

## **Slough Borough Council**

Internal Audit Annual Report  
Year ended 31 March 2013

Presented at the CMT meeting of: 29 May 2013  
Updated and presented at the Audit & Risk Committee meeting of:  
25 June 2013

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Head of Internal Audit

# 1 INTERNAL AUDIT OPINION

## 1.1 Context







As the provider of the internal audit service to Slough Borough Council we are required to provide the Section 151 Officer and the Audit Committee an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

As your internal audit provider, the audit opinions that RSM Tenon provides the organisation during the year are part of the framework of assurances that assist the Council prepare an informed annual governance statement.

## 1.2 Internal Audit Opinion 2012/2013

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Slough Borough Council's arrangements.

For the 12 months ended 31 March 2013, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Slough Borough Council's arrangements for governance, risk management and control is as follows:

	Red Amber Green	Direction of travel
<p><b>Governance</b></p> <p>Our audit of governance arrangements within the Council resulted in an amber red opinions being provided. Whilst governance structures and processes are in place, weaknesses were identified in respect of the processes for ensuring that declarations of interests are received by all members and that there is appropriate attendance at some committee meetings.</p>		
<p><b>Risk Management</b></p> <p>The Council currently has in place the basic principles of good risk management in terms of its existing Risk Management Strategy and the approach it is taking to identifying, assessing and managing risk at a strategic operational and project level. However, in order for the Council's risk management to be seen as an adding-value management tool, it is clear that there is further work that can be done to improve both the risk management process and the quality of the information captured and reported.</p>		
<p><b>Control</b></p> <p>From a total of 58 reports issued in 2012/13 including 3 advisory assignments, positive opinions were provided on the effectiveness of the Internal Control framework in 41 of these. Of the 12 red assurance opinion reports issued for the year to date, five of these related to our audits of schools. Whilst our overall opinion of the internal control environment is positive, we have identified significant weaknesses in respect of the following areas:</p> <ul style="list-style-type: none"> <li>- Procurement;</li> <li>- Contract management;</li> <li>- Safeguarding – risk assessments</li> <li>- Asset Management.</li> </ul>		

Appropriate commentary in respect of actions proposed to address these weaknesses should therefore be recorded within the Annual Governance Statement.		
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*Note: The direction of travel arrow indicates whether the change in our opinion related to the previous year is upward (improving), downward (adverse) or static.*

**This represents an unqualified (positive) opinion.**

## 1.3 The Basis of the Opinion

### 1.3.1 Governance

Our review of the Council's governance framework resulted in an amber red (some assurance) opinion being provided. Whilst this represents a positive internal audit opinion over the effectiveness of the governance framework in place, the following weaknesses, which resulted in medium category recommendations, were identified:

- The Council did not have a policy in place that clearly outlined requirements for ensuring the safe and secure communication of Council information that is sent and received by Councillors. Information could potentially be accessed by inappropriate individuals and could potentially damage the reputation of the Council if there is not clear guidance and requirements on the secure communication of information.
- Not all Members had completed and submitted a Declaration of Pecuniary Interest form. If correct practice is not adhered to with regards to declaring interests at meetings there is a potential risk of malpractice being carried out and members utilising their power for their own personal interests.
- Member attendance at some committee meetings was low and failed to reflect their commitment to their role. Non-attendance by an Councillor increases the risk that the views of that Councillor may not be represented which may have an impact on the effectiveness of Committees of the Council and which may also be a disservice to that Councillors Ward.
- Not all members had attended their mandatory induction course. There is a risk that if councillors are not attending training meetings they may not have the skills set or knowledge to effectively carry out their role.

### 1.3.2 Risk Management

Our review of risk management for 2012/13 was undertaken in an advisory capacity. The Council currently has in place the basic principles of good risk management in terms of its existing Risk Management Strategy and the approach it is taking to identifying, assessing and managing risk at a strategic operational and project level. The Risk and Insurance Manager has made good progress in trying to establish a culture of risk management across the Council and has now established a presence on key parts of the governance structure. However, in order for the Council's risk management to be seen as an adding-value management tool, it is clear that there is further work that can be done to improve both the risk management process and the quality of the information captured and reported.

The recommendations identified within this report are focussed on key improvement areas that will help support the further development of risk management at the Council. The key findings:

- Overall, there is a well-established Governance platform supported by some sound methodology that allows for an effective approach to risk management to be in place;
- There is a fully developed Governance Structure that provides a platform for effective risk management challenge and escalation;
- There are working risk registers that capture risk at a Strategic, Operational and Project level;
- Risks appear to be reviewed and updated as part of an on-going process; and
- The electronic risk management system allows for data to be captured in a consistent format as well as provide the ability to access live risk information.

However...

- Risk management is currently not seen as an adding-value tool by the Cabinet or Corporate Management Team and, therefore, not focussed on as a priority;
- A lack of clarity in defined roles and responsibilities is having an impact on the ability to implement effective risk management;
- A more innovative approach to risk management reporting is required to bring risk information to life and ensure it is presented in a format that allows effective check and challenge at all levels;
- The way risk data is captured and recorded is in need of improvement to ensure it is of an appropriate quality; and
- The existing resources available for risk management are limited to an individual and therefore, the ability to implement and embed a Council wide approach to risk management could be constrained.

### 1.3.3 Control

During the 2012/13 year a total of 55 reports were issued where a formal opinion was provided. Of these, a positive opinion was provided in 43 of these, with 7 of these receiving green (substantial assurance) opinions, 16 amber green (reasonable assurance) and 20 amber red (some assurance). However, 12 of the audits undertaken resulted in a red (cannot take assurance) opinion (please note one of the 12 is still in draft). Five of the red opinions relate to audits of schools. We have also issued seven red opinions relating to the Council's control framework:

- Declaration of Interests (Final)
- Business Rates (Final)
- Contract Management (Final)
- Contract Management – Block Nursing Contracts (Final)
- Safeguarding – Risk Assessment Process (Final)
- Procurement – Quarter Four Review (Final)
- Asset Register (Draft – latest version issued 14<sup>th</sup> June 2013)

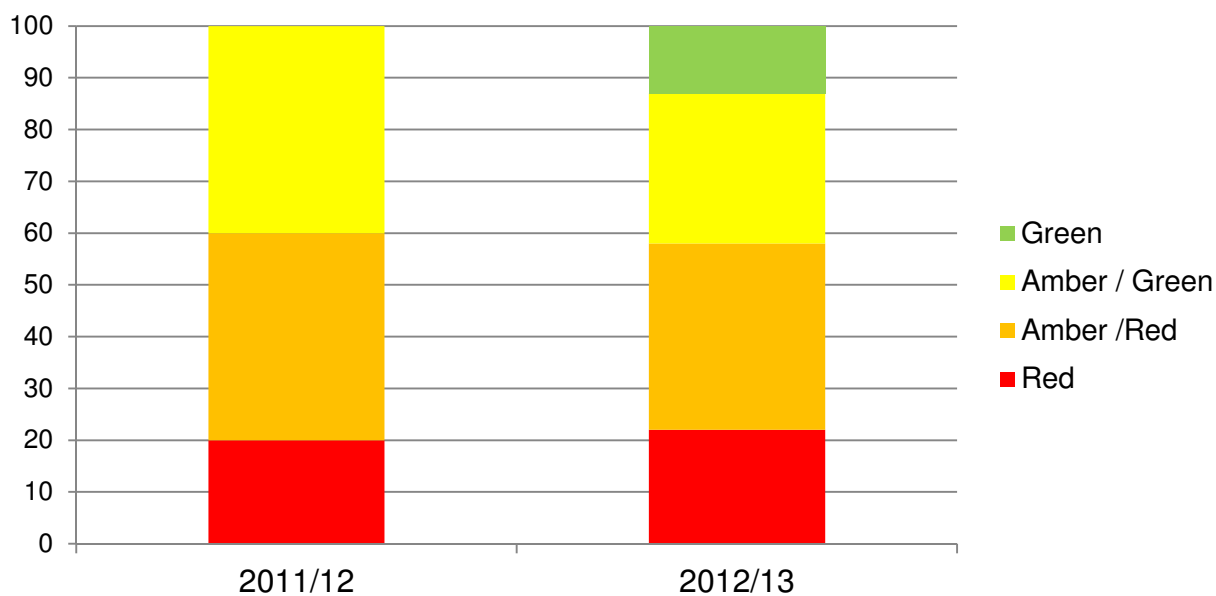
Details of the key findings identified within these audits are detailed within appendix B of this report. It is therefore imperative that actions are taken by management to address the weaknesses identified within these reports to ensure that controls are operating effectively in the future.

### 1.3.4 Acceptance of Recommendations

All of the recommendations made during the year were accepted by management. We have encountered issues in 2012/13 with the delay in accepting recommendations.

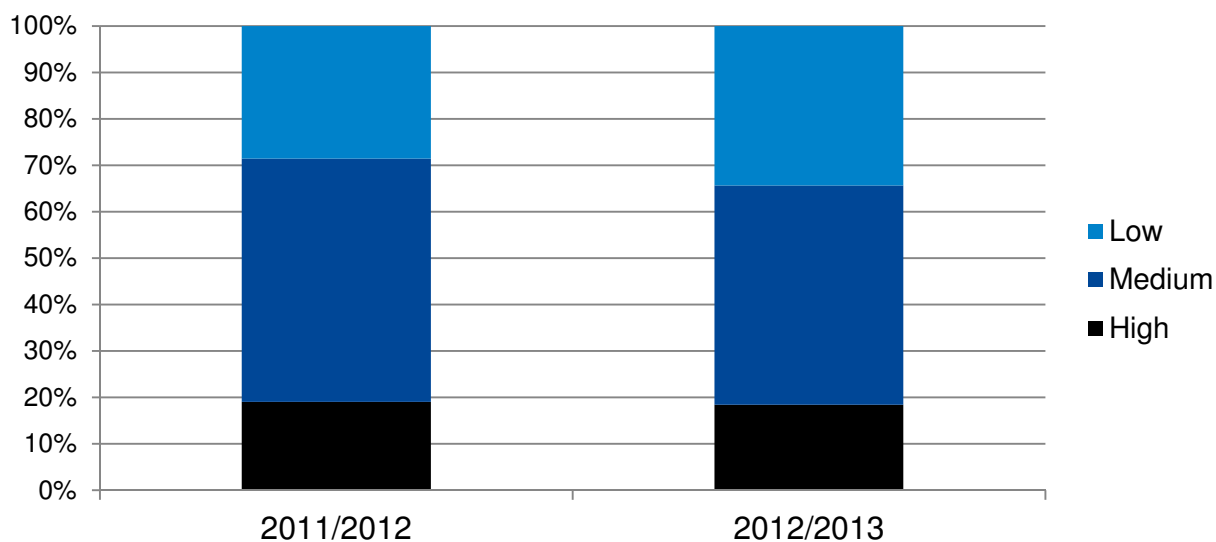
Whilst improvements have been made during the year with regards to the timeliness of responses to our recommendations this still remains an issue and if recommendations are not accepted and addressed in a timely manner the Council are failing to utilise their Internal Audit service fully and recommendations may become superseded or weaknesses identified could deteriorate further.

1.3.5 Comparison of Internal Audit Opinions (Assurance assignments) in 2012/2013 compared with quarter four of 2011/2012 (RSM Tenon only conducted the fourth quarter of audits in 2011/12)



	Green	Amber Green	Amber Red	Red	Advisory	Total
<b>Assurance Opinions 2012/13</b>	<b>7</b>	<b>16</b>	<b>20</b>	<b>12</b>	<b>3</b>	<b>58</b>

1.3.6 Comparison of Internal Audit recommendations made 2012/2013 compared with quarter four of 2011/2012



	High	Medium	Low	Total
<b>Recommendations raised in Q4 2011/12</b>	<b>20</b>	<b>55</b>	<b>30</b>	<b>105</b>
<b>Recommendations raised 2012/13</b>	<b>61</b>	<b>167</b>	<b>120</b>	<b>348</b>

### *1.3.7 Progress made with previous internal audit recommendations*

At the time of the production of this report assurance cannot be provided that actions are being taken to address previous Internal Audit recommendations. During the year there had been no formal mechanism in place to determine whether previous recommendations had been implemented, with no reporting against this taking place at either CMT or Audit and Risk Committee level. The Council only implemented a tracking process to determine the progress made with implementing Internal Audit recommendations in March 2013.

It was reported to the Risk Management Group in April 2013 that the initial communications with those managers responsible for implementing the recommendations had resulted in a poor response rate. In 2013/14 we will be providing third party assurance on declarations made by managers on the status of implementing recommendations through follow up audits and revisiting areas audited in 2012/13.

### *1.3.8 Reliance Placed Upon Work of Other Assurance Providers*

In forming our opinion we have not placed any direct reliance on other assurance providers.

## **2 OUR PERFORMANCE**

### **2.1 Wider value-adding delivery**

We have maintained a physical presence throughout the year at the Council and attended and taken an active involvement in the Berkshire Audit Group on behalf of Slough Borough Council and we have regularly attended the Risk Management Group and provided guidance on the proposed content of the Risk Management Policy and Strategy. We have also challenged the risk management process and the content of the risk register to help drive improvements going forward.

As part of adding value through our audit process we have utilised specialist resources in respect of undertaking our audits of; risk management, carbon management, budget setting and financial planning and our information systems audits.

As our audits of Schools have identified a number of significant issues which have resulted in red assurance opinions, we agreed with the Assistant Director of Education and Children's Services to attend both the School's Forum and Bursar's Forum on a regular basis to provide an input regarding the findings of our reviews and to provide advice on common themes and good practice improvement measures for schools. We have also been invited to attend a number of governor meetings at individual schools to provide advice regarding the key financial controls which we would expect to see in place. This has assisted the Council in reinforcing the need for strong financial controls to be in place within all schools.

We have also attended Senior Management meetings including CMT and the Wellbeing SMT in 2012/13 in order to gain a greater understanding of issues within the organisation and to provide feedback on matters identified within our reviews. Through attending these meetings, this has enabled us to develop a risk focussed audit strategy for 2013/14 which targets those risks faced by the Council.

We have provided a number of client briefings throughout the year on public sector and local government matters that have been identified through our wider client base, this has included Fraud Awareness briefings, in particular the need to adopt tighter control measures for the addition and amendment of supplier details.

We have also provided good practice guidance to the Council through individual reviews. An example of this is the provision of a data confidence dashboard to assist the Council in determining the accuracy of data contained within quality indicators. This will help to provide senior management with greater confidence over the accuracy of data contained within individual performance reports.

In addition, all of our Internal Audit reports provide comparative information against our local government client base in respect of the assurance levels provided and numbers of recommendations made.

## 2.2 Conformance with Internal Audit Standards

RSM Tenon affirms that our internal audit services to Slough Borough Council are designed to comply with the CIPFA Code of Practice for Internal Audit and the International Standards published by the Global Institute of Internal Auditors (IIA).

Under the standards, internal audit services are required to have an external quality and review at least once every five years. During 2011 RSM Tenon commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the IIA.

The external review concluded that *“the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”*.

In this year we have reviewed our processes to ensure we will be conformant with the Public Sector Internal Auditing Standards when they are introduced in 2013/2014.

## 2.3 Conflicts of Interest

We (RSM Tenon) have not undertaken any work or activity during 2012/2013 that would lead us to declare any conflict of interests.

**APPENDIX A: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2012/2013**

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *		
			High	Medium	Low	High	Medium	
<b>Customer &amp; Community Services</b>								
Thames Valley – Governance Arrangements	<b>Risk:</b> Project to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join "The Hub".	Green	0	1	2	n/a	√	
Hire of Council Buildings	<b>Rationale:</b> To provide assurance that there are effective processes in place for the hiring of Council buildings to third parties.	Amber - Red	0	4	4	n/a	√	
Leisure Services	<b>Risk:</b> Inability to deliver innovation in the provision of leisure services	Amber – Green	0	2	1	n/a	√	
Council Tax	<b>Risk:</b> Project to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join "The Hub".	Amber - Red	0	2	4	n/a	√	
Housing Benefits		Green	0	0	3	n/a	n/a	
Rent Accounts		Amber - Red	1	2	2	√	√	
Data Image Management		Green	0	1	1	n/a	√	
Business Rates		<b>Rationale:</b> Coverage to meet external Audit requirements.	Red	4	4	2	√	√
Payroll		Green	0	0	2	n/a	√	
Thames Valley Transitional Hub – Contractual Performance Management		<b>Risk:</b> Project to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join "The Hub".	Amber – Green	0	3	1	n/a	√
Anti-Social Behaviour		<b>Rationale:</b> To review the effectiveness of partnership arrangements between community safety and housing with regards to anti-social behaviour.	Amber – Red (Draft – issued 7.12.12)	1	3	2	Not finalised	
Business Continuity Arrangements	<b>Risk:</b> There is no Business Continuity Management within the Council.	Amber – Red	1	6	2	No update requested to date		
Carbon Reduction Management	<b>Rationale:</b> To provide assurance that the Council continues to have in place effective processes for carbon management and reduction.	Advisory (draft – issued 4.5.13)	1	8	4	Not finalised		



Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
			<b>Wellbeing</b>				
Registered Bed Based Services	<b>Risk:</b> Provider Services are not effectively managed leading to poor service provision.	Amber - Red	1	0	6	√	n/a
Care Home Fee Increase Project – Project Management Arrangements	<b>Risk:</b> The fees increase project fails to ensure an appropriate agreement of fees for nursing care provision.	Green	0	0	2	n/a	n/a
Procurement - Quarter Two Review	<b>Rationale:</b> The Council is launching a new Procurement Strategy from April 2012. To provide assurance that the strategy is being implemented effectively we are proposing to undertake a number of procurement reviews during the year. This will focus on a sample of procurement exercises each time and provide assurance that each stage of the procurement process has been complied with.	Amber – Red	1	1	2	√	√
Procurement – Quarter Four Review		Red	2	3	0	No update requested to date	
Children's and Families Assessment Teams	<b>Risk:</b> Children's and Families Assessment teams are not operating effectively, resulting in safeguarding referrals not being made or managed in a timely manner.	Amber – Red	1	1	1	√	√
Contract Management – Block Nursing Contracts	<b>Risk:</b> Ineffective contract monitoring arrangements leads to non delivery of services to the required standard.	Red	1	3	1	√	√
Safeguarding – Risk Assessment Process	<b>Risk:</b> The recent Ofsted report has judged the safeguarding services and safeguarding outcomes for children and young people as requiring some areas of improvement.	Red	3	1	0	√	√
Contract Management	<b>Rationale:</b> To provide assurance that, for a sample of key contracts, that effective contract management processes are in place.	Red	3	5	0	x	x
Supported People Contract Management	<b>Risk:</b> Ineffective contract monitoring arrangements leads to non delivery of services to the required	Amber – Green (Draft – issued)	1	0	1	Not Finalised	

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
	standard.	25.2.13)					
<b>Resources, Housing &amp; Regeneration</b>							
Multiple Housing Occupation	<p><b>Risk:</b> Houses of Multiple Occupation. Issue of fire etc in HMO that Housing do not know about. Can only inspect 50 out of over 2000 properties, important to prioritise so as not to over stretch the service. Previous issues of other agencies placing unsuitable clients in HMO's. Progress being maintained and staff resources protected throughout budget reductions and restructuring. All properties risk rated and prioritise to address 'worst first'.</p>	Amber – Green	0	3	1	n/a	x
Budget Setting Process	<p><b>Risk:</b> Economic Instability and Turbulence at a national level, Comprehensive Spending Review, Reduction in Income of £25m to the Council over the next 4 years. Risk is that we do not have sufficient funding to provide services.</p>	Advisory	0	6	1	n/a	√
Housing Management System	<p><b>Risk:</b> The Housing Management system is not fully utilised resulting in an inappropriate use of resources.</p>	Amber – Red	1	1	2	x	x
Tenancy Fraud	<p><b>Risk:</b> Fraud and Corruption Risk of officers granting themselves flats/houses/garages. Illegal sub-letting. Mobile technology yet to be implemented but departmental restructures have delivered separation of functions with additional fraud detection initiatives implemented. All new tenants photographed upon sign up and each provided with an identity card. Verification checks of existing tenants underway.</p>	Amber – Green	0	1	4	n/a	√
Estates and Facilities Management	<p><b>Risk:</b> Contract with Interserve Performance is relatively patchy. 4 years</p>	Amber - Red	0	4	1	n/a	√

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
	left on contract Interserve paid a guaranteed sum each year Issues with crass service delivery. Reputational risk. Improved performance recorded over last 6 months which has been maintained. Risk of catastrophic contract failure lessened. <b>Rationale:</b> To provide assurance over the effective management of the Council's estate and facilities.						
Additional Devolved Budgets to Schools	<b>Rationale:</b> To provide assurance that effective processes are in place for the allocation of funds from the schools development budget, and to ensure that monitoring mechanisms are sufficiently robust to ensure that these funds are utilised for their designated process only.	Green	0	0	4	n/a	n/a
Creditors	<b>Risk:</b> Project to outsource transactional functions of the council to a transactional hub provided by a third party contractor with the aim of attracting other transactional operations to join "The Hub". <b>Rationale:</b> Coverage to meet external Audit requirements.	Amber – Green	0	1	2	No update requested to date	
General Ledger		Amber – Green	0	2	0	x	n/a
Treasury Management		Amber – Green	0	2	0	Not due yet	
Debtors and Cash Management		Amber – Red	1	4	1	Not due yet	
Schools Financial Value Standard	<b>Rationale:</b> To provide assurance that robust processes are in place to ensure that schools have completed the SFVS statements by the required time-line, and that completion of these is effectively monitored by the Council.	Amber - Red	1	3	1	√	√
Cash Handling and Management	<b>Rationale:</b> A number of discrepancies have been identified in the handling of cash and community centres and other cash handling facilities. Our audit will provide assurance over the robustness of cash	Amber – Red (Draft – issued 28.6.12)	1	3	0	Not Finalised	

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
	handling processes in these localities.						
Budgetary Control & Financial Reporting	<b>Risk:</b> Economic Instability and Turbulence at a national level, Comprehensive Spending Review, Reduction in Income of £25m to the Council over the next 4 years. Risk is that we do not have sufficient funding to provide services.	Amber – Green	1	0	5	Not due yet	n/a
Asset Register	<b>Rationale:</b> To provide assurance over the management of the Council's capital asset register	Red (Revised draft – issued 14.6.13)	3	1	1	Not Finalised	
Capital Expenditure	<b>Rationale:</b> To provide assurance that capital expenditure is effectively managed and in accordance with the Council's agreed capital programme.	Amber Green (Draft – issued 8.5.13)	0	3	1	Not Finalised	
Risk Management	<b>Risk:</b> Failure to manage risks in accordance with the BSI Standard for Risk management or to follow leading practice in place at other local authorities.	Advisory (Draft – issued 30.5.13)	-	-	-	Not due yet	
Top-Up testing across Finance Systems	<b>Rationale:</b> Coverage to meet external Audit requirements.	Review Stage				Not Finalised	
<b>Chief Executive</b>							
Performance Management	<b>Risk:</b> Current software does not perform in an efficient manner.	Amber – Green	0	3	1	n/a	√
Employee Declaration of Interests	<b>Rationale:</b> To provide assurance that robust processes are in place to ensure that declarations of interest are obtained for all Councillors, Members and senior members of staff within the Council. This will include ensuring that: <ul style="list-style-type: none"> <li>- Adequate records are maintained of all staff needing to complete a declaration of interest</li> <li>- Completed returns are received from all relevant</li> </ul>	Red	2	4	0	√	√

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
	individuals; - Regular monitoring is undertaken.						
Gold Projects – Project Management Arrangements	<b>Risk:</b> Failure to meet planned expectations with regard to attracting investment or completion of the project by required deadlines	Amber – Red	1	4	1	x	x
Recruitment	Rationale: To provide assurance that adequate processes and procedures have been established to permit the Service to recruit and retain adequately skilled staff.	Amber – Red	2	2	0	√	√
Data Protection Act	<b>Risk:</b> There are no IT Disaster Plans in place for the My Council IT systems. The IT Department lacks some necessary skills and the necessary capacity to deliver the IT programme that needs to be delivered. It is not clear whether the systems employed at Landmark Place represent Value for Money	Amber – Green	0	2	0	n/a	√
Partnership Arrangements	<b>Risk:</b> Governance arrangements for partnerships are not currently of a satisfactory standard.	Amber – Green	0	3	1	n/a	√
Governance	<b>Risk:</b> Reputational damage to Council if processes are not fair and transparent	Amber – Red	0	4	10	No update requested to date	
Data Quality – Establishment Controls	<b>Risk:</b> Current software does not perform in an efficient manner.	Amber – Red (Draft – issued 9.6.13)	1	2	0	Not Finalised	
Sickness Management	<b>Rationale:</b> To determine how successfully the Council are reducing the employees days lost in the organisation through sickness.	Review stage				Not Finalised	
<b>Schools Audits</b>							
Penn Wood School (14.12/13)	<b>Rationale:</b> To provide assurance over the effectiveness of governance and financial management arrangements within schools.	Amber – Red	1	2	4	√	√
James Elliman Primary School (27.12/13)		Amber – Green	0	1	5	n/a	√
IQRA Islamic		Green	0	0	2	n/a	n/a

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)			Recommendations implemented (Management's opinion) *	
			High	Medium	Low	High	Medium
School (30.12/13)							
St Ethelberts School (34.12/13)		Red	5	7	3	√	√
Bailys Court Nursery School (11.12/13)		Red	4	5	3	√	√
Arbour Vale School (31.12/13)		Amber – Green	0	2	1	n/a	√
Willow School (4.12/13)		Red	2	8	4	√	√
Western House School (8.12/13)		Amber – Red	3	3	4	x	x
Haybrook College (9.12/13)		Amber – Red	1	6	2	No management return	
Parlaunt School (10.12/13)		Red	3	11	3	No management return	
Claycots Primary School (39.12/13)		Red	7	11	4	x	x
St Joseph's School		Amber Green (Draft – issued 23.5.13)	0	3	5	n/a	Not due yet
<b>Total</b>			<b>61</b>	<b>167</b>	<b>120</b>	<b>28</b>	<b>67</b>

\* The implementation status of Internal Audit recommendations is the opinion of Slough Borough Council's management team and not the opinion of RSM Tenon. No independent assurance has been conducted on the progress stated by management.

It should be noted that of the nine reports still in draft only three of these have been outstanding in excess of 30 days.

We use the following levels of opinion classification within our internal audit reports:

Red	Amber / Red	Amber / Green	Green
<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>	<p>Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>

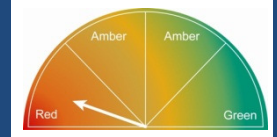
## APPENDIX B: KEY FINDINGS FROM INTERNAL AUDIT REVIEWS 2012/2013

Our key findings section provides an extract from the **red reports** finalised and also includes the action plan for all of the High category recommendations within these red reports:

Assignment: Employee Declaration of Interests  
(2.12/13)

Audit undertaken: April 2012

Opinion: Red



We cannot provide assurance that robust systems are in place to ensure employees have been required to declare relevant interests. We were unable to provide assurance that all new employees were asked to complete declaration of interest forms or that an effective system was in place to follow up non-completion of these forms for new starters and/or existing staff. The main issues arising from this audit were:

1. The Council did not have robust process to ensure all employees who would be required to complete a declaration of interest form are identified on an on-going basis. We noted that email distribution lists were being utilised rather than establishment lists and therefore some employees could fail to be reminded each year.
2. Sample testing found that eight out of 20 new starters had not completed a declaration of interest form. In addition, testing on 12 out of 25 existing employees identified that they had not completed a declaration of interest form in 2011/12.
3. At the time of our review there had been no effort to follow up outstanding forms.

The implication of the above is that the Council cannot ensure that all staff who should have completed a declaration of interests form have in fact completed one. This could result in the Council being unaware that staff may have potential conflicts of interest with either current or prospective suppliers which could result in in-appropriate engagements being entered into or inappropriate decisions being made.

The process was paper based and required a significant resource in ensuring all responses are appropriately received. However, it was noted that this was an ad-hoc approach until a robust, less laborious process is implemented. The Council recently agreed to procure an electronic system which should help to address some of the weaknesses identified in this review.

### Design of control framework

- The Code of Conduct did not clearly explain interests of family members and interests through the receipt of direct payments for social care.
- New starters were required to complete Declarations of Interests forms and Outside of Work form on commencing employment. However, the induction checklist did not include a check to confirm the employee has completed a declaration of interest form.
- The Council did not have a set of procedures to explain how staff will be requested to declare their interests on commencement of employment at the Council or at any regular interval to ensure the organisation captures any new interests that an employee may have.
- The Council did not have a set of procedures to explain how management review and share information on completed Declaration of Interest forms and how to appropriately manage employees other interests. Without consistent communication of declarations made the Council could make inappropriate decisions that are not in the best interest of the Council.

### Application of and compliance with control framework

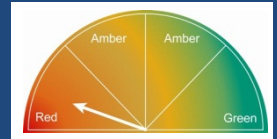
We found that a number of controls identified above were not adequately complied with. We identified the following weaknesses:

- Sample testing identified that 8 of 20 Declaration of Interests forms for new employees were missing and therefore considered not completed. We confirmed that neither the Personal Assistants nor Human Resources held a copy.
- Sample testing identified that the Council had not received Declaration of Interests forms from all employees during the annual review and there had been no effort to follow up outstanding forms to date.
- Sample testing identified that within the Resources and Regeneration Directorate that the Declaration of Interests forms were not signed off by the Director to demonstrate they had been reviewed. We were informed by the Personal Assistant that a review had taken place. However, without evidence of this on the forms we cannot be assured that it did actually take place.



Assignment: Business Rates (25.12/13)  
Audit undertaken: September 2012

Opinion: Red



Headline Findings:

### Design of control framework

We identified the following weaknesses in the design of the control framework:

- Arvato were not in possession of any Council approved authorisation requirements for awarding reliefs and exemptions which could result in reliefs being awarded without appropriate approval in which case the Council would be forgoing on further income.
- There was no cyclical check carried out to confirm those claiming relief or exemptions for business rates were still eligible. The Council could miss out on potential income if reliefs are not reviewed appropriately.
- The NNDR team had no dedicated Inspection Officer prior to transfer and there was no Inspection Officer in post at the time of our review to carry out checks to confirm that properties in receipt of business rate exemptions remained empty. This could lead to the Council not receiving appropriate revenue when properties are reoccupied.
- The Arvato shared services inherited out of date valuation lists. This means the Council could not confirm the accuracy of the data held on the Academy system by undertaking reconciliations between the Valuation Office data to the Academy System data. Properties could be valued inaccurately on the Academy system and subsequently the Council could potentially be forgoing additional income if properties are undervalued.
- No regular aged debt reports had been run to date by management to review the level of debt chasing conducted by employees. Management may fail to identify a lack of debt chasing conducted by staff if this is not regularly reviewed, which could result in debt levels escalating and ultimately financial loss to the council.
- There was no clear guidance on outstanding arrears that are considered uneconomical to recover.

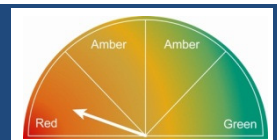
### Application of and compliance with control framework

We identified the following weaknesses:

- There was no communication within Arvato of the procedure documents send to the Arvato for NNDR at the beginning of the Contract. This could lead to processes not being carried out or authorised to the Council's requirements.
- Supporting documentation could not be found for some of the applications made for reliefs and exemptions. This could mean insufficient supporting evidence was obtained before awarding reliefs and exemptions. It should be noted that the relief was granted prior to the handover to Arvato.
- Reconciliations between the Academy system and the Valuation Office were not being undertaken prior to handover and as such the valuation lists were not up to date at transfer.

Assignment: Contract Management – Block Nursing  
Contracts (32.12/13)  
Audit undertaken: October 2012

Opinion: Red



### Design of control framework

We identified the following weaknesses in relation to the design of the control framework which resulted in one high and one medium rated recommendation:

- The contracts had expired for four out of five contracts for the care home providers. There were reasons for the non-existence of valid contracts for four care homes managed under previous block contracts, which have been elaborated upon in the findings section of this report. Agreements had been drafted for three of these care homes for the remainder of the 12/13 financial year. However, at the time of this review these had not been approved by the providers and no evidence was available to demonstrate that the procurement exercise had commenced to commission these services from 2013/14.

There was a risk that the Council may fail to obtain value for money as the appropriate mix of care



beds may not be allocated correctly to demand. In addition the Council may not have valid contracts in place to ensure delivery meets the required standard in any interim period.

- The Council had established a Quality, Outcomes and Contract Monitoring Framework. However, the documentation was in draft format and had not been approved and distributed to employees. Without an agreed procedure there is a risk that ineffective contract monitoring arrangements may be adopted which could result in the Council failing to identify and address the non-delivery of services to the required standard.
- No performance reports were received from the care home providers and there is a risk therefore the Council may not be fully aware of matters of poor performance or issues relating to delivery standards not being met.

Furthermore, it is unclear how the council will ensure that the terms and conditions of the contracts are being achieved with no performance reports being submitted.

- The weekly Block Occupancy Status Reports did not include any comparison data to enable users of the report to verify whether usage had been fully maximised with information on those individuals being placed outside of care homes covered by block contracts, nor was such information reported to management forums to allow usage to be discussed collectively by management. Subsequently, the Council may not be aware of instances where more work could be undertaken to ensure block contracts are maximised and the Council's resources are fully utilised

#### Application of and compliance with control framework

We found that a number of controls were not adequately complied with. We identified the following weaknesses which resulted in one medium category recommendation:

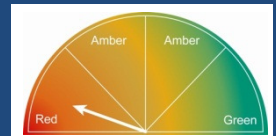
- Announced and unannounced visits to service providers were not undertaken to the required frequency or where visits may have occurred, evidence of the visit was not appropriately retained. If visits are not undertaken there is a risk the Council is unable to monitor whether the service provided is of an appropriate standard and subsequently poor standards may fail to be addressed in a timely manner.

Minutes for any contract review meetings held for Oxford House, Burnham House and Windmill Care Centre were not made available at the time of this review. If contract monitoring meetings do not occur there is a risk that the Council is limiting its ability to discuss with providers issues that are arising at care homes and ensure that standards are improved.

Assignment: Contract Management (33.12/13)

Audit undertaken: September 2012

Opinion: Red



#### Design of control framework

We identified the following weaknesses in relation to the design of the control framework which resulted in one high and two medium rated recommendations:

- The Council did not have a Contract Management framework and therefore had no guidelines for employees in the organisation on the minimum requirements in managing contracts. Without a relevant framework, the Council may not be efficient in obtaining savings identified through procurement exercises and the service provided may not meet the intended specification. For important strategic contracts this could also put the achievement of strategic objectives at risk.
- The Council did not have a policy whereby Supplier Account Plans were a requirement for each contract. Without Supplier Account Plans there is the risk that if a contract was to be transferred to a different employee to manage, key knowledge and details may fail to be transferred effectively and a contract could consequently fail to deliver the required service. This may also affect the ability to effectively manage the contract.
- The Council's Procurement Operating Procedures were only in draft format and did not include arrangements for processing changes to supplier details. The process for adding new supplier details was also not sufficiently robust in its design as the form was open to fraudulent amendments of, for example bank details, and no supporting documentation or verification checks were required.
- The Council had no local supplier list for Small and Medium sized Entities (SMEs). Without utilising such a list, the Council may be failing to promote local economic development and sustainable procurement. At the time of this review, the Council was commencing a review to establish a list and this action was recorded in the organisations procurement plan and therefore we have not reiterated

this action within our recommendations.

#### Application of and compliance with control framework

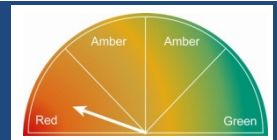
We identified the following weaknesses which resulted in two high category and three medium category recommendations:

- From a sample of four contracts, we found instances where the contract held did not include a signature from both parties, a contract value, performance indicators or the final agreed specification of the service to be provided. This could render the contracts invalid or they may not be managed successfully.
- The Contracts Register was not fully completed as we found key information missing such as contract values and end dates. Without this information, the Council cannot make informed decisions on contract extensions or future procurement exercises and therefore may not be effectively managing their finances and achieving value for money.
- During sample testing we identified that performance information provided by a supplier (Virgin Media Payments Limited) did not include sufficient data to enable the Council to determine whether a valued service was being provided. We also noted a lack of seniority at the monitoring meetings with this supplier given the value of annual expenditure of £625,990 (as per ledger report for 2011/12). For which two medium recommendations were raised relating to obtaining contract variations and establishing monitoring sheets.

Sample testing from the finance system for new suppliers was not possible and therefore the Council cannot be fully assured that all new suppliers added to the system are correct and appropriate.

Assignment: Safeguarding – Risk Assessment  
Process (38.12/13)  
Audit undertaken: November 2012

Opinion: Red



#### Design of control framework

We identified the following weaknesses in relation to the design of the control framework which resulted in two high-rated recommendations:

- The social care procedures did not explicitly state that practitioners are required to complete the Risk Assessment Matrix Form nor did they explain the requirement for management to review the form and that this should be conducted with segregation of duty and in a timely manner. Subsequently if this is not conducted, risks may not be appropriately assessed and this could result in a failure to undertake the necessary actions to reduce the risk of harm.
- The ICS enabled completed Risk Assessment Matrix Forms to be uploaded on to the system when complete or when updates had been recorded on the form. However, the form was not integrated into ICS and did not enable managers to be assigned and electronically sign off risk assessments. Subsequently managers may not be made aware of those risk assessments requiring review and the current process does not restrict a practitioner from erroneously entering a manager's name to claim a risk assessment has been reviewed.
- The Council did not provide any regular reporting to senior management on the completion of the risk assessment matrix on children's cases and therefore management have minimal assurance that this process is being adequately conducted. Therefore incidents could occur which management may have been able to avoid if they were appropriately informed of the success of risk assessments.

#### Application of and compliance with control framework

We found that a number of controls were not adequately complied with. We identified the following weaknesses which resulted in one consolidated high-rated recommendation and one medium-rated recommendation:

- On review of the extracted data from ICS between April and September 2012 we noted that 559 cases had a completed the initial assessment stage in this sampled period. For this sample we found that 164 cases had a completed risk assessment form on ICS (29% compliance). If cases are not appropriately risk assessed children may not have the appropriate and timely intervention from the Council and subsequently children in need could be at risk, unsafe and not feel safe as a result of poor social care practice (recommendation consolidated with issue raised in the design of the control framework).
- Sample testing of 30 uploaded risk assessments on ICS identified weakness in the completion of the form. Notably, in one instance the primary risk had not been concluded upon by the assessor,

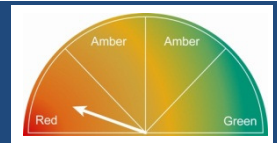
however, the manager had highlighted this risk within their peer review. In the remaining eight instances the risk assessment was more of a detailed description of what had occurred to date, which in most instances covered the entire family rather than what the potential risks to the individual child may have been. If risks are not clearly defined the required plan to address those that require safeguarding may not be recognised. This could potentially result in future harm to individuals in the community.

- Sample testing of the 30 uploaded risk assessments identified weaknesses in the management review of the form. This included the lack of management sign off, segregation of duty in the management review and timeliness of the review. If an independent management review is not undertaken in a timely manner of the risks assessed at the initial assessment stage the Council may not identify instances where risks have not been correctly evaluated and may fail to implement corrective actions to ensure children in the community are appropriately safeguarded.

Assignment: Procurement Quarter Four Review  
(47.12/13)

Audit undertaken: February 2013

Opinion: Red



### Design of control framework

We found the following high risk weakness in relation to the design of the controls:

- The Procurement Operating Procedures were currently still under construction and at present the Council do not have existing operating procedures that are available to employees and therefore employees may not be fully aware of the Council and legislative processes to follow.

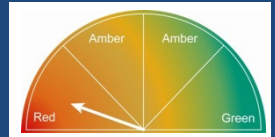
### Application of and compliance with control framework

We found that four controls were not adequately complied with which resulted in one high and three medium categorised recommendations:

- The current activity spreadsheet utilised to record existing tendering activity by Corporate Procurement was only maintained to record whether the reference and name of existing tender activity. No update was recorded to enable the monitoring of each stage of the tender process. The Corporate Procurement Team could fail to identify delays in the process if this tool is not appropriately utilised. Subsequently the Council could be failing to obtain value for money if a contract is not in place in a timely manner. (Medium).
- The Council had utilised an older, local framework for the procurement of Modular Buildings (estimated contract value £765,000) which only included two providers, rather than the newer Government Procurement Service (GPS) Modular Building Systems Framework which included 15 providers. The Council could potentially be failing to fully consider value for money by limiting the use of suppliers. (Medium).
- In one sampled instance (Landlords Lighting, estimated contract value £1.064m) the Council had not complied with the European Union (EU) Procurement Directives by advertising contracts to be procured throughout the EU in the Official Journal of the European Union (OJEU). The Council had classified the procurement activity as works when in-fact it was supplies. A breach of the EU Procurement rules could potentially result in the Council being challenged and incurring excessive resources in restarting the procurement process. (High).
- At the time of our review Corporate Procurement had not completed their review of expenditure by type of expenditure. The Council could potentially be missing out on efficiencies and savings through the procurement of a contract on any areas of expenditure not included within a contract or included within a number of separate contracts. (Medium).
- Sample testing of 15 suppliers where the Council's expenditure in the year to date was in excess of £50,000 identified two suppliers where the organisation had not considered establishing a contract or framework agreement. The Council had incurred numerous transactions with each supplier in 2012/13 and could potentially be failing to obtain value for money if this option has not been appropriately considered.

Assignment: Baylis Court Nursery School (11.12/13)  
Audit undertaken: June 2012

Opinion: Red



### Design of control framework

We identified the following weaknesses in relation to the design of the controls, which resulted in one high and one medium rated recommendation:

- The School did not have any form of Financial Procedures and therefore the financial management processes adopted by employees may not be endorsed by the Governing Body and could include poor practice.
- The Governing Body did not agree with the Headteacher, the minimum frequency, level of detail and general format of the financial information to be provided to it.
- The established financial limits did not clearly describe individuals required to provide authorisation for different expenditure values. This may result in inappropriate approval for purchasing of goods or services. The limits were also contradictory in terms of the Headteacher's limits with what was stated in the Finance Committee's Terms of Reference.

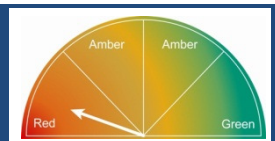
### Application of and compliance with control framework

We identified the following weaknesses during our testing which resulted in three high and three medium recommendations:

- Not all staff involved with making financial decisions in the school had signed a declaration of interests form and therefore employees could make financial decisions that are not in the best interest of the School.
- The School Budget had not yet been completed and approved at the time of the audit. The School may potentially be in a position where it is unable to fully manage its finances if a budget for the financial year is not in place in a timely manner.
- Approval from the Finance Committee was not obtained for purchases over £3,000. Inappropriate expenditure could therefore be incurred by the School.
- Purchase orders were not created and authorised at the appropriate level prior to orders being made. The School could be committed to expenditure for goods/services that the School may not have strictly required or have the budget to pay for.
- Invoices were not authorised for payment by the Headteacher before a payment run was carried out. This demonstrates a lack of segregation of duties.
- Delivery notes were not retained nor were invoices annotated to confirm receipt of goods or services and therefore the School could potentially incur expenditure for items not fully received.
- CRB checks were not being disposed of after six months.

Assignment: St Ethelbert's Catholic Primary School  
(34.12/13)  
Audit undertaken: September 2012

Opinion: Red



### Design of control framework

We identified the following weaknesses in relation to the design of the controls:

- The Financial Policy did not provide clear guidance on the purchasing procedures and adequate authorisation levels. This could result in inappropriate authorisation if this is not clearly stated.
- The School did not have a clear scheme of delegation which provided authorisation limits for purchasing, write offs or payroll transactions. This could result in transactions being inappropriately authorised within the School.
- The School did not have a process in place to collect or create delivery notes to ensure that payments are only made for goods or services that have been received by the School.
- The School's Asset Register did not contain the values of the Assets. This could result in the School incorrectly valuing assets on disposal or for losses made.
- The School's IT Servers were not in an air conditioned and fireproof room. This could result in the

loss of all the School's information data in the event of a fire.

### Application of and compliance with control framework

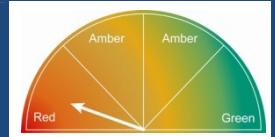
We identified the following weaknesses during our testing:

- We could not confirm if financial information was presented to the Governing Body. There was a risk therefore that the School's Governing Body did not provide challenge or scrutiny of the financial management within the School. This could result in the school over or under spending and therefore failing to meet its objectives.
- Not all members of the Governing Body or other members involved in financial decision making in the School were subject to the declaration of interests exercise. This could result in decisions not being made in the best interest of the School.
- The School did not utilise the total revenue income for existing pupils in 2012/13 and carried over a surplus of 18.4% (£400,482) to 2013/14 and therefore the School has not demonstrated that it has utilised its funding on its existing pupils.
- Quotations were not obtained for all purchases made within the School. If the School does not obtain quotations prior to making purchases it cannot guarantee that it is getting value for money for its purchases.
- Authorisation for purchases over £10,000 were not authorised by the Governing Body. This could result in purchases being made for items that are not required for the School or where budget is not available.
- Purchase orders were not always created and authorised prior to making orders. This could result in the School committing itself to expenditure with unavailable funds.
- Expense payments were made to individuals that were not employed by the School. The payments were not supported by original copies of receipts, confirming the clear date of purchase and VAT registration numbers. This could result in financial loss for the school and possible fraudulent claims being made for expenses.

Assignment: Parlaunt Park Primary School (10.12/13)

Audit undertaken: May 2012

Opinion: Red



### Design of the Control Framework

We identified the following weaknesses in relation to the design of the controls, which has resulted in six medium rated recommendations:

- The Financial Delegated Limits matrix did not clearly state where more than one group/individual was ticked to authorise, whether the authorisation could be provided by either of those ticked or if all those ticked were required to provide authorisation. Inappropriate authorisation may be obtained for expenditure if the levels of authorisation are not clear.
- The budgeting reports presented to the Finance Committee did not include the reasons for adverse significant variances and relied on the attendees at the Finance Committee to raise these matters. The School could fail to improve their financial position if poor financial performance is not addressed in a timely manner.
- The School did not obtain quotes for goods or services and carry out investigational checks on new suppliers. There is a risk that value for money cannot be demonstrated and that the likelihood of the School being subject to a fraudulent supplier increases.
- The School does not have an inventory list with asset values and date of purchase therefore the School could incorrectly value its assets if they are unable to identify any assets that have devalued, disposed of or any that may have been stolen.
- School property loaned out to employees should be signed off. If the School does not do this it may incur expenditure in replacing lost, stolen or damaged goods.
- Inappropriate records of income received for school meals are retained. This has resulted in the school not being able to verify that all income has been received for school meals.



### Application of and compliance with control framework

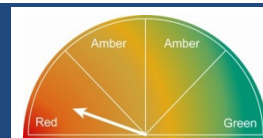
We found that a number of controls were not adequately complied with. We identified the following weaknesses, which have resulted in two high and five medium rated recommendations, during our testing:

- The School's budget was not presented to the Full Governing Body after it was authorised by the Finance Committee in 2011/12. If the budget is not endorsed by the Full Governing Body, any inaccuracies may fail to be identified and the School may fail to manage its finances effectively.
- Staff involved with making financial decisions in the school had not declared other interests.
- The Headteacher, who was providing additional one-to-one tuition to students of the school, had not formally declared to the Governing Body this activity was undertaken for which the School provides additional payments. However, we were informed that they were aware of this provision of tuition provided by the Headteacher.
- Additional Payments for the Headteacher were authorised by the claimant, this lack of segregation could potentially result in inappropriate payments being processed. However it does not demonstrate transparent governance.
- The Financial Regulations were not approved by the Governing Body forums. Employees could potentially follow obsolete or inappropriate procedures if the Financial Regulations and Scheme of Delegation are not reviewed regularly and details of their approval are not recorded on the document.
- There was no evidence that the School had obtained approval from the Finance Committee or Governing Body for all nine sampled purchases over £5,000 and therefore the School did not comply with their Financial Regulations and could potentially be committing the School to expenditure that the Governing Body or the Finance Committee would not agree was required.
- The Budget monitoring report presented to the Finance Committee did not highlight areas of overspend or reasons for such overspend. This could result in remedial actions not being implemented timely to improve the School's financial position.
- The School Meals report was not up to date. This could potentially result in the School incurring additional expenditure by providing free school meals for students who are not eligible.

Assignment: Willow Primary School (4.12/13)

Audit undertaken: May 2012

Opinion: Red



### Design of control framework

We identified the following weaknesses in relation to the design of the controls:

- The School did not hold Terms of Reference at the time of our review for its Governing Body or Finance & Resources Committee.
- The School did not possess a job description for the Headteacher.
- The Financial procedure Manual did not specify the authorisation required for employee appointments.
- The Council do not hold a preferred supplier list.

### Application of and compliance with control framework

We found that a number of controls were not adequately complied with. We identified the following weaknesses during our testing:

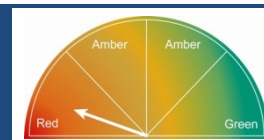
- A declaration of Interest exercise had not been undertaken for all governors, the Headteacher and any other staff who influence financial decisions, in order for any interests to be recorded and evaluated by the School.
- Financial reporting to the governing bodies' forums did not provide the reasons and suggested corrective actions for variances or other financial issues that were being raised.
- Sample testing found that orders were not authorised by the appropriate level of authority in all instances. Specifically orders where authorisation was required from the governing body.

- Sample testing identified that competitive quotes were not being obtained and retained for purchases above £5,000.
- Sample testing found that invoices were not being countersigned to demonstrate that the good/services had been fully receipted in all instances where a goods receipt note was not available.
- The inventory list was not completed with assets other than I.C.T equipment or details of their value, purchase date and depreciation.
- The physical verification of assets exercise was not recorded to retain an audit trail of this task.
- Loan agreement forms were not signed off by the individuals holding the assets.

Assignment: Claycots Primary School (39.12/13)

Audit undertaken: November 2012

Opinion: Red



### Design of control framework

We identified the following weaknesses in relation to the design of the controls, which resulted in four high and five medium rated recommendations:

- The School did not have Financial Procedures in place that outline the roles and responsibilities of the Governing Body, the Finance Committee, the Headteacher and the Business Manager in relation to Financial Management in the School. Without Financial Procedures the School cannot provide assurance that appropriate processes are in place for the Financial Management of the School.
- The School did not have a formal Scheme of Delegation. If the School does not have a clear Scheme of Delegation financial transactions may be carried out in the School without approval of an appropriate authorisation level.
- The Governing Body and the Finance Committee did not have formal Terms of Reference. This may result insufficient understanding by members of their roles and responsibilities.
- Budget Monitoring reports were not consistent and did not include reasoning and actions to be taken for all significant variances or did the agenda paper highlight the need for the Governing Body to scrutinise the report. Subsequently the Governing Body may be unaware or unable to scrutinise and challenge the School's financial performance.
- The School had no evidence to confirm goods and services had actually been received prior to authorising invoices for payment. This could result in the School making payments for goods or services that the School has not received.
- The Business Manager writes out all cheque payments for the School and also signs for them together with the Headteacher. If the School does not maintain appropriate segregation of duties, the School could be exposed to fraudulent transactions.
- The School servers are not stored in a fireproof location. This could result in data loss in the event of a fire.
- Staff expenses were claimed via the invoicing process without receipt of prior authorisation from an appropriate level of authority. There is a risk that inappropriate expenditure could occur.
- The School's Child Protection Policy did not provide information on what action is to be taken on safeguarding students with respect to new staff, volunteers or visitors that had not received CRB clearance. Subsequently the School could potentially fail to safeguard their students or incur shortages in staffing due to an impractical process.

### Application of and compliance with control framework

We found that a number of controls were not adequately complied with. We identified the following weaknesses during our testing which resulted in a further three high and six medium rated recommendations:

- The School's Business Manager, who is tasked with the day-to-day financial management of the school, did not possess any form of finance qualification. Subsequently the school may potentially be inappropriately resourced in terms of financial expertise and could therefore be failing to suitably manage the School in terms of its finances.
- Three quotations were not obtained for some purchases made within the School. If the School does not obtain quotations prior to making purchases it cannot guarantee that it is receiving value for

money.

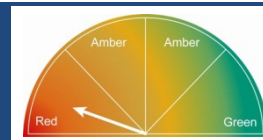
- Sample testing identified that purchase orders had not been created for all purchases. Without the creation of an order, the School could potentially be committing to expenditure which is not available.
- No prior authorisation was received from the Governing Body for expenditure over £8,000 prior to making an order with the supplier. If the School does not receive appropriate authorisation from the Governing Body prior to making orders with suppliers the School could potentially be making inappropriate purchases.
- Where orders had not been raised, sample testing identified that corresponding invoices were not being appropriately authorised prior to payment. Subsequently the School could be failing to identify inappropriate expenditure.
- There was no signatory confirmation or review to confirm that a physical verification of assets had been carried out. The school could potentially fail to identify missing equipment and therefore misstate the financial value of their assets. In addition, assets could be misplaced or misappropriated and the school may not identify this.
- A staff contract was inappropriately signed off by the Business Manager. If the Headteacher does not authorise staff contracts the School could potentially be appointing individuals who are not required or that are not the best candidate for the post.
- CRB clearances had been retained for an excessive period (i.e. in excess of six months) and therefore the School was failing to follow requirements set by the CRB Office.
- The School had a member of staff who had not received full references or a CRB clearance. If the School employs staff who have not received appropriate checks they may put students at risk by employing unsuitable staff. This may also impact on the school's reputation.

Our key findings section below provides an extract from the **red report** that remains in draft:

Assignment: Asset Register (52.12/13)

Audit undertaken: February 2013

Opinion: Red



### Design of control framework

We identified the following control design weaknesses which resulted in two high categorised recommendations:

- The Council did not have procedures in place that defined the roles and responsibilities within the asset management process. If the Council does not have adequate procedures they may fail to appropriately manage the assets owned and make inappropriate decisions.
- The Council did not undertake asset reconciliations between systems to confirm accuracy of data held within the Asset Register or the Land Terrier. If the Council does not ensure accuracy of assets it could result in inaccuracies in records not being recognised.

### Application of and compliance with control framework

We identified the following weakness in the application and compliance of the control framework which resulted in one high and one medium category recommendations:

- Sample testing of assets selected for revaluation, identified an issue that assets that had been disposed of remained on the asset register, where they were valued at £0. This may result in wasted resources during the revaluation process and in the Council holding inaccurate records and over-valuing their assets.
- During sample testing of assets under construction we were unable to identify appropriate supporting documentation in order to verify the value of these sampled assets, which equated to in excess of £500,000. The Council could incorrectly value its assets if it does not retain a clear record of all assets under construction and retain appropriate supporting documentation to verify their value.



The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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