

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2014/15

COMMITTEE:

AUDIT COMMITTEE

28th July 2014

Item No. 4
Finalised Audit Assignments 2014/15

REPORT OF:-

GROUP DIRECTOR, CORPORATE SERVICES

Author: Marc Crumbie (Operational Audit Manager)

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1. PURPOSE OF THE REPORT

This report provides Members with a summary of audit assignments completed between 4th June 2014 and 11th July 2014.

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 4th June 2014 and 11th July 2014.

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 5 completed assignments; 2 resulted in at least one high priority recommendation being made.

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

CORPORATE SERVICES

- CORPORATE GOVERNANCE UNIT
- COUNCIL TAX

EDUCATION & LIFELONG LEARNING

- PORTH COUNTY COMMUNITY SCHOOL
- ST. JOHN BAPTIST CHURCH IN WALES COMPREHENSIVE SCHOOL
- BODRINGALLT PRIMARY SCHOOL

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 2014/15.

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

28th July 2014

Report of the Group Director for Corporate Services

Author: Marc Crumby (Operational Audit Manager).

Item

File Ref:

4. Finalised Audit Assignments 2014/15

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FINALISED AUDIT ASSIGNMENTS

CORPORATE SERVICES
CORPORATE GOVERNANCE UNIT
Date: 08/07/2014
<p>INTRODUCTION</p> <p>The Corporate Governance Unit is a team operating within the Legal and Democratic Services Division. The Unit has a wide remit, which includes dealing with Data Protection and Freedom of Information enquiries, ombudsman investigations, Subject Access Requests along with operating the Publication Scheme.</p> <p>The Data Protection Act 1998 is legislation designed to protect the privacy rights of the individual about whom data is obtained, stored, processed or supplied. The Act places obligations on those who record and use personal data (Data Controllers). The Council must comply with the eight principles set out in the Act, in relation to personal information/data, to ensure that it is processed fairly and lawfully. The Act applies to both computerised and paper records. The subject of the data may now request information on them and challenge it, if appropriate, using the right to subject access. Under the Act, the Council must notify the Information Commissioner of the personal information processed.</p> <p>The Freedom of Information Act 2000 gives a general right of access to all types of recorded information held by public authorities. It sets out exemptions from that right and places a number of obligations on Councils. Any person can make a request under the Act; there are no restrictions on age, nationality or where they live, however the requests have to be in writing (or e-mail) and should contain their name, address and a description of the information required. Most requests are free of charge, although the Council may charge a fee for photocopies or postage.</p> <p>The unit is responsible for co-ordinating efforts across all service areas to identify and retrieve the information that has been requested, so that prescribed target response times are met.</p>
<p>AUDIT OPINION</p> <p>The internal control environment surrounding the processing of Freedom of Information requests, Subject Access Requests and Ombudsman Complaints is operating effectively.</p> <p>Areas were noted from the fieldwork which, although do not impact upon the level of assurance provided, would improve the system of control further.</p> <p><u>Recording, Monitoring & Processing Requests</u></p> <p>The housekeeping arrangement in relation to hardcopy and electronic correspondence requires improvement in order to ensure consistency of filing systems and also enable easier retrieval of documentation.</p> <p>[Note: All information was provided to Internal Audit during the review.]</p> <p>There are currently two spreadsheets in place for recording requests; the first is for the FOI and SAR requests, the second is for the Ombudsman complaints. The FOI spreadsheet captures relevant information for processing the requests. However, the complaints spreadsheet was briefer in the information captured and given that these complaints can lead to investigations by the Ombudsman the information captured on each complaint could be more detailed.</p> <p>One occasion was noted whereby a request was received directly by a service area and rather than forward the request onto the Corporate Governance Team (CGT) the service area proceeded to deal with and issue a response. Only after this was done was the information passed on to the CGT - it must be ensured that all requests are</p>

forwarded to the CGT immediately or as soon as possible. Responses should be cleared / authorised by a Group Director and confirmation of this sent to the CGT. Given that some information requested can be of a sensitive nature this is a control that needs to be adhered to by ensuring requests are dealt with centrally.

Procedures & Guidelines

The Handling of Freedom of Information Requests guidance document was reviewed and whilst it is acknowledged that the majority of the content is still relevant there is some content which relates to previous processes which are no longer in operation namely Section 2: Receiving a Request. There are also some requirements that need to be included e.g. all requests are immediately sent to/forwarded to the CGT and that all responses must be cleared/authorised by a Group Director and approval sent to the CGT.

Implementing the recommendations within the report (mainly relating to the filing system, none of which are considered 'high' priority status) will improve the control environment further.

No High Priority Recommendations Made

COUNCIL TAX

Date: 05/06/2014

INTRODUCTION

The management and control of the Council's Council Tax Section is undertaken by the Corporate Services Group (Operational Finance Division). Council Tax is a tax levied on all eligible domestic properties. The amount of tax levied is dependent on the Council Tax band that the property falls into and the amount of tax to be raised by the Billing (Local) Authority. The monies raised through Council Tax contribute to a Local Council's income. The full rate of tax is liable to be paid unless the property, owner or occupier is eligible for a reduction or exemption. The main reasons for reductions include empty property discounts, single person discounts, benefits for residents on lower incomes (where income includes wages, income support and pensions), and exemptions for students. Should any accounts be in credit, the Council Tax Payer is entitled to a refund. Additionally, where all recovery processes have been exhausted, it is possible that outstanding accounts may be written off.

AUDIT OPINION

It was found that three Exemption classes are not reviewed or inspected regularly, which can be attributed to the parameters set up within the Academy system. It is accepted that the three Exemption types:

Class H - Unoccupied dwellings held for minister of religion (8)

Class I - Unoccupied dwellings left empty for a person to receive care (23)

Class Q - Unoccupied dwellings left empty by a bankrupt (36)

are all relatively low in numbers (as indicated in brackets) when compared to the overall tax base of 107,000 properties.

Additionally it was found that inspections are not always being produced when an Exemption class is changed. This is occurring despite training and procedure notes being provided to staff in the Council Tax team and the front line contact centres.

No High Priority Recommendations Made

EDUCATION & LIFELONG LEARNING

PORTH COUNTY COMMUNITY SCHOOL

Date: 05/06/2014

INTRODUCTION

The purpose of this audit is to help and advise the School in achieving general standards of good practice in financial administration and governance. The audit also aims to provide the School with a framework to evaluate the effectiveness of its financial administration, and where weaknesses are identified, to make appropriate recommendations for corrective action.

Porth County Community School is an 11-18 mixed School. There are 808 pupils in years 7-11 with a further 227 students in the sixth form. The School serves the town of Porth and the nearby villages of the lower Rhondda Valley. The proportion of pupils entitled to free school meals currently stands at 26%. The total budget for the School for financial year 2013/14 was in excess of £4.8m.

The School was last subject to a routine audit review in March 2011.

AUDIT OPINION

Overall, the control environment relating to the School's financial and governance arrangements is considered to be of a satisfactory standard. While the report contains recommendations for each area of administration examined, there are only three which are deemed to be high priority.

The School inventory has not been updated for several years, although some work has been ongoing in recent months to draft records on an individual room basis. The School should seek to collate this information to ensure that a whole School record of assets held is available.

Audit testing has also highlighted that while School trip records adequately documented pupil names and their contributions, dates of payments were not sufficiently recorded to demonstrate the timeliness of handover to the Fund Treasurer. Documenting these transactions can also be improved, by ensuring that both parties sign to confirm the amounts involved. Teaching Staff should also be reminded of the need to collate a Statement of Account at the conclusion of each trip and to pass all records to the Treasurer to retain as per the School Private Fund Regulations.

The report also contains several recommendations in respect of Governance and the need to ensure that statutory requirements, such as the completion of a Business Interests declaration by all Governing Body members, are fully met.

Implementation of the recommendations contained in the report will assist the Headteacher in enhancing the current procedures in place.

Ref. No.	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
7.1.1	<p>AGREED RECOMMENDATION A declaration of business interests register should be completed on an annual basis, which details the business interests of all Governors, the Headteacher and any other staff who may influence financial decisions at the School. New declarations should be completed immediately in respect of the Headteacher and Governors identified.</p> <p>MANAGEMENT RESPONSE Of the five Governors who had not completed the Register of Business Interest Forms : Two are newly appointed Governors. One is no longer a member of the Governing Body. Copies of the outstanding forms have been sent to Governors on more than one occasion. All outstanding forms have now been completed.</p>	Implemented
7.4.3	<p>AGREED RECOMMENDATION It should be ensured that cashbook journals are promptly undertaken on SIMS once the transaction log has been reconciled to the Purchase Card bank statements.</p> <p>MANAGEMENT RESPONSE Transactions are entered on SIMS when the bank statements are reconciled at the end of each period. Procedures have been implemented to ensure the transactions are entered in a timely manner.</p>	Implemented
7.6.1	<p>AGREED RECOMMENDATION A full inventory should be compiled as soon as possible. Thereafter, an annual review should be carried out to ensure that the record is accurate and up-to-date.</p> <p>MANAGEMENT RESPONSE Arrangements have been made for a blank version of the SIMS Equipment Register to be installed. Training has also been arranged to ensure that staff are in a position to begin updating the information on SIMS.</p>	31 August 2014

EDUCATION & LIFELONG LEARNING

ST. JOHN BAPTIST CHURCH IN WALES COMPREHENSIVE SCHOOL

Date: 04/06/2014

INTRODUCTION

The purpose of the audit is to help and advise the School in achieving general standards of good practice in financial administration and governance. The audit also aims to provide the School with a framework to evaluate the effectiveness of its financial administration, and where weaknesses are identified, to make appropriate recommendations for corrective action.

St John Baptist Church in Wales Comprehensive School is a mixed 11-19 School. There are 1,006 pupils on roll including 218 students in the sixth form. The School serves a wide catchment area, covering the Northern part of the Diocese of Llandaff which includes Rhondda Cynon Taf, Merthyr Tydfil, Caerphilly and Neath Port Talbot. The proportion of pupils entitled to free school meals currently stands at 11.8%. The total budget for the School for financial year 2013/2014 was in excess of £3.2m. The School was last subject to a routine audit review in February 2011.

AUDIT OPINION

The overall control environment in relation to the School's financial and governance arrangements is in need of improvement.

Of most concern, is the lack of clarity in the assignment of tasks and responsibilities, within the income system in particular, and the absence of any obvious hierarchical and managerial checks. The tasks undertaken by individual members of the team are on the whole, satisfactory, but their distribution and segregation is inconsistent with the staffing structure established. The responsibility for managing the hire of School facilities, in particular, must be formally determined, as the current arrangements lack ownership and there was little understanding demonstrated of the process in place.

A review of the individual roles and responsibilities within all administrative areas is necessary, and the School Finance Policy must be revised to reflect the changes made. In addition, it is evident that the current office arrangements for the administrative staff restrict their ability to work cohesively and share information consistently. The Headteacher should seek to identify alternative accommodation that will allow the team to work together.

Audit testing has highlighted a need to promote consistency amongst teaching staff in relation to the maintenance and retention of School Trip records. A standard procedure should be established, and all staff reminded of the importance of complete records and the use of a Statement of Account at the conclusion of trips.

The review has also identified that two casual exam invigilators were appointed prior to the receipt of appropriate DBS clearance*. The School are reminded that this practice is not permitted, and it should be ensured that assurance of clearance is obtained in advance of allowing staff to commence their duties.

Implementation of the recommendations contained in the report will assist the Headteacher in improving the current distribution of roles and responsibilities and in doing so, enhance the systems of control in place.

* These two members of staff were included within the summary report provided to Audit Committee on 31st March 2014. Within that report it was established that the two members of staff in question commenced in duties (May 2013) prior to the receipt of a DBS check due to a 'breakdown in communication' between the School and the Council's Human Resources Service. Both members of staff subsequently received cleared DBS checks.

Ref. No.	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
7.1.1	<p>AGREED RECOMMENDATION A declaration of business interests register should be completed on an annual basis, which details the business interests of all Governors, the Headteacher and any other staff who may influence financial decisions at the School. New declarations should be completed immediately in respect of the Governors identified.</p> <p>MANAGEMENT RESPONSE All Business interest declarations have now been completed.</p>	Implemented
7.1.2	<p>AGREED RECOMMENDATION As SIMS is the School's prime accounting system and contains up to date budgetary information, all financial reports provided to the Governing Body should be produced directly from the system. Should Governors require the format of the information to remain unchanged, then a report from SIMS should be retained with the spreadsheet to substantiate the figures being reported.</p> <p>MANAGEMENT RESPONSE The spreadsheet provided by the Finance Officer will be substantiated by a report from SIMS at each meeting. Both documents will be retained alongside the relevant minutes.</p>	Implemented
7.2.1	<p>AGREED RECOMMENDATION Staff should not be permitted to commence employment at the School until satisfactory pre-employment checks are received.</p> <p>MANAGEMENT RESPONSE This was caused by a breakdown in communication between the School and the Council's Human Resources Service. All checks now in place, no one to start without confirmation from Human Resources.</p>	Implemented
7.3.1	<p>AGREED RECOMMENDATION The Finance Policy should be enhanced to define system processes and the individual staff responsibilities within them across all areas of the School's financial administration. Once completed, the procedures should be presented to the Governing Body for approval and issued to all appropriate members of staff. NB: Any revision to the Policy should take into account recommendations raised elsewhere in the Internal Audit report.</p> <p>MANAGEMENT RESPONSE The Finance Policy will be updated.</p>	30 September 2014
7.3.2	<p>AGREED RECOMMENDATION In line with recommendation 7.3.1, the roles and responsibilities of all three administrative staff should be reviewed and formally documented.</p>	Implemented

Ref. No.	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
	<p>The collection and recording of income should be restricted to one individual, who is responsible for maintaining a sole, central record of all income received and ensuring that SIMS is updated correctly and promptly. An independent check via the bank reconciliation process should be undertaken and evidenced by the Senior Finance Officer.</p> <p>MANAGEMENT RESPONSE Finance Officer (GT) is now recording all income upon receipt. Finance Officer (SB) is responsible for updating SIMS with income details. Senior Finance Officer is undertaking all bank reconciliations.</p>	
7.3.3	<p>AGREED RECOMMENDATION Details of income received should be updated to SIMS on a regular basis (i.e. when a banking has been undertaken or notification of BACS payment has been received).</p> <p>MANAGEMENT RESPONSE Income received is now entered at least weekly.</p>	Implemented
7.3.7	<p>AGREED RECOMMENDATION The School should introduce a standard booking form to capture all future requests for hire. All forms received should be authorised by the Headteacher before the hire commences. Overall responsibility for managing the hire of premises should be formally determined.</p> <p>MANAGEMENT RESPONSE The Senior Finance Officer will develop procedures in relation to the hire of facilities. A booking form will be devised for all hire requests, and the Headteacher's authorisation will be obtained and evidenced via the form before a hire commences. The roles and responsibilities in respect of this will be documented via the Finance Policy.</p>	30 September 2014
7.3.10	<p>AGREED RECOMMENDATION The invoicing facility within SIMS should be used, which will alleviate the need for manual invoices to be produced and allow income received to be directly matched to the respective invoice. All invoices (including the copy retained at the School) should be authorised by the Headteacher.</p> <p>MANAGEMENT RESPONSE The Senior Finance Officer will contact the SIMS team to arrange training. Invoices will be raised using this method once training has been undertaken.</p>	Implemented
7.3.11	<p>AGREED RECOMMENDATION The School should ensure that invoices are promptly raised via SIMS (as recommended in 7.3.10) for all facilities/services</p>	30 September 2014

Ref. No.	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
	<p>provided. Income received should be 'matched' on the system and appropriate references recorded on the record of daily income to ensure a clear audit trail. The School should determine an approach to manage unpaid invoices, and retain evidence of chase-up letters etc., sent to recover monies owed.</p> <p>MANAGEMENT RESPONSE Invoices will be raised using SIMS once training has been undertaken. Invoice numbers will be recorded against income received on the record of daily income. The School's approach to managing unpaid invoices and retaining evidence of chase-up correspondence will be documented in the School Finance Policy.</p>	
7.3.13	<p>AGREED RECOMMENDATION The School should ensure that the Income system is subject to an independent check, with records certified to demonstrate that a check has taken place.</p> <p>MANAGEMENT RESPONSE The Senior Finance Officer now reconciles School income via the bank reconciliation process. The School are in the process of appointing a Deputy Head, who will have specific financial responsibilities that will include undertaking a termly, independent check of income records.</p>	30 September 2014
7.4.3	<p>AGREED RECOMMENDATION All transactions processed since August 2013 should be reconciled immediately, and all future bank statements should be compared to the Fund ledger upon receipt. The statements should be signed and dated by the Treasurer as confirmation of the check taking place.</p> <p>MANAGEMENT RESPONSE The Fund Treasurer will reconcile all transactions to date.</p>	Implemented
7.4.7	<p>AGREED RECOMMENDATION The School should establish a standard trip procedure, with a suite of pro-forma to be used when organising and administering a trip. Teacher records should detail pupil name, amounts paid and dates of payment. It should also be evident when the income has been passed to the Treasurer for banking. Recommended formats of proforma to be used can be found in the School Private Fund Regulations.</p> <p>MANAGEMENT RESPONSE A suite of pro-forma for a School trip pack has been developed and will be used by Staff for all future trips.</p>	Implemented

Ref. No.	High Priority Audit Recommendations made & Agreed by Management	Agreed Implementation Date
	All staff will be advised of this requirement via email.	
7.4.9	<p>AGREED RECOMMENDATION The records available for the Belgium trip should be subject to review, to ensure that all income and expenditure has been properly accounted for. If the surplus is confirmed, then remedial action should be undertaken as per the regulations outlined.</p> <p>MANAGEMENT RESPONSE The Belgium trip has been organised on an annual basis for many years. The trip organiser advised that the surplus may have accrued over time. The School will examine the records to identify the level of surplus and the timescale over which the monies have been received. Remedial action will be undertaken as necessary.</p>	Implemented

EDUCATION & LIFELONG LEARNING

BODRINGALLT PRIMARY SCHOOL

Date: 01/07/2014

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).

Bodringallt Primary School was last subject to an Internal Audit Review in November 2010, 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 at the school is considered to be good. However two areas of non-compliance in relation to the administration of the School Private Fund were noted.

The school has devised the relevant Safeguarding policies which are reviewed on an annual basis. All staff members have received relevant training for Child Protection and the school are able to demonstrate that all staff have been subject to the relevant DBS check.

The School Private Fund was well run and the annual certificate has been completed and sent to Education Finance. However the current Management Committee is not suitable as the School Clerk is not named as the Treasurer to the Fund although she undertakes the responsibilities and an auditor to the Fund is also a cheque signatory. Bank statements are being received at the school on a monthly basis and are reconciled to the subsidiary records. Banking of income is undertaken regularly and recorded appropriately. Expenditure is being incurred solely for the benefit of the school.

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 though the Purchase Card is in line with the Cardholder Manual and all receipts are retained. Cashbook journals are undertaken for each purpose.

Dinner money is 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.

The school has a copy of the Data Protection Registrar and an I.T policy. There is a record used to record equipment taken off site and all I.T equipment is marked as property of the school.

No High Priority Recommendations Made