

APPENDIX 3: KEY THEMES ARISING FROM AUDIT REVIEWS

MANAGING SERVICE RISKS: FINANCE, MANAGEMENT AND GOVERNANCE AUDIT IN SCHOOLS		
SCHOOL NAME	BARONS COURT PRIMARY SCHOOL	
OBJECTIVE	To assess whether effective arrangements are in place to develop and implement a suitable strategic framework as well as organise, manage and control the specified activities.	
STATUS	REPORT ISSUED	
OVERALL OPINION	ADEQUATE	
RECOMMENDATIONS	HIGH: 2	MEDIUM: 7 TOTAL: 9
REPORT	The report has been agreed with the Headteacher. Actions and implementation dates have been agreed for all recommendations made.	
ASSESSMENT AGAINST KEY PERFORMANCE CRITERIA		
<i>Audit Enquiry</i>	<i>Assessment</i>	<i>Significant Improvement Opportunities</i>
Governance		
The governing body is properly formed and governors are effectively recruited and trained.	Adequate	
Governors are provided with sufficient information to exercise their oversight role effectively.	Good	
Roles, responsibilities and powers are clearly defined and enforced.	Adequate	

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<i>Audit Enquiry</i>	<i>Assessment</i>	<i>Significant Improvement Opportunities</i>
Information and Asset Management		
Confidential, personal and sensitive information is effectively managed and secured.	Improvement Required	The school should develop, agree and implement an Information Management Policy, separate to the school handbook, to define the roles and responsibilities to safeguard the school's information.
Assets are secured and maintained.	Adequate	
Financial Management and Reporting		
There are sufficient, appropriately qualified and experienced finance staff to plan, process and manage financial arrangements effectively and efficiently.	Adequate	
There is effective financial planning that provides a clear view of how the school will use its resources to achieve objectives.	Good	
The budget position is accurately known, monitored on a regular, timely basis and reported to senior management and the governing body.	Good	
Financial transactions are accurate, complete, authorised, substantiated, made securely and accurately recorded.	Adequate	
Goods and services are procured fairly and achieve value for money.	Good	

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MANAGING SERVICE RISKS: FINANCE, MANAGEMENT AND GOVERNANCE AUDIT IN SCHOOLS		
SCHOOL NAME	EDWARDS HALL PRIMARY SCHOOL	
OBJECTIVE	To assess whether effective arrangements are in place to develop and implement a suitable strategic framework as well as organise, manage and control the activities specified below as audit enquiries.	
STATUS	REPORT ISSUED	
OVERALL OPINION	IMPROVEMENT REQUIRED	
RECOMMENDATIONS	HIGH: 6	MEDIUM: 11 TOTAL: 17
REPORT	The report has been agreed with the Bursar, Headteacher and Chair of Governors. Actions and implementation dates have been agreed for all recommendations made.	
ASSESSMENT AGAINST KEY PERFORMANCE CRITERIA		
<i>Audit Enquiry</i>	<i>Assessment</i>	<i>Significant Improvement Opportunities</i>
Governance		
The governing body is properly formed and governors are effectively recruited and trained.	Good	
Governors are provided with sufficient information to exercise their oversight role effectively.	Adequate	
Roles, responsibilities and powers are clearly defined and enforced.	Good	
Information and Asset Management		
Confidential, personal and sensitive information is effectively managed and secured.	Good	

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Audit Enquiry	Assessment	Significant Improvement Opportunities
Assets are secured and maintained.	Good	
Financial Management and Reporting		
There are sufficient, appropriately qualified and experienced finance staff to plan, process and manage financial arrangements effectively and efficiently.	Adequate	
There is effective financial planning that provides a clear view of how the school will use its resources to achieve objectives.	Adequate	
The budget position is accurately known, monitored on a regular, timely basis and reported to senior management and the governing body.	Improvement Required	<p>The independent reviewer of key financial reconciliations should receive all relevant supporting documentation and clear explanations of any non-reconciled items and how they are to be resolved.</p> <p>There should be a specific review of the cash flow statement's predicted end of year cash balance in relation to the budgeted end of year revenue surplus to ensure they are both accurate and feasible.</p>
Financial transactions are accurate, complete, authorised, substantiated, made securely and accurately recorded.	Improvement Required	There should be clearer and more consistent demonstration of segregation of duties in proposing and authorising orders and invoices for payment.
Goods and services are procured fairly and achieve value for money.	Improvement Required	The Council's Procurement Team's advice should be sought where practicable and financially beneficial to let multi-year, rather than annual, contracts for significant ongoing supplies and services likely to total over £50k over a four year period (such as for cleaning).

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MANAGING SERVICE RISKS: SCHOOLS	
REPORT TITLE	SCHOOLS THEMATIC REVIEW: PURCHASING AND PROCUREMENT
OBJECTIVE	To assess whether schools are purchasing and procuring in line with the Scheme for Financing in Schools that requires compliance with Contract Procedure Rules and Financial Regulations.
STATUS	REPORT ISSUED AUGUST 2013
OVERALL OPINION	ADEQUATE (from survey and sample visits)
INDIVIDUAL OPINIONS	<p>Good – 5 schools</p> <p>Adequate – 2 schools</p> <p>Improvement Required – 1 school</p>
KEY THEMES ARISING	<p>There is significant scope for a number of schools to arrange their biggest areas of non-staffing spend and most frequently used suppliers into formal, on-going contracts.</p> <p>This should include exploring whether:</p> <ul style="list-style-type: none"> • individual schools can join existing contracts • a number of schools, where practicable and beneficial, can jointly procure common goods and services via new contracts let for this purpose. <p>On-going, multi-year contracts, as opposed to purchasing on an order-by-order basis, have the potential advantages of:</p> <ul style="list-style-type: none"> • lower prices as this approach increases the supplier’s certainty of the level of service to be provided and therefore, possibility to take advantage of greater economies of scale • reducing staff time spent on arranging individual orders • making it easier for schools to demonstrate expenditure is awarded by a competitive process and thereby complies with Contract Procedure Rules.

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MANAGING SERVICE RISKS		
REPORT TITLE	PUBLIC HEALTH CONTRACT MANAGEMENT	
OBJECTIVE	To ensure effective utilisation of the Public Health grant by ensure that procurement and contract management processes within the team are sufficient and compliant with policy and law.	
STATUS	REPORT ISSUED NOVEMBER 2013	
OPINION	ADEQUATE	
KEY THEMES ARISING	<p>Public Health contracts were satisfactorily procured in line with Contract Procedure Rules. Additional dedicated procurement advice and capacity has been put in place to manage the service’s transition to the Council and develop a commissioning strategy and new contracts.</p> <p>During the audit, important improvements were introduced to strengthen and standardise contractor management processes including, importantly, processes to verify providers’ claims for payments.</p> <p>Once these arrangements are embedded, there will be an increased level of assurance the required service outcomes will continue to be achieved or enhanced.</p> <p>It should be noted the risk of incorrect payments for some key services had been mitigated as payments were not made until satisfactory receipt of supporting data as per national guidelines.</p> <p>Recommendations made reflect the need to ensure the more robust contractor management, quality assurance and validation processes are embedded and effectively applied to ensure required outcomes continue to be achieved.</p>	
RECOMMENDATIONS	HIGH: 2	MEDIUM: 5
		TOTAL: 7

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MANAGING SERVICE RISKS			
REPORT TITLE	PENETRATION TESTING OF COUNCIL IT SYSTEMS		
OBJECTIVE	To evaluate the design and scope of procured Penetration Test services, to provide assurance regarding the validity of such testing, and the adequacy of the management of action plans to address any issues identified.		
STATUS	REPORT ISSUED OCTOBER 2013		
OPINION	GOOD		
KEY THEMES ARISING	<p>The contractor's scope of, and techniques used to perform, the penetration testing is satisfactory and addresses all the required elements of the specification of service as competitively tendered.</p> <p>ADDRESSING VULNERABILITIES IDENTIFIED BY THE PENETRATION TESTING</p> <p>The Council has satisfactorily documented the process to address any vulnerability identified by the penetration testing undertaken. The audit confirmed the documented process is being complied with.</p> <p>Responsibility for reviewing the penetration report and carrying out an initial impact analysis is clearly assigned to an appropriate ICT Support Officer. A quarterly review of the status of the vulnerabilities is carried out by the IT Healthcheck Coordinator. The review is carried out in conjunction with the receipt of a further quarterly penetration report.</p> <p>An examination of the quarterly review process confirmed that previously identified vulnerabilities that are reported as still existing are followed up with the system owner and the risk log and spreadsheet are updated. However, the IT Healthcheck Coordinator does not routinely receive notification of an estimated completion date. Therefore formal, regular reports should be provided to ICT senior management on the status of addressing vulnerabilities so that any slippage or inaction in key areas is appropriately escalated to direct prompt action.</p> <p>USER AWARENESS OF IT SYSTEM SECURITY</p> <p>The penetration testing contractor also provided a separate "Social Engineering" report assessing staff / user awareness of IT systems security requirements. This report identified a number of separate issues that were dealt with in the same way as 'technical' issues outlined above. Heightened staff / user awareness of IT security issues reduces the risk that IT systems will be compromised by human error.</p>		
RECOMMENDATIONS	HIGH: 0	MEDIUM: 3	TOTAL: 3

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MANAGING SERVICE RISKS	
REPORT TITLE	CONTINUOUS AUDITING AND ASSURANCE TECHNIQUES (CAATs)
OBJECTIVE AND SCOPE	<p>The objective of the Continuous Auditing Project is to design and implement a range of recurring data analytical techniques to provide on-going transactional audit, review and management reporting of data within the Council's and company's core financial systems.</p> <p>The following data systems have been selected for inclusion in this initial project:</p> <ul style="list-style-type: none"> • Accounts Payable (applicable to SEH and SBC systems) • Accounts Receivable (applicable to SEH and SBC systems) • Payroll (applicable to SEH and SBC systems) • Council Tax (SBC system) • Council Tax Benefits (SBC system) • Housing Benefits(SBC system) • NNDR (SBC system) • Housing Rents (SEH administered system).
CURRENT STATUS	<p>The data systems are being prioritised according to their position in the key financial audit timetable.</p> <p>All data requests have been made to the respective systems users. So far the majority of this data has been obtained and a wide range of analytical techniques performed with the objective of validating data integrity, identifying opportunities for cost and efficiency improvements and producing a baseline of data to be used for future, proactive fraud investigations. The team's external contractor (Baker Tilly) has also been working closely with the Council's Internal Audit Team in order to facilitate knowledge transfer and focus on integrated audit assurance.</p> <p>Initial testing has been completed for the Revenue and Benefits' audits (i.e. covering Council Tax, Housing Benefits and NNDR), Accounts Payable and Payroll. This work is currently being written up and the findings used to assist with the key financial systems audits.</p> <p>The lessons learnt from producing this first set of data matches will be used to influence testing of the other data systems.</p>

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GRANT CLAIMS WORK	
GRANT	LOCAL TRANSPORT PLAN
BACKGROUND	This grant is received from the Department for Transport and is used for highway and transport works.
CERTIFICATION REQUIREMENTS	The Chief Executive and the Head of Internal Audit are required to certify, having carried out appropriate investigations and checks, that in all significant respects, the conditions attached to the Local Transport Capital Block Funding (Integrated Transport and Highways Maintenance) Specific Grant Determination 2012-13 No 31/2011 have been complied with.
STATUS	REPORT ISSUED SEPTEMBER 2013
OPINION	UNQUALIFIED

GRANT CLAIMS WORK	
GRANT	SAFER MODES OF TRANSPORT FOR ELDERLY ROAD USERS
BACKGROUND	This grant is received from the European Commission of the European Union for the purpose of funding research into safer modes of transport for elderly road users.
CERTIFICATION REQUIREMENTS	The Head of Internal Audit is required to certify that the total sum included in a financial statement prepared by the Accountancy Department of the Council complies with a number of pre-determined grant conditions.
STATUS	REPORT ISSUED OCTOBER 2013
OPINION	UNQUALIFIED

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GRANT CLAIMS WORK	
GRANT	TROUBLED FAMILIES PROGRAMME, PAYMENTS BY RESULTS SCHEME FOR LOCAL AUTHORITIES
BACKGROUND	<p>This grant is received from the Department for Communities and Local Government (DCLG) for the purpose of “turning around” the lives of troubled families within the Borough that have multiple long-standing problems (including adults not being in work, children not being in school and crime / anti-social behaviour issues).</p> <p>The grant is paid ‘by results’, meaning that Councils must demonstrate that the long-standing problems have been resolved before payment is received.</p>
CERTIFICATION REQUIREMENTS	<p>The Department for Communities and Local Government’s (DCLG) requires Councils to self-declare the results submitted in the claim,</p> <p>Although the Head of Internal Audit is not required to certify the claim, it is required that it is approved by Internal Audit before submission, under the authority of the Chief Executive. That means that the Chief Executive and Head of Internal Audit have satisfied themselves that the evidence supporting payment by result claims, made in respect of families, is in line with the DCLG financial framework scheme.</p> <p>In addition, the DCLG will carry out a small number of spot checks in a sample of areas.</p>
STATUS	SECOND PAYMENT BY RESULT GRANT AUDITED OCTOBER 2013
KEY THEMES ARISING	<p>In light of discussions between Internal Audit and the team working with families around the interpretation of the government’s evidential requirements under the scheme, the Corporate Director for People has raised some queries with representatives from the DCLG.</p> <p>Feedback has been that the DCLG will be revising the Financial Framework used by auditors to assess the validity of payment by result claims made with a view to making the evidential requirements clearer.</p>