RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2013/14

COMMITTEE:

AUDIT COMMITTEE

7th May 2014

Item No. 4
Finalised Audit Assignment 2013/14

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 15th March 2014 and 16th April 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 15th March 2014 and 16th April 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 7 completed assignments, no high priority recommendations were made.

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

- **EDUCATION & LIFELONG LEARNING**
  - OAKLANDS PRIMARY
  - TREORCHY PRIMARY
  - YNYSBOETH PRIMARY
- **CORPORATE SERVICES**
  - HOUSING BENEFITS
  - CAPITAL ACCOUNTING & ASSET REGISTER
- **WHOLE AUTHORITY ARRANGEMENTS**
  - KEY MEASURES – SUPPORTING MEASURES
- **ENVIRONMENTAL SERVICES**
  - FLEET MANAGEMENT

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 as part of 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

7th May 2014

Report of the Group Director for Corporate Services
Author: Marc Crumbie (Operational Audit Manager).

Item   **File Ref:**

4.   Finalised Audit Assignment 2013/14   IA / MC

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FINALISED AUDIT ASSIGNMENTS
15th March 2014 and 16th April 2014

EDUCATION & LIFELONG LEARNING
OAKLANDS PRIMARY
DATE : 18/03/2014

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).

Oaklands Primary School was last subject to an Internal Audit Review in May 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 at the school is considered satisfactory.

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 out of date list of all staff employed at the school where 1 member of staff who no longer works at the school is still included on the list. All members of staff commenced their post at the school with the relevant pre-employment checks.

Overall, the School Private Fund is well administered however; the current Management Committee is not suitable as the Secretary to the Fund is not based at the school. The annual certificate had been completed and sent to Education Finance.

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 and all receipts are retained. Bank statements are received and reconciled regularly and Cashbook journals are undertaken for each purchase.

Dinner money is securely retained at the school and banked promptly. Free school meals are only being provided to pupils who have been given confirmation of eligibility which is retained at the school. However; the school is not pursuing all dinner money arrears and do not provide regular returns of pupils in arrears to Catering Finance.

Overall, the paper audit trail for purchases is being retained well at the school, and delivery notes were 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 3 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 with back ups 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 maintained for when equipment is taken off the school site to ensure all items are accounted for.

EDUCATION & LIFELONG LEARNING
TREORCHY PRIMARY
DATE : 01/04/2014
INTRODUCTION The self-evaluation process is designed to help and advise Headteacher's 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). Treorchy Primary was last subject to an internal Audit Review in July 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 at the school is considered to be satisfactory. The Child Protection Policy has been endorsed by the Governing Body and reviewed annually. The Headteacher and a designated Governor have responsibilities for Safeguarding and Child Protection issues. There is no record to evidence that all staff have received an appropriate level of training regarding Child Protection. There is a record, however, to confirm that all necessary staff and volunteers have been subject to the relevant DBS check. The School Private Fund was well run although the current Management Committee is not suitable as the Deputy Head is the auditor to the fund and a cheque signatory. The annual certificate has been completed and sent to Education Finance. Bank statements are being received at the school on a monthly basis and been reconciled to the subsidiary records. Banking of income is being undertaken at least once a week and recorded appropriately. One item of inappropriate expenditure (to the value of £33.75) had been incurred from the Private Fund which should only be used for the pupils benefit. 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. 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. Implementing the recommendations contained in this report will further strengthen the controls within the systems operating.

EDUCATION & LIFELONG LEARNING
YNYSBOETH PRIMARY
DATE : 14/04/2014

INTRODUCTION

The self-evaluation process is designed to help and advise Headteacher's 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).

Ynysboeth Primary was formed in September 2012 following the amalgamation of the Infants and Juniors, and this is the first visit 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 School has devised the relevant Safeguarding policies which are subject to annual review and endorsed by the Governing Body. All staff have received training for Child Protection and a record of this is available at the school. There is also a record to confirm that all staff and volunteers have been subject to the relevant DBS checks.

The School Private Fund is well run and administered however the annual certificate has yet to be sent to Education Finance. 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 not updated as soon as a purchase is made so the transaction log is not kept up to date with transactions. All expenditure incurred through the Purchase Card is in line with the Cardholder Manual and all receipts are retained.

Dinner money is securely retained at the school and is being banked promptly. Banking returns are printed each week and signed by the Headteacher. The school pursues dinner money arrears and free school meals are only provided to pupils who have been given confirmation of eligibility.

Official orders are not always being raised as soon as the commitment to expenditure is known. However, on delivery goods received are checked to copy orders and all payments are supported by genuine invoices.

CORPORATE SERVICES
HOUSING BENEFITS
DATE : 26/03/2014

INTRODUCTION

Housing Benefit is a national welfare benefit made available to people on low incomes to help them pay their rent. Depending on the individual circumstances of the claimant, they can have part or all of their rent paid.

From 1st April 2013, the amount of Housing Benefit paid to working age tenants who live in Council or Housing Association properties was reduced nationally, where they have more bedrooms than the family requires. There are some exemptions, such as those of pension credit qualifying age, tenants in some types of temporary accommodation and tenants in supported exempt housing.

In exceptional circumstances, tenants may qualify for a Discretionary Housing Payment (DHP) to help towards the reduction in Housing Benefit. Individuals must satisfy the Council that further help is required with housing costs by providing proof of income and expenditure. They are generally only available as short-term assistance, rather than a long term solution.

AUDIT OPINION

Audit testing incorporated a sample of new applications and change of circumstance notifications. Minor issues in relation to the assessment for three cases were noted, but these are not considered indicative of overall control weaknesses and did not have a material effect on the award. Where the Team were advised of a change of circumstance, the necessary amendments were made promptly and the award revised where applicable. Overall the control environment is considered satisfactory.

The review also looked at Discretionary Housing Payments and the information retained in respect of the applications received and the decisions made. It is recommended that Management seek to standardise the current, varied level of information recorded to document the rationale for awarding or declining an application. Correspondence notifying individuals of the outcome of their application should also be subject to review, in order to ensure that the Team can demonstrate consistency in approach and decision making.

CORPORATE SERVICES

CAPITAL ACCOUNTING & ASSET REGISTER

DATE : 02/04/2014

INTRODUCTION

Rhondda Cynon Taf County Borough Council holds assets in the form of property, vehicles, equipment, furniture and other items. Effective management of assets is essential to the efficiency of their operation in service delivery. Council assets shape the way services are delivered and create financial commitments for the future. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

The overall responsibility for the Council's capital accounting processes lies with the Head of Financial Reporting within the Corporate Services Group, whilst responsibility for managing the Technology Forge Asset Register lies with the Property Manager in Corporate Estates, also within the Corporate Services Group.

AUDIT OPINION

Overall, the control environment in relation to the management of the asset register is considered satisfactory.

The audit coverage included testing to ensure that assets owned by the Authority were recorded accurately on the Council's Asset Register (Technology Forge). This included long-standing assets and recent acquisitions. Similarly, recent disposals were identified and checked back to the Asset Register to ensure that these had been identified and the system updated accordingly. Testing identified that the Capital Accounting Team had not been made aware of adverse possession disposals and one operating lease. Moreover, some of the more recent acquisitions and disposals notified to Corporate Estates had not been updated on Technology Forge at the time of review.

Testing was also undertaken on the upload process for valuations and the process was found to be operating appropriately.

The security controls and back-up procedures of the Asset Register were also reviewed and it was identified that users are not contacted routinely to establish whether access is still required. Access had not been locked for a former member of staff.

By implementing the associated recommendations contained within the report (none of which are high priority), management will enhance further the standard of control.

WHOLE AUTHORITY ARRANGEMENTS
KEY MEASURES – SUPPORTING MEASURES
DATE : 18/03/2014
INTRODUCTION During August 2013, the Wales Audit Office undertook a review of the key measures included within the Maintaining People's Independence improvement priority plan. Based on the initial feedback, both the Wales Audit Office and Council officers considered there was a need for other 2012/13 indicators to be audited in order to assess robustness and establish the level of assurance in place in relation to the accuracy of the information reported.

AUDIT OPINION

REPORTED DATA

Our review covered 28 local Performance Indicators. The main objective of this review was to assess the integrity of the reported data for each Performance Indicator.

In our opinion, assurance can be provided that the data presented for 20 Performance Indicators is supported by information that substantiates the reported figure.

DEFINITIONS

Not all of the Performance Indicators that we reviewed were supported by either a complete and/or an accurate definition.

Where a Performance Indicator was not supported by an accurate, complete definition we used the data provided to us along with discussions with Lead Officers / Owners / Updaters in order to inform our level of assurance. Specifically we reviewed quality assurance processes of the Lead Officers / Owners / Updaters, held discussions in order to obtain a full understanding of the service along with the intended 'meaning' of the specific performance indicator(s). In such cases we have based our level of assurance on the discussions that we have held and incorporated a 'sensibility check' to form our opinion. From our sensibility check we formed an opinion on whether the reported data matched either the documented definition and/or the intended definition. Notwithstanding this, for clarity moving forwards, we recommend that all definitions be fully completed, reviewed, signed off and held centrally.

TARGET SETTING

11 Performance Indicators that we reviewed did not have a target. We discussed reasons for this with the relevant Lead Officers and Owners. Whilst on some occasions we received a rationale that clearly explained the reason for no target, this was not always the case. On some occasions, we received the rationale that 'this is the first year that the PI is being reported, therefore a target has not been set'. We do not agree with this explanation in all cases. All of the Council's services have management information systems and generally have the ability to 'look back' in terms of identifying trends of data – by looking back at trends in data together with using the experience and knowledge of service managers we believe that management could set meaningful targets for PI's irrespective of them being 'first year Performance Indicators'.

There are occasions where setting a target may not inform the reader of anything additional other than that a PI is on or off a target, in such instances reporting the actual data along with an explanation of what this actually means to partner stakeholders, the impact on the Council and also the citizens may be more meaningful to the recipient of the data.

DATA FROM EXTERNAL ORGANISATIONS

A small number of the Performance Indicators that we reviewed are reliant on data/information being received from external organisations such as the Police, Housing Associations and Job Centre+. We identified that in some instances the external party did not provide any/adequate supporting information to substantiate the figure being provided. This needs to be addressed and the Council's expectation to such parties needs to be expressly communicated from this point forward.

CENTRAL MONITORING - HOUSEKEEPING

The central system put into place by the Corporate Performance Team (as an interim arrangement to replace Ffynnon until a new system is procured by Welsh Government) should play an integral part in terms of ensuring each Performance Indicator is supported by a completed definition, as well as holding the supporting document that demonstrates the source of the data being reported for the period in question. Not all of the Performance Indicators we looked at held the supporting data that substantiated the actual figure being reported. Following the submission of the data for 'a point in time', a small number of service areas did not retain the source data (usually in the form of a report being generated from a management information system) – this in turn has reduced the level of assurance that we are able to provide in such instances.

We conclude that the central system should be the 'one-stop-shop' whereby all supporting information is available (definitions and supporting data wherever practicable).

In forming our opinion for each performance indicator we have reviewed the whole process commencing with establishing a definition, target setting and collating the data. We have made recommendations within this report that, if implemented, will make the whole process more robust and will then enable management to place a higher level of assurance on the data being reported from the systems in place from within the Performance Management service.

QUALITY ASSURANCE

Issues have been identified in terms of a lack of routine data quality monitoring that should be addressed from this point forward. Introducing robust quality monitoring processes will ensure the housekeeping of the central system put into place by the Corporate Performance Team is robust along with ensuring that the data reported is accurate and substantiated with adequate information.

A key control for management moving forwards will be the role of the Corporate Performance Team in terms of establishing a robust system of monitoring compliance with expected standards. This includes ensuring all documentation is fully complete and also establishing routine data quality checks.

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ENVIRONMENTAL SERVICES
FLEET MANAGEMENT
DATE : 13/03/2014

INTRODUCTION

The overall responsibility for managing the Council's Fleet lies within the Environmental Services Group.

An effective Fleet Management Service provides an essential component in ensuring that some of the Council's front-line services are delivered appropriately. The Council operates a fleet of 436 vehicles, comprising a wide variety of types and makes, from small vans to specialist vehicles such as refuse wagons and mobile libraries. The Fleet Management Service are responsible for maintaining a fleet capable of meeting the demands of service delivery, through regular inspections, servicing / repairs and advise on the vehicle acquisition / disposal / hiring processes.

In order to operate the fleet, the Council must comply with the relevant Road Transport Legislation, and are subsequently required to satisfy the standards set in respect of the Operator's Licence – 'O' License. In order to satisfy the VOSA (Vehicle and Operator Service Agency) requirements, 'O' License vehicles need to be inspected every 6 weeks. The inspections need to be documented, with the defects noted, together with the corresponding remedial action.

The Service is considered to be an area of high risk, with vehicles considered an expensive resource to procure and a challenge to run productively.

AUDIT OPINION

A sample of vehicles of different ages was selected and the 4 most recent inspection records for each vehicle were examined, together with the VOSA MOT certificate. Assurance can be given that all 40 inspection records were present, all had been duly completed, and all vehicles could demonstrate a current MOT certificate.

There were 3 occasions where a defect requiring 'immediate action' had been noted but the corresponding remedial action taken had not been entered on the inspection record.

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