

FINAL INTERNAL AUDIT REPORT

ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT

REVIEW OF LIBRARIES AUDIT FOR 2014-15

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Date of Issue: 09th March 2015

Report No.: ENV/051/01/2014

REVIEW OF LIBRARIES AUDIT FOR 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of Libraries Audit for 2014-15. The audit was carried out in quarter 3 as part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 6th November 2014. The period covered by this report is from January 2013 to November 2014.
4. The budget specifically for Bromley Libraries for 2014/15 is £6,745,720, included within this is an amount of £85,000 payable to Bexley as Bromley's proportion of the Shared Services Agreement.

AUDIT SCOPE

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

AUDIT OPINION

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

MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of:
 - Regular board meetings take place to monitor all shared services activities.

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- Targets as per the shared service agreement are being met.
 - The performance of the Debt Chasing Agency was sufficient to cover costs of referring debt and to ensure stock is being returned.
8. However we would like to draw to Managements attention the following issues:
- Waivers are not being sort for some items of expenditure where providers are the only providers of specialist services.
 - Stock taking reports have not been run.
 - Sufficient controls aren't in place to recover overdue loaned stock
 - Controls are not sufficient to ensure staff do not inappropriately removed stock from the LMS.
 - Controls are not in place to stop customers utilising public access PCs, if they have outstanding fines.

The previous Priority one recommendation which related to controls around the deletion of stock and stock taking controls has been downgraded to a priority 2, based on new controls that exist with the new library Management system.

SIGNIFICANT FINDINGS (PRIORITY 1)

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

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

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

ACKNOWLEDGEMENT

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

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	A sample of 25 debts outstanding were tested to determine if sufficient action is being taken to recover debts. It was identified that in 2 instances staff had renewed loans for customers, despite books being overdue and with fines outstanding.	Controls are not in place to ensure the security of assets.	Staff should be reminded not to automatically renew loans for customers with outstanding fines. [Priority 3]
2	It was acknowledged by the Library Operations and Commissioning Manager that they have not yet begun to chase guardians of children, to recover loaned items and fines, but this will be commencing shortly.	Controls are not in place to ensure the security of assets.	Libraries should consider chasing the parents or guardians of children who have outstanding library loans. [Priority 3]
3	<p>A sample of 25 debts outstanding were tested to determine if sufficient action is being taken to recover debts.</p> <p>Testing of the sample identified that recovery action as per procedures is satisfactorily taking place. With reminder letters being sent and debts being referred to Debt Chasing Agency (DCA) when debts are over 90 days old and £15 in value.</p> <p>However it was identified that the LMS calculates the fine being accrued for missing items, but will not add it to the account until</p>	Controls are not in place to ensure the security of assets.	<p>A standard charge for bill for replacement should be added to those items on the system where there is no value recorded.</p> <p>The LMS should be amended so that the pending fine is added to system, to enable</p>

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Priority 3
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	<p>the outstanding item is returned. Consequently some items will not be referred to the DCA (unless sent manually), where the replacement value of the item and charges for chasing are under £15. Additionally if chased customers will not be told of their levels of fines, until they return stock.</p> <p>It was also identified that when the LMS determines the value of missing stock, it does so by finding the value the items was purchased for. This is not available in all circumstances, which results in no value being added to the system as a bill for replacement (unless added manually, libraries are in the process of adding a standard charge for items where the value is £0).</p> <p>For 2 of the sample it was not possible to determine if the correct recovery action has been taken as the details of the debt have been deleted from the system, owing to the debt being over 6 years old. Discussion with the Stock & Reader Development Manager found that (at present the system is automatically set to delete items after 6 years).</p> <p>Having looked at the performance of the Debt Chasing Agency from 1/07/14 to 31/12/14 415 cases were referred to Unique at</p>		<p>customers to be sent to the DCA when their total debt surpasses £15. [Priority 2]</p>

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	a cost of £3216.25, whilst £4,525.30 of cash has been received and £4885.26 of stock recovered.		
4	A sample of 25 debts outstanding were tested to determine if sufficient action is being taken to recover debts. For 2 of the sample it was not possible to determine if the correct recovery action has been taken as the details of the debt have been deleted from the system, owing to the debt being over 6 years old. Discussion with the Stock & Reader Development Manager found that at present the system is automatically set to delete items after 6 years, without authorisation being required from Management.	Controls are not in place to ensure the security of assets.	The LMS should be amended to stop automatically deleting debt once it has reached 6 years old. Reports should be run on a quarterly basis of debt and stock to be written off and authorised by Libraries Management and the Head of Environment Finance. [Priority 2]
5	Discussed with the Library Operations and Commissioning Manager that it is still the case that users of the library can accrue a fine of up to £10 before they are stopped from loaning further stock. (Though £5 for using PCs). Testing of a sample of 25 outstanding debts found that for the 15 cases where the debt was over £10, the customer had been	Income due is not fully collected and accounted for.	Systems should be put in place to bar customers with fines over £5, from booking and using public access PCs. [Priority 2]

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	barred from borrowing further items. Of the sample 3 debts were between £5 and £10. It was found that these had not been barred from using the Library computers as there was a problem with the two systems not being able to share data.		
6	A cumulative spend report was run for the libraries services and 51 items of expenditure were found of over £10,000. For each of these, it was found that there was either an appropriate contract in place and they had been obtained via the appropriate method, except for two instances where the supplier used was done so because they were the only provider of the service, though a waiver had not been sort for these. (Contractor 1 large print books £36172.87 and Contractor 2 £13312).	Expenditure is not made in compliance with Bromley's Financial Regulations.	Chief Officer approval should be obtained where expenditure is in excess of £5000, where quotes are not obtained. [Priority 2]
7	The new Library Management system is set so that only two members can formally approve the deletion of stock, immediately. Other members of staff can set items to 'withdrawn', and these will be removed after six months, without the need for further approval and all details will be deleted. 4532 items of stock were deleted in December, ie. they were withdrawn in May/June 2014 and have then been deleted in December 2014. Reports can be run each week	Controls are not in place to ensure the security of assets.	Reports should be run and kept by the department of assets that are removed from the system via the 'withdraw' method. This report should include listing the member of staff

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	<p>which will show items that are about to be removed from the system, though at present this is not done.</p> <p>Discussion with the Stock & Reader Development Manager, found that the system is set this way and she does not have the staff or resources to monitor reports to find if staff are removing stock inappropriately.</p>		<p>responsible, catalogue number and reason for withdrawal. [Priority 2*]</p>
8	<p>Reports are being developed to enable stock takes, identify missing stock, stock that is not being loaned out, stock in need of replacement etc. However these have not been introduced yet.</p> <p>Previous reports and processes have not been run, since conversion to the new Library Management System in November 2013.</p>	<p>Controls are not in place to ensure the security of assets.</p>	<p>Reports that identify missing, old, unwanted stock and that which is in transit should be run. [Priority 2]</p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Staff should be reminded not to automatically renew loans for customers with outstanding fines.	3	Controls are in place. Staff Manual SM08B "Suspension of Privileges" covers this. Staff will be reminded of this through the Operations Management Team Meeting and Library Supervisors' Meeting. Senior staff do have discretion to renew if extenuating circumstances are proven.	Library Operations and Commissioning Manager	31 March 2015
2	Libraries should consider chasing the parents or guardians of children who have outstanding library loans.	3	Once the backlog of adult debt chasing has been cleared we can look to introduce this for new cases going forward.	Library Operations and Commissioning Manager Stock & Reader Development Manager	31 st July 2015
3	A standard charge for bill for replacement should be added to those items on the system where there is no value recorded.	2	Standard charges have been agreed for 2015-16. These are currently in the process of being implemented onto the LMS.	Stock & Reader Development Manager	30 th June 2015

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	The LMS should be amended so that the pending fine is added to system, to enable customers to be sent to the DCA when their total debt surpasses £15.		This will require the development of a new export script for the London Libraries Consortium and will incur a cost of at least £1,200. Negotiations are currently being undertaken between LLC, Bexley/Bromley and the IT LMS Contractor as to the feasibility on the current system.	Stock & Reader Development Manager	31 st October 2015
4	The LMS should be amended to stop automatically deleting debt once it has reached 6 years old. Reports should be run on a quarterly basis of debt and stock to be written off and authorised by Libraries Management and the Head of Environment Finance.	2	This is not possible, as it is agreed LLC policy that deletion of debt and overdue stock will be automatically written off and deleted after 6 years. There still needs to be some clarification required for the quarterly write off to comply with financial regulations. Further	Stock & Reader Development Manager	31 st October 2015

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			discussion to be organised with Audit.		
5	Systems should be put in place to bar customers with fines over £5, from booking and using public access PCs.	2	This requires the replacement of all PCs across the entire People's Network installation and a new booking system. This project is currently being costed. As there is no revenue budget for this it will be dependent upon a successful capital bid.	Library Operations and Commissioning Manager	31 st October 2015
6	Waivers should be obtained where expenditure is in excess of £5000, where quotes are not obtained.	2	Current exemption document is not suitable for the annual subscriptions purchased by the Library Service directly with publishers. Contacting Corporate Procurement to progress a more simplified system of waivers to be authorised and registered.	Stock & Reader Development Manager	30 th June 2015

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
7	Reports should be run and kept by the department of assets that are removed from the system via the 'withdraw' method.	2*	The agreed 'Withdrawn' reports will be downloaded monthly and kept on a library shared directory. Advice will be required as to how long these reports are required to be kept.	Stock & Reader Development Manager	31 st March 2015
8	Reports that identify missing, old, unwanted stock and that which is in transit should be run.	2	These are three quite separate reports. 1. Missing stock reports – currently under development with LMS provider. 2. Old / unwanted stock reports – these are provided by stock management tool Collection HQ in process of implementation 3. In transit reports – currently under development with LMS provider	Stock & Reader Development Manager	31 st August 2015

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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.