

# RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

## MUNICIPAL YEAR 2013/14

**COMMITTEE:**

**AUDIT COMMITTEE**

**6<sup>th</sup> January 2014**

<b>Item No. 5</b>
<b>Finalised Audit Assignments 2013/14</b>

**REPORT OF:-**

**GROUP DIRECTOR, CORPORATE SERVICES**

**Author: Marc Crumbie (Operational Audit Manager)**

**(01443) 680779**

**1. PURPOSE OF THE REPORT**

This report provides Members with a summary of audit assignments completed between 12<sup>th</sup> November and 13<sup>th</sup> December 2013.

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Note the contents of this Report.
- 2.2 Consider what comments and recommendations, if any, they wish to make.

**3. BACKGROUND**

- 3.1 In line with agreed procedures, I attach at **Appendix 1** a summary of audit assignments completed between 12<sup>th</sup> November and 13<sup>th</sup> December 2013.
- 3.2 I have provided Members with the Auditor's stated opinion regarding the system or service examined and have summarised the high priority recommendations made together with the management response and the anticipated implementation date for each agreed recommendation.
- 3.3 Members will note that, of the 6 completed assignments, 3 resulted in at least one high priority recommendation being made.

3.4 The audit assignments summarised at **Appendix 1** are: -

**COMMUNITY & CHILDREN'S SERVICES**

- PRIVATE SECTOR HOUSING GRANTS

**EDUCATION & LIFELONG LEARNING**

- TRALLWNG INFANTS (C.Bk.)
- HENDREFORGAN PRIMARY

**ENVIRONMENTAL SERVICES**

- GROUNDS MAINTENANCE - SCHOOLS
- CAR PARKING ENFORCEMENT
- PERMITTING PROCEDURES

**4. SUMMARY**

4.1 The regular provision of all summarised audit assignments to Audit Committee throughout the year is aimed at assisting Members in evaluating the effectiveness of Internal Audit work across all Council systems and services.

4.2 In doing so, it enables Members to form an opinion on the overall control environment prior to the closure of accounts process for 2013/14.

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**LOCAL GOVERNMENT ACT, 1972**

**as amended by**

**THE ACCESS TO INFORMATION ACT, 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**LIST OF BACKGROUND PAPERS**

**AUDIT COMMITTEE**

**6<sup>th</sup> January 2014**

**Report of the Group Director for Corporate Services**

Author: Marc Crumbie (Operational Audit Manager).

**Item**

**File Ref:**

5. Finalised Audit Assignments 2013/14

IA / MC

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**FINALISED AUDIT ASSIGNMENTS**

<b>COMMUNITY &amp; CHILDREN'S SERVICES</b>
<b>PRIVATE SECTOR HOUSING GRANTS</b>
<b>Date: 05/12/2013</b>
<p><b>INTRODUCTION</b></p> <p>The responsibility for Private Sector Housing Grants lies within the Commissioning, Business &amp; Housing Division of the Community and Children's Services Group and is delivered operationally by the Head of Community Housing Services.</p> <p>There are a number of grant initiatives provided for housing repairs, under the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002.</p> <p>Disabled Facilities Grant assistance is given to provide appropriate modifications and facilities to enable disabled persons to continue living at home. The service is a statutory requirement and is awarded via a means tested framework. The grant is capped at £36,000, including all fees and ancillary costs, as amended by the Disabled Facilities Grant (Maximum amounts and additional purposes) (Wales) Order 2008.</p> <p>Maintenance &amp; Repair Assistance Grant is provided to carry out general repairs required to provide safe and secure living conditions and to remedy defects that affect the person's ability to live comfortably at the property. The new grant conditions specify increased criteria for eligibility and are means tested. The maximum grant assistance available is £4,000 or £6,500 to remedy structural defects, plus ancillary fees.</p> <p>Renovation Grants provide means-tested, financial assistance for homeowners to deal with problems that, without intervention, will have a potential risk to the health, welfare and safety of the homeowner or the general public. If an applicant is eligible for financial assistance, an Environmental Health Officer will carry out a survey of the property. The scope of works will be considered against the Health and Safety Hazard Rating System, which is a method of assessing if an element of the property's structure, fixtures, fittings or design is likely to affect the health, safety or well-being of a person living in or visiting the property. If significant hazards exist at a property, it would be considered whether a renovation grant is appropriate. The intermediate Renovation Grant is capped at £15,000 plus ancillary fees, whilst a full Renovation Grant is capped at £35,000 plus ancillary fees.</p>
<p><b>AUDIT OPINION</b></p> <p>Overall, testing established that the process for allocating grant repairs was being carried out appropriately, however, some omissions and inconsistencies were identified.</p> <p>Policy and operational flowcharts have been developed detailing the grant conditions and processes involved, however, these were identified as requiring updating and development. Moreover, there was no document retention protocol in place.</p> <p>A key system weakness was identified; no local land charges were being registered for Disabled Facilities Grants over £5,000.</p> <p>By implementing the associated recommendations contained within this report, management will enhance the standard of control.</p>

Ref. No.	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
7.1.04	<p><b>AGREED RECOMMENDATION</b>                      Management should remind staff that the Revised Approval for Grant certificate should be completed on a timely basis and not delayed until the final payment is made.</p> <p>The original grant cost and final cost of works for each grant should be recorded on a spreadsheet. The percentage of unforeseen works can be calculated and checked back to the report to identify if any high value unforeseen works have not been captured in the report.</p> <p><b>MANAGEMENT RESPONSE</b>                      Agreed.</p>	28 February 2014
7.1.05	<p><b>AGREED RECOMMENDATION</b>                      Management should ensure that a local land charge is registered for all DFGs with a value greater than £5,000. (For those grants where a land charge has not been placed, this should now be undertaken retrospectively).</p> <p>For the renovation grant identified, management should ensure that a land charge is registered with Legal at the earliest opportunity.</p> <p>Staff should be reminded of the necessity of registering Land charges, where appropriate.</p> <p><b>MANAGEMENT RESPONSE</b>                      Agreed.</p>	Implemented
7.2.03	<p><b>AGREED RECOMMENDATION</b>                      Management should ensure that in any future / similar cases, evidence to support the validity of the disregard should be obtained.</p> <p><b>MANAGEMENT RESPONSE</b>                      Agreed.</p>	Implemented

**EDUCATION & LIFELONG LEARNING**

**TRALLWNG INFANTS (C.Bk.)**

**Date: 09/12/2013**

**INTRODUCTION**

The self evaluation process is designed to help and advise Headteachers and support staff to evaluate the effectiveness of their financial and governance arrangements. The process requires primary schools to complete a self-evaluation checklist against expected controls.

Spending through Primary schools accounts for a significant proportion of the Council's expenditure (£76 million for 2013/2014).

Trallwng Infants School was last subject to an Internal Audit Review in December 2008, and this is the second cyclical visit made to the school to examine progress made under the self-evaluation process.

**AUDIT OPINION**

Overall, the control environment at the school is considered to be good.

The Child Protection Policy and Staff disciplinary policy regarding Safeguarding were both up to date and endorsed by the Governing Body. The Headteacher and a designated Governor have responsibilities for Safeguarding and Child Protection issues. All staff at the school have received the relevant training for Child Protection with a record to evidence this retained at the school. The Educational Visit Coordinator has been trained and all trips are updated onto Evolve. The school has an up to date spreadsheet of all staff employed at the school. However it was noted that 1 member of staff commenced in post at the school without the relevant DBS check being undertaken by the Council, in its place the Headteacher placed reliance upon a DBS check undertaken by the employee's college. A copy of this was not available at the school at the time of the fieldwork for this review.

The School Private Fund was well run and administered with a suitable Management Committee. The annual certificate had been completed and sent to Education Finance. Bank statements are being received at the school on a monthly basis and have been reconciled to the subsidiary records. Banking of income is being undertaken at least once a week and recorded appropriately whilst expenditure is being incurred correctly for the School Private Fund.

The Purchase Card records are updated as soon as a purchase is made so the transaction log is kept up to date. Based upon our sample, all expenditure incurred through the Purchase Card is in line with the Cardholder Manual and all receipts are retained. Bank statements are received and reconciled regularly and Cashbook journals are undertaken for each purchase.

Dinner money was being banked promptly and securely retained at the school. The school is pursuing all dinner money arrears and a return of all pupils in arrears is submitted to Catering Finance every half term. Free school meals are only being provided to pupils who have been given confirmation of eligibility which is retained at the school.

Overall, the paper audit trail for purchases is being retained well at the school, although delivery notes were not retained for all purchases. A sample of paid orders identified orders raised after the corresponding invoice which results in the school budgetary information being inaccurate and out of date at 'a point in time'. All orders are being signed by a member of staff who has authority to commit the school to expenditure. Out of a sample of 4 non orders, there were 2 which should have been raised as an official order as the commitment to expenditure was known in advance.

The School's Data Security and Inventory is being managed well and back ups are retained on and off site. The school has an up to date I.T policy and all new equipment is recorded on the school I.T inventory. There is also a record which is maintained for when equipment is taken off the school site.

There is an appropriate level of cash in the Petty Cash fund. All expenditure is supported by authentic receipts and the account is regularly reconciled by the Headteacher.

Recommendations have been made within this report and when implemented by the Headteacher, the overall control environment will be enhanced further.

Ref. No.	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
A6	<p><b>AGREED RECOMMENDATION</b> Staff should not be permitted to commence employment at the school until satisfactory pre-employment checks are received.</p> <p><b>MANAGEMENT RESPONSE</b></p>	Implemented.



	<p>Member of staff had CRB with the college and was urgently needed to support SEN pupil – previous HT made decision to employ based upon a DBS check in place at the employee's college.</p> <p>Going forward all staff have the necessary checks in place and school has sight of it before their start date of employment.</p>	
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**EDUCATION & LIFELONG LEARNING**

**HENDREFORGAN PRIMARY**

**DATE : 09/12/2013**

**INTRODUCTION**

The self evaluation process is designed to help and advise Headteachers and support staff to evaluate the effectiveness of their financial and governance arrangements. The process requires primary schools to complete a self-evaluation checklist against expected controls.

Spending through Primary schools accounts for a significant proportion of the Council's expenditure (£76 million for 2013/14).

Hendreforgan Primary School was last subject to an Internal Audit Review in June 2008, and this is the third cyclical visit made to the school to examine progress made under the self-evaluation process.

**AUDIT OPINION**

Overall, the control environment in the school is considered to be satisfactory.

The School have devised the relevant Safeguarding policies which are reviewed on an annual basis. All staff members have received relevant training for Child Protection and a record of this is maintained at the school. There is also a record to confirm that all staff have been subject to the required pre-employment checks.

The School Private Fund was well run and administered with a suitable Management committee. The annual certificate had been completed and sent to Education Finance. Bank statements are being received at the school on a monthly basis and have been reconciled to the subsidiary records. Banking of income is being undertaken at least once a week and recorded appropriately whilst expenditure is being incurred correctly for the School Private Fund.

The Purchase Card records are updated as soon as a purchase is made so the transaction log is kept up to date. All expenditure incurred through the Purchase Card is in line with the Cardholder Manual. Bank statements are reconciled to the transaction log and receipts are kept for all transactions.

Dinner money was being banked promptly and securely retained at the school. Also, there is no outstanding balance of arrears at the school.

A sample of official orders had not been raised as soon as the commitment to expenditure is known resulting in the school's budgetary information being inaccurate and out of date at 'a point in time'. Copy orders have been signed by a member of staff who has authority to commit the school to expenditure and delivery notes have been attached. A sample of non orders found they should have been raised as official orders as soon as the commitment to expenditure was known in advance.

The budget allocation is decided through a staff meeting which takes into account staff salaries and utilities. The Headteacher is undertaking bank reconciliation of the school account which is sent to Education Finance. Any alterations to the school budget are reported to the Governing Body and all virements are signed by the Headteacher and kept on file as evidence of the change.

The School's Data Security and Inventory is being managed well and back ups are retained on and off site. The school has an up to date I.T policy and all new equipment is recorded on the school I.T inventory. There is also a record which is maintained for when equipment is taken off the school site.

Implementing the recommendations contained in this report will further strengthen the controls within the systems operating.

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<b>ENVIRONMENTAL SERVICES</b>		
<b>GROUNDS MAINTENANCE – SCHOOLS</b>		
<b>Date: 15/11/2013</b>		
<b>INTRODUCTION</b>		
<p>The Group Director of Environmental services is responsible for the Parks and Countryside Section which manages parks, sports fields, property and landscaped sites throughout the Council. The Section is responsible for the day to day management of 400 hectares of parks and open spaces comprising of Premier parks, Community Parks, Recreation Grounds and sports fields. This review concentrated on the grounds maintenance of educational establishments as requested and paid for by those schools.</p> <p>For Financial year 2013/14 there are agreements in place for 32 schools with an anticipated income of approximately £90k subject to all work being completed. It is noted that work cannot always be completed due to bad weather and unforeseen circumstances.</p>		
<b>AUDIT OPINION</b>		
<p>Overall, the control environment is considered to be satisfactory. Assurance can be given that all charges requested have been recovered without challenge.</p> <p>Some areas of 'house keeping' can be improved e.g. all contracted work has been entered into maintenance schedules which are fit for purpose in themselves, however additional entries such as signatures and comments by the operatives could be added.</p> <p>There is a need for greater analysis of cost/income - historic methods of calculating the charges need to be reviewed and consideration needs to be given to only accepting commission where the income is expected to exceed the cost.</p>		
<b>Ref. No.</b>	<b>High Priority Audit Recommendations made &amp; Agreed by Management</b>	<b>Agreed Implementation Date</b>
7.1.3	<p><b>AGREED RECOMMENDATION</b></p> <p>The Green Spaces Parks Operations Manager should consider using a consistent method of agreement. Whatever method of agreement is chosen, confirmation should be required and retained for every school.</p> <p><b>MANAGEMENT RESPONSE</b></p> <p>Green Spaces Parks Operations Manager will standardise all contract sheets in all three areas.</p>	28 February 2014
7.3.1	<p><b>AGREED RECOMMENDATION</b></p> <p>The Green Spaces Parks Operations Manager should review the methodology of creating the charge.</p> <p><b>MANAGEMENT RESPONSE</b></p> <p>Green Spaces Manager to arrange meeting with Area Managers &amp; finance to discuss.</p>	31 January 2014
7.4.1	<p><b>AGREED RECOMMENDATION</b></p> <p>For financial year 2013/14 - and if possible for financial 2012/13 as well - the Green Spaces Parks Operations</p>	Implemented.

	<p>Manager (in conjunction with accountancy support) should undertake a comparison between income collected and estimated costs.</p> <p><b>MANAGEMENT RESPONSE</b></p> <p>Green Spaces Manager will work with Finance colleagues to review this.</p>	
7.4.4	<p><b>AGREED RECOMMENDATION</b></p> <p>Contracts in place will need to be honoured.</p> <p>However, going forward, consideration should be given to only agreeing contracts where a 'profit' is anticipated.</p> <p><b>MANAGEMENT RESPONSE</b></p> <p>Area Managers will ensure that contracts are correctly priced and reviewed at the start of each job.</p>	28 February 2014

**ENVIRONMENTAL SERVICES**

**CAR PARKING ENFORCEMENT**

**DATE : 26/11/2013**

**INTRODUCTION**

From 1<sup>st</sup> August 2012 Rhondda Cynon Taf (RCT) Council became responsible for the enforcement of the majority of on-street and off-street parking regulations across the County Borough under a scheme called Civil Parking Enforcement. Civil Parking Enforcement encompasses all off-street car parks currently managed by the Council, as well as on-street traffic regulation order lines and signs e.g. double-yellow lines, residential parking bays and school clearways (zig-zag markings).

RCT Council employs Civil Enforcement Officers who patrol highways within the County Borough and who issue Penalty Charge Notices (PCNs) to drivers who park their vehicles in breach of car park regulations and traffic regulations.

Thereafter, Merthyr Tydfil CBC are contracted to accept payment of PCNs, to process appeals against PCNs and, where appropriate, to refer unpaid PCNs to debt recovery agents.

Charges to Merthyr Tydfil CBC are directly related to the number of PCNs issued and the income paid to RCT Council depends on the number of PCNs paid together with the stage that each PCN has escalated to at the time of payment. Against this somewhat dynamic background, both fees and income are generally consistent each month - with fee payment approximately £4,000 per month and PCN income approximately £30,000 per month.

This Internal Audit review examined the process from issue of PCN to payment / appeal.

**AUDIT OPINION**

A high level of assurance can be given that the Civil Parking Enforcement processing is well managed within the remit of this Internal Audit review.

Comprehensive evidence of offences has been captured by RCT's Civil Enforcement Officers, with this evidence, together with any subsequent correspondence, being effectively recorded within the Parking Gateway System, which is managed by Merthyr Tydfil CBC on behalf of RCT Council.

Financial transactions between the partnering Councils have taken place promptly and have been appropriately recorded.

Whilst challenges and cancellations are being correctly actioned, the process can be further improved if RCT Council formally acknowledge that they have sample checked this aspect of the process.

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<b>ENVIRONMENTAL SERVICES</b>
<b>PERMITTING PROCEDURES</b>
<b>DATE : 13/12/2013</b>
<b>INTRODUCTION</b> <p>A range of industrial activities carried out at a site location or by means of mobile plant and referred to as 'regulated facilities' are listed in Part 2 of the Environmental Permitting (England &amp; Wales) Regulations 2010. Glassworks and foundries, rendering plant and paint manufacturers, petrol stations, sawmills and concrete crushers are among the range of activities listed. These regulated facilities have the potential to cause harm to the environment or human health and hence to protect against pollution from these facilities strict pollution control regimes are in place.</p> <p>Operators of these regulated facilities must gain approval from the Council's Public Health &amp; Protection Division who act as regulators of the process and demonstrate approval in the form of an Environmental Permit. Once a permit has been granted the Regulator will carry out inspections of the regulated facility and check that the Operator is complying with the conditions of the permit.</p> <p>The frequency of inspection and annual fee is determined following an independent risk assessment which is carried out by Pollution Control Officers within the Public Health &amp; Protection Division and recorded on the FLARE system.</p> <p>Activities are classified as either Part A2 or Part B. Other activities (known as Part A1) are regulated by the Environment Agency as they are larger or more complex. The permit issued ensures that emissions to air, water and land are carefully controlled and the risks minimised.</p> <p>The Council is required to keep a public register of all the regulated facilities permitted within the County Borough.</p>
<b>AUDIT OPINION</b> <p>Overall the control environment in respect of Environmental Permitting Procedures is considered robust.</p> <p>The review examined a sample of 20 inspections and risk assessments carried out by a variety of Environmental Health Officers in respect of both new applications and the renewal of existing permits. It was evident from the sample examined that assurance can be given that the process for the risk assessment, recording and issue of Environmental Permits is working effectively. All officers were found to be working in a consistent manner and the records maintained were of a good standard and provided clear evidence of the process followed. The Permit Register was up to date and all assessments were carried out in accordance with the Planning Schedules issued by the Pollution &amp; Public Health Manager. These were undertaken on a timely basis with feedback provided to the Company assessed soon after the inspection and FLARE accurately updated. Fees and charges were found to be correctly calculated, the Companies invoiced promptly and the receipt of income monitored and followed up where necessary. On the basis of the sample examined officers were found to be working in accordance with Statutory Guidance and no compliance issues were identified.</p> <p>This report does however contain two recommendations the first of which relates to the allocation of work where although there is a procedure in place to allocate work on the basis of experience and the geographical location of the site, inspections are currently not rotated between officers. Similarly there is no independent check or division of duties within the inspection and assessment process and hence to mitigate the risks associated with these findings, recommendations have been made within this report to provide added assurance and promote transparency.</p>

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