

FINAL INTERNAL AUDIT REPORT
ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT

REVIEW OF LIBRARIES AUDIT FOR 2015-16

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REVIEW OF LIBRARIES AUDIT FOR 2015-16

INTRODUCTION

1. This report sets out the results of our systems based audit of Libraries Audit 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 08/10/15. The period covered by this report is from 02 November 2014 to 01 November 2015.
4. The revenues budget specifically for Bromley Libraries for 2015/16 is £7,298,520, 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 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
 - Controls are in place to ensure the security of assets.

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- Income due is fully collected and accounted for
8. However we would like to bring to Management's attention the following issues:
- Discrepancies recorded whilst carrying out reconciliations are not uniformly recorded
 - It has still not been possible to add a pending fine to a client's account until they have returned any outstanding items.

It was also found that the previous recommendation relating to preventing customers with a £5 fine from using the internet is currently being progressed for completion with it implemented in one Library and funding received to implement in another 3.

Four outstanding debts were reviewed, where it was identified that the debt to the client was massively distorted due to the bill for replacement being incorrectly added for the item of stock.

SIGNIFICANT FINDINGS (PRIORITY 1)

9. There were no significant findings identified during the 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 20 reconciliations carried out between a system report of expected income against a completed C&D sheet which shows the amount of money at the end of the day was tested from at least one library each in Bromley. It was found that all 20 had been promptly carried out and carried out by two individuals. It was found that there were two discrepancies (one of £5.97 and one of £9.81). Both discrepancies were reported to Management as per procedures and investigated. It was found that the smaller error was due to staff error and foreign coins, whilst the larger error was also due to this and the system crashing and not recording some transactions.	Income due is not fully collected and accounted for.	Any discrepancies in reconciliations should be uniformly recorded. [Priority 3]
2	Discussion with the Stock and Reader Development Manager found that it has not been possible to amend the system to add the pending fine, due to the fact the information for this is held on a different server and would be costly to Bromley to implement the change. Notices sent to customers have been amended to reflect this and now warn customers they will be required to pay an additional fine when they hand stock back.	Controls are not in place to ensure the security of assets.	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. [Priority 2*]
3	A cumulative spend report was run for the libraries services and 51 items of expenditure were found of over £10,000. For	Expenditure is not made in compliance with Bromley's	Chief Officer approval should be obtained where

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
	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 three 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.	Financial Regulations.	expenditure is in excess of £5000, where quotes are not obtained. [Priority 2*]

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
1	Any discrepancies in reconciliations should be uniformly recorded.	3	Issue will be raised at Management Team Meeting	Library Operations & Commissioning Manager	January 16
2	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.	2*	This will be kept under review. As this would really only apply to someone with one item overdue worth less than £15 the cost of implementing it is likely to outweigh the potential benefit.	Library Operations & Commissioning Manager	Ongoing
3	Chief Officer approval should be obtained where expenditure is in excess of £5000, where quotes are not obtained.	2*	Waiver documents are currently with the Head of Finance for approval and this is expected within the next month. Expenditure with one supplier was capital funding for a special project approved by the Executive.	Stock and Reader Development Manager	January 16

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

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.