

Appendix 2: Audit Opinions and Themes

Managing Service Risks			
Report title	Contract Management within the Traffic and Highways Group	Report issued	December 2014
Objective	To identify and evaluate whether there were adequate and effective arrangements in place within the Traffic and Highways Team to manage contracts so as to ensure that the work was delivered on time, to budget, in line with client expectations.		
Assurance			
Conclusion and key themes	<p>There is a need to significantly improve the arrangements within this service area for:</p> <ul style="list-style-type: none"> • maintaining appropriate tender and contract documentation • ensuring staff consistently manage contracts in accordance with the terms set out within them. <p>Many of the services being managed by this Group are due to be retendered in the new year, with a start date of 1 April 2015. In preparation for this, action has been taken to redesign the services required and reduce the number of contracts being let overall as well as restructure the team (during the summer 2014).</p> <p>As part of this work, action is being taken to address the issues identified by the audit to ensure:</p> <ul style="list-style-type: none"> • tender documentation for each contract, is retained and held centrally • there is a signed and bound copy of final contracts that are held securely in a central location • officers manage the contracts in the manner set out in the signed documents and this is evidenced thus ensuring proper probity and accountability as well as realisation of any future cost savings agreed • any amendments agreed to the contract are properly authorised in accordance with the Scheme of Delegation • that things like retention monies, performance bonds and liquidated damages are dealt with properly • staff managing contracts are set appropriate performance targets regarding how this is to be done and both line and senior management obtain appropriate evidence that these performance targets are being met • timely and useful performance management information is provided to the respective management teams about the on-going delivery of each contract • appropriate records are maintained that reconcile work signed off as complete with actual payments made under each contract, until corporate arrangements are in place to do this via relevant IT systems. 		
Number of actions agreed Service related: 5			

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Report title	Children’s Social Care File Audit Framework	Report issued	November 2014
Objective	<p>To assess whether the Quality Audit Plan Framework (part of the overarching Children’s Services’ Assurance Framework) is designed and focused appropriately to provide management with good quality, independent evidence that files demonstrate cases are being managed in accordance with relevant assessment and legislative guidance.</p> <p>This audit will look at a selection of files that have been audited by Children’s Social Care Services using the Quality Assurance Framework processes to assess whether the audit tool has been consistently used.</p>		
Assurance			
Conclusion and key themes	<p>The quality audit plan framework is satisfactorily designed. It is up to date, reflecting all relevant legislative requirements and consistent with Ofsted’s framework and evaluation schedule for inspections of services for children. It is supported by appropriate guidance on how to undertake the audits themselves. It aims to audit a significant proportion of the service’s files.</p> <p>The key outcome from the results of the quality audits is that further work is necessary to ensure files are consistently of the required standard by demonstrating a clearer understanding where improvements are needed and why weaknesses are occurring. Importantly this should understand whether there are particular areas of social care work, working practices or staff that need specific focus to improve standards. Some action is now being taken to achieve this; there is an increased focus on persistently inadequate files including a stronger escalation process to ensure the issues are dealt with.</p> <p>The quality audit framework sits within a wider quality assurance framework providing other sources of assurance that to an extent mitigate the risks of any weaknesses in the files although a robust file is an important objective in itself. The quality audit plan framework has had notable examples of being used to identify, understand and drive improvements.</p> <p>The required numbers of audits, over the course of the year, are undertaken. However, in some individual months, significantly less than the required numbers are undertaken. This increases the risk any significant issues may not be identified at the earliest opportunity.</p> <p>Files are audited by suitable individuals of sufficient standing in the field. This notably includes audits by non-council staff to bring additional challenge to not only the files themselves but also the audit process and working practices more generally. However, more formal agreements setting out roles and responsibilities and processes to appraise and appoint external auditors are needed.</p>		
Number of actions agreed 11			

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Grant Claims			
Report title	Troubled Families Programme, Payments by Results Scheme Grant	Report issued	November 2014
Objective	To assess compliance with the terms and conditions of the Department for Communities and Local Government's (DCLG) Financial Framework for making Payment by Result (PBR) Claims.		
Background	The Financial Framework requires that claims are approved within each local authority's own internal audit arrangements under the authority of the Chief Executive. The Chief Executive and Head of Internal Audit are required therefore to satisfy themselves that the evidence supporting PBR claims made in respect of individual families is in line with the DCLG's Financial Framework scheme.		
Opinion	August 2014 Claim, signed off by Internal Audit.		
	October 2014 Claim, overall sign off of the claim was not possible.		
Conclusion and key themes	<p>October 2014 Claim</p> <p>For the first time, the October 2014 claim included families identified as meeting the DCLG's PBR Financial Framework from a 'data sweeping' exercise of relevant council systems. As these claims had been identified from different sources, evidence was not routinely available to confirm that all the entry and exit criteria had been met. These cases represented 52% of the 107 claims presented for audit. The Group Manager self certified these claims based on her knowledge of the work undertaken by officers involved in working with these families.</p> <p>However Internal Audit was able to sign off the remaining 48% of cases submitted as meeting the agreed protocol arrangements as:</p> <ul style="list-style-type: none"> • no issues were identified from random audit testing of the claims already independently checked by the Group Manager • the error which did come to light is considered to be an isolated one. <p>Going forward, protocols are being agreed that enable independent verification to take place of the evidence for all claims submitted.</p> <p>Recommendations were also made to help strengthen the arrangements to reduce the risks of duplicate claims being made which the service are implementing.</p>		

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Report title	Safeguarding: Serious Case Review Action Plan Implementation		Report issued November 2014
Objective	To assess whether the actions agreed, for Council departments, in the most recent Case Review Action Plan for Baby AR have been implemented and are now effectively embedded into the day to day operation of the service.		
Assurance			
Conclusion and key themes	<p>The original target implementation dates (December 2012 to July 2013) have been missed for a number of recommendations made. However, at the time of the audit, evidence was available to confirm:</p> <ul style="list-style-type: none"> • full implementation of eight of the sixteen recommendations • that some action had been taken to consider and / or improve operational processes and practices in the remaining areas but further work is required to fully address the issues raised. <p>A status report summarising progress made to date and the outstanding evidence required to sign off recommendations has been prepared, revised implementation dates will be allocated by the Head of Service in taking this forward.</p> <p>It should be noted that this is the first time that the arrangements for monitoring the implementation of case review action plans has been reviewed since the Department of People was created. The Corporate Director is taking action to fully integrate the monitoring of case reviews into the departments performance management framework.</p>		
Number of actions agreed 3			

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Managing Service Risks			
Report title	The Forum Governance Arrangements	Report issued	November 2014
Objective	To assess whether appropriate arrangements, processes and agreements are in place, or being developed, to establish and then manage the new shared central library building known as the Forum.		
Assurance			
Conclusion and key themes	<p>Key financial, operational and governance documents are in place setting out how the Forum is controlled and operated. Councillors serve as directors of the Forum’s management company and whilst this is by no means inappropriate, such arrangements inherently need extra care to ensure the Councillors can discharge their joint roles most effectively, whilst recognising their prime responsibility when acting as a director is to the company and not the Council. Where necessary, Councillors should be given further guidance and training on this matter.</p> <p>There is an ongoing flow of information between officers of the Council and the Forum Management Company to keep the Council apprised of activity and developments. To improve the level of assurance the Council receives, it is recommended that these arrangements are formalised and an annual report of the activities of Councillors serving as directors is provided for Council oversight (this has implications corporately for all councillors serving on outside bodies).</p> <p>The key safeguard for the Council over the Forum building’s future operation is the requirement for unanimity in decision-making.</p> <p>However, the Council’s awareness, and assurance received, over the Forum’s on-going financial and operational direction and actual performance needs to be improved significantly through regular and insightful reporting formally between the Forum’s management company and the Council.</p> <p>This notably includes ensuring the method of apportioning shared costs between partners is clearly understood and appropriate and reporting on a measurable set of indicators, giving insight into whether the Council is deriving the required benefits from the new arrangements.</p>		
Number of actions agreed 7			

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Managing Service Risks			
Report title	Capital Project Management	Report issued	December 2014
Objective	To assess whether there are robust day to day project delivery and management arrangements in place to deliver the required outcomes from strategic regeneration / capital projects effectively, on time and on budget.		
Assurance			
Conclusion and key themes	<p>Capital projects need to be more demonstrably managed in a consistent and reflective manner to increase the level of confidence that both individual capital projects and the collective capital programme will achieve clearly-stated benefits and be delivered on time and on budget.</p> <p>Operating arrangements need to be amended to require a formal protocol to be produced establishing the relationship between the commissioners of capital projects (i.e. service areas) and the Property and Regeneration Team (the P&R Team) as the deliverers of those projects. The protocol needs to include a definitive statement of:</p> <ul style="list-style-type: none"> • when the P&R Team take control of the project • how ongoing project governance will operate • roles and responsibilities for resolving emergent issues during the project (such as need for increased budget or re-configuring the project and its objectives to keep within existing budgets). <p>Importantly stronger, more systematic pre-project and project initiation stages need to be adopted consistently by commissioning services to ensure before they start that projects are feasible, accurately costed and assessed as providing a sufficient return on investment in terms of achievement of departmental and corporate objectives. At present, individual projects are assigned budgets before any feasibility studies or business cases are undertaken.</p> <p>Logs of issues arising and post-implementation reviews should also be strengthened to improve the Council's collective project management memory and capability.</p> <p>The recording of the progress of all capital projects needs to be improved so it is easier to establish any individual project's targeted and actual stage of delivery is at any point in time.</p> <p>The P&R Team's own project management procedures need to be regularly updated to reflect the required good practice processes staff will be expected to implement. This should also include greater clarity on how processes can be tailored given a project's relative size, importance and complexity.</p>		
Number of actions agreed 11			

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Managing the Business			
Report title	Contract Management Framework	Interim feedback provided	June to December 2014
Objectives	<p>To identify and assess for appropriateness, any existing guidance or other documented expectations of staff regarding key actions they should take when preparing to and letting as well as managing contracts (contract management framework).</p> <p><i>(This piece of work was undertaken to provide management with a position statement on these arrangements. The Contract Management Framework consists of Financial Regulations, Contract Procedure Rules, the Scheme of Delegation, the Procurement Toolkit and the Contracts Register).</i></p>		
Conclusion and key themes	<p>The review identified that there was a need to fundamentally update the contract management framework to ensure it clearly and consistently sets out the Council's expectations of how staff should behave and what they should do when preparing to and letting contracts and then managing them.</p> <p>Work is underway to update the Financial Regulations (FRs), Contract Procedure Rules (CPRs) and any supporting documents such as a Procurement Toolkit. The intention is to get FRs and CPRs approved and in place by the 1 April 2015. Whilst these documents are being updated, the opportunity is being taken to:</p> <ul style="list-style-type: none"> • address the potential implications of the new draft 2015 Public Contracts Regulations • include reference to the Social Value Act, which looks to add economic, social or environmental benefits for the local area through procurement • reconsider the Terms of Reference for and the role of the Procurement Review Group. <p>Some thought also needs to be given to how we can routinely make contractors and third parties aware of and sign up to the Council's Anti Fraud and Corruption and Whistleblowing Policies and evidence this.</p> <p>Once approved, appropriate action will be taken (still to be defined) to inform staff of the updated requirements and how compliance with them is going to be monitored.</p> <p>Named officers should then be made accountable for at least a bi-annual review of these documents.</p>		

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Action is underway to implement a new E-Procurement IT system across the Council during 2015, the Department of Place being the first area it is being applied to. It is important that the system is set up to:

- reflect the requirements of the updated contract management framework so it is cohesive
- enable contract management activity recorded in it to be clearly linked to payments made in Agresso so that it is possible to:
 - easily reconcile work completed to actual payments made
 - produce reports of what has been paid in total under an individual contract, not just to a supplier
 - account for things like retentions consistently.

This project will also include:

- exploring how to enable information from hand-held PDAs via the Symology Street Works System to be loaded directly into Agresso, rather than being input manually
- assessing the adequacy of performance management information being reported to the various levels of management on the letting and management on contracts, thus providing some assurance regarding compliance with CPRs
- setting out the expectations for job profiles where the primary role is to let and manage contracts as well as provide guidance on the kind of performance targets these individuals should be set and assessed against.

However in the short term (i.e. until E-Procurement is fully implemented), action is required corporately to set out interim arrangements for services to:

- inform the Corporate Procurement Team of all contracts exceeding £50,000 so a complete and accurate contract register can be created
- produce original contract documentation for all current and newly let contracts (which should be bound so the terms signed up to can't be changed without contract variation documentation) so they can be held centrally
- deal with the receipt, opening and filing of contract tenders exceeding £50k
- explain how to use Agresso in a consistent manner so that all transactions relating to a contract are properly accounted for and traceable to that contract.

Number of actions agreed 15

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Managing the Business and Service Risks			
Report title	Compliance with Contract Procedural Rules	Exercise complete	November 2014
Objectives	To identify whether services could evidence compliance with Contract Procedure Rules when letting contracts.		
Conclusion and key themes	<p>As part of the proactive counter fraud work programme, expenditure over £50k to suppliers was analysed over a two and half year period to 30th June 2014 covering all areas of the organisation. From this, 10 suppliers were selected at random and the respective service was asked to provide appropriate tendering and contract documentation to support expenditure in line with the requirements of Contract Procedure Rules.</p> <p>At the time the work was completed, there was not a contract in place for six of the ten services reviewed, two in each of the departments with values ranging from £31k to 1.7M.</p> <p>Corporate Services are, however, going through the tender process at the moment to put a contract in place for one of these ongoing spend areas. Another, in Place was a one off purchase and therefore no further action is required.</p> <p>The findings from this work has been fed back to the relevant departments who will be taking appropriate action to ensure future spend in these areas complies with Contract Procedure Rules.</p>		

Managing the Business and Service Risks	
Report title	Procurement Review Group
Objective	To assess whether service areas' requests meet the criteria to be granted an exemption from the required competitive process, as set out in the Contract Procedure Rules, along with colleagues from Legal Services, Financial Management and Procurement.
Work flow	Internal Audit has assessed and provided feedback on one request during October – November 2014.
Key Themes Arising	The one request was approved on the condition the service competitively re-tender the contract within six months of the date the exemption was agreed.

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Finance, Management and Governance Audit in Schools			
Objective	To assess whether individual schools have adequate and effective governance, information and asset management as well as financial management and reporting arrangements in place.		
School Name	Bournes Green Infant School	Report issued	November 2014
Opinion	Adequate		
Recommendations	High: 5	Medium: 13	Total: 18
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	None.	
Governors are provided with sufficient information to exercise their oversight role effectively.	Good		
Roles, responsibilities and powers are clearly defined and enforced.	Adequate		
Information and Asset Management			
Confidential, personal and sensitive information is effectively managed and secured.	Adequate	None.	
Assets are secured and maintained.	Improvement Required	Spot checks should be regularly undertaken and recorded to confirm the inventory remains accurate and all assets are accounted for.	

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<i>Audit Enquiry</i>	<i>Assessment</i>	<i>Significant Improvement Opportunities</i>
Financial Management and Reporting		
There are sufficient, appropriately qualified and experienced finance staff to plan, process and manage financial arrangements effectively and efficiently.	Good	None.
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.	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.	Adequate	

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Finance, Management and Governance Audit in Schools			
Objective	To assess whether individual schools have adequate and effective governance, information and asset management as well as financial management and reporting arrangements in place.		
School Name	Sacred Heart School	Report issued	November 2014
Opinion	Adequate		
Recommendations	High: 5	Medium: 17	Total: 22
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	None.	
Governors are provided with sufficient information to exercise their oversight role effectively.	Good		
Roles, responsibilities and powers are clearly defined and enforced.	Adequate		
Information and Asset Management			
Confidential, personal and sensitive information is effectively managed and secured.	Adequate	None.	

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<i>Audit Enquiry</i>	<i>Assessment</i>	<i>Significant Improvement Opportunities</i>
Assets are secured and maintained.	Improvement Required	Spot checks should be regularly undertaken and recorded to confirm the inventory remains accurate and all assets are accounted for. There should be a periodic reconciliation on new purchases to the Asset Register to ensure the Asset Register is complete and all assets can be accounted for.
Financial Management and Reporting		
There are sufficient, appropriately qualified and experienced finance staff to plan, process and manage financial arrangements effectively and efficiently.	Good	None.
There is effective financial planning that provides a clear view of how the school will use its resources to achieve objectives.	Good	None.
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.	Improvement Required	The school should introduce more formal procedures to verify that proposed changes to supplier details are genuine (notably ongoing suppliers' details). Supplier impersonation to fraudulently divert payments is a common risk that has affected many public service organisations.
Goods and services are procured fairly and achieve value for money.	Adequate	None.

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Finance, Management and Governance Audit in Schools			
Objective	To assess whether individual schools have adequate and effective governance, information and asset management as well as financial management and reporting arrangements in place.		
School Name	St. Mary's Prittlewell CofE Primary School	Report issued	December 2014
Opinion	Adequate		
Recommendations	High: 5	Medium: 18	Total: 23
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.	Adequate		
Roles, responsibilities and powers are clearly defined and enforced.	Adequate		
Information and Asset Management			
Confidential, personal and sensitive information is effectively managed and secured.	Improvement Required	<p>Assets containing personal or sensitive data are wiped in a way that means the data cannot be retrieved before the asset leaves the school premises and is disposed of.</p> <p>A Records Management Policy should be put in place to guide users in the appropriate ways to handle, collect and destroy data.</p>	

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<i>Audit Enquiry</i>	<i>Assessment</i>	<i>Significant Improvement Opportunities</i>
Assets are secured and maintained.	Improvement Required	The Asset Register module on SIMS is utilised to record all relevant details about the school's assets above an agreed minimum value.
Financial Management and Reporting		
There are sufficient, appropriately qualified and experienced finance staff to plan, process and manage financial arrangements effectively and efficiently.	Good	None.
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.	Improvement Required	When receiving proactive confirmation that a change of supplier details is genuine, this should be evidenced on the original letter asking for a change of details. There should be a quarterly check of all the changes made to supplier details. This should be conducted by a member of the management team who is independent from changing the supplier details originally.
Goods and services are procured fairly and achieve value for money.	Good	None.

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Finance, Management and Governance in Schools			
Report title	Seabrook College	Report issued	October 2014
Objective	To assess the level of progress being made towards establishing, and then embedding, improved governance arrangements and management of information, assets and finances.		
Background	<p>The College is a federation of a special school (Prittlewell Centre) and a pupil referral unit (Shoebury Centre) and was until October 2013 governed by a Management Committee at the Pupil Referral Unit and an Interim Executive Board at the special school. After that date a new governing body took over responsibility for the federated college named Seabrook College. The Interim Executive Board ceased to act when the special school came out of special measures at the end of March 2014.</p> <p>Over the last 12 months, the College has experienced a significant change in governance arrangements including the clerk and business / finance management.</p> <p>The new management team inherited significant operational and procedural problems that needed to be addressed. Some of these issues were highlighted in a draft audit report issued late January 2013 in respect of the special school that does not appear to have been fully addressed by the IEB.</p> <p>Given the recent history of the College, the audit was undertaken to:</p> <ul style="list-style-type: none"> • understand the current status of actions being taken as well as providing direction should they require further development • assess and provide the college feedback on the robustness of new arrangements implemented since the new management team has been in place. 		
Conclusion and key themes	<p>The current governing body and senior management have improved, or are actively addressing, many governance and financial management arrangements and processes.</p> <p>A status report has been agreed with the College to contribute to the on-going improvement process by highlighting the areas where further focus is necessary.</p> <p>The areas for improvement set out in the status report are primarily legacy issues from the previous governance, clerking and finance management arrangements that still need addressing.</p>		
Actions required	The actions proposed to further strengthen these arrangements have been discussed and agreed with the Executive Headteacher, Business Manager and the Chair of Governors.		