

Internal Audit Report Summary- Limited Assurances

West Wimbledon Primary School	
Service	
Date of Final Audit Report	5 th April 2016
Audit Actions	Completed Audit Actions 23
Audit Objectives	<p>The school probity audit covers: - Governance, budget management, procurement, income and expenditure controls.</p> <p>The Internal Audit review has identified areas of concerns in relation to the schools budget monitoring.. The school had predicted a deficit budget but closed on a surplus budget. The expenditure against some individual budget heads had been exceeded but no virements completed to authorise the movement of budget.</p> <p>14% of orders have been raised after receipt of an invoice and 19% of transactions had no orders raised. not raising orders and producing a commitment against budget, weakens budget monitoring and making accurate forecasting difficult.</p> <p>Contract – the contract with xxx Limited for building work at the schools has not been awarded in compliance with the Scheme of Financing for schools and requires reviewing. No quotes have been obtained for £67k spent to date.</p> <p>Accountability and Responsibility – The 'Statement of Roles & Responsibilities, Terms of Reference and Delegated Powers' document needs to be reviewed to take account of the Debit Card arrangement</p> <p>School Meals Debt – a review of outstanding debts should be undertaken</p> <p>Recruitment – all recruitment/ appointment document should be held on file Pay Policy – this document should be updated and agreed by Governors</p> <p>Although the school was found to have written procedures for IT security for the school and staff to follow, some documents were found to need adopting or updating, these related to E-Safety policy: this needs to be updated and agreed by Governors. Subject Access Request Policy: this needs to be adopted by the schools.</p> <p>The 2015/16 budget will be monitored closely in order to ensure that original budget is achievable. Virements have been made and will be authorised prior to any overspends.</p> <p>Statement of Roles & Responsibility, Terms of Reference and Delegated Powers has been updated to include debit card arrangements</p> <p>Orders will be raised and commitments entered on the budget where possible.</p> <p>Annex E from the Scheme of Financing Schools will be adhered to for the remainder of the 4 year building works planned at the school</p> <p>The debit card authorisation form will be completed in full</p> <p>Annual salary statements will be produced</p> <p>Overtime reconciliation reports will be run from iTrent and authorised by the Headteacher on a monthly basis.</p> <p>The Pay Policy has been updated with the latest changes. The E-Safety Policy has been updated</p> <ul style="list-style-type: none"> • They closed in 15/16 on a revenue balance of £26,597. • They have set a balanced budget this year • No concerns at the moment on current monitoring (£49738 surplus reported in June) <p>All other actions have been implemented.</p>
Summary of Audit Findings	
Summary Response from Managers	
Update	

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Service	Fuel Bunker and fuel cards	
Date of Final Audit Report	27 th May 2016	
Audit Actions	8	Completed Audit Actions 8
Audit Objective	<p>To review the arrangement in place for the controls of fuel usage, safety checks and the issue of fuel cards</p> <p>This audit has been given a limited assurance due to the fact that the procedures and controls relating to both risk assessments and daily safety inspections of the fuel bunker are not operating as expected.</p> <p>A full risk assessment of the dispensing station and surrounding areas is due to be carried out biennially by the Training and Operational Road Safety Manager (this includes the security of the fuel bunker, fire procedures and staff health and safety). However the last Risk Assessment document provided to Audit indicates that it was undertaken in January 2013.</p> <p>The fuel bunker has a capacity of 45,000 litres of fuel. Stock level can be checked via the fuel management system Fueltek.</p> <p>It was noted that on 12th November 2015 following a delivery Fueltek showed a closing balance of 64,216 litres. The Auditor was informed that the wrong delivery figure had been entered on the system</p> <p>The Transport Service maintains a database of BP fuel cards. Sample testing found that in the majority of cases 6 out of 8 (75%) of the sample tested, evidence to confirm that the fuel card had been signed for by the cardholder could not be located. The review noted that fuel cards assigned to some areas are also used to refill plant and equipment, therefore putting them at a higher risk of potential misuse. This risk can be mitigated by assigning cards just for plant and equipment use, thereby allowing for closer monitoring.</p>	
Summary of Audit Findings	<p>The fuel bunker "checklist" to be reinstated.</p> <p>The biennial Risk Assessment of the Fuel Bunker to be undertaken.</p> <p>Separate cards to be introduced for the Plant and Equipment.</p>	
Summary Response Managers Update	<p>All actions have been implemented. This area is included in the Phase C – SLWP – due to go out in April 2017.</p>	

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Service	Civic Regalia & other valuable items	
Date of Final Audit Report	5 th August 2016	
Audit actions	10	Completed Audit Actions 10
Audit Objectives	<p>To ascertain the procedures for maintaining records including adding/deleting items, periodic inventory check, arrangements for issuing items out and receiving them back, and storage of items.</p> <p>Internal Audit identified significant shortfalls with regard to the documentation of records of the Civic Regalia & other valuable items therefore we have concluded that the level of financial control is below the required standard. The Civic Regalia & other valuable items inventory was last updated in 2014 and did not reflect the values confirmed by the independent valuation report.</p> <p>A review of all items held by the Heritage Centre should be undertaken as a matter of urgency in order to ensure that the 25 items transferred to the Heritage Centre/ Wimbledon Library in 2012 can be located.</p> <p>A lack of separation of duties was found in relation to the monitoring of assets as the same officer is updating the inventory and also undertaking stock checks.</p> <p>The manufacturer safe limits need to be established in order to ensure that limits are not exceeded in order to ensure adequate insurance coverage in the event of a loss.</p> <p>The arrangement of the safe keys should be reviewed in order for an audit trail to be evidenced.</p> <p>A process for repairing the Civic Regalia should be established with the registered jewellers, in order to ensure an audit trail.</p> <p>An agreed disposal policy should be established for items donated and gifted to the Mayor's office in order to demonstrate a consistent approach and reduce storage cost.</p> <p>The location of the paintings transferred to the Heritage Centre is being located</p> <p>The Mayor's office inventory will be updated annually</p> <p>Approved procedures of updating the inventory will be established</p> <p>The Inventory will be updated by one officer and stock checks undertaken by a separate officer</p> <p>Reconciliation will be undertaken between the independent valuation report and the Mayors inventory list.</p> <p>Insurance cover of items taken off site is being addressed with the independent jewellers and the LBM insurance department. A disposal process of items donated and gifted to the Mayor's office is being established</p> <p>A report containing proposal for a disposal policy will be brought to the Standards and General Purposes Committee on 9 March 2017. Members will be contacted to arrange a viewing of these items in advance of considering the report.</p>	
Summary of Audit Findings		
Summary Response from Managers		
Update		

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Service	Market Street Traders	
Date of Final Audit Report –	21 st September 2016	
Audit actions	11	Completed Audit Actions 3
Audit Objectives	<p>There is a documented procedure for the collection and banking of income. Income is collected correctly, banked promptly and posted accurately and on a timely basis to the appropriate account.</p> <p>Income due is reconciled regularly to the income posted.</p> <p>There is an effective procedure for the recovery of unpaid licence fees.</p> <p>Our review of the system and procedures for the collection and banking of income from street and market traders showed that there were some areas where the controls were weak and needed to be strengthened to make them more effective.</p> <p>A lack of separation of duties was found in the street market traders invoicing process, as the Technical Officer is receiving the licence application, visiting the sites, updating the spread sheet with any changes to fee and also calculating the amount due to be invoiced.</p> <p>The process of raising invoices for the collection of market trader’s licences was found to be ineffective and not established comprehensively. In 2014 invoices were being raised quarterly in advance. In October 2015 this changed to invoices being raised in arrears with requisition time ranging between 1 to 6 months between invoices.</p> <p>The review also identified other weakness in relation to the collection and recovery of income. A comparison between income due and income received for 2015/16 found that 51% due remained unpaid. This could potentially lead to high level of bad debt, and also give a misleading financial position of the cost centre, as income is recognised in full once the invoice has been raised.</p> <p>A lack of communication between the Corporate Debt Recovery Team and the Licencing Section has resulted in street and market traders having overdue outstanding debt, while still trading, resulting in an increase in the amount owed. As at the 07/06/2016, 86% of outstanding debt was found to be with traders that are currently still trading.</p> <p>The Licencing Manager has confirmed that a separation of duties for the administration of market traders is not possible to implement due to a lack of staff resources. Internal Audit has said that as a minimum that this should be regularly monitored.</p> <p>Comprehensive written procedures are currently being drafted.</p> <p>A review of the M3PP system users and access rights will be undertaken</p> <p>All agreements to reduce fees below the approved schedule will be authorised, documented and attached to the M3PP</p>	
Summary of Audit Findings		
Summary Response Managers	from	

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<p>Service</p>	<p>Market Street Traders system. The possibility of inputting market traders agreed days and fees on the M3PP system is being considered The regularity of invoices is currently being reviewed. Consideration to introducing a cashless payment system must be formally deliberated as the current collection process is inefficient and is causing high level of debt. The numbers and total value of invoices generated will be checked against the M3PP system per invoice period. An agreed working procedure between Debt Recovery and Licensing Team will be established All traders are now paying their market fees by direct debit or standing order.</p>
<p>Update October 2016 19th</p>	<p>Where traders have outstanding and unpaid fees, letters have been sent confirming the outstanding amount, and payment plans have been put in place with regular payments made by direct debit or standing order.</p>

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Service	Pension Investments	
Date of Final Audit Report	27 th September 2016	
Audit actions	9	Completed Audit Actions
Audit Objectives	<p>To ensure :-</p> <ul style="list-style-type: none"> the pension investment strategy and polices comply with legislation and best practice. transactions relating to amounts received or paid are valid, accurately recorded and appropriately authorised. cash flow is adequately monitored. access and authorisation controls ensure adequate segregation of duties, to reduce the risk of fraud. performance monitoring arrangements are in place. management agreements and fees are correctly charged. 	
Summary of Audit Findings	<p>Three high priority recommendations, five medium priority recommendations and one low priority recommendation have arisen as part of the audit. High priority recommendations relate to the inadequate services provided by the Council's custodians resulting in a lack of transparency and monitoring.</p> <p>The Council does not receive regular information from custodians about the amount of tax reclaimed and the backlog of claims outstanding. Where the Council has no visibility of recoverable tax vs tax claims processed, or tax claims received vs outstanding claims, there is an increased risk of financial loss and compromised data integrity</p> <p>Regular valuation and transaction reports are produced by fund managers but are not independently verified. Where there is insufficient oversight of transactions and where the Council does not receive independent verification of fund valuation and reconciliation reports from the custodian, there is an increased risk of inaccurate data and/or incorrect fees being paid by the Council</p> <p>Black Rock's management fees have been incorrectly reported as a reduction in dividend income within Euraplan. Where management fees are not reported accurately this will result in compromised data integrity and ineffective monitoring.</p> <p>The Governance Compliance Statement does not fully reflect the current governance arrangements of the Pension Fund. In particular, it does not make reference to the newly introduced Local Pension Board</p> <p>We examined contractual arrangements with the Council's fund managers and custodians and noted the following: We were not provided with evidence of the contract with one of the Council's custodians (State Street). The copy of the contract provided to us with J.P. Morgan was not signed and some sections were missing, (e.g. Segregation of Assets, Settlement of Transactions, Income Collection and Fees).</p>	

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Service	<p>Pension Investments</p> <p>The contract with Black Rock had only been signed by the Council.</p>
<p>Summary Response from Managers</p>	<p>The review/proposed change to the custody arrangement and reporting framework will incorporate better reconciliation and reporting of tax.</p> <p>Officers have sought further clarification from BlackRock on the fee calculation and subsequent evidencing reports Please note that all agreements have been located.</p> <p>The Governance Compliance Statement will be reviewed as part of year end reporting.</p>

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Service	APS cards	
Date of Final Audit Report –	26th September 2016	
Actions	17	Completed Audit Actions 5
Audit Objectives	<p>To review the controls around the ordering, storage and issue of cards. To ensure that cards are only issued to clients on a need to have basis and these are appropriately authorised. Timeliness standards are set to ensure prompt recording, monitoring, reconciliation and review of expenses. To ensure that APS card expenditure is appropriate.</p>	
Summary of Audit Findings	<p>A number of shortfalls were identified that needs to be addressed to strengthen the controls in place. These include the drafting and circulation of a Departmental/Divisional policy and guidance document to guide staff on the user of the Cash plus prepaid card to ensure consistent approach across the division as well as a Card Administrator to oversee the administration of the cards. The review also found that there are no controls in place restricting a number of delegated card holders from being able to upload funds to their own cards. Coupled with the fact that there is no limit on the amount that can be uploaded on the cards it is imperative that the process of card set up, fund upload and card users are segregated. Supporting documentation for 14 per cent of the sample tested could not be located. Testing also noted that although there is requirement for service agreement to be authorised on Carefirst before the fund upload. Testing found that in 30 per cent of sample tested, the service agreements were being authorised on Carefirst retrospective of the fund upload.</p>	
Summary Response from Managers	<p>To introduce a procedure document to address the issues identified. This will be distributed to all staff. To revise the administration of the process to ensure this is a more shared task. Review of usage and the types of things being purchased using these cards to get more consistency across the board</p>	