

Committee: General Purposes Committee

Date: 27 September 2012

Agenda item: 9

Wards:

Subject: Internal Audit Progress Report

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Chair of the GP Committee

Forward Plan reference number:

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Recommendation:

- A. **That Members note the report and comment upon matters arising from the Internal Audit Progress Report**

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report summarises the work carried out by Internal Audit up to August 2012 and the key areas of activity planned for the remainder of the year.
- 1.2 Internal Audit seeks to ensure that Merton's financial and other systems adhere to recognised standards and that public accountability can be demonstrated and is transparent.
- 1.3 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the General Purposes Committee and the Director of Corporate Services (also known as the Section 151 Officer); it also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.

2. Details

- 2.1 Since the last progress report in March 2012, we have finalised 36 audit reports. For the 2012/13 audit plan, 9 are at final report stage, 7 at draft stage and 11 in progress. Based on the internal audit work finalised so far this year it is not yet possible to give a meaningful overall assurance level.

2.2 As at the end of August 32% of the 2012/13 audit plan was at draft or final stage (including MSJCB and the AGS). It is expected that 90% of the plan will be complete at year end.

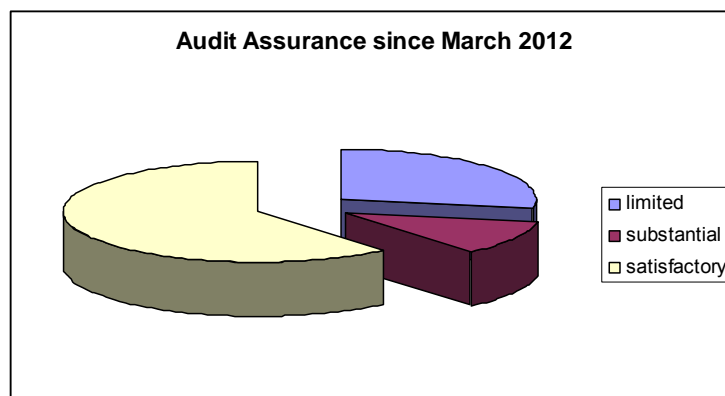
2.3 In order to contribute to the Annual Governance Statement all Internal Audit reports give an audit assurance as follows:

- a) Full Assurance
- b) Substantial Assurance
- c) Satisfactory Assurance
- d) Limited Assurance
- e) No assurance

2.4 In addition each recommendation is given a high, medium or low risk priority. All recommendations are followed up by Internal Audit to ensure that they have been implemented.

Planned Audit Reviews

2.5 Since the last progress report in March 2012, there have been 26 reports issued with a satisfactory assurance or above (see Appendix 1). There have also been 10 reports issued with a limited assurance.



2.6 The ten limited assurance reports are detailed in the table below; details of the review are included in Appendix 3.

Table 1 – Audit Assurances –limited or no assurance

Plan Year	Audit Title	Department	Audit Assurance
11/12	Private Sector Housing Grants	Environment and Regeneration	Limited
11/12	Safer Merton	Environment and Regeneration	Limited
11/12	Parks income	Environment and Regeneration	Limited
12/13	Disabled Facilities Grants Procurement	Environment and Regeneration	No assurance
11/12	High Path/All Saints Day Centre	Community and Housing	Limited

11/12	Freedom passes	Community and Housing	Limited
11/12	Cricket Green School	Children Schools & Families	Limited
11/12	The Sherwood Primary School	Children Schools & Families	Limited
11/12	Merton Abbey Primary School	Children Schools & Families	Limited
11/12	Declaration of Interests	All departments	Limited

2.7 The actions recommended are all either implemented or in progress to be implemented. Follow-up of audit actions are always undertaken to seek assurance that the weaknesses in controls have been strengthened.

Key Reviews Planned for the third Quarter

2.8 In the third quarter of the year we plan to issue final reports for Risk Management, effectiveness of procurement and contract compliance.

2.9 Key audits due to commence include, iTrent (audit currently in progress) IT back up and disaster recovery, Network Security and Infrastructure, IT security in Schools.

Self assessments

2.10 With reduced Internal Audit resources other methods of seeking assurance on internal controls have been piloted. Self assessments questionnaires have been issued to Day Centre and residential care Managers, this has included a set of questions relating to how they manage their areas of financial responsibility. Positive feedback has been received from managers stating they found it a useful tool in considering how to manage their internal controls. A draft report has been issued recommending improvements on budget monitoring.

2.11 The use of self assessments will not replace audit reviews but can be a useful tool in areas such as libraries and day centres where we can assess a consistent approach for each and focus our resources on any areas of concern.

Schools Audits

2.12 During the spring school term, six audit reports were finalised from the 2011/12 audit plan. Another six audit reviews from the 2012/13 plan were also finalised. Of the 12 reports issued, three were limited, five were satisfactory and four substantial assurance.

Table 2 Assurance level comparisons for school reviews since March 2012

	Previous audit	Last audit	Direction of travel
Cricket Green School	Good -Jan 08	Limited	↓
The Sherwood Primary School	Substantial -Jan 05	Limited	↓
Merton Abbey Primary School	Limited -Feb 11	Limited	↔
Hollymount primary school *	Satisfactory -Oct 06	Satisfactory	↔
Sacred heart	Satisfactory -Nov 05	Satisfactory	↔
Red Hut	n/a	Satisfactory	n/a
Malmesbury Primary School *	Good -Dec 06	Satisfactory	↔
Bishopsford Arts College	Satisfactory -July 10	Satisfactory	↔
Wimbledon college *	Limited -Jan 10	Substantial	↑
William Morris Primary school	Satisfactory Feb 06	Substantial	↑
Garden Primary School *	Satisfactory- March 07	Substantial	↑
St Marks*	Limited -April 10	Substantial	↑

* completed SFVS

- 2.13 Of the 12 schools audited 75% had a substantial or satisfactory assurance. Of those that had a limited assurance, Merton Abbey received a limited assurance for the last 2 years, Internal Audit has provided assistance to the school to improve their financial controls and a follow up audit is due in November 2012. Cricket Green will also receive a follow-up audit review in November. The Sherwood audit was carried out at the request of the Headteacher at the school. Internal Audit have been working with the school to put in place improved controls, most of the actions have been implemented and a follow up audit will be carried out later in the year.
- 2.14 Internal Audit are currently assisting schools to complete the School Financial Value Standard. This standard was introduced by the Department for Education in November 2011 and requires LA maintained schools to conduct an assessment against SFVS once a year.
- 2.15 As this standard is new to schools, Internal Audit has been providing advice and guidance, including visiting schools to assist them in completing their returns. Twelve schools finished and submitted their SFVS in the spring term. During the autumn term sixteen schools will be working through the standard and the remaining schools aim to complete them in spring term.
- 2.16 Where schools have completed their SFVS and subsequently had an audit review, we have noticed an improvement in the financial management of the school, it is hoped that this trend will continue.

Training

- 2.17 Training is being provided to all managers within the council on Internal Controls. So far training has been given to managers within Corporate Services Department and further training is scheduled for managers within other departments.
- 2.18 The training provided will assist managers in understanding the risks within their areas of responsibility and to consider the internal controls required to manage these risks. This training is invaluable to managers in the current change environment, with changes to how services are delivered, how we procure services, use of technology as well as working with reduced resources.

Anti-Fraud

- 2.19 An allocation of time is included in the 2012/13 audit plan for investigation work, and joint working with the Investigation Section.
- 2.20 Internal Audit identifies control weaknesses in areas where fraud has occurred and issue reports to managers to improve their controls.
- 2.21 Since April 2012, Internal Audit has reviewed three areas where concerns have been raised, one to procurement procedures and one to the management of cash income, reports have been finalised on these and all actions have been accepted and are in progress of being implemented.
- 2.22 One relates to conflict of interest, which has resulted in a draft report being issued and recommendations for improved controls made, responses to these reports are due shortly.
- 2.23 Reported to GP committee in March 2012, there were 7 on-going fraud allegations for 2011/12, of these cases:
- Three cases have no further action.
 - Two cases resulted in the employee resigning
 - One case resulted in the employee being dismissed
 - One is in progress.
- 2.24 There have been six Whistleblowing allegations received since January 2012.
- One has resulted in no further action
 - One case two employees have resigned.
 - One case is with HR to investigate and is in progress
 - Three cases are in progress with the Investigation Section.
- 2.25 On-line fraud awareness training was rolled out to schools in 2011/12 and 36 schools completed it.
- 2.26 In 2012/13 this training has been made available to all staff in the council. So far 180 employees have completed this training; Senior Managers are now encouraging all staff to undertake this training.

3. Following up on the Implementation of Agreed Actions and responses to Draft Reports

- 3.1. The agreed actions for audits completed in 11/12 have been followed up. At the time of this report 87% of audit actions had been implemented, 13% were due to be implemented.
- 3.2 Follow up reminders are sent out monthly to officers responsible for implementing the agreed actions when the due date is reached, to ascertain whether the actions have been implemented.
- 3.3 If the actions have not been implemented by the following month reminders are escalated to Heads of Service/ Assistant Director Level.
- 3.4 As at the 18th September there were 8 overdue actions, 1 action by more than 4 months. These are actions that have passed the implementation date agreed by the manager. Those that are over 4 months old further details are provided in Appendix 2.

Table 3 Overdue outstanding audit actions

Priority	0- 3 Mths (up to 90 days)	3- 4 Mths (91 to 120days)	4 Mths +(121 days plus)
18September 2012			
High	0	0	0
Medium	7	0	1
Low	0	0	0
Total	7	0	1

- 3.5 Internal Audit has also contacted managers to seek explanations for the delays in implementing these recommendations. This has assisted in implementing the outstanding actions. Where actions remain outstanding, these audit areas will need to be considered for an audit review.

4. ALTERNATIVE OPTIONS

- 4.1 None for the purposes of this report.

5. CONSULTATION UNDERTAKEN OR PROPOSED

- 5.1. The Internal Audit Plan has been agreed with Chief Officers who have consulted with their Management teams. Service Level Agreements are in place. The Head of Audit has periodic meetings with the Directors to report upon progress against the Plan.
- 5.2. All audit reports are discussed with the relevant manager prior to issuing as a draft, further meetings are held if required and comments from the Manager and Head of Service/Assistant Directors are included in the final report.

6. TIMETABLE

- 6.1. None for the purposes of this report.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1 The planned work and unplanned work is undertaken within the budget allocated.

8 LEGAL AND STATUTORY IMPLICATIONS

- 8.1 This report sets out a framework for Internal Audit to provide a summary of internal audit work for 2012/13. The Local Government Act 1972 and subsequent legislation sets out a duty for Merton and other councils to make arrangements for the proper administration of their financial affairs. The provision of an internal audit service is integral to the financial management at Merton and assists in the discharge of these statutory duties.

9. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 9.1 Effective and timely auditing and advice enables Departments, Voluntary Organisations and Schools to provide quality services to their clients. These client groups are often vulnerable members of the community, e.g. elderly people, disabled people, asylum seekers, members of staff and voluntary organisations. The audit service helps to identify weak financial management and sometimes reflects weaknesses in other operational systems such as quality and ethnic monitoring. Audit, therefore, has a crucial role in ensuring that Council resources are used to enable a fair access to quality services.

10 CRIME AND DISORDER IMPLICATIONS

- 10.1 There are no specific crime and disorder implications arising from this report.
- 10.2 The report does however include brief details of potential fraud investigations in progress.

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 11.1. The Audit Plan has a risk assessment formula built into the process. This takes such aspects as expenditure, income, and previous audit findings into account and calculates priorities and the frequency of the audit.

- 11.2. In addition to the audit risk assessment formula the Corporate Risk Register is consulted during the production of the Internal Audit Plan.
- 11.3. The Audit Brief at the beginning of the audit, and the internal audit reports at the end of the audit also identify risks. Audit Recommendations are categorised high, medium or low priority in relation to the level of risk involved.

APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix 1 – Audit reports issued since March 2012 with a satisfactory assurance.
- Appendix 2 - overdue outstanding audit actions over 4 months old
- Appendix 3 - Audit Report summary (limited assurance)

BACKGROUND PAPERS

- i. Documents held in Internal Audit Files

Appendix 1

Audit Reports issued since March 2012 with an Satisfactory Assurance

Plan Year	Audit Title	Department	Audit Assurance
11/12	Pensions	Corporate Services	Satisfactory
11/12	Council Tax- Discounts and exemptions	Corporate Services	Satisfactory
11/12	E tendering system	Corporate Services	Satisfactory
11/12	Housing Benefit overpayments	Corporate Services	Satisfactory
11/12	Agency contract	Corporate Services	Satisfactory
11/12	Capital accounting	Corporate Services	Satisfactory
11/12	Debtors	Corporate Services	Satisfactory
11/12	Treasury management	Corporate Services	Satisfactory
11/12	Budget setting	Corporate Services	Satisfactory
12/13	Wireless networking	Corporate Services	Satisfactory
12/13	CHAPS/BACS system	Corporate Services	Satisfactory
11/12	Acquisition and sale of land	Environment and Regeneration	Satisfactory
11/12	Street Lighting	Environment and Regeneration	Satisfactory
11/12	PCN notices	Environment and Regeneration	Satisfactory
11/12	Personal budgets	Community and Housing	Satisfactory
11/12	Homelessness	Community and Housing	Satisfactory
11/12	Adult Social Care	Community and Housing	Satisfactory
11/12	Hollymount primary school	Children Schools & Families	Satisfactory
11/12	Wimbledon college	Children Schools & Families	Substantial assurance
11/12	Sacred heart	Children Schools & Families	Satisfactory
12/13	William Morris primary school	Children Schools & Families	Substantial assurance
12/13	Garden Primary School	Children Schools & Families	Substantial assurance
12/13	Red Hut	Children Schools & Families	Satisfactory
12/13	Malmesbury Primary School	Children Schools & Families	Satisfactory
12/13	St Marks primary school	Children Schools & Families	Substantial assurance
12/13	Bishopsford Arts College	Children Schools & Families	Satisfactory

Overdue outstanding actions over 4 months

Auditable Area Name	Recommendation/Agreed Action	Management Comment	Risk	Target Date
CS/153 - Carbon Reduction Commitment Energy Efficiency Scheme	The current CRC Strategy Outline should be turned into a CRC procedure document, detailing those with CRC responsibilities and their role. The procedures should also contain what, how, who and when for each element of the procedure and should also cover checks and balances to make sure that each process is carried out and properly documented. The appropriate director should also sign off the document with CRC responsibility and arrangements made for its regular review and updates	CRC Procedure Document to be prepared and approved by 31 March 2012. Lead by Climate change officer, involvement of Corporate Services and Children's Schools and Families	Medium	31/03/2012

Internal Audit Report Summary

Service: Disabled Facilities Grants Procurement	
Date of Final Audit Report	17 th September
Number of Actions: 7	Number of Outstanding Actions: 7
No of overdue actions: 0	Date actions due: November 2012
Audit Objectives	
Review the procurement procedures within Environmental Health (Housing) Service with regard to the Disabled Facilities Grant with specific regard to: <ul style="list-style-type: none"> • Value for Money • Compliance with Contract Standing Orders • Separation of Duties 	
Summary of Audit Findings (as at 13th July 2012)	
<p>Internal Audit cannot provide assurance on the current procurement arrangement in place for the Disabled Facilities Grants.</p> <p>The service is not following the council's procedures in relation to awarding work to contractors. Contractors are awarded work on the basis of an informal introduction. As a result the necessary vetting checks are not being carried out, therefore assurance cannot be given that contractors have the necessary health and safety and insurance indemnity.</p> <p>Assurance cannot be given that Value for money is being obtained. As there are no formal contracts in place, there is no formal monitoring being carried out.</p> <p>Under current arrangements there is a lack of division of duties, such that the agent used to administer a grant application can in some cases appoint the occupational therapist who undertakes the pre-inspection and is involved in post-inspection of works;</p> <p>There is a conflict of interests in that the agent obtains bids from contractors, one of which can in effect be the agent itself.</p>	
Summary Response from Managers (as at 17th September 12)	
The DFG programme is now the subject of a 'LEAN' review and this audit report is informing that process. The review has started and is scheduled to run for 16 weeks, reporting in November 2012. The recommendations of this report will therefore be addressed by the review.	

Service: Declaration of Interests	
Final Report Date:	7/9/12
No of Actions: 6	Actions due to be implemented: 3
No of overdue actions: 0	
Date outstanding actions due to be implemented by: March 2013	
Audit Scope	
To undertake a follow-up audit review of 2009, to ensure compliance.	
Summary of Audit Findings (as at March 2012)	
<p>.Following the audit review of 2009, 13 recommendations were made and management agreed to put the following controls in place:-</p> <ul style="list-style-type: none"> • The employee relations team were to research practices elsewhere and develop corporate guidance for the declaration of interest. • The guidance and one universal form to then be published on the Intranet. • Corporate form to be signed alongside other contractual documentation for new employees. • Directors would ensure that all declaration forms will be check and signed. • The responsible manager for engaging an agency or consultants to be responsible for ensuring that appropriate forms are completed. • All departments to keep a register of declaration of interest to be renewed and updated annually. • A new declaration form for employees to declare relationships to be designed. • Monitoring procedures for compliance with the regulations of declaration of interests will be put in place and to include the setting up, update, maintenance of a register. <p>There is no evidence to suggest that the above agreed actions were implemented.</p> <p>It was noted that the guidance on the intranet only requires senior officer and employees involved in contracts to make declaration. This needs to be reviewed to ensure that employees at the appropriate grades are making declaration.</p> <p>There was very little evidence to suggest that departments are keeping a register of declaration. Only one department was found to record declarations made within the last calendar year</p>	
Summary Response from Directors (as at September 12)	
<p>All managers to complete a declaration of interest form. form and guidance notes will be reviewed to ensure they are sufficiently embracing We will seek to develop an email version for the next declaration of interest round</p>	
Status of current actions (as at September 12)	
<p>All declaration of interests completed for 2012/13. Follow up audit to review completed forms. HR will review forms and guidance for completion by March 2013.</p>	

Service: Private Sector Housing Grants	
Final Report Date	15 th May 2012
Number of Actions: 28	Actions due to be implemented: 10
Number of overdue Actions: 0	
Date Outstanding actions due to be implemented: Sept to Nov 2012	
Audit Scope	
To review the financial process of issuing grants	
Summary of Audit Findings (as at March 2012)	
<p>The corporate budget monitoring system (Proactis) does not appear to distinguish between monies newly allocated in respect of 2011/12 and monies carried forward from previous years, or to hold narrative explanations / history of changes to budgets. Consequently there is a risk of reduced transparency in budget monitoring reports.</p> <p>The service makes operational use of the Northgate M3PP database which records financial data such as authorised expenditures but does not hold budgets. Regular formal reconciliations are not taking place between M3PP and Proactis, leading to a risk of untimely, inaccurate or incomplete financial information.</p> <p>Audit testing identified potential errors in the coding of transactions to budget codes leading to a risk of inaccurate financial information.</p> <p>Payments in relation to Private Sector Housing Grants are made via the Proactis system without the requirement to raise an order, the process of raising such payments does not require the value of the payment to be confirmed within the system. Of the sample of ten grant payments reviewed, two had been raised in error; one was identified and corrected; the other released in error.</p> <p>The service maintains a list of contractors who can undertake grant-funded works. As yet legal advice has not been obtained with regard to the risks which may be associated with this practice.</p>	
Summary Response from Managers (as at 15th May 2012)	
<p>Enhanced Proactis reporting of capital codes will improve access to financial monitoring. Potential miscodings have been actioned and coding accuracy will be monitored. Quarterly reconciliations will be undertaken between the M3PP system and Proactis. Responsibility for IT support for the Northgate M3PP system has been centralised. All M3PP system changes/upgrades are notified in advance. Legal advice has been requested with regard to any liability incurred by the Council from the provision to clients of a list of contractors</p>	
Current Status (Sept 12)	
Outstanding issues:- Proactis and reconciliations (Oct 12) Procedures and policies (Nov 12)	

Service: Safer Merton	
Date of Final Audit report	26 th July 2012
Number of Actions: 23	Number of Outstanding Actions: 20
Number of overdue Actions: 0	Actions due to be implemented: March 2013
Audit Scope	
To review the financial arrangements in place within Safer Merton, including contractual arrangements	
Summary of Audit Findings (8th May 2012)	
<p>Significant issues were identified during the audit regarding the CCTV contracts. These issues included not only inadequate contract documentation but areas where contracts were not actually in place.</p> <p>Contract monitoring information was found to be lacking across all contracts.</p> <p>A schedule of rates was not available and it was not possible to confirm that payments had been made at the correct rate.</p> <p>Although evidence was obtained that significant amounts had been paid for Capital Works, there was no provision for this in any of the contract documentation.</p> <p>The authority is currently unable to identify all of its assets relating to CCTV as an asset register had not been maintained.</p> <p>Although a Town Link Radio scheme was in place it was not possible to identify the current location of the radios.</p>	
Summary Response from Managers (as at July 12)	
<p><u>CCTV Contracts</u> Advice has been sought from both Legal Services and the Procurement team in relation to the interim action taken, prior to new contracts being awarded.</p> <p>Quality control checks were being agreed within the relevant contract extension and will be fully reviewed when a new contract is in place</p> <p>However work is currently being undertaken in order to identify and implement a programme of Capital Works Programme until a long term strategy can be put in place</p> <p>The CCTV asset register has been obtained and is currently being validated.</p> <p>All known service level agreements will be reviewed alongside income provision during 2012/2013</p> <p><u>Safer Merton DAAT</u> Although copies of price adjustment letters were provided to internal audit, signed copies were not held locally. This will be addressed in the future.</p> <p>Although contracts and SLA's had been entered onto the contracts register, they were no longer evident on the register. This will be rectified for the remainder of the current financial year</p>	
Current Status (Sept 12)	
Contract retendering (by March 2013)	

Service: Parks and Recreational Grounds Income Collection	
Date of Final Audit report	22 nd March 2012
Number of Actions: 26	Number of Actions to be implemented: 5
Number of overdue Actions: 0	
Date Outstanding actions due to be implemented: March 2013	
Audit Scope	
<p>To review the process for the handling of cash on site, from the receipt of cash to cash-up procedures and reconciliation process</p> <p>Review the cash collection arrangements, including review of cash collection contract and monitoring.</p>	
Summary of Audit Findings (as at 21st February 2012)	
<p>Officers are not provided with a set of written instructions when on duty and consequently the work required is not always undertaken in an appropriate way. Reconciliation records are often incomplete and documented income is often substantially greater than income actually received.</p> <p>Cash collections are often missed by the contractor but the reason for the missed collection is not followed up.</p> <p>The cash collection contract is currently in the process of being re-tendered and the cash collection relating to the parks income should be reviewed in order to ensure that it meets the needs of the service</p>	
Summary Response from Managers (as at 23rd March 2012)	
<p>A cost benefit analysis of the parks and recreation grounds income will be undertaken in order to ascertain if the service is providing value for money. The outcome of the analysis will form the basis for a review of the service.</p> <p>A value for money exercise will be carried out on the parks and recreation grounds income collection and the possibility of contracting out considered.</p> <p>A comprehensive set of procedures will be produced, which will provide a step by step guide for staff when working at any of the parks on income collection duty.</p> <p>Cash collected at the Watersports Centre will be placed in a safe when it has reached a maximum value of £150.</p> <p>There will be a review of charges relating to the Watersports Centre and a value for money exercise undertaken.</p> <p>Since a break-in at the Watersports Centre in August 2011, staff have been without either a mobile phone or computer. This issue will now be addressed as a matter of urgency with senior managers.</p> <p>Although verbal explanations were provided for discrepancies in income collection and supporting documentation, documentary evidence was incomplete. A complete audit trail will be provided in future and unexplained discrepancies over an agreed amount will be provided to a senior manager</p>	
Current Status (as at 18th September 2012)	
VFM exercise being carried out autumn 2012, arrangements in place for identifiable canisters (Dec 12), cash collection contract being tendered (Oct 12)	

Service: High Path/All Saints Day Centre	
Date of Final Audit report	26 th April 2012
Number of Actions: 7	Number of Outstanding Actions: 0
Date Outstanding actions due to be implemented: August 2012	
Audit Scope	
To verify that appropriate procedures are in place for the administration of lettings income and management of the Amenity fund.	
Summary of Audit Findings (as at 28th March 2012)	
<p>There is a lack of procedure in relation to the administration of lettings and serious lack of adherence to procedures in regards to the administration of the High Path amenity fund.</p> <p>There was no evidence of monitoring and external overview of the amenity fund at High Path. This lack of monitoring and supervision could lead to a risk of fraud on the amenity fund.</p> <p>The review has also highlighted the need to both tighten the current procedures at establishments as well as providing appropriate training for all staff involved in the collection and banking of lettings income.</p> <p>Direct Provision Business Unit needs to take a review of all establishments under their remit with a view of identifying all establishments with letting income and those with amenity funds.</p> <p>Procedures and guidelines for lettings should be produced and distributed as well as providing appropriate training for all staff involved in the collection and banking of lettings income at all establishments to ensure correct procedure are followed. They should also put in place a mechanism to allow periodic monitoring of all amenity funds</p>	
Summary Response from Managers (as at 26th April 2012)	
<p>Department will put in place a policy on lettings. All on going lettings will be invoiced monthly.</p> <p>Process will be put in place to ensure that all signatories to the Amenity funds are identified.</p> <p>A central departmental finance directory has been set up to include all financial procedures</p>	
Current Status (as at 18th September 2012)	
All actions have been implemented	

Service: Freedom Passes/concessionary fares	
Date of Final Audit Report	13 th March 2012
Number of Actions: 5	Number of Outstanding Actions: 0
Audit Objectives	
To review the arrangements in place for managing the application of freedom passes ensuring adhere to the scheme.	
Summary of Audit Findings (27th Feb 12)	
<p>As well as issuing the national criteria freedom passes for disabled people, Merton also offers discretionary freedom passes for claimants with mental health problems; in 2011/12 the expenditure for this is estimated at £70,000. A review is currently being undertaken on the provision of this service.</p> <p>The latest report from the London Council stated that there are 23 discretionary passes for Merton. The Head of Customer Care stated that there are appropriately 300 discretionary passes. As there are no records held at the council, reconciliation's cannot currently be undertaken between the information held at Merton and the London Council. The cost of the discretionary passes is lower than the cost of other passes as they only cover travelling in the London area.</p> <p>It was found that although the Head of Access & Assessment or the Head of Direct Provision assesses the claimant eligibility for discretionary passes, there are no written procedures to ensure consistency.</p> <p>There is currently only one person involved in the process of awarding disabled freedom passes, there should be a separate officer involved in either the processing or acceptance of applicants.</p> <p>A report received from the London Council found that there were many duplicate applicants each incurring a cost.</p>	
Summary Response from Managers (as at 9th March 2012)	
<p>An exercise has been carried out and has identified 412 discretionary passes that are in issue to people with mental health problems and an additional 72 miscellaneous discretionary passes where the reason for issue was not clear.</p> <p>A consistent approach has been adopted. Applications are processed and approved by separate officers.</p> <p>Consideration will be given to using a software package to match for duplicates.</p>	
Current Status (as at Sept 12)	
All actions implemented	

Service: The Sherwood Primary School	
Date of Final Audit Report	13 th March 2012
Number of Actions: 26	Number of Outstanding Actions: 4
Audit Objectives	
To ensure that the school has adequate financial controls in place in relation to its delegated funds.	
Summary of Audit Findings (as at 11th April 2012)	
<p>At the time of audit, the Bursar had not had not had any monthly finance meetings with the new Headteacher or provided her with any budgetary information when requested to do so.</p> <p>Although Financial Terms of Reference were found to be in place, the document granted excessive authorisation limits to staff without the need to consult either the Finance Committee or the Governing Body.</p> <p>The school had entered into a number of contracts but had not followed the Scheme of Financing for Schools document Annex D which stipulates the number of quotes required and the financial authorisation limits that should be followed when entering into a contract.</p> <p>The Statement of Roles and Responsibilities, Financial Terms of Reference and Scheme of Delegation was in place and had been approved by the Governing Body. However this document was found to include excessive authorisation levels for staff, but particularly for the school Bursar.</p> <p>Income could not be easily reconciled to source documentation as it was either not available or did not include sufficient information to enable a complete audit trail.</p> <p>HR files held locally at the school were found to be incomplete in many cases. There did not appear to be a documented contract of employment in place for some staff employed by the school.</p>	
Summary Response from Managers (as at 22nd May 2012)	
<p>All recommendations agreed</p> <p>The roles and responsibilities of the all committees to be set out in writing and approved by the full Governing Body.</p> <p>The large under spends on the cost summary report to be reviewed and virements agreed if appropriate.</p> <p>Confirmation of information that should be held locally on staff HR files to be obtained from the Children Schools and Families HR team.</p>	
Current Status (September 2012)	
Actions outstanding are due to be implemented between October and December 2012. These relate to school fund being audited, HR records updated, a lettings policy and data protection.	

Service: Merton Abbey Primary School	
Date of Final Audit Report	13 th March 2012
Number of Actions: 15	Number of Outstanding Actions: 0
Audit Objectives	
To ensure that the school has adequate financial controls in place in relation to its delegated funds.	
Summary of Audit Findings (as at 23rd February 2012)	
<p>The school had previously received an internal audit report in June 2011 containing twenty-one recommendations; however, the audit review of February 2012 revealed that, in the main, the previous recommendations had not been implemented. These include recommendations made relating to:</p> <ul style="list-style-type: none"> ● SIMS FMS access levels ● Cost centre overspends ● Bank reconciliations ● VAT returns ● Statement of Roles & Responsibilities, Terms of Reference & Delegated Powers ● Signing of payment slips ● Authorisation of orders by the Clerical Officer ● Processing of orders after receipt of an invoice ● Register of Pecuniary Interest ● Statement of Internal Control ● Monthly budget monitoring ● Leasing of equipment <p>The weaknesses identified in the previous Internal Audit report were not stated in the most recent Statement of Internal Control, nor were any actions stated to rectify those weaknesses. Parts of the Statement of Internal Control that the school should complete had not been completed but the document had been approved by the Chair of the Finance Committee and the Headteacher. It is clear that neither the Chair of the Finance Committee or the Headteacher had read and / or understood the document. The Chair of Governors approval had been omitted.</p> <p>Procedural changes need to be made to ensure that the school is not vulnerable to fraud. Key controls must be put into place and the recommendations contained within this report must be implemented.</p>	
Summary Response from Managers (as at 20th April 2012)	
<p>All recommendations implemented</p> <p>New declaration of interest forms will now be issued to all staff and governors at the start of each financial year and the business manager will ensure all new staff/governors will be given one at the start of their term</p>	
Current Status (September 2012)	
All actions implemented	

Service: Cricket Green School	
Date of Final Audit Report	30 th April 2012
Number of Actions: 22	Number of Outstanding Actions: 0
Audit Objectives	
To ensure that the school has adequate financial controls for it's delegated funds.	
Summary of Audit Findings (as at 2nd April 2012)	
<p>The Internal Audit review has identified a number of areas where procedural changes are required in order to achieve adequate and effective control. These include recommendations made relating to:</p> <ul style="list-style-type: none"> ● Anti-bribery Policy ● Authorisation of virements ● SIMS FMS access levels ● Monthly budget monitoring ● Banking Arrangements ● Bank reconciliations and VAT returns ● Debit card policy, use, authorisation, administration and declaration ● Statement of Roles & Responsibilities, Terms of Reference & Delegated Powers ● Signing of payment slips ● Petty Cash ● Processing of orders after receipt of an invoice ● Declaration of interest ● Inventory Arrangements <p>The weaknesses identified were not stated in the most recent Statement of Internal Control, nor were any actions stated to rectify those weaknesses. Parts of the Statement of Internal Control that the school should complete had not been completed but the document had been approved by the Chair of Governors and the Headteacher. It is clear that neither had read and / or understood the document.</p> <p>Procedural changes need to be made to ensure that the school is not vulnerable to fraud. Key controls must be put into place and the recommendations contained within this report must be implemented</p>	
Summary Response from Managers (April 2012)	
<p>All recommendations accepted</p> <p>The Anti Bribery Policy will be formally adopted by governors in May 2012.</p> <p>A 'Virement Authorisation Form' will be completed for all virements and will be authorised as per the Statement of Roles & Responsibilities, Terms of Reference and Delegated Powers.</p> <p>Monthly meetings have been set up with the School's Finance Support Officer to ensure that the required level of financial training is achieved.</p> <p>Arrangements have been made for the safe transportation of cash and cheques to the bank</p>	
Current Status (September 2012)	
All actions implemented	