

## AMBER AND RED REPORTS ISSUED QUARTERS TWO AND THREE

### AMBER REPORTS:

#### William Reynolds Primary School

### 1. Introduction and Scope

- 1.1 An audit review commenced on 2<sup>nd</sup> July 2013, to provide an opinion on the control environment and a level of assurance for William Reynolds Primary School. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.2 We would like to thank the following for their help during the audit:
- ⌘ Head Teacher
  - ⌘ Business Manager
  - ⌘ Administrator

### 2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the processes and procedures for William Reynolds Primary School were identified. These included:
- ⌘ The school hold copies of their statutory educational policies on their network which can be accessed by all staff. All policies have the review date on their front cover.
  - ⌘ The school have produced a policy schedule showing which committees have taken responsibility for reviewing the agreed policies and these are reviewed on a rolling programme basis.
  - ⌘ Each Governor's sub-committee has its own leaver arch file (all filed in meeting order / clearly labelled) and the full governing body has a separate lever arch file for each term (Autumn / Spring / Summer).
  - ⌘ Personnel files are very well organised.
  - ⌘ The Head Teacher signs the copy of the PSE absence entry which is held on the staff members personnel file to demonstrate it has been checked as having been entered. The school also have individual sickness summary sheets so they can easily identify repeated absence.
  - ⌘ A manual requisition order form is completed and authorised prior to the order being placed on the Agresso System.

### 3. Management Summary and Overall Opinion

- 3.1 On the basis of the work carried out our opinion based on the level of assurance provided by the controls for this audit area is limited - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.

- 3.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

<b>Recommendation Category &amp; timescale</b>	<b>Number</b>	<b>Percentage</b>
Legal Requirement – immediate implementation	2	11%
Financial Regulation – immediate implementation	10	53%
Policy/Procedure – implementation within a month	7	36%
Best Practice – implementation at a mutually agreed date	-	-
<b>Total</b>	<b>19</b>	<b>100%</b>

- 3.3 We have not followed up the implementation of recommendations made in the previous audit reports because these related to the William Reynolds Junior & Infant Schools which has since been amalgamated, therefore these recommendations were superseded by the new processes and procedures in place at the primary school.
- 3.4 The implementation of the recommendations made in this report will further strengthen the controls and processes in your school.

## Back Up and Disaster Recovery

### 1. Introduction and Scope

- 1.1 An internal audit was undertaken in February 2013, to provide an opinion on the control environment and a level of assurance of the adequacy of the controls in place to manage the risks associated with backup and disaster recovery (including Data Centre) arrangements within the Council. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.2 The scope of the audit was agreed with ICT Service Delivery Manager and we would like to thank the following for their help during the audit:
- ✳ Infrastructure Support and Design Team Leader
  - ✳ Senior Infrastructure Officer
  - ✳ Resilience Team Leader

### 2. Good Practice Areas

- 2.1 During the audit, a number of good practice areas were identified within the arrangements for backup and disaster recovery (including Data Centre). These included:
- ✳ Responsibility for the management of the backup routines including monitoring of completion and fault notification has been appropriately assigned.
  - ✳ Critical services and their relevant systems have been identified through a business impact analysis and these are revisited annually.
  - ✳ There are procedures in place for the periodic backup of Council data and errors are investigated and resolved.
  - ✳ Data restore and escalation procedures have been defined for the backup tools in use.
  - ✳ There is secure storage available at Granville House for weekly and monthly backup tapes.
  - ✳ There are adequate physical controls in place for access to both of the Council's data centres.

### 3. Management Summary and Overall Opinion

- 3.1 On the basis of the work carried out, it is our opinion that the level of assurance provided by controls for this audit area is 'Limited' level of assurance. Whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 3.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	-	-
Financial Regulation – immediate Implementation	-	-

Policy/Procedure – implementation within a month	7	88%
Best Practice – implementation at a mutually agreed date	1	12%
<b>Total</b>	<b>8</b>	<b>100%</b>

- 3.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

## Transport System Post Implementation Review

### 1. Introduction and Scope

- 1.1 An audit review commenced in May 2013, to undertake a post implementation review of the Transport System contract. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.2 We would like to thank the following for their help during the audit:
- ✱✱ Transport Operations Group Manager
  - ✱✱ Contracts Team Leader
  - ✱✱ ICT Projects Co-ordinator

### 2 Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out our opinion based on the level of assurance provided by the controls arising from this post implementation review is **Limited** - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 2.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown over the page.

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	-	-
Financial Regulation – immediate implementation	8	40%
Policy/Procedure – implementation within a month report.	8	40%
Best Practice – implementation at a mutually agreed date	4	20%
<b>Total</b>	<b>20</b>	<b>100%</b>

- 2.3 The implementation of the recommendations made in this report will ensure future contracts are properly entered into and controlled.

## Telford Snowboarding and Ski Centre

### 1. Introduction and Scope

- 1.1 An audit review commenced on 4 July 2013, to provide an opinion on the control environment and a level of assurance for the Telford Snowboarding and Ski Centre. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.2 The scope of the audit was agreed by the Team Leader - Telford Ice Rink and Telford Snowboard and Ski Centre whose helps along with Duty officers was appreciated during the audit.

## 2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out our opinion based on the level of assurance provided by the controls for this audit area is Limited - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 2.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

<b>Recommendation Category &amp; timescale</b>	<b>Number</b>	<b>Percentage</b>
Legal Requirement – immediate implementation	2	9%
Financial Regulation – immediate implementation	4	18%
Policy/Procedure – implementation within a month	16	73%
Best Practice – implementation at a mutually agreed date	-	-
<b>Total</b>	<b>22</b>	<b>100%</b>

- 2.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

### Asset Register Review

## 1. Introduction and Scope

- 1.1 An audit review commenced on 3 June 2013, to provide an opinion on the control environment and a level of assurance for the Asset Register. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.2 The scope of the audit was agreed by the Finance Team Leader and we would like to thank the following for their help during the audit:
- \*\* Property Lawyer
  - \*\* Surveyor
  - \*\* Finance Team Leader
  - \*\* Senior Finance Officer

## 2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out our opinion based on the level of assurance provided by the controls for this audit area is Limited - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 2.2 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below.

<b>Recommendation Category &amp; timescale</b>	<b>Number</b>	<b>Percentage</b>
Legal Requirement – immediate implementation	-	-
Financial Regulation – immediate implementation	-	-
Policy/Procedure – implementation within a month	11	91%
Best Practice – implementation at a mutually agreed date	1	9%
<b>Total</b>	<b>12</b>	<b>100%</b>

- 2.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

## Out of Area Children's Placements

### 1. Introduction and Scope

- 1.1 An audit review commenced on 2<sup>nd</sup> August 2013, to provide an opinion on the control environment and a level of assurance for Out of Area Children's Placements. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.2 The scope of the audit was agreed by the SDM – Placement and in addition to her we would like to thank the following for their help during the audit :
- \*\* Team Leader, Children in Care
  - \*\* Children's Safeguarding Team Manager
  - \*\* Business Support & Information Manager
  - \*\* Data Support Officer
  - \*\* Interim Service Delivery Manager, Commissioning
  - \*\* Family & Cohesion Services Team Manager
  - \*\* Brokerage Officer, Commissioning Children, Families & Transport
  - \*\* Quality Monitoring Officer, Placements, Commissioning & Transport
  - \*\* SDM - Safeguarding Advisory Service

### 2 Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out our opinion based on the level of assurance provided by the controls for this audit area is Limited – whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 2.2 This Audit report is supplementary to the Ofsted report published 10 August 2012, the Scrutiny Committee report dated 5 June 2013 and the Children's Brokerage Audit report currently being finalised – recommendations within this report are additional to, and not intended to supersede, the findings within those reports
- 2.3 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown over the page – where recommendations are considered to be high risk for the Authority (e.g. non-compliance with Legal requirements, non-compliance with essential procedures), this will have impacted on the overall opinion of the report.

<b>Recommendation Category &amp; timescale</b>	<b>Number</b>	<b>Percentage</b>
Legal Requirement – immediate implementation	2	22%
Financial Regulation – immediate implementation	-	-
Policy/Procedure – implementation within a month	7	78%
Best Practice – implementation at a mutually agreed date	-	-
<b>Total</b>	<b>9</b>	<b>100%</b>

- 2.4 The implementation of the recommendations made in this report will further strengthen the controls and processes in your area.

## Service User Journey

### 1. Introduction and Scope

- 1.1 An audit review commenced in April 2013 to provide an opinion on the control environment and a level of assurance for Service User Journey processes. The Internal Audit opinion on these

controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.

- 1.2 The scope of the audit was agreed by the SDM - Access & Enablement and we would like to thank staff from the following areas for their help during the audit:

Personal Budget Support Team  
Financial Case Management Team  
Adult Social Care Commissioning Team  
Access & Enablement Team  
Access & Case Management Team  
Access Team  
ICT  
Adult Safeguarding Team  
Delivery & Planning Team  
Finance  
Adult & Community Services Team

## 2. Good Practice Areas

- 2.1 During the audit a number of good practice areas within the processes for Service User Journey were identified. These included:
- ⌘ The level of up to date information held on the Commissioning & Contracting Team intranet page
  - ⌘ Quality Monitoring Officers work plan which details the teams work programme, showing their latest actions and those providers they will be monitoring in the next few weeks
  - ⌘ The comprehensive Performance Summary Reports produced by Senior Information Officer
  - ⌘ Detailed and up to date process maps for the whole Service Area

## 3. Management Summary and Overall Opinion

- 3.1 On the basis of the work carried out our opinion based on the level of assurance provided by the controls for this audit area is **Limited** - whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls.
- 3.2 Recommendations have been made to improve the controls found to be unsatisfactory<sup>1</sup> and these are categorised as shown below.

<b>Recommendation Category &amp; timescale</b>	<b>Number</b>	<b>Percentage</b>
Legal Requirement – immediate implementation	1	3%
Financial Regulation – immediate implementation	-	-
Policy/Procedure – implementation within a month	32	94%
Best Practice – implementation at a mutually agreed date	1	3%
<b>Total</b>	<b>34</b>	<b>100%</b>

- 3.3 The implementation of the recommendations made in this report will further strengthen the controls and processes in this area.

## **RED REPORTS:**

### **Review of Abacus and Associated Processes – September 2013**

#### **1. Introduction & Scope**

- 1.1 The Abacus System was implemented (phase 1) in February 2010 which enabled all financial assessments to be undertaken on the system, invoicing of residential clients for their contribution to care and payments to providers of certain client groups. Phase 2 of the implementation went live in August 2011 which added the facility to invoice domiciliary clients for their care contribution and allow payments to providers for all client groups.
- 1.2 The AD: Finance, Audit & Information Governance requested that Finance and Audit undertake an investigation into a number of issues identified by Finance Team Leader Peach in respect to Abacus and associated processes. These issues included:
  - a) Brokerage and the rationale behind the selection of Homecare providers – specifically whether the cheapest bid that meets client needs is always selected?
  - b) Whether the Council is suffering a financial loss as a result of unassessed and unbilled income – concerns that a number of clients, particularly ALD clients are unbilled and/or unassessed for client contribution
  - c) Overpayments being made to providers as a result of duplicate payments and due to “system tolerances”
  - d) Abacus over-forecasting commitments due to the non-closure of service orders resulting in misleading financial projections

#### **2. Background to Previous Abacus Reviews/Issues Raised**

- 2.1 Audit has previously undertaken a review of the Abacus system on the request of the Assistant Director: Adult Care & Support. The final audit report for this initial review contained 20 recommendations and was issued on 30 September 2011 graded as an Amber (limited assurance) report.
- 2.2 Subsequent follow ups have been undertaken by Audit to ascertain the progress the service area has made in implementing the actions agreed in response to the recommendations made, see details below:
  - First follow up completed on 26 July 2012 (status remained Amber)
  - Second follow up review issued on 6 March 2013 (status remained Amber)
  - Audit are currently working on the 3<sup>rd</sup> follow up

Management across the council had expected that the implementation of the Abacus upgrade to v162 would resolve a number of the issues raised in the above audits reports. The Abacus v162 upgrade has not been implemented as at 14 August 2013.

- 2.3 There is also an ongoing Abacus issues log monitored by the Abacus User Group detailing:
  - 9 issues have a status of ‘not started’
  - 16 issues are in ‘progress’
  - 15 issues are ‘on hold’
  - 3 issues have ‘not yet been actioned’

### 3. Summary of Conclusions

3.1 It is evident that 2 – 3 years after the implementation of Abacus and despite previous audit reports raising concerns which have also been raised by the Finance Team Leader that there are a number of outstanding issues in respect to how care services are brokered and paid for across Care & Support. The key issues are:

3.1.1 Fragmentation/culture of Care & Support Teams

3.1.2 Lack of financial control with Abacus system configuration

3.1.3 Human resources issues including lack of training

### 4. Opinion / Summary Recommendations / Advice

4.1 On the basis of the work carried out our opinion based on the level of assurance provided by the controls for Abacus and associated processes is **Poor** - the system of control is weak and there is evidence of non compliance with the controls that do exist. The main reasons for now giving this rating for the level of assurance are the level of known overpayments and the prolonged period (now over 2 years) that problems have been occurring without resolution and the increased scope of this review.

4.2 On discussion with the Personalisation Support & Service Provision Service Delivery Manager, Personal Budget Support Team (PBST) Team Leader and Financial Case Management Team (FCMT) Team Leader it is recognised that a number of issues in this report have already been identified by them. For some issues action plans are already in place or are due to be implemented in the future dependent on available capacity across the Council to address identified areas for improvement.

4.3 There are pockets of good practice in both PBST and FCMT with both Team Leaders demonstrating a keenness to improve. This is demonstrated in particular by the PBST being nationally recognised for the efficient way they process contracts.

4.4 This review has highlighted concerns that financial control arrangements in respect to the use of Abacus and associated processes have contributed to unacceptable levels of overpayment and loss of income due to a number of clients not being assessed/billed for their contributions to care. Furthermore these arrangements may be seen as contravening the Council's Financial Regulations.

4.5 This review has also raised concerns about the overall management and accountability of the use of Abacus and associated processes. This concern is evidenced by:

- Cultural issues where teams have continued to follow established localised procedures for brokering care services
- Some knowledge of overpaying providers on occasion for various reasons including the desire to ensure service providers were paid during the difficulties experienced when Abacus was being implemented. These have had to be reclaimed.
- A lack of implementation of the agreed actions to the recommendations made in previous audit reports which after 2 years (and 2 follow up reviews) are still graded as Amber (*whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key controls*).
- The number of high risk/priority issues that are still to be resolved on the Abacus issues log

- 4.6 To resolve the issues highlighted by this report recommendations have been made and agreed by management.

## Moorfield Primary School

### 1. Introduction and Scope

- 1.1 An audit review was commenced on 1 July 2013, to provide an opinion on the control environment and a level of assurance for processes at Moorfield Primary School. The Internal Audit opinion on these controls will contribute to the Annual Internal Audit opinion included in the Council's Annual Governance Statement.
- 1.2 We would like to thank the following for their help during the audit:
- \*\* Head Teacher
  - \*\* Business Manager
  - \*\* T&W Senior Finance Officer

### 2. Management Summary and Overall Opinion

- 2.1 On the basis of the work carried out our opinion based on the level of assurance provided by the controls at Moorfield School is **Poor** - the system of control is weak and there is evidence of non compliance with the controls that do exist.
- 2.2 As part of this review Audit also undertook a preliminary investigation, as requested by the Head Teacher, into the possible mis-appropriation of funds. The findings of this investigation have also been included in this report.
- 2.3 Recommendations have been made to improve the controls found to be unsatisfactory and these are categorised as shown below. Table 1 shows are the recommendations highlighted as part of the Audit and Table 2 are the recommendations highlighted as part of the investigation into possible mis-appropriation of Income.

**Table 1**

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	5	9%
Financial Regulation – immediate implementation	18	35%
Policy/Procedure – implementation within a month	26	52%
Best Practice – implementation at a mutually agreed date	2	4%
<b>Total</b>	<b>51*</b>	<b>100%</b>

**Table 2**

Recommendation Category & timescale	Number	Percentage
Legal Requirement – immediate implementation	1	8%
Financial Regulation – immediate implementation	7	53%
Policy/Procedure – implementation within a month	3	23%
Best Practice – implementation at a mutually agreed date	2	16%
<b>Total</b>	<b>13 *</b>	<b>100%</b>

\*8 of the 64 recommendations have been re-iterated from the last audit.

- 2.4 The implementation of the recommendations made in this report will further strengthen the controls and processes in your school.
- 2.5 Due to the number of recommendations made within this report we have taken the opportunity to group the recommendations to assist management with areas to concentrate resources. These are shown below.

<b>Area</b>	<b>Number of recommendations</b>	<b>Percentage</b>
Policies and Guidance	2	3%
Governing Body	6	10%
Training	1	2%
Financial System	4	6%
Human Resources	3	4%
Payroll	6	10%
Purchasing	14	23%
Security	2	3%
School Fund	3	4%
Inventory	3	4%
Data Protection / Freedom of Information	5	8%
ICT	2	3%
Cash Collection, Banking & Monitoring	13	20%
<b>TOTAL</b>	<b>64</b>	<b>100%</b>