained a copy of the asset register held and maintained locally.</p> <p>There were four transactions in our expenditure sample which related to IT equipment purchased. None of the items purchased had however been recorded on the team's asset register. They were 42 x 22" computer screens, Dragon pro licence software and headset, read and write Gold software, Apple ipad air and cover. The locations of the computer screens could not be verified at the time of our audit.</p> <p>We were informed that the ipad is currently held by a member of staff who is on secondment until 31 March 2016. This will need to be recovered when her period of secondment ends.</p>	<p>Assets may not be identified in the event of losses through theft or fire.</p>	<p>Review the existing local asset register to ensure that it includes details of all the equipment and software held by YOS including make, model, serial number and locations of all items. Ensure that :-</p> <p>(a) the computer screens identified in our sample are verified as YOS purchases and traced,</p> <p>(b) items purchased in</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
			<p>future are added to the asset register when they are received and before they are put into use, and (c) the ipad currently provided to the seconded member of staff is recovered when her period of secondment ends. [Priority 2]</p>
5	<p>Our examination of the Finance Budget Monitoring information on Oracle for the period April 2015 - November 2015 showed that the budget monitoring had not been signed off/submitted by the budget holder. We are aware however that discussions have recently taken place between the Senior Accountant and the Business Development Manager about the required budget monitoring procedures.</p>	<p>There is a risk that the financial information recorded against the Youth Offending Service is not verified as correct by the budget holder, leading to the possibility of under/overspends not being identified and an inaccurate financial position.</p>	<p>Ensure in future that the budget monitoring information recorded on Oracle is signed off/submitted by the budget holder each month. [Priority 2]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
6	<p>We selected a sample of categories of information presented to management in the YOS Performance Digest for National and Local Data October 2015. These were :-</p> <p>Local target of 85% for young people who offend in suitable education, training and employment. We examined the process for obtaining this data and confirmed that the total percentages reported were correct.</p> <p>Mental health assessment and engagement to be carried out within 15 working days of referral. We were unable to verify that this target had been met because there were no attachments on the Child View system to confirm the dates of the assessment in each case.</p> <p>To compile the quarterly data required by organisation 'C', a report from the system is run every Monday by the Crime Analyst and sent to staff asking them to update the data on the system for their cases and ensure all gaps in data are completed. Active cases are identified by the 'cases not signed off' tab. At the end of the quarter the Crime Analyst submits the data to organisation 'C'. We were unable to find evidence of any management or quality assurance check carried out on</p>	<p>Data submitted to organisation 'C' and senior management may not be accurate or complete leading to inaccurate reporting of the performance of the service.</p>	<p>Ensure that supervisory checks are carried out on performance data to confirm the source of the information and its accuracy and completeness before it is submitted to senior managers and the YJB. [Priority 2]</p>

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Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	this data before it is submitted.		
7	<p>A count of the petty cash was carried out whilst on site and found to be correct. The Business Support Officer operating the petty cash imprest had left the week before the audit visit.</p> <p>We analysed twelve recent petty cash claims and found that :-</p> <p>Three claims - V6425 for £17.50 for keys cut, claim V6428 for £6.00 and claim V6429 for half term reparation lunch for young people for £75.72 did not show who submitted the claims and they were not authorised or dated. Claims V6430 and V6431 were not authorised.</p> <p>The petty cash reimbursement sheet did not show the VAT recorded separately. Where VAT receipts had been obtained for expenditure the amounts had not been recorded for re-claiming eg voucher numbers V6248, V6249 and V6431 totalling £10.72 VAT not claimed The reconciliation form retained locally showed that the petty cash imprest balance was £5.90 in excess. We were informed that the discrepancy had not yet been identified.</p>	<p>There is a risk of inappropriate expenditure, loss of income through not reclaiming VAT and the current financial position not being accurate due to poor record keeping.</p>	<p>Ensure that :- (a) all claims are correctly completed and recorded, including authorisation and evidence of reimbursement to individual claimants (b) VAT is included in the relevant column on the reimbursement claim submitted to Finance Directorate (c) The £5.80 excess currently shown is recorded on the next reimbursement claim so that the balance can be reduced to the correct amount. [Priority 2]</p>

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Priority 1
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Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
8	We selected a sample of 20 payments and checked them to supporting information including orders raised. We also confirmed that they had been paid timely and for the correct amount. We identified that for one item in our sample no purchase order had been raised. It was for clinical supervision and appears to be an on-going monthly commitment.	Poor value for money may arise.	Review the clinical supervision provision and establish if it could be provided more economically via an arrangement with Public Health. If not, ensure that a contract for this service is set up and that purchase orders are raised to commit expenditure. [Priority 2]
9	For the employment of the Interim YOS Manager between April and October 2015, whilst documents confirming the procurement process were seen, the signed version of the Contract Authorisation Form could not be found. We understand that the individual responsible for authorising the form has since left the organisation. The date on the purchase order shows that it was raised after the Interim YOS Manager started work.	Unable to verify that the correct procurement authorisation process was followed. Funds are not committed in advance of authorisation and starting date of employment leading to inaccurate financial position.	Ensure in future that all key documentation such as a signed Contract Authorisation Form is available and retained, in a shared area, to confirm the authorisation process followed. Ensure a purchase order is raised

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Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
			in advance of the start date so that expenditure is committed accurately and timely. [Priority 2]
10	From our examination of available records we identified that the Interim YOS Manager, Interim YOS Deputy Manager, Business Development Manager and one of the Operational Managers and Business Support Officers had not completed on-line Financial Regulations training. None of the team had been set up for on-line Contract Procedure Rules training.	Relevant staff who have responsibility for financial and procurement procedures are not aware of the policies and regulations to adhere to, leading to budgetary, procurement and financial procedures not being carried out correctly.	Ensure that, going forward, those officers with financial and procurement responsibilities are set up and undertake the on-line financial and procurement training available. [Priority 2]

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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
1	Ensure that :- i) there is adequate supporting information for the duration of interviews and attendees claimed for by Supplier 'A', and ii) this can be can be verified independently before the invoice is authorised for payment in accordance with paragraph 8.7 of Financial Procedures.	2	(i) and (ii) We are now receiving detailed supporting information for all the interviews claimed for on invoices submitted by Supplier 'A'. Processes are also in place to ensure that we are notified by the Appropriate Adults Service whenever an interview is due to take place and when it finishes, so that this information can be checked against the start and finish times subsequently claimed for on the invoice.	Head of Service and Business Development Manager	Implemented

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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
2	Ensure that the existing Service Level Agreements and protocols are reviewed and new agreements are drawn up as appropriate. They should include the respective roles and responsibilities, key performance indicators, provision of information and arrangements for monitoring and reviewing the service provided.	2	The SLAs with external providers are currently being reviewed. We met recently with Supplier 'A' and agreed what performance information they will provide in future to enable us to monitor the service. The service will be tendered later in the 2016/17 financial year, with a view to the successful bidder starting in April 2017.	Head of Service and Business Development Manager	30 April 2016
3	Ensure that benchmarking of financial and other areas in addition to data reports is carried out against youth offending services in other similar local authorities.	2	We will consult with organisation 'C' and YOS Heads of Service at other similar sized Boroughs to identify what financial or other benchmarking information can be obtained and analysed.	Head of Service	30 June 2016

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
4	Review the existing local asset register to ensure that it includes details of all the equipment and software held by the Youth Offending Service including make, model, serial number and locations of all items. Ensure that :- (a) the computer screens identified in our sample are verified as YOS purchases and traced, (b) items purchased in future are added to the asset register when they are received and before they are put into use, and (c) the ipad currently provided to the member of staff who is on secondment from organisation 'C' is recovered when her period of secondment ends.	2	We will review our local asset register and ensure that the details of all items of equipment and software held by the YOS are included on it. In future, items purchased will be added to it before they are put into use. Arrangements are in hand to recover the ipad from the member of staff when her secondment ends.	Head of Service and Business Development Manager	30 June 2016

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
5	Ensure in future that the budget monitoring information recorded on Oracle is signed off/submitted by the budget holder each month.	2	Budget monitoring information will be signed off by the Budget Holder each month in future.	Head of Service	31 March 2016
6	Ensure that supervisory checks are carried out on performance data to confirm its accuracy, timeliness and completeness before it is submitted to senior managers and organisation 'C'.	2	The arrangements for this will be considered as it will require additional staffing resources. In response to the specific findings raised about timescales and information not recorded on ChildView, organisation 'D' is now providing monthly performance data for the referrals for CAMHS timescales.	Head of Service and Business Development Manager	30 June 2016
7	Ensure that :- (a) all claims are correctly completed and recorded, including authorisation and evidence of reimbursement to individual	2	Petty cash procedures are in place and we are awaiting a visit by finance to advise on VAT recording arrangements.	Business Development Manager	30 June 2016

Priority 1
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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	claimants, (b) VAT is included in the relevant column on the reimbursement claim submitted to Finance Directorate, (c) The £5.80 excess currently shown is recorded on the next reimbursement claim so that the balance can be reduced to the correct amount.				
8	Review the clinical supervision provision and establish if it could be provided more economically via an arrangement with Public Health. If not, ensure that a contract is set up for this service and that purchase orders are raised to commit expenditure.	2	This is due to end on 31 March 2016. From 1 April 2016 external companies will be commissioned to carry out CAMHS, counselling and substance misuse work.	Head of Service	Implemented

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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
9	Ensure in future that all key documentation such as a signed Contract Authorisation Form is available and retained, in a shared area, to confirm the authorisation process followed. Ensure that a purchase order is raised in advance of the start date so that expenditure is committed accurately and timely.	2	We will ensure that, in future, all key documentation relating to staff contracts is retained and available. Where an iproc order needs to be raised for a staffing appointment, this will be done in advance.	Business Development Manager	Implemented
10	Ensure that, going forward, those officers with financial and procurement responsibilities are set up and undertake the on-line financial and procurement training available.	2	We will arrange for the relevant members of staff to complete financial and procurement training in the new financial year.	Head of Service and Business Development Manager	30 September 2016

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 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
EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

REVIEW OF TROUBLED FAMILIES AUDIT FOR 2015-6

Issued to: Kay Weiss, Director of Children's Services
Rachel Dunley, Head of Service, Early Intervention & Family Support
Neil Dilkes, Intelligence & Operations Co-ordinator
Luke Wilkins, Intelligence & Operations Lead
David Bradshaw, Head of Education, Care and Health Services Finance
Anne Watts, Assistant Director, Strategic Development and Performance, Education, Care and Health Services

Prepared by: Principal Auditor

Date of Issue: 14 March 2016

Report No.: ECH/030/01/2015

REVIEW OF TROUBLED FAMILIES AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Troubled Families Audit for 2015-6. The audit was carried out in quarter 4 as part of the programmed work specified in the 2015 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 4 January 2016.

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. At the time of our testing there were approximately 75 individual claims due to be made to the DCLG for 'Payment By Results'. As the Intelligence & Operations Team were still working on confirming claims to be made (before the deadline of 31 January 2016), we selected a sample of 10% i.e. seven claims to check. We also reviewed one claim which was being 'tracked' with a

REVIEW OF TROUBLED FAMILIES AUDIT FOR 2015-6

view to claiming for it in 6 months' if the Outcome Criteria were met at that stage and two claims which the Intelligence & Operations Team had identified as not meeting the Outcome Criteria.

7. Controls were in place and working well in the areas of :-
8. Meeting the national and local outcome criteria for 'Payment By Results' claims, providing management information for the status of cases and identifying those cases which have not been actioned for a given period of time.
9. Process mapping the Troubled Families working processes.
10. Progressing the data sharing agreements which are required with other partners from whom the Intelligence & Operations Team require data.
11. However we would like to draw to Management's attention the following issues relating to the main scope of the audit:
12. There was no evidence of authorisation given by a Senior Family Support and Parenting Practitioner to close a case, or that the Intelligence & Operations Team had been consulted prior to the closure, to ensure that the required outcomes had been met and there was evidence of significant and sustained progress.
13. The check carried out to identify whether or not a family has been attached and claimed for previously under the Troubled Families Programme should be done as part of the screening process when new referrals are received.
14. The information recorded on the Synergy database about action taken in Troubled Families cases was not always clear and comprehensive.
15. Goals for a family could not always be related to the Outcome Plan and the need to meet the 'significant and sustained' progress required for a Troubled Families claim.
16. During the course of our audit testing we also identified the following areas for improvement, which fall outside of the main scope of the audit but are included here and recommended for Management to address:-

REVIEW OF TROUBLED FAMILIES AUDIT FOR 2015-6

Issues identified, particularly where a Family Support and Parenting Practitioner is off sick or not available for other reasons, or there are difficulties contacting the client, need to be followed up promptly and appropriately.

In two cases from our sample there was no evidence of a letter sent to the client confirming that the case was being closed.

SIGNIFICANT FINDINGS (PRIORITY 1)

18. There are no significant findings.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

19. 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

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>From our sample of cases which had been closed, we were unable to see evidence that authorisation to close the case had been given by the Senior Family Support and Parenting Practitioner or that the Intelligence & Operations Team had been consulted prior to the closing of the case, to ensure that the required outcomes had been met and there was evidence of significant and sustained progress.</p>	<p>It may not be possible to make a claim for the action taken to turn a family around, due to a lack of evidence of meeting required outcomes. Significant and sustained progress may not have been achieved.</p>	<p>Ensure that, when a Troubled Families case is due to be closed :-</p> <p>(a) the Senior Family Support and Parenting Practitioner consults with the Intelligence & Operations Team to confirm that the required outcomes have been met and there is evidence of significant and sustained progress to enable a claim to be made,</p> <p>(b) authorisation to close the case is given by a Senior Family Support and Parenting Practitioner and the decision is documented on Synergy,</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>We carried out a check of a sample of Phase 2 cases that had demonstrated either sustained and significant progress or employment progress. We compared these to the spreadsheet of cases which had been claimed for in Phase 1.</p> <p>This identified that two of the cases in our sample had been claimed for in Phase 1. We found that the Intelligence & Operations Team were aware of and had already identified these two cases and six others as part of their checking process to ensure that duplicate claims are not made to the DCLG.</p> <p>Whilst families are included on the Phase 2 spreadsheet of existing cases because they meet the Troubled Families referral criteria and require support, there is no flag on the spreadsheet to show that they have already been claimed for in Phase 1.</p>	<p>An accurate match between Phase 1 and Phase 2 data is a complicated process which could result in duplicate claims being produced and damage to the Council's reputation and integrity.</p>	<p>Carry out the check, to identify whether or not a family has been attached and claimed for previously under the Troubled Families programme, as part of the screening process when new referrals are received. Include a flag on the spreadsheet where any are identified. [Priority 3]</p>

Priority 1
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Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	From our sample of cases we found that the information recorded by the practitioners was not consistent in depth and coverage e.g. where historic domestic violence had been identified as a criteria, it was not always evidenced if the client had been informed of a refuge service or confirmed that they had a place to go if the violence recurred.	If challenged, the Council may not be able to evidence the scope and type of the action taken to turn a family around.	Remind all Family Support and Parenting Practitioners that information recorded on the Synergy database about action taken in Troubled Families cases needs to be clear and comprehensive. [Priority 3]
4	We were unable to evidence for two cases in our sample that the goal setting process had been drawn up to meet the 'significant and sustained' progress for the family against which a claim could be made. We were informed that training for Family Support and Parenting Practitioners to relate goals to an individual family's Outcome Plan is due to be provided from April 2016.	A claim may not be made for a family because the goals set do not align with the Outcome Plan and/or do not demonstrate that significant and sustained progress has been made.	Ensure that goals set for a Troubled Family relate to the family's Outcome Plan and, when met, will demonstrate that significant and sustained progress has been made, enabling a claim to be made. [Priority 2]

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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	We found that in two cases from our sample there was no evidence of a letter sent to the client confirming that the case was being closed.	Unable to verify action that was taken by the practitioner..	A copy of the letter sent to the client confirming that the case is being closed is attached to the Synergy database. [Priority 3]
6	<p>We selected a sample of five current cases from the weekly management information report which highlights cases which have not had a recent contact recorded on the Synergy database by the Family Support and Parenting Practitioner. In four of those cases further contact action had been taken since 11 January 2016 and recorded on Synergy. We found that in one case however the Family Support and Parenting Practitioner was off sick. The client had been alerted of this and provided with the contact details of the Senior Family Support and Parenting Practitioner.</p> <p>We selected four further cases from that Practitioner’s workload. We identified one case (Sample 1) where the initial meeting with the client on 22 December 2015 had identified that her accommodation was suffering from damp and that she had debts outstanding and no repayment plan. An initial</p>	Lack of on-going involvement and face-to-face communication with client, leading to loss of confidence in service provided by Bromley Children's Project and possible disengagement.	<p>Ensure that any issues identified from cases which do not appear to have been actioned are followed up promptly and appropriately, particularly where a Family Support and Parenting Practitioner is off sick or not available for other reasons, or there are difficulties contacting the client.</p> <p>[Priority 2]</p>

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

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Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>assessment was carried out but was rejected by the Senior Family Support and Parenting Practitioner as it was not complete. There was no evidence as at 15 February 2016 that the assessment had been completed or that these issues had been progressed.</p> <p>In one other case (Sample 2) similar text messages had been sent to the client on 4 and 11 December 2015 informing her that the practitioner was off sick.</p> <p>The contact for 11 December 2015 states 'phoned mum on both mobile numbers given and both were unavailable . . . also phoned the house number but the phone rang with no option to leave a message.'</p> <p>On 20 January 2016 the Senior Family Support and Parenting Practitioner sent a text message to the client explaining the situation and offering to help.</p> <p>A further attempt to contact the client was made on 10 February 2016 by an Admin Officer. The contact message on Synergy states 'Tried to contact to notify (client) that (practitioner) was still off sick - Number not in service.'</p>		

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Priority 2
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Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	There was no evidence as at 15 February 2016 what alternative action had been taken to try to contact the client, given that the home and mobile phone numbers provided were not in use.		

Priority 1
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Priority 2
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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
1	<p>Ensure that, when a Troubled Families case is due to be closed :-</p> <p>(a) the Senior Family Support and Parenting Practitioner consults with the Intelligence & Operations Team to confirm that the required outcomes have been met and there is evidence of significant and sustained progress to enable a claim to be made,</p> <p>(b) authorisation to close the case is given by a Senior Family Support and Parenting Practitioner and the decision is documented on Synergy,</p> <p>Project Code: ECH/030/01/2015</p>	2	<p>Current processes already dictate that cases can only be closed with the authorisation of the Senior Family Support & Parenting Practitioners although this is not always clearly evidenced in Synergy Connect. A new case closure procedure will be agreed and implemented at the same time as the assessment re-design which incorporates Signs of Safety and Troubled Families Phase 2. The case closure will not only formalise the authorisation for closures by Senior Family Support & Parenting Practitioners but also take into consideration the need to directly consult the Intelligence & Operations Team (Intelligence & Operations Team) on each closure.</p> <p>Page 11 of 18</p>	Head of Service, Early Intervention & Family Support and Intelligence & Operations Lead	30/04/2016

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	Carry out the check, to identify whether or not a family has been attached and claimed for previously under the Troubled Families Programme, as part of the screening process when new referrals are received.	3	A list of families and individuals claimed under phase 1 of the Troubled Families Programme has now been added to list of data checks that occur within the Intelligence & Operations Team upon receipt of a referral for family support. A field has been created on the Synergy Connect database for this information. Although this will inform the Senior Practitioner Panel and Family Support & Parenting Practitioner that the case has been claimed under phase 1, the referral decision, allocation and support offered will be treated no differently than any other referral. This is currently being backdated so that families claimed under phase 1 are immediately obvious in our current phase 2 and live	Intelligence & Operations Team	New fields in use and backdated by 31/03/2016

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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	Remind all Family Support and Parenting Practitioners that information recorded on the Synergy database about action taken in Troubled Families cases needs to be clear and comprehensive.	3	case cohort. Given Early Interventions & Family Support's direction to implement the Signs of Safety framework across all aspects of the service, we have taken the opportunity at the same time to redesign our assessment process around Phase 2 of Troubled Families. A major part of this will be delivering clear training to all practitioners to create a consistent approach to recording information. Intermediate guidance has already been provided and one-to-one sessions have taken place with all practitioners. Senior Family Support & Parenting Practitioners will ensure that the quality of case notes and closing statements are of a high standard and address the	Senior Family Support & Parenting Practitioners	Training provided by 30/04/2016 and ongoing review

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
			outcome plan. Regular supervisions, deep dives and case management discussions will reiterate this.		
4	Ensure that goals set for a Troubled Family relate to the family's Outcome Plan and, when met, will demonstrate that significant and sustained progress has been made, enabling a claim to be made.	2	As discussed with the auditor, the majority of cases included in the audit were cases closed before the current Outcome Plan was in place and therefore it could not be expected that these goals were linked to an Outcome Plan. Work has been underway since September 2015 to implement a new robust Outcome Plan, new processes and new evidence based recording systems for the Troubled Families Programme. Given Early Interventions & Family Support's direction to implement the Signs of Safety framework across all aspects of the service,	Senior Family Support & Parenting Practitioners	New goal process released by 30/04/2016 and ongoing review

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
			we have taken the opportunity at the same time to redesign our assessment process around Phase 2 of Troubled Families. This process will be primarily goal orientated. A new goal structure has been designed that directly links each goal to an item on a family's outcome plan and shows the steps to achieve this goal. All goals for a family will be visible to review progress against the outcome plan. Senior Family Support & Parenting Practitioners will ensure that goals set are appropriate and are regularly updated and reviewed though regular supervision.		
5	A copy of the letter sent to the client confirming that the case is being closed is attached to the	3	Current processes direct that all cases should have a closure letter sent to the family and the referrer	Head of Service, Early Interventions & Family Support	13/04/2016

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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	Synergy database.		upon case closure, and that this is attached to the contact history on the Synergy Connect database. Family Support & Parenting Practitioners will be reminded of the importance of attaching closure letters.		
6	Ensure that any issues identified from cases which do not appear to have been actioned are followed up promptly and appropriately, particularly where a Family Support and Parenting Practitioner is off sick or not available for other reasons, or there are difficulties contacting the client.	2	A formal process is to be established that sets out the appropriate actions and timescales to ensure families are supported in the event of Family Support & Parenting Practitioners being unavailable for any reason. This will set out the timescales at which point it is required for Senior Family Support & Parenting Practitioners to contact, take on and reallocate cases. Regular supervisions of cases by	Head of Service, Early Intervention & Family Support and Intelligence & Operations Lead	30/05/2016

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 *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
			Senior Family Support & Parenting Practitioners and new goal orientated processes will ensure that support is offered and reviewed regularly. The new structure will allow for reminders of impending outstanding actions to automatically be sent to Family Support & Parenting Practitioners.		

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

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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 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 AND CARE SERVICES DEPARTMENT

REVIEW OF EXTRA CARE HOUSING AUDIT (NORTON COURT) FOR 2015-6

Issued to: Unit Manager,
Group Manager,
Head of Direct Care Services,
Exchequer Manager,

Cc: Assistant Director, Strategic & Business Support,
Head of ECS Finance,
Director of Finance,

Prepared by: Principal Auditor,

Date of Issue: January 11th 2016
Report No.: ECH/018/01/2015

REVIEW OF EXTRA CARE HOUSING AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of **Extra Care Housing Audit for 2015-6**. The audit was carried out in quarter 2 as part of the programmed work specified in the 2015 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 14/7/15 and commenced on 21/9/15. The period covered by this report is from **April 1st 2015 to September 30th 2015**.
4. The total net budget for Extra Care Housing – Norton Court £309,440. As at August 2015, the actual spend to date was £134,821.

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 for Norton Court but for the process of charging clients for care delivered Limited Assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

REVIEW OF EXTRA CARE HOUSING AUDIT FOR 2015-6

MANAGEMENT SUMMARY

7. Within Direct Care Services, there are three extra care housing units Apsley Court, Norton Court and Durham House with Lubbock House closed in August 2015.
8. At Norton Court, there are currently 42 clients in residence at Norton Court and it was noted that as at the 28/9/15 there were six of the flats were empty (void).
9. The audit concentrated on the following areas :-
 - Client Finances
 - Care Hours
 - Income
 - Expenditure
 - Assets
 - Corporate Risks
 - Previous Audit Recommendations
10. Clients within the extra care housing scheme will be assessed and will receive their care plan. This will identify the number of personal care hours and also the support hours per week. The client will have been financially assessed to determine whether they may contribute towards their care. Where the service user has more than £23,250 in savings and investments they will be liable to pay an arrangement fee in addition to the full costs of meeting their needs. This £240 arrangement fee covers the costs of putting in place the care and support required. This is broken down to £4.61 per week charges throughout the year, from the commencement of care.
11. Those that pay the full cost of their care will also pay a standing £70 support charge towards their support hours. Service users who receive full or partial Housing Benefit will not be charged for their housing related support.

REVIEW OF EXTRA CARE HOUSING AUDIT FOR 2015-6

12. For some of the clients, finances are managed by the extra care unit staff and the relevant records were reviewed and selected balances on the domiciliary care accounts were confirmed at the time of the audit visit.
13. The following issues arose during the audit that we would like to highlight to management :-
 - Queries were raised in respect of the variances between planned and delivered hours for clients sampled.
 - One client had a large credit balance this was queried.
 - Agency staff had been procured outside of the Contractor 2 contract due to extenuating circumstances. However, documentary evidence that 3 competitive quotes had not been retained at the time and a subsequent waiver had not been completed to procure without competition.
 - Queries arose with some of the expenditure items reviewed.
 - Amenity Fund assets were found to have not been identified separately in all cases and the asset check had not been signed off by the Unit Manager and Group Manager.

SIGNIFICANT FINDINGS (PRIORITY 1)

Domiciliary Care Charges

14. A review of the planned and actual care hours and the respective charges were made across 5 separate weeks from the records held at Norton Court. The client contribution rates were confirmed and the monthly statements for each client from May 2015 to September 2015 inclusive were reviewed. Errors were identified on weekly care charges. There were increases and decreases in hours that were found not to have been adjusted accordingly.
15. One of the clients had a credit balance of £1,334.94 as at 7/10/15. The auditor queried the account for Sample 8. The account and the financial assessment stated that the client was full cost, but no charges could be seen on recent domiciliary care statements. This client is deemed to be critical on her statement of needs in respect of needing help with managing her finances and is a current Appointeeship client, therefore, the Authority manages her finances on her behalf, in the absence of any relatives. The auditor was advised in an email from the Deputy Exchequer Manager dated 7/10/15 that the Appointeeship & Deputyship officer had 'completed an FA in April 2014 saying her capital had reduced to £20,000 and yet we continued to charge full cost until April 2015'.

REVIEW OF EXTRA CARE HOUSING AUDIT FOR 2015-6

16. No financial assessment could be found on Carefirst to evidence that the client is now a nil payer at the time of testing.
17. The Financial Assessment team confirmed on 15/10/15 that the assessments will be recalculated using the revised figures as soon as possible.
18. The auditor was advised that in April 2014 financial assessment forms were sent out to all non-residential clients. Not all of these have been acted upon due to resource issues. Internal Audit have requested an update on how many remain outstanding, but this has yet to be provided.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

19. 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

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

REVIEW OF EXTRA CARE HOUSING AUDIT FOR 2015-6

Sample	Carefirst Reference	Customer Number
Sample 1	P131886	93009691
Sample 2	P14034	93007867
Sample 3	P248498	93011772
Sample 4	P9020	92600473
Sample 5	P219263	93011745
Sample 6	P8682	92600517
Sample 7	P51827	93008096
Sample 8	P107400	93010140
Sample 9	P2180	93012549
Sample 10	P106013	93007753

Contractor 1 - Liberata

Contractor 2 - Adecco

Contractor 3 - Hays

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1.	<p><u>Domiciliary Care Charges</u> A review of the planned and actual care hours and the respective charges were made across 5 separate weeks from the records held at Norton Court for ten clients. The client contribution rates were confirmed and the monthly statements for each client from May 2015 to September 2015 inclusive were reviewed. Actual hours on the statements were not always correct or completed. Where possible the amount overcharged has been identified. Some clients pay a maximum weekly contribution, however if the normal weekly hours are not provided, the client should be charged a reduced amount.</p> <p>For week ending 17/5/15 :- Sample 6 received 0.75 less services. Sample 8 received 1.5 hours less services. No care charges identified. Sample 9 received 0.75 hours additional services. No charges were made for this week. Incorrect hours and charges detailed on the statements for these clients.</p>	<p>Incorrect charges are applied.</p>	<p>Domiciliary care statements should reflect and detail the actual care delivered within respective weeks. Care charges should reflect the actual care received on a weekly basis. Any increases or reductions in care should be reflected within the charges levied Adjustments to the individual care accounts should be rectified without delay. The process for charging for care hours should be reviewed.</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>For week ending 12/7/15:- Sample 2 received the 14 planned hours but the service user was charged 13.25 hours and was undercharged by £9.96. Sample 5 received 0.75 hours less services. The overcharge was £9.96 for this week. Sample 6 received 1.5 hours less services. Both clients have been incorrectly charged for these weeks.</p> <p>For week ending 16/8/15:- Sample 1 received 2.25 hours less services. Overcharged £26.65 for this week. Sample 8 received 0.75 hours less services. No care charges detailed on statements. Hours were charged incorrectly.</p> <p>For week ending 13/9/15 :- Sample 1 received 5.25 hours less services Sample 7 received 1.25 hours less services. Overcharged this week by £16.60. Hours were charged incorrectly.</p> <p>Sample 8 had a credit balance of £1,334.94 as at 7/10/15. This client was also an Appointeeship client (assessed as critical</p>		

Project Code: ECH/018/01/2015

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

Priority 2
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Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>and needing assistance in managing her finances) and was recorded as a full cost client. The account was queried by the auditor as no care charges could be seen on the clients' statement. The auditor was advised in an email from the Deputy Exchequer Manager dated 7/10/15 that the Appointeeship & Deputyship officer had 'completed an FA in April 2014 saying her capital had reduced to £20,000 and yet we continued to charge full cost until April 2015'.</p> <ul style="list-style-type: none"> • No financial assessment could be found on Carefirst to evidence that the client is now a nil payer at the time of testing. • The Assessment team confirmed on 15/10/15 that the assessments will be recalculated using the revised figures as soon as possible. • No financial assessment could be found on Carefirst to evidence that the client is now a nil payer at the time of testing. • The Assessment team confirmed on 15/10/15 that the assessments will be recalculated using the revised figures as soon as possible. • The auditor was advised that in April 2014 financial assessment forms were sent out to all non-residential 	<p>Incorrect charges may be applied.</p>	<p>It should be investigated how the credit balance arose in this Appointeeship case. Financial Assessments should be undertaken regularly. Confirmation should be provided to Internal Audit that there are no other similar cases that have fallen outside of the process. All financial assessments should be readily available and contribution levels evidenced.</p> <p>[Priority 1]</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>clients. Not all of these have been acted upon due to resource issues. The Auditor requested the number of outstanding cases and this information remains outstanding.</p> <ul style="list-style-type: none"> No care charges detailed on statements. 		

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
2.	<p>Expenditure A sample of 10 expenditure items was selected for review. Issues arose with Samples 2, 3, 4 and 10.</p> <p>For Sample 2 there was a credit note for £609.50 dated 9/1/15 relating to agency staff hours worked - the agency had notified that they could not locate the timesheet.</p> <p>For Sample 3 this was the corresponding invoice for £609.50. The auditor was advised that the member of staff was on annual leave. A copy of the rota has been requested. It is unclear why the invoice dated 7/1/15 was paid on this basis if the member of staff was on annual leave.</p> <p>Sample 4 the staff were not aware of this charge to the budget and believe that this could be a miscoding.</p> <p>Sample 10 related to equipment for Lubbock House but was ordered by Norton Court on their behalf. This has been coded to Norton Court in error.</p>	<p>Loss of monies to the Authority.</p>	<p>Ensure that the appropriate checks are undertaken to ensure that the Authority only pays for actual goods and services purchased and received. Recovery of the overpayment has occurred by applying the credit note. Mis-codings identified through testing should be rectified.</p> <p>[Priority 2]</p>

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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>Agency A report was run of all expenditure transactions for Norton Court for 2015-16. It was found that the service had engaged staff outside of the 'Contractor 2' contract due to extenuating circumstances. Agency staff were engaged between October 2014 to August 2015 and the total spend was circa £38K. As discussed with management to satisfy financial regulations for spend between £5,000 and £50,000 three written quotes should be obtained. In the absence of this then a waiver should have been sought to procure from Contractor 3 without competition.</p>	<p>Value for money may not be achieved.</p>	<p>If staff are engaged outside of the Contractor 2 contract, then three written quotes should be obtained. In the absence of this a waiver should have been sought.</p> <p>[Priority 2]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
4.	<p><u>Asset Register</u> Copies of the Asset Registers were requested in respect of Norton Court.</p> <p>It was found that although the assets registers had been transferred from manual records to electronic records for the audit, the asset check had not been signed off by the Unit Manager/Group Manager.</p> <p>Assets were not individually listed such as the computer equipment and assets that were not part of the Amenity Fund were included that belonged to the Night Care Staff.</p>	Assets are not easily identifiable.	<p>All assets attributable to the Amenity Fund should be separately recorded and easily identifiable. The asset checks undertaken throughout the year should be signed off by the Unit Manager or Group Manager.</p> <p>[Priority 2]</p>

Priority 1
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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
1	<p><u>Domiciliary Care Charges & Accounts</u> Domiciliary care statements should reflect the actual care delivered within respective weeks. Care charges should reflect the actual care received on a weekly basis. Any increases or reductions in care should be reflected within the charges levied Adjustments to the individual care accounts should be rectified without delay. The process for charging for care hours should be reviewed.</p> <p>It should be investigated how the credit balance arose in this Appointeeship case. Financial Assessments should</p>	1	<p>All cases where incorrect hours were identified have been corrected.</p> <p>The officer responsible for making the errors has received additional training and the team have been reminded of the need to ensure the accuracy of their work.</p> <p>The procedure for uploading timesheets has been reviewed and amended to include an additional control.</p> <p>Checks will be carried out on a regular basis by the Client Unit to ensure the revised procedures are being followed and the correct</p>	<p>Liberata Operations Manager, Financial Assessment Management and Appointeeship & Deputyship</p> <p>Head of Exchequer Service</p> <p>Exchequer Finance Officer</p>	<p>Completed</p> <p>Completed</p> <p>Ongoing from 01/02/16</p>

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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>be undertaken regularly. Confirmation should be provided to Internal Audit that there are no other similar cases that have fallen outside of the process. All financial assessments should be readily available and contribution levels evidenced.</p>		<p>hours are being charged.</p> <p>The credit on the client's Domiciliary care account arose due to the charges for April and May 15 being paid twice. The A & D staff have been reminded to ensure they pay the correct outstanding charges.</p> <p>As part of the April 2014 reviews, a financial assessment was returned however it was not processed. A backdated assessment has been completed and the incorrect charges have been refunded to the client.</p> <p>Each March there is an annual review and clients are informed of their new charge. A breakdown of</p>	<p>Liberata Operations Manager, Financial Assessment Management and Appointeeship & Deputyship</p> <p>Liberata Operations Manager, Financial Assessment Management and Appointeeship & Deputyship</p>	<p>Completed</p> <p>Completed</p>

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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
			<p>the charges is provided and they are advised to inform LBB if there has been any change to their financial circumstances.</p> <p>The service level agreement requires all clients to have a completed and verified financial assessment form at least every 2 years. These reviews are carried out on a monthly basis and the completed financial assessments forms are processed on completion.</p>	<p>Liberata Operations Manager, Financial Assessment Management and Appointeeship & Deputyship</p>	<p>31/07/16</p>

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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
2	<u>Expenditure</u> Ensure that the appropriate checks are undertaken to ensure that the Authority only pays for actual goods and services purchased and received. Recovery of the overpayment has occurred by applying the credit note. Mis-codings identified through testing should be rectified.	2	Admin staff who raise orders will be reminded to request the appropriate budget codes for any expenditure which may be for another unit. Checks will be put in place to ensure that in future staff time sheets outside of the 'Contractor 2' system are checked more thoroughly.	Scheme managers and Group Manager Group Manager	January 31st 2016 Immediate
3	<u>Use of Agency</u> If staff are engaged outside of the 'Contractor 2' contract, then three written quotes should be obtained. In the absence of this a waiver should have been sought.	2	If there is a need to engage staff outside of the 'Contractor 2' contract then three quotes will be requested or a waiver sought.	Head of Direct Care Services.	Immediate

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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><u>Assets</u> All assets attributable to the Amenity Fund should be separately recorded and easily identifiable. The asset checks undertaken throughout the year should be signed off by the Unit Manager or Group Manager.</p>	2	Assets have been identified and are on the appropriate logs.	Scheme managers and Group Manager.	Immediate

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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

EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF EDGEBURY PRIMARY SCHOOL AUDIT FOR 2015-16

Issued to: Mrs. J Box, Head Teacher

Cc: Mr D Aylott, Chair of Governors (final report only)
Schools Finance Team, (final report only)

Prepared by: Principal Auditor

Date of Issue: 17th February 2016
Report No.: ECH/P23/01/2015

REVIEW OF EDGEBURY PRIMARY SCHOOL AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Edgebury Primary School Audit for 2015-16. The audit was carried out in quarter 3 as part of the programmed work specified in the 2015-16 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 16/11/15. The period covered by this report is from December 2014 to November 2015.

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 financial management, safeguarding assets, governance arrangements and for the primary accounting, voluntary funds, bank reconciliation, DBS checks and school meals. However there were issues arising as follows:-
 - Payments not supported by a purchase order or adequate supporting documentation; separation of duties to be reviewed
 - Purchase card transactions not formally authorised prior to commitment

REVIEW OF EDGEBURY PRIMARY SCHOOL AUDIT FOR 2015-6

- A contract register for all SLA's and contracts, detailing start and end dates, is not formally reported to Governors annually to agree rolling year on year contracts.
- Petty cash is not independently reconciled annually
- Debtor invoices are not raised for all income to be collected; lettings are not supported by an authorised application form; the application form available for use at the school did not include reference to public liability.
- Formula error on the budget cash flow statement.

SIGNIFICANT FINDINGS (PRIORITY 1)

6. None

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

7. 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

8. 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

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Four officers have been nominated on the authorised signatories list. The Headteacher (HT) signs both the purchase order and initials the invoice. The Finance Officer (FO) checks the invoices but this is not evidenced by a signature. The FO and Admin Officer sign the cheques. The Deputy Head is the fourth signature but was not routinely part of the expenditure process.</p> <p>A sample of 20 payments was selected for audit examination. The main issues arising were:-</p> <ul style="list-style-type: none"> • 1/20 (Supplier A - £7204.74) no evidence of competitive quotes; as a specialist supplier the Chair of Governors should counter sign the order to evidence the waiver of competitive quotes • 4/20 payments were not supported by an authorised purchase order or adequate supporting documentation: - i) Supplier B, £2280 - e-mail to HT regarding trial period, notation on invoice to purchase 3 year licence for software not evidenced as authorised. Cost and terms not specified and had to be confirmed with supplier on receipt of invoice, ii)Supplier C £1,134 - e-mail to school 	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures.</p>	<p>The school should develop an expenditure process that ensures separation of duties.</p> <p>The Chair of Governors should endorse any payment where financial regulations have been waived; this may be for reasons of cost or performance.</p> <p>An authorised purchase order should be raised as expenditure is committed and prior to the invoice being received.</p>

Priority 1
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Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1 cont	<p>confirming quoted price and notation on invoice to confirm date to service the audio equipment, iii) Supplier D - £805.43 - order raised by PE lead officer, (notation on the e-mail trail "confirmed by JB"), iv) Supplier E - £299 - issues arose with the supplier when the school was invoiced for the total value, despite £249 having been paid when booked. Although the FO identified the error the expenditure process needs to be robust to rely on system controls rather than individual officers.</p> <ul style="list-style-type: none"> • 1/20 (Supplier F- £870) not supported by an order, e-mail from the HT confirming dates but not rates. Submitted invoice did not detail a unique invoice number. The payment to the individual was supported by a declaration regarding responsibility to pay tax and national insurance but the UTR number had not been quoted. • 1/20 (- £758.39) payment related to reimbursement of expenses incurred by an officer on personal credit card. Emergency replacement of the school kitchen fridge/freezer and school purchase card had insufficient funds for this transaction. Payment was authorised by 		<p>Any payments to individuals should be supported by the UTR number and a signed declaration that the supplier will pay their own tax and NI.</p> <p><i>However it should be noted that payment to this type of supplier via invoice rather than payroll is currently under review following an HMRC audit in 2015 and guidance will be issued to all schools in due course</i></p>

Project Code: ECH/P23/01/2015

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1 cont	<p>FO which is not covered in the scheme of delegation. The £80 payment for collection and disposal of the old fridge was not supported, although noted by FO as a quote.</p> <p>As a general finding, the FO keeps all supporting documentation, e-mails, quotes, notes of telephone calls and delivery notes filed with the order and invoice to provide an audit trail however when there is a change in the order, goods received or service to be delivered the notation completed by the FO is not signed and dated by the HT.</p>		<p>All payments should be supported by adequate documentation; for example agreed dates and rates. Any changes should be supported, signed and dated by the authorising officer.</p> <p>[Priority 2]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p>The school have one purchase card, issued to the HT, which is secured in the safe.</p> <p>The card statement for October 2015 was selected for audit examination; 6 transactions, total value £718.85. Payment was supported by a requisition form, invoice and delivery note.</p> <p>The main issues arising were:-</p> <ul style="list-style-type: none"> • 2/6 not authorised before expenditure committed in accordance with expenditure procedures • 1/6 no separation of duties as payment initiated and approved by the HT • Requisition form requires "verbal agreement form the HT"; this is not possible to verify. 	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures.</p>	<p>The school should evidence adequate separation of duties for the purchase card.</p> <p>HT to sign authorisation on the requisition prior to the purchase.</p> <p>Although the documentation evidences the FO's notes on decisions or changes, this has limited value as an audit trail if it is neither signed nor dated by the authorising officer.</p> <p>[Priority 2]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>There is a list of service level agreements and contracts used for budget purposes; this document shows that contracts are rolled over annually. This list is not taken to Governors for information, discussion and approval of year on year contracts.</p> <p>There was good control evidenced for the delivery of services as the Finance Officer (FO) maintains a diarised spreadsheet of all scheduled visits to update as each visit is completed.</p>	<p>Contracts may be let without following proper procedures and/or rolled over without proper approval.</p>	<p>The school should extend the existing list of contracts and service level agreements to include a start and end date and nominate a lead officer to be the contract owner, responsible for monitoring.</p> <p>The contracts register should be reported to Governors annually to approve, specifically the rollover of annual contracts.</p> <p>The school should periodically market test service areas to ensure rolled over contracts still offer value for money. Any performance issues,</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3 cont			<p>derived from monitoring, should be included in the annual review.</p> <p>[Priority 2]</p>
4	<p>The scheme of delegation details £100 petty cash, to be limited to £30 per transaction. Petty cash held by the FO. Each transaction was supported by the receipt and a claim voucher signed by issuing and claiming officer. The H/T authorises the monthly petty cash statement generated from the system.</p> <p>Petty cash is held on the system; £100 reimbursed regularly. FO agrees the cash held to the cash value shown on the system report but this is not independently verified at the end of the year.</p> <p>The October 2015 claim satisfactorily checked 8 transactions, however the petty cash transaction report identified a claim for £90 on 16.11.15, exceeding the £30 limit.</p>	<p>Petty cash may not be properly operated.</p>	<p>The imprest account should be independently reconciled and certified as correct as at 31st March each year.</p> <p>The petty cash transactions should be limited to £30 to comply with the schools scheme of delegation; an agreed exception should be authorised at an appropriate level.</p> <p>[Priority 3]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
5	<p>Debtor invoices are not part of the schools finance system and are raised manually. For the review period only one invoice had been raised in letter format. For lettings, no invoice is raised and the authorised application form serves as the record for requesting and receipting income. Although the current manual system was satisfactory, invoices raised on the system would offer greater control and accountability as the aged debtors report can be used to identify income to be recovered.</p> <p>The FO has requested Schools Finance Team (SFT) to set up the accounts receivable function on SIMS at their next scheduled visit.</p> <p>Lettings policy reviewed and agreed at the 1/12/15 Governors meeting. There was only one external hire available for audit testing. The PSA hire the school for fund raising events, supported by an authorised application and charged according to the agreed schedule of rates.</p> <p>A sample of 7 income transactions was selected for audit examination the following issues arose:-</p>	<p>Income due to the school may not be collected.</p>	<p>Develop the Debtors function on SIMS to improve accountability and control. Utilise the aged debtors report to collect and recover all income due in a timely manner.</p> <p>Raise invoices for all income due.</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
5 cont .	<ul style="list-style-type: none"> No invoices were raised for PSA events; received income is recorded on the application form. 1 external hire that had been charged an introductory rate agreed by the Head Teacher (HT), although the current fees and charges do not specify HT discretion. The application form completed by the hirer is now obsolete and has been updated to include the disclaimer regarding public liability insurance. <p>During the site visit it was noted that a sports club advertised for sessions at the school although no application or income was evidenced. The school confirmed that the hirer provided sports coaching as an after school club and a PE session once a week as payment in kind.</p>		<p>If fees and charges are not applied the Chair of Governors should authorise the application to endorse the discretionary charge and/or arrangement.</p> <p>All lettings should be formalised and external hirers should complete an authorised application form.</p> <p>[Priority 2]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
6	<p>The 2015/16 budget cash flow and the actual cash flow for November 2015 was reviewed. The FO prepares the monthly cash flow which is reviewed and certified by the H/T.</p> <p>The November cash flow detailed significant variances between the budget and actual balance, for each month since July. The audit identified a formula error in the spreadsheet calculating total receipts for the budget cash flow statement, which was then a recurring error.</p> <p>Discussed with FO and the spreadsheet will be corrected.</p>	<p>Financial Reports may not accurately reflect financial activity</p>	<p>The cash flow statement enables the school to monitor actual spend and income against projected and is therefore an important report to identify remedial action required and to identify errors. Any variance should be investigated and explained.</p> <p>[Priority 3]</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The school should develop an expenditure process that ensures separation of duties.	2	We have amended the authorisation process to include Deputy Head Teacher signing off all invoices.	Finance Officer	Completed
	The Chair of Governors should endorse any payment where financial regulations have been waived; this may be for reasons of cost or performance.		This has been noted and will be documented in future if required.	Finance Officer / Head Teacher	Completed
	An authorised purchase order should be raised as expenditure is committed and prior to the invoice being received.		This has been noted and will be adhered to except for utility invoices.	Finance Officer	Completed
	All payments should be supported by adequate documentation; for example agreed dates and rates. Any changes should be supported,		This has been noted and we will ensure any updates are documented and 'signed' by the Authorising Officer.	Finance Officer	Completed

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1 cont.	<p>signed and dated by the authorising officer.</p> <p>Any payments to individuals should be supported by the UTR number and a signed declaration that the supplier will pay their own tax and NI.</p> <p><i>However, it should be noted that payment to this type of supplier via invoice rather than payroll is currently under review following an HMRC audit in 2015 and guidance will be issued to all schools in due course</i></p>		<p>The Finance Officer has reviewed all individuals paid directly and obtained signed declaration and UTR details.</p> <p>Finance Officer to attend School Finance Forum on 1/3/16 for further guidance.</p>	<p>Finance Officer</p> <p>Finance Officer</p>	<p>Completed</p> <p>1 month</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	<p>The school should evidence adequate separation of duties for the purchase card.</p> <p>HT to sign authorisation on the requisition prior to the purchase.</p> <p>Although the documentation evidences the FO's notes on decisions or changes, this has limited value as an audit trail if it is neither signed nor dated by the authorising officer</p>	2	<p>In future 'order forms' will be signed by Head Teacher prior to purchase, and card monthly statement will be signed by Deputy Head Teacher.</p> <p>All future updates will be signed by Authorising Officer in future.</p>	<p>Finance Officer</p> <p>Finance Officer</p>	<p>Completed</p> <p>Completed</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<p>The school should extend the existing list of contracts and service level agreements to include a start and end date and nominate a lead officer to be the contract owner, responsible for monitoring.</p> <p>The contracts register should be reported to Governors annually to approve, specifically the rollover of annual contracts.</p> <p>The school should periodically market test service areas to ensure rolled over contracts still offer value for money. Any performance issues, derived from monitoring, should be included in the annual review.</p>	2	<p>The Finance Officer has organised a new 'Service Contracts List' which will be used to ensure all contracts are reviewed prior to expiry and this will be discussed at Resources meeting each September.</p> <p>As above.</p> <p>These contracts will be discussed and reviewed as and when required.</p>	<p>Finance Officer</p> <p>Finance Officer / Head Teacher</p> <p>Finance Officer / Head Teacher</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p>

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	The imprest account should be independently reconciled and certified as correct as at 31st March each year.	3	This will be actioned with the March bank reconciliation each year.	Finance Officer / Head Teacher	Completed
	The petty cash transactions should be limited to £30 to comply with the schools scheme of delegation; an agreed exception should be authorised at an appropriate level.		This has been noted.	Finance Officer	Completed

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	Develop the Debtors function on SIMS to improve accountability and control. Utilise the aged debtors report to collect and recover all income due in a timely manner.	2	Finance Officer has requested this facility to be set up by SFT on their next visit.	Finance Officer	2 months
	Raise invoices for all income due.		As above.	Finance Officer	As above
	If fees and charges are not applied the Chair of Governors should authorise the application to endorse the discretionary charge and/or arrangement.		This has been noted and any discretionary reductions will be authorised by Governors in future.	Finance Officer / Head Teacher	Completed
	All lettings should be formalised and external hirers should complete an authorised application form.		Letting policy has been reviewed and new application forms introduced.	Finance Officer	Completed

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	The cash flow statement enables the school to monitor actual spend and income against projected and is therefore an important report to identify remedial action required and to identify errors. Any variance should be investigated and explained	3	The Excel formula error has been amended, and future variances will be investigated and explained.	Finance Officer / Head Teacher	Completed

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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.



FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF MARJORIE MCCLURE SCHOOL AUDIT FOR 2015-16

Issued to: Head Teacher
Cc: School Business Manager
Chair of Governors (Final only)
Schools Finance Team (Final only)

Prepared by: Principal Auditor

Date of Issue: 19th January 2016

Report No.: ECH/SP3/01/2015

REVIEW OF MARJORIE MCCLURE SCHOOL AUDIT FOR 2015-6

INTRODUCTION

1. This report sets out the results of our systems based audit of Marjorie McClure School Audit for 2015-6. The audit was carried out in quarter 3 as part of the programmed work specified in the 2015/16 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 16th November 2015. The period covered by this report is from November 2014 to 26th November 2015.

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 Financial Management, Asset Management however there were elements of Governance Arrangements that need to be considered. Similarly controls were working well for income, petty cash, bank reconciliations and school meals however there were issues arising for expenditure, purchase cards and the contract register, summarised as follows: -
 - The asset register for IT equipment was available on a shared area, not password protected
 - The scheme of delegation had not been approved by Governors annually
 - Governors had not completed a pecuniary interest form and the opportunity to declare interests was not minuted for the Finance Committee meeting.

REVIEW OF MARJORIE MCCLURE SCHOOL AUDIT FOR 2015-6

- Additional expenditure was not supported by an adequate audit trail to support the variation; Separation of duties was not achieved when the school used the non-order requisition; no unique invoice reference detailed on the invoice and payment made on a pro forma invoice that cannot be used to recover VAT.
- Reconciliation of the procurement card statement did not identify an error between the authorised order and statement; procurement from online sites may include excessive postage and packing and non VAT invoices being the supporting documentation, preventing the VAT to be recovered which impacts on value for money.
- The list of contracts and SLA's is used for budget purposes and does not include start and end dates.

SIGNIFICANT FINDINGS (PRIORITY 1)

6. None

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

7. 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

8. 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

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	The IT equipment is held on an excel spread sheet in the shared area, managed by the Deputy Head. The document is not password protected. Short term loans are supported by a manual form signed and dated by the borrower.	Assets may be altered by any party which could compromise the register.	The asset register for IT equipment should be secured on the shared area by applying password protection to the document. [Priority 3]
2	The Scheme of delegation was last updated in January 2014 and although there have been no changes to the structure or procedures, the document is not formally approved by Governors annually.	Financial delegation may not be adequate	The Scheme of Delegation should be presented to Governors annually to minute their approval of the document. [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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>There was no minuted confirmation that Governors were asked to declare any pecuniary interests for the Finance meetings.</p> <p>The 12/10/15 minutes recorded that a Governor had joined this meeting as the appointed Governor had left and therefore would mean that this Committee was served by staff governors only.</p> <p>Governors had not signed a declaration of pecuniary interests.</p>	<p>Financial delegation may not be adequate</p>	<p>The Finance Committee must include a non-staff Governor to ensure an adequate level of scrutiny from an external Governor, independent to the school.</p> <p>All governors, who have not already completed a pecuniary interest form, should be asked to complete the declaration annually. A copy of the form should be held on site.</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
4.	<p>A sample of 20 payments was selected from the Bank History report November 2014 to November 2015. The main issues arising were:-</p> <ul style="list-style-type: none"> For 2/20 payments (Contractor A -£773.14 and Contractor B - £874.38) additional work had been carried out (20% and 14% variance) but this had not been recorded on the purchase order to allow an adequate audit trail to support the variation. For 1/20 payments (Contractor C - £1650) there was insufficient information on the invoice - no unique identification number has been detailed as required by gov.uk guidelines. For 1/20 payments (Contractor D - £7861.68) payment has been made against a pro forma invoice. The school should have paid the gross amount then requested a VAT invoice. For 3/20 non order payments, separation of duties has not been achieved as the H/T has signed both the requisition and the invoice. 	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures.</p>	<p>The school should evidence adequate separation of duties, specifically for non-order payments.</p> <p>Any variation to the original order should be detailed on the purchase order to evidence an adequate audit trail.</p> <p>The correct procedures should be followed to process pro forma invoices.</p> <p>The supplier invoice should comply with standard accounting conventions and record a unique reference number. [Priority 2]</p>

Project Code: ECH/SP3/01/2015

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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 September statement for the two purchase cards was selected. A total spend of £2,467.02, relating to 8 transactions was checked to the requisition authorised by the H/T and the supporting documentation.</p> <p>1/8 transaction, statement value £144 did not agree to the supporting documentation of value of £120. Further checking verified the actual cost of £144; this should have been identified as an error when the statement was reconciled.</p> <p>1/8 transaction related to the purchase of a camera from Supplier A. In this case there was a VAT invoice to support the school claiming back the VAT element however the Business Manager confirmed that a recent purchase from Supplier A was being held as the only supporting documentation was the non VAT invoice.</p>	<p>Payments may not be made in compliance with Financial Regulations and the Schools own procedures.</p>	<p>The security and financial management of the purchase cards is well controlled, however the reconciliation of the statement to the authorised requisition and supporting documentation should have identified the error.</p> <p>It is suggested that all staff be reminded that when using Supplier A they should consider postage costs and the location of the supplier for recovering VAT, both of which would have value for money implications.</p> <p>[Priority 3]</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	The Business Manager maintains a list of contracts and SLA's for budget purposes, however there is no formal contract register to detail start and end dates.	Contracts may be let without following proper procedures and/or rolled over without proper approval.	<p>The contract register should detail all contracts and agreements held by the school. The start and end date will enable Governors to identify contracts due to expire and ensure action is taken to terminate, extend or retender in a timely manner.</p> <p>Identifying a lead officer for each contract will promote ownership and facilitate effective contract monitoring.</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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	The asset register for IT equipment should be secured on the shared area by applying password protection to the document.	3	Raised with assistant headteacher, they will ensure only assessment room staff have access, and password protect it.	Assistant Head	By Easter 2016
2	The Scheme of Delegation should be presented to Governors annually to minuted their approval of the document.	3	Discussed at governors focus meeting 18.1.16, and at previous SLT meeting	Admin Team	For next academic year 2016

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>The Finance Committee must include a non-staff Governor to ensure an adequate level of scrutiny from an external Governor, independent to the school.</p> <p>All governors, who have not already completed a pecuniary interest form, should be asked to complete the declaration annually. A copy of the form should be held on site.</p>	2	At governors focus meeting 18.1.16 Governor A agreed to be on this committee	<p>Governors</p> <p>Admin Team</p>	<p>Already completed</p> <p>Already completed</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
4	<p>The school should evidence adequate separation of duties, specifically for non-order payments.</p> <p>Any variation to the original order should be detailed on the purchase order to evidence an adequate audit trail.</p> <p>The correct procedures should be followed to process pro forma invoices.</p> <p>The supplier invoice should comply with standard accounting conventions and record a unique reference number.</p>	2	<p>Discussed at governors focus meeting 18.1.16. This will be reviewed as we have limited signatories.</p> <p>Noted</p> <p>Noted</p> <p>Providers will be told again, we will not accept invoices without an invoice no.</p>	<p>Governors</p> <p>School Business Manager</p> <p>School Business Manager</p> <p>School Business Manager</p>	<p>In next academic year</p> <p>Immediate</p> <p>Immediate</p> <p>immediate</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
5	<p>The security and financial management of the purchase cards is well controlled, however the reconciliation of the statement to the authorised requisition and supporting documentation should have identified the error.</p> <p>It is suggested that all staff be reminded that when using Supplier A they should consider postage costs and the location of the supplier for recovering VAT, both of which would have value for money implications.</p>	3	<p>On-off error on manual record. Computer record was correct.</p> <p>All staff reminded. No payments reimbursed without vat invoice.</p>	<p>School Business Manager</p> <p>School Business Manager</p>	<p>Immediate</p> <p>immediate</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>The contract register should detail all contracts and agreements held by the school. The start and end date will enable Governors to identify contracts due to expire and ensure action is taken to terminate, extend or retender in a timely manner.</p> <p>Identifying a lead officer for each contract will promote ownership and facilitate effective contract monitoring.</p>	2	<p>Contracts are only rolled over after governor approval, either at the beginning of financial year or academic year. Most contracts are annual. This is minuted.</p> <p>School business manager is the lead officer for all contracts but discussion/liason takes place with those who are involved in the contracts, i.e. I.T. P.E.</p>	School Business Manager	Summer 2016

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.

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVE'S DEPARTMENT

REVIEW OF NNDR AUDIT FOR 2015-16

Issued to: John Nightingale, Head of Revenues and Benefits

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

Prepared by: Auditor, London Borough of Wandsworth

Date of Issue: 24th December 2015

Report No: CX/006/01/2015

REVIEW OF NNDR AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of NNDR for 2015-16. The audit was carried out in quarter Q3 as part of the programmed work specified in the 2015-16 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 23/07/15. The period covered by this report is from 01/09/14 to 31/07/15.
4. The total amount of business rate bills raised at 31 March 2015 was £90 million, with collection rate for 2014-15 at 98.80% (against a target of 99.30%). Business rates in-year collection as at June 2015 is at 31.23%, which is 0.97% below June target of 32%. However, examination of the Revenue Service monitoring report identified part of the reasons for reduced collection was the removal of some mandatory reliefs and changes in legislation which allowed rate payer to make payments over 12 months.

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 satisfactory assurance can be placed on the effectiveness of the controls over the area that were tested. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

REVIEW OF NNDR AUDIT FOR 2015-16

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

- Valuations of properties are accurate based on details provided by the Valuation Office
- Calculations of transitional reliefs are accurate
- Applications for discretionary, mandatory and flood reliefs are assessed appropriately
- Bills are issued for all eligible properties
- Empty properties were regularly inspected

8. However, we would like to draw to Manager's attention the following issues:

- The absence of periodic review means that small business rate reliefs could be awarded where they may no longer be entitled.
- Sufficient recovery actions are not always being taken and details of actions being taken are not always recorded

SIGNIFICANT FINDINGS (PRIORITY 1)

9. No significant findings were identified during 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

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

DETAILED FINDING

No.	Findings	Risk	Recommendation
1	<p>Small Business Rate Relief Examination of a sample of 10 cases with small business rate relief identified six instances where up-to-date application forms could not be evidenced. Furthermore, there is no evidence of any records of periodic checks being carried out. This relates to account ref: A – latest application period: 03/12/2009-31/03/2010 B – latest application period: 12/06/2013-01/04/2014 C – latest application period: 22/08/2013-01/04/2014 D – latest application period: 02/05/2013-01/04/2014 E – latest application period: 02/05/2007-01/04/2008 F – no application/review documents were held on Anite, however, SBR was still applied.</p>	<p>Relief may be awarded to properties that are not eligible. Where business has ceased trading the property owner becomes liable and proportion money paid could come back to the local authority.</p>	<p>Where relief extends beyond a year you should consider an annual review of ongoing entitlement. [Priority 3]</p>

MANAGEMENT ACTION PLAN

No.	Findings	Risk	Recommendation
2	<p>Recovery Testing of a sample of ten recovery cases including special arrangements found three instances where recovery actions have not been taken in accordance with the SLA.</p> <ul style="list-style-type: none"> Account ref 1: It is noted that the liability order was issued on 28/08/2015 and Bailiff appointed on 16/09/2015, which is not within seven days of liability order being issued. According to SLA (2.17.38) “where customers have made no contact since court hearing liability order should be passed to Bailiffs within seven days of the hearing date”. Furthermore, account notes are not regularly updated and correspondence is not documented in Anite (Account notes last updated on 24/07/2015.) Account ref 2: A liability order had been issued for the outstanding balance of £5,080 from 2014/15, Whilst the balance is still outstanding the rate payer has now been summoned to the Magistrate Court for another payment of £6,574 (balance outstanding for 2015/16). No evidence of arrangements being made to recover the outstanding amount. It is acknowledged that several attempts have been made to identify the liable party and a “high end recovery” option is being considered due to long standing landlord and ratepayer dispute. 	<p>Business rate income due to the authority not being collected and contractor not taking required action.</p>	<p>Ensure sufficient recovery actions are taken in accordance with the SLA to collect outstanding amounts.</p> <p>Cases requiring bailiff / debt collector action should be requested promptly.</p> <p>[Priority 2]</p>

MANAGEMENT ACTION PLAN

No.	Findings	Risk	Recommendation
	<ul style="list-style-type: none"> Account ref 3: A liability order of £14,100.62 is outstanding from 04/09/2014. It was identified that only two reminders have since been issued to the rate payer (date of last reminder 11/07/2015). However, the liable party had gone away and the company has been dissolved so write-off action will be required. 		

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Where relief extends beyond a year you should consider an annual review of ongoing entitlement.	3	There is no requirement under the legislation or contained in SLA to provide periodic checks.	Head of Revenues and Benefits	Ongoing

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	<p>Ensure sufficient recovery actions are taken in accordance with the SLA to collect outstanding amounts.</p> <p>Cases requiring bailiff / debt collector action should be requested promptly.</p>	2	<p>Please find below notes indicating appropriate recovery action has been taken.</p> <p>Account 1 – Liability order obtained 28/8/15. Sent to EA 16/9/15. Controls now in place to ensure cases referred within 7days</p> <p>Account 2 – notepad entry 15/10/14 advising landlord confirms ratepayer was correct liable person after signing 5year lease in 2002. Account returned by EA as could not be located whereabouts of debtor. Tracing work completed following return of postal documents. Property inspections are undertaken but not successful as void. Attempts recover unpaid debt exhausted. Details on notepad.</p> <p>14/7/15 confirms Locta and Experian checks, both confirm same director address. Long standing landlord and rate payer dispute. High end recovery being considered.</p> <p>Account 3 – LO was obtained 25/9/14. The account was issued to EA on 29/9/14 and returned “gone away” on 13/5/15. Notes on notepad. Company dissolved on 9/6/15 therefore recovery action ceased.</p>	Head of Revenues and Benefits	Ongoing

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 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 AND CARE SERVICES DEPARTMENT

REVIEW OF POVEREST PRIMARY SCHOOL AUDIT FOR 2015-16

Issued to: Mrs. S. Weeks, Head Teacher
Mrs. M. Booker, Chair of Governors
Trina Sweeney, Finance Officer

Prepared by: Principal Auditor

Date of Issue: 12/02/2016

Report No.: CYP/P50/01/2015

REVIEW OF POVEREST PRIMARY SCHOOL AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of **Poverest Primary School Audit for 2015-16**. The audit was carried out in quarter 4 as part of the programmed work specified in the 2015-16 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 23/11/2015. The period covered by this report is from 01/01/2015 to 31/12/2015.

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 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 including budget monitoring, financial reports and returns to the London Borough of Bromley and primary accounting documentation including income, bank reconciliations, purchase cards, imprest payments and school meal accounts. In addition, governance arrangements at the school including Finance Committee meetings, budget approval, and updating DBS checks were also working effectively.

REVIEW OF POVEREST PRIMARY SCHOOL AUDIT FOR 2015-16

7. Our testing identified the following :-

- There were 2 instances where quotes were not sought although the cumulative spent with suppliers were over £5000 over a period of 12 months.
- The Asset Register showed that 30 ipads purchased in November 2015 had not been recorded.
- The school does not hold a copy of the catering contract.
- Payments to contractor A for SEN literacy support - cumulative spent £7755. Any payments to individuals should be supported by the UTR number and a signed declaration that the supplier will pay their own tax and NI. However it should be noted that payment to this type of supplier via invoice rather than payroll is currently under review following an HMRC audit in 2015 and guidance will be issued to all schools in due course.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There are no priority one findings.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. 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

10. 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 Asset Register was reviewed to ensure it is maintained and includes serial numbers. It was noted that 30 ipads purchased in November 2015 were not recorded on the Asset Register.</p>	<p>Loss of assets may not be identified.</p>	<p>Head teacher should ensure that the asset register contains all items worth over £1,000 or desirable and portable.</p> <p>[Priority 2]</p>
2	<p>A sample of 20 payments was selected from the bank history report for the period 01/01/2015 to 31/12/2015. Testing was undertaken to ensure that Quotes or tenders were maintained for all payments over £5,000.</p> <p>For 2/20 suppliers in the sample the cumulative spend for the period 01/01/2015 to 31/12/2015 was more than £5,000. Quotes were not sought for following:</p> <p>Contractor B- cumulative spent £5,038.01 Contractor C - cumulative spent £7107</p> <p>There were two other payments in the sample where the competitive quotes should have been obtained</p>	<p>Value for money may not be achieved</p>	<p>The school should ensure that quotations and tenders where applicable are sought for work which is expected to be over £5000.</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
	Contractor D £41,681 Contractor E £46,344 Both these payments were for emergency work and only single quote was obtained in these instances. These were reported to governors.		
3.	A payment of £6728.63 was made to contractor F for catering services provided in December 2015. It was noted that the School does not hold a copy of contract to check unit price charged on the invoice.	Incorrect price may be charged	A copy of contract for catering should be obtained and retained for information. [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 *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Head teacher should ensure that the asset register contains all items worth over £1,000 or desirable and portable.	2	The missing 30 ipads were on the asset register - they hadn't been allocated to a room at that point.		12/02/2016
2	The school should ensure that quotations and tenders where applicable are sought for work which is expected to be over £5000.	2	Noted – we will now get quotes for works under £5000 incase repeated orders should to amount to this.	Head Teacher	12/02/2016
3	A copy of contract for catering should be obtained and retained for information.	3	Copy was in school but present headteacher wasn't here when obtained. Copy passed to finance.		12/02/2016

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
EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

FOLLOW UP REVIEW OF RED HILL PRIMARY SCHOOL
2015/16

Issued to: Miss C Butcher, Headteacher

Cc: Mrs W Andrews, Chair of Governors (final only)
Schools Finance Team (Final only)

Prepared by: Principal Auditor

Date of Issue: 15th March 2016
Report No.: ECH/P54/01/2015

INTRODUCTION

1. This report sets out the results of our systems based follow up audit of Red Hill Primary School. The audit was carried out in quarter four as part of the programmed work specified in the 2015/16 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.

AUDIT SCOPE

3. This follow up review considered the Internal Audit report finalised on 28th April 2015 and the progress made to implement the 6 recommendations.

MANAGEMENT SUMMARY

4. At the site visit on the 3rd March 2016 the Finance Manager and School Business Manager satisfactorily evidenced implementation of the 6 recommendations, as detailed in Appendix A. No new issues were arising, although it should be noted that hard copy documents such as the certified asset register should include the print date and any contract monitoring meeting notes should be scanned and stored on a shared area.

SIGNIFICANT FINDINGS (PRIORITY 1)

5. There are no priority one findings to report.

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

6. Appendix A provides information on the recommendations that are being followed-up and the definitions of the priority categories.

ACKNOWLEDGEMENT

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

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
1	Review and update the Scheme of Delegation and present to the Governing Body for approval. This document, as with all policies should be reported to Governors annually.	Scheme of Delegation had been updated in 2010. Discussed at resources committee 3/3/15. To be updated and scheduled for annual review alongside the SFVS review in March.	April 2015	2	Finance Manager(FM)/School Business Manager(SBM) Chair of Finance/Resources Committee	Scheme of Delegation reported to Resources Committee June 2015 and scheduled to be represented to the summer term meeting 2016. Hard copy of the policy signed by the Head Teacher 2016.	Implemented
2	A hard copy of the asset register should be printed off each year for the Head Teacher to certify. The asset register produced is a comprehensive document that is a good base for the school to maintain as an inventory; all new purchases to be added and deletions to be controlled by the office. It is suggested that annually the school take a sample of items to physically check to	Asset register has been printed off and has now been signed by (HT) Annual stock take of classroom furniture/equipment to be undertaken in Easter holidays. Analysis of stocktake and development of programme of replacement Highlight a random 10% sample to physically check Order new/replacement furniture	May 2015	2	FM/Head Teacher(HT) Caretaker(CT) SBM FM	Hard copies of the asset register for 2014 and 2015 were signed by the H/T. It is suggested that the print date be shown on the certified copy. Three areas were selected for a stock takecheck undertaken by the Caretaker in September 2015. All items listed for the ICT suite, cleaners store room and 1 classroom were checked and agreed.	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	<p>support the declaration that the asset register is accurate and complete.</p> <p>A manual loans book would be a more effective record of temporary movement of assets on and off site. Staff should sign for each item removed. Periodically the office should confirm the status of any long outstanding items and check prior to any staff leaving the school.</p>	<p>Introduce manual loans book for all staff – ensure this information is included in Staff Handbook</p> <p>Annual stocktake of all equipment to be undertaken last week of June</p>			<p>FM</p> <p>SBM/FM</p>	<p>Moveable asset items such as i-pads and lap tops are also recorded in a record held by the office. Staff are required to sign for each item allocated and will be reviewed in July. The folder also contains the policy document for correct usage and safeguarding of school property. A separate section records temporary movement of assets off site effectively the manual loans book.</p>	
3	<p>The contract register should detail all contracts and agreements held by the school and ensure that there is a current copy of that contract, signed by both parties. identifying a lead officer for each contract will promote ownership and facilitate effective</p>	<p>Contract register has been written. Now need to ensure we have signed copies of all contracts and SLAs.</p> <p>Planned programme of review</p>	April 2015	2	<p>SBM</p> <p>SBM</p>	<p>The contract register is now a comprehensive record of all contracts and agreements held by the school.</p> <p>The BSM is the nominated contract owner and maintains the register as a moving document.</p> <p>The BSM evidences contract monitoring an example being the weekly meeting with contractor A, the IT support provider. These meetings discuss work to be</p>	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	<p>contract monitoring.</p> <p>The school should identify financial terms and conditions of a contract to ensure that payments are in line with that agreement.</p> <p>The contract register should be reported Governors annually to approve rolling year on year contracts. The register is also to be used as a planning tool to identify contracts due to expire and ensure action is taken to either terminate, extend or retender in a timely manner.</p> <p>The school should consider the possible cost benefits of negotiating contracts for longer periods rather than annual contracts.</p>	<p>Annual analysis of contracts against best value report to Resources Committee</p> <p>Contract register added to Resources Committee agenda for first meeting each term to plan action necessary for any contract renewals.</p>			<p>SBM/FM</p> <p>SBM/Clerk to the Governors</p>	<p>undertaken issues arising and records the fault log. It is suggested that any notes of these meetings be scanned and stored in a shared area.</p> <p>The contract register was reported to Resources 2015, however there is a standing item on each agenda to identify contracts approaching renewal, allowing Governors sufficient time to consider action.</p> <p>The contracts have been subject to market testing, a recent example being the grounds maintenance contract. Similarly length of contract has also been considered but needs to be in line with other long term plans for the school.</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
4	<p>The scheme of delegation should be reviewed and updated to consider the new office structure, financial limitations within Financial Regulations and the use of the purchase card. The scheme of delegation should be approved by Governors and then reported annually as a standard item.</p> <p>All expenditure should be supported by an authorised order or contract, specifying the terms and conditions of payment.</p> <p>Expenditure exceeding £5K must be supported by 3 competitive quotes sourced from separate suppliers. The quotes should be available on site and any variation to the</p>	<p>Scheme of Delegation to include: Use of school credit card and associated financial limits along with review of cardholders Addition of School Business Manager to SoD.</p> <p>Ensure all staff are clear that services also need three competitive quotes and this should be planned into the contract register.</p>	April 2015	2	<p>H/T SBM/FM</p> <p>SBM/FM</p>	<p>As discussed in 1 above scheme of delegation, reviewed, updated and agreed by Governors.</p> <p>FO confirmed that a purchase order is raised in all appropriate cases. This was a minor finding in the original report given it related to 1/20 payments tested.</p> <p>The original finding related to quotes sourced by the property management contractor; project documentation is now complete.</p>	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	<p>original specification should be clearly documented and authorised.</p> <p>Rolling year on year contracts should be subject to periodic market testing to evidence value for money in a competitive market. A signed copy of a service level agreement should be available on site. All financial terms should be available to the FO to ensure invoices reflect agreed terms.</p> <p>Regular review of the contract register should ensure that contracts are retendered or formally extended in a timely manner.</p> <p>Variations to project specifications should be adequately</p>	<p>Now built into contract register and part of annual best value analysis.</p> <p>All invoices will be checked against original quotation/tender – where there is a difference, invoices will be annotated and</p>			<p>SBM/FM</p> <p>FM/Chairs of Finance/Resource Committees</p>	<p>The original finding related to the SLA with the Property Management contractor, the 10% discount was correctly applied.</p> <p>The contract register has been discussed in recommendation 3 above.</p> <p>FM and BSM confirmed that variations to order are now annotated and authorised to</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	<p>documented to support payment.</p> <p>Payments should be made within 30 days of the invoice date.</p> <p>The scheme of delegation should ensure adequate provision of authorising officers to ensure that the Head teacher does not sign the invoice having certified the order. Financial Regulations with regard to separation of duties must be adhered to.</p>	<p>where there is a significant difference (level to be agreed by resources committee) – authorisation from resources governors will be sought.</p> <p>This related to one incident where the quality of product was being queried with the company. Records of the query will be kept with the invoice for future reference.</p> <p>This happened on one occasion. In future, another member of staff will be asked to countersign.</p>			<p>H/T/FM</p> <p>FM</p>	<p>provide an adequate audit trail. Officers cited the recent refurbishment of the school hall as a project that had been varied.</p> <p>The scheme of delegation has been revised to include the SBM, financial limits, offers adequate separation of duties for authorising officers and is compliant to Financial Regulations.</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
5	The school should ensure that all hirers complete an application form that is then authorised by the Headteacher. The school should ensure that the letting is supported by adequate insurance. As the lettings function is developed, the school should ensure that hirers pay in a timely manner, prior to the let or at agreed payment dates for termly lets.	The lettings process is being reviewed to ensure application form is signed. Process to include: Review of insurance provision; Review of induction procedures for new hirers; Established agreed payment dates and monitoring of payments;	May 2015	2	SBM/FM/HT	The lettings policy and fees and charges was reported to Resources Committee November 2014. Currently being reviewed and will be on the agenda for the 23/3/16 meeting. The school will consider revised fees to reflect areas for hire in the school. Hirers currently pay a charge based on actual pupil attendance and then raise the invoice. Based on the usage data collected over the last 12 months of operation the BSM will review income and consider collecting a fixed fee in advance, eliminating the admin costs of checking the registers. Current lettings folder was reviewed and evidenced that applications were signed by the H/T and a copy of public liability insurance attached.	Implemented
6	Review the unreconciled items list and investigate any payments exceeding 6 months to either reissue or write back to school funds.	Now built into monthly bank reconciliation returns	3	April 2015	FM	Bank reconciliation for January 2016 reviewed and confirmed that there were no unreconciled cheques over 6 months.	Implemented

Definition of priority categories.

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**

FINAL INTERNAL AUDIT REPORT

EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

**FOLLOW UP REVIEW OF SOUTHBOROUGH PRIMARY SCHOOL
2015/16**

Issued to: Mr P Foley, Head Teacher
Cc Mr C Edmunds, Chair of Governors
Schools Finance Team, (final report only)

Prepared by: Principal Auditor

Date of Issue: 8th March 2016
Report No.: ECH/P15/01/2015

INTRODUCTION

1. This report sets out the results of our systems based follow up audit of Southborough Primary School. The audit was carried out in quarter four as part of the programmed work specified in the 2015/16 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.

AUDIT SCOPE

3. This follow up review considered the Internal Audit report finalised on 11th September 2014 and the progress made to implement the 7 recommendations. The original report had identified a priority 1 finding, relating to bank reconciliation and credit card payments, which had been reviewed and reported as implemented to the Audit Sub Committee on 1st April 2015.
4. The Schools Finance Team (SFT) was asked to undertake an audit in September 2015 suggested 6 areas for improvement. In consultation with SFT it was agreed that these issues would also be followed as part of this review.

MANAGEMENT SUMMARY

5. At the site visit on the 3rd March 2016 the School Business Manager (SBM) satisfactorily evidenced implementation of the 7 recommendations identified in the Internal Audit Report dated 11th September 2014, detailed at appendix A. There are minor points detailed in the follow up comments for the school to consider. The 6 areas of improvement identified by SFT in September 2015 are shown at Appendix B; all 6 have been progressed to implementation.
6. No new issues were arising from the follow up site visit.

SIGNIFICANT FINDINGS (PRIORITY 1)

7. There are no priority one findings to report.

DETAILED FINDINGS/MANAGEMENT ACTION PLAN

8. Appendix A provides information on the Internal Audit recommendations that are being followed-up, Appendix B the areas for improvement reported by SFT and Appendix C give definitions of the priority categories.

ACKNOWLEDGEMENT

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

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
1	<p>Ensure orders are raised at the time of commitment to spend, when necessary, as defined in Financial Regulation for Schools and Colleges, Reg 5.</p> <p>Ensure payments [cheques] are made on receipt of an invoice as defined in Financial Regulation for Schools and Colleges, Reg 7.1.2</p>	<p>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.</p> <p>Additionally, communication regarding verbal agreements on bought in services by SLT and other staff via use of order requisition is being instigated.</p> <p>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</p>	Sept 2014	2	School Business Manager (SBM)/Finance Officer	Purchase orders are raised as the expenditure is committed; Finance officers regularly communicate the need to be made aware of all procurement through staff meetings and Senior Leadership Team (SLT) updates.	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
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>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>	September 2014	<p>2</p> <p>3</p>	Head Teacher/SLT/SBM	<p>This finding related to the agreement with an external consultant to support school maintenance projects. Since the audit the school stopped procuring services from this contractor and has appointed an experienced site manager who is responsible for this area of work including seeking quotes and tenders complaint to Financial Regulations.</p>	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
3	<p>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</p> <p>Ensure all petty cash authorisation / receipt forms are properly authorised</p>	<p>In response to audit report and the closure of the bank in Petts Wood, management will recommend that Governors to approve closure of Petty Cash Account.</p> <p>See above</p>	October 2014	2	Governors	<p>The school does not operate a petty cash. Staff expenses are reimbursed by manual cheque raised against the main school account. All other cheques are produced by the system.</p> <p>Staff will complete a claim form, attaching the receipt and certified by the Head Teacher. The manual cheque book is secured in the safe, checked at the site visit to confirm that no cheques had been pre-signed.</p>	Implemented
4	<p>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 meaningful and any discrepancies between bank / credit</p>	<p>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 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>	September 2014	1	Head Teacher/SBM	<p>As a priority 1 recommendation this was reported to Audit Sub Committee in November 2014. Members were informed at the meeting in April 2015 that the recommendation had been satisfactorily implemented. Controls had been improved as follows:-</p> <ul style="list-style-type: none"> - Upgraded support from the Schools Finance Team (SFT) from bronze to gold service. Additional support has been purchased from 	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
	<p>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 system and bank statements in the future</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 arranged.</p>				<p>SFT to focus on other areas such as benchmarking.</p> <ul style="list-style-type: none"> - Use of pre-printed cheques to reduce the risk of human error - Adopting the use of LA procedures for procurement cards. - Following a change in staffing, the bank reconciliations and procurement card reconciliations are now being carried out by the School Business Manager. - The SFT have confirmed that all bank reconciliations are up to date and that there have been no further errors. <p>Given the improved controls, the recommendation was removed from the Priority 1 rolling list in April 2015.</p> <p>At the site visit on the 3.3.16 the mandate forms for the two credit card users were evidenced and</p>	

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
						<p>the procedures for their use. The monthly credit card reconciliation, Head Teacher/budget holder authorisation and supporting documents were evidenced for January 2016.</p> <p>As previously stated the school now use system printed cheques.</p>	
5	Ensure the draft scheme of delegation is agreed by governors	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.	Dec 2014	2	Governors	The scheme of delegation was agreed at Resources Committee March 2015. The policy will now be presented to Governors annually and was on the agenda for the resources meeting of the 29.2.16. It was suggested that for this and all policy documents the date of review, revision and updates are incorporated in the footer and that the retained hard copy show the print date.	Implemented
6	Ensure the schools financial procedures are reviewed and formally approved by governors	Schools financial procedures will be updated and presented to Governors for their approval.	Nov 2014	2	SBM/Head Teacher	It was agreed that the scheme of delegation represents the strategic management of school finances whereas the financial procedures are operational. The SBM evidenced procedure notes to cover all aspects of financial practice undertaken by the team.	Implemented

No	Recommendation	Management Comment	Target Date	Priority	Responsibility	Follow-up comments	Status
7	Ensure the school appoints an appropriate clerk to governors	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.	Sept 2014	2	Head Teacher/Chair of Governors	SBM confirmed that the school have engaged an independent clerk to governors. The payment of this officer will need to be reviewed as she currently submits invoices. Discussion with SFT had indicated that the role of clerk to the governors had been subject to the single status review and should be paid at a standard Bromley grade.	Implemented but consider the engagement of the Clerk of Governors.

No	Areas for Improvement (SFT) report September 2015)	Follow-up comments	Status
8	Monthly payroll reconciliations should be signed as checked by the business manager and authorised by the Head Teacher	SBM signs completion of the monthly payroll prior to the certification by the Head Teacher. The signatures on the January 2016 payroll report was checked and verified.	Implemented
9	The school meals system should accurately reflect current meal debts	<p>As at 3.3.16 there were 63 debts relating to school meals, totaling £850. The SBM evidenced an awareness of the higher debts for two families not currently at the school but likely to return. Finance staff will text, e-mail or phone families in debt to monitor arrear levels and recover promptly.</p> <p>Following the audit, Governors at the Resources meeting on 22.6.15 were requested to write off £351 aged debts for meals. At the Governing Body meeting on the 5.10.15, Governors acknowledged the write offs and the improvements made to monitor meals debt.</p>	Implemented
10	Budget holders should advise staff to raise orders at the time of commitment to spend to ensure accurate financial reporting.	As discussed in recommendation 1 above, all staff are regularly reminded to advise Finance Officer before expenditure is committed.	Implemented
11	In order to ensure best value, at least three competitive quotes must be obtained in writing or via e-mail where costs exceed £5K.	<p>This finding related to a payment of £9,900 to Contractor A. The SBM confirmed the procured project is still ongoing and no further payments have been made.</p> <p>In this instance the contractor secured funding for the school and as per the signed SLA was engaged to deliver the project. Had the SLA not included this clause. the school would have been expected to comply with Financial Regulations and obtain three quotes to evidence value for money. Although this funding was sourced outside of school budget share, the procurement for ring fenced funding should still comply with Financial Regulations.</p>	Implemented
5	SLA's should be signed by the supplier and the school prior to commencement of contracting arrangements.	The SLA relates to the project delivered by contractor A. The SLA for 2013 was signed by both parties; the current SLA signed July 2014 relates to the project planned to end June 16. The school is asked to consider the use of a consultant to complete an application for funding in the first instance and to be aware of the rigidity of the conditions imposed by that consultant. As with any contract the school should evidence performance monitoring to be considered before the contract is retendered or awarded.	Implemented

No	Areas for Improvement (SFT) report September 2015)	Follow-up comments	Status
6	Invoices should be appropriately authorised before payment is made.	The Head Teacher, Deputy Head and Assistant Head are authorised to sign off invoices once the appropriate checks have been completed. Authorising officers are aware that separation of duties must be achieved, specifically for invoices for expenses relating to those officers.	Implemented

Definition of priority categories.

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

FINAL INTERNAL AUDIT REPORT

ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT

REVIEW OF CAR PARKING INCOME-MULTI-STOREY AND ON STREET AUDIT FOR 2014-15

Issued to: Contract & Operations Manager,
Head of Shared Parking Services,
Head of Finance, Environment & Community Services,

Cc: Assistant Director, Transport & Highways,

Prepared by: Principal Auditor.

Date of Issue: December 9th 2015

Report No.: ENV/004/01/2014.bf

REVIEW OF CAR PARKING - INCOME-MULTI-STOREY AND ON STREET AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of **Car Parking - Income-Multi-Storey and On Street Audit for 2014-15** . The audit was carried out in quarter 2 as part of the programmed work specified in the 2015 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. The period covered by this report is from **April 2014 to March 2015**.
4. For 2014-15 the total controllable budget for off street car parking was £1,859,430 and the total controllable budget for on street parking was £2,101,770.

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. The audit concentrated on the following areas:-
 - Cash collection procedures
 - Shared services arrangement
 - Contract Monitoring
 - Car parking income reconciliations
 - Discrepancies
8. The previous audit recommendations were also reviewed to confirm implementation. These related to :-
 - Procedures
 - Reconciliations
 - Mystery shopping exercises in relation to the parking charges paid via mobile phones.
9. It was previously agreed by management that these mystery shopping exercises should be undertaken monthly and raised in previous audits. The Head of Service sought advice from Internal Audit regarding the necessity of undertaking these checks. It was suggested that these checks should be undertaken quarterly or every 6 months, but this balanced with resources, should be a management decision.

SIGNIFICANT FINDINGS (PRIORITY 1)

10. None.

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>As detailed within the Bromley Parking Income procedures (1st April 2015), the Reconciliation Officer (RO) will review each Monday the last daily cash collections and any variation amounts over £5 and will place these details within the daily cash shortfalls spreadsheet awaiting an updated email by the contractor senior engineer. The contractor will then investigate any variation over £5 and advise the RO & Contract Manager by email detailing why a variation has occurred or they have investigated and cannot confirm why this variation has occurred.</p> <p>Any unexplained variations should be investigated by the Reconciliation Officer and if unable to supply details as to why there is a difference and report such details to the Contracts Manager for further investigation.</p> <p>Having reviewed the daily cash collections for Car Park A and Car Park B- it can be seen that for week commencing 14/2/15 there are a few shortfalls.</p> <p>Car Park A £7.20 shortfall 14/2/15. The explanation from the contractor was that there were 'no issues and looking at the diverter again sending money to</p>	<p>Unexplained losses could recur at a cost to the Authority.</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>hoppers and registering on box'.</p> <p>Car Park A £120.00 shortfall 20/2/15. The explanation from the contractor was that this was due to the audit id changing causing issues and refers to the 31st October 2014. The 'Short and Over Not less than £5' report for Week 47 states that they are still working on all the issues'.</p> <p>Car Park A £200.00 shortfall 20/2/15.The explanation from the contractor was that this was due to the audit id changing causing issues and refers to the 31st October 2014.The 'Short and Over Not less than £5' report for Week 47 states that they are still working on all the issues. An extract of the report for the 31/10/14 states that ' the I Car Park A was over by £159.35 this is mostly due to machine resetting its id audit number that it gives us when we pull the machine, but this has affected the figures in some way.'</p> <p>Car Park B £6.00 shortfall 14/2/15.The explanation from the contractor was that there were 'no issues and looking at the diverter again sending money to hoppers and registering on box'.</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>From reviewing the information regarding the discrepancies it is also noted that any large discrepancies are not discussed at the contract monitoring meetings.</p>		<p>Large discrepancies within daily/weekly collections totalling £100 or more should be discussed at the monthly contract monitoring meetings. Any email correspondence from the contractor relating to the discrepancies should be held with the short and over not less than £5.00 reports.</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
2	<p>The daily cash collections for the Car Park A and Car Park B were reviewed for the period 14-2-15 to 20-2-15 inclusive.</p> <p>For the Car Park B there were no issues arising for this period, all audit tickets were located.</p> <p>For the Car Park A it was found that for this period that in total there were 11 audit tickets not available for review at the time of testing totalling a value of £ 6,553.40.</p>	<p>Unable to verify actual daily cash collection figures.</p>	<p>Audit Tickets must be retained in order to verify cash collected. The value of the missing tickets total £6,553.40 collectively and this income cannot be verified as correct. The missing tickets should be located without delay.</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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Large discrepancies within daily/weekly collections totalling £100 or more should be discussed at the monthly contract monitoring meetings. Any email correspondence from the contractor relating to the discrepancies should be held with the short and over not less than £5.00 reports.</p>	2	<p>This will be introduced in to the contract meeting as from Jan 16.</p>	<p>Contracts & Operations Manager.</p>	<p>Jan 2016</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
2	Audit Tickets must be retained in order to verify income. The missing tickets should be located without delay.	2	There was some confusion as the supply of these audit tickets as they were thought to have been provided. However in trying to locate them again it can be seen that the requested dates are the only tickets missing for this month. The actual tickets are a printout of the systems data, which can be viewed via the Parkeon & Parkare system so can be reproduced via the system data. Their function is mainly to provide a physical verification from the cash collectors via the machine to the cashiers, confirming exactly what the machine advises as the total amounts collected. The income can be verified as the correct amount via the Web based systems.	Contracts & Operations Manager.	Ongoing

Priority 1
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Priority 2
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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 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
REGENERATION & TRANSFORMATION DEPARTMENT

SECTION 106 AGREEMENTS AUDIT FOR 2015-16

Issued to: Director of Regeneration and Transformation (Final Only)
Chief Planner
Development Control Manager
Head of Finance, Renewal & Recreation
Team Leader, Planning, Litigation & Licensing

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

Date of Issue: January 26th 2016

Report No.: CX/086/01/2015

SECTION 106 AGREEMENTS AUDIT 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of Section 106 agreements. The audit was part of the programmed work specified in the 2015-16 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. Section 106 of the Town and Country Planning Act 1990 (as amended) enables the local authorities to make agreements with applicants to secure benefits relating to the granting of planning permission. They are made for the benefit of future occupants of new developments and also for the benefit of existing residents in the vicinity of new developments.
3. The unspent balances of S106 monies as at 23 October 2015 was £4,812,054.
4. 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

5. The scope of the audit is detailed in the Terms of Reference issued on 29th September 2015.

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. The audit reviewed controls in the following areas: Policies and Procedures, Recording of S106 Agreements, Determination of Contributions, Monitoring and Receipt and use of Funds.
8. No areas of concern were identified in the following areas:
 - Policies and Procedures;
 - Determination of Contributions;
 - Monitoring; and
 - Receipt and Use of Funds
9. Of the sample of five recent s106 Agreements checked to confirm that a signed legal agreement existed, all were found to be in place and had been signed by both parties. However, there was one agreement that had not been electronically filed on the Council's Planning Applications webpage which are accessible to the public. This has now been rectified as a result of the audit.
10. On checking a sample of 15 s106 agreements to ensure that they had been registered as a Local Land Charge all were found to have been registered. However, although the sample testing found that all the agreements had been registered, there is a risk that an agreement might not be registered. This is because Legal send a hard copy of the S106 agreement to Land Charges via internal mail and it was confirmed by the Team Leader, Planning, Litigation & Licensing that after sending the hard copy, no check is performed to ensure that the charge was actually registered. Therefore, if an agreement was not delivered to Land Charges, or if it was delivered but not actioned, the Council might not have the necessary protection if the s106 agreement is not complied with.
11. It was identified that an invoice for a s106 contribution had been raised in April 2013 for £105k, but it had not yet been paid.

SECTION 106 AGREEMENTS AUDIT 2015-16

12. In respect of confirming that the monies were spent as intended, for the sample of ten examined, the spreadsheet maintained by the Head of Finance, Renewal and Recreation, was examined and where any monies were still outstanding it was confirmed that it was still within the agreed time limit.

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>Public Access to S106 Agreements There was one S106 Agreement, out of a sample of five that had not been electronically filed on the Council’s Planning Applications webpages. It is acknowledged that hard copies are accessible to the public at the Council offices, however, accessing an electronic copy remotely would be an easier and probably more preferred option for any interested parties. The missing S106 Agreement has since been uploaded on to the Planning Applications website as a result of the audit.</p>	<p>If members of the community do not have easy access to agreed planning obligations which may be of interest to them, any concerns about the impact of a new development may not be dispelled and/or the Council is not openly demonstrating that obligations are being used solely for the purpose of making developments acceptable.</p>	<p>A check should be made to ensure that a signed copy of all S106 Agreements are electronically filed on the Council’s Planning Applications webpages.</p> <p>[Priority 3]</p>
2	<p>Registering as a Local Land Charge Although all of the S106 agreements checked were found to have been registered as a Local Land Charge there are no checks to ensure that that the hard copy of agreements were received by Local Land Charges and actually registered.</p>	<p>If a Local land Charge is not registered because a hard copy of a S106 Agreement was mislaid or not properly actioned upon receipt, it may lead to financial loss and/or bad publicity.</p>	<p>A check should be made to ensure that a Local Land Charge has been registered for all S106 agreements.</p> <p>[Priority 2]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>Receipt of Funds An invoice was raised in April 2013 for £105,000, but no payment has been received to date. This has been included as an unpaid invoice in the end of year statement for the last two years.</p>	<p>If S106 contributions are not received, the improvements required to the community infrastructure to meet the needs of residents in new developments and/or to mitigate the impact of new developments upon existing community facilities may not be delivered.</p>	<p>Management should clarify the status of this substantial debt given the time that has evolved since the invoice was first issued in April 2013.</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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	A check should be made to ensure that a signed copy of all S106 Agreements are electronically filed on the Council's Planning Applications webpages.	3	We will modify the system to ensure that all the S106 Agreements appear on the website.	Chief Planner	April 26 th 2016.
2	A check should be made to ensure that a Local Land Charge has been registered for all S106 agreements.	2	We will modify the system to ensure that a Local Land Charge is registered to all S106 agreements.	Chief Planner	April 26 th 2016.
3	Management should clarify the status of this substantial debt given the time that has evolved since the invoice was first issued in April 2013.	2	We will make a final attempt to receive payment then refer this to the Council's Legal team under the terms of the S106 agreement.	Chief Planner	April 26 th 2016.

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

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OPINION DEFINITIONS

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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.

<p>Priority 1 Required to address major weaknesses and should be implemented as soon as possible</p>	<p>Priority 2 Required to address issues which do not represent good practice</p>	<p>Priority 3 Identification of suggested areas for improvement</p>
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