

# Slough Borough Council

Internal Audit Progress Report

Corporate Management Team Meeting: September 2014

Audit & Risk Committee Meeting: 23<sup>rd</sup> September 2014

## Introduction

The internal audit plan for 2014/15 was approved by the Audit and Risk Committee on the 13<sup>th</sup> March 2014. 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 July 2014 the following 7 audit reports, relating to the 2013/14 plan have been finalised:

- Rent Accounts
- Contract Management – Amey plc
- Budgetary Control including Savings Plans Monitoring
- Risk Management
- St Ethelbert's Catholic Primary School
- Asset Register
- Payroll

The following 3 final audit reports have also been issued in respect of the 2014/15 Internal Audit plan:

- Budget Setting including Savings Plans
- Holy Family Catholic Primary School
- Troubled Families Programme – May 2014 review

The executive summaries and details of high priority recommendations for all red and amber red reports detailed above are contained within Appendix B below.

## Key Issues

### Outstanding audit report from 2012/13:

The Carbon Reduction Commitment Programme audit report remains outstanding. An Internal Audit is currently in progress for Carbon Reduction and during this review we will follow up all of the recommendations from the previous review and any outstanding will be included in the new report and action plan.

### Outstanding audit reports from 2013/14:

As at the 11<sup>th</sup> September 2014, one audit (Safeguarding Operating Model for Adult Services) had been deferred until 2014/15, for the remaining 52 audits within the 2013/14 audit plan all reports had been issued to management. The table below shows how many have been finalised and those that remain in draft:

Directorate	Audits	Final	Draft
Customer & Community Services	15	15	0
Chief Executive	5	5	0
Wellbeing	2	2	0
Resources, Housing & Regeneration	13	13	0
Schools	16	13	3
Cross Directorate Review	1	1	0
<b>TOTAL</b>	<b>52</b>	<b>49</b>	<b>3</b>

The above table highlights that just over 5% of the audit plan remains in draft and all three reports still in draft relate to schools. Details of the reports outstanding are contained within Appendix A of this report.

Of the 7 final reports issued since the date of the last Audit and Risk Committee, three 'Red' reports have been issued and two 'Amber Red' reports have been issued in final. Within these reports, 9 high priority recommendations were raised. Detailed of these recommendations are contained within Appendix B below.

### Outstanding Reports from 2014/15

As at the 11<sup>th</sup> September 2014, the following audit five reports remain outstanding in draft:

- Chalvey Early Years Centre
- Lone Working Procedures
- Schools Financial Value Standard
- Contract Management – Slough Community Leisure
- Data Quality – Performance Indicators within contracts

Of the above reports, only the Chalvey Early Years Centre and Lone Working Procedures reports have been outstanding for more than 30 days, and we are actively working with management to enable these reports to be finalised in a timely manner. The finalisation of the Lone Working Procedures report has been delayed by staff absence but is due to be finalised shortly.

### Key Findings from 14/15 Internal Audit work

Of the 5 reports issued in 2014/15 where a formal opinion has been provided, three of these have resulted in a red opinion, two of which were schools audits (Holy Family Catholic Primary School and Chalvey Early Years Centre), with the other one being Data Quality, although it should be noted that the Chalvey and Data Quality reports remain in draft.

A response to the Chalvey report was received on 11<sup>th</sup> September 2014 and it is anticipated that this will be finalised shortly.

It is 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 results of the red opinion reviews to date will impact, but not qualify, our Head of Internal Audit Opinion for the year, and these highlight the need for continued review of the school's internal control environment to ensure that this is operating effectively in ensuring the effective utilisation of resources.

### Other Matters

#### Planning and Liaison:

The timings for quarter three audits has been agreed for the majority of audits with management and audit planning sheets (scopes) have been issued.

Monthly meetings continue to be held with the Assistant Director - Finance and Audit, where progress against the plans, responses to draft reports and upcoming audits are discussed. In addition, we have continued to attend Risk Management Group meetings, together with regular attendance at Directorate SMT meetings to ensure that there is continued focus on Internal Audit issues within the Council.

#### Internal Audit Plan 2014/15 – Change Control:

Two proposed changes to timing of reviews been made to the Internal Audit plan since the previous Audit & Risk Committee are:

Action	Date	Agreed By
Delay the Educational Services review and Children's Services Procurement to Q4, as a result of uncertainty in relation to Children's services.	August 2014	Executive Director, Wellbeing

<p>We discussed this further with the AD Finance and Audit who suggested the Children's Services procurement review be undertaken in Nov/Dec 2014 to ensure the Council still has time to address any remaining issues prior to the year end.</p>		
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## APPENDIX A – SUMMARY OF PROGRESS AGAINST THE INTERNAL AUDIT PLAN

**2013/14 Annual Plan** (as at 11<sup>th</sup> September 2014 – note the table below only provides details of audit reports not finalised as at the time of the previous Audit and Risk Committee Meeting)

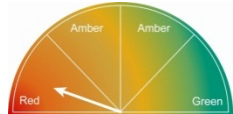
Assignment Reports finalised since the last RMG meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
<b>Customer &amp; Community Services:</b>					
Rent Accounts	Final Issued 15/7/14	RED	2	2	4
Payroll	Final Issued 11/09/14	AMBER GREEN	0	3	3
<b>Resources, Housing &amp; Regeneration:</b>					
Contract Management Arrangements – Amey Plc	Final Issued 3/7/14	RED	3	4	2
Budgetary Control & Financial Reporting	Final Issued 10/7/14	AMBER RED	1	3	3
Asset Register	Final issued 10/09/14	AMBER RED	1	3	0
Risk Management	Final Issued 17/6/14	ADVISORY			
<b>Schools:</b>					
Our Lady of Peace Catholic Junior School	Draft issued 22/11/13	AMBER RED	1	6	2
St Ethelberts Catholic Primary School	Final Issued 30/6/14	RED	2	4	3
Claycots School	Draft issued 4/4/14	RED	2	5	5
Pippins School	Draft issued 11/4/14	AMBER RED	2	2	2
<b>Cross Directorate Review:</b>					
Follow Up Review	Final Issued 27/5/14	ADEQUATE PROGRESS	0	1	1

**2014/15 Annual Plan** (as at 11<sup>th</sup> September 2014 for quarters 1, 2 and 3)

Assignment Reports finalised since the last RMG meeting are shown in bold	Status	Opinion	Actions Agreed (by priority)		
			High	Med	Low
<b>Customer &amp; Community Services:</b>					
avarto phase 2 – IT& Customer Services	In Progress				
Data Security	In review				
Contract Management – Slough Community Leisure	Draft issued 26/08/14	ADVISORY	7		
Carbon Reduction Programme	In Progress				
Procurement	Commenced 8.9.14				
Purchase Cards	Commencing 29.9.14				
Direct Payments	to start in September 2014				
avarto performance management	Commencing 3.12.14				
Council Tax	Commencing 12.11.14				

<b>Assignment</b> Reports finalised since the last RMG meeting are shown in bold	<b>Status</b>	<b>Opinion</b>	<b>Actions Agreed (by priority)</b>		
			<b>High</b>	<b>Med</b>	<b>Low</b>
Housing Benefit	Commencing 19.11.14				
Rent Accounts	Commencing 26.11.14				
Business Rates	Commencing 23.12.14				
<b>Wellbeing:</b>					
<b>Troubled Families Review (May claim)</b>	<b>Final Issued 31/7/14</b>	<b>ADVISORY</b>	-		
Troubled Families Review (August claim)	In Review				
Children's Services – Access to Records	Commencing 6.10.14				
Educational Services – Contract Management Arrangements	Commencing 27.10.14				
Safeguarding Operating Model	Commencing 24.11.14				
<b>Chief Executive:</b>					
Lone Working Procedures	Draft Issued 29/7/14	AMBER RED	1	4	3
Governance	Commencing 14.10.14				
<b>Resources, Housing &amp; Regeneration:</b>					
Data Quality	Draft Issued 11/09/14	RED	3	5	1
Contract Management Arrangements – Atkins	In Review				
Schools Financial Value Standard	Draft Issued 4/8/14	ADVISORY			
<b>Budget Setting inc Savings Plan</b>	<b>Final Issued 17/7/14</b>	GREEN	<b>0</b>	<b>0</b>	<b>2</b>
Risk Management	Commencing 17.11.14				
Housing Arrangements	Commencing 6.10.14				
Contract Management Arrangements - Amey Plc Follow up	Commencing 3.11.14				
General Ledger	Commencing 17.11.14				
Cash Collection	Commencing 4.12.14				
Treasury Management	Commencing 8.12.14				
Income and Debt Management	Commencing 10.12.14				
Capital Expenditure	Commencing 15.12.14				
Budgetary Control and Savings Plans	Commencing 12.12.14				
Creditors	Commencing 17.12.14				
<b>Schools:</b>					
<b>Holy Family Catholic Primary School</b>	<b>Final Issued 4/6/14</b>	RED	<b>2</b>	<b>5</b>	<b>2</b>
Chalvey Early Years Centre	Draft Issued 22/5/14	RED	3	3	5
Wexham Court Primary School	In Review				
St Mary's CE School	In Review				
Khalsa School	In Review				
St Antony's Catholic Primary Care School	Commencing 24.9.14				
Our Lady of Peace Catholic	Commencing 30.9.14				

## Appendix B – Key Findings from Red and Amber Red rated reports

Assignment: <b>Contract Management – Amey Plc 23.13/14</b>	Opinion: Red		
<p><b>Design of control framework</b></p> <p>We identified weaknesses in the design of the control framework which resulted in <b>one high and two medium</b> priority recommendations:</p> <ul style="list-style-type: none"> <li>The high level Management accounts provided by Amey Plc. to facilitate the validation process of the profit share were not suitable to perform detailed analysis and therefore the Council could be failing to receive all relevant income if the provider had potentially understated their profits. <b>(Medium)</b></li> <li>Based on the equation used in practice by the Council and the provider, our sample testing of the indexation applied to the Street Cleansing Contract (in determining the yearly price of the contract) identified an excessive uplift between 2005/06 and 2006/07. This increased the costs by £42,850 (in total for both years) and given the existing value is utilised to calculate all future year values (paid by the Council to the contractor). Evidence was available to demonstrate discussions on the uplift. However, there was no documentation available to verify the approval of these rates above the indexation. If the uplift was not appropriate then this has had an adverse effect on the subsequent fees to the sum of £61,458 up to the year end 2013/14. <b>(High)</b></li> <li>No audit trail was maintained for the inspection of scheduled work completed by the provider. We were informed approximately 10% is checked due to the contract being set up as a self-monitoring contract. However, there is a reliance on complaints to inform poor performance. For unscheduled work sample testing identified that 14 out of 18 invoices were paid without a suitable audit trail to verify completion of the service. If confirmation of completion of works has not been obtained the Council could incur expenditure for works that have not been completed. Although it is noted that the works is through a self-monitoring contract, given the financial value of this contract it cannot be presumed to offer value for money without an appropriate level of validation of works in operation. <b>(Medium)</b></li> </ul> <p><b>Application of and compliance with control framework</b></p> <p>We identified the following weaknesses where the above controls were not adequately applied and complied with which resulted in <b>two high and two medium</b> priority recommendations:</p> <ul style="list-style-type: none"> <li>An electronic version and hard copy of the signed contract was held by the Environmental Services department. However, neither copy included all schedules and appendices. The Council could be failing to receive the correct level of service without a final, signed version of the full contract from which the Council can effectively monitor the services received. We were informed that enquiries had been made with the service provider. However, given the acquisitions that had occurred throughout the lifetime of the contract this had not proven successful in obtaining a copy of the complete contract. <b>(Medium)</b></li> <li>The KPIs Data list did not reflect any annual targets. The only comparator was previous month's and year's performance and no RAG rating was utilised to conclude whether the output performance was considered acceptable. Without sophisticated systems used to highlight areas of agreed underperformance for which a claw back could be assigned, the Council may fail to direct suitable corrective actions to combat sub-optimal performing services provided by Amey Plc. and subsequently fail to receive value for money. <b>(High)</b></li> <li>Benchmarking had not been undertaken for some years across the service lines. Without sufficient benchmarking completed, the Council do not have sufficient assurance that they have been receiving value for money and a high level of service across all service lines of the Environmental Service contract. <b>(High)</b></li> <li>Furthermore, in light of the Medium Term Financial Strategy (MTFS) to deliver savings, the Council had not challenged the provider on their indexation uplifts in the last three financial years to negotiate whether a favourable rate could be applied to the contract uplifts rather than RPIX. Without challenging contractors on annual uplifts to attempt to negotiate more favourable rates the Council could potentially fail to deliver their MTFS. <b>(Medium)</b></li> </ul>			
High Risk Recommendation(s):	Management Response	Date	Responsible Officer
The Performance Measurement System needs evolving to ensure the provider is	The Council have used APSE to benchmark	31 <sup>st</sup> December	Ian Coventry, Environmental

<p>monitored against a set of indicators that determine the quality of service and value the Council is receiving across all services within their Environmental Services contract.</p> <p>Performance reporting should include targets for data and utilise directional trend arrows and a RAG rating to enable users to more clearly identify any potential areas of adverse performance.</p>	<p>the Services provided under the Amey Contract on an annual basis.</p> <p>The initial work is complete (APSE benchmarking)</p> <p>The initial Benchmarking was completed early in 2014 and this is to be further refined following the next submission in August 2014 .Performance is reviewed at monthly liaison meetings and the PMS is an Amey document and requires joint input to identify relevant new indicators which are SMART and tie in with the targets set from the APSE benchmarking exercise</p>	2014	Services Manager
<p>The Council should ensure that regular benchmarking is undertaken and where there is scope to challenge the provider to reduce costs, this is acted upon in a timely manner and where this proves unsuccessful alternative providers are procured.</p>	<p>Benchmarking is underway (see above )</p> <p>Contractor is challenged on costs. Exclusivity clause needs to be adhered to by the Council before considering alternative providers.</p>	31 <sup>st</sup> January 14	All Service Managers
<p>The Council should:</p> <ul style="list-style-type: none"> <li>• Seek a reimbursement from the contractor where the incorrect indexation increases have been applied (considering the RPIX utilised in 2005/06 and 2006/07).</li> <li>• Introduce a robust control for checking the Indexation uplift figures, which are subject to independent review by a second Officer.</li> </ul> <p>Please note we have only reviewed the street cleansing uplifts, these errors may apply to other aspects of this contract with Amey PLC and should be further reviewed.</p>	<p>A sign off on the inflation sum and figure shall be drafted with the appropriate procedures. Once clarified and confirmed by the AD: Finance &amp; Audit then a copy of the confirmation shall be placed in the Contract &amp; respective finance files'</p> <p>Procedures and sign off process in the <i>'Indexation &amp; Profit Share Protocol Environmental Services</i></p>	1st May 2014	Nicholas Hannon, Waste & Environment Manager



	<p><i>Contract 2014-15_DRAFT document'</i> authored by Nicholas Hannon, following sign off on draft by Finance.</p>		
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<p>Assignment: <b>Rent Accounts (36.13/14)</b></p>	<p>Opinion: Red</p>	
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**Effectiveness**

From 30<sup>th</sup> September 2013 to 30<sup>th</sup> December 2013, rent collection performance has remained above the rent collection performance target of 97.5% However, as at the 13<sup>th</sup> January 2014 the rent collection was at 97.36%

For the period spanning 2<sup>nd</sup> December 2013 to 21<sup>st</sup> January 2014, the number of households in arrears above £500 and below £750 increased from 181 households to 215 households. Despite such increases, at the time of our review, we were aware that due to structural changes in the service, the Head of Place Shaping alongside a dedicated project lead were due to establish a remedial action log and identify measures to reduce the increase in arrears in excess of £500. The Council is failing to receive income with increasing arrears and this income could become irrecoverable if it is not appropriately managed. Given the impending action plan, no recommendation has been raised in this instance.

**Design of control framework**

We identified one weakness in the design of the Rent Accounts Control Framework which resulted in a low priority recommendation that is expanded on further within the Action Plan and Findings and Recommendations sections that follow.

**Application of and compliance with control framework**

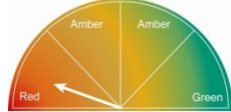
We identified the following weakness in the application and compliance of the Rent Accounts control framework which resulted in **two high priority** and **two medium priority** recommendations:

- In a sample of 25 Tenancy Agreements we found that the weekly charge as per the agreement was understated in five instances on the Capita system to a collective weekly sum of £18.81 for which the Council is failing to collect income. If this error was extrapolated across all properties/garages the Council could potentially be failing to collect £345,589 per annum. **(High)**
- Supporting documentation had not been retained for variances for reconciliations performed between the Capita system and the Housing Benefits system. Without retaining such documentation, arvato/Council management may be unable to identify if any variances are inappropriate. **(Medium)**
- Prompt rental recovery reports with decisions to reject arrears of over £500 were not reviewed by Rent Recovery Officers. If Prompts reports containing all rejected actions for arrears above £500 are not reviewed by the Arrears and Investigation manager/ Team Leader, arrears owing to the Council may fall irrecoverable. This was also an issue identified within our 2012/13 review of Rent Accounts. **(High)**
- Sample testing of refunds identified instances where requests were not date stamped (two instances) and not processed in a timely manner (a further three instances). The Council's reputation could be adversely affected if prompt refunds are not processed. **(Medium)**

We also identified a further four weaknesses which resulted in low priority recommendations that are expanded on further within the Action Plan and Findings and Recommendations sections that follow.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
The Council should undertake a reconciliation between weekly rental charges for Tenants on the Capita System and weekly rental	Agreed that this was a pressing matter that required addressing.	July 2014	Housing & Environment Services.

<p>charges as per Tenancy Agreement forms and investigate and correct where necessary the discrepancies that exist and request further payment from Tenants where necessary.</p>	<p>This will form as part of the Housing &amp; Environmental Services Department 'Sign Up' Review. The Council endeavours to complete the 'Sign Up' Review in the next six months.</p>		
<p>The Council should ensure that the monitoring of Recovery Officers' decisions over £500 should be reviewed by Rent Recovery Officers so that arrears do not become irrecoverable.</p>	<p>Accepted. Customer &amp; Business Support Manager agreed this was a pressing issue that required addressing. This matter is now being monitored by the Income Project Manager and officers actions monitored via BI Queries.</p>	<p>With intended immediate effect, but by July 2014</p>	<p>Arrears and Investigation Manager</p>

<p>Assignment: St Ethleberts Catholic Primary School (40.13/14)</p>	<p>Opinion: Red</p>	
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**Design of control framework**

We identified the following weakness in relation to the design of the School control framework which resulted in **two medium** priority recommendations:

- On reviewing the School's Finance Policy Scheme of Delegation we noted it did not state the authorisation requirements for disposals and write offs below £250. If the authorisation requirements for disposals and write offs below £250 are not clearly reflected in the School's Finance Policy Scheme of Delegation, items of equipment may be incorrectly disposed of or written off without receiving appropriate prior authorisation. **(Medium)**
- The annual inventory check had been performed by the School in July 2013, but had not been reviewed by an appropriate level of authority i.e. the Headteacher in line with the School Finance Policy. Furthermore, although discrepancies were identified by the School Site Controller in performing the inventory check, there was no evidence discrepancies had been reported and reviewed by an appropriate level of authority. If inventory checks and discrepancies identified are not reviewed by an appropriate level of authority, there is a risk that the School may fail to confirm if assets are still in the School and functioning appropriately. **(Medium)**

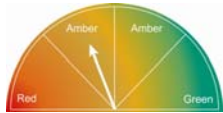
We also identified further weaknesses in relation to the design of the School control framework which resulted in **three low** categorised recommendations, which are expanded upon further within the Action Plan section below.

**Application of and compliance with control framework**

We identified the following weakness in relation to the application and compliance of the School control framework which resulted in **two high** priority recommendations:

- Sample testing of ten invoices processed in the current financial year 2013/14 found that in nine out of ten instances for purchase values above £1,000, but below £10,000 had not obtained competitive quotations for the purchase ordering of goods and services from suppliers in accordance with the School Finance Policy. Without obtaining competitive quotations prior to receipt of goods or services, the School cannot guarantee

<p>it is receiving value for money and quality in the goods or services received. <b>(High)</b></p> <ul style="list-style-type: none"> <li>In all ten invoices sampled a delivery or goods received note had not been retained by the School. We noted that all ten invoices had not been annotated to state that goods or services had been checked and received by separate staff to those originally raising purchase orders. If delivery or goods received notes are not retained or invoices annotated as goods and services checked as received by separate staff to those originally raising purchase orders, payments may be inappropriately made for goods or services that have not yet been received by the School. <b>(High)</b></li> </ul>			
High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>No orders of goods or services for a value above £1,000 should be made prior to obtaining a quotation. The quotation should be attached to the invoice and the purchase order for filing.</p>	<p>Yes, The School Finance Policy has been amended to state that competitive quotations will be obtained on goods over £3,000.</p> <p>In explanation of some of the nine instances PT/STE048 was for a server and our IT Contractor would have sought quotes for us. SLEIN/35016786 was for schools meals we purchase under central contract SLA. 13787 was for supply teachers, we do seek quotes from a number of Teaching Supply companies but it does depend on availability of supply staff. 445 was an annual subscription for software used by pupils. In many cases in the education sector there is only one provider, e.g. software.</p>	<p>June 2014.</p>	<p>Interim Executive Board (IEB)</p>
<p>All delivery notes should be attached to invoices for filing. When goods do not have a delivery note, the invoice must be annotated as goods or services checked and received.</p>	<p>Yes, The school have plans to implement a segregation of duties in respect of order and checked receipt of goods and this will be detailed in the Finance Policy.</p>	<p>June 2014</p>	<p>Sarah Murphy (Headteacher), Diane Wilson (Bursar).</p>

<p>Assignment: <b>Budgetary Control including Savings Plans Monitoring (45.13.14)</b></p>	<p>Opinion: Amber Red</p>	
<p><b>Design of control framework</b></p> <p>Testing undertaken during this review identified three significant issues with the design of the control framework which have resulted in <b>one high</b> and <b>one medium</b> priority recommendations;</p> <ul style="list-style-type: none"> <li>Review of the Financial Procedure Rules found that the rules around the authorisation of budget transfers (Virements) were deemed to not be practical. Testing undertaken later within this review found that there were serious compliance issues with this control. There is a risk that there is not sufficient guidance available to ensure that each virement receives the appropriate level of scrutiny. <b>(High)</b></li> <li>As part of the quarterly Finance and Performance Report, each service provides an update of their performance against their 2013/14 savings target. Prior to 2013/14 there was no clear monitoring of the Savings Plan and a monitoring mechanism has been introduced. However, this only provides high level commentary on the Directorate or Services expected performance against the Savings Plan. There is a risk that if the savings plan is not monitored in sufficient detail that any adverse performance could have a detrimental effect on the achievement of the overall budget. <b>(Medium)</b></li> </ul>		

Recommendations to resolve these issues and a further low priority recommendation have been made and are fully detailed within the Action Plan and Findings and Recommendations sections that follow.

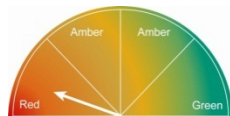
**Application of and compliance with control framework**

Testing undertaken during this review identified one significant issue with the application and compliance with the control framework which resulted in a **high** priority recommendation which has been consolidated within the high priority issue raised above.;

- Testing undertaken on 25 virements found that 15 had not been authorised in line with the financial procedure. Of these, 11 related to funding for schools, and a further 4 virements, in line with the Council's Financial Procedures, should have been presented to Cabinet and the Council for approval. We acknowledge that the procedure in practise is not reflected by the financial procedure and therefore there is a risk that inappropriate budget transfers are being undertaken which could be used to hide adverse performance which could result in a financial loss to the Council. **(High – consolidated above)**

Recommendations to resolve these issues and three low priority recommendations have been made and are fully detailed within the Action Plan and Findings and Recommendations sections that follow.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p>The Council should review their authorisation requirements for virements and consider whether authorisation from all currently listed individuals are appropriate.</p> <p>On revision of the Financial Procedure Rules to include these changes, the Council should ensure that where appropriate the document states the Section 151 Officer rather than the Strategic Director of Resources, Housing and Regeneration.</p> <p>As part of this, consideration needs to be given in relation to how schools funding virements are approved.</p>	Agreed – will review for next Constitution review	October 2014	Barry Stratfull
	Already updated	Completed	n/a
	Agreed - will review for next Constitution review	October 2014	Barry Stratfull
	Agreed – revised format and instructions to be issued	August 2014	Barry Stratfull

Assignment: <b>Holy Family Catholic Primary School (2.14/15)</b>	Opinion: Red	
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**Design of control framework**

We identified the following weaknesses in relation to the design of the School's control framework, which resulted in **three medium priority** recommendations:

- The School asset register did not include the value of items of equipment or the date of acquisition. The make/model and serial number for certain items of equipment were not fully completed on the asset register. Without holding complete information for the School's assets it may be unable to identify the value of goods for insurance purposes in the event of loss. **(Medium)**

- A formal authorisation was not provided for equipment disposed of during the 2013/14 financial year. Without a formal report being presented to the Headteacher for authorisation, items of equipment may be disposed of inappropriately. **(Medium)**
- The Headteacher confirmed that staff members within the school do not have access to the Finance Manual and Schedule of Financial Delegation. If the documents are not communicated to staff members inappropriate processes may be followed if staff are unaware of the formal up to date procedures. **(Medium)**

We identified a further weakness in the design of the Control Framework which resulted in one low priority recommendation. This is detailed further in the Action Plan Section below.

**Application of and compliance with control framework**

We identified the following weaknesses in the application of and compliance of the School’s Control Framework, which resulted in **two high** and **two medium** priority recommendations:

- In eight out of ten sampled invoices, purchase orders were raised after the invoice date by the School. This may result in the School making orders with suppliers without adequate budgetary provision to pay for committed expenditure. **(High)**
- In eight out of ten sampled invoices, the School did not retain delivery notes or annotate invoices to state that goods had been checked as received. Without evidence of confirmation that the school has received the goods or services prior to payment; the School may inappropriately pay for goods or services that have not been received. **(High)**
- Of the sampled ten employees two did not have individual staff contracts in their employee personnel files and another two did not have a completed ‘new employee details form’ in their personnel files. Without holding employees’ contracts of employment and new employee details forms on School personnel files, there is a risk that the school will be unable to clarify employment conditions in the event that there is a dispute with the employee. **(Medium)**
- The School had not conducted a DBS re-check on an employee in the three year timeframe stated within the School’s policy and as recommended by the Council. Children and staff welfare could be jeopardised if the School does not conduct regular re-checks and fails to identify and manage any potential disclosures. **(Medium)**

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
The School should ensure that all purchase orders are raised prior to making orders with suppliers for goods and services.	Agreed	30 <sup>th</sup> June 2014	Christine Condron (Finance Officer)
Payments should not be made for invoices prior to receipt of delivery notes are not available or confirmation that goods have been received by the School by annotating the invoice with ‘goods or services checked and received’ prior to a payment being made.	Agreed	30 <sup>th</sup> June 2014	Christine Condron (Finance Officer)

Assignment: <b>Asset Register (2.14/15)</b>	Opinion: Amber Red	
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**Design of control framework**

The following weaknesses in the design of the control framework were identified resulting in one high and three medium priority recommendations:

- Although the Council had procedures relating to the Asset Register, for instance system procedures, it did not have a procedure in place that clearly outlined the roles and responsibilities of the different teams involved in ensuring that the asset information within the Council is accurate and up to date. Without a clear procedure the Council may fail to appropriately communicate information between teams resulting in inaccuracies on the Asset Register. **(High)**

- Review of the 2012/13 reconciliation confirmed that discrepancies were identified between the asset register and the oracle system for land and buildings (£3,596k), PPE under construction (£9.7k) and surplus assets (-£416k). A journal was raised at the time and work was carried out during the year to make the necessary adjustments to ensure consistency between the ledger and the asset register. The reconciliation did not contain the supporting evidence to provide information to explain the discrepancies in the reconciliation. In addition although the reconciliation was sent to the Financial Controller there was no evidence to confirm that this had been reviewed and confirmed as accurate. Without a clear trail of supporting documentation and an independent peer review the Council may fail to identify and correct errors in the accounting systems. **(Medium)**
- The Council did not have a process in place where data in Land Terrier was reconciled against the Asset Register to confirm consistency and accuracy of assets held within the Council. Without a reconciliation between the Asset Management system and the Asset Register the Council may have an inconsistent record of assets and therefore inappropriately request revaluations on assets that are no longer owned by the Council. **(Medium)**
- The Council had 19 properties under construction. Review identified that there was an inconsistent method followed in the valuation of assets under construction as nine were valued at £0 while the remaining assets had a cumulative value of £5.7m based either on valuations carried out or transactions made on the cost code to date. Without a consistent method of valuing assets the Council may fail make decisions on inaccurate information. **(Medium)**

**Application of and compliance with control framework**

We did not identify any instances where the adequately designed controls stated above were not appropriately applied and complied with.

High Risk Recommendation(s):	Management Response	Date	Responsible Officer
<p><b>Recommendation restated:</b>                      The Council should establish an Asset Management Procedure that clearly outlines the responsibilities of all involved departments and staff. The procedures should clearly outline:</p> <ul style="list-style-type: none"> <li>• How to identify assets;</li> <li>• Responsibility of staff in reporting new assets and disposals to the finance team, the legal team and the asset management team;</li> <li>• Documentation to be held for assets owned by the Council;</li> <li>• Responsibility in recording all assets into the Land Terrier and</li> <li>• Timeliness and responsibility of reconciliations between the asset values in the asset register and the general ledger;</li> <li>• Timeliness and responsibilities for all involved teams within the asset revaluation process and updating of results.</li> </ul> <p>The policy and procedure should be approved by the Council and communicated across all directorates.</p>	<p>Agreed; All reports to Cabinet now include a property section so this enables better monitoring and awareness of acquisitions and disposals</p>	<p>November 2014</p>	<p>Stephen Gibson,                      Investment and Regeneration Manager                      Andrew Pate,                      Senior Accountant</p>

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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