

Slough Borough Council

Internal Audit Progress Report
Audit & Risk Committee Meeting: 25 June 2013

Introduction

The internal audit plan for 2012/13 and 2013/14 were approved by the Audit and Risk Committee on the 27th March 2012 and 25th March 2013 respectively. This report provides an update on progress against that plans and summarises the results of our work to date.

Since the last Audit and Risk Committee held in March 2013 the following 18 audit reports, relating to the 2012/13 plan have been finalised:

- Additional Devolved Budgets to Schools (3.12/13);
- Willow Primary School (4.12/13);
- Western House Primary School (8.12/13);
- Haybrook College (9.12/13)
- Parlaunt Park Primary School (10.12/13);
- Contract Management (33.12/13);
- School's Financial Value Standard (SFVS) (36.12/13);
- Claycots Primary School (39.12/13);
- Business Continuity Planning Arrangements (41.12/13);
- Debtors & Cash Management (42.12/13);
- Thames Valley Transitional Hub – Contractual Performance Management (44.12/13);
- Creditors (46.12/13);
- Procurement Quarter Four Review (47.12/13)
- Partnership Arrangements (48.12/13);
- General Ledger (49.12/13);
- Treasury Management (50.12/13);
- Governance (51.12/13); and
- Budgetary Control & Financial Reporting (53.12/13)

A summary of the key issues contained within these report and the high priority recommendations are detailed in the report below from page 4.

KEY ISSUES

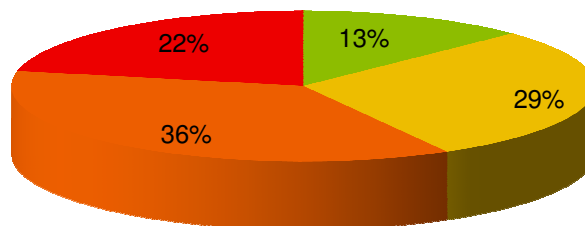
One RSM Tenon audit report (Procurement Cards) in respect of the 2011/12 Internal Audit plan remains in draft. (Note – RSM Tenon provided the IA service for Quarter 4 of 2011/12 only).

Of the 58 reports which have been issued to management in respect of the 2012/13 Internal Audit plan, 9 of these are draft reports. Of these 9, 6 of these have been outstanding for less than 30 working days as at the 13th June 2013.

The Committee should be reminded that management have directed some of the Internal Audit plan of work at areas of concern or where weaknesses were known. This should be considered when reviewing the level of assurance opinions provided below and the proportion of red opinions.

Of the 58 reports (including the 9 that remain in draft) issued to the Council in 2012/13, the breakdown of the levels of assurance provided is as follows:

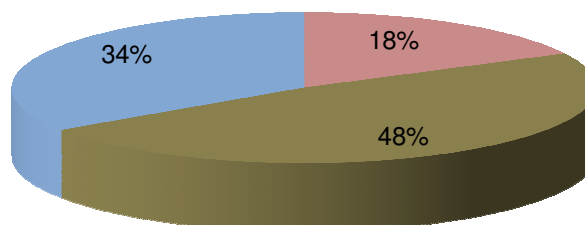
Assurance Levels 2012/13 to date



	Green	Amber Green	Amber Red	Red	Advisory	Total
Assurance opinions 2012/13	7	16	20	12	3	58

The breakdown in the type of recommendations for the year to date is highlighted below:

Recommendation categorisations in 2012/13 reports to date:



	High	Medium	Low	Total
Recommendations raised 2012/13	61	167	120	348

Of the 58 reports issued for the current year to date where a formal opinion has been provided, 12 of these have resulted in a red opinion (please note one of the 12 remain in draft at this stage). 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 14.6.13)

It is therefore imperative that actions to address the weaknesses identified within these reports are undertaken on a timely basis to ensure that these systems can operate effectively in the future. The Council needs to carefully consider the issues identified as part of these audits and determine the extent to which these should be recorded as significant control issues within the Annual Governance Statement. We have also held discussions with the Associate Director – Finance and Audit regarding any significant issues that need to be recorded.

In addition, whilst not resulting in a qualified Head of Internal Audit Opinion, the above red assurance opinions, together with the delays in the responding to draft audit reports, will be recorded as part of our Head of Internal Audit opinion for the year, although the improvements in the processes for responding to our reports have been noted.

As part of our audit follow up process in 2013/14 we will undertake a detailed follow up review in respect of these audits to provide independent assurance regarding the extent to which previous recommendations have been implemented.

Other Matters

Planning and Liaison:

The time-table for quarter one audits for 2013/14 has been agreed, and scoping meetings held for each of these audits. Planning for quarter two and three audits has already commenced with a number of scoping meetings held.

Monthly meetings continue to be held with the Assistant Director, Finance and Audit, with recent meetings focussed on the production of the Annual Governance Statement.

We have also attended the most recent meeting of the Risk Management Group and provided guidance on the proposed content of the Risk Management Policy and the terms of reference for the Group. We have also attended the most recent meeting of the Berkshire Internal Audit Group.

Internal Audit Plan 2012/13 - Change Control:

The only two additional proposed changes that have been made to the Internal Audit plan since those which were highlighted to the previous Audit & Risk Committee are:

- The postponement of the Use of Agency and Workforce Planning Review until quarter two 2013/14 due to issues with the implementation of the software with the Council's new provider; and
- The revised date for the Sickness Management review due to the unavailability of the key contact for Slough Borough council on the originally proposed dates. This audit is now in progress.

Information and Briefings:

We have issued the following updates electronically since the last Audit and Risk Committee:

- LGE eUpdate LG eUpdate February 2013
- LGE eUpdate LG eUpdate March 2013

This update highlights the increased need for vigilance and strong controls in respect of the management of changes to supplier details, as this has become a particular target for fraudsters over the last 18 months.

Key Findings from Internal Audit

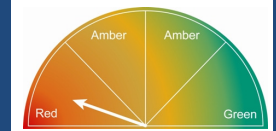
2012/13 Internal Audit Plan

Since the last Audit and Risk Committee, we have finalised 18 audit reports, of which three were a Red opinion. Our key findings section provides an extract from the **amber-red** and **red reports** finalised since the last progress report to the Audit & Risk Committee below. We have also included the action plan for all of the High category recommendations within these reports:

Assignment: Contract Management (33.12/13)

Final report issued 21/3/13

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 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). 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.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
REC 1: A contract management framework should be established to ensure contracts	Contract Management Framework will be written and circulated	December 2013	Joanna Anderson, Assistant

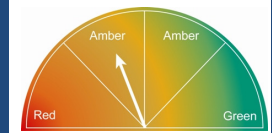
<p>are effectively managed. The framework should include guidance on assessing the risk related to contracts to ensure the appropriate level of governance and scrutiny is applied to the management of the contract.</p> <p>We suggest that different tiers are introduced in order for the Council to distribute resources appropriately.</p> <p>The framework should address the level of seniority required at management forums and involvement from other departments, format of meetings, i.e. whether full minutes should be recorded. For higher tier contracts it should be compulsory for contracts to include performance indicators.</p>	<p>to each directorate to discuss at SMT/DMT. The framework will be linked to their In-Tend e-tendering and e-contracts register solution</p>		<p>Director-Commissioning, Procurement & Shared Services</p>
<p>REC 2: The Council needs to prioritise the receipt of all significant data regarding each contract held by the organisation in order for an accurate listing of the essential details of each contract to be transferred to any new system installed.</p> <p>The Council could utilise the Communications Team to highlight this need through emails and information posted on the organisation's website.</p>	<p>At the end of September each directorate will be notified that the Contracts Register requires updating, an extract of the Corporate Procurement register will be sent out for directorates to cross reference with their own information to ensure the overarching register is updated.</p> <p>This has subsequently been completed with 45 contracts register received from across service areas. Populated into central contracts register. Departmental registers are requested every 3 months.</p>	<p>End of September 2012</p>	<p>Joanna Anderson, Assistant Director-Commissioning, Procurement & Shared Services</p>
<p>REC 4: The Council need to introduce a mechanism to ensure that all contracts include the key details (including the following information) before the contract is signed by both parties and its award:</p> <p>The required governance framework; Performance indicators; Contract value; and Expiry dates and any relevant extension dates.</p> <p>Contract Manager Lead Director / Assistant Director</p> <p>Legal Services should then be responsible for holding all original contracts and providing an</p>	<p>This information where possible is captured at Competitive tendering stage. Procurement to liaise with legal to ensure appropriate schedules e.g. Benchmarking, Governance Model are included in the suite of precedents</p> <p>In-Tend solution due to</p>	<p>September 2013</p>	<p>Joanna Anderson, Assistant Director-Commissioning, Procurement & Shared Services</p>

<p>electronic version to those charged with managing the contract. This will ensure a sufficiently detailed contract is held by both the service area and Legal Services.</p>	<p>be implemented by end of March 2013 – this will then be populated with current data and new data going forward</p>		
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Assignment: Schools Financial Value Standard (SFVS) (36.12/13)

Final report issued 24/4/13

Opinion: Amber Red



Background:

The Schools Financial Value Standard (SFVS) has been available for schools to use from September 2011. The SFVS has been designed in conjunction with schools to assist them in managing their finances and to give assurance that they have secure financial management arrangements in place. Governing bodies have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors.

SFVS is mandatory for all schools maintained by Local Authorities and they are required to complete the standard once a year. Those schools which never attained Financial Management Standard in Schools (FMSiS) were expected to complete and submit the SFVS to their local authority by 31 March 2012. For all other maintained schools, the first run through is required by March 2013. An annual review is required thereafter by all maintained schools.

Effective financial management enables schools to optimise their use of resources to provide high-quality teaching and learning and so raise standards and attainment for all their pupils. Slough Borough Council (referred to as the Council hereafter) is required to provide assurance to the Department for Education (DfE) about the number of schools that have completed SFVS.

Requirements stated by the DfE that are assigned to the Council is to set and monitor a local financial framework and to provide local support for schools to help them provide an effective service to the local community. In pursuit of this role requirements include:

- Maintain and revise a local financial scheme for schools under section 48 of the Schools Standards and Framework Act (SSFA) 1998;
- Review the schools’ budget plans as submitted;
- Agree a deficit recovery programme with schools that fall into deficit;
- Carry out high level monitoring of schools’ budgets;
- Challenge excess surplus balances, held by schools without good reason;
- Plan and carry out an audit programme for schools;
- Monitor implementation of the SFVS and take this into account in their programme of audit.

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:

- No guidance had been provided directly from the Council on requirements for conducting the SFVS. Without sufficient guidance, there is a risk that Schools may fail to submit their SFVS. If the Council does not receive sufficient assurance that financial standards are appropriately maintained at schools it will not be complying with the DfE requirements. A financial incident could occur that the Council could have potentially intervened and avoided if they were aware of inappropriate standards operating at Schools.
- The Council has not requested receipt of any Schools' completed SFVS. Without receipt of those standards that were due for submission in March 2012 the Council does not have sufficient assurance that financial standards are appropriately maintained at these schools. A financial incident could occur that the Council could have potentially intervened and avoided if they were aware of inappropriate standards operating at Schools.

Application of and compliance with control framework

We found that a number of controls identified above were not adequately complied with. The following weaknesses resulted in a two medium category recommendations:

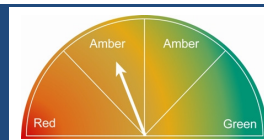
- The Council had not been scrutinising surpluses projected by schools and ensuring their appropriateness. The surpluses cumulatively proposed by schools was £3.1m in 2012/13 and the Assistant Director Achievement and Inclusion reported that surpluses held by schools (included prior year values) amounted to approximately £11m. Four schools in the borough had proposed surpluses in excess of 10% of their income. Schools in the borough could be failing to utilise their funds on existing pupils for which the funding has been provided if appropriate challenge and review is not undertaken by the Council to ensure surpluses are appropriate.
- The Councils record for identifying those schools that were required to submit an SFVS was not up to date. It did not list all those schools exempt, for instance, nurseries that were exempt in March 2012. If this data is not accurate the Council will not be able to correctly inform the DfE of those schools which schools attained the standard.
- The Council was also not in receipt of completed standards from March 2012 and therefore was not able to inform the DfE of those which had attained the standard to date. The Council was therefore not aware of whether those which had completed the SFVS had carried out their requirements in terms of a Governors review, Chair of Governors sign off and creation of an assigned and time-bound action plan for all areas of non-achievement.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 2: The Council should ensure that they carry out Department for Education requirements by:</p> <ul style="list-style-type: none"> ▪ Agreeing a deficit recovery programme with schools that fall into deficit; and ▪ Challenging excess surplus balances, held by schools without good reason. 	The Assistant Director Achievement and Inclusion explained that this will be brought to the attention of the Finance Department.	31 st July 2013	George Grant, Finance Manager (Wellbeing)

Assignment: Debtors & Cash Management (42.12/13)

Final report issued 16/5/13

Opinion: Amber Red



Design of control framework

We identified the following weaknesses in the design of the framework, which resulted in two medium categorised recommendations:

- Although progress had been made to investigate aged debts in areas such as Adult Social Care and Asset Management, there was not a robust process in operation across the Council. The Council did not have regular case reviews with Recovery Officers to review the recovery of outstanding debt across all departments of the organisation. If the Council do not regularly meet with recovery officers it cannot gain assurance that appropriate action is being taken to recover outstanding debt. This could result in financial loss to the Council if debt is not actively chased within appropriate timescales.
- There was no insurance in place for the cash held at Landmark Place. Without appropriate insurance in place the Council may be unable to recover money held in the event of loss.

Application of and compliance with control framework

We found that a number of controls identified above were not adequately complied with. Notably the following weaknesses were identified which resulted in one high and two medium categorised recommendations:

- Automatic reminders for debt recovery were produced more than 14 days after the original invoice which is not in line with the Income and Debt Recovery Policy. In addition pre-court letters were sent to customers more than 35 days after the date of the original invoice which is longer than specified in the organisation's policy. The policy did not suggest instances where exceptions were permitted. If the Council does not undertake timely recovery action, outstanding debt may become irrecoverable.
- The Council did not regularly review the Aged Debt reports to ascertain actions to be taken on recovering outstanding debt. If this is not reviewed regularly the Council may fail to make decisions on either recovering or writing off outstanding debt which could result in financial loss.
- No action was taken on recovery of Social Care Debt further to sending a final reminder. If no action is

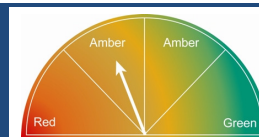
taken on outstanding social care debt the Council may fail to recover outstanding debt.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
REC 1: To ensure the Council receive assurances that debts are being appropriately managed Finance Partners should be required to provide feedback to the Financial Controller to confirm that the aged debtor analysis has been appropriately discussed and action taken within their directorate.	This can be introduced by Finance Partners and a record retained to close the feedback loop.	End of April 2013	Barry Stratfull, Corporate Financial Controller

Assignment: Governance (51.12/13)

Final report issued 21/5/13

Opinion: Amber Red



Design of control framework

We found the following weakness in relation to the design of the control framework, which resulted in one medium categorised recommendation:

- 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.

We also identified a further two weaknesses in the design of the control framework which resulted in two low categorised recommendations.

Application of and compliance with control framework

We found that a number of controls identified above were not adequately complied with which resulted in three medium categorised recommendations and eight low categorised recommendations. The medium categorised recommendations relate to the following:

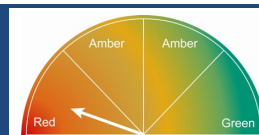
- Not all Members had completed and submitted a Declaration of Pecuniary Interest form. If correct practice is not adhered to with regards to declaring interests at meetings there is a potential risk of, or perception that malpractice may be carried out and that members may be utilising their power for their own personal interests.
- Member attendance at some committee meetings was low and failed to reflect their commitment to their role. Non-attendance by a 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 Councillor's 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.

A further eight low recommendations have been made.

Assignment: Willow Primary School (4.12/13)

Final report issued 16/5/13

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

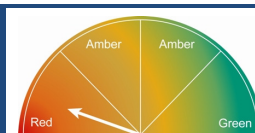
We found that a number of controls identified above were not adequately complied with. We identified the following weaknesses during our testing:

- 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 received 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.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 1.2: The Financial Procedure Manual should be regularly reviewed by the Full Governing Body and details of its approval and next review date should be recorded on the document.</p> <ul style="list-style-type: none"> ▪ The Manual should be enhanced to include: ▪ The level of authority required to approve timesheets for overtime. ▪ The number of individuals and level of authority required as a bank mandate for the School. ▪ The requirement and level of authorisation to approve new employees. ▪ The level of authority required to approve expenses and overtimes should be specifically recorded. 	Willow School became part of Marish Academy Trust in February 2013 and have endorsed the recommendations of this review and have addressed the matters that were outstanding at the time of the transfer.	Completed	Sheila Bond, Academy Business Manager
<p>REC 3.2: The School needs to ensure approval is obtained for all expenditure in compliance with their Financial Procedures Manual.</p>	As above	Completed	Sheila Bond, Academy Business Manager

Assignment: Parlaunt Park Primary School (10.12/13)
Final report issued 16/5/13

Opinion: Red



Design of 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 three high and five medium rated recommendations, during our testing:

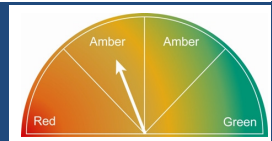
- The School's budget was not presented to the Full Governing Body after it was authorised by the Finance Committee in 2011/12. If the budget is not endorsed by the Full Governing Body, any inaccuracies may fail to be identified and the School may fail to manage its finances effectively.
- Staff involved 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 not 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.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
REC 4.2: The School should remind all staff that all purchase orders for goods and services should be created prior to orders being made and approved in line with the financial limits as set in the Financial Procedures.	This will be conducted and the financial regulations will also be revised if permitted by the Governors to allow the Headteacher to authorise up to £10,000, which Internal Audit informed the School was consistent with other Schools.	End of September 2012	Tara Moran, Headteacher

<p>REC 4.3: The Bursar should send invoices back to the relevant staff member if either:</p> <ul style="list-style-type: none"> ▪ A Goods Received Note has not been signed; or ▪ The invoice has not been annotated and signed to state the goods/service has been fully received/ completed. 	<p>All invoices will be signed going forward in the absence of a signed goods received note.</p>	<p>End of June 2012</p>	<p>Alison Draycott, Bursar</p>
<p>REC 7.1a: The Governing Body should ensure that any timesheets for the Headteacher are authorised by the Chair of Governors to ensure that appropriate authorisation is provided for additional payments.</p>	<p>This has now been completed.</p>	<p>End of February 2013</p>	<p>Tara Moran, Headteacher</p>

Assignment: Haybrook College (9.12/13)
Final report issued 13/5/13

Opinion: Amber Red



Design of control framework

We identified the following weaknesses in relation to the design of the controls, which have resulted in four medium recommendations:

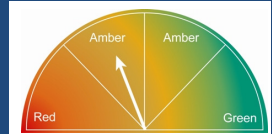
- The roles and responsibilities of the Governing Body, Finance Committee, the Headteacher and the Bursar have not been clearly defined in the Finance Manual.
- The Governing Body has not set up a Terms of Reference which specifies its role and the minimum frequency, level of detail and general format of the financial information to be provided to it.
- The Scheme of Delegations and the Finance Manual had inconsistent authorisation requirements for expenditure over £60,000. Inappropriate authorisation may be obtained for expenditure if the levels of authorisation are not clear.
- The College's inventory listings did not all include asset values and date of purchase therefore the College could incorrectly value its assets if they are unable to identify any assets that have devalued, been disposed of or has been stolen.

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 have resulted in one high and two medium recommendations:

- The College did not obtain approval from the Chair of the Finance Committee for purchases over £10,000 and therefore did not comply with their Scheme of Delegations and could potentially be committing the College to expenditure that the Finance Committee would not agree was required.
- Purchase Orders were created after receipt of an invoice therefore without prior approval from an appropriate level of authority. This could commit the College to expenditure when funds are not available.
- Three Governors and staff who were involved with making financial decisions in the College did not complete a declaration of interest form to declare any interests held. Individuals could be making decisions in their best interest and not the College's' interest if they are not robustly subject to this exercise.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 2.1: The College should ensure that all expenditure between £10,000 and £35,000 receives authorisation from the Head of the Finance Committee prior to the order being made as stipulated in the Scheme of Delegation. Approval should be received in writing either by signature or via e-mail.</p>	<p>Agreed.</p>	<p>Immediately</p>	<p>Wendy Andrews, Bursar</p>



Design of control framework

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

- The school does not undertake any investigations before using new suppliers to check their credentials.
- The School does not have any form of asset register or inventory list and therefore the School could potentially be incorrectly valuing its assets.

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 have resulted in two high and two medium rated recommendations:

- The Budget Monitoring reports were not presented at the main IEB meeting and therefore do not get a review from all IEB members. Discussions held on the reports are not recorded within minutes of the meeting.
- The School did not obtain approval from the IEB for purchases over £10,000 and therefore did not comply with their Financial procedures and could potentially be committing the School to expenditure that the IEB would not agree was required.
- Purchase orders were not created and authorised at the appropriate level prior to orders being made and therefore the School could be committing to expenditure that may not be required.
- Delivery notes were not signed to confirm receipt of goods or services. Verbal confirmations do not provide a sufficient audit trail and potentially the School could incur expenditure for orders that have not been fully received. Claimants did not sign timesheets and therefore the value of claims could be inaccurate which could potentially result in the School incurring expenditure that is not valid.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>REC 1.1: The Financial Procedures should be regularly reviewed by the Full Governing Body and details of approval and next review date should be recorded on the document.</p> <p>The Procedures should be updated to:</p> <ul style="list-style-type: none"> ▪ Include the responsibility of the Bursar to monitor expenditure and to produce financial reports to the Governing Body that provides reasoning and suggested corrective actions for poor performance. For instance, variances to budget. ▪ Provide consistent requirements on the value in which tendering procedures should be adopted within both the Scheme of Delegation and Procurement section. ▪ Remove the use of a Preferred Supplier List if the School is satisfied that sufficient value for money can be obtained through obtaining quotes on purchases. ▪ Include a section on the approval of staff appointments and the level of 	<p>The Financial Procedures have been updated and Financial procedures are due for review again in July 2013</p>	<p>Completed</p>	<p>Gill Overell, Headteacher</p>

<p>authority required to approve staff of different levels of seniority.</p>			
<p>REC 2.1: The IEB should ensure that a regular agenda item is to review a Finance Report and the IEB should ensure that the review and scrutiny of the school's actual spend compared to the budget is recorded within their minutes.</p>	<p>This will be carried out in future meetings. - IEB do regularly review finance reports.</p>	<p>Completed End of June 2012</p>	<p>Gill Overell, Headteacher</p>
<p>REC 3.2: The Headteacher should remind all employees that the School is required to produce a purchase order in all instances (except utilities, rents, rates and petty cash payments) for approval by the appropriate authorisation level before making an order with a supplier in adherence with the Finance Procedures.</p> <p>The purchase order should be signed as evidence of approval and retained.</p> <p>Where purchase orders are not appropriate invoices should be presented to the appropriate level of authority for approval.</p>	<p>An email was sent to all staff to ensure this is enforced from the Headteacher in May 2012</p>	<p>Completed May 2012</p>	<p>Gill Overell, Headteacher</p>

APPENDIX A - Summary of Progress against the Internal Audit Plan

2011/12 Audit Plan

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Purchase Cards (4.11/12)	Draft Report Issued 23 March 2012 – awaiting management comments	Amber Red	2	4	1

2012/13 Plan (included with 2012/13 Annual Report)

2013/14 Annual Plan (Quarter One Only)

Assignment <i>Reports considered today are shown in italics and bold</i>	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
Customer & Community Services:					
Trading Standards	Starts 28/6/13				
IT Strategy	Starts May 2013				
Wellbeing:					
School's Financial Value Standard (SFVS)	Review stage				
Children's Service Procurement	Review stage				
Resources, Housing & Regeneration:					
Council Tax – Implementation of new rules	Fieldwork in progress				
Freedom of Information Act Compliance	TBC				
Chief Executive:					
Health and Safety	Draft issued 8/5/13	Amber Green	0	3	3
Training and Development	starts 20/6/13				
Schools:					
Cippenham Nursery School	Draft issued 13/5/13	Amber Red	0	5	3
Foxborough School	Review Stage				
Priory School	Review Stage				
Littledown School	Fieldwork in progress				
Lea Nursery School	starts 14/6/13				
St Bernard's School	starts: 24/6/13				

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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