

Swindon Borough Council

Audit Committee

Tuesday, 30 March 2010

Committee Room 6, Civic Offices, Swindon

At 6.00 p.m.

Conservative Councillors

Michael Dickinson
(Chair)
Nick Martin
Mary Martin
Eric Shaw
Peter Stoddart

Labour Councillors

Des Moffatt (Vice-
Chair)
Steve Allsopp

Committee Officer: Steve Jones (01793 463602)

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(Telephone 01793 445500)

AGENDA

1. Apologies for Absence

2. Declarations of Interest

Members are requested at the start of the meeting to declare any known interests in any matter to be considered, and are reminded that any such interest should also be declared at the start of an item or during any discussion of the matter concerned.

3. Public Question Time

See explanatory note below. Please phone the Committee Officer whose name and number appears at the top of this agenda if you need further guidance).

4. Minutes (Pages 1 - 4)

To receive the minutes of the meeting held on 26 January 2010

5. Internal Audit reports identifying significant risk or 'of concern'

:Greendown Community School (HIA-CE) (Pages 5 - 84)

6. Internal Audit reports identifying significant risk or 'of concern' :

Recoupment (HIA-CE) (Pages 85 - 124)

7. Internal Audit reports identifying significant risk or 'of concern' :

Deputyships (HIA-CE) (Pages 125 - 162)

8. External Audit Progress Report and Briefing Note (Pages 163 - 168)

9. **External Audit: Certification of Claims and Returns - Annual Report** (Pages 169 - 182)
10. **Draft Internal Audit Annual Plan 2010/11** (HIA-CE) (Pages 183 - 196)
11. **Head of Internal Audit Update** (HIA-CE) (Pages 197 - 210)

Date of Despatch: 23 March 2010

Key:

HIA-CE - Head of Internal Audit

Public Question Time - *Swindon Borough Council is committed to increasing its accountability to the public and to promoting active citizenship. Up to 15 minutes will be allowed at the start of all Council meetings for questions to the Chair from members of the public about the work of the Committee (except for confidential matters and specific planning applications). Questions must be relevant, clear and concise. Because of time constraints Public Question Time is not an opportunity to make speeches or statements. Prior notice of a question to the Director of Law and Democratic Services is desirable - particularly if detailed background information is needed.*

Access Arrangements – *The Venue is wheelchair accessible and an infrared receiver hearing system is provided. If you would wish to attend the meeting but have any special requirement to enable you to do so please contact the Committee Clerk above, as soon as possible prior to the date of the meeting.*

If you would like to receive any of the pages contained in this agenda in a larger print size please contact the Committee Officer whose name appears on the first page of this agenda.

The Audit Committee - Terms of Reference

(the complete terms of reference and programme of activity for the Audit Committee are set out in Minute 61 of the meeting of the Audit Sub-Committee held on 25 January 2006)

To provide independent assurance to the Council on the following responsibilities:

- (i) the effectiveness of the Council's risk management, internal control and its overall assurance framework;
- (ii) the effectiveness of the Council's financial and non-financial performance to the extent that it might impact upon (i) above;
- (iii) the performance of the Council's Internal Audit section;
- (iv) the receipt and review of External Audit reports and liaison with external auditors on significant matters identified, and
- (v) advise upon and/or review the effectiveness of any other matters referred to the Audit Committee by the Cabinet, the Overview and Scrutiny and Regulatory Committees.

AUDIT COMMITTEE

TUESDAY, 26 JANUARY 2010

PRESENT:- Councillors Michael Dickinson (Chair), Des Moffatt (Vice-Chair), Steve Allsopp, Nick Martin, Mary Martin and Eric Shaw

Apologies for absence were received from Councillors Peter Stoddart.

35. Councillor Peter Stoddart

The Chair advised the Committee that Councillor Peter Stoddart was absent after being submitted to hospital for minor surgery. On behalf of the Committee the Chair wished Councillor Peter Stoddart a full and speedy recovery.

36. Declarations of Interest

The Chair reminded Members of the need to declare any known interests in any matters to be considered at the meeting.

37. Public Question Time

No questions were asked under Standing Order 18.

38. Minutes

Resolved - That the minutes of the meeting held on 24th November, be confirmed and signed.

39. Update on progress of Internal Audit's review of the Payroll system

The Committee received an Interim Progress Report in relation to the review of the Council's payroll system in advance of the Committee's consideration of the results of the Audit review at its March meeting. The Director of Human Resource and Change was in attendance and assured the Committee of the level of importance afforded to the review and advised that a great deal of work had been carried out on the payroll system in response to previously identified problems and it was his hope that the positive effect of these improvements would be reflected in the Audit review. In response to a query by Councillor Nick Martin, the Director confirmed that an accurate count of the number of staff employed by the Council was available, this subject to minor weekly variations, and agreed that this information be made available to Members of the Audit Committee.

40. Risk Management Status Update

The Committee received a Summary Report on risk management activity within the Council, focusing on:

- the Council's Risk Management Strategy;
- the updating of the Corporate Risk Register and the introduction of the standard corporate format for Risk Registers;

- the Council's Insurance Policy and claims related issues;
- business continuity management; and
- civil contingencies issues.

The Council's Head of Performance and Risk attended the meeting to introduce the report. She advised that the temporary appointment of a new Head of Performance and Risk on a fixed year contract to provide cover while she was absent on maternity leave was imminent, and suggested that the new appointee might attend the first available meeting of the Audit Committee to present the updated Corporate Risk Register which was due to be considered by the Corporate Board in February.

Resolved – (1) That the summary of risk management activity within the Council and the contents of the Report be noted.

(2) That this Committee thanks Alex Bedford, the Council's Head of Performance and Risk, for her hard work in introducing a much improved risk management function within the Council and wishes her well for her period of absence from the Council on maternity leave.

(3) That the officers review the Audit Committee's work programme to accommodate the presentation of the updated Corporate Risk Register at some point after the new Risk Manager is appointed.

41. Work undertaken by other Committees

The Committee considered a report of the Head of Internal Audit on how it might best be kept advised of "work undertaken by other Committees of the Council so it can take account of any significant control issues". It was noted that the recognition by Audit Committees that other Committees of the Council can contribute to its assurance framework, and the importance of them taking account of any significant control issues identified by other Committees, was identified as good practice and featured in the use of resources assessment theme: Internal Control (KLOE 2.4).

Resolved – (1) That, for the remainder of this Municipal Year, the reports to Council on the meetings of its Scrutiny and Standards Committees, and its Overview and Scrutiny Committees, be submitted to this Committee for consideration in order that Members might review the work of these Committees and identify any significant control issues that may arise.

(2) That the Corporate Governance Working Party be recommended that, with effect from the start of the Municipal Year 2010/11, in order that the Committee might be kept advised of work undertaken by other Committees, the Chair of the Audit Committee be appointed an ex officio non-voting Member of all Standing Committees of the Council.

(3) That, in response to members' request that the Council's decision to enter into an agreement with Digital City (UK) Limited to deliver a Wi-Fi network across the borough be the subject of an internal audit review, the Head of Internal Audit, in consultation with the Director of Law and Democratic Services, be asked to prepare a scope of audit that addresses the following issues raised during the Committee's debate of the matter, and that this be submitted to the Chair and Vice-Chair for approval and to all other members of the committee for information:

- should a Value For Money review of the proposal have been undertaken by PAG
- what level of research was undertaken to evaluate the financial security of the public loan made in support of the initiative
- were CIPFA regulations relating to treasury management adhered to,

- particularly in relation to the application of appropriate financial controls
- were EU directives in respect of fair competition considered, particularly in relation to the commercial partner's access to public street furniture and to the Council's own ICT infrastructure
- will the decision making process used be the subject of evaluation, to identify and address flaws and develop the best model for similar public and commercial sector partnerships in future

42. External Audit Progress Report and Briefing Note

Mr Peter Smith of the Audit Commission attended the meeting to present the January 2010 External Audit Progress Report, summarising the External Auditors' delivery against the Audit Plan and highlighting key emerging national issues and developments which might be of interest to the Committee. It was noted that a briefing note had been appended to the progress report highlighting several matters that the Committee might wish to consider in order to ensure that it is received sufficient assurance on the emerging issues.

Resolved – That the External Audit Progress Report for the period to January 2010 and the issues identified in the Briefing Note be noted.

43. Strategic Fraud Update

The Head of Internal Audit submitted a report providing the Committee with information on a number of developments regarding fraud in the public sector and advising on the response of Internal Audit and the Benefits Fraud Team to these developments.

Resolved – (1) That the report be noted.

(2) That, in response to Members' comments regarding the performance of the Council's Benefits Fraud Team, the Head of Internal Audit obtain comparative data from the Benefits Fraud Manager in respect of both the size of the Benefits Fraud Teams of other local authorities and the level of their effectiveness in identifying overpayments of Housing and Council Benefit.

44. Anti-Fraud & Corruption Strategy and Whistleblowing Procedure

The Council's Monitoring Officer and Head of Internal Audit submitted a report advising the Committee of a pending review of the Council's anti-fraud and corruption strategy, and its whistleblowing policy and fraud response plan, and inviting Members comments on the strategy and the associated documentation as part of the consultation with relevant parties.

Resolved – That the report be noted and that Members be invited to advise the Head of Internal Audit of any comments and observations they might wish to make in support of the Council's review of its anti-fraud and corruption strategy and whistleblowing policy.

45. Head of Internal Audit Update

The Committee received a report of the Head of Internal Audit summarising the main issues arising from the Internal Audit reports finalised since the last Audit Committee in November 2009, and progress against the annual internal audit plan. The report also addressed staffing issues within Internal Audit.

Resolved – (1) That the report be noted.

(2) That, in accordance with the Committee's practice of considering audit reports where the overall evaluation was classified as being of 'significant risk' or 'of concern', the following Internal Audit reports be submitted to the next meeting:

- Deputyships
- Recoupment
- Greendown School

(3) That the Director of Housing and Social Care and officers within the Housing Rents section be thanked for their hard work and congratulated on the achievement of the highest audit opinion of service.

46. Internal Audit reports identifying significant risk or 'of concern'

The Head of Internal Audit submitted a report providing the Committee with an update on the current position regarding recommendations arising from the internal audit review of mobile phones procedures, finalised in December 2009 when an overall risk assessment of "of concern" was given. Dave Titcombe, the Council's IT Business Partner, was in attendance to respond to Members' questions on particular matters arising from the review and in relation to the management response to the audit review's key recommendations. Issues raised by Members included:

- non-compliance with mobile phone guidance and the Office of Government Commerce (OGC) contract;
- the identification of mobile phones utilising alternative networks;
- misappropriation of mobile phones and non-compliance with financial regulations;
- the segregation of duties for the purchasing receiving, issuing and payment for a mobile phone;
- the Council's mobile phone policy and the monitoring of breaches of the code;
- asset ownership and the recovery of mobile phones and other assets when an officer leaves the employment of the Council;
- the review of Council's Telephony Contract.

Resolved – That the report be noted and that Mr Titcombe be thanked for attending the meeting to respond to Members questions.

Internal Audit reports identifying significant risk or 'of concern':

Greendown Community School

AUDIT COMMITTEE

Date: 30th March 2010

Author: Head of Internal Audit

Wards Affected: None

Purpose

Members requested that at least one individual audit report be presented to each meeting of the Committee. This report should be one that has been classified as being of 'significant risk' or 'of concern', if one had been issued since the previous meeting of the Committee. If not, then a report would be selected in liaison with the Chair of the Audit Committee.

Recommendation

- It is recommended that the contents of the report be noted.

1 Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 1.2 Internal Audit's terms of reference require that at least one individual audit report be submitted to each meeting of the Committee.
- 1.3 Audit Committee requested that the Internal Audit report and the Financial Management Standard in Schools (FMSiS) assessment for Greendown Community School be brought to the next committee meeting.

2 Detail

- 2.1 A copy of the Internal Audit report is attached as Appendix 1 and the FMSiS assessment as Appendix 2. The report was finalised in November 2009 and an overall risk assessment of 'Of Concern' was given. The school also failed to meet the standards required by the DCSF's FMSiS assessment criteria.
- 2.2 The key recommendations made in the Internal Audit report include:
 - A review should be conducted of the information used when the 2009/10 predicted deficit budget was initially identified of £161k, to establish the reasons for the significant variance compared to the

Internal Audit reports identifying significant risk or 'of concern':

Greendown Community School

AUDIT COMMITTEE

Date: 30th March 2010

amount reported to the LA in June 2009 of £272,515 (69% increase), on the school's budget template.

- The review should include detailed costings to establish whether all anticipated factors and historic trends have been accounted for and to confirm the budget set is realistic and achievable. The school should seek assistance from the LA's Finance Team in conducting this review. The results from the review should be submitted to the Group Financial Manager for Children Services to establish whether the budget needs to be restated and a revision to the licensed deficit agreed with the LA.
- A detailed action plan should be produced to address the school's deficit budget, which should be monitored by the School's Finance Committee and regularly reported on to the Full Governing Body.
- All actions identified in the School Development Plan, which have an associated financial implication to the school, should be fully costed and provision made for this expenditure in the school's budget.
- Detailed budget monitoring information should be produced for Governors to allow for robust monitoring and challenge.
- A central contract register should be devised and maintained detailing all contracts in place, their expiry date, and annual cost and contract coverage. This register should also be used as a record to confirm that adequate insurances and policies are in place.
- In accordance with Financial Regulations for schools, quotes and formal tendering procedures should be established when expenditure is expected to exceed, £1k and £50k respectively.
- Segregation of duties should be established within the HR/Payroll function.
- A review of the catering budgets should be conducted to confirm that the anticipated level of income is achievable.
- An action plan to increase catering turnover should be devised, using information obtained from the school meals cashless system to identify areas where take up can be increased.
- The school fund accounts for the year ending 30th June 2008 should be prepared and submitted for audit immediately.
- School Fund bank reconciliations should be conducted promptly, upon receipt of the bank statement.
- The school should seek assistance from the LA in developing a school specific Disaster Recovery, Business Continuity and Emergency Plan.

- 2.3 FMSiS is a mandatory requirement to provide assurance to the Department, HM Treasury, National Audit Office and Local Authorities that schools have adequate arrangements in place to manage their resources effectively. All schools are legally required to meet the Standard by March 2010.

Internal Audit reports identifying significant risk or 'of concern':

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- 2.4 As the school have not met the required standards, a reassessment is required. This has been booked for w/c 12th April 2010 to give the school time to fully document the 2010/11 budget setting process.
- 2.5 The key areas the reassessment will focus on are the governance arrangements at the school, financial planning and budgetary control. The reassessment will include a follow up of the recommendations made in the Internal Audit report.
- 2.6 The audit report and FMSiS assessment are submitted for Members consideration. The Headteacher, Greendown Community School has provided an update on progress against the audit recommendations (see Appendices 1 and 2).

Alternative Options

Not Applicable

Risk Management

Financial and Procurement Implications

There are no direct financial implications arising from this report however the detailed audit report address the suitability of internal controls within the systems examined.

Legal/Human Rights Implications

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2006. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

Internal Control, Audit Committee and the Annual Governance Statement all feature significantly in the CAA Use of Resources Assessment. Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

Consultees

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Headteacher, Greendown Community School

School Business Manager, Greendown Community School

Internal Audit reports identifying significant risk or 'of concern':

Greendown Community School

AUDIT COMMITTEE

Date: 30th March 2010

Appendices / Background papers

Appendix 1 – Internal Audit Report: Greendown Community School (with updated response from Headteacher)

Appendix 2 – Greendown Community School FMSiS assessment (with updated response from Headteacher)

Key Decision/Decision in Forward Plan

Not Applicable

Swindon Internal Audit Services

Strictly Private and Confidential

Greendown Community School

Report status: FINAL

Report date: 2nd November 2009

Report Reference: Children / Schools / Greendown

Auditor: Melanie Fitzgerald & Nikki Soave

Issued by: Nikki Soave - Principal Auditor

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Appendices:

A: Standard Audit Opinions

B: Budget Setting Analytical Review

C: Management Response

Report distribution:

Draft issued 27th August 2009:

Mr C Zimmerman	Headteacher
M Lanchester	School Business Manager

Revised Draft Issued 2nd October 2009, following feedback on draft:

Mr C Zimmerman	Headteacher
M Lanchester	School Business Manager

Final Issued 2nd November 2009, following receipt of Management Responses:

Mr C Zimmerman	Headteacher
M Lanchester	School Business Manager
Cllr N Martin	Chair of Governors
K Murray	SBC Group Finance Manager – Children Services
P Bradley	SBC Director of Schools and Learning

1 Executive Summary

- 1.1 A review of the financial procedures operating at Greendown Community School was completed as part of the planned programme of work, undertaken by Internal Audit, on behalf of the Group Director – Children’s Services, during 2009/10.
- 1.2 In addition, the results of this internal audit will inform the school’s re-assessment against the DfES Financial Management Standards in Schools (Standard 5.7).
- 1.3 Greendown Community School is a mixed comprehensive secondary school for pupils aged between 11 and 16 years. The school was awarded dual specialist status as a Sports College and Maths and Computing College in September 2007.
- 1.4 The school currently has a budget of £3,950,514 and is predicting a deficit budget of £272,515 for 2009/10, which has been agreed with the Local Authority along with plans to recover the deficit by year 3.
- 1.5 However, the Internal Audit review raises concerns over the budget setting process and questions whether the individual income and expenditure budgets set are accurate. Little evidence was provided to the Auditors to demonstrate that the budget levels set were based on a detailed examination and consideration of historic spending information and future pressures.
- 1.6 In addition the school’s budget template for 2009/10, submitted to the LA at the end of June 2009, is showing a significant increase in the predicted level of deficit for 2009/10 compared to that initially reported at the end of 2008. Consequently, we are concerned that there is a high risk that the predicted 2009/10 year end deficit is inaccurate and likely to be higher, unless action is taken.
- 1.7 The school has reduced its level of support staff as part of a staff reduction programme to address the deficit budget. During the audit, the Business Manager was covering duties that should have been carried out by junior members of staff. It is understood that this is not unusual and is resulting in the Business Manager being unable to appropriately focus on strategic financial management.
- 1.8 It is our opinion that the school needs significant support from the Local Authority’s Finance Team to ensure that the school’s exact financial deficit has been correctly identified and that realistic, achievable actions are identified to recover the deficit within a period acceptable to the Local Authority, without putting the education provision at risk. This process should also help determine if the correct level of financial management skill and resources is available at the school.
- 1.9 The level of involvement of the Governors in supporting the school is also unclear, as the minutes of meetings do not demonstrate that they have been actively involved in the management and monitoring of the deficit budget, which has been increasing since at least 2005/06. The Chair of Finance, who was appointed in February 2009, confirmed that this information had not been brought to the attention of the Full Governing Body until recently.
- 1.10 We found that the general day to day running of the school’s financial administration was of a satisfactory standard and the finance team tries to ensure that the correct procedures and Financial Regulations are followed. However, instances of non-compliance were found which has resulted in the school being unable to fully demonstrate that they are using their resources effectively.
- 1.11 The school has recently opted to process their payroll in-house and has bought a specific software package for this purpose. The early review of the processes in

place has confirmed that the school has considered the risks in the process and appropriate controls have been identified. In addition, a check of a sample of personnel files has confirmed that the information held is complete and up to date.

1.12 The fundamental issues identified during the audit and the impact they could have on the future financial management of the school has resulted in our opinion that they are sufficiently significant to place doubt on the reliability of the procedures reviewed.

1.13 The key recommendations are:

- A review should be conducted of the information used when the 2009/10 predicted deficit budget was initially identified of £161k, to establish the reasons for the significant variance compared to the amount reported to the LA in June 2009 of £272,515 (69% increase), on the school's budget template.
- The review should include detailed costings to establish whether all anticipated factors and historic trends have been accounted for and to confirm the budget set is realistic and achievable. The school should seek assistance from the LA's Finance Team in conducting this review. The results from the review should be submitted to the Group Financial Manager for Children Services to establish whether the budget needs to be restated and a revision to the licensed deficit agreed with the LA.
- A detailed action plan should be produced to address the school's deficit budget, which should be monitored by the School's Finance Committee and regularly report on to the Full Governing Body.
- A review of the current School Development Plan should be conducted to ensure all costs have been calculated and are affordable.
- All actions identified in the School Development Plan, which have an associated financial implication to the school, should be fully costed and provision made for this expenditure in the school's budget.
- Detailed budget monitoring information should be produced for Governors to allow for robust monitoring and challenge.
- A central contract register should be devised and maintained detailing all contracts in place, their expiry date, annual cost and contract coverage. This register should also be used as a record to confirm that adequate insurances and policies are in place.
- In accordance with Financial Regulations for schools, quotes and formal tendering procedures should be established when expenditure is expected to exceed, £1k and £50k respectively.
- Segregation of duties should be established within the HR/Payroll function.
- A review of the catering budgets should be conducted to confirm that the anticipated level of income is achievable.
- An action plan to increase catering turnover should be devised, using information obtained from the school meals cashless system to identify areas where take up can be increased.
- The school fund accounts for the year ending 30th June 2008 should be prepared and submitted for audit immediately.

- School Fund bank reconciliations should be conducted promptly, upon receipt of the bank statement.
- The school should seek assistance from the LA in developing a school specific Disaster Recovery, Business Continuity and Emergency Plan.

2 Approach

- 2.1 Managers determine the extent of internal control in their systems and are responsible for providing an environment that ensures that resources are properly applied, value for money is secured, fraud and other losses prevented, and the Council's Financial Regulations are complied with.
- 2.2 Internal Audit, as a service to the Directorate and the Council as a whole, contributes to internal control by examining and evaluating its adequacy and effectiveness. The auditor's responsibility is to form an independent opinion, based on the audit work undertaken, on the reliability of the systems of internal control, risk management and governance reviewed and report this to the Headteacher, Governors, Director of Schools and Learning and to other relevant officers.
- 2.3 In accordance with best practice, a risk-based approach was adopted that identified the key risks to the business objectives and those mitigating actions/controls that should be in place. The auditor then assessed the effectiveness of the mitigating controls through examination of relevant documents, procedures and detailed testing.
- 2.4 The appropriate managers and senior staff were consulted during the course of the review and examination and testing of relevant documentation and procedures took place within departments.

3 Risk Areas Examined

- 3.1 The table below summarises the Risk Areas examined during the review and provides an assessment of the adequacy of the mitigating controls in place for each area of risk examined (see also Appendix A):

Risk Area Examined	Audit Conclusion re. mitigating controls
• Budget Setting	Fundamental Weaknesses Identified
• Budget Monitoring	Significant improvements required
• Census	Significant improvements required
• Ordering and Purchasing	Significant improvements required
• Bank Accounts	Satisfactory
• Personnel and Payroll	Satisfactory
• Catering	Fundamental Weaknesses Identified
• School Fund	Significant improvements required
• Business Continuity and Disaster Recovery	Significant improvements required

4 Overall Opinion

- 4.1 **Materiality and impact: Medium.** Greendown Community School currently has an annual budget of approximately £3,950,000 excluding Standards Fund and Direct Grant. It is therefore, a system that is of medium materiality when compared to the other systems and establishments operated throughout the Council. It is considered that there would be a medium impact on the Council, should there be major system failures.
- 4.2 **Changes since last audit:** The previous internal audit was conducted in 2006/07 and found that significant improvements were required in existing procedures. Since that audit, the school has appointed a new Headteacher.
- 4.3 **Opinion on system controls: Fundamental Weaknesses Identified** (see Appendix A) i.e. the auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.
- 4.4 **Overall assessment of risk:** the combination of the high impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**:

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High standard	Moderate	Minimal	Minimal
2	Satisfactory	Moderate	Moderate	Minimal
3	Significant Improvements required	Of Concern	Moderate	Moderate
4	Fundamental weaknesses identified	Significant	Of Concern	Moderate

- 4.5 All of the matters arising are detailed in the action plan, together with suitable recommendations, together with an indication as to whether the matters arising are of a high, medium or low priority. The action plan provides a checklist of the findings of the review, potential consequences, and identifies officers responsible for implementing the recommendations and appropriate time-scales.
- 4.6 Management's response to the Internal Audit recommendations is attached at Appendix C.

5 Secure Procedures

5.1 The following secure procedures were identified during the course of the audit review:

- The Headteacher has worked closely with the LA's School Place Planning Information Manager to ensure pupil number predictions are as accurate as possible.
- The school benchmarked their pupil/teacher ratio with other similar schools to assist in decision making during their staffing structure review.
- The Finance Manager produces a budget pack for all budget holders which includes their annual allocation, a summary of the relevant financial regulations that they have to comply with and a tear off slip for them to sign and return confirming they agree to abide by Financial Regulations and to disseminate their requirements to their staff.
- The Finance Manager reminds staff by email that they are not permitted to place phone or fax orders without prior approval from the finance team and that they are not allowed to accept inspection copies of books.
- Cost centre reports are provided to budget holders on a monthly basis.
- Paid invoices examined were accurate and appropriately authorised.
- Appropriate separation of duties exists within the school's purchasing process.
- Appropriate pre-employment checks had been conducted for the new starters examined.
- All salary payments made to staff that were examined were found to agree to the latest information held on the individual's personnel file.
- Personnel and payroll records are held securely, with access restricted.
- Bank reconciliations examined were conducted promptly and were found to be correct. The Headteacher had independently checked reconciliations.

6 Acknowledgement

- 6.1 Internal Audit would like to acknowledge and thank the following members of staff and Governors who contributed to the review:

Name	Job title
C Zimmerman	Headteacher
A Youngman	Governor – Chair of Finance Sub Committee
M Lanchester	School Business Manager
N Eagle	Finance Manager
J Clarke	HR Manager
J Rodden	School Fund Administrator
N Yapp	Catering Manager
M Walker-Loveridge	Fundraising Officer
N Archer	SBC Deputy Group Finance Manager – Schools
K Murray	SBC Group Finance Manager – Children Services

Section 7: Findings and Recommendations - Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of Greendown Community School, together with the associated risk of non-compliance, recommendations to mitigate risks, responsible officer and proposed timescales.

In order for you to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, the recommendations have been prioritised.

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
1	Budget Setting				
1.1	In January 2009 the school informed the LA that they were projecting a deficit budget of £161k for 2009/10 and were looking to obtain an agreed licensed deficit for the year. However, the budget template finally submitted by the school included a deficit of £272,515, £111k more than initially reported.	Inaccurate budget setting and projections leading to additional overspending.	A review of the information used to initially identify the deficit budget for 2009/10 should be conducted to establish the reasons for the significant variances.	High	Business Manager September 2009
1.2	A review of previous year's financial information has identified that the school has had a deficit revenue budget since at least 2005/06, when there was an £11,955 overspend at year end. The CFR return for 2008/09 shows a £142,899 deficit year end position. The minutes of Governors meetings do not demonstrate that this increasing deficit was fully considered or that an action plan was devised to reverse the position. The Chair of Finance, who became Chair of this committee in November 2008 after being a Governor for 2 years, stated that he did not become aware of the financial difficulties of the school until he sat on the Finance Committee as this information was not brought to the attention of the Full Governing Body.	Decisions are made based on incomplete financial information. Budgets become further overspent. Governors are not provided with sufficient information in order to carry out their role fully.	A detailed action plan should be produced to address the deficit budget which should be monitored by the Finance Committee and regularly report on to the Full Governing Body. A review of the information provided by sub committees to the Full Governing Body should be carried out to ensure that crucial information, affecting all decisions made, is properly communicated.	High	Governors September 2009

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
1	Budget Setting				
1.3	<p>In light of the deficit rollover and the predicted increasing deficit, a review of the budgets set was conducted by the Auditor during the audit. The actual spend for 08/09 for non staffing expenditure was compared to the 09/10 budgets set and any significant variances were queried. A number of expenditure budgets had been set at less than last year's actual spend and there was little information to demonstrate that these anticipated savings had been fully costed and therefore achievable. See Appendix B for details.</p> <p>When queried, there was no readily available information or evidence to explain the reasons for the levels set.</p>	Unrealistic budgets are set leading to additional overspends.	<p>A review of the budgets set for 2009/10 should be conducted, with detailed costing carried out and recorded, to establish whether all anticipated factors and historic trends have been accounted for and to confirm the budget set is realistic and achievable. The school should seek assistance from the LA's Finance Team in conducting this review.</p> <p>The results should be presented to the Finance Committee to allow sufficient challenge on the assumptions made.</p> <p>The results from the review should be submitted to Group Financial Manager for Children Services to establish whether the budget needs to be restated and a revision to the licensed deficit agreed with the LA.</p>	High	Headteacher in liaison with the Finance Committee. September 2009

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
1	Budget Setting				
1.4	<p>A review of the costs identified in the school development plan was conducted to establish whether they had been fully accounted for in the school's budget.</p> <p>Whilst the £6,000 identified for departmental development bids had been clearly included in the 2009/10 budget, there are at least six other actions included in the SDP which have not been fully costed and which do not appear to have been included in the school's budget.</p> <p>When the spend was discussed with the SDP Finance Manager, she was not clear which budgets would fund any associated expenditure.</p>	<p>SDP is not achieved.</p> <p>Budget becomes further overspent.</p> <p>Expenditure is allocated to incorrect budgets.</p>	<p>All actions identified in the School Development Plan which have an associated financial implication to the school, should be fully costed and provision made for this expenditure in the school's budget.</p> <p>A review of the current School Development Plan should be conducted to ensure all costs have been calculated and are affordable.</p>	High	Business Manager September 2009
1.5	School budgets have been profiled, however these have been set using the pre-set system profiles and do not necessarily reflect the historic spend of the school.	<p>Budget monitoring is not effective.</p> <p>Budgets become overspent.</p>	The budget profiles should be set following a review of the school's historical spending information.	Medium	Business Manager September 2009
1.6	The school has reduced its level of support staff as part of a staff reduction programme to address the deficit budget. During the audit, the Business Manager was covering duties that should have been carried out by junior members of staff. It is understood that this is not unusual and is resulting in the Business Manager being unable to appropriately focus on strategic financial management.	<p>Ineffective use of staff time.</p> <p>Strategic financial planning is not robust.</p>	A review of the current support staffing structure should be conducted to ensure there is an adequate level of strategic financial support available to the school.	High	Headteacher October 2009

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
2	Budget Monitoring				
2.1	<p>Budget monitoring information provided by the Finance Team to staff is comprehensive.</p> <p>However, the information provided to Governors needs further development. The report produced for Governors does not match the budget split approved, due to the way the report has been written. This was raised at the time of the audit and the school is working with the Accounting Technician to rectify this.</p> <p>In addition, the report produced only shows the original budget, current budget, actual and committed spend and balance remaining. It does not show the profiled budget to date in order to assist Governors in detailed monitoring.</p> <p>As an example, the electricity budget has been set at £50k and, as at 16.6.09, £10,812 has been spent with no commitments entered. This results in a £39,188 (78%) balance remaining and so has not been flagged to Governors for review. The school is invoiced monthly, so only two months bills for the current year have been paid, and these are likely to be for lower levels of use than the winter months. If these bills remain at the same level throughout the year, the total expenditure will be approx £65k. A review of the 2008/09 actual payments shows that 69% of expenditure occurred in the period October 2008 to March 2009. Based on this level of usage, a more accurate budget for 2009/10 would be £102k excluding VAT – which is £52k more than has been allowed for in the 2009/10 budget.</p>	<p>Decisions are made based on incorrect or incomplete information.</p> <p>Budgets become overspent.</p>	<p>Detailed budget monitoring information should be produced for Governors to allow for detailed monitoring and challenge.</p> <p>In light of the current financial situation of the school, more comprehensive information should be presented to Governors for review.</p>	High	<p>Headteacher & Business Manager.</p> <p>September 2009</p>

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
3	Census				
3.1	<p>A review of the school's Census return produced for 15th January 2009 was conducted to confirm that the data reported to the LA was accurate.</p> <p>The census returns are produced by the HR Manager using an automated system. The report is not checked prior to submission and the HR Manager was not clear what it showed and stated that it was her responsibility to produce the reports and send it to the LA on the required dates.</p> <p>Hard copies of the returns are not produced as they are submitted electronically. When the January return was reviewed, it was noted that the report states the totals are the 'number of pupils on roll aged 5 or over at 31/8/08', this should be at 15th January 2009. When this was queried with the HR Manager she stated that she had never noticed this and did not know why the date was different. A review of the other returns produced contained the same date although with differing totals.</p>	<p>Inaccurate data is submitted to the LA.</p> <p>Incorrect budget share is given to the school.</p>	<p>The census returns should be independently checked prior to submission to the LA.</p> <p>The anomaly identified in the report information should be investigated to establish whether this is affecting the total number of pupils recorded on roll.</p>	High	<p>Business Manager</p> <p>September 2009</p>

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
3	Census				
3.2	<p>A report listing all female pupils on roll on 15th January 2009 was produced by the school during the audit and this was compared to the census return. This identified an overall variance of 2 pupils (more on census than on report) with more variances between year groups. Based on the 2009 AWPU rates, these variances equate to a potential overclaim of -£5,164.52.</p> <p>This matter was queried with the Business Manager who discussed this with the Attendance Officer. They could not list specific pupils or specific reasons but said that this could have occurred where pupils were taken off roll retrospectively. The school is not able to take a pupil off roll until they get approval from their EWO. The BM said that they had two pupils who moved away and the school were not allowed to take them off roll until their new addresses were confirmed – the BM did not provide the names of these pupils so it was not possible to check the detailed report to establish whether these pupils were included in the figures.</p>	Incorrect funding is awarded.	A review of the discrepancies in pupils on roll compared to the census return produced for 15 th January 2009 should be conducted to identify the reasons for these and to confirm whether the correct level of funding has been awarded to the school.	High	<p>Business Manager</p> <p>September 2009.</p>

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
4	Purchasing.				
4.1	<p>The school have a number of contracts in place, a central list is not maintained detailing all these contracts, the expiry date, annual cost or what the contract covered.</p> <p>In addition, the school were not able to provide copies of all contracts in place, in some instances only the purchase orders were provided. The BM explained that a central file or list is not maintained but the information is held in various locations and different people are responsible for maintaining this information, including the Site Manager. Consequently, it was not possible to confirm that the necessary insurance etc. is in place due to the lack of organised records.</p> <p>This issue reflects the findings raised in budget setting, where the 2009/10 budget set for maintenance contracts could not be easily substantiated.</p>	<p>Contract monitoring is not conducted.</p> <p>Contracts expire before a formal review or renegotiation can take place.</p> <p>Duplicate contracts exist.</p> <p>Value for money is not achieved.</p>	<p>A central contract register should be devised and maintained detailing all contracts in place, their expiry date, annual cost and contract coverage. This register should also be used as a record to confirm that adequate insurances and policies are in place.</p> <p>The register can then be reviewed regularly to identify when contracts are due to expire to allow for contract negotiations, or tendering, to be carried out in sufficient time before the end of the contract.</p> <p>The register can also be used to assist in the annual budget setting and to provide information to profile budgets accurately.</p>	High	<p>Business Manager</p> <p>September 2009</p>

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
4	Purchasing.				
4.2	<p>The school's bank history report showed a number of payments in excess of the quotes and tenders limit set in Financial Regulations for Schools.</p> <p>The documentation supporting these payments was examined. It was found that none of these payments had quotes and tenders to evidence that best value was achieved and to demonstrate that Financial Regulations had been complied with.</p>	<p>Breach of Financial Regulations.</p> <p>Best Value not achieved.</p> <p>Allegations of inequitable treatment of suppliers.</p> <p>Allegations of conflict of interests.</p>	<p>In accordance with Financial Regulations, quotes and formal tendering procedures should be established when expenditure is expected to exceed, £1k and £50k respectively.</p>	<p>High</p>	<p>Business Manager</p> <p>September 2009</p>

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
4	Purchasing.				
4.3	The refurbishment of the school's all weather service costing £250k was not subject to tender, with only quotes received and no evidence of independent evaluation carried out. This project was managed by the School's Fundraising Officer who confirmed that he was advised of the requirements for tendering by the Business Manager but failed to follow the procedure. Consequently, we have not been able to confirm that the contract was awarded properly and in the best interest of the school, nor can Best Value be demonstrated.	<p>Breach of Financial Regulations.</p> <p>Allegations of collusion or corruption.</p> <p>Value for money is not achieved.</p>	<p>All staff should be reminded of the Financial Regulation requirements for obtaining quotes and tenders at the specified level.</p> <p>Disciplinary action should be considered against the member of staff who wilfully breached financial regulations and thereby put the school at risk of not obtaining value for money, allegations of inappropriate contract awards and lack of transparency.</p> <p>Instructions, procedures and standard documentation should be produced for obtaining quotations and tenders, in accordance with the Financial Regulations.</p>	High	Business Manager September 2009

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
4	Purchasing.				
4.4	<p>A print of orders raised was obtained. There are a number of old commitments for which invoices have not been received by the school. These totalled £27,490.</p> <p>There was no evidence that these outstanding orders have been reviewed to establish whether the orders are still valid and an invoice has not been received from the supplier, or whether the order has been cancelled.</p>	<p>Inaccurate budget information provided to staff and Governors.</p> <p>Duplicate invoices go undetected.</p>	The print of all orders raised should be run on a routine basis. Old outstanding commitments should be reviewed. If they are no longer required they should be cancelled.	Medium	<p>Finance Manager</p> <p>September 2009</p>
In order to establish the controls in place for purchasing, six payments to suppliers were randomly selected from the SIMS bank history report and traced back through the supporting documentation to ensure the controls identified were operating satisfactorily.					
4.5	There was no evidence for purchases examined that delivery notes were retained, and consequently ticked and signed to confirm all items were received.	<p>Payment made for goods not received.</p> <p>Goods not received satisfactory.</p>	Delivery notes should be retained, ticked and signed by the person receiving the goods to confirm goods were received intact and satisfactory.	Medium	<p>Finance Officer.</p> <p>September 2009</p>
4	Purchasing.				

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
4.6	<p>The school has a 3 year agreement to lease laptops which are then leased to parents. The Friends of Greendown School collect the payments from the parents and passes the income to the school periodically.</p> <p>At the time of the audit the school had not received any payment from the Friends of Greendown School in the financial year to date.</p>	<p>Loss to the school.</p> <p>Debts occur which cannot be recovered.</p>	<p>The school should ensure that payments collected by the Friends of Greendown School for the leased laptops are made at least monthly.</p>	Medium	<p>Business Manager</p> <p>September 2009</p>
5	Staffing and Payroll.				
5.1	<p>The School operate in-house HR and Payroll using Sage Payroll software. At the time of the audit, the school were carrying out their second payroll run.</p> <p>The HR Officer is authorised to set up new employees, make payments, authorise amendments to pay and create leavers.</p> <p>In addition she has full access rights to Sage payroll and the online banking system.</p> <p>It was found that a lack of segregation of duties exists, although it is acknowledged that initially the school decided it was necessary to have the Business Manager, HR Manager and Finance Manager with access to all data as a precaution.</p>	<p>Ghost employees created and go undetected.</p> <p>Misappropriation of payroll.</p> <p>Fraud and corruption go undetected.</p>	<p>Segregation of duties should be established within the HR/Payroll function. A member of staff independent of the HR Officer should authorise any changes to staff and pay including new starters, amendments, leavers etc.</p> <p>It is suggested that the HR Officer should be restricted to administration rights only on the payroll and banking system.</p>	High	<p>Business Manager</p> <p>September 2009</p>

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
6	Catering				
6.1	<p>The school has identified that their catering function is not performing to the required levels, with a subsidy required.</p> <p>The year end Governors Report showed that the catering function made an overall loss of £81k in 2008/09.</p> <p>The budgeted catering income for 2009/10 has been set at £190k when the actual income for 2008/09 was £103k, according to the Governors Report. The school stated that they would be focussing on initiatives to proactively increase income. However, there is no clear plan in place to demonstrate that a 90% increase in turnover is achievable, including taking in to account falling pupil numbers.</p> <p>The cashless system in use at the school can be used to provide information such as average spend per customer, fluctuations in customer numbers, popular meal choices and students who do not use the service, to allow for targeted promotion. This information is not currently used.</p> <p>Trading accounts have not yet been formally prepared and the Catering Manager (CM) is not involved in the financial monitoring and is not provided with any performance information. When interviewed, the CM was not aware of any targets or performance to date, she stated that she has been instructed to keep costs down and works to obtain the cheapest prices.</p>	<p>Budgets set are not realistic.</p> <p>Budgets become overspent and the overall school deficit increases.</p> <p>Informed decisions cannot be made.</p>	<p>A review of the catering budgets should be conducted to confirm that the anticipated level of income is achievable.</p> <p>An action plan to increase catering turnover should be devised, using information obtained from the school meals cashless system to identify areas where take up can be increased.</p> <p>Catering Trading accounts should be prepared and monitored. Historical income and expenditure data can be used to identify spending profiles.</p> <p>Performance targets should be set for the Catering function, including gross and net profit and % increase in customer numbers. The actual performance should be reported to the Catering Manager to allow staff to monitor whether initiatives have worked and informed decisions can be made.</p>	High	<p>Business Manager</p> <p>September 2009</p>

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
6	Catering				
6.2	The school are considering providing catering for a feeder school and is in the process of arranging this. They have identified that this will result in a small surplus and might lead to provision for other schools. However, they could not provide detailed costings to demonstrate that this is achievable.	Loss incurred by the school. Budgets become overspent.	A detailed business case should be prepared to demonstrate that provision of catering services to other schools would be financially beneficial. This should be presented to Governors for approval before any arrangements are formally agreed with feeder schools.	Medium	Business Manager in liaison with the Catering Manager October 2009.
6.3	The school has a number of rented vending machines which the catering staff stock and empty. The machines have two keys, one to empty the stocking area and a further key to open the cash box. While the restocking and cash collection is carried out at separate times, the keys are kept together, therefore all catering staff have access to the cash. This was fed back to the CM during the audit who agreed that this was a risk and agreed to separate the keys and ensure two members of staff were involved in the cash collection and counting. In addition, monitoring is not conducted to compare the stock to cash sales to confirm whether the income collected is complete.	Loss to the school. Allegations of theft/ misappropriation.	Vending machine keys should be separated to ensure that access to the cash boxes are restricted. Detailed monitoring of the vending machine income should be carried out to ensure the income collected covers the full costs of the stock and the operational costs.	Medium	Catering Manager September 2009

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
7	School Fund				
7.1	<p>The school fund accounts for the year ended 30th June 2007, which were audited by an independent accountant, were not audited until the 19th January 2009.</p> <p>At the time of the Internal Audit, the accounts for the year ended 30th June 2008 had not been prepared and submitted for audit.</p>	<p>Allegations of theft/ misappropriation.</p> <p>Errors are not detected.</p> <p>Recommendations made by the Auditor are not implemented promptly.</p>	<p>The school fund bank accounts should be audited within 4 months of the year end.</p> <p>The school fund accounts for the year ending 30th June 2008 should be prepared and submitted for audit immediately.</p>	High	<p>Business Manager</p> <p>September 2009.</p>
7.2	<p>School Fund Bank reconciliations are conducted by the School Fund Administrator and these are checked and countersigned by the Headteacher.</p> <p>At the time of the audit, the bank balance had not been reconciled since 27th February 2009. The reason given is that a Special Interest Bearing Account has been set up and £65k transferred into it to earn higher interest rates. The School Fund Administrator does not know how to reconcile the system using two accounts and had not asked for assistance.</p>	<p>Allegations of theft/ misappropriation.</p> <p>Errors are not detected and rectified.</p>	<p>School Fund bank reconciliations should be conducted promptly, upon receipt of the bank statement.</p> <p>Bank reconciliation training should be provided to the School Fund Administrator.</p> <p>It is suggested that the Finance Manager or Business Manager reviews the bank reconciliations prior to the Headteacher to ensure they are kept up to date.</p>	High	<p>Business Manager</p> <p>September 2009.</p>

Internal Audit Report – Greendown Community School

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer/Time Scale.
8	Business Continuity & Disaster Recovery				
8.1	<p>The school has been provided with a template 'Business Continuity Plan' by the LA and is in the process of completing it.</p> <p>This document focuses on major emergencies but does not seem to cover medium issues such as snow, infection etc. Also plans have not been identified for instances where closure is predicted for short-term, medium term, long term etc. to account for key school events such as exams. The BM has completed the document as far as possible and has passed it to the nominated Governor for H & S for further completion.</p> <p>In addition to this document, the school has an Emergency Plan and the Head stated that he has asked for clarification from the LA as to whether the school can have one document rather than the different documents they are currently being asked to produce.</p>	Continuity of education provision is disrupted.	<p>The school should seek assistance from the LA in developing a school specific Disaster Recovery, Business Continuity, Emergency Plan.</p> <p>Advice could be sought from the Council's Business Continuity Officer for the content and approach.</p>	Medium	<p>Headteacher & Governors</p> <p>December 2009</p>

APPENDIX A

Standard Audit Opinions

1. The audit opinion is based on two different criteria; the first is the materiality of the system and its impact on the Council if there were to be a system failure. This has been spilt into High, Medium or Low.
2. The second criteria is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high, satisfactory, improvements required and fundamental weakness. Each of these categories has a standard opinion (see below).
3. The combination of these two factors gives an overall risk assessment to the Council of one of three scores i.e. significant, moderate or minimal (see section 4 of the main report).

Standard Audit Opinions on System Control
<p>Audit Opinion 1. <i>High Standard</i></p> <p>The auditor completing the review concluded the significant system controls are in place and operating effectively and only minor recommendations have been made.</p>
<p>Audit Opinion 2. <i>Satisfactory Standard</i></p> <p>The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.</p>
<p>Audit Opinion 3. <i>Significant Improvements Required</i></p> <p>The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.</p>
<p>Audit Opinion 4. <i>Fundamental Weaknesses Identified</i></p> <p>The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.</p>

Greendown School

Budget Setting Analytical Review – Comparison of 08/09 actual expenditure to 09/10 budgets

Cost Centre	2008/09 Year End Actual	2009/10 Budgets	Difference	Reason provided by the School
Maintenance Contracts	£23k	£36k	+£13k	New maintenance contracts – Business Manager (BM) could not state which ones and was not able to provide a list of contracts in place, cost and expiry dates. It took the school over a day to pull out copies of contracts, orders and invoices. There was no central record of this information either for financial monitoring purposes or for contract monitoring.
BSM	£267,317	£336,792	+£69k	No ready answer – at the end of the site visit, the BM produced a list showing the differences. It appears that this information was not prepared as part of the budget setting process to inform the school.
Electricity ***	£60,420	£50,000	-£10,420	Initially, the BM stated the budget has been reduced as there will be savings through the introduction of solar panels in the summer, along with a concerted effort to encourage all staff to switch off lights. ***

Greendown School

Budget Setting Analytical Review – Comparison of 08/09 actual expenditure to 09/10 budgets

Cost Centre	2008/09 Year End Actual	2009/10 Budgets	Difference	Reason provided by the School
Supply Teachers	£62,547	£30,000	-£32,547	<p>BM could not provide immediate reason for the reduction in the budget and needed to refer to the Headteacher.</p> <p>The Headteacher explained that the introduction of 'Rarely Cover' an initiative introduced by DCSF where teachers are not allowed to provide cover for more than a certain number of periods per week will mean that the school will have to recruit specific Cover Assistants thereby reducing the need for supply staff. This will also result in the need to reduce the teaching staff. Detailed costing information to support this level of reduction was not supplied during the audit.</p> <p>In 08/09 the supply costs were high as there was a senior teacher suspended for a long period of time and there was a vacancy, which the school could not recruit to.</p> <p>An email sent by the Supply Officer to the BM suggests a budget of £30k which is to cover £8k for 'real supply' and the remaining balance as a contingency for unexpected long-term absences that the Supply Officers states seems to occur each year.</p>
Gas	£26,194	£23,000	-£3,194	<p>Requested a central control system from the capital budget, this has been approved and will be installed. It is anticipated that this will result in efficiencies as the temperature can be controlled centrally. Also, the last 2 replacement boilers are being installed in the school which are more efficient. The BM anticipates that these two changes will result in savings – however no detailed costing has been carried out to support the amount reduced.</p>

Greendown School

Budget Setting Analytical Review – Comparison of 08/09 actual expenditure to 09/10 budgets

Cost Centre	2008/09 Year End Actual	2009/10 Budgets	Difference	Reason provided by the School
Grounds Maintenance	£12,295	£7,500	-£4,795	The school's field is being upgraded so the school negotiated with SCS for a reduction in costs as not as much grounds will need to be maintained for 09/10. The actual quote (received after the budget has been set) from SCS is £8000.
LEA Services	£38,116	£12,462	-£25,654	The school has stopped buying back payroll and HR support.
Catering	£94,944	£97,148	+£2,204	Consumable costs have increased for catering as suppliers pass on the increasing transport and fuel costs. The school could not provide the Auditor with a costed breakdown of how the budget has been set and consequently we are unsure as to how achievable this will be bearing in mind the school is looking to increase take up.
Exams	£82,000	£75,000	-£7,000	The BM did not have any costings or data to support this reduction and referred the Auditor to the Examination Officer (EO). The BM was not able to give the Auditor a clear indication as to how the budget figure was produced and the reason for the reduction, other than they were looking to actively reduce the spend in the area by stopping pupils being entered into 'unnecessary' exams. The EO was asked to produce a list of possible savings for the Headteacher and identified approximately £15.6k but the EO is not aware of which savings will be actioned.

Greendown School

Budget Setting Analytical Review – Comparison of 08/09 actual expenditure to 09/10 budgets

Cost Centre	2008/09 Year End Actual	2009/10 Budgets	Difference	Reason provided by the School
Locker Income	£3140	£5000	+£1,860	The BM could not provide details of the costing information which led to the anticipated increase in income. The charge made by the school for each locker has not increased, although the BM said that they would have a push to encourage more Year 7's to take a locker. At the moment the school charges pupils £25 to take a locker which includes a £15 returnable deposit so the true income is £10 p.a. per locker. 186 more lockers than 2008/09 would need to be hired to reach this income target – there are only 207 Year 7 pupils in the school. The Auditor was not provided with details of how many lockers the school had and how many were unused to confirm whether the school would be able to generate the predicted additional income.
Other Income	£501,866	£191,000	-£310,866	This income was made up of Lockers, 14-Rental (which is now FS4S), diploma, MAT/SCIT/Other Sal and Community. The Auditor was not able to establish the reason for the significant variances. Neither the BM or, separately, the Finance Manager could explain it fully at the time of the audit.

*** Electricity

Further exploration of the Solar Panels with the Fundraising Manager revealed that funding had not yet been secured for this project. If it is, the Panels will be erected in August 2009 and the predicted savings are only likely to be around £1,550 for 09/10.

The BM stated that he did not think the rising fuel costs would have a significant effect and so did not increase the budget to account for this. The school are billed monthly for Electricity from Southern Electric and has received 2 bills for this financial year. The Auditor compared these bills to those issued for the same period in 2008/09 and this shows there has been a 65% increase in the costs. This, extrapolated out, would suggest the total annual bill for 2009/10 would be approx £116k.

Greendown School

Budget Setting Analytical Review – Comparison of 08/09 actual expenditure to 09/10 budgets

An alternative calculation was also carried out by the Auditor which looked at how much the two 08/09 bills were as a percentage of last year's total spend, this equated to 10%. The 09/10's bills for the same two months were then used to calculate the total annual bills using these as 10% of the overall cost. This indicated the total annual bill would be approx £127k.

Using either method, and in the absence of any calculations or estimates prepared by the school as part of the budget setting process, it would suggest that the school have under budgeted for electricity by at least £66k. If a more realistic electricity figure (£120k) is entered into the 3 year plan the deficits would increase to:

	2009/10	2010/11	2011/12
To	-342,515	-179,578	-119,363
from	-272,515	-40,541	+87,552

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MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Greendown Community School	DATE	
REPORT DATED	September 2009	PAGE	1 OF 10

NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
1.1	A review of the information used to initially identify the deficit budget for 2009/10 should be conducted to establish the reasons for the significant variances.	High	Business Manager September 2009	1. A review of the information used to construct the 2009-11 budget has been carried out and the variances looked at. This current years outturn is being used as a more accurate measure with which the 2010-12 budget (now in draft) will be finalised before GB approval
1.2	A detailed action plan should be produced to address the deficit budget which should be monitored by the Finance Committee and regularly report on to the Full Governing Body. A review of the information provided by sub committees to the Full Governing Body should be carried out to ensure that crucial information, affecting all decisions made, is properly communicated.	High	Governors September 2009	1. An action plan was produced and lodged with the LA (attached) in April/May 2009 2. The Head teacher and SBM met with the LA's Director and Finance Manager to talk through possible solutions to the deficit situation. The LA agreed that the school were doing everything possible to address the problem 3. A review of the sub-committees has been carried out and the minutes of their meetings expanded to better reflect the discussions at the meetings. These are then presented to the Full GB for further scrutiny and then signed off.

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Greendown Community School	DATE	
REPORT DATED	September 2009	PAGE	2 OF 10

NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
1.3	<p>A review of the budgets set for 2009/10 should be conducted, with detailed costing carried out and recorded, to establish whether all anticipated factors and historic trends have been accounted for and to confirm the budget set is realistic and achievable. The school should seek assistance from the LA's Finance Team in conducting this review.</p> <p>The results should be presented to the Finance Committee to allow sufficient challenge on the assumptions made.</p> <p>The results from the review should be submitted to Group Financial Manager for Children Services to establish whether the budget needs to be restated and a revision to the licensed deficit agreed with the LA.</p>	High	Headteacher in liaison with the Finance Committee. September 2009	<ol style="list-style-type: none"> 1. See 1.1 (1) A review of the budgets set for 2009/10 has been carried out and the lessons learned are being put to use in the current budget setting process for 2010-11 2. All anticipated factors and historical data is now being used in the setting of the new budget. 3. The LA's Finance team is involved in the process and has made 2 visits to date. 4. A meeting of the Finance committee specifically to discuss the budget is set for Monday the 22nd of March followed by a further meeting on the 19th April. We expect a full and frank discussion of all the issues! 5. The Finance Manager is fully involved in the current process, It has not been necessary to re-state the budget. Neither has a revision to the licensed deficit been necessary. The predicted deficit for 2010/11 we hope to have been reduced by 50% with the school back in the black for 2011 and onwards.

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Greendown Community School	DATE	
REPORT DATED	September 2009	PAGE	3 OF 10

NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
1.4	<p>All actions identified in the School Development Plan which have an associated financial implication to the school, should be fully costed and provision made for this expenditure in the school's budget.</p> <p>A review of the current School Development Plan should be conducted to ensure all costs have been calculated and are affordable.</p>	High	Business Manager September 2009	<p>1. The School development plan is a key document in constructing the Budget. For the process of setting the 2009/10 budget and anticipated in the 2010/11 budget however most of the SDP implications are staff related. We do not anticipate a large expenditure in BSM.</p>
1.5	The budget profiles should be set following a review of the school's historical spending information.	Medium	Business Manager September 2009	<p>1. We have always used the 'built in' profiler within SIMS- FMS</p> <p>2. Will look at a more comprehensive approach for the 2010/11 budget setting process as advised.</p>
1.6	A review of the current support staffing structure should be conducted to ensure there is an adequate level of strategic financial support available to the school.	High	Headteacher October 2009	<p>1. The role of the SBM has included tasks that could be covered by more junior staff. This is often due to expediency at the time and unavoidable, due to the level of admin staffing. It does have an effect on strategic issues.</p> <p>2. The SBM and HT are examining ways of better utilising the amount of admin hours/staff available.</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Greendown Community School	DATE	
REPORT DATED	September 2009	PAGE	4 OF 10

NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
2.1	Detailed budget monitoring information should be produced for Governors to allow for detailed monitoring and challenge. In light of the current financial situation of the school, more comprehensive information should be presented to Governors for review.	High	Headteacher & Business Manager. September 2009	<ol style="list-style-type: none"> Detailed budget monitoring report now issued on monthly basis to Gobs and has been since the report. This report is used as a basis for discussion in Finance sub meetings This is copied to the LA and they are satisfied with the information supplied
Page 42 3.1	The census returns should be independently checked prior to submission to the LA. The anomaly identified in the report information should be investigated to establish whether this is affecting the total number of pupils recorded on roll.	High	Business Manager September 2009	<ol style="list-style-type: none"> Census Returns are prepared by the HR Officer and checked by the SBM. They go error free to the LA. Alerted LA in relation to this. Pupils who are not immediately placed elsewhere after leaving Greendown can remain on role. There is no error message that alerts us to this. LA aware.
3.2	A review of the discrepancies in pupils on roll compared to the census return produced for 15 th January 2009 should be conducted to identify the reasons for these and to confirm whether the correct level of funding has been awarded to the school.	High	Business Manager September 2009.	<ol style="list-style-type: none"> As Above

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Greendown Community School	DATE	
REPORT DATED	September 2009	PAGE	5 OF 10

NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
4.1	<p>A central contract register should be devised and maintained detailing all contracts in place, their expiry date, annual cost and contract coverage. This register should also be used as a record to confirm that adequate insurances and policies are in place.</p> <p>The register can then be reviewed regularly to identify when contracts are due to expire to allow for contract negotiations, or tendering, to be carried out in sufficient time before the end of the contract.</p> <p>The register can also be used to assist in the annual budget setting and to provide information to profile budgets accurately.</p>	High	<p>Business Manager</p> <p>September 2009</p>	<ol style="list-style-type: none"> 1. In place for re-assessment 2. We already carry out these reviews from the existing contract system which is file based. The school agrees that an actual register will make it easier to do this. 3. Register is now being used to assist in annual budget setting
4.2	<p>In accordance with Financial Regulations, quotes and formal tendering procedures should be established when expenditure is expected to exceed, £1k and £50k respectively.</p>	High	<p>Business Manager</p> <p>September 2009</p>	<ol style="list-style-type: none"> 1. Three prices are always obtained under best value (wherever possible) for purchases that exceed £1k. Departments are encouraged to seek the assistance of the finance department in obtaining these. 2. There has been a recent award of a contract to a catering company. The Tender process was followed as per Finance regs and both the LA procurement and legal department consulted.

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Greendown Community School	DATE	
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
4.3	<p>All staff should be reminded of the Financial Regulation requirements for obtaining quotes and tenders at the specified level.</p> <p>Disciplinary action should be considered against the member of staff who wilfully breached financial regulations and thereby put the school at risk of not obtaining value for money, allegations of inappropriate contract awards and lack of transparency.</p> <p>Instructions, procedures and standard documentation should be produced for obtaining quotations and tenders, in accordance with the Financial Regulations.</p>	High	<p>Business Manager</p> <p>September 2009</p>	<ol style="list-style-type: none"> Budget holders are reminded of this in their budget packs Non Budget holders receive an annual email reminder of the requirements. Chair Of Governors and LA – No longer at the school In Budget packs
4.4	The print of all orders raised should be run on a routine basis. Old outstanding commitments should be reviewed. If they are no longer required they should be cancelled.	Medium	<p>Finance Manager</p> <p>September 2009</p>	<ol style="list-style-type: none"> In Place – now filed
4.5	Delivery notes should be retained, ticked and signed by the person receiving the goods to confirm goods were received intact and satisfactory.	Medium	<p>Finance Officer.</p> <p>September 2009</p>	<ol style="list-style-type: none"> New 'Goods in system' in place. All goods received and checked by receptionist. Delivery notes passed to Finance for filing
4.6	The school should ensure that payments collected by the Friends of Greendown School for the leased laptops are made at least monthly.	Medium	<p>Business Manager</p> <p>September 2009</p>	<ol style="list-style-type: none"> In place

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Greendown Community School	DATE	
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
5.1	<p>Segregation of duties should be established within the HR/Payroll function. A member of staff independent of the HR Officer should authorise any changes to staff and pay including new starters, amendments, leavers etc.</p> <p>It is suggested that the HR Officer should be restricted to administration rights only on the payroll and banking system.</p>	High	<p>Business Manager</p> <p>September 2009</p>	<p>1. Further segregation of duties now in place</p> <p>2. In place as far as practical. Needs to be able to authorise external payments additional to payroll such as pension, union etc</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Greendown Community School	DATE	
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
6.1	<p>A review of the catering budgets should be conducted to confirm that the anticipated level of income is achievable.</p> <p>An action plan to increase catering turnover should be devised, using information obtained from the school meals cashless system to identify areas where take up can be increased.</p> <p>Catering Trading accounts should be prepared and monitored. Historical income and expenditure data can be used to identify spending profiles.</p> <p>Performance targets should be set for the Catering function, including gross and net profit and % increase in customer numbers. The actual performance should be reported to the Catering Manager to allow staff to monitor whether initiatives have worked and informed decisions can be made.</p>	High	<p>Business Manager</p> <p>September 2009</p>	<p>1. Catering outsourced from 1st April 2010. Entire operation will be handled by new contractor at fixed cost to the school. Profit share scheme in place.</p>
6.2	<p>A detailed business case should be prepared to demonstrate that provision of catering services to other schools would be financially beneficial.</p> <p>This should be presented to Governors for approval before any arrangements are formally agreed with feeder schools.</p>	Medium	<p>Business Manager in liaison with the Catering Manager</p> <p>October 2009.</p>	<p>1. See above – New catering company prepared to look at this as an option in Phase</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Greendown Community School	DATE	
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
6.3	<p>Vending machine keys should be separated to ensure that access to the cash boxes are restricted.</p> <p>Detailed monitoring of the vending machine income should be carried out to ensure the income collected covers the full costs of the stock and the operational costs.</p>	Medium	<p>Catering Manager</p> <p>September 2009</p>	<p>1. In Place – Vending to be managed by new catering company</p>
7.1	<p>The school fund bank accounts should be audited within 4 months of the year end.</p> <p>The school fund accounts for the year ending 30th June 2008 should be prepared and submitted for audit immediately.</p>	High	<p>Business Manager</p> <p>September 2009.</p>	<p>1. School fund accounts audit up to date – present day.</p>
7.2	<p>School Fund bank reconciliations should be conducted promptly, upon receipt of the bank statement.</p> <p>Bank reconciliation training should be provided to the School Fund Administrator.</p> <p>It is suggested that the Finance Manager or Business Manager reviews the bank reconciliations prior to the Headteacher to ensure they are kept up to date.</p>	High	<p>Business Manager</p> <p>September 2009.</p>	<p>1. Bank reconciliations for School fund are up to date.</p> <p>2. School fund administrator turned down offer of training. Not needed.</p> <p>3. In place</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Greendown Community School	DATE	
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
8.1	<p>The school should seek assistance from the LA in developing a school specific Disaster Recovery, Business Continuity, Emergency Plan.</p> <p>Advice could be sought from the Council's Business Continuity Officer for the content and approach.</p>	Medium	<p>Headteacher & Governors</p> <p>December 2009</p>	<p>1. Business Continuity Plan in Place</p> <p>2. Emergency Plan in Place</p> <p>3. General risk assesment in place</p>

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I certify that the above information is correct

Service Manager:

Date:

Internal Audit:

Date:



G4 – FINANCIAL MANAGEMENT STANDARD IN SCHOOLS ASSESSMENT TOOL 2009/10

Greendown Community School



Web: www.FMSiS.info
Email: financial.management@dcsf.gsi.gov.uk

IPF

Web: www.ipf.co.uk
Email: info@ipf.co.uk

All recommendations that have been made (whether the School has met the Standard or not) should be inserted or referred to below.

Recommendations have been included in the assessment below against the specific findings.

PART B – HOW TO USE THE ASSESSMENT TOOL

For guidance on the completion of the Assessment tool, please refer to the relevant document from section G5 of the Toolkit or, if on line, click on the link(s) below to open this document.

[G5A Guidance for Schools and External Assessors - Completing the Assessment Form](#)

[G5C Evidence sources for the Assessment Criteria](#)

In areas where assistance is required in order to meet the Standard, the following link will direct users to the appropriate supporting information in the Toolkit. The document below is structured as per the assessment tool, with links to the Toolkit documents on the FMSISiS website.

[G3A Guide to achieving the Standard](#)

PART C – BACKGROUND DETAILS (to be completed by the School)

Name of the School	Greendown Community School.	
Address of the School	Grange Park Way, Grange Park, Swindon, SN5 6HN.	
Type of School	Secondary	
Number of pupils	1065	
Head Teacher	Clive Zimmerman	
School Business Manager/Finance Officer	Mark Lanchester	
Chair of Governors	Mr A Youngman	
Chair of Finance Committee	Mr A Youngman	
Financial arrangements (cheque book etc)	Cheque Book	
Financial system	SIMS	
Date of last internal audit report	May 2007	
Date of last Ofsted Report	2 nd July 2008	
Date of previous Financial Management Standard Assessment	May 2007	
Who was involved in completing the assessment		
Dates of the meeting(s) at which the assessment was approved by the Governors.		
Signed by:	Chair of the Governing Body	Head Teacher

PART D – SUPPORTING INFORMATION (to be completed by the School)

Information regarding a School that is relevant to the assessment can be inserted in the box below. This opportunity to add supporting information is to avoid schools repeating relevant background information within a number of the comments fields. Schools should avoid adding lengthy or non-relevant information. Information added should be cross referenced to the relevant section & criteria of the Assessment Tool.

Supporting Information	Reference

PART E – THE ASSESSMENT AGAINST THE STANDARD (to be completed by the School and by the Accredited Assessor)

Section 1 Leadership and Governance

1.1	The staff and Governors have a shared understanding of their own financial management roles, responsibilities and accountabilities, and those of others.				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Recommendations and School's response
A	There is a written statement of roles and responsibilities and it is clear, with no gaps or overlaps in responsibilities.	✓		The School has a Scheme of Delegation that covers the Head Teacher, FGB and Finance Committee and was altered to include the SBM in the meeting of 13/10/2008 and this has been minuted.	
B	The allocation of responsibilities to the Finance Committee, Head Teacher and School Business Manager (or equivalent) are reasonable given their roles.	✓		<p>The allocation of responsibilities to the Finance Committee and Head Teacher are reasonable.</p> <p>The Head Teacher can authorise up to £5k expenditure. Finance Committee £5-£20k. However, it is not clear for expenditure over £20k who is responsible for authorising this.</p>	The Scheme of delegation should be updated to clearly show who is responsible for authorising expenditure above £20k, i.e. the FGB.
C	The Governing Body has approved the scheme of delegation covering the Head Teacher, School Business Manager (or equivalent) and the Finance Committee.		X	The Governing Body have not approved the Scheme of Delegation.	1. The Scheme of Delegation has now been approved by the FGB, and will be a standard agenda item annually.

1.1	The staff and Governors have a shared understanding of their own financial management roles, responsibilities and accountabilities, and those of others.				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
D	The Head Teacher and Governors can demonstrate an understanding and application of their responsibilities and the scheme of delegation.		X	<p>It was not possible to establish from meeting minutes that the Head Teacher and Governors demonstrate an understanding of their responsibilities.</p> <p>This was due to the lack of detailed minutes regarding financial decisions and there was no evidence of the information provided to Governors such as quotes and tenders.</p> <p>In addition, there is not a meeting scheduled for the FGB to approve the School's annual budget prior to the LA submission date. (This is covered in 1.2b below)</p>	1. Minutes of GB meetings copied to Gov Support and Chair of relevant committee before issue. Chair always approves before issue and Gov support have confirmed minutes meet standards. Clerk now adds standard agenda items for FC and FGB linked FMSIS Standards and mindful of appropriate timing.
E	Responsibilities are brought to the attention of new Governors.	✓		The School buy into the Governor Support Service, the standard induction pack is provided to Governors. This includes the roles and responsibilities of being a School Governor.	
F	Appropriate information concerning developments within the financial environment in which the School operates is provided to Governors in a timely manner.		X	<p>The Finance Committee is provided with budget information at each meeting.</p> <p>The School have been in a deficit revenue budget position for at least 4 years. It was not until October 2008 that there was any evidence in the meeting minutes to show that the School and Governors have fully discussed the position and developed appropriate action plans to address the financial position.</p> <p>It was not clear from minutes that Governors had been made fully aware of the FMSIS requirements.</p>	1. The SBM has revised the financial information provided to Governors and issues a more detailed report on a monthly basis. This will also go to the LA for monthly monitoring.

The School has met section 1.1 of the FMSiS

The School has not met section 1.1 of the FMSiS

X

Section 1 Leadership and Governance

1.2	School governance arrangements ensure that Governors are able to fulfil their financial management roles, responsibilities and accountabilities properly				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The Governing Body & Finance Committee agendas, supporting reports & minutes show that appropriate financial matters are considered, such as budgets (original and revised), budget monitoring, financial responsibilities and regulations, contracts and income & charges.		X	<p>Minutes of meetings do not demonstrate that the FGB and Finance Committee consider all appropriate financial information.</p> <p>The level of budget monitoring is not clear and there was no evidence of contract monitoring.</p> <p>FGB do not receive committee meeting minutes.</p> <p>Some evidence existed to demonstrate that Governors are provided with information on funding available to the School. Examples are detailed below: 12/5/08 - £250K funding from SBC towards the refurbishment of the large all weather surface.</p> <p>23/06/08 – Detail of Capital expenditure.</p>	<ol style="list-style-type: none"> 1. Minutes now modified to better reflect the discussions. Approved by Governor Support and Clerk received training. 2. Level of Budget monitoring now aided by new monthly report received by Governors on a monthly basis. Contract Monitoring now introduced as an agenda item. 3. FGB do receive committee meeting minutes 4. Governors are provided with all the funding information known to the school. DFC is an agenda item
B	The timing of meetings is consistent with the deadlines for important financial decisions (e.g. budget approval).		X	<p>The budget was due for submission to the LEA by the 30th June 2009. There was no FGB meeting scheduled in time to approve the budget.</p> <p>The Business Manager advised that the school would submit the budget to the LEA within the timescale and present it to FGB retrospectively.</p>	<ol style="list-style-type: none"> 1. There is now a schedule of key financial decisions to ensure that Governors meetings can be aligned to important dates.

1.2 School governance arrangements ensure that Governors are able to fulfil their financial management roles, responsibilities and accountabilities properly					
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
C	The financial decisions by the Governing Body and Finance Committee, over the past 12 months, are set out clearly and communicated to relevant staff and monitored, where appropriate.		X	Meeting minutes do not record actions required along with the responsible person. Therefore it is not clear from minutes reviewed what Financial decisions have been made.	1. Minutes now clearly record financial decisions made. There will be an action column together with person responsible and a time scale. There will be a standing agenda item of actions from previous meetings.
D	The number of Governors attending meetings over the past 12 months is sufficient to allow necessary decisions to be made.	✓		Minutes examined showed a sufficient number of Governors attending to allow necessary decisions to be made.	
E	Meetings are conducted in an open manner and there has been an adequate level of participation by Governors to ensure the "critical friend" role is provided.		X	It was found that minutes of meetings do not sufficiently record the discussions held, in particular questions raised by Governors. The minutes do not demonstrate that Governors challenge the budget information provided to them. It was therefore not possible to confirm that Governors are providing a critical friend role.	1. Clerk has received training in this – now -Minutes of FGB and Committee meetings should clearly record the discussions held and challenges made, in particular regarding the budget preparation and budget monitoring. There will be a record of who has contributed towards discussions to evidence that Governors are actively contributing towards meetings and they are providing the Critical Friend role.
F	Where evidence is not available to demonstrate that criteria D & E (above) are being met, the external assessor may wish to attend a meeting if they have concerns regarding the effectiveness of meetings. Schools should provide details of forthcoming meetings within the comments field.				

The School has met section 1.2 of the FMSiS		The School has not met section 1.2 of the FMSiS	X
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Section 1 Leadership and Governance

1.3	The Head Teacher and School Business Manager (if in post) operate with financial integrity setting an example to Governors and staff alike				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The current budget is based on the best and most complete information available (e.g. actual and projected pupil numbers and notifications of funding levels).	✓		The budget is set based on income information provided by the LA, which includes projected pupil numbers. The LA Management Information Officer has confirmed that he has worked with the Headteacher to ensure the projections are as accurate as possible.	
B	The current budget is either balanced, aimed at recovering a previous deficit in the agreed manner, or intended to achieve only a prudent planned level of unspent balances.		X	The school has set a deficit budget of £272,515 for 2009/10 and the three year financial plan shows that the school anticipates that it will recover the deficit in year three. However, this deficit has significantly increased from the level initially notified to the LA and there is no obvious action plan in place to recover the deficit. In addition, the assessment by Internal Audit has raised questions around how realistic some of the budgets set are.	<ol style="list-style-type: none"> 1. The school has worked with the LA to determine the exact financial position of the school and to prepare a realistic and achievable recovery plan. 2. The recovery plan has been presented to Governors who have been involved in the feasibility of this plan and the monitoring of its progress to help ensure the deficit budget is recovered in the timescales agreed with the LA.
C	The School's financial performance has been substantially in line with budget and there is evidence of regular and active monitoring by Governors and the Head Teacher.		X	<p>The school's revenue deficit has continued to increase since 2005.</p> <p>The Headteacher monitors the budget and was aware of particular budget pressures when interviewed during the assessment.</p> <p>There is no evidence in Governors minutes to demonstrate that there is regular, active monitoring of the budgets by Governors, including establishing reasons for overspends occurring in 2008/09.</p>	<ol style="list-style-type: none"> 1. The Governors do actively monitor and challenge the budget position of the school and ensure that the financial performance is in line with the budget. 2. Details of this monitoring are now better recorded in the minutes of the meetings.

1.3	The Head Teacher and School Business Manager (if in post) operate with financial integrity setting an example to Governors and staff alike				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
D	There have been no subsequent significant changes to the budget that should have been included in the original budget.	✓		No significant changes to the budget were identified during the review.	
E	There are no serious adverse issues raised in internal audit or Ofsted reports on financial management matters that remain outstanding.		X	The Internal Audit review conducted alongside the assessment has identified a number of concerns regarding the budget setting and the reliability of the estimates.	1. Refer to the Internal Audit report for the present situation (march 2010) on this
F	The person responsible for the day to day financial management of the School should be a member of the Senior Management Team or equivalent, as appropriate.	✓		The Business Manager is a member of the Senior Leadership Team.	
G	There is an effective process in place to communicate decisions made by the Senior Management Team or equivalent, which have financial management implications, to relevant Governors and staff.	✓		The School hold two staff briefings a week to ensure that staff are aware of decisions made at Senior Management Team meetings. Governors are informed through the Head Teacher's report on SDP and staffing.	
H	The Head Teacher and School Business Manager adhere to the financial rules of the school and Local Authority and encourage others to do so.	✓		The school encourages compliance with the Council's Financial Regulations, this can be seen in the information provided to budget holders where extracts of the relevant regulations surrounding ordering and purchasing are issued.	

The School has met section 1.3 of the FMSiS		The School has not met section 1.3 of the FMSiS	X
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Section 1 Leadership and Governance

1.4	The Governing Body has considered and signed a Statement of Internal Control (SIC) confirming that resources have been properly managed				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	There is a process in place to ensure relevant issues are considered by stakeholders prior to the preparation of the SIC.		X	<p>The School have not prepared a SIC since March 2008.</p> <p>Whilst Governors have looked at the SIC in previous years, they have not used the Governors Checklist and Risk self assessment within the FMSIS toolkit to inform their decisions in the preparation of the SIC.</p> <p>In addition, the SIC signed in March 2008 was for controls up to the 31/03/09, and not for the previous year, this was therefore inaccurate.</p>	<p>The SIC should be completed on an annual basis, to confirm that satisfactory controls are in place throughout that year.</p> <p>Governors should ensure they use all resources available to inform their decisions before approving and signing the SIC.</p> <p>1. R52 – Financial Risk and control check list - self assessment and Statement of Internal Control (SIC) will be presented to GB annually, at final budget stage, with previous years outturn, current years budget proposal.</p>
B	The School has a signed SIC that was discussed and approved by the Governing Body in the past 12 months.		X	See 1.4A above.	1. The statement of internal control (SIC) will be prepared for GB at final budget stage – April/May 2010
C	The wording of the SIC is either as per the pro forma within the Toolkit or has changes to the text that can be justified.		X	The School have used an out of date document.	1. The school will use the current SIC template provided by the DCSF, which can be found on the FMSIS website.
D	Where the School has identified issues within the SIC, these are considered in the other relevant areas of the assessment against the Standard.		X	See 1.4A above.	1. The school will address the identified issues.

1.4	The Governing Body has considered and signed a Statement of Internal Control (SIC) confirming that resources have been properly managed				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
E	Any significant issues highlighted by internal audit or Ofsted, that are relevant, have been included in the School's SIC and, where appropriate elsewhere, within this assessment.		X	The issues surrounding the budget have not been included in the SIC.	1. The school will ensure that all issues affecting financial control and management will be included in the SIC.
F	Any issues included in the SIC have been reported to the Local Authority's S151 officer.		X	See 1.4A above.	1. These issues will be reported to the LA S151 Officer

The School has met section 1.4 of the FMSiS		The School has not met section 1.4 of the FMSiS	X
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Section 1 Leadership and Governance

1.5	The School has effective governance arrangements covering issues which include conflicts of interest and whistle blowing				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	There is an up to date register of business interests that is compliant with best practice guidance.	✓		The School has a business interest register that is up to date and compliant with best practice.	
B	There is a process to ensure regular review and updating of the register.	✓		The business register is updated on an annual basis at the beginning of the School year.	
C	It is evident from the minutes of meetings that there is an opportunity to declare interests.		X	The opportunity to declare interests is not a standing agenda item at all Governors meetings. <i>This is an outstanding recommendation from the previous FMSIS assessment.</i>	1. Declaration is a standing Agenda Item on all FGB meetings. The Clerk has been requested to add it to sub-committees as well.
D	There is no subsequent evidence that interests that should have been disclosed were not declared at the right time.	✓		There was no evidence that interests that should have been disclosed were not. However this could not be fully evidenced due to 1.5C above.	
E	The School has details of the Local Authority whistle blowing policy & staff are aware of it.		X	The School has the local authority's Whistle Blowing Policy. However the version held by the school is dated 2002. The authority updated it in 2007 and a new version has now been supplied.	1. The 2008 (further update) whistleblowing policy has been added to relevant Governing Body agenda and then to the schools policy manual, and been made known to staff.

1.5	The School has effective governance arrangements covering issues which include conflicts of interest and whistle blowing				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
F	There are effective clerking arrangements for the Governing Body and Finance Committee. (Where the evidence of effectiveness is not clear, a view on the arrangements in place should be obtained from the LA Co-ordinator of Governor Services).		X	<p>The School has an independent Clerk to the Governors and Finance Committee.</p> <p>It was found that minutes of meetings do not record full discussions held.</p> <p>The Business Manager stated that the minutes are not an accurate reflection of meetings that have taken place and that Governors actively contribute towards the meetings.</p> <p>Meeting minutes are not signed by the Chair of the FGB and relevant committee to confirm they are accurate.</p>	<p>1. In order to meet the standards required in the assessment, the meeting minutes of Governors meetings have in place the following improvements:</p> <ul style="list-style-type: none"> • Full details of the discussions that have taken place, including the participation of Governors. • Approval of all key financial decisions. • Declaration of interest. • Actions required along with who is going to achieve these and timescales for completion. • Financial contents of meetings. • Reference to what has been distributed at meetings i.e. which budget monitoring reports and discussions held around these. • The Chair of Governors and relevant Committee should sign the minutes. These should be held in a file along with the supporting documents that were provided at the meeting. <p>2. The school has taken advice from Governor support in these areas and the clerk received some training.</p>

1.5	The School has effective governance arrangements covering issues which include conflicts of interest and whistle blowing				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
G	Where evidence is not available to demonstrate that criterion F (above) is being met, the External Assessor may wish to attend a meeting to observe the effectiveness of the clerking arrangements.				

The School has met section 1.5 of the FMSiS		The School has not met section 1.5 of the FMSiS	X
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Section 2 People Management

2.1	The Governing Body includes individuals who are able to: (i) be an effective “critical friend” on financial management issues, (ii) provide strategic leadership on financial management issues & (iii) ensure financial management accountability				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	Relevant Governors are aware of the financial management competencies as recommended by the Standard and there is an up to date completed self-evaluation of Governing Body competencies.	✓		The COG and Finance Committee have completed the self assessment of Financial Management competencies, with the exception of 2 members.	Up to date self-evaluations should be obtained for all relevant Governors.
B	The completed self evaluation competency matrices indicate that the Finance Committee or equivalent has the full range of Governor financial management competencies.	✓		A review of the Financial Management competencies, indicate that the full range of competencies required exists across the Finance Committee.	
C	The School is not over-reliant on any one individual in meeting the competency requirements.	✓		From the review of the Financial Competencies it does not appear that the School is over reliant on any one individual in meting the competency requirements.	
D	Governors' induction arrangements provide appropriate details regarding financial management activity within the School.	✓		The school uses the Governors Support induction process.	
E	Governors have been given the opportunity to attend financial management training courses over the past 12 months, particularly to address any gaps in their competencies.	✓		The Business Manager advised that Governors have been given the opportunity to attend Financial Management training. However Governors have not taken up these opportunities.	Governors should attend Financial Management training, in particular to cover the gaps identified in the self evaluation of competencies. If it is difficult for Governors to attend training the School should consider inviting guests to scheduled meetings to cover specific topics.

The School has met section 2.1 of the FMSiS	✓	The School has not met section 2.1 of the FMSiS	
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Section 2 People Management

2.2	The staff with financial management responsibilities include individuals who are organised in a way that enables them to: (i) provide a strategic view, (ii) ensure accountability requirements & (iii) facilitate the effective operation of financial processes				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The staffing structure of the School has been reviewed in the last two years and the conclusions reached on the number of posts and structure are reasonable, given the size and nature of the School.	✓		The school has carried out a detailed staffing structure review in response to the current budget pressures and falling pupil numbers. This included comparisons and benchmarking of pupil/teacher ratios and resulted in a reduction programme for 2009/10.	
B	The recommendations of the most recent review have either already been adopted or there is an appropriate action plan in place.	✓		The review results have been actioned.	
C	There is an up to date completed self-evaluation of staff financial management competencies.	✓		The Head Teacher, Business Manager, Finance Manager and Finance Assistant have completed the self evaluation of Financial Management competencies as recommended by the standard.	
D	The completed self evaluation competency matrices indicate that the school has the full range of staff financial management competencies.	✓		A review of the competencies showed that the School has the full range of financial management competencies.	
E	Reasonable efforts have been made to ensure the School is not over-reliant on any one individual member of staff.	✓		The School do not appear to be over reliant on any one individual.	
F	Key financial management responsibilities are included in the person specifications for posts, where appropriate, and current recruitment procedures test these competencies.	✓		A review of the Bursar/Business Manager's candidate specification confirmed that financial management competencies are included and tested in the recruitment process.	
G	The process for determining Performance Management targets for staff ensures targets include financial management issues, where appropriate.	✓		The school have confirmed that relevant staff have performance targets including financial management.	

2.2	The staff with financial management responsibilities include individuals who are organised in a way that enables them to: (i) provide a strategic view, (ii) ensure accountability requirements & (iii) facilitate the effective operation of financial processes				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
H	Relevant staff have been given the opportunity to attend financial management training courses over the past 12 months, particularly to address any gaps in their competencies.	✓		The school have confirmed that staff have been given the opportunity to attend training courses.	

The School has met section 2.2 of the FMSiS	✓	The School has not met section 2.2 of the FMSiS	
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Section 3 Policy & Strategy

3.1	The School has an annual budget that (i) is realistic and affordable in relation to available resources and cash flows, (ii) is approved by Governors on a timely basis, (iii) reflects the School development plan, and (iv) is consistent with longer term financial plans (including recovery of deficits or saving up for future developments)				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The School improvement / development plan has sufficient scope and depth of the financial implications and it is reflected in the school's three year budget plans.		X	The School Development Plan (SDP) includes some details of financial implications. This includes a summary of development bids for 2008/09 totalling £6k; these costs have been separately identified in the school's budget. However, there are other actions identified in the SDP for which there is some indication that they will have a financial impact but these are not clearly costed and are not reflected in the budget. Consequently, it was not possible to confirm that these additional tasks were affordable.	1. The SDP will be fully costed and include details of the cost centres where expenditure will be met. All financial implications will be clearly reflected in the school's three year financial plan to ensure they are affordable and correctly prioritised.
B	The original budget is consistent with the longer term financial plans of the school, which include a three year budget forecast.		X	The school are working at recovering a deficit budget which has been building up since 2005. The three year financial plan reflects this and shows that the school anticipate this will be completed in 2011/12. However, as recorded in 1.3 above, the assessment and Internal Audit has raised questions over how realistic they are as some appear to be unrealistic with no clear costings to support reductions when compared to prior year actual spend.	1. New budget preparations now include costings to support reductions when compared to prior year actual spend (outturn)
C	The three year budget forecast of the school takes into account future years' funding allocations that are made available by the DCSF.	✓		The three year budget template takes into account future years funding available from the DCSF as notified by the LA.	

3.1	The School has an annual budget that (i) is realistic and affordable in relation to available resources and cash flows, (ii) is approved by Governors on a timely basis, (iii) reflects the School development plan, and (iv) is consistent with longer term financial plans (including recovery of deficits or saving up for future developments)				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
D	<p>The Head Teacher's/School Business Manager's report to Governors on the original budget:</p> <ul style="list-style-type: none"> i) explain the basis for the planned level of unspent balances (or recovery of deficits), and is in line with School/Local Authority policy ii) explains the basis of income and expenditure estimates iii) and the assumptions made are reasonable 		X	<p>The Head Teacher and Business Manager presented the Finance Committee with the three year draft budget at the meeting held on the 18th May 2009.</p> <p>The School have put an action plan in place for the LEA, which was also discussed with Governors.</p> <p>The minutes note that the income estimates were discussed but there is no mention of a discussion around expenditure estimates.</p> <p>As stated in 3.1B and 1.3 above, on further examination of individual budgets set, some assumptions made do not appear reasonable and the basis of some income and expenditure estimates is not clear.</p>	<p>1. Present and future reports to Governors on the budget will explain in detail the basis of income and expenditure estimates. Governors can challenge this information and the assumptions made to ensure they are reasonable and that the budget is achievable and realistic.</p>
E	The Governing Body agreed the budgeted level of balances or licensed deficit recovery plan.	✓		The minutes of the Finance Committee Meeting of 18 th May 2009 notes that Governors voted unanimously to adopt the three year budget plan. There is no evidence that this was referred to the Full Governing Body for ratification.	The three-year financial plan should be presented to the Full Governing Body for ratification.
F	The Governing Body approved, on a timely basis, the budget and any subsequent revisions to it.		X	The school's budget was due for submission to the LA by the 30 th June 2009. There was no FGB meeting scheduled in time to approve the budget prior to submission. The Business Manager advised that the school would submit the budget to the LA within the required timescale and present it to the FGB retrospectively.	<p>1. Meetings of the FGB and Sub Committees are now scheduled to ensure that key financial decisions and approvals can be made within required timescales.</p>

3.1	The School has an annual budget that (i) is realistic and affordable in relation to available resources and cash flows, (ii) is approved by Governors on a timely basis, (iii) reflects the School development plan, and (iv) is consistent with longer term financial plans (including recovery of deficits or saving up for future developments)				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
G	Profiled budgets are in place to assist with monitoring arrangements and cash flow (where necessary).		X	The School have profiled areas of the budget where possible. Examples examined were Electricity, Gas and Water charges. However it should be noted that the profiles used are system standards and have not been calculated to match the school's spend profile. In addition, the school has not prepared and used a cashflow forecast.	<p>1. The budgets will be profiled in accordance with the historical spend for the school. FMS contains the standard profiles we have always used but we will look to match the schools spend profile more closely at 2010/11 budget setting.</p> <p>2. Cashflow forecasts are prepared monthly and monitored by the FC. Any significant variances are be identified promptly and investigated.</p>

The School has met section 3.1 of the FMSiS		The School has not met section 3.1 of the FMSiS	X
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Section 3 Policy & Strategy

3.2	The Governors and the staff have compared the School's financial performance with that of similar schools, examined reasons for differences and taken action where necessary				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	Where the School has not used the DCSF benchmarking website (DCSF Benchmarking website), there are valid reasons, which have been reported to the Governing Body along with a suitable alternative.	✓		The School have used benchmarking for some costs and other comparisons, specifically staffing.	
B	The comparator schools are fair and reasonable	✓		The school obtained information from the LA to assist with comparisons, they appear reasonable.	
C	Reasonable conclusions and recommendations have been drawn from the comparisons made and these have been made known to the Governing Body.	✓		Conclusions around staffing/pupil ratios have been made and the school has used this in their staffing structure review. The school have not used benchmarking information, either obtained from the DCSF website or from local networks, for other income or expenditure comparisons.	It is recommended that the school carry out further benchmarking or cost comparisons for other costs centres where there is an identified budget pressure.
D	Where appropriate, an action plan has been put in place with progress against it monitored.	✓		Action has been taken as part of the staffing structure review.	

The School has met section 3.2 of the FMSiS	✓	The School has not met section 3.2 of the FMSiS	
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Section 4 Partnerships & Resources

4.1	The Local Authority and the School have agreed their respective financial management roles and responsibilities				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The Scheme for Financing Schools is available within the School.	✓		The School has the LEA Scheme for Financing Schools. This is held in the Finance Office.	
B	The Scheme for Financing Schools is covered in Governor induction training.	✓		New Governors attend the Governors Induction programme.	
C	The Local Authority has no significant concerns regarding the School's stakeholders' understanding of their respective financial management roles and responsibilities.		X	The LA have been contacted and their response is: <i>'The LA does have concerns as this school is projecting a deficit budget again for 2009/10 and the deficit has increased since the last financial year when an action plan was drawn up to reduce the deficit over 3 years. The LA finance team will be following this up with the school'.</i>	1. The school is working with the LA finance team to ensure that the financial position of the school is clear and accurate and an agreed, realistic action plan is in place to address the deficit.

The School has met section 4.1 of the FMSiS		The School has not met section 4.1 of the FMSiS	X
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Section 4 Partnerships & Resources

4.2 The School has procurement arrangements in place to secure value for money from all suppliers, including the LA and outside contractors					
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The School's financial regulations and procedures require quotations and tenders at appropriate levels.	✓		The School has the LEA Financial Regulations, these require quotes and tenders at £1k and £50k respectively.	
B	In considering quotations the School takes into account both the quantitative and qualitative merits of bids.		X	<p>The school confirmed that this occurs, however the refurbishment of the school's all weather service costing £250k was not subject to tender, with only quotes received and no evidence of independent evaluation carried out. This project was managed by the School's Fundraising Officer who confirmed that he was advised of the requirements for tendering by the Business Manager but failed to follow the procedure. Consequently, we have not been able to confirm that the contract was awarded properly and in the best interest of the school, nor can Best Value be demonstrated.</p> <p>In addition, the minutes of Governors meetings do not demonstrate that Governors were involved in the decision making for this contract and appear to be told of the successful contractor after the contract had been awarded.</p>	<ol style="list-style-type: none"> 1. staff are reminded of the Financial Regulation requirements for obtaining quotes and tenders at the specified level. 2. Instructions, procedures and standard documentation are in place for obtaining quotations and tenders, in accordance with the Financial Regulations. 3. The Business Manager/Finance Officer are involved in all purchases where quotations or tenders are required and a full documented evaluation is carried out, where possible/practical before a decision is made. Authorisation for amounts over that allowed for in the Scheme of delegation is obtained from the relevant Officer or Governors prior to contract award. (e.g. catering)

4.2	The School has procurement arrangements in place to secure value for money from all suppliers, including the LA and outside contractors				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
C	The School can demonstrate that it has processes in place to deliver Value for Money when procuring goods and services (e.g. through the application of best value principles).		X	All staff interviewed during the course of the assessment stated that they always look to obtain best value when procuring goods and services. However, as stated in 4.2B above, no evidence could be found of the processes in place.	1. See 4.2B – same
D	The Governing Body or delegated Committee discuss the options available to the School prior to the approval of continuation/cessation of contracts, including Local Authority sourced services.		X	<p>The Finance Committee approved the LEA buybacks at the meeting held 12th May 2008, the minutes do not specifically state which services were approved for buy back.</p> <p>There are a number of other contracts in place at the School such as grounds maintenance, finance support etc. However there is no evidence that Governors have been made aware of these or discussed options available.</p>	1. A schedule of contracts in place at the school is now prepared, including contract renewal date, annual cost and services covered. This is available to the Clerk to Governors to ensure that all contracts are discussed prior to the cessation date in order to explore other options available or to agree continuation of the contracts.
E	The Local Authority has received a signed Best Value statement from the school.	✓		The LA have confirmed that they have received a signed Best Value statement from the school.	
F	The School recognises that contracting is a complex area and has arrangements in place to seek expert advice when necessary.	✓		The school has access to expert advice from the Council's legal department or Property Services and would contact them if necessary.	

The School has met section 4.2 of the FMSiS		The School has not met section 4.2 of the FMSiS	X
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Section 5 Processes

5.1	The financial management information provided to Governors and staff meets their needs by being relevant, accurate, timely & user friendly				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	<p>The reports provided to staff for each level of financial management contain information that is:</p> <ul style="list-style-type: none"> i) <i>relevant to their financial management; responsibilities (i.e. covering budgets that they are responsible for);</i> ii) <i>clearly presented so that information is easy to understand;</i> iii) <i>produced regularly and promptly; and</i> iv) <i>understood by recipients.</i> 	✓		<p>Information provided to staff regarding their budget is of a high standard. Budget holders are provided with details of their annual allocation, a summary of the relevant financial regulations they must comply with and are required to complete and return a tear off slip to confirm they understand the requirements and will abide by them.</p>	
B	<p>The monitoring reports provided to Governors contain information that is:</p> <ul style="list-style-type: none"> i) <i>relevant to their role;</i> ii) <i>clearly presented so that information is easy to understand;</i> iii) <i>produced regularly and promptly; and</i> iv) <i>understood by recipients.</i> 		X	<p>Governors receive a 'Governors Monitoring Report' which is produced from SIMS and exported into an excel spreadsheet. The spreadsheet is then configured to show flags indicating variances to highlight to Governors .</p> <p>A review of this report identified that, whilst the bottom line matches the approved budget total, the totals for the cost centre summaries do not agree. The school were unaware of this and needed to ask their AT for an explanation. They identified that there were differences in where the report pulled information from.</p> <p>In addition, the report produced for Governors only shows the original budget, current budget, actual and committed spend and the balance remaining. The report does not show comparisons to predicted spend at the date the report is printed (profiled spend) to identify any potential overspends.</p> <p>Minutes of Governors meetings do not detail what supporting information is provided to Governors. Therefore it could</p>	<ol style="list-style-type: none"> 1. There is now an entirely new budget monitoring report in place provided monthly to Governors and the LA. This has been in place for some 8 months and satisfies all requirements 2. Minutes have been modified to better reflect supporting information

				not be established whether Governors understand information provided to them. The Chair of Finance has confirmed that the reports are being developed.	
5.1	The financial management information provided to Governors and staff meets their needs by being relevant, accurate, timely & user friendly				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
C	The information contained within the monitoring reports is accurately derived from the underlying financial records.	✓		Information contained in the Governors monitoring report is derived directly from SIMS, the school's financial management system.	
D	Earmarked and similar funds are clearly stated.	✓		Earmarked funding is allocated to separate cost centres.	
E	Earmarked funding has been dealt with in accordance with the relevant terms and conditions.	✓		No anomalies were identified during testing.	

The School has met section 5.1 of the FMSiS		The School has not met section 5.1 of the FMSiS	X
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Section 5 Processes

5.2	The School provides the LA with accurate and up to date information in accordance with the LA's needs				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The School is aware of what information is required by the Local Authority and the deadlines for its submission.	✓		The School has the LEA Schools Financial Reporting schedule, therefore is fully aware of what information the LEA require along with the deadline for submissions.	
B	The School can demonstrate it has complied with Local Authority deadlines.		X	<p>The LA have been contacted and they have confirmed that the school has not complied with LA deadlines as:</p> <ul style="list-style-type: none"> Quarter 1 monitoring information as at end of June has not been sent into the LA. Monthly monitoring information should be sent in to the LA but nothing has been received yet in the 2009/10 financial year. 	1. The school ensures that all required information is submitted to the LA within the set deadlines.
C	The information provided by the School to the Local Authority is consistent with underlying financial records, and information provided to / approved by the Governing Body.		X	As per 1.3B above, the information provided by the school to the LA has not been consistent and the anticipated levels of deficit reported has changed significantly to that originally reported.	1. The school provides information consistent with underlying financial records. The LA has confirmed that the information it now receives is satisfactory.
D	The Local Authority has no significant concerns regarding the quality and timeliness of the information provided by the School.		X	<p>As per 5.2B above, that LA have responded:</p> <p><i>'The school needs to ensure that monthly monitoring information is sent into the LA finance team. Nothing has been received yet this financial year and this is a concern as the school is in a deficit position'.</i></p>	1. Monthly monitoring info is sent to the LA within the first week of each month after the payroll updates have been logged onto FMS.

The School has met section 5.2 of the FMSiS		The School has not met section 5.2 of the FMSiS	X
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Section 5 Processes

5.3	The School complies with Consistent Financial Reporting requirements on a timely basis				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The School has met the deadlines required for Consistent Financial Reporting returns.	✓		The LA has confirmed that the school has met the deadlines for the CFR returns.	
B	The School's Consistent Financial Reporting return can be reconciled with its underlying financial records.	✓		The return can be confirmed to the records.	
C	The School has used categories consistent with the CFR guidance when completing its CFR return	✓		Confirmed as consistent.	
D	The School's balances agree with the published data in the section 52 Part B Outturn Statement.	✓		Return examined agreed to the published data.	

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The School has met section 5.3 of the FMSiS	✓	The School has not met section 5.3 of the FMSiS	
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Section 5 Processes

5.4	The School has up to date, documented and approved financial regulations that are implemented consistently.				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The School's Financial Regulations are either the model set provided by the Local Authority or are based on and consistent with the Local Authority's requirements (set out in the Scheme for Financing Schools or other specific guidance).	✓		The School has the LEA Financial Regulations. A School policy is also in place which is updated in accordance with Financial Policy.	
B	The School's Financial Regulations have been formally adopted or approved.	✓		It is a formal requirement for Schools to work within the LEA Financial Regulations. The Schools own Financial Policy has been reviewed by Governors.	
C	The School's Financial Regulations have been reviewed in the last two years.	✓		The LEA have recently reviewed and updated the Financial Regulations. These updates have been made available to the School.	
D	The School's Financial Regulations match the structure and requirements of the School (e.g. if the School has appointed a School Business Manager, that the post is reflected in the regulations and the responsibilities assigned to the post are appropriate).	✓		The Financial Regulations match the Structure of the School.	
E	The School's Financial Regulations are available to all staff and Governors who need to use them (e.g. copies have been given to staff with financial responsibilities or are available on the School intranet).	✓		The Financial Regulations are held in the Finance Office and are available to staff who need to use them. The Finance Manager also provides relevant extracts to Budget Holders with their budget allocation information.	

The School has met section 5.4 of the FMSiS	✓	The School has not met section 5.4 of the FMSiS	
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Section 5 Processes

5.5	The School has up-to-date, documented and approved detailed financial procedures that are tailored to the School's needs and implemented consistently in practice.				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The School's local financial procedures have been approved by the Governing Body.		X	The school's local financial procedures are currently being developed and therefore have not yet been presented to Governors for approval.	1. The Schools financial procedures are an item on the finance agenda and reviewed annually by Governors.
B	The School's financial procedures are appropriate for the systems in use at the School.		X	A review of the current version of the procedures identified that the key financial tasks have been identified but the procedures for carrying out these tasks needs to be expanded to ensure they provide a useful reference guide should staff absence occur of training be required.	1. The procedures are being expanded to include more detail on the tasks. This to allow the document to be used as a training aid if required.
C	The School's financial procedures are available to all the relevant staff.		X	See 5.5A above.	1. They are available to all relevant staff.
5.5	The School has up-to-date, documented and approved detailed financial procedures that are tailored to the School's needs and implemented consistently in practice.				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
D	The School's financial procedures are comprehensive and relevant.		X	See 5.5A above.	1. As above
E	The School's financial procedures are regularly reviewed and are updated as necessary.		X	See 5.5A above.	1. As above

The School has met section 5.5 of the FMSiS

The School has not met section 5.5 of the FMSiS

X

Section 5 Processes

5.6	The School maintains proper accounting records throughout the year				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
A	The School's accounting records, whether manual or computerised, are capable of providing up to date information on the School's financial position (i.e. position against budget and cash and bank balances as appropriate).	✓		The school uses SIMS, Sage and Tucasi to record their financial information. All systems are capable of providing information on the school's financial position.	
B	There is an appropriate process in the School to ensure accounting records are kept up to date and there is no evidence to suggest any significant deviations from this process.	✓		All records examined were found to be up to date and no evidence was found to suggest any deviations from this process.	
C	The School's bank reconciliation is: <i>(i) prepared promptly & regularly, (ii) accurate (with all issues resolved) & (iii) independently reviewed (with written confirmation of that review).</i>	✓		The April 2009, bank statement and reconciliation was examined. It was found that the bank reconciliation was prepared promptly and was accurate with evidence of an independent review by the Head Teacher.	
D	The School's control accounts (where used) are cleared on a prompt and regular basis.	✓		No evidence was found to suggest that the control accounts were not cleared promptly.	
E	The School has no other similar holding or below-the-line accounts that could distort financial performance.	✓		No evidence of below the line accounts was found.	
F	Primary accounting documents show that they have all been properly authorised, processed correctly and have not been amended.	✓		All records examined were properly authorised and processed correctly.	
G	The School's records are stored securely in accordance with the Local Authority's requirements.	✓		The school records are held securely with access restricted.	

5.6	The School maintains proper accounting records throughout the year				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
H	<i>For cheque-book schools:</i> <ul style="list-style-type: none"> the bank balance has not been overdrawn (or not exceeded the agreed overdraft limit) in the last year, cash-flow is monitored and variances to the plan are investigated, the Local Authority has no significant concerns regarding the School's competence in dealing with VAT returns and other records. 		X	<ul style="list-style-type: none"> The bank balance has not been overdrawn in the last year. The school does not prepare cash flow forecasts The LA have confirmed they have no concerns with the school's competence in dealing with VAT returns and other records. 	1. Monthly cash flow forecasts are prepared and shared with FC and LA

The School has met section 5.6 of the FMSiS	✓	The School has not met section 5.6 of the FMSiS	
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Section 5 Processes

5.7	The Governors and staff have evidence that there is effective control over: ➤ financial management system ➤ income received ➤ payroll ➤ purchasing ➤ the banking system ➤ petty cash holdings and payments ➤ taxation system ➤ voluntary funds ➤ the School's assets					
		Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
	A	The School has either been subject to a review by internal audit or has undertaken a controls self-assessment during the past 12 months.		X	An Internal Audit was conducted at the same time as the assessment and the results will be reported to the Headteacher and Governors. Prior to this the last Internal Audit was conducted in 2005. There is no evidence to demonstrate that the school has completed a controls self assessment in the last 12 months.	1. The school will produce a controls self assessment (R52) (done for 2009 and signed by Chair) annually to FC with outturn/proposed budget to enable SIC to be considered. Outcomes of previous audit/FMSiS will be reviewed and presented to FC. Due April/May 2010.
	B	The evidence supporting any recent controls self-assessments undertaken by the School shows that the process was carried out correctly and the answers provided were reasonable.		X	See 5.7A Above	1. As Above
	C	The School has implemented a timely action plan to implement any recommendations made by its auditors.		X	The Internal Audit review and FMSiS reassessment has identified some recommendations from the previous reviews that have not yet been implemented.	1. These are all now in place
	D	The School has monitored progress of the action plan and there is no evidence to suggest unnecessary delays in its implementation.		X	See 5.7C above	1. As Above

5.7	The Governors have evidence that there are effective controls operating within the school.				
	Assessment Criteria	Exists	Does not exist	Evidence	Assessor Comments and School's response
E	The School has taken appropriate steps to ensure effective financial control has been maintained following any significant changes since the last audit or self-assessment, e.g. to staffing arrangements or control systems.	✓		No significant changes have occurred.	

The School has met section 5.7 of the FMSiS		The School has not met section 5.7 of the FMSiS	X
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Internal Audit reports identifying significant risk or 'of concern':

Recoupment

AUDIT COMMITTEE

Date: 30th March 2010

Author: Head of Internal Audit

Wards Affected: None

Purpose

Members requested that at least one individual audit report be presented to each meeting of the Committee. This report should be one that has been classified as being of 'significant risk' or 'of concern', if one had been issued since the previous meeting of the Committee. If not, then a report would be selected in liaison with the Chair of the Audit Committee.

Recommendation

- It is recommended that the contents of the report be noted.

1 Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 1.2 Internal Audit's terms of reference require that at least one individual audit report be submitted to each meeting of the Committee.
- 1.3 Audit Committee requested that the Internal Audit report on Recoupment be brought to the next committee meeting.

2 Detail

- 2.1 Recoupment is the process whereby a Local Authority recovers the costs from another Local Authority for the Special Educational Provision of pupils placed in its schools that reside in another Local Authority. This process can work both ways, in terms of Swindon recouping the cost of non-Swindon pupils, as well as Swindon being responsible for paying the costs incurred by other Local Authorities for our pupils placed in their schools.
- 2.2 The key recommendations made in the report include:
 - The budget position for 2009/10 should be clarified by the Special Educational Needs Assessment Team, with assistance from the Children's Finance Team, and reported as a matter of priority.

Internal Audit reports identifying significant risk or 'of concern':

Recoupment

AUDIT COMMITTEE

Date: 30th March 2010

- Data and documentation used to prepare the budget should be maintained and developed to provide estimates of the future committed costs and income for recoupment.
- A detailed and accurate forecast of the 2009/10 recoupment budget outturn should be produced. Actions should be agreed by the senior management team to mitigate the impact of overspend on children services budgets. Actions taken and the position of the budget should be subject to regular and formal review.
- Accurate budget and activity forecasts should be made monthly, in accordance with Financial Regulations and the Budget Managers' Financial Standards.
- An exercise should be undertaken to ensure that the basis of charging other LEA's for recoupment costs is sufficient to meet the costs of the service.
- All processes carried out in delivery of the recoupment service should be fully documented in a procedural guide to ensure continuity and consistency in delivery of the service.
- Formal documentation should be sent to other LEA's each year to confirm their responsibility to monitor and maintain statements as well as meeting the costs of placements.

- 2.3 The above audit report is submitted for Members consideration. The Director, Schools and Learning will be at the Audit Committee to answer any questions Members may have and to provide an update on progress since the completion of the audit.

Alternative Options

Not Applicable

Internal Audit reports identifying significant risk or 'of concern':

Recoupment

AUDIT COMMITTEE

Date: 30th March 2010

Risk Management

Financial and Procurement Implications

There are no direct financial implications arising from this report however the detailed audit report address the suitability of internal controls within the systems examined.

Legal/Human Rights Implications

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2006. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

Internal Control, Audit Committee and the Annual Governance Statement all feature significantly in the CAA Use of Resources Assessment. Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

Consultees

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Director: Schools and Learning

Appendices / Background papers

Appendix 1 – Internal Audit Report: Recoupment

Key Decision/Decision in Forward Plan

Not Applicable

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Swindon Borough Council

Swindon Internal Audit Services

Strictly Private and Confidential

FINAL

Internal Audit Report

Recoupment

Officers Contributing to the Review:

Sheila Allcock	SEN Inclusion Manager
Chris Hodgson	Principal Education Officer
Sue West	Senior Education Officer
Elaine Pendlebury	Senior Accounting Technician

Time Planned: 10 days

Time Taken: 13 days

Auditor: Karl Read

Report Date: 29th January, 2010

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Appendices

Appendix A – Audit Opinion Detail

Appendix B – Management Response

1 Introduction

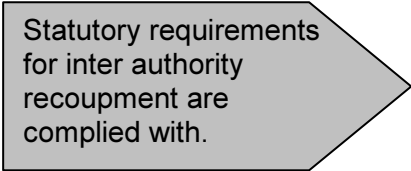
- 1.1 The review was carried out as part of the Internal Audit planned work for the year 2009/10 in order to provide assurance to the Group Director of Children's Services that the Recoupment system is robust and efficient.
- 1.2 Recoupment is the process whereby a Local Authority recovers the costs from another Local Authority for the Special Educational Provision of pupils placed in its schools that reside in another Local Authority. This process can work both ways, in terms of Swindon recouping the cost of non-Swindon pupils, as well as Swindon being responsible for paying the costs incurred by other Local Authorities for our pupils placed in their schools.
- 1.3 The recoupment process of charging other authorities for educational provision is therefore quite distinct from the processes used to determine what special educational needs are required by children and monitoring on the delivery of this support. For this reason, these areas of the service will be covered in a separate audit on the operation of the Special Educational Needs Resourcing and Assessment Panel (SENRAP).
- 1.4 Processes for recoupment are guided by legislation in Statutory Instrument 1994 No 3251 – The Education (Inter-Authority Recoupment) Regulations 1994. This allows Local Authorities to recoup costs in respect of children that have either a statement of special educational needs, are a patient in hospital receiving education, or receives education in a Special School.
- 1.5 The Special Educational Needs Assessment Team (SENAT) operates the recoupment process. They manage the issuing, monitoring and maintaining of the Statements.
- 1.6 Currently, Swindon has approximately 24 children in special schools and 31 in mainstream schools outside our own local authority. These are being maintained through a budget of £496k. There are 23 children placed in our schools from other local authorities for which Swindon has to recoup the costs budgeted at £237k. In 2008/09, there was a net overspend on recouped places of £888k caused by a shortfall in income of £94k and overspends on external placements of £794k.
- 1.7 The budget has been increased by £518k for 2009/10. In a report produced for Children Services Leadership Team on 20/8/09 a pressure of £107k has been identified on the recoupment budget.
- 1.8 There is also concern within SENAT that there are pressures on Swindon Special Schools due to the limited number of places available for children with Special Educational Needs that could result in more Swindon children being placed in other LEA schools.

2 *Approach*

- 2.1 Managers determine the extent of internal control in their systems and are responsible for providing an environment that ensures that resources are properly applied, value for money is secured, fraud and other losses prevented, and the Council's Financial Regulations are complied with.
- 2.2 Internal Audit, as a service to the Directorate and the Council as a whole, contributes to internal control by examining and evaluating its adequacy and effectiveness. The auditor's responsibility is to form an independent opinion, based on the audit work undertaken, on the reliability of the systems of internal control reviewed and report this to the Group Director of Children's Services and to other relevant Managers.
- 2.3 In accordance with best practice, a risk-based approach was adopted which involved the structured evaluation of the internal controls operated within the Recoupment environment.
- 2.4 The appropriate managers and senior staff were consulted during the course of the review and testing of documentation and processing procedures took place within all departments.

3 *Objectives and Conclusions*

- 3.1 The key objectives of the review were agreed in advance with the Director of Schools and Learning. The auditor's conclusions at the end of the review against each of these objectives are detailed below:

<u>Control objectives</u>	<u>Audit conclusion</u>
	<p>Control objective achieved. All key staff involved in the recoupment process were familiar with the principal legislation governing the process of recoupment i.e. Statutory Instrument 1994 No 3251.</p> <p>Testing of charges made on and by the authority demonstrated compliance with the legislation.</p>

Control objectives

Audit conclusion

There are documented procedures and policies in place to ensure consistent practices and standards are applied and maintained.

Control objective not achieved. A Recoupment Policy was prepared following the Internal Audit conducted in 2006. This policy has not been reviewed or updated since to account for changes in legislation. In addition, following staff changes in Finance, procedures used to support the policy have changed and are not reflected in the policy.

The policy is not publicly available in any of the SEN documentation available on the internet.

The absence of detailed working procedures for recoupment in both Finance and SENAT caused delays in the operation of the process during 2008/09, as new staff were not familiar with the processes and all previous staff involved had left the employment of the Council.

Whilst the processes are now becoming well established in both Finance and SENAT, the task of drafting new working procedure documents has not been given priority due to other work commitments. This matter was previously recommended by Internal Audit in the 2006 report on recoupment.

Contracts are in place with other Local Authorities that are appropriately monitored. Roles and responsibilities are clearly defined and charges approved and agreed.

Control objective not achieved. Formal contracts are not agreed between Swindon and other LEAs in respect of recouped places. Correspondence confirms that the placements take place, but roles, responsibilities and the committed cost associated with each placement are not agreed and authorised.

When children move into the borough but continue to be educated in another LEA, there is no procedure to ensure that the cost of the placement is identified and included in the projected expenditure forecasts.

Control objectives

Audit conclusion

Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.

Control objective substantially achieved. The basis of determining the recharge rate for recouped places is applied consistently and recovers the majority of costs as it is based on the budget share for each school.

However, in addition to the main budget share, administration costs are recovered at a rate of 10%. This percentage has not been recently reviewed and there is no evidence to demonstrate that it covers the full administrative costs incurred by the Council.

The basis for charging other LEA's for the cost of Teaching Assistants is not reviewed annually and there is no evidence to confirm that the recharges meet the cost of providing the service within mainstream schools.

For special schools, recharges are based on a snapshot of the Teaching Assistants taken in 2003. These have not been reviewed recently to take into account any changes that may affect the recharge rates.

The process for the calculation is not documented to ensure its consistent application.

Invoicing is undertaken in arrears and was performed in two parts for 2008/09, contrary to recommendations made and agreed by Finance in the 2006 Internal Audit report. The report recommended invoices to be raised on a termly basis.

Control objectives**Audit conclusion**

Financial planning and budgetary control is effective.

Control objective not achieved. Following a significant overspend in 2008/09 of £888k, improvements were made to the monitoring system used by Finance and SENAT.

However, as at 31st July 2009, no budget projections had been made for 2009/10 for which a net budget has been set at £259k.

There is no information available to demonstrate that the budget for 2009/10 was based on a detailed analysis of existing recoupment places along with predictions of changes, based on trends identified in previous years. Consequently, we have been unable to confirm that the budget set is realistic, that future budget pressures have been fully identified and reported promptly, to allow senior management to take remedial action or to assist in long-term decision-making.

This has been highlighted in a recent report produced in conjunction with Finance and SENAT for Children's Services Leadership Team (CSLT) on 18/8/09, that identified a budget pressure of £107k for recoupment and notes that further urgent work is required to identify up to date projected costs to establish more accurate projections.

There are no formal procedures or documents in place to identify every placement change and summarise the financial impact of decisions made by SENRAP.

The spreadsheet used within SENAT to record placements and costs/income is not kept up to date and is not used to enable long-term planning for placement availability or cost. We have identified that the value and duration of placements can be calculated based on the age of the child and previous recharges.

Benchmarking against other Local Authorities and providers is undertaken for costs and service provision to determine best practice and drive service improvements.

Control objective not achieved. Discussions with the Principal and Senior Education Officers in SENAT identified that no exercises in benchmarking with other LEAs had been undertaken on the recoupment process. Whilst the service is very much demand led, Swindon recharges can still be compared to those of other LEAs to gauge how costing approaches differ.

There is no evidence of any regional comparative work to compare the recharges between the authorities Swindon is most likely to work with in delivering SEN. It is understood that the Finance section are working collaboratively with the South West Fair Funding Group to develop a common approach to costing and this group could be used provide other more meaningful comparisons.

4 Overall Opinion

- 4.1 **Materiality and impact: Medium.** Due to the substantial numbers of placements currently taken up by Swindon children in the Special Schools, the impact of failing controls in this area is limited. In 2008/09, recharges to other Authorities for children placed in Swindon Schools was just under £300k. However, the outcomes for those using the services are critical, making the overall impact medium.
- 4.2 **Change since last audit:** The audit looked at the recommendations made during the last audit, conducted in 2006, and has measured what progress has been made in implementing those recommendations. Where sufficient progress has not been made the recommendation has been raised again in this audit report.
- 4.3 Below is a summary of the number of recommendations made in the previous audit report identifying whether they have been implemented or not. Recommendations agreed in 2006 but not implemented and those in progress have been included in this report's Action Plan.

	Total	Implemented	Not Implemented	In Progress
Recommendations – 2006	8	4	3	1

- 4.4 The three recommendations not yet implemented relate to the preparation of working procedure documents, a lack of any formal contract for the placement of children in another LEA school and a lack of evidence to support the charge of a 10% administration fee.
- 4.5 **Opinion on system controls: Fundamental Weaknesses Identified.** i.e. the auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.
- 4.6 This opinion has been determined due to a lack of detailed financial planning and monitoring for recoupment. The 2008/09 overspend of £888k has not led to the introduction of more accurate budget setting and robust monitoring procedures, or detailed and informed projections made, to assist with planning or the early identification of budget pressures. This, and the absence of any detailed budget projections for 2009/10, has resulted in us being unable to confirm that this year's budget is being appropriately managed.
- 4.7 We are concerned that even without a detailed breakdown of costs and income estimates, based on current placements, the team are projecting a budget pressure of £107k, 60% of which could be attributed to incomplete placement records and incorrect budget setting.

- 4.8 In addition, there appears to be no provision of data to Senior Management to inform them of the costs of the decisions made at SENRAP, and other associated data, to provide a tool to assist with wider school organisational planning.
- 4.9 Also, we have been unable to confirm that the charges made to other Local Authorities cover the full cost of the service. The charges have not been reviewed for a number of years and have not been benchmarked.
- 4.10 **Overall assessment of risk:** The combination of the **medium** impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**:

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High standard	Minimal	Minimal	Minimal
2	Satisfactory	Moderate	Minimal	Minimal
3	Significant Improvements required	Of Concern	Moderate	Minimal
4	Fundamental weaknesses identified	Significant	Of Concern	Moderate

- 4.11 The following key recommendations should be implemented in order to achieve the improvements required:
- The budget position for 2009/10 should be clarified by SENAT, with assistance from the Children's Finance Team, and reported as a matter of priority.
 - Data and documentation used to prepare the budget should be maintained and developed to provide estimates of the future committed costs and income for recoupment.
 - A detailed and accurate forecast of the 2009/10 recoupment budget outturn should be produced. Actions should be agreed by the senior management team to mitigate the impact of overspend on children services budgets. Actions taken and the position of the budget should be subject to regular and formal review.
 - Accurate budget and activity forecasts should be made monthly, in accordance with Financial Regulations and the Budget Managers' Financial Standards.
 - An exercise should be undertaken to ensure that the basis of charging other LEA's for recoupment costs is sufficient to meet the costs of the service.

- All processes carried out in delivery of the recoupment service should be fully documented in a procedural guide to ensure continuity and consistency in delivery of the service.
 - Formal documentation should be sent to other LEA's each year to confirm their responsibility to monitor and maintain statements as well as meeting the costs of placements.
- 4.12 All of the matters arising are detailed in the action plan, together with suitable recommendations, together with an indication as to whether the matters arising are of a high, medium or low priority. The action plan provides a checklist of the findings of the review, potential consequences, and identifies officers responsible for implementing the recommendations and appropriate time-scales.

5 Secure Procedures

- 5.1 It was noted that the following secure procedures are now an integral part of the Recoupment system:
- Swindon adhere to the legislation in terms of paying only those costs invoiced within 12 months of year end, limiting the level of creditor provisions required at year end.
 - The timescale for recouping costs from other Local Authorities has been reduced by the Council from over 12 months to approximately 3 months in arrears.
 - Schedules are issued to other LEA's prior to invoices being raised to avoid the need for later amendments / disputes.
 - All staff directly involved in the recoupment process holds copies of the legislation and were familiar with its requirements.
 - All placements examined were agreed through the SENRAP process.

Section 6: Findings and Recommendations - Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of Recoupment, together with the associated risk of non-compliance, recommendations to mitigate risks, responsible officer and proposed timescales. In order for you to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, the recommendations have been prioritised.

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	There are documented procedures and policies in place to ensure consistent practices and standards are applied and maintained.				
1.1	<p>Since the Recoupment Policy was published in 2006, there have been a number of changes to procedure during the intervening time that are not reflected and some areas of provision that have not been covered:</p> <ul style="list-style-type: none"> i. Invoices for recoupment are now being raised three times a year on a termly basis rather than twice a year. ii. The Policy states that Swindon will bill up to 2 years retrospectively, but the legislation stipulates that this can only be 12 months or 1 year after the year in which provision took place. iii. There is a central add-on cost for administration of 10% that has not been reviewed to determine whether it meets the true cost of administration. 	<p>Non-compliance with our own policy.</p> <p>The basis for some costs in the policy cannot be justified / supported.</p> <p>Full costs not recovered.</p>	<p>The Recoupment Policy should be reviewed and amended to reflect current practices and legislation in accordance with its planned review for 2009/10. It should then be formally approved.</p> <p>The current provision to allow an add-on cost for administration should be left open until it can be determined whether 10% is sufficient to recover these costs.</p>	High	<p>SEN Inclusion Manager</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	There are documented procedures and policies in place to ensure consistent practices and standards are applied and maintained.				
1.2	<p>In terms of detailed working procedures for the recoupment process, discussions with the SEN Senior Education Officer and the Senior Accounting Technician determined that, when their team took over the recoupment processes, no procedure documents were provided.</p> <p>This has resulted in the current process being re-established and has resulted in changes to some aspects of the recoupment process. Whilst the importance of having procedures was understood by all involved, documenting the process has not been made a priority due to other work commitments.</p> <p><i>This was a recommendation in the 2006 Internal Audit Report AP 1.1.</i></p>	<p>Risk of service discontinuity in the absence of key members of staff.</p> <p>Legislation, policies and procedures not applied consistently.</p>	<p>Documented procedure notes should be written to cover all working practices associated with the recoupment process. These procedures should be retained where key staff can access them when required and be subject to annual review to ensure they are kept up-to-date. The procedures should include the following aspects of recoupment:</p> <ol style="list-style-type: none"> The basis of determining the cost of placement including the administration. The process of recouping the charges from other LEAs. Recording placements and the committed spend on the monitoring system. 	High	<p>Senior Education Officer / Senior Accounting Technician.</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Contracts are in place with other Local Authorities and best value can be demonstrated for placements made outside the borough.				
2.1	<p>Placements made for 5 Swindon children placed in schools within other local authorities were examined. No formal contracts or agreements were identified in terms of recoupment.</p> <p>This was also the case for 5 placements tested where other LEA's had placed their children in Swindon schools. Although there was documentation between the two parties to acknowledge the placements, there was no formal sign up to any responsibilities and costs were not always clarified when the placement was made.</p> <p>It was identified during the audit that approximately 80% of the recoupment placements made were between Swindon and its neighbouring authority of Wiltshire. There are no arrangements in place with Wiltshire to reduce the invoicing process.</p> <p>This is highlighted nationally in a 2005 report by Capita Strategic Education Services that was commissioned by the DfES. The report found that this is one area where a more collaborative approach to provision could lead to possible administrative savings between local authorities.</p>	<p>Responsibilities are not clearly understood between LEA's</p> <p>Costs are not agreed when the placement is made and variation.</p> <p>Budgets become overspent.</p> <p>Unnecessary admin costs are incurred.</p>	<p>When a placement is made between Swindon and another LEA, a formal agreement should be signed by each party to ensure that the responsibilities for each party is clear and the cost of the placement is agreed.</p> <p>Collaborative agreements should be considered with neighbouring local authorities to reduce the administrative burden. For example, an exercise could be completed at the end of the year to outline the total costs incurred by each authority and the amounts netted off with the balance paid by the relevant authority.</p>	High	<p>Principal Education Officer</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Contracts are in place with other Local Authorities and best value can be demonstrated for placements made outside the borough.				
2.2	There were no block contracts between Swindon and its neighbouring local authorities for the provision of places in special and mainstream schools despite there being a high demand for specific schools from both sides.	A lack of regional planning results in children being schooled further from their home. Unnecessary admin costs are incurred.	The SENAT team should look at more collaborative arrangements with its neighbouring authorities with a view to aid placement planning at a regional level and reduce the administrative burden of recoupment, e.g. perhaps look at block purchases of places at certain schools that can be invoiced in advance.	Medium	Principal Education Officer March 2010
2.3	Due to the number of factors other than funding that may effect where a child is placed, the driving force in making a placement is improving the outcome for the child. These factors will include: i. How close the school is to the home of the child ii. Parental preferences on the school to be used iii. The schools ability to meet the child's needs However, the Senior Education Officer would anticipate challenging any costs that were deemed to be unusually high, although there are no clear criteria to determine at what level such questions should be asked. In the absence of any formal bench marking, any queries on other LEA's costs are based on judgement and comparison with prices already charged.	Best value cannot be demonstrated. Charges are not challenged to drive down the cost of placements with other LEA's. Overpayments are made / budgets become overspent	The costs charged by other LEA's should be compared periodically to ensure that Swindon's costs remain comparable to those of similar authorities and that the charges incurred by Swindon are not excessive. As advised by the Deputy Group Finance Manager (Schools), work should be progressed with the South West Fair Funding Group to agree a common basis for calculating recoupment costs to ensure comparability with our neighbouring Local Education Authorities.	High	Senior Education Officer March 2010

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Contracts are in place with other Local Authorities and best value can be demonstrated for placements made outside the borough.				
2.4	<p>Under the Government's Belonging Legislation, the home authority of a child retains responsibility for funding and maintaining the statement when they are educated in another LA.</p> <p>In testing, it was found that when a child moved into the local authority area but continued to be educated in the previous LEA, there was no process to identify how much the recoupment costs would be for that place to incorporate these into the expenditure projections for the section.</p>	<p>Commitments are not taken into account to ensure accurate projections.</p> <p>Budget pressures / overspends.</p>	When a child moves from another LEA to Swindon but continues to be educated in the other LEA's school, a procedure should be put in place to ensure that the SENAT team members identify the costs of these placements and forward these to the Senior SEN Officer for incorporation in to their expenditure projections.	Medium	<p>Senior Education Officer</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.				
3.1	<p>For Special Resourced Provision in Mainstream Schools, SENAT add on a 10% charge designed to cover the administration costs of operating the recoupment process.</p> <p>However, discussions with the Senior Accounting Technician established that there is no evidence to support how this percentage had been calculated, or any evidence that it had been reviewed in the last few years.</p> <p>No work has been undertaken to establish the total administrative cost of operating the recoupment process and whether this add-on of 10% is sufficient to cover this. However, the Deputy Group Finance Manager (Schools) is working with other LEAs in the region as part of a Fairer Funding Group to agree a common approach to charging and ensure consistency between each Authority.</p>	<p>Charges are set that do not recover the cost of service provision.</p> <p>Process for setting charges not applied consistently.</p> <p>Budget becomes overspent.</p>	<p>The finance team should undertake a costing exercise to determine whether or not the add-on of 10% for administration is sufficient to cover the total administrative costs. The outcome of this exercise should be incorporated into the costings for 2010/11 to ensure that charges are both realistic and also comparative with similar local authorities.</p> <p>The basis of any calculations on the administrative costs should be clearly documented to ensure their application on a consistent basis.</p> <p>Work on agreeing a regional approach to charging should be progressed to ensure costing is comprehensive and comparable on a regional basis.</p>	Medium	<p>Senior Accounting Technician</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.				
3.2	<p>When placement agreements are entered into, many local authorities have not calculated their recharge rates for that current financial year as billing for recouped placements predominantly happens in arrears.</p> <p>For this reason, the final cost charged for a place, may, often be different from that used in any budget monitoring.</p> <p>Due to a lack of detailed budget monitoring information on recouped places in 2008/09, variances could not be analysed on a placement-by-placement basis. However, these variances should be available for 2009/10 and will enable SENAT to identify authorities making significant increases in their recoupment charges.</p>	<p>Possible overspends not reported in the correct financial year.</p> <p>Costing information that may guide the placement process is inaccurate.</p>	Budget monitoring should be expanded to allow for the monitoring of variations on a placement-by-placement basis to identify any significant variations between the indicated and actual recoupment charges and allow SENAT to challenge these.	Medium	<p>Principal Education Officer</p> <p>February 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.				
3.3	It was found that invoices for education provided in hospitals outside the Borough were authorised by SENAT, without any independent check that the services had been received. In 2008/09 payments totalling approximately £20k were made for hospital recoupment.	Payments are incurred without services being received. Budgets become overspent.	The process for authorising hospital recoupment invoices for payment should be revised to ensure that invoices are only processed once confirmation has been received that the educational support was provided.	Medium	Principal Education Officer February 2010
3.4	Although Financial Regulations state it is preferable to obtain income in advance, or at the point of supplying goods or services, the legislation governing the recoupment process does allow for authorities to bill up to 12 months in arrears i.e. <i>"Claims for recoupment shall be submitted to the appropriate authority within 12 months from the end of the financial year in which the provision for education to which the claim relates was made"</i> . This is a practice that many authorities therefore adopt. Swindon is however operating to a relatively tight timescale currently and invoiced 75% of the 2008/09 costs by the end of that year. The Senior Education Officer confirmed during the audit that they intend to raise invoices 3 times during 2009/10 to ensure any arrears, or debts, are kept to a minimum, in line with the 2006 Internal Audit Report recommendations AP3.1.	Late invoicing could lead to delays in resolving any disputes and late payment. Unnecessary debtor provisions have to be made. Recharges errors do not impact on the budget until the following year.	SENAT should continue to invoice regularly through the year to ensure that as much income is received in the correct financial year as possible. Invoicing 3 times a year should be implemented.	Medium	Senior Education Officer February 2010

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.				
3.5	The calculations used to determine the recharges for the cost of teaching assistants in mainstream schools, as well as the bandings in specials schools, have not been reviewed for a number of years. Recharges may therefore not reflect the current spending position of the schools concerned and may not be sufficient to recover the full costs of providing the service.	Charges do not reflect the cost of provision leading to budget pressures.	A review of all the calculations used in preparing the recoupment costs should be conducted to ensure that all costs are reflected and the true cost of providing the service is covered in any recoupment recharges. The basis for preparing these calculations should be clearly documented to ensure that it can be applied consistently between years.	Medium	Senior Accounting Technician. March 2010

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Financial planning and budgetary control is effective.				
4.1	<p>There is no information available within SENAT to demonstrate that the budget set for 2009/10 was based on a detailed analysis of the cost of existing recoupment places, and predictions of the cost of changes based on trends identified in previous years. Consequently, we have been unable to confirm that the budget set for 2009/10 is realistic.</p> <p>The income budget set for 2009/10 is £237k compared to £257k actual income for 2008/09 and the expenditure budget for 2009/10 is £496k compared to an actual budget of £549k in 2008/09.</p> <p>There was nothing made available during the course of the audit to support the levels set and the reasons for the variances.</p> <p>In a recent report produced in conjunction with Finance and SENAT on 19/8/09 for CSLT, it was noted that a budget pressure of £107k for recoupment had been identified. This report states that further urgent work is required to identify up to date projected costs to establish more accurate projections. Approximately 60% of the pressure can be attributed to inaccurate placement records and budget setting.</p> <p>Forecasting should be possible some years ahead using pupil ages, estimates of future price increases and assuming they do not move school. There are currently 78 recoupment placements, so this level of detail should not be time consuming to pull together.</p>	<p>Breach of Financial Regulations (Appendix B, 4.4.3) Budgets become overspent.</p> <p>Remedial action cannot be taken to manage budgets.</p> <p>Strategic decisions are made based on incorrect or incomplete information.</p>	<p>The budget position for 2009/10 should be clarified by SENAT, with assistance from the Children's Finance Team, and reported as a matter of priority.</p> <p>Data and documentation used to prepare the budget should be maintained and developed to provide estimates of the future committed costs and income for recoupment.</p> <p>This information should be reported to senior management to assist in the strategic planning process for school place planning.</p>	High	<p>Principal Education Officer</p> <p>March 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Financial planning and budgetary control is effective.				
4.2	<p>As at the end of July 2009, work had not been finalised to determine the forecast level of spend for the current year. Should the level of spend be similar to that of 2008/09. Any delay in forecasting net spend could limit the chance for any corrective measures to be taken by senior management, as the current budget could not support expenditure at the same level as that of 2008/09.</p> <p>As stated in 4.1 above, initial calculations have identified a budget pressure of £107k, which is due to the following:</p> <ul style="list-style-type: none"> • £42k for a child placed at Springfields • £7k due to a revision in the number of days charged for children placed in Special Schools outside the Borough for 2008/09 • An unexpected invoice of £8k from a Haringey school for a placement of a child that had not been recorded • £49k to bring the budgeted costs for 2009/10 up to the level of 2008/09 actual expenditure. <p>Due to the absence of detailed working documents and forecasting information, we are unable to confirm that all anticipated income and costs have been identified and accounted for. Consequently we are not confident that the £107k budget pressure currently reported is a comprehensive identification of all potential overspends.</p> <p>The Budget Managers' Guide – Financial Standards, produced by Corporate Finance, states that it is a fundamental responsibility of the budget manager to produce a monthly financial forecast. However, the required level of forecasting and budget management is not being conducted.</p>	<p>Breach of Financial Regulations (Appendix B 3.4.4)</p> <p>Overspends not identified.</p> <p>Placements decisions made without taking into account budget pressures.</p> <p>Non compliance with Budget Managers' Financial Standards (10.32 & 10.34)</p>	<p>A detailed and accurate forecast of the 2009/10 recoupment budget outturn should be produced. Actions should be agreed by the senior management team to mitigate the impact of overspend on children services budgets. Actions taken and the position of the budget should be subject to regular and formal review.</p> <p>Accurate budget and activity forecasts should be made monthly, in accordance with Financial Regulations and the Budget Managers' Financial Standards.</p> <p>Closer and more regular monitoring of income and expenditure should be conducted. This will allow sufficient time to implement any plans to reduce the level of spend or identify additional resources should any action be required.</p>	High	<p>Principal Education Officer</p> <p>February 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Financial planning and budgetary control is effective.				
4.3	<p>It was identified by the Auditor during testing that the budget monitoring spreadsheet used by SENAT was maintained on an ad-hoc basis, depending on the work commitments of the Senior Education Officer. Because these updates were not done frequently, the financial projections may be out-of-date at various times through the year i.e. at the time of the audit, there had been no projections prepared for the first 3 months of the year. However, if expenditure for 2009/10 was in line with that of 2008/9, there would be little scope for increased placement numbers during the rest of the year.</p> <p>The monitoring spreadsheet was only used to project placements and expenditure for the financial year, and was not used for long term planning purposes to predict placement and budget pressures / opportunities.</p> <p>There was no formal sign off of the projections by the budget holder to confirm they were checked and accurate.</p>	<p>Budget projections become out of date.</p> <p>Overspends / under-recovery of income.</p>	<p>Placement changes authorised through the SENRAP process should be actioned on the monitoring spreadsheet as soon as the outcomes of the meeting are published i.e. to ensure an up-to-date projection of income and expenditure can be made. Any expected overspend should be reported to senior management to ensure corrective action can be taken before year-end.</p> <p>The monitoring spreadsheet should be used to estimate long-term placement availability and budget pressures allowing sufficient time for management to determine the most effective way to utilise resources available.</p> <p>The budget holder should sign off any projected figures as correct.</p>	High	<p>Senior Education Officer</p> <p>February 2010</p>

Internal Audit Report – Recoupment

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Financial planning and budgetary control is effective.				
4.4	Placements for all school places, including those at special schools, are recorded on the EMS system. The system cannot take into account future planned placement changes and can therefore only show a snapshot of the position as it happens each day. For this reason a manual record is maintained on a whiteboard in the SENAT office, although this too is updated on an ad-hoc basis. The Senior SEN Education Officer is trying to resolve the issues with the EMS system with the in-house IT team.	<p>Placement availability may not be accurate on a day-by-day basis.</p> <p>Surplus places may not be identified, limiting ability to raise income.</p>	Work should continue with the developers of EMS to develop a method of recording future committed places and placement availability for Special Schools and Special Resourced Provision (SRP) in mainstream schools.	Medium	<p>Senior Education Officer</p> <p>March 2010</p>
4.5	<p>There is no formal procedure or documentation used to ensure that the decisions from SENRAP are clearly passed to the SEN Senior Education Officer or Finance.</p> <p>Although SENRAP checklists and outcomes sheets are produced, these do not include any details about the financial impact of the decisions made or indicate when they have been reflected in the budget monitoring. E.g in the case of RB, a place at Uplands School was identified that would cost approximately £18k p.a. but following representations from the parents and their MP, SENRAP agreed a continuation at a placement costing £31k p.a. but there was no evidence that these costs were discussed by SENRAP or considered as part of the overall budget position before making this decision.</p>	<p>SENRAP decisions may be missed on budget projections.</p> <p>Overspend / under-recovery of income.</p>	<p>The SENRAP checklist and outcomes sheets should be used as the source document to update the budget monitoring for new / changes to placements.</p> <p>SENRAP checklists and outcomes sheets should be amended to include the financial implications of any decisions made and signed and dated by the person updating the budget projections once they have been actioned on the finance system to ensure there is no duplication or omission of data.</p>	High	<p>Principal Education Officer</p> <p>February 2010</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Financial planning and budgetary control is effective.				
4.6	The budget information contained on the Oracle financial system is minimal, with both income and expenditure analysed on only 3 subjective codes. Detailed monitoring cannot be undertaken without the use of the monitoring spreadsheet that must be periodically reconciled to Oracle.	<p>The nature of any under over spends cannot be clearly seen from the finance system.</p> <p>Unnecessary work in maintaining two systems when some work could be combined.</p>	The budget monitoring system should be expanded to include more detail of the individual placements to allow easy analysis of any variations and identification of where debtor and creditor provisions are required at year-end. It is suggested that further analysis codes could be used to identify each child, with the budget apportioned to each one as placements are allocated. Subjective codes could also be used to distinguish between special and mainstream schools.	Medium	<p>Principal Education Officer</p> <p>March 2010</p>
4.7	The spreadsheet used to record details for the recouped places is maintained on the shared drives and may be accessed and amended by any member of staff in Finance / SENAT.	<p>Information may be amended by unauthorised personnel.</p> <p>Data security breach.</p>	The spreadsheet used to monitor recouped placement income and expenditure should be password protected to restrict any unauthorised or unnecessary amendments being made. Other members of the team could be allowed access to browse the file where necessary.	Medium	<p>Principal Education Officer</p> <p>February 2010</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
5	Benchmarking against other Local Authorities and providers is undertaken to determine best practice and drive service improvements.				
5.1	<p>Discussions with the Principal and Senior Education Officers in SENAT identified that no exercises in benchmarking with other LEAs had been undertaken to identify how Swindon compares with similar authorities.</p> <p>There is no evidence of any regional comparative work to compare the recharges between the authorities Swindon is most likely to work with in delivering SEN. However, the Finance section are working collaboratively with the South West Fair Funding Group to develop a common approach to costing that may provide more meaningful comparisons.</p>	<p>The costs associated with Swindon places in special schools are not comparative with those of other LEA's leading to queries / disputes over final invoice values.</p> <p>Best practice cannot be identified or adopted to improve the service.</p>	<p>The costs of placements in Swindon Schools should be benchmarked to those of LEAs in the surrounding area and within SBC's family group to ensure that they are comparable. The reasons for any significant variations should be investigated to identify any strengths or weaknesses in Swindon procedures and corrective action taken where necessary.</p>	Medium	<p>Principal Education Officer</p> <p>March 2010</p>
5.2	<p>The LEA Finance Team are working with other local authorities in the south west as part of a fairer funding initiative to agree a common approach to costing and charging for recouped places in the coming months. It has been identified through this audit and by Capita Strategic Education Services in their review of recoupment in 2005, that authorities do not generally publish details of the costing calculations, but this group would provide such an opportunity and could therefore agree and promote examples of best practice.</p>	<p>Variations in the basis of cost calculation between LEAs results in placement pressures.</p> <p>Service not improved / best practice not adopted.</p>	<p>Following the work of the Fairer Funding Group, the basis of costing and the charges used by Swindon should be benchmarked against other LA's in the south west and any examples of best practice incorporated into Swindon's recoupment procedures.</p>	Medium	<p>Principal Education Officer / Deputy Group Finance Manager – Schools</p> <p>March 2010</p>

Standard Audit Opinions

1. The audit opinion is based on two different criteria the first is the materiality of the system and it's impact on the Council if there was a system failure. This has been spilt into High, Medium or Low.
2. The second criteria, is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high; satisfactory; significant improvements required and, fundamental weakness. Each of these categories has a standard opinion (see below).

Standard Audit Opinions on System Control

Audit Opinion 1. *High Standard*

The auditor completing the review concluded the significant system controls are in place and operating effectively and only minor recommendations have been made.

Audit Opinion 2. *Satisfactory Standard*

The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.

Audit Opinion 3. *Significant Improvements Required*

The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.

Audit Opinion 4. *Fundamental Weaknesses Identified*

The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.

3. The combination of these two factors gives an overall risk assessment to the Council of one of four scores i.e. significant, of concern, moderate or minimal (see section 4 of the main report).

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Recoupment			DATE	November 2009
REPORT DATED	November 2009	REVIEWED BY		PAGE	1 OF 10

NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
1	There are documented procedures and policies in place to ensure consistent practices and standards are applied and maintained.			
1.1 Page 115	<p>The Recoupment Policy should be reviewed and amended to reflect current practices and legislation in accordance with its planned review for 2009/10. It should then be formally approved.</p> <p>The current provision to allow an add-on cost for administration should be left open until it can be determined whether 10% is sufficient to recover these costs.</p>	High	<p>SEN Inclusion Manager</p> <p>March 2010</p>	<p>Agreed.</p> <p>The Recoupment Policy will be reviewed with a draft for approval completed by January 2010.</p> <p>The administration cost of 10% will remain unchanged for the remainder of the current financial year. During this time The Principal Education Officer, SEN will research the costs charged by neighbouring LAs.</p>
1.2	<p>Documented procedure notes should be written to cover all working practices associated with the recoupment process. These procedures should be retained where key staff can access them when required and be subject to annual review to ensure they are kept up-to-date. The procedures should include the following aspects of recoupment:</p> <ul style="list-style-type: none"> a. The basis of determining the cost of placement including the administration. b. The process of recouping the charges from other LEAs. c. Recording placements and the committed spend on the monitoring system. 	High	<p>Senior Education Officer / Senior Accounting Technician.</p> <p>March 2010</p>	<p>Agreed.</p> <p>A step by step procedures guide will be drawn up by Colleagues working in this area, which scopes the complete workload within both Finance and SEN Assessment Team and schools. This will be completed by the end of March 2010 ready for the next financial year.</p> <p>The Senior Accounting Technician will aim to complete this by the end of November 2009.</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Recoupment			DATE	November 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
2	Contracts are in place with other Local Authorities and best value can be demonstrated for placements made outside the borough.			
2.1	<p>When a placement is made between Swindon and another LEA, a formal agreement should be signed by each party to ensure that the responsibilities for each party is clear and the cost of the placement is agreed.</p> <p>Collaborative agreements should be considered with neighbouring local authorities to reduce the administrative burden. For example, an exercise could be completed at the end of the year to outline the total costs incurred by each authority and the amounts netted off with the balance paid by the relevant authority.</p>	High	<p>Principal Education Officer</p> <p>March 2010</p>	<p>Agreed.</p> <p>A draft agreement will be submitted for approval to Borough Legal Services and will be used in future admission arrangements in 2010/2011.</p> <p>Discussions between neighbouring authorities and the Finance Team will look at this feasibility by March 2010.</p>
2.2	The SENAT team should look at more collaborative arrangements with its neighbouring authorities with a view to aid placement planning at a regional level and reduce the administrative burden of recoupment, e.g. perhaps look at block purchases of places at certain schools that can be invoiced in advance.	Medium	<p>Principal Education Officer</p> <p>March 2010</p>	<p>Agreed.</p> <p>The local authority will have discussions with other authorities in the South West Region and Borough Legal Services about the feasibility and legality of this suggestion.</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Recoupment			DATE	November 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
2	Contracts are in place with other Local Authorities and best value can be demonstrated for placements made outside the borough.			
2.3	<p>The costs charged by other LEA's should be compared periodically to ensure that Swindon's costs remain comparable to those of similar authorities and that the charges incurred by Swindon are not excessive.</p> <p>As advised by the Deputy Group Finance Manager (Schools), work should be progressed with the South West Fair Funding Group to agree a common basis for calculating recoupment costs to ensure comparability with our neighbouring Local Education Authorities.</p>	High	<p>Senior Education Officer</p> <p>March 2010</p>	<p>Agreed.</p> <p>This will be carried out twice a year when recoupment arrangements are agreed. However the comparable information may be limited as charges are made for individual needs in each placement and schools costs will vary according to their circumstances.</p>
2.4	When a child moves from another LEA to Swindon but continues to be educated in the other LEA's school, a procedure should be put in place to ensure that the SENAT team members identify the costs of these placements and forward these to the Senior SEN Officer for incorporation in to their expenditure projections.	Medium	<p>Senior Education Officer</p> <p>March 2010</p>	<p>Agreed.</p> <p>This happens already.</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Recoupment			DATE	November 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
3	Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.			
3.1	<p>The finance team should undertake a costing exercise to determine whether or not the add-on of 10% for administration is sufficient to cover the total administrative costs. The outcome of this exercise should be incorporated into the costings for 2010/11 to ensure that charges are both realistic and also comparative with similar local authorities.</p> <p>The basis of any calculations on the administrative costs should be clearly documented to ensure their application on a consistent basis.</p> <p>Work on agreeing a regional approach to charging should be progressed to ensure costing is comprehensive and comparable on a regional basis.</p>	Medium	<p>Senior Accounting Technician</p> <p>March 2010</p>	<p>Agreed.</p> <p>The 10% charge has been raised at the recent Southwest regional meeting attended by the Deputy Group Finance Manager. A number of authorities use 10% while others base their central recharges on certain lines of the s52 statement. The consensus of opinion is that the charges should be based on the s52 statement (relevant lines to be agreed between authorities) and the Deputy Group Finance Manager will be working with other authorities to achieve this. Hopefully December 2009 should fit in with this, although this date will be dependant on the timetable of the other authorities involved.</p>
3.2	<p>Budget monitoring should be expanded to allow for the monitoring of variations on a placement by placement basis to identify any significant variations between the indicated and actual recoupment charges and allow SENAT to challenge these.</p>	Medium	<p>Principal Education Officer</p> <p>February 2010</p>	<p>Agreed.</p> <p>This is already in place.</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Recoupment			DATE	November 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
3	Recharges for recouped places are set at a level sufficient to recover all costs and invoiced in accordance with the Council's financial regulations.			
3.3	The process for authorising hospital recoupment invoices for payment should be revised to ensure that invoices are only processed once confirmation has been received that the educational support was provided.	Medium	Principal Education Officer February 2010	The whole process should be passed to the Education Other Than At Schools (EOTAS) Team as most of the children do not have SEN.
3.4	SENAT should continue to invoice regularly through the year to ensure that as much income is received in the correct financial year as possible. Invoicing 3 times a year should be implemented.	Medium	Senior Education Officer February 2010	Agreed. This is already in place subject to priority.
3.5	A review of all the calculations used in preparing the recoupment costs should be conducted to ensure that all costs are reflected and the true cost of providing the service is covered in any recoupment recharges. The basis for preparing these calculations should be clearly documented to ensure that it can be applied consistently between years.	Medium	Senior Accounting Technician. March 2010	Agreed. A review will be carried out, by the end of December 2009, of the current charging policy to ensure all costs are covered. The Deputy Group Finance Manager will document any changes made to the current charging policy as well as providing some additional guidance notes to accompany the current recharging calculation spreadsheets. Wiltshire County Council's calculations have been received and other authorities have been asked to send their current charging calculations to ensure Swindon's are comparable with other authorities charging methods.

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Recoupment			DATE	November 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
4	Financial planning and budgetary control is effective.			
4.1	<p>The budget position for 2009/10 should be clarified by SENAT, with assistance from the Children's Finance Team, and reported as a matter of priority.</p> <p>Data and documentation used to prepare the budget should be maintained and developed to provide estimates of the future committed costs and income for recoupment.</p> <p>This information should be reported to senior management to assist in the strategic planning process for school place planning.</p>	High	<p>Principal Education Officer</p> <p>March 2010</p>	<p>Agreed.</p> <p>This has now happened.</p>
4.2	<p>A detailed and accurate forecast of the 2009/10 recoupment budget outturn should be produced. Actions should be agreed by the senior management team to mitigate the impact of the overspend on children services budgets. Actions taken and the position of the budget should be subject to regular and formal review.</p> <p>Accurate budget and activity forecasts should be made monthly, in accordance with Financial Regulations and the Budget Managers' Financial Standards.</p> <p>Closer and more regular monitoring of income and expenditure should be conducted. This will allow sufficient time to implement any plans to reduce the level of spend or identify additional resources should any action be required.</p>	High	<p>Principal Education Officer</p> <p>February 2010</p>	<p>Agreed.</p> <p>Attention will be paid to accurate budget forecasting and will be a priority of the Principal Education Officer.</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Recoupment			DATE	November 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
4	Financial planning and budgetary control is effective.			
4.3	<p>Placement changes authorised through the SENRAP process should be actioned on the monitoring spreadsheet as soon as the outcomes of the meeting are published i.e. to ensure an up-to-date projection of income and expenditure can be made. Any expected overspend should be reported to senior management to ensure corrective action can be taken before year end.</p> <p>The monitoring spreadsheet should be used to estimate long term placement availability and budget pressures allowing sufficient time for management to determine the most effective way to utilise resources available.</p> <p>Any projected figures should be signed off by the budget holder as correct.</p>	High	<p>Senior Education Officer</p> <p>February 2010</p>	<p>Agreed.</p> <p>The monitoring spreadsheet will be updated as soon as the outcomes of the SENRAP are known. The spreadsheet will be adapted to generate projected costs into future years.</p>
4.4	<p>Work should continue with the developers of EMS to develop a method of recording future committed places and placement availability for Special Schools and Special Resourced Provision (SRP) in mainstream schools.</p>	Medium	<p>Senior Education Officer</p> <p>March 2010</p>	<p>Agreed.</p> <p>This would be an ideal development. It would improve functionality of the system. Until now Capita have been unable to develop and support a workable reliable placement and forecasting system – that would benefit this team and managers adequately. It requires sustained work to maintain this at present and this is not always a priority area.</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Recoupment			DATE	November 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
4	Financial planning and budgetary control is effective.			
4.5	<p>The SENRAP checklist and outcomes sheets should be used as the source document to update the budget monitoring for new / changes to placements.</p> <p>SENRAP checklists and outcomes sheets should be amended to include the financial implications of any decisions made and signed and dated by the person updating the budget projections once they have been actioned on the finance system to ensure there is no duplication or omission of data.</p>	High	<p>Principal Education Officer</p> <p>February 2010</p>	<p>Agreed.</p> <p>See actions accepted at AP4.3</p>
4.6	<p>The budget monitoring system should be expanded to include more detail of the individual placements to allow easy analysis of any variations and identification of where debtor and creditor provisions are required at year end. It is suggested that further analysis codes could be used to identify each child, with the budget apportioned to each one as placements are allocated. Subjective codes could also be used to distinguish between special and mainstream schools.</p>	Medium	<p>Principal Education Officer</p> <p>March 2010</p>	<p>This would be a painstaking piece of work that should be carried out by the Finance Team. As such the time that it would take needs to be carefully evaluated.</p> <p><i>Audit Comment: This process would not generate significantly more work other than the need to use a code for each child. However, the benefits in identifying any outstanding costs at year-end to calculate accurate year-end provisions should outweigh this extra work.</i></p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Recoupment			DATE	November 2009
REPORT DATED	November 2009	REVIEWED BY		PAGE	9 OF 10

NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
4	Financial planning and budgetary control is effective.			
4.7	The spreadsheet used to monitor recouped placement income and expenditure should be password protected to restrict any unauthorised or unnecessary amendments being made. Other members of the team could be allowed access to browse the file where necessary.	Medium	Principal Education Officer February 2010	Agreed.
5	Benchmarking against other Local Authorities and providers is undertaken to determine best practice and drive service improvements.			
5.1	The costs of placements in Swindon Schools should be compared to those of LEAs in the surrounding area and within SBC's family group to ensure that they are competitive. The reasons for any significant variations should be investigated to identify any strengths or weaknesses in Swindon procedures and corrective action taken where necessary.	Medium	Principal Education Officer March 2010	Agreed. The LA will carry out this exercise in conjunction with other LAs in the SW Region. Not sure whether Swindon needs to be competitive at this moment in time as there are capacity issues in most schools.
5.2	Following the work of the Fairer Funding Group, the basis of costing and the charges used by Swindon should be benchmarked against other LA's in the south west and any examples of best practice incorporated into Swindon's recoupment procedures.	Medium	Principal Education Officer / Deputy Group Finance Manager – Schools March 2010	Agreed. Benchmarking will be done following the outcome of the Fairer Funding Group meeting. This work is ongoing at present so there may not be an outcome during the timescale suggested but once there is then this recommendation will be actioned.

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Recoupment			DATE	November 2009
REPORT DATED	November 2009	REVIEWED BY		PAGE	10 OF 10

I certify that the above information is correct

Service Manager: Sheila Allcock

Date: 28th October, 2009

Nicki Archer

2nd November, 2009

Internal Audit: Nikki Soave

Date: 10th November, 2009

Internal Audit reports identifying significant risk or 'of concern':

Deputyships

AUDIT COMMITTEE

Date: 30th March 2010

Author: Head of Internal Audit

Wards Affected: None

Purpose

Members requested that at least one individual audit report be presented to each meeting of the Committee.

Recommendation

- It is recommended that the contents of the report be noted.

1 Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 1.2 Internal Audit's terms of reference require that at least one individual audit report be submitted to each meeting of the Committee.
- 1.3 Audit Committee requested that the Internal Audit report on Deputyships be brought to the next committee meeting.

2 Detail

- 2.1 The Mental Capacity Act 2005 empowers people to make decisions for themselves as far as is possible, and protects vulnerable people who have been assessed as not having the capacity to make a decision at a particular time in relation to their health, social care and/or personal affairs; decisions are then made for them and must be in their best interests. Where a person has been assessed as lacking capacity to make particular decisions for themselves, under the Mental Capacity Act 2005, the Court of Protection may appoint someone to manage the decision making of the individual, including the operation of their finances. These nominated bodies are known as Deputies.
- 2.2 The Internal Audit report was finalised in November 2009 and the auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant

Internal Audit reports identifying significant risk or 'of concern':

Deputyships

AUDIT COMMITTEE

Date: 30th March 2010

recommendations have been made to improve missing or failing controls. A copy of the Internal Audit report is attached as Appendix 1.

2.3 The key recommendations made in the report include:

- A Service Level Agreement (SLA) between Adult Social Care and the Central Finance Team (Deputy Team) should be devised and agreed in order to clearly state the roles and responsibilities of all parties involved in the administration of client accounts. This should include management of interface meetings to determine best interests where care planning is disputed.
- Formal documented procedures should be created in order to govern the processes integral to the operating of deputyship accounts.
- Standardised forms and documents should be devised in order to provide consistency across all the procedures.
- The Group Director for Housing and Social Care should ensure that Adult Social Care provides an active monitoring role in the administration of client accounts.
- Purchases or allowances provided to the client should be receipted and signed by the client to confirm receipt of the money or goods.
- Best value should be demonstrated for all purchases made from a client's account and how this has been achieved should be clearly evidenced.

2.4 The above audit report is submitted for Members consideration. The Director: Service Delivery (Housing and Social Care) will be at the Audit Committee to answer any questions Members may have and to provide an update on progress since the completion of the audit.

Alternative Options

Not Applicable

Internal Audit reports identifying significant risk or 'of concern':

Deputyships

AUDIT COMMITTEE

Date: 30th March 2010

Risk Management

Financial and Procurement Implications

There are no direct financial implications arising from this report however the detailed audit report address the suitability of internal controls within the systems examined.

Legal/Human Rights Implications

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2006. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

Internal Control, Audit Committee and the Annual Governance Statement all feature significantly in the CAA Use of Resources Assessment. Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

Consultees

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Director: Service Delivery (Housing and Social Care)

Appendices / Background papers

Appendix 1 – Internal Audit Report: Deputyships

Key Decision/Decision in Forward Plan

Not Applicable

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Swindon Borough Council

Swindon Internal Audit Services

Strictly Private and Confidential

FINAL

Internal Audit Report – Deputyships

Officers Contributing to the Review:

John Hughes Director: Service Delivery (Housing and Social Care)

Julie Dart Mental Capacity Act - Programme Manager

Angela Smith Central Finance Team Leader

Michael Sharratt Finance Officer

Time Planned: 8 days

Time Taken: 10 days

Auditor: Alex Povey

Date of Report: 16th October 2009

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Appendices

Appendix A – Audit Opinion Detail

Appendix B – Management Response

1 Introduction

- 1.1 The review was carried out as part of the Internal Audit planned work for the year 2008/09, in order to provide assurance to the Director for Housing and Social Care that the Deputyship system is robust and efficient.
- 1.2 The Mental Capacity Act 2005 empowers people to make decisions for themselves as far as is possible, and protects vulnerable people who have been assessed as not having the capacity to make a decision at a particular time in relation to their health, social care and/or personal affairs; decisions are then made for them and must be in their best interests. Where a person has been assessed as lacking capacity to make particular decisions for themselves, under the Mental Capacity Act 2005, the Court of Protection may appoint someone to manage the decision making of the individual, including the operation of their finances. These nominated bodies are known as Deputies.
- 1.3 The Local Authority is appointed as a Deputy only as a last resort. This will usually happen in circumstances where someone has been assessed as lacking capacity in relation to finances or personal welfare, but has no family or friends, for example, that have the ability or desire to take on their decision making responsibility. The designated Deputy within a Local Authority is usually the Head of Adult Services. In SBC, the appointed Deputy is Caroline Fowles, Group Director for Housing and Social Care. John Hughes (Director: Service Delivery (Housing and Social Care) acts as the appointed Deputy in her absence.
- 1.4 At the time the review (in March 2009), SBC are currently appointed deputies for 26 people within the Borough, for which they are responsible for managing their decision-making and finances.
- 1.5 The Mental Capacity Act has an accompanying Code of Practice that sets out how the Act should be used. The code states that if the Deputy is the Director of Adult Services they can delegate specific tasks, however they are still responsible for any actions or decisions taken and are accountable for any errors that are made. Within Swindon Borough Council, the administration of client accounts has been delegated to a Central Finance Team (here on in referred to as the Deputy Team). These are all Capita employees.
- 1.6 Upon appointment, the Deputy will receive a Court Order, from the Court of Protection, prescribing the level of decision making that the Deputy is legally allowed to undertake on behalf of the client. These will be under the heading of managing the client's affairs, i.e. their day-to-day financial decision making and account keeping, but may also include the authority to manage the property of the individual, including the authority to decide whether or not to dispose of the client's assets.

- 1.7 All payments and disposals are made at the request of the client's care worker in the best interests of the person who lacks capacity and following the Act's statutory principles. The role of the Deputy Team is to subjectively assess each request, and apply their knowledge of the client's financial records to decide on whether or not to make the payment. The Code of Practice should be considered when applying the Act and making decisions on behalf of another. This is not a statutory requirement but compliance or otherwise with the code may be considered in the event of a legal dispute over decision-making. The Act and Code require that all payments made be in the best interest of the client.
- 1.8 Under the Act, the Public Guardian (supported by the Office of the Public Guardian (OPG)) is responsible, among other things, for supervising Court-appointed deputies and ensuring that Deputies act in the best interest of the clients and within the directions of the Court. There are 3 levels of supervision that apply ranging from high to low. SBC receive the latter.
- 1.9 As part of their duties, each year the Office of the Public Guardian send a Court Visitor to formally review how the deputyship is being managed. They have rights of access to the records held by SBC and review them to ensure that they are complete and best value has been achieved. They also look to satisfy that SBC are acting within the responsibilities set out in the Court order.
- 1.10 The OPG have the powers to relinquish the Deputy's powers, if they are deemed to have been managed incorrectly or have not been conducting in the person's best interest.

2 Approach

- 2.1 Managers determine the extent of internal control in their systems and are responsible for providing an environment that ensures that resources are properly applied, value for money is secured, fraud and other losses prevented, and the Council's Financial Regulations and contract Standing Orders are complied with.
- 2.2 Internal Audit, as a service to the Directorate and the Council as a whole, contributes to internal control by examining and evaluating its adequacy and effectiveness. The auditor's responsibility is to form an independent opinion, based on the audit work undertaken, on the reliability of the systems of internal control reviewed and report this to the Director of Adult Social Care and to other relevant Managers.
- 2.3 In accordance with best practice, a risk-based approach was adopted which involved the structured evaluation of the internal controls operated within the deputyship environment and the Council's statutory obligations as a legally appointed Deputy.
- 2.4 The appropriate managers and senior staff were consulted during the course of the review and testing of documentation and processing procedures took place within all departments.

3 Objectives and Conclusions

- 3.1 The key objectives of the review were agreed in advance with the Group Director for Housing and Social Care. The auditor's conclusions at the end of the review against each of these objectives are detailed below:

<u>Control objectives</u>	<u>Audit conclusion</u>
Statutory principles set out in The Mental Capacity Act 2005, The Data protection Act and other legislation are complied with.	Control objective achieved.
There are documented procedures supporting actions taken by Council Staff as appointed Deputies.	<p>Control objective not achieved.</p> <p>There are no documented procedures to support the actions taken by appointed Deputies for the administration of client monies from their accounts.</p> <p>In addition, there are no standardised forms to record client's assets during the initial stages of their appointment as deputies, or disposal of this property thereafter. Neither are there any standard forms used by the care workers to request money on behalf of their clients which, during testing, it was identified that information required, such as amount requested, was often omitted from their requests.</p>
Responsibilities of Council Officers are clearly set out and differentiate between the roles of staff on the Adult Social Care side and those staff providing support as appointed Deputies.	<p>Control objective not achieved.</p> <p>The responsibilities of Council Officers have not been clearly prescribed. For example, in a Service Level Agreement, and therefore the roles and responsibilities could be open to dispute in the future leading to inefficient and inadequate care for the clients.</p> <p>In addition, it could lead to Officers in the Deputy Team carrying out roles that should be undertaken by a qualified officer in Adult Social Care, or vice versa.</p>

<u>Control objectives</u>	<u>Audit conclusion</u>
<p>All disbursements are made in accordance with the Councils Financial Regulations and ensuring there is adequate segregation of duties.</p>	<p>Control objective substantially achieved.</p> <p>Sufficient excel accounting records are kept for each client, and where documentation was held, segregation of duties between the Care Worker and the Deputy Team could be demonstrated when paying money from client accounts.</p> <p>However, there were areas of non-compliance with Council Financial Regulations identified during audit testing, such as missing receipts and other supporting documentation.</p> <p>There were also some payments examined where it could not be sufficiently evidenced that the client received the goods/services paid out of their accounts.</p>
<p>Spending of client monies is only made in the interest of the client.</p>	<p>Control objective achieved.</p>
<p>Best value principles are applied in spending client monies and in the management and disposal of their assets.</p>	<p>Control objective not achieved.</p> <p>Best value could not be conclusively demonstrated in the spending of client monies and disposal of their assets.</p> <p>For payments examined during testing, supporting documentation, such as quotes, were not on file for payments where they would be expected.</p> <p>Furthermore, where a client's assets were to be disposed of, there was no evidence to demonstrate that attempts had been made to recover the full value of the items being disposed of.</p>

<u>Control objectives</u>	<u>Audit conclusion</u>
Proper accounting records are kept in respect of all clients, and these are subject to independent review by the Office of the Public Guardian (OPG) each year.	Control objective achieved.

4 Overall Opinion

- 4.1 **Materiality and impact:** SBC are currently appointed deputies for 26 people within the Borough, for which they are responsible for managing their decision-making and finances. Any failures of internal control in this management would have a detrimental effect on the clients both personal and financial wellbeing, be a failure to demonstrate consistency with the Code of Practice and may result in some negative publicity in the local press, leading to reduced public confidence together with a risk to the Council's reputation. Due to these factors, the overall materiality and impact is deemed **Medium**.
- 4.2 **Opinion on system controls: Significant Improvements Required:** The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.
- 4.3 **Overall assessment of risk:** The combination of the **medium** impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **moderate**:

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High standard	Minimal	Minimal	Minimal
2	Satisfactory	Moderate	Minimal	Minimal
3	Significant Improvements required	Of Concern	Moderate	Minimal
4	Fundamental weaknesses identified	Significant	Of Concern	Moderate

- 4.4 The following key recommendations should be implemented in order to achieve the improvements required:
- A Service Level Agreement (SLA) between Adult Social Care and the Central Finance Team (Deputy Team) should be devised and agreed in order to clearly state the roles and responsibilities of all parties involved in the administration of client accounts. This should include management of interface meetings to determine best interests where care planning is disputed.
 - Formal documented procedures should be created in order to govern the processes integral to the operating of deputyship accounts.
 - Standardised forms and documents should be devised in order to provide consistency across all the procedures.
 - The Group Director for Housing and Social Care should ensure that Adult Social Care provides an active monitoring role in the administration of client accounts.
 - Purchases or allowances provided to the client should be receipted and signed by the client to confirm receipt of the money or goods.
 - Best value should be demonstrated for all purchases made from a client's account and how this has been achieved should be clearly evidenced.
- 4.5 All of the matters arising are detailed in the action plan, together with suitable recommendations and an indication as to whether the matters arising are of a high, medium or low priority. The action plan provides a checklist of the findings of the review, potential consequences, and identifies officers responsible for implementing the recommendations and appropriate time-scales.
- 4.6 Management's response to the audit recommendations is included in Appendix B.

5 Secure Procedures

- 5.1 It was noted that the following secure procedures are an integral part of the administration of deputyship accounts system:
- Proper accounting records are held in respects of all current SBC appointed deputyships, in the form of an excel income record, bank account and statements and a paper correspondence and evidence file.
 - Statutory principles set out in the Mental Capacity Act 2005, the Data protection Act and other legislation have been deemed to be complied with, in regards to the payments and client files examined during the audit.
 - All payments examined during the audit, in and out of a client's account were found to be are logged onto the client's excel spreadsheet and could be reconciled to the bank statements.
 - Reconciliations of client excel records to the bank statements are completed each month.

- All current clients that were examined during the audit had been subject to a medical assessment from a qualified professional (i.e. Doctor) before their application had been referred to the Court.
- There is segregation of duties between the raising of payments by the Care Worker and the administration of payment by the Deputy Team.

Section 6: Findings and Recommendations - Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of Deputyships together with the associated risk of non-compliance, recommendations to mitigate risks, responsible officer and proposed timescales. In order for you to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, the recommendations have been prioritised.

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	There are documented procedures supporting actions taken by Council Staff as appointed Deputies.				
1.1	<p>Once SBC have been informed of their appointment as Deputy, any assets belonging to the client need to be identified. However, there are no formal documented procedures that guide this process, such as:</p> <ul style="list-style-type: none"> How to identify any assets belonging to the client. How to record any property found. The procedure to value any property identified, including when and when not to. <p>In addition, there are no procedures for guiding:</p> <ul style="list-style-type: none"> The process for dealing with a client with deferred loans that outweigh their assets. The disposing of a client's assets, including selling a client's house (from clearing the property to selling the property). 	<p>Staff unaware of how to record assets of new deputyships.</p> <p>Inconsistent recording and valuing of client assets/disposals.</p> <p>Incomplete records that are required by the Office of Public Guardian (OPG).</p>	<p>Formal documented procedures should be created in order to guide the processes integral to the operating of deputyships. These procedures should cover:</p> <ul style="list-style-type: none"> The process for identifying and recording client assets. The process for valuing client assets, including when and when not to do so. The actions to be taken where it is identified that a client has deferred loans greater than their assets, including who in Legal should be contacted. The process for disposing of assets. The procedure for undertaking a property sale, from deciding to sell through to the completion of the sale. The procedure for notifying all relevant internal departments and external organisations of the deputyship arrangement so that queries and post is received promptly by the deputy. <p>Where possible, standard forms and documents should be devised and used in future, in order to provide consistency across all the procedures.</p>	High	<p>Group Director for Housing and Social Care</p> <p>(in conjunction with)</p> <p>Central Finance (Deputy) Team Leader.</p> <p>December 2009.</p>

Internal Audit Report – Deputyships

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	There are documented procedures supporting actions taken by Council Staff as appointed Deputies.				
1.2	<p>17 client files were examined in total during the audit. It was identified that there were no consistent records held of assets belonging to the client in any of the files examined, including the value of each asset.</p> <p>There was also no record of the disposal of items recorded in any of the files examined.</p> <p>2 files examined had details of a property clearance after the Deputy Team had decided to sell the property. However, it was established that properties are 'cleared' with no attempt made to recover any of the value of these cleared items. Due to this, it was not possible to confirm that best value has been obtained in disposing of assets, especially as there is no valuation procedure in the first place.</p>	<p>No record of client assets.</p> <p>Misappropriation/ allegations of theft against Deputy.</p> <p>Best value not achieved in the disposal of assets.</p> <p>Non-Compliance with Council Financial Regulations.</p> <p>Non-compliance with best value principles in Mental Capacity Act.</p>	<p>There should be a clear and standardised inventory form, to record all assets that belong to each client that is completed at the appointment stage of a Deputyship. The inventory should act as a checklist of what property has been identified and the value of each item. There should also be the capacity to allow other ad hoc property to be recorded where found.</p> <p>The record should also show what property belonging to the client has been disposed of, who has authorised it, the date of disposal and how best value has been achieved. Each entry should be checked and signed by 2 officers to demonstrate adequate segregation of duties.</p> <p>The records should be retained on each client's file and form part of the procedures recommended in 1.1.</p>	High	<p>Group Director for Housing and Social Care</p> <p>(in conjunction with)</p> <p>Central Finance (Deputy Team) Leader.</p> <p>December 2009.</p>

Internal Audit Report – Deputyships

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	There are documented procedures supporting actions taken by Council Staff as appointed Deputies.				
1.3	<p>During testing it was identified that one deputyship arrangement was not a deputyship at all, as the relevant application to the Court of Protection had not yet been made.</p> <p>There is a completed referral form on file dated 07/04/08, that determines the client's lack of capacity for decision-making. However at present, SBC are only legally an Appointee for this client and should only help manage the client's finances i.e. by receiving their benefit payments and paying their bills on time. They have no authority to make financial decisions on their behalf.</p> <p>The last entry recorded in the client's diary sheet in their file is dated September 2008, which states that the case has been referred to the Duty Team (ASC) in order for a care worker to be allocated to the client so that the Court Application can be completed. No further correspondence or action has been undertaken.</p>	Vulnerable client does not receive the care owed.	<p>The relevant Team in Adult Social Care should appoint a social worker to the client in question in order for the deputyship application to be completed and sent to the Court of Protection as soon as possible.</p> <p>Alternatively, if the client is to remain as an appointee, the client should be removed from the list of current deputyships.</p> <p><i>(NB. For confidentiality reasons, the Deputyship's name has been omitted from the report).</i></p>	High	<p>Director: Service Delivery (Housing and Social Care).</p> <p>December 2009.</p>

Internal Audit Report – Deputyships

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	There are documented procedures supporting actions taken by Council Staff as appointed Deputies.				
1.4	<p>All deputyships have a designated care worker who is the first point of contact for the client, they are responsible for making requests for money on their behalf. For payments, such as holidays or a new television, this request is made in writing, either by letter or e-mail. A standard form is not used.</p> <p>5 out of 20 payments examined during testing did not have supporting documentation of the payment on file, such as request, receipts or authorisation:</p> <ul style="list-style-type: none"> 4 payments did not have any documentation held on file, such as requests, receipts or invoices, to support the payments identified on their excel spreadsheet records and bank statements. One payment for a personal allowance of £100 was paid, however it is unclear from the client file when the request was made, or the amount being asked for by the Care Worker. <p>In addition, one other payment was authorised, but the date of authorisation was not recorded.</p>	<p>Delay in payment for items needed by the client.</p> <p>Unable to reconcile amounts requested to amounts paid.</p> <p>Non-compliance with Council Financial Regulations.</p> <p>Unable to demonstrate best value.</p> <p>Allegations of misuse of client accounts.</p>	<p>All requests for payment should include standard information such as: the client name, the date of request, the person making the request, what the payment is for, the amount requested and any other relevant information that will effect the decision to make the payment.</p> <p>A standard form could be devised in order to ensure that all requests are complete with sufficient information to allow the request to be paid.</p> <p>Furthermore, the range of likely financial requests should be identified in the client's care plan and subject to review on an ongoing basis so that the payment process is more standardised.</p>	High	<p>Group Director for Housing and Social Care.</p> <p>December 2009.</p>

Internal Audit Report – Deputyships

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	There are documented procedures supporting actions taken by Council Staff as appointed Deputies.				
1.5	<p>The Deputy Team are responsible for subjectively assessing requests for payment and deciding on whether it is in the best interests of the client. Where there is potential disagreement between the Deputy Team and the Care Worker or family/friend of the client, a process of negotiation is undertaken, usually in the form of a meeting, to come to an agreement.</p> <p>Although for a major decision it was stated that discussions would be informally documented, minutes of these meetings are not taken to evidence the decision making process.</p>	<p>Unable to demonstrate payment is in the best interest of the client.</p> <p>Poor OPG review opinion.</p> <p>Relinquishment of Court authority.</p>	<p>Any meetings that take place regarding the decision making process for a specific payment from a clients account should be minuted accordingly and held on file with the details of that payment.</p> <p>In addition, best interest meetings should follow standard procedure and documentation and be chaired appropriately.</p>	Medium	<p>Central Finance (Deputy) Team) Leader.</p> <p>From next meeting.</p>
1.6	<p>It is not a current requirement for individual Deputy Team members to express conflicts of interest that they may have, therefore it would be difficult to confirm that these have been avoided when purchasing on behalf of the client.</p> <p>There is also a potential conflict of interest where SBC decide to sell a client's property and the client is residing in an SBC care home, as the proceeds of the sale are generating income for SBC. It is unclear what would happen in the event of a dispute or complaint of this kind.</p>	<p>Potential conflict of interest.</p> <p>Best value is not applied to spending of client's money.</p> <p>Allegations/disputes over Deputy's conduct.</p>	<p>All members of the Finance (Deputy) Team and authorised signatories should complete a pecuniary interest form in order to demonstrate that conflicts of interests have been declared. Where a member of the team has an interest, the payment should be authorised by another officer.</p> <p>In addition, where there is a potential conflict of interest arising from a property sale, advice and authorisation should be sought from a Council Officer independent of Adult Social Care and the Deputy Team, i.e. someone in Law and Democratic Services.</p>	Low	<p>Central Finance (Deputy) Team) Leader.</p> <p>December 2009.</p>

Internal Audit Report – Deputyships

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Responsibilities of Council Officers are clearly set out and differentiate between the roles of staff on the Adult Social Care (ASC) side and those staff providing support as appointed Deputies.				
2.1	<p>The Deputy Team are responsible for the management and administration of each client's finances and, these are all Capita employees.</p> <p>Despite this delegation, there is not a documented agreement between SBC and Capita as to where each other's responsibility lies. It was stated in discussions with Capita staff that there have been disagreements in the past that has resulted in the care worker passing non-financial responsibilities to the Finance Team, such as registering the death of a client.</p> <p>Currently relationships are good between the Deputy Team Leader and Adult Social Care, which allows these issues to be discussed, however there is nothing to clarify where the boundaries are between Adult Social Care and the Deputy Team, or indeed SBC and Capita.</p>	<p>Ownership and responsibilities are ill defined.</p> <p>Disputes over responsibilities.</p> <p>Deputyship receives inadequate care.</p>	<p>The should be a service level agreement (SLA) between Adult Social Care and the Central Finance Team (Deputy Team) that clearly state the roles and responsibilities of each party in the administration of client accounts.</p> <p>The boundaries between Adult Social Care and the Deputy Team roles and responsibilities should be decided and clearly stated, with no overlap, including who should be authorised to deal with the clearance of client's homes and the disposal of their property.</p> <p>Furthermore, the SLA should determine that the overriding authority over client monies lies with the Director of Adult Social Care (or equivalent role) as stated in the Court Order.</p>	High	<p>Group Director for Housing and Social Care.</p> <p>January 2009.</p>

Internal Audit Report – Deputyships

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Responsibilities of Council Officers are clearly set out and differentiate between the roles of staff on the Adult Social Care (ASC) side and those staff providing support as appointed Deputies.				
2.2	<p>There is not an official or documented monitoring role carried out by anyone in Adult Social Care to check the performance of the Deputy Team. There may be ad hoc meetings to discuss matters or negotiate potential payments, but that is all.</p> <p>The Director: Service Delivery (Housing and Social Care), receives the current list of deputyships each month, however it is unclear what is done with this list.</p>	<p>No ownership of delegated authority.</p> <p>Administration of client accounts is not monitored and thus open to abuse.</p>	As the responsible Deputy, the Group Director for Housing and Social Care should ensure that a responsible officer in Adult Social Care provides an active monitoring role in the administration of client accounts, to satisfy themselves that the operation of deputyships is done so under the terms of the Court Order and the Service Level Agreement recommended in 2.1, above.	High	<p>Group Director for Housing and Social Care.</p> <p>December 2009.</p>

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	All disbursements are made in accordance with the Councils Financial Regulations and ensuring there is adequate segregation of duties.				
3.1	<p>During testing, a sample of 20 client accounts was selected to ensure that each payment made was compliant with the Court Order, had been raised by a care worker, authorised by the appointed Deputy and had supporting documentation on file, including receipts and demonstration of best value, where necessary.</p> <p>It could not be satisfactorily evidenced for 10 out of the 20 payments tested that the money was either received by the client or spent on the client.</p> <ul style="list-style-type: none"> 6 of these 10 were personal cash allowances, for which there was no receipt on file signed by the client to confirm they had received the money. 4 out of 10 were invoices sent by a care home for goods/services that had been received by client, however there was no evidence to support that the individual items have been received. <p>The total amount of these payments was £1,085.35.</p>	<p>Non-compliance with Council Financial Regulations.</p> <p>Client does not receive their money/products/services.</p> <p>Misappropriation/Allegations of theft of client property.</p>	<p>Purchases made should be receipted and signed by the client, where possible, to confirm receipt of the money/goods/services, especially if a personal allowance payment made in cash.</p> <p>There should be a clear protocol to establish the client's capacity to sign for payments, which should be assessed and reviewed on a regular basis. Evidence of these checks should be retained on file. In the event that the client is assessed as unable to sign for the payment, a care worker should sign the receipt on their behalf. This care worker should not be the person who has assessed their capability to sign.</p> <p>All signed receipts should be retained on file.</p>	High	<p>Group Director for Housing and Social Care.</p> <p>December 2009.</p>

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	All disbursements are made in accordance with the Councils Financial Regulations and ensuring there is adequate segregation of duties.				
3.2	<p>Client files were reviewed to ensure that for each payment examined during testing, there was a court order on file that gave the authority to SBC to act as a Deputy.</p> <ul style="list-style-type: none"> For 2 out of 20 payments examined a Court Order could not be evidenced. For one payment, no court documents were found on the client's file. The other payment was to the client's Doctor who had completed a capacity referral form on behalf on the client. This needed to be completed before the application could be sent to the Court. However the Doctor requested payment in the time between the application being sent to the Court and the Court appointing SBC as Deputy. Payments for referrals are usually deferred, where possible, until receiving the Court Order, but as the capacity test had been completed, the Doctor had to be paid. 	<p>Illegal payments made from client accounts.</p> <p>Damage to reputation of SBC.</p>	<p>Payments should only be made out of a client's account if the Court of Protection so has granted authorisation to do.</p> <p>Where possible, application fees should be deferred until the Court order has been granted.</p>	Medium	<p>Central Finance (Deputy Team) Leader.</p> <p>December 2009.</p>

Internal Audit Report – Deputyships

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	All disbursements are made in accordance with the Councils Financial Regulations and ensuring there is adequate segregation of duties.				
3.3	<p>10 out of 20 requests for payments were made via invoice.</p> <p>2 out of 10 invoices requested payment for items that were not supported by individual receipts. Both were from the same care home (Quarry Mount), requesting payment for items such as hairdressing, entertainment and clothing however there is no evidence that these items were authorised by the appointed Deputy.</p>	<p>Payment not authorised by appointed Deputy.</p> <p>Best value not achieved.</p> <p>Client funds do not cover costs of service/items purchased.</p>	<p>Payments should not be made unless supporting receipts can be provided, to evidence that the payment is genuine and it can be reasonably believed that the client has received the items in question.</p> <p>It should be communicated to Care Workers and Care Homes that individual receipts for items should be provided to support invoices that require payment for individual items/services.</p> <p>Where practical, individual items should be authorised by the Deputy prior to purchase, to confirm that the spend corresponds to the assessment of the likely nature of requests for payment, which should be outlined in the care plan as per recommendation 1.4.</p>	Low	<p>Director: Service Delivery (Housing and Social Care).</p> <p>December 2009.</p>
3.4	<p>An excel spreadsheet is maintained for each client and is used to record client expenditure. This is reconciled to the bank statements upon receipt each month.</p> <p>However, sometimes payments are not inputted into the spreadsheet until the time of the reconciliation, when appearing on the bank statements. These are usually regular scheduled payments.</p>	<p>Reconciliations are not correct.</p> <p>Discrepancies cannot be identified.</p>	<p>Regular scheduled payments, such as direct debits, should be inputted onto the client excel spreadsheets when due, so that reconciliations can be performed independently and discrepancies recorded as necessary.</p>	Medium	<p>Central Finance (Deputy Team) Leader.</p> <p>December 2009.</p>

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Best value principles are applied in spending client monies and in the management and disposal of their assets.				
4.1	<p>10 payments were selected to ensure that there was evidence on file that best value had been achieved.</p> <p>It was concluded that 8 out of 10 payments could not demonstrate that best value had been achieved:</p> <ul style="list-style-type: none"> 2 payments had no supporting documentation. 1 further payment only had the invoice to support the payment. 3 payments did not have quotes on file, where they would have been reasonably expected. 1 payment was a £500 personal allowance requested by the care home on the client's behalf. There was no breakdown of what the allowance was for or how long it should last (see 4.3). 1 payment was for a property clearance, however there was no evidence that items had been valued or an attempt made to reclaim any of their cost before being disposed of (see 4.4). 	<p>Best value not achieved for Deputy.</p> <p>Poor review from OPG.</p> <p>Relinquishment of Court Order authority.</p> <p>Damage to the reputation of the Council.</p>	<p>Best value should be demonstrated for all purchases made from a clients account and how this has been achieved should be clearly evidenced.</p> <p>Where possible, quotes should be obtained and the best-valued offer chosen to ensure best value has been achieved.</p> <p>In addition, there should be established procedures for where the need for best value is outweighed by the urgency of the assessed and recorded need of the client</p>	High	<p>Central Finance (Deputy Team) Leader.</p> <p>December 2009.</p>

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Best value principles are applied in spending client monies and in the management and disposal of their assets.				
4.2	<p>One payment examined was for a television.</p> <p>The original e-mail request was for a £200 TV from Argos. Tracing through e-mail correspondence, eventually a 42" TV and wall mount costing £758.99 was purchased for the client from Comet because of his 'visual needs'. However, no written quotations are on file to compare the specifications/costs of the television.</p> <p>Furthermore, the care worker chose and paid for the television out of her own account and then claimed the money back from the Deputy Team.</p> <p>Attached to the payment details of the television, there is an invoice on file from a handyman for the fitting of a TV to the wall of the client's home, however the invoice does not detail what model or size this TV was.</p> <p>The details of the payment held on file make it difficult to substantiate with any certainty that the client received best value, or the actual television that was purchased.</p>	<p>Client does not receive intended item.</p> <p>Misappropriation/ allegations of theft.</p> <p>Expenditure not authorised before purchase.</p> <p>Care worker cannot claim money back from client.</p>	<p>A third party should not make a payment on behalf on the client and then seek to claim this back from the Deputy Team. All payments made on behalf of a client should be done so from the client's bank account, and only after the appointed Deputy has given authorisation.</p> <p>Where products are bought on behalf of the client, sufficient records should be kept to ensure it could be substantiated that the products have been received by the client, i.e. from a delivery note signed by the Deputyship.</p>	High	<p>Group Director for Housing and Social Care</p> <p>(in conjunction with)</p> <p>Central Finance (Deputy) Team) Leader.</p> <p>December 2009.</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Best value principles are applied in spending client monies and in the management and disposal of their assets.				
4.3	<p>One payment examined was a £500 personal allowance that had been requested, on behalf of the client, by the care home in which they reside.</p> <p>However, there was no breakdown of what the allowance was for or how long it should last for and there did not appear to be any further correspondence on file to question whether the amount that needed to be sent was appropriate and in the client's best interests.</p>	<p>Payment not in the client's best interest.</p> <p>No record of cash expenditure, and thus no evidence of best value.</p>	<p>Personal allowance payment requests should indicate what the likely expenditure will be, to ensure the amount requested is reasonable. This should be reflected in the client's care plan.</p>	Medium	<p>Director: Service Delivery (Housing and Social Care).</p> <p>December 2009.</p>
4.4	<p>One payment examined was for the clearance of a client's house, as the property was not going to be returned to by the client and had been agreed to be sold.</p> <p>3 quotes were received from different companies and the cheapest was chosen. There was a list of items that needed to be cleared from the house, but no evidence that these had been valued or any attempt made to reclaim the cost of items.</p>	<p>Best value of client property is not achieved.</p> <p>Assets of deputyship not recorded.</p> <p>Potential high-value item is not identified.</p>	<p>Client's property that is to be disposed of should be done so with best value principles in mind. Where possible, property should be valued and sold in order to reclaim some monies back before being cleared and disposed.</p> <p>The disposal should be recorded on the client's inventory as outlined in 1.2.</p>	Medium	<p>Group Director for Housing and Social Care</p> <p>December 2009.</p>

Standard Audit Opinions

1. The audit opinion is based on two different criteria the first is the materiality of the system and it's impact on the Council if there was a system failure. This has been spilt into High, Medium or Low.
2. The second criteria, is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high; satisfactory; significant improvements required and, fundamental weakness. Each of these categories has a standard opinion (see below).

Standard Audit Opinions on System Control

Audit Opinion 1. *High Standard*

The auditor completing the review concluded the significant system controls are in place and operating effectively and only minor recommendations have been made.

Audit Opinion 2. *Satisfactory Standard*

The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.

Audit Opinion 3. *Significant Improvements Required*

The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.

Audit Opinion 4. *Fundamental Weaknesses Identified*

The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.

3. The combination of these two factors gives an overall risk assessment to the Council of one of four scores i.e. significant, of concern, moderate or minimal (see section 4 of the main report).

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MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Deputyships			DATE	16 th October 2009
REPORT DATED	April 2009	REVIEWED BY	Nikki Soave	PAGE	1 OF 10

NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
1	There are documented procedures supporting actions taken by Council Staff as appointed Deputies.			
1.1	<p>Formal documented procedures should be created in order to guide the processes integral to the operating of deputyships. These procedures should cover:</p> <ul style="list-style-type: none"> ▪ The process for identifying and recording client assets. ▪ The process for valuing client assets, including when and when not to do so. ▪ The actions to be taken where it is identified that a client has deferred loans greater than their assets, including who in Legal should be contacted. ▪ The process for disposing of assets. ▪ The procedure for undertaking a property sale, from deciding to sell through to the completion of the sale. ▪ The procedure for notifying all relevant internal departments and external organisations of the deputyship arrangement so that queries and post is received promptly by the deputy. <p>Where possible, standard forms and documents should be devised and used in future, in order to provide consistency across all the procedures.</p>	High	<p>Group Director for Housing and Social Care</p> <p>(in conjunction with)</p> <p>Central Finance (Deputy Team) Leader.</p> <p>December 2009.</p>	<p>Agreed</p> <p>Inventories to be completed and carried out by a minimum of 2 people - 1 to be member of Finance Admin plus 1 other which should be a care worker / supporting worker.</p> <p>To consider possibility of Voluntary sector assisting with the visit? Extension of domiciliary care contracts? - Housing support workers?</p> <p>JH to put paper together and to take to ASC SMT (including provision and commissioning). Within 3 weeks for the above 2 points.</p> <p>Agreed that after carrying out inventories, officers involved will make recommendations as to appropriate action based on what is found at the time. Decision about actions to be taken to signed off by ASC "designated officer" e.g. John / Neil?</p> <p>ASC to decide who the appropriate lead is and to confirm to Capita finance admin who these are.</p> <p>AS/FP to draw up template and circulate for approval.</p>

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AUDIT	Deputyships			DATE	16 th October 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
1	There are documented procedures supporting actions taken by Council Staff as appointed Deputies.			
1.2 Page 154	<p>There should be a clear and standardised inventory form, to record all assets that belong to each client that is completed at the appointment stage of a Deputyship. The inventory should act as a checklist of what property has been identified and the value of each item. There should also be the capacity to allow other ad hoc property to be recorded where found. The record should also show what property belonging to the client has been disposed of, who has authorised it, the date of disposal and how best value has been achieved. Each entry should be checked and signed by 2 officers to demonstrate adequate segregation of duties.</p> <p>The records should be retained on each client's file and form part of the procedures recommended in 1.1.</p>	High	<p>Group Director for Housing and Social Care</p> <p>(in conjunction with)</p> <p>Central Finance (Deputy Team) Leader.</p> <p>December 2009.</p>	Agreed – see above

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AUDIT	Deputyships			DATE	16 th October 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
1	There are documented procedures supporting actions taken by Council Staff as appointed Deputies.			
1.3	<p>The relevant Team in Adult Social Care should appoint a social worker to the client in question in order for the deputyship application to be completed and sent to the Court of Protection as soon as possible.</p> <p>Alternatively, if the client is to remain as an appointee, the client should be removed from the list of current deputyships.</p> <p><i>(NB. For confidentiality reasons, the Deputyship's name has been omitted from the report).</i></p>	High	<p>Director: Service Delivery (Housing and Social Care).</p> <p>December 2009</p>	<p>Agreed</p> <p>AS has identified client and appropriate follow up action being taken. AS to write up a summary of current situation and pass details to JH.</p> <p>JH / NH to consider how this can be set up / managed - to discuss with Care managers etc. JH to liaise with relevant officers / agencies JH to put paper together and to take to ASC SMT (including provision and commissioning). Within 3 weeks.</p>
1.4	<p>All requests for payment should include standard information such as: the client name, the date of request, the person making the request, what the payment is for, the amount requested and any other relevant information that will effect the decision to make the payment.</p> <p>A standard form could be devised in order to ensure that all requests are complete with sufficient information to allow the request to be paid.</p> <p>Furthermore, the range of likely financial requests should be identified in the client's care plan and subject to review on an ongoing basis so that the payment process is more standardised.</p>	High	<p>Group Director for Housing and Social Care.</p> <p>December 2009.</p>	<p>Agreed</p> <p>AS/FP to draw up template and circulate for approval - by end September.</p> <p>APPS and Deps team to monitor and feedback if any issues of non-compliance once in place. AS to set up spreadsheet to monitor issues of all types across Deputyship admin. Report to be used to identify any areas that need escalation.</p> <p>JH to follow up with relevant parties and ensure this happens.</p>

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AUDIT	Deputyships			DATE	16 th October 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
1	There are documented procedures supporting actions taken by Council Staff as appointed Deputies.			
1.5	Any meetings that take place regarding the decision making process for a specific payment from a clients account should be minuted accordingly and held on file with the details of that payment. In addition, best interest meetings should follow standard procedure and documentation and be chaired appropriately.	Medium	Central Finance (Deputy) Team) Leader. From next meeting.	Agreed JH to follow up with relevant parties and ensure this happens in particular principles of best practice JH to roll out principle of how best interest meetings should be formatted and recorded. To incorporate into briefing note
1.6	All members of the Finance (Deputy) Team and authorised signatories should complete a pecuniary interest form in order to demonstrate that conflicts of interests have been declared. Where a member of the team has an interest, the payment should be authorised by another officer. In addition, where there is a potential conflict of interest arising from a property sale, advice and authorisation should be sought from a Council Officer independent of Adult Social Care and the Deputy Team, i.e. someone in Law and Democratic Services.	Low	Central Finance (Deputy) Team) Leader. December 2009.	Agreed Capita to liaise with Andrew Ferguson and establish what format the declaration should take and who should be included. JH confirmed that Caroline and John -should sign - AS to investigate whether extract of COP would suffice as format of declaration (part of application includes a declaration that there is not interest etc) ongoing.

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
2	Responsibilities of Council Officers are clearly set out and differentiate between the roles of staff on the Adult Social Care (ASC) side and those staff providing support as appointed Deputies.			
2.1	<p>The should be a service level agreement (SLA) between Adult Social Care and the Central Finance Team (Deputy Team) that clearly state the roles and responsibilities of each party in the administration of client accounts.</p> <p>The boundaries between Adult Social Care and the Deputy Team roles and responsibilities should be decided and clearly stated, with no overlap, including who should be authorised to deal with the clearance of client's homes and the disposal of their property.</p> <p>Furthermore, the SLA should determine that the overriding authority over client monies lies with the Director of Adult Social Care (or equivalent role) as stated in the Court Order.</p>	High	<p>Group Director for Housing and Social Care.</p> <p>January 2009.</p>	<p>FP to provide JH and NH with work done up to now, output spec, critical success factors etc so that SLA's can start to be drawn up formally - by 11th October.</p> <p>JH to raise this with ASC SMT as a principle to be applied across all areas of care (to include Mental Health, PCT etc)</p> <p>JH to raise this with ASC SMT as a requirement going forward - to incorporate all sectors of Adult care provision. JH to put paper together and to take to ASC SMT (including provision and commissioning). Within 3 weeks.</p>

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AUDIT	Deputyships			DATE	16 th October 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
2.2	As the responsible Deputy, the Group Director for Housing and Social Care should ensure that a responsible officer in Adult Social Care provides an active monitoring role in the administration of client accounts, to satisfy themselves that the operation of deputyships is done so under the terms of the Court Order and the Service Level Agreement recommended in 2.1, above.	High	Group Director for Housing and Social Care. December 2009.	Agreed John Hughes Head of Service Social Care policy & strategy oversee with nominated Care Managers. JH / NH to consider how this role can be set up / managed - to discuss with Care managers etc. JH to incorporate into briefing paper. Agreed that when report is sent to Court of Protection copies are forwarded to the nominated care worker for scrutiny. Needs to be a person centred to view in principles of accuracy and best interests

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AUDIT	Deputyships			DATE	16 th October 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
3	All disbursements are made in accordance with the Councils Financial Regulations and ensuring there is adequate segregation of duties.			
3.1	<p>Purchases made should be receipted and signed by the client, where possible, to confirm receipt of the money/goods/services, especially if a personal allowance payment made in cash.</p> <p>There should be a clear protocol to establish the client's capacity to sign for payments, which should be assessed and reviewed on a regular basis. Evidence of these checks should be retained on file. In the event that the client is assessed as unable to sign for the payment, a care worker should sign the receipt on their behalf. This care worker should not be the person who has assessed their capability to sign.</p> <p>All signed receipts should be retained on file.</p>	High	<p>Group Director for Housing and Social Care.</p> <p>December 2009.</p>	Agreed in part – there are some principle issues around Mental Capacity / client best interests – e.g. proposed that for low level spend such as hair dressing / “pocket” money items there should be a certain amount of freedom to spend without receipts from the individual. The maximum weekly payment on this basis to be informed by the limits for personal spend as set down in CRAG regulations annually.
3.2	<p>Payments should only be made out of a client's account if the Court of Protection so has granted authorisation to do.</p> <p>Where possible, application fees should be deferred until the Court order has been granted.</p>	Medium	<p>Central Finance (Deputy Team) Leader.</p> <p>December 2009</p>	Agreed

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AUDIT	Deputyships			DATE	16 th October 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
3	All disbursements are made in accordance with the Councils Financial Regulations and ensuring there is adequate segregation of duties.			
3.3	<p>Payments should not be made unless supporting receipts can be provided, to evidence that the payment is genuine and it can be reasonably believed that the client has received the items in question.</p> <p>It should be communicated to Care Workers and Care Homes that individual receipts for items should be provided to support invoices that require payment for individual items/services.</p> <p>Where practical, individual items should be authorised by the Deputy prior to purchase, to confirm that the spend corresponds to the assessment of the likely nature of requests for payment, which should be outlined in the care plan as per recommendation 1.4.</p>	Low	<p>Director: Service Delivery (Housing and Social Care).</p> <p>December 2009.</p>	<p>Agreed NB already in place</p> <p>JH to follow up with relevant parties and ensure this happens in particular principles of best practice.</p> <p>With low level "pocket money" spending, where people may not have the capacity to decide on major items, it is reasonable to allow low level spend without draconian interrogation- to allow for independence principles - FP to add into response - completed</p>
3.4	Regular scheduled payments, such as direct debits, should be inputted onto the client excel spreadsheets when due, so that reconciliations can be performed independently and discrepancies recorded as necessary.	Medium	<p>Central Finance (Deputy Team) Leader.</p> <p>December 2009</p>	<p>Agreed</p> <p>In place and operational.</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Deputyships			DATE	16 th October 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
4	Best value principles are applied in spending client monies and in the management and disposal of their assets.			
4.1	<p>Best value should be demonstrated for all purchases made from a clients account and how this has been achieved should be clearly evidenced.</p> <p>Where possible, quotes should be obtained and the best-valued offer chosen to ensure best value has been achieved.</p> <p>In addition, there should be established procedures for where the need for best value is outweighed by the urgency of the assessed and recorded need of the client</p>	High	<p>Central Finance (Deputy) Team) Leader.</p> <p>December 2009</p>	<p>Agreed NB already in place</p> <p>Covered by point 1.4 above.</p>
4.2	<p>A third party should not make a payment on behalf on the client and then seek to claim this back from the Deputy Team. All payments made on behalf of a client should be done so from the client's bank account, and only after the appointed Deputy has given authorisation.</p> <p>Where products are bought on behalf of the client, sufficient records should be kept to ensure it could be substantiated that the products have been received by the client, i.e. from a delivery note signed by the Deputyship.</p>	High	<p>Group Director for Housing and Social Care</p> <p>(in conjunction with)</p> <p>Central Finance (Deputy) Team) Leader.</p> <p>December 2009</p>	<p>Agreed NB already in place</p> <p>JH to follow up with relevant parties and ensure this happens in particular principles of best practice.</p>

MANAGEMENT RESPONSE TO INTERNAL AUDIT RECOMMENDATIONS

AUDIT	Deputyships			DATE	16 th October 2009
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NO	RECOMMENDATIONS	PRIORITY	RESPONSIBLE OFFICER TIME-SCALE	COMMENTS / ACTIONS BY DEPARTMENT
4	Best value principles are applied in spending client monies and in the management and disposal of their assets.			
4.3	Personal allowance payment requests should indicate what the likely expenditure will be, to ensure the amount requested is reasonable. This should be reflected in the client's care plan.	Medium	Director: Service Delivery (Housing and Social Care). December 2009	Agreed NB already in place Already in place but Apps and Deps team do not have care plans for all clients - JH to follow this up as in point 1.4 above. JH to follow up with relevant parties and ensure this happens in particular principles of best practice.
4.4	Client's property that is to be disposed of should be done so with best value principals in mind. Where possible, property should be valued and sold in order to reclaim some monies back before being cleared and disposed. The disposal should be recorded on the client's inventory as outlined in 1.2.	Medium	Group Director for Housing and Social Care December 2009.	Agreed See points 1.1 & 1.2 above.

I certify that the above information is correct

Service Manager: John Hughes

Date: October 2009

Internal Audit: Nikki Soave

Date: October 2009

Progress Report - March 2010

Swindon BC

Audit 2009/1010

- Audit Commission descriptor to be inserted by Publishing-

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Audit progress summary

Area of work	Audit Plan reporting date	Date reported to Officers	Lead Officers	Date reported to Audit Committee	Comment
2009/10					
Audit fees letter	April 2009	April 2009	AC Peter Smith	June 2009	Fee letter sent to Chief Executive in April.
Interim audit	April 2010 (if required)		SBC Darren Stevens/ Nick Hobbs AC Paul Benfield		<p>System walkthroughs completed all systems reviewed have adequate controls</p> <p>Controls testing to be undertaken in March. This is to enable us to place reliance on Internal Audits work.</p> <p>Significant control issues will be reported on an exception basis in April 2010. If no material issues are identified a summary of findings will be reported within the ISA 260 governance report.</p>
Connecting People	June 2010				Project brief for limited overview agreed with on site work expected

connecting places					to be in March 2010.
Use of Resources	July 2010		SBC Stewart Mckellar AC Peter Smith		Work underway. Workforce completed other areas are in progress and due for completion in March prior to submitting indicative scores will be submitted to the Audit Commission by 21st April 2010 with final submission for Quality Review process being the 30th July 2010.
Opinion fee review	May 2010		SBC Gavin Jones AC Peter Smith		Work underway.
Opinion	September 2010		SBC Stewart Mckellar AC Peter Smith		Not yet started Post statements audit testing to be undertaken in July - August 2010 Audit Committee date for approval of accounts has not yet been agreed.
VFM Conclusion	September 2010		SBC Stewart Mckellar AC Peter Smith		Not yet started
Annual Audit Letter	November 2010		SBC Stewart Mckellra AC Peter Smith		Not yet started
2010/11					

Audit Plan	March 2010		SBC Gavin Jones AC Peter Smith		<p>Risk planning completed and awaiting internal review of proposed fee level.</p> <p>AC expectation is that fees will rise nationally in this sector by 7.25% but we expect fees to stay broadly as last year</p>
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Certification of Claims and Returns - Annual Report

Swindon Borough Council

Audit 2008/09

February 2010



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Key messages

- 1 This report sets out our findings from our certification of the authority's grant claims and returns for the financial year 2008/09. It provides a summary of the issues identified during our work, including amendments or qualifications made for any of the claims.
 - All claims and returns were sent to us on time. This is an improvement from last year.
 - We met all the certification deadlines.
 - This year no reports were required to be sent to the Grant Paying Departments. Three were sent last year.
 - An adequate control environment was identified for each claim. Our assessment takes into account the level of errors and the experience of staff compiling claims and returns.
 - The number of claims/returns with amendments rose from five in 2007/08 to six in 2008/09.
 - As a result of our audit of claims and returns this year the income receivable to the Council increased by a minimum of £273,793
 - Despite a recommendation issued in 2007/08 that detailed and adequate working papers should be prepared for all claims and returns prior to submission for certification, this was not the case for one return prepared by officers in housing finance.
 - Additionally, we noted some minor errors in preparing claims and returns which suggests that discipline in completing and reviewing claims can still be improved. Examples of this include transposition errors when recording details in the claims or returns from reports (noted in three separate claims), and poor attention to detail when completing returns as noted within the Housing Subsidy Base Data Return.
 - We have therefore made two recommendations for improvement this year compared to five last year.
- 2 We append an action plan containing recommendations for improvement in processes.
- 3 We acknowledge the help and assistance provided by the staff involved in co-ordinating the grant claims.

Background

- 4 The Council claims £161 million for specific activities from grant paying departments. As this is significant to the Council's income it is important that this process is properly managed. In particular this means:
 - an adequate control environment over each claim and return; and
 - ensuring that the Council can evidence that it has met the conditions attached to each claim.
- 5 We are required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by government departments and public bodies to Swindon Borough Council. We charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.
- 6 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.

The key features of the current arrangements are as follows.

- For claims and returns below £100,000 the Commission does not make certification arrangements.
- For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
- For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.
- For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

Certification approach

- 7 In completing the certification of grant claims and returns, we follow detailed guidance documented in the Audit Commission's Certification Instructions (CIs). These describe the purpose, the rules and regulations concerning the claim and the audit tests to be applied in the examination of the claim.
- 8 The certificate included on each claim or return, requires us to apply some of or all the tests in the relevant CI. This is dependant on the amount claimed and our assessment of the control environment surrounding the claim.
- 9 Where we are unable to certify that the entries are fairly stated, and that expenditure has been properly incurred in line with the conditions under which the claim is made, we either:
 - ask the Council to amend the claim/return; or
 - issue a report on the claim/return explaining why we are unable to certify the claim without qualification.
- 10 Where our certificate is qualified, we need to indicate or estimate the value of any errors in the claim/return. On receipt of our report, the grant paying department will consider what, if any, other action is appropriate. In some circumstances, the grant paying department may request further information and/or adjust any sum between them and the Council.
- 11 The results of our grant certification work will be used to support auditors' other responsibilities, including use of resources and data quality work.

Main conclusions

Summary of results

12 Table 1 sets out a summary of our audit of grant claims and returns for 2008/09.

Table 1 Analysis of audit results

	Number/Value £	Comments
Claims/returns audited	8	-
Value of claims/returns certified	£161,431,309	-
Claims/returns submitted for audit by the deadline	8	No claims were late.
Claims/returns amended by the Council as a result of our audit	6 (5 in 2007/08)	Amendments were made to the: <ul style="list-style-type: none"> • Housing and Council Tax Benefit claim; • Pooling of Capital Receipts return; • HRA Subsidy claim; • Housing Subsidy base data return; • National Non Domestic Rates; and • Teachers Pension return.
Value of amendments	£273,793 ¹	This is the actual and estimated effect of changes to monetary values.
Claims/returns where we reported issues to government department	0 (3 in 2007/08)	No Reports were issued.
Claims/returns not certified within deadline	0 (1 in 2007/08)	All claims were submitted to the grant paying body on time.

¹ This is the sum total to the calculable changes in subsidy to the council, We are unable to ascertain the effects of changes made to the base data return as it impacts on the HRA subsidy.

Main conclusions

13 The key points from Table 1 are that:

- the Council improved its performance in submitting claims for certification;
- there was an increase in the number of claims / returns that needed amendment;
- whilst the number of amendments has risen, the number of reports has dropped to zero; and
- all claims were certified and submitted to the departments on time.

Qualitative issues arising

14 Our work this year identified that detailed and adequate working papers were not prepared for one return before submission prior to submission for audit despite a general recommendation in this area last year.

Recommendation
<p>R1 Preparation of working papers.</p> <ul style="list-style-type: none">• Individuals responsible for preparing claims/returns must ensure they have prepared appropriate working papers to support claims/returns before submission.

15 Additionally, the level of errors and amendments increased this year. This suggests that discipline in completing and reviewing claims can still be improved

Recommendation
<p>R2 Preparing and reviewing claims / returns</p> <ul style="list-style-type: none">• Individuals responsible for preparing claims/returns must ensure they have read and used the correct guidance when preparing a claim for certification.• Individuals responsible for verifying that claims and returns are accurate before certification should ensure that entries in claims and returns are supported by the working papers.

16 The following section sets out a detailed summary claims/returns certified.

Review of claims/returns

- 17 Set out below, are the key issues arising from the audit of the most significant claims/returns.

Housing and council tax benefit claim

- 18 While, we were able to certify the claim without any report to the grant paying department, the Council needed to amend it.
- 19 Although no report was issued, some matters have been raised with the Head of Benefits, specifically the following.
- In our mandatory sample of 80 cases, five failures were identified, four of which were due to the incorrect application of information into the Benefits systems. Three cases caused in a reduction in subsidy as the claimants had been overpaid. The fourth was an overpayment, which was reversed, resulting in a significant amount of additional subsidy being added to the claim. In the fifth case, benefit payment continued even though insufficient information was provided by the claimant following receipt extend payments. The guidance states this must be reclassified and Local Authority error overpayment.
 - We had identified some problems with the classification of overpayments last year, and some additional testing was conducted by benefit staff for this claim. However, continuing problems were identified and so we have agreed that the authority will again undertake additional testing on overpayments next year.

Housing Subsidy Base Data return

- 20 No report was issued, although, there were many amendments made to the draft return before certification, these were as follows.
- It was noted that the total flats and houses recorded in the analysis of dwellings section, (cells F0036mm and F0037mm), did not agree with the number at the beginning of the return. This was due to the numbers of houses being understated and the cell was subsequently corrected.
 - The figure for the F04cc (Estimated amount of principal outstanding on 1 April 2010) was incorrect. The preparer had used the figure for 1 April 2009 instead of 1 April 2010.
 - Many cells within the rental income section of the form (F009RI to F0016RI) had to be revised, as they were not initially supported by any working papers. Once these were prepared, they were different to those initially disclosed.
 - The analysis of traditional dwellings (fields F001MM to F008MM and reflected again per F017MM to F024MM) was revised. As the return was prepared using figures from the unrevised 2007/08 return, with changes to housing stock in the 2008/09. The return should have been prepared by applying the changes in housing stock on the certified figures in the 2007/08 return.

Review of claims/returns

- Amendments to traditional and non traditional flats, (fields F009MM to F013MM) were also applied as a follow-on effect of the changes in the set of cells noted just above.
- The cell for total re-lets, (F041MM) and total terminations, (F042MM) were amended. The figures entered differed to those in a breakdown provided during the certification process.

Pooling of Housing Capital receipts

- 21 The return was amended, as it included a deduction for gas surveys completed. Whilst this would normally be allowable, the surveys were not completed in time so could not be included within the 2008/09 return.

General Sure start

- 22 The claim was certified without reporting or amendment. However, we did issue a recommendation as assets for the scheme were held in a standalone register, but were not included within the Asset Register for the council. The preparing officer agreed that whilst a separate register is useful for easier monitoring of their assets, these items should be included within the council wide register.
- 23 We have now received the returned action plan from the officer confirming that this recommendation has been completed.

National Non Domestic Rates

- 24 This claim required an amendment, due an entry being overstated following a transposition error from a report.

Housing Subsidy

- 25 This return was certified following two sets of amendments.
- The first was for three cells in the returns that had nil balances, but were left empty on the return. The certification process requires that all cells be filled, even if they should be zero.
 - The second was for a cell that had been understated by £700,000, due to a short term loan not being included within the calculation for cell F002CI (average amount of borrowing)

Teachers Pension

- 26 This claim was certified with one minor adjustment in a cell to complement a report produced as part of the working papers.

Disabled Housing Facilities Grant

- 27 This claim was certified without any report or amendment.

Appendix 1 – Summary of grant claims for 2008/09

The table below summarises the results of our audit for each individual claim

Table 2 Summary of individual grant claims

CI Ref	Description	Value of claim/return	Submitted to audit on time	Auditor deadline met	Claim amended	Adequate control environment	Impact on subsidy	Claim qualified
BEN01	Housing and council tax benefits scheme	55,382,282.00	Yes	Yes	Yes	Yes	+£230,089.00	No
CFB06	Pooling of housing capital receipts	2,029,481.76	Yes	Yes	Yes	Yes	-£295.62	No
EYC02	General Sure start grant	4,952,185.00	Yes	Yes	No	Yes	N/A	No
HOU01	HRA subsidy	-9,417,780.00 (this reflects the return showing a payments needs to be made to CLG)	Yes	Yes	Yes	Yes	Unknown	No

Appendix 1 – Summary of grant claims for 2008/09

CI Ref	Description	Value of claim/return	Submitted to audit on time	Auditor deadline met	Claim amended	Adequate control environment	Impact on subsidy	Claim qualified
HOU02	HRA subsidy base data return	-	Yes	Yes	Yes	Yes	We are unable to determine the effects of changes in the return	No
HOU21	Disabled facilities	375,000.00	Yes	Yes	No	Yes	N/A	No
LA01	National non-domestic rates return	97,078,797.28	Yes	Yes	Yes	Yes	+£44,000.00	No

Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Preparation of working papers. <ul style="list-style-type: none"> Individuals responsible for preparing claims/returns must ensure they have prepared appropriate working papers to support claims/returns before submission. 	2	Preparing officers			
7	R2 Preparing and reviewing claims/returns. <ul style="list-style-type: none"> Individuals responsible for verifying that claims and returns are accurate before certification should ensure that entries in claims and returns are supported by the working papers. 	2	Preparing officers			

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AUDIT COMMITTEE

Date: 30th March 2010

Author: Head of Internal Audit

Wards Affected: None

Purpose

To present the draft Internal Audit Annual Plan (2010/11) for approval by the Audit Committee.

Recommendations

- That the Audit Committee approves the draft Internal Audit Plan for 2010/11.

1 Reasons

- 1.1 To ensure that the Internal Audit plan reflects the priorities identified by the Audit Committee and the Council.

2 Detail

- 2.1 Internal Audit is a statutory requirement under the Accounts and Audit (Amendment) (England) Regulations 2006.
- 2.2 The Head of Internal Audit has put together a draft risk-based Internal audit plan for 2010/11 (see appendix 1). The plan has been produced on the basis of:
- Ensuring that there is adequate coverage of the Council's governance arrangements and key systems of internal control in order to provide assurance to the Leader and Chief Executive when certifying the Annual Governance Statement, and to the Council's Audit Committee.
 - Ensuring that the Director of Finance's Section 151 (Local Government Act 1972) requirements are met.
 - Ensuring compliance with the requirements of the Accounts and Audit (Amendment) (England) Regulations 2006.
 - Risks identified to the Council meeting its key objectives identified in the Corporate Risk register are covered.
 - The requirements of External Audit, in particular in relation to the audit of the Council's main financial systems.
 - Group Director/Director priorities.
 - Priorities identified by Internal Audit.
 - Additional Corporate Governance issues including anti-fraud and corruption work.
 - Certification work including the Local Area Agreement, BVPIs, Streets for Living and SCITT audits etc.

AUDIT COMMITTEE

Date: 30th March 2010

- A contingency has also been allowed for investigation work, follow-up work and advice and consultancy.
- 2.3 Meetings with the Chief Executive, all Group Directors and Heads of Finance were held in order to identify their priorities for Internal Audit over the coming financial year. All senior management teams were also consulted.
- 2.4 The draft plan has been split in to four main sections:
- *Corporate Risk Register* – part of the audit plan is based on examining the controls that are in place to mitigate the strategic risks identified in the Corporate Risk Register.
 - *Managed Audits* – these are the audits that External Audit would expect to be carried out in order for them to place reliance on the Council's statement of accounts. These include the Council's main financial systems e.g. Payroll, Creditors, Debtors etc. as well as other significant feeder systems in to Oracle such as SWIFT and TASK.
 - *Director/Audit priorities* – these are the audits identified by Group Directors and Directors as priority areas and those identified by Internal Audit.
 - *Corporate Governance* – includes all the anti-fraud and corruption work and the certification audits, PIs etc.

Alternative Options

Not Applicable

Risk Management

Financial and Procurement Implications

- There is no financial implication to this report as the annual audit plan has been aligned to available resources. Audits that will not be covered due to available resources are detailed in Appendix 1.

Legal/Human Rights Implications

- Internal Audit is a statutory requirement of the Accounts and Audit (Amendment) (England) Regulations 2006. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

Links to Corporate Plans and Policies

- Internal Control, Audit Committee and the Annual Governance Statement all feature significantly in the CAA Use of Resources Assessment. Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

DRAFT Internal Audit Annual Plan 2010/11

AUDIT COMMITTEE

Date: 30th March 2010

Consultees:

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Chief Executive

Group Directors

All Directors

Group Finance Managers

The Council's External Auditor: The Audit Commission

Appendices / Background papers

Appendix 1 – Draft Annual Internal Audit Plan: 2010/11

Key Decision/Decision in Forward Plan

Not Applicable

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CHIEF EXECUTIVE

	Ref	Owner	Days
CORPORATE RISK REGISTER (CR)			
Achieving in year budget			8
			8
MANAGED AUDITS (MA)			
Treasury Management			
Key controls and Anti-Fraud	MA	SMcK	8
Main Accounting system			
Key controls and Anti-Fraud	MA	SMcK	15
Oracle follow up	DR	SMcK	8
Creditors			
Key controls and Anti-Fraud	MA	SMcK	15
Follow up to 2009/10 audit recommendations	MA	SMcK	18
			64
DIRECTORATE / AUDIT RISKS & PRIORITIES			
SCS - Consultancy	DR	BF	40
Use of Resources pre-assessment	DR	SMcK	20
Payment Card Industry Standards	DR	SMcK	8
Final Account audits	DR	GJ	12
Assist in Financial Regulations review	DR	SMcK	5
			85
CORPORATE GOVERNANCE			
Annual Governance Statement	CG	GJ	15
National Fraud Initiative	CG	GJ	35
Corporate Governance Health check	CG	GJ	20
Anti Fraud and Corruption - creditors	CG	SMcK	12
Anti Fraud and Corruption - money laundering	CG	SMcK	5
Anti Fraud and Corruption - bank reconciliation	CG	SMcK	6
Anti Fraud and Corruption - petty cash	CG	SMcK	10
Anti Fraud and Corruption - mobile phones (follow up)	CG	SMcK	5
Performance Indicators	CG	GJ	5
			113

Follow up audits - all Directorates	80
Contingency and irregularity inc. whistleblowing	195
Advice, assistance and communication	80
TOTAL	625

CHILDREN

	Ref	Owner	Days
CORPORATE RISK REGISTER			
Safeguarding		JG	15
Business Continuity Schools		IB	15
			30
MANAGED AUDITS			
None			0
			0
DIRECTORATE / AUDIT RISKS & PRIORITIES			
School Placed Planning	DR		15
ICS systems & data integration: CAPITA One contract fit for purpose	DR		10
Recoupment follow up	DR		8
SENRAP follow up	DR		8
Future Integration with Health - Pooling budgets: TUPE	DR		12
NWOW: Locality working	DR		15
Childrens Trust; Governance Arrangements	DR		12
Pupil Referral Unit	DR		10
Value for money on capital schemes	DR		15
Contact Point	DR		12
School Meals food and nutrient standards	DR		12
Transfer of LSC responsibilities	DR		10
Schools:			
Financial Management Standard for Schools Guidance etc.	DR		5
Primary and Special Schools (12)	DR		84
Secondary School (1)	DR		12
School reassessments/revisits	DR		25
School Privacy and security controls	DR		12
			277
CORPORATE GOVERNANCE			
Performance Indicators	CG	SW	6
			6
TOTAL			313

ENVIRONMENT, REGENERATION & COMMUNITY

	Ref	Owner	Days
CORPORATE RISK REGISTER			
Section 106	CRR		20
			20
MANAGED AUDITS			
None			0
			0
DIRECTORATE / AUDIT RISKS & PRIORITIES			
StreetSmart - contract management	DR	JM	15
NEWCO	DR	CC	12
Street Works	DR	JM	10
Car Parking	DR	JM	5
Growth Point Funding cert (also link to Town Centre regen)	DR	DP	10
Managing Health and Safety procedures (carry over from 2010/11)	DR	CC	8
Section 38	DR	DP	10
			70
CORPORATE GOVERNANCE			
Performance indicators	CG	CC	6
Anti Fraud & Corruption - Car Parks	CG	JM	5
			11
TOTAL			101

ADULT SOCIAL CARE

	Ref	Owner	Days
CORPORATE RISK REGISTER (CR)			
Integration with Health (governance and risks)			20
Safeguarding - vulnerable adults			20
			40
MANAGED AUDITS (MA)			
SWIFT - system control and integrity, reliance on data			15
			15
DIRECTORATE / AUDIT RISKS & PRIORITIES (DR)			
Review of application of the current policy on ASC			20
Robustness of, and monitoring arrangements for the delivery of saving plans			12
Direct payments			10
Personalisation			15
Deputyships - follow up			8
Demand forecasting			20
Provider decoupling			10
Adult Social Care establishment			8
SWIFT - upgrade			6
			67
CORPORATE GOVERNANCE (CG)			
Provider Providers: Resident's cash and property	CG	TW	10
Cash Payments to Clients follow up	CG	TW	6
Performance Indicators	CG	CF	6
			22
TOTAL			144

HOUSING

	Ref	Owner	Days
CORPORATE RISK REGISTER (CR)			
None			0
MANAGED AUDITS (MA)			
Housing Rents inc. Anti-Fraud	MA	BB	5
OPEN Housing system control and integrity	MA	BB	5
			10
DIRECTORATE / AUDIT RISKS & PRIORITIES (DR)			
SCS Contract Management	DR	BB	20
Resident's satisfaction surveys	DR	BB	12
Supporting People	DR	BB	15
New Central Library	DR	BB	10
Leisure exstablishment	DR	BB	10
Affordable Homes	DR	BB	12
			79
CORPORATE GOVERNANCE (CG)			
Housing Tenancy F&C	CG	BB	6
Performance Indicators	CG	BB	6
			12
TOTAL			101

BUSINESS TRANSFORMATION

	Ref	Owner	Days
CORPORATE RISK REGISTER (CR)			
CAPITA contract management: performance (follow up)	CRR	HP	20
Information management and security	CRR	HP	15
Transformation Programme	CRR	HP	15
Benefits Improvement	CRR	HP	15
Capital programme (follow up)	CRR	HP	8
Corporate Manslaughter (follow up)	CRR	HP	8
Business Continuity (follow up)	CRR	HP	8
			89

MANAGED AUDITS (MA)

Risk Management	MA	MG	15
Housing & Council Tax Benefits			
Claims administration: processing and entitlement	MA	AP	25
System control and integrity	MA	AP	8
Council Tax			
Key controls and ongoing testing and Anti-Fraud	MA	AS	12
System control and integrity (includes NNDR)	MA	AS	6
NNDR			
Key controls and Anti-Fraud	MA	AS	12
Payroll			
Key controls and Anti-Fraud, Starters, Leavers etc.	MA	JM	30
System control and integrity	MA	JM	8
Debtors			
Key controls and Anti-Fraud	MA	AS	18
Asset Management			
Asset Management	MA	RR	12
Cash Collection			
	MA	AS	15
			161

DIRECTORATE / AUDIT RISKS & PRIORITIES

Sickness monitoring (follow up)	DR	JM	8
Partnership Governance	DR	MG	12
Data Quality	DR	MG	10
Compliance with procurement regulations	DR	LB	10
LAA grant certification	DR	MG	5
PMO follow up	DR	MG	10
Elections	DR	ST	8
Benefit fraud	DR	ST	10

DIRECTORATE / AUDIT RISKS & PRIORITIES cont.

ICT:

Client Monitoring: IT service provision	DR	DT	10
IT Strategy	DR	DT	15
Government Connect	DR	DT	10
E-mail and internet usage - compliance	DR	DT	12
Software acquisition and maintenance	DR	DT	8
Sharepoint	DR	DT	5
Asset management	DR	DT	8
Wireless Communications - privacy and security	DR	DT	8

149**CORPORATE GOVERNANCE**

Anti Fraud and Corruption - controlled stationery	CG	HP	5
Cheque Control inc. opening cheques, authorised limits etc.	CG	SE	6
Anti Fraud and Corruption - gifts and hospitality	CG	ST	6

17**TOTAL****416**

AUDITS NOT INCLUDED IN THE PLAN

Childrens

Out of Borough
Free Nursery Vouchers and pilot scheme
PFI Contract
Redundancy payments
Central Education Finance
School Meals

Environment, Regeneration and Community

Connecting People Connecting Places
Town Centre Regeneration
Transport Strategy
Street Smart IT
Energy Management
Traffic Management and Signals
Enforcement - Trading Standards
Community Facilities

Housing

Homelessness
Decent Homes
Lesiure establishment
Cleaning contract
Lydiard - follow up
Lydiard - business case
Budget pressures: managing expectation - Library & Culture

Business Transformation

IT: Development and maintenance management
Single Status
Registrars

Chief Executive's

VAT
Insurance

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Head of Internal Audit Update

AUDIT COMMITTEE

Date: 30th March 2010

Author: Head of Internal Audit

Wards Affected: None

Purpose

To present Members with a summary of the main issues arising from the Internal Audit reports finalised since the Audit Committee meeting in January, and to update Members with regard to progress against the annual internal audit plan.

Recommendation

- It is recommended that the contents of the report be noted.

1 Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 1.2 The Council's Internal Audit section is a key component of the assurance framework and therefore it is essential that this Committee monitor its performance against the annual plan along with the implementation of agreed recommendations by Client departments.

2 Detail

Reports Issued

- 2.1 Details of Internal Audit reports finalised since the January Audit Committee are set out in Appendix 1. The appendix sets out a summary of the audit recommendations made along with the overall risk assessment to the Council.

Progress on completion of Internal Audit Plan 2009/10

- 2.2 As at the end of February we have completed 60% of the plan against a target of 73%. Appendix 2 details the audits issued to date. We are currently hoping to achieve at least 85% of the plan. We will aim to ensure that work is completed on the high priority audits and those required to provide assurance to the External Auditor and those required to comply with Government requirements i.e. FMSIS.

Head of Internal Audit Update

AUDIT COMMITTEE

Date: 30th March 2010

External Contract

- 2.3 The Internal audit section has been awarded a two-year extension to its existing contract with the Wiltshire and Swindon Fire Authority.

Update from November 2009 Audit committee meeting

- 2.4 A presentation on Emergency Planning and the Response to Major Incidents was made to the Audit Committee in November 2009. We advised that a Joint Recovery Plan was being prepared with NHS Swindon. The Council's Business Continuity Manager advised that the Draft Recovery Plan is being presented to the NHS Swindon Audit and Assurance Committee on 22nd March. An Agenda slot has been allocated on the Council's April Audit Committee Meeting where a presentation on the full Draft Plan will be made.
- 2.5 In the meantime, an Executive Summary is attached as Appendix 3. If you wish to see the full Plan prior to the papers for the next Audit Committee, please contact Alistair Ireland, Business Continuity Manager on 07824 868 420 or alireland@swindon.gov.uk

Alternative Options

Not Applicable

Risk Management

Financial and Procurement Implications

There are no direct financial implications arising from this report however individual audit reports address the suitability of internal controls within the systems examined.

Legal/Human Rights Implications

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2006. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

Internal Control, Audit Committee and the Statement on Internal Control all feature significantly in the CPA Use of Resources Assessment. Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

Head of Internal Audit Update

AUDIT COMMITTEE

Date: 30th March 2010

Consultees

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Appendices / Background papers

Appendix 1 – Internal Audit Reports finalised since the November Audit Committee.

Appendix 2 – Progress against 2009/10 Internal Audit plan.

Appendix 3 – Swindon Recovery Plan: Executive Summary

Key Decision/Decision in Forward Plan

Not Applicable

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INTERNAL AUDIT REPORTS FINALISED JANUARY – EARLY MARCH 2010

Final audit reports issued:

Audit Title:	Crime and Disorder			Date of Audit:	November – December 2009		
Number of High Priority Recommendations:	0	Current Audit Opinion:	2	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Moderate
<u>Key Findings and Recommendations</u> <p>Our review examined whether arrangements for developing, financing and initiating arrangements to counter crime and disorder are robust and efficient. No high priority recommendations were made following the review. However, the following medium priority recommendations were made:</p> <ul style="list-style-type: none"> • Benchmarking of performance indicators against other Community Safety Partnerships (CSP's) should be developed further. This would put Swindon's performance in context and also allow the Annual Strategic Assessment to be better informed. • A timescale and project plan should be put in place to complete and roll out the Outcome Framework to assist in interpreting performance indicators and, again, further inform the Annual Strategic Assessment. • A risk register should be maintained and kept under review for the CSP's delivery of local and national priorities. The risk register should be included as a standing item on the agendas of the Executive Board and Joint Commissioning Board. • Future CSP Strategic Assessments should reflect the Council's Connecting People, Connecting Places initiative and community views so that the CSP's aims can be put into practice in ways that meet the expressed needs of local communities. 							

Audit Title:	LAA Grant Claim			Date of Audit:	January 2010		
Number of High Priority Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	No overall opinion
<u>Key Findings and Recommendations</u> <p>A certification audit was carried out on the Council's LAA grant claim.</p>							

INTERNAL AUDIT REPORTS FINALISED JANUARY – EARLY MARCH 2010

Audit Title:	Use of Resources Pre-Assessment			Date of Audit:	December 2009 – January 2010		
Number of High Priority Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	No overall opinion
<u>Key Findings and Recommendations</u> <ul style="list-style-type: none"> Internal Audit undertakes an evidence gathering process as part of the Use of Resources assessment. Internal Audit will challenge relevant Directors and Service Heads to provide evidence that meets the Use of Resources criteria for their particular areas of responsibility. This evidence file is then presented to the Council's External Auditor prior to their assessment of the Council against the Use of Resources criteria. 							

Audit Title:	Bank reconciliation			Date of Audit:			
Number of High Priority Recommendations:	3	Current Audit Opinion:	2	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Moderate
<u>Key Findings and Recommendations</u> <p>Key anti-fraud and corruption controls relating to bank reconciliation were examined. The following high priority recommendations were identified:</p> <ul style="list-style-type: none"> The balance on the RD Cheque account must be reconciled as part of the RD Cheque spreadsheet to identify individual payee and service accounts allocated payment in the event of having reverse accounting entries following non payment. This process must be achieved monthly. The BACS authorisation lists should be fully reviewed to ensure that it is up to date in respect of the names and sample signatures of the officers permitted to approve the BACS payments. This should be reviewed at least annually or as changes occur. The bank mandate form should be completed as a matter of urgency to ensure that the Council and the Bank are aware of the signatures to the authorities bank accounts. These should include a sample signature. Without this in place there is an increased risk of dispute with the bank if an inappropriate person signs a Council Cheque. This should be subject to at least an annual or more regular review dependent on staff changes. 							

INTERNAL AUDIT REPORTS FINALISED JANUARY – EARLY MARCH 2010

Audit Title:	Main Accounting			Date of Audit:	January 2010		
Number of High Priority Recommendations:	4	Current Audit Opinion:	2	Previous Audit Opinion:	2	Overall Evaluation (Risk):	Moderate
<u>Key Findings and Recommendations</u> A review of the main accounting system was undertaken. The following key recommendations were identified: <ul style="list-style-type: none"> Retention of information pertaining to the control accounts should not be retained in the Outlook environment. All information should be saved on the shared server to ensure common access to the information retained by Capita and prevent possible loss of information. The imbalance of £798.89 that was identified should be investigated and appropriate action taken to correct any errors identified. The reason for the imbalance should be identified in order to ensure that it is not repeated in the future. A record should be maintained for to any Oracle Financial System data restored, whether it is a test or live recovery situation. This record should be retained as evidence of testing together with any issues that may have been encountered. Capita should provide assurance and independently check that back ups of the Oracle Financial Systems data are undertaken at regular intervals and that this is readable in the event of recovery. The Council should also ensure that data is secure and recovery is achievable in order to protect the integrity of the data. 							

Audit Title:	NEETS			Date of Audit:	January 2010		
Number of High Priority Recommendations:	4	Current Audit Opinion:	2	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Moderate
<u>Key Findings and Recommendations</u> National Indicator 117 (NI 117) is concerned with reducing the number of young people aged 16-18 who are not in employment, education or training (NEET). An audit review was undertaken of information relating to this national indicator. <ul style="list-style-type: none"> The detailed NEET Action Plan should be agreed and signed off by the Children's Trust, or other appropriate body. Progress against the Action Plan should be monitored and followed up according to the timescales within the Action Plan so as to ensure that projects are completed and problems resolved, and that actions not completed within timescales are highlighted. 							

INTERNAL AUDIT REPORTS FINALISED JANUARY – EARLY MARCH 2010

Audit Title:	Investigation reference: WB 09/10-7			Date of Audit:	January 2010		
Number of High Priority Recommendations:	N/A	Current Audit Opinion:	N/A	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	No overall opinion
<u>Key Findings and Recommendations</u> The above whistleblowing allegation was investigated and a report issued.							

School Audits and FMSiS

The following school audit reports and FMSiS assessments have been finalised since the last committee meeting:

Audit Title:	Churchfields			Date of Audit:		
Current Audit Opinion:	2	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Moderate	
<u>Key Findings and Recommendations</u>						
Churchfields School was externally assessed by Internal Audit against the DfES Financial Management Standard in Schools (FMSiS) and was found to meet the standard.						
An audit of the school was also completed resulting in an overall opinion of ‘satisfactory’. Recommendations have been made and agreed to ensure that all weaknesses identified are addressed.						

INTERNAL AUDIT REPORTS FINALISED JANUARY – EARLY MARCH 2010

Audit Title:	Ferndale		Date of Audit:	November 2009	
Current Audit Opinion:	2	Previous Audit Opinion:	N/A (Infts & Jnrs)	Overall Evaluation (Risk):	Moderate
<u>Key Findings and Recommendations</u> <p>Ferndale Primary School was externally assessed by Internal Audit against the DfES Financial Management Standard in Schools (FMSiS) and was found to meet the standard.</p> <p>An audit of the school was also completed resulting in an overall opinion of 'satisfactory'. Recommendations have been made and agreed to ensure that all weaknesses identified are addressed.</p>					

Audit Title:	King William		Date of Audit:	December 2009	
Current Audit Opinion:	2	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Moderate
<u>Key Findings and Recommendations</u> <p>King William School was externally assessed by Internal Audit against the DfES Financial Management Standard in Schools (FMSiS) and was given a conditional pass.</p> <p>An audit of the school was also completed resulting in an overall opinion of 'satisfactory'. Recommendations have been made and agreed to ensure that all weaknesses identified are addressed.</p>					

INTERNAL AUDIT REPORTS FINALISED JANUARY – EARLY MARCH 2010

Audit Title:	Colebrook Infants		Date of Audit:	January 2010	
Current Audit Opinion:	3	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Moderate
<u>Key Findings and Recommendations</u> <p>Colebrook Infants School was externally assessed by Internal Audit against the DfES Financial Management Standard in Schools (FMSiS) and was given a conditional pass.</p> <p>An audit of the school was also completed resulting in an overall opinion of 'satisfactory'. Recommendations have been made and agreed to ensure that all weaknesses identified are addressed.</p>					

Audit Title:	St Catherine's		Date of Audit:	January 2010	
Current Audit Opinion:	2	Previous Audit Opinion:	N/A	Overall Evaluation (Risk):	Moderate
<u>Key Findings and Recommendations</u> <p>King William School was externally assessed by Internal Audit against the DfES Financial Management Standard in Schools (FMSiS) and was given a conditional pass.</p> <p>An audit of the school was also completed resulting in an overall opinion of 'satisfactory'. Recommendations have been made and agreed to ensure that all weaknesses identified are addressed.</p>					

Managed Audits Completed (4 Audits) - Draft

	April	May	June	July	August	September	October	November	December	January	February	March
Managed Audits Completed						Housing Rents		Creditors	Debtors			
Managed Month Total	0	0	0	0	0	1	0	1	1	0	0	0
Managed Cumulative Total	0	0	0	0	0	1	1	2	3	3	3	3
Managed Target %	0	0	0	0	0	0	25	50	50	75	75	100
Managed Achieved %	0%	0%	0%	0%	0%	25%	25%	50%	75%	75%	75%	75%

Total Non Managed Audits Completed (127) - Draft

	April	May	June	July	August	September	October	November	December	January	February	March
Planned Audits Completed												
	Anti F & C Renovation Grants	A F&C Controlled Stationery	Annual Governance Statement	Bishopstone Primary School	INV08/09-12(a)	HB Benchmarking	Disaster Recovery Planning	NI112 - Teenage Pregnancies	SCS Readiness 2	Colebrook Infants School	Lydiard House	Payroll
	Anti-F & C Gifts & Hospitality	A F&C Petty Cash	Funded Nursing Care	Greendown School	WB08/09-11	Honorariums	WB09/10 - 5	Crime & Disorder	Oracle Follow-up	Christmas Card Investigation	National Indicator Set	Corporate Manslaughter
	Aspire - Contract Management	Contact Point Internal Audit Policy	Gorse Hill Infants School	Mobile Phones	Client Readiness	Incident Reporting Process	Growth Point Funding	Adult Learning	Project Management Office (PMO)	Inv 08/09-1	Grants to Voluntary Bodies	Data Quality Strategy
	CAPITA Delivery	Gorse Hill Junior School	Highways	Open Housing IT Review		Overtime	Contact Point	UR Cakes	Debtors - Directorate Issues	HB Improvement Plan	Renovation Grants	Warneford School
	Commercial Properties Follow-up	INV09/10 - 2	PCI Follow-up	Orchid Vale		Recoupment	Adult Learning	INV08/09-5	Main Accounting		LAA Claim Certification	Home to School Transport - Mainstream
	Deputyships	Operation of Residents and Tenants Association -	TASK	Rodbourn Cheney Primary School		WB09/10 - 3	Sickness Absence Follow up	INV09/10 - 3	Bank Reconciliation		St Catherine's Primary School	
	PCI Update	Ruskin Junior School Revisit	WB08/09 - 2	UNIFORM		WB09/10 - 7	INV08/09-12(b)	Femdale Primary	Dorcan SCITT		Oliver Tomkins Junior School	
	Renovation Grants	Sickness Absence PI	WB09/10 - 2	Westrop Primary			INV08/09-12(c)	Creditors - Directorate Issues	Annual Governance Statement		St Joseph's School	
	Surestart						PLATFORM	SCS Readiness 1	King William Street Primary		Use of Resources Pre-assessment	
							Leisure Charging	Orchid Vale Primary School			Risk Management	
							Ridgeway School	SEN RAP				
							Churchfields School					
Non-managed total for month	9	8	8	8	3	7	12	11	9	0	10	5
Cummulative non managed audits	9	17	25	33	36	43	55	66	75	75	85	90

	April	May	June	July	August	September	October	November	December	January	February	March
Overall Month Total Audits	9	8	8	8	3	8	12	12	10	0	10	5
Overall Total Audits	9	17	25	33	36	44	56	68	78	78	88	93
Target Completion of Plan %	3	7	13	22	29	38	47	56	63	71	80	92
Audit Plan Achievement %	7%	13%	19%	25%	27%	34%	43%	52%	60%	60%	67%	71%

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Recovery Plan for the Borough of Swindon – Executive Summary

Following an emergency response within Swindon, there is likely to be community disruption which may continue for a long time. The purpose of the recovery phase is to provide direction, coordination and recovery support to the population of Swindon and other key stakeholders to assist them towards management of their own recovery.

Whilst the response phase of an emergency is likely to be coordinated by the Police, the recovery phase will be managed by the Local Authority and can go on for some considerable time. The recovery process should begin from the moment the emergency begins and there will be a formal handover from the response phase to the recovery phase.

The recovery phase will continue until the disruption has associated with the event has been remedied, demands on services have returned to acceptable levels and the needs of those affected (directly or indirectly) have been met.

Suggested targets and milestones could include the following:

- Demands on public services are returned to acceptable levels
- Utilities are again functional
- Transport infrastructure is running appropriately
- Local businesses are trading normally
- Tourism in the area has been re-established

The Recovery Coordinating Group will convene a number of sub-committees to manage the recovery and, depending on the nature of the response, these may include:

- Community Recovery
- Humanitarian Recovery
- Business and Economic Recovery
- Environmental and Infrastructure Recovery
- Communications
- Finance and Legal

Lists of suggested members, potential areas of responsibility and draft terms of reference for these groups are included within the document.

The structure of the Joint Recovery process for Swindon Borough Council and NHS Swindon is shown overleaf.

Swindon Borough Council and NHS Swindon – Joint Recovery Structure

