

## AGENDA SUPPLEMENT 2

### Audit and Governance Committee

**To:** Councillors Pavlovic (Chair), Fisher (Vice-Chair),  
Daubeney, Mason, Wann, Webb and Lomas

**Date:** Friday, 20 November 2020

**Time:** 5.30 pm

**Venue:** Remote Meeting

The Agenda for the above meeting was published on **12 November 2020**. The attached additional documents are now available for the following agenda item:

**5. Audit and Counter Fraud Monitoring Report**

The final audit reports, as listed in Annex 2 to the report on this item and referred to at the meeting.

This agenda supplement was published on **25 November 2020**.

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# Ralph Butterfield Primary School

## City of York Council

### Internal Audit Report 2019/20

Headteacher: E Clark  
Date Issued: 24/01/20  
Status: Final  
Reference: 15691/018

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>1</b>	<b>5</b>
<b>Overall Audit Opinion</b>	<b>Substantial Assurance</b>		

# Summary and Overall Conclusions

## Introduction

This audit has been carried out as part of the Internal Audit plan for Children, Education and Communities for 2019/20. Schools are audited in accordance with a detailed risk assessment.

## Objectives and Scope of the Audit

The purpose of this audit is to provide assurance to Governors, the Headteacher and management that procedures and controls in the areas listed below are working adequately and are well controlled.

The audit reviewed processes and transactions in the following areas:

- Governance and Financial Management
- System Reconciliation
- Banking Arrangements
- Contracts, Purchasing and Authorisation
- Income
- Capital and Property
- Extended Schools Provision
- Human Resources
- Payroll and Staff Costs
- School Meals
- Pupil Numbers
- School Fund
- Data Protection and Information technology
- Insurance and Risk Management
- Joint Use Facilities
- Inventories
- Safeguarding

## Key Findings

Processes in the most areas reviewed were generally working well, and records were clear and well maintained.

Good procedures are in place for managing the budget with balances that seem reasonable and consistent. However it was noted that caretaking contract (12K) had been not been included in the current years start budget although this was corrected for revised budget

Current declarations of interest for staff were available at the school but the current register of interests for Governors could not be found, although there was evidence of annual renewal of declarations. It was also noted that full disclosure of Governors declarations had not been published on the schools website. No register of gifts and hospitality had been maintained at the school.

In the schools recruitment process, health related questions need to be removed from reference requests made before making a conditional job offer, and evidence used to confirm the right to work in the UK must be retained on file.

VAT had not been correctly accounted for on adult meals for the current year (since the introduction of parentpay) and an adjustment should be made. It was also noted that school meals were made available to catering staff but the cost was not identified separately in the school budget or identified as a benefit in kind for tax purposes.

Some additional minor issues were identified and discussed at the closing meeting with no formal recommendations made. These included ensuring that approval of the SFVS is clearly evidenced in the Full Governing Body minutes and closing of the school's catering account, with school meals payments to be made direct to the BAFS account.

## **Overall Conclusions**

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

# 1 Register of Gifts & Hospitality

## Issue/Control Weakness

A Gifts and Hospitality Register has not been established in which details of any gifts or hospitality received can be recorded.

## Risk

Gifts may have been received that could influence purchasing decisions and Governors and staff at the school may be vulnerable to allegations of improper conduct in relation to the acceptance of gifts and hospitality.

## Findings

The school did not have a Register of Gifts and Hospitality. Staff and Governors should be aware of the Gifts & Hospitality policy and when recording in the register is necessary.

At the time of the audit three significant cash gifts had been received at the school from a parent. Correct procedures had been applied and the cash is to be paid into the school fund and Kids Club. This needs to be recorded in the register to ensure transparency.

## Recommendation

A Register should be introduced as soon as possible and appropriate items recorded. It is recommended that the register is signed off annually by the Headteacher and if no items are received a nil return should be signed.

## Agreed Action 1.1

The three significant cash gifts have been recorded in a Register of Gifts and Hospitality. The school will ensure that any future gifts are added in compliance with the policy and an annual sign off of the register will be carried out by the Head Teacher. Following email guidance received after the reporting of the cash gifts, it was detailed on the email what the sum of the cash gifts were and the conversation with the donator who agreed for the cash to be paid into the School Fund and Kids Club. No previous gifts have been received which would require entering into the Register of Gifts and Hospitality.

<b>Priority</b>	3
<b>Responsible Officer</b>	School Business Manager
<b>Timescale</b>	Complete

## 2 Register of Interests

### Issue/Control Weakness

The current register of interests for Governors could not be found at the school.

### Risk

Members of the Governing Body may be in a position to influence the placing of contracts in which they have a personal interest and the school may be unable to fully account for purchasing decisions in the event of challenge.

### Findings

Although there was evidence that the register of interest for Governors had been renewed for the current year (in the FGB minutes) the declarations could not be found at the school. It was confirmed by the SBM that if these could not be found the Governors would be asked to redo their declarations.

It was also noted that the Governor declarations were not recorded in full on the schools website as required by the statutory guidance for governing bodies of maintained schools.

### Recommendation

Declarations of interest for Governors for the current year must be available at the school. They must also be published in full on the schools website.

### Agreed Action 2.1

Due to the absence of the Clerk to the Governing Body the declarations of interest for the governors could not be found. There were declarations from September 2018 but the ones for September 2019 have had to be re-done. Some of those have now been received and SBM will chase up the others. These will be made available to the school and will be published in full on the schools website.

**Priority**

3

**Responsible Officer**

School Business  
Manager/Headteacher's  
PA

**Timescale**

31<sup>st</sup> January 2020

### 3 VAT

#### Issue/Control Weakness

VAT on adult school meals has not been accounted for in the current financial year.

#### Risk

HM Revenue & Customs may penalise the school for failing to account for VAT correctly.

#### Findings

The Parent Pay cashless system for the collection of school meals income was introduced from April 19. Since its introduction the school has not accounted for the VAT on adult meals. VAT on adult meals had been correctly accounted for in previous years.

#### Recommendation

VAT must be accounted for correctly on all adult paid meals. A report on adult paid meals can be obtained through the parentpay system and an adjustment made through the schools finance system to show the net amount of the meal and the VAT that is applied to ensure and the school's VAT return is correct. This adjustment should be notified to the Councils VAT officer.

#### Agreed Action 3.1

There has been only a small number of adult paid meals taken since the introduction of Parent Pay. The Councils VAT officer will be contacted concerning any VAT adjustment that may be required. Reports will be routinely obtained from Parent Pay to establish the number of staff paid meals from January 2020 and VAT applied accordingly to ensure the school's VAT return is correct.

#### Priority

3

#### Responsible Officer

School  
Secretary/School  
Business Manager

#### Timescale

31<sup>st</sup> January 2020



## 4 Recruitment Checks

### Issue/Control Weakness

The school issues a reference request, prior to making a conditional job offer, which asks about health related absences. Additionally copies of the documentation used to confirm the right to work in the UK are not held on file.

### Risk

Failure to comply with Government legislation

### Findings

As part of the recruitment process, prior to making a conditional job offer the school uses non-standard reference requests that ask health related questions. This contravenes the requirements of the Equalities Act 2010 relating to recruitment and health questions.

Additionally, although documents confirming the right to work in the UK are checked as part of the recruitment process, copies of the documents used are not certified and retained on file.

### Recommendation

Health related question should be removed from the reference request issued before a job offer is made. A pro-forma reference request (which does not ask health related questions) is available on the York Education Website (HR Section).

Copies of documents used to confirm the right to work in the UK must be held on file and properly certified. Guidance on allowable documents and the certification process are available in the Employers Guide to Right to Work Checks on the Gov.uk website or on the York Education Website (HR section).

### Agreed Action 4.1

The reference template used was an adaptation by previous headteacher. The school have now adopted the reference request pro-forma from the York Education Website. Copies of documents used to confirm the right to work in the UK will be held on file and properly certified from the next recruitment exercise which is due to take place shortly and from then on.

**Priority**

2

**Responsible Officer**

School Business  
Manager/Headteacher's  
PA

**Timescale**

31<sup>st</sup> January 2020

## 5 Contracts

### Issue/Control Weakness

Free school meals are offered to catering staff.

### Risk

Costs are not fully identified and overspend of the budget may occur

### Findings

The school has in house catering. A free school meal is currently offered to catering staff. The cost of these meals is not currently identified in the schools budget and could constitute a taxable benefit in kind to these staff.

### Recommendation

If the school wants to continue this policy they should ensure it has been approved by Governors and any cost is accounted for in the school budget. The schools HR advisor should also be contacted to establish whether this is a taxable benefit to these staff.

### Agreed Action 5.1

This was discussed at the Finance, Staffing and Premises Meeting held on 10<sup>th</sup> December 2019 and the Governors decided that Midday Supervisor Assistants would be informed in January that from April 2020, they would no longer be entitled to a free school lunch.

**Priority**

3

**Responsible Officer**

Governors/Headteacher

**Timescale**

31<sup>st</sup> January 2020

## 6 Inventory

### Issue/Control Weakness

The annually verified inventory document is not currently retained in school and the deminimis level for recording items set at an inappropriate level.

### Risk

Items which are have been lost or misappropriated may not be investigated. The deminimis level for the inventory may not be set at an appropriate level for insurance purposes.

### Findings

When the annual independent check of the inventory takes place the school does not currently retain the original checking record showing that each item has been verified. There is therefore no evidence that all items from the original record have been traced. It was noted that the deminimis level, below which items are not routinely recorded on the inventory, has been set at £500. Although some items valued below this had been recorded, this may not be a suitable level for the school to apply in the event of having to provide evidence in the event of an insurance claim.

### Recommendation

The annual inventory checking record should be retained in school and signed and dated by the independent checking officer. The deminimis level for the inventory should be reviewed and it should be ensured this is set at a suitable level in the event of an insurance claim.

### Agreed Action 6.1

Discussion took place at the Finance, Staffing and Premises Committee Meeting on 10<sup>th</sup> December, 2019 and it was agreed by all governors that the school will change the deminimis level below which items are not routinely recorded from £500 to £300. This was recorded in the minutes. The school will also retain the original checking record showing each item has been verified.

**Priority**

3

**Responsible Officer**

Governors/Headteacher

**Timescale**

Complete

# Audit Opinions and Priorities for Actions

## Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.

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**Danesgate PRU**  
**City of York Council**  
**Internal Audit Report 2019/20**

Headteacher: P Head  
Date Issued: 12/02/20  
Status: Final  
Reference: 15693/001

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>4</b>	<b>7</b>
<b>Overall Audit Opinion</b>	Limited Assurance		

# Summary and Overall Conclusions

## Introduction

This audit has been carried out as part of the Internal Audit plan for Children, Education and Communities for 2019/20. Schools are audited in accordance with a detailed risk assessment.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to Governors, the Headteacher and management that procedures and controls in the areas listed below are working adequately and are well controlled.

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- Pupil Numbers
- School Fund
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- Joint Use Facilities
- Inventories
- Safeguarding

## Key Findings

The PRU is not in a deficit position financially and balances seem reasonable and consistent. However, it was found that budget monitoring reports had not been evidenced as presented to Governors during the spring term for the 18/19 budget or during the summer term for the 19/20



budget (the minimum frequency required in the Budget Management Policy is termly) therefore effective scrutiny by the Governors could not be confirmed. Additionally, the budget monitoring reports produced for Governors were in a format reporting actual expenditure but only expected funding for the current year, without a supporting report produced directly from the financial management system to confirm actual balances. There was also no evidence of regular scrutiny by the Head and Business Manager. It is suggested that monitoring reports are produced at more frequent intervals (at least twice per term) and signed by both officers. Agreement of the start budget for 2019/20 was delayed significantly due to questions raised on the budgetary position for 18/19 and in particular in relation to advance funding received from the LA which was not reported to Governors until year end. It is acknowledged however that there appeared to be delays by the LA in responding to these queries.

Routine monthly financial checks had not been completed for the current financial year. This included the bank reconciliations which are required to be submitted as a return to the LA. The PRU relies heavily on the use of agency and supply staff and good procedures were in place to ensure agency charges were accurate but financial checks on salary and supply charges made through CYC had not been completed.

Invoiced charges made to Academies and out of area schools for places at the PRU had not always been raised promptly and chasing of overdue invoices had not been completed on a regular basis for the current financial year. At the time of the audit the PRU had approximately £43K in outstanding debts. The majority of the debt had been outstanding in excess of 12 months and related to one Academy (where there was a dispute over liability for charges). Evidence of previous attempts to resolve this debt were seen at the audit.

The schedule of policies (identifying the policies held by the school, the date of approval and the date they are scheduled for review) had not been kept up to date and a number of policies that were required did not appear to be held by the PRU.

Recruitment checks were reviewed and evidence was found of completion. However, reference requests (issued before a job offer was made) ask for information concerning health related absences and should be replaced by with the pro-forma included in the HR Policy. In addition, it was found that DBS certificates have been held on personal files for longer than allowable under GDPR regulations.

There was no up to date schedule of contractual arrangements maintained by the PRU or procedures in place to ensure contractors directly commissioned to carry out works have sufficient insurance in place.

Additionally, some minor issues were identified and discussed in relation to evidencing independent checking of procurement card statements and some errors in the claims for top up funding for 18/19 (which had been accounted for in the calculation of funding received from the Local Authority).

## **Overall Conclusions**

It was found that the arrangements for managing risk were poor with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided Limited Assurance

# 1 Policies

## Issue/Control Weakness

Some policies required by the schools did not appear to be in place. Additionally it was not clear whether policies were the most up to date versions and had been approved by Governors.

## Risk

Policies may not be the current version and may not reflect current regulations or the requirements of the Governors.

## Findings

The schedule of policies recording the last date of approval and the due date for review had not been not kept up to date. A copy of the latest approved policy is not routinely signed by the Chair of Governors and held on file by the school.

Additionally, the following policies did not appear to have been adopted by the PRU.

Data Protection and Information Policy

CCTV Policy

School Visits Policy

Debt Management Policy

## Recommendation

The schedule of policies should be reviewed and updated and used to evidence that policies are scheduled for review as appropriate.

A copy of approved policies should be signed by the chair of Governors and held on file.

The identified policies, if not in place, should be adopted by the PRU.

## Agreed Action 1.1

The recommended action will be implemented.

The policies listed above will be scheduled for review and approval between now and February 2020.

**Priority**

3

**Responsible Officer**

Head Teacher and  
Clerk to Governors

**Timescale**

28.2.20

## 2 Financial Management

### Issue/Control Weakness

Minutes of the Management Committee did not evidence that Governors have scrutinised the budget position on a termly (or more frequent) basis in accordance with the Budget Management Policy. Monitoring reports issued to Governors are not produced directly from the finance system and may not reflect the true financial position of the PRU.

### Risk

Governors are not providing scrutiny and challenge in relation to the budget and overspends may occur.

### Findings

The PRU no longer has a separate Finance Committee, but deals with financial issues through the full Management Committee. The terms of reference of the Management Committee stated in the Budget Management policy specify that the Committee will meet to consider termly monitoring reports as a minimum (and in some cases monthly may be more appropriate).

After the November 18 Management Committee (where revised budget was considered) no further monitoring report was recorded as presented and discussed until April 19 (relating to the 18/19 outturn and 19/20 start budget). A budget monitoring report was issued for the February 19 meeting but was not presented. There was therefore no minuted scrutiny of the budget position by the Governors during the Spring term 18/19.

It was also noted that the monitoring reports had been requested by Governors in a different format to that produced directly from the PRU's finance system. This format recorded the funding for the PRU based on the PRU's claims (rather than funding received) and actual expenditure taken from the finance system. Advanced funding had been provided in April 18 by the LA but this had not been included on these monitoring reports until the actual outturn was reported at year end. This resulted in funding queries being raised by Governors at a late stage.

Assurances were given that the budget position is regularly monitored from the schools finance system by the Head teacher and the School Business Manager however no evidence is retained to confirm this.

An approved 19/20 start budget was required to be submitted to the LA by 10/5/19. The lack of clarity for the Governors concerning funding received and balances due from the LA for 18/19 and an apparent slow response to queries raised with the LA at this time, resulted in delay in approval of a start budget until 4/7/19. At the time of the audit therefore there was no start budget on the PRU's Finance System and therefore no information had been available to the Governors for the Summer term 19/20.

### Recommendation

The school should ensure compliance with the terms of reference included in their Budget Management policy in relation to consideration of termly (or more frequent) monitoring reports by the Management Committee. Effective scrutiny of the budget position should be evidenced in

the minutes of the Management Committee.

If monitoring reports are to be presented to the Governors in an alternative format they should include a report produced directly from the schools finance system so the accuracy of balances reported can be confirmed and queries raised if necessary.

Monitoring reports should be regularly produced from the schools finance system and signed by the Headteacher and School Business Manager as evidence of scrutiny.

### Agreed Action 2.1

The Chair of Governors will ensure that the minutes are an accurate and comprehensive record of the discussions of the budget.

The advised format for reports to Governors will be used from the staffing and finance meeting held 14.11.19.

The Head teacher and SBM have calendared in a monthly meeting to evidence scrutiny of the monitoring reports.

**Priority**

2

**Responsible Officer**

Head Teacher/School  
Business Manager

**Timescale**

30.11.19

### 3 Bank Reconciliations

#### Issue/Control Weakness

Bank reconciliations had not been completed for the current financial year.

#### Risk

Inaccurate or fraudulent payments may not be identified and the balance at the bank may not be effectively managed.

#### Findings

Bank reconciliations had not been completed for the current financial year and had been completed irregularly for the previous financial year. These reconciliations are required to be submitted to the LA on a monthly basis

At the time of the audit the reconciliations for the current year were in the process of being completed. However, the last reconciliation submitted to the LA was for the year end at 31 March 2019.

#### Recommendation

Monthly bank reconciliations should be completed and any irregularities investigated. The reconciliations should be submitted to the LA as required.

#### Agreed Action 3.1

Due to capacity issues there had been a delay in completing this work which has now corrected.

**Priority**

2

**Responsible Officer**

School Business  
Manager

**Timescale**

31.10.19

## 4 Contracts, Ordering and Purchasing

### Issue/Control Weakness

Recent works valued at £56K were let by the PRU. Quotations had been obtained but school but no formal quotation opening and recording procedure had been followed.

### Risk

The procurement process could be subject to challenge.

### Findings

Quotations for works to the car park were originally obtained in 2016. However it was later identified that planning permission was required for these works and issues related to the planning resulted in a number of delays and changes to the project. Once these were agreed, the original contractors were asked to resubmit their quotations. This resulted in only two submissions so a further contractor was invited to quote (who was subsequently awarded the contract). Quotations received were not subject to formal opening procedures and were not opened or recorded together.

### Recommendation

Returned quotations should be held securely until after a notified closing date and opened together by two officers. A record of opening should be maintained to confirm these procedures have been properly applied.

### Agreed Action 4.1

The minutes of the next governors meeting will record the requirement for quotations to be held securely, opened by two officers. A record of this happening will be maintained.

**Priority**

3

**Responsible Officer**

School Business  
Manager

**Timescale**

30.11.19

## 5 Service Contracts

### Issue/Control Weakness

There is no up to date schedule of current contractual arrangements at the PRU.

### Risk

Best value may not be achieved and contracts may be in place that are no longer appropriate.

### Findings

At the time of the audit there was no complete or up to date schedule of ongoing contracts at the PRU. This document should at minimum record the value of all service contracts, the contract period, and the date of renewal. It should be reviewed annually and used to evidence the scheduling of contracts for retender or market testing.

### Recommendation

The schedule of contracts should be updated and reviewed annually. It is recommended that this schedule is presented to Governors so that they are aware of all the contractual arrangements and that any retendering has been appropriately planned.

### Agreed Action 5.1

The recommendation will be actioned.

**Priority**

3

**Responsible Officer**

School Business  
Manager

**Timescale**

31.12.19

## 6 Contractor Insurance

### Issue/Control Weakness

The PRU did not confirm that contractors directly commissioned to complete works have adequate public liability insurance cover.

### Risk

The PRU may be liable in the event of an accident.

### Findings

A sample of contractors directly commissioned to complete works, or deliver services, was tested to ensure they had adequate insurance cover. The PRU did not hold a copy of the current insurance certificates.

### Recommendation

If the PRU requests a contractor to carry out works or provide services, a copy of their public liability insurance certificates should be retained on file to evidence that they have cover of at least £5 million. If the contractor is used on a regular basis, a system should be in place to ensure the insurance certificate is updated when the expiry date has been reached.

### Agreed Action 6.1

We have set up a system to ensure public liability insurance is consistently checked for all directly commissioned contractors at the PRU. This system will also evidence the checks which are already completed for off - site services (eg alternative provision) and confirm checks have been completed for contractors procured through Services to Schools.

**Priority**

3

**Responsible Officer**

Assistant School  
Business Manager

**Timescale**

31.12.19



## 7 Income

### Issue/Control Weakness

Invoiced charges for PRU pupil places are not always raised promptly. Outstanding invoices have not been regularly reviewed although all had some evidence of follow up in the previous financial year. At the time of audit here was a significant amount of overdue debt recorded in the accounts

### Risk

The PRU may fail to collect all income due and there may be an inaccurate assessment of the PRU's financial position.

### Findings

Charges to non maintained schools for pupil places are currently invoiced termly in arrears. Charges raised are agreed with the schools before invoicing. This can result in delays in invoicing which can potentially make charges difficult to recover if they are not paid promptly.

Additionally it was found that debtors have not been regularly reviewed although there was evidence that significant debts (such as the amounts outstanding for the Vale of York) had previously been chased up. At the time of audit the school had approximately £43K in overdue invoices. This included £22.3K of debt outstanding in excess of 12 months for Vale of York Academy. The majority of this related to charges for pupil places provided for the Spring term 16/17 and the Summer term 16/17. It is understood that the Academy is disputing whether liability lies with them or the LA. However investigation subsequent to the audit indicates that charges for Spring Term 16/17 may have already been raised by ICT on Academy conversion of Vale of York (April 17).

Audit was informed that cheques for a further £11.7K of outstanding debt had been issued by the payee but had not been received. Assurances were given that these cheques were to be reissued by the payee.

### Recommendation

It is recommended that invoices are raised for pupils place funding as soon as possible after the end of term based on the PRU's records. Any discrepancies should be adjusted by credit note if necessary.

Charges recorded as outstanding from the Vale of York Academy should be reviewed against charges made by ICT at the time of conversion (April 17). The confirmed total of outstanding charges should be pursued with the Academy.

Overdue invoices should be promptly and routinely followed up. Any disputes should be investigated. If only part of the invoice is disputed, part payment should be requested until the disputed charges are resolved.

### Agreed Action 7.1

We will request at the next meeting with CYC and secondary schools (16.10.19) that the

**Priority**

2

timeline for these charges is changed so that we can move them to a week after the end of term rather than a month (which is the timeframe currently applied).

The receipt of invoiced charges and internal charges are now double-checked against the bank statement and Powersolve statement, and outstanding charges chased immediately. Action will be taken in accordance with the debt management policy (see point 1.1).

**Responsible Officer**

School Business  
Manager

**Timescale**

31.10.19

## 8 Recruitment

### Issue/Control Weakness

References, requested prior to a job offer being made included questions on health related absences. DBS certificates are held on file for longer than allowable.

### Risk

Failure to comply with the equalities act 2010 and General Data Protection Regulations (GDPR).

### Findings

A sample recent staff appointments was selected and information held on personal files was reviewed. It was found that references held on file had been obtained before an offer of employment had been made and included questions relating to sickness absence. It is Council policy to only request references containing health related questions after a conditional offer of employment has been made in order to comply with the Equality Act 2010. Additionally, copies of DBS certificates were held on file for longer than the 6 months allowable under GDPR regulations and as stated in the document retention schedule. The PRU informed audit that these are held as some units visited by staff request actual sight of the DBS certificate.

### Recommendation

The school should use the pro-forma included in the HR policy for obtaining references prior to making a job offer. This does not include health related questions.

Copies of DBS certificates should be removed from personal files and destroyed in accordance with the document retention schedule. It is recommended that relevant staff are issued with an assurance from the PRU that their DBS has been checked and if necessary are required to hold their own DBS to be taken out on visits.

### Agreed Action 8.1

Up-dated reference forms are now in place and in use.

The process of cleansing the DBS certificates from staff files has begun and will be completed by 4.11.19.

The Designated Safeguarding Lead will be writing out to all staff with a statement of assurance for when they are visiting other schools and also to alert them to the possible requirement that they keep their DBS certificates to hand if they are going into other schools to work.

#### Priority

3

#### Responsible Officer

School Business Manager and Designated Safeguarding Lead

#### Timescale

30.11.19

## 9 Payroll

### Issue/Control Weakness

Checks of salary and supply charges made through CYC had not been completed for the current financial year.

### Risk

Payroll errors may not be promptly identified and resolved.

### Findings

At the end of period 3, central payments recorded on the monthly powersolve reports had not been entered onto the PRU's finance system for the current year and routine checks had not been completed to verify the accuracy of the charges. These included checks of salary and supply charges made through the payroll. Salary details need to be checked promptly to avoid any errors from reoccurring in the following months.

For 18/19 payments made to supply staff had been checked against recorded hours and recorded on a monitoring spreadsheet. These checks had not been evidenced for the current year.

### Recommendation

Checks on the accuracy of CYC salaries and supply charges made through the payroll should be completed for the current financial year. These checks should be completed promptly for future payments when reports are received to ensure any issues or errors identified are resolved promptly.

### Agreed Action 9.1

We will request additional access to the Orovia system for the School Business Manager and further training so that salaries can be checked and monitored through this system. We are still using the historic system for salary checking.

**Priority**

2

**Responsible Officer**

School Business Manager

**Timescale**

30.11.19

## 10 Petty Cash

### Issue/Control Weakness

The school holds a high petty cash balance. The petty cash has been used for expenditure and reimbursements not normally made through the petty cash system.

### Risk

Petty cash held in schools is vulnerable to being misappropriated.

### Findings

Petty cash should only be used for low cost purchases which cannot be invoiced or are inefficient to charge through the official purchasing system. Petty cash of £500 is held at the PRU and is currently reimbursed at least monthly. It was found that a significant proportion of expenditure is for reimbursement of staff car parking charges and bus fares and the purchase of sandwiches (to replace those previously those no longer available from the PRU due to long term staff absence).

### Recommendation

Consideration should be given to lowering the petty cash imprest level. Expenditure through petty cash should be reduced by encouraging staff to reimburse travel and parking costs through the travel claims system. Sandwiches could be purchased through the school meals supplier and wherever possible items should be purchased through the PRU's official purchasing system.

### Agreed Action 10.1

We will take a report to the Governing Body on what petty cash is being used for and how it can be reduced.

Travel and parking costs will be added to staff claim forms subject to approval from the Governing Body. We have emailed staff about this issue and put instructions about staff use of petty cash in the weekly staff bulletin. There will need to be a short consultation with staff about this change of practice.

**Priority**

3

**Responsible Officer**

Assistant School Business Manager

**Timescale**

31.12.19

## 11 Inventory

### Issue/Control Weakness

The PRU does not maintain inventory records in the required format.

### Risk

Items which are lost or misappropriated may not be identified. In the event of an insurance claim the school may not have a record of items and the claim may be affected.

### Findings

An annual check of current equipment (and in some cases consumables) had been completed for some departments. However the checks were not completed against a permanent inventory record maintained in the required format but consisted of a list of equipment only. No record of previous checks was retained.

### Recommendation

An inventory record should be maintained consisting of items which are valuable portable and desirable and valued over an agreed de-minimus level (below which items are not routinely recorded).

The inventory should be verified on an annual basis (by an officer not involved in the maintenance of the record). A signed (PDF) copy of the verified inventory should be retained as well as the current inventory record and a record should be maintained of the date and officer completing inventory checks.

Disposal of inventory items should be authorised by the Head Teacher (or Governors) in accordance with delegated authority.

The PRU will be sent inventory guidance and an electronic inventory format.

### Agreed Action 11.1

This recommendation will be actioned with the Assistant School Business Manager bringing all inventory information into the required format.

**Priority**

3

**Responsible Officer**

Assistant School  
Business Manager

**Timescale**

31.12.19

# Audit Opinions and Priorities for Actions

## Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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# Schools Maintenance Programme

## City of York Council

### Internal Audit Report 2018-19

Business Unit: Children, Education and Communities Directorate,  
Responsible Officer: Assistant Director, Education and Skills  
Service Manager: Head of School Services  
Date Issued: 11 February 2020  
Status: Final  
Reference: 15697/003

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>2</b>
<b>Overall Audit Opinion</b>	Substantial Assurance		

# Summary and Overall Conclusions

## Introduction

The School Services Capital Maintenance Programme has a budget for 2018/19 of £3.5m to fund 22 projects. This funding comes from a several sources including Department for Education grants, Capital Resource Allocation Model (CRAM) funding, s106 grants and schools themselves.

Projects are identified before the financial year starts through condition surveys and issues arising. These are prioritised and a programme is put together and presented to the Executive for approval. At the start of the year School Services officers meet with Procurement to consider procurement methods for the various schemes in the approved programme. If appropriate separate schemes at one site may be combined to achieve better value for money or to minimise disruption. The majority of maintenance cannot, for health & safety reasons, be carried out while schools function so it is done while they are closed for the summer holidays.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- maintenance projects are prioritised in accordance with a formally established methodology;
- projects are completed within time and budgetary constraints;
- the capital maintenance budget is managed effectively;
- the quality of work is reviewed.

Procurement was not included in the scope of this audit.

The audit involved testing of a limited sample of projects included in the 18/19 capital maintenance programme.

## Key Findings

A formalised and documented methodology is in place by which maintenance projects in schools are prioritised. Testing indicated that this had been consistently and accurately applied.

The accuracy of cost estimates for budget purposes was reviewed. For two of the projects tested initial costs were found to be based on satisfactorily detailed estimates. For the third project (works at Clifton Green) a high-level estimate over three years was provided however, the project was subsequently merged with another at the same school and similar works at another school. Combining the projects seems to have been mainly discussed verbally, with no documentary evidence to demonstrate a cost saving from combining these projects.

None of the schemes reviewed included any penalty clauses for late completion of works, however the contractor selection process takes into account the previous record of contractors in completing work within specified timescales. Time constraints on projects are notified in tender documentation. For the one project tested that involved a formal contract (Clifton Green) the Invitation to Tender documentation showed that time

constraints were clearly specified. Works covered by a purchase order had the "Required By" date specified but this did not appear to be accurate (being the same date as the order was raised).

To ensure costs are controlled during the completion of the works, where costs in addition to the tendered value arise, the surveyor checks the validity of this, visiting the site if necessary and raises a variation order by way of authorisation. A sample of variations were tested and were appropriately authorised. Variation orders are retained and form part of the final account. In all completed projects tested the final cost was the tender price plus the agreed variations.

Final accounts showed sufficient detail to enable officers to verify the accuracy and testing confirmed they are checked in detail prior to payment.

Quarterly budget monitoring of the capital maintenance programme is in place, with at least monthly updates on currently active projects. £180k contingency was built into the 2018/19 programme. When issues arise they are, where possible, held over to be planned into the next year's programme. If this is not possible and there is not enough contingency other projects in the current year's programme may be split into phases and less urgent parts may be deferred. The service continues to be operated within budget.

It was confirmed that all works tested were inspected when completed. Retentions were applied to individual projects. The retentions, in accordance with JCT terms and conditions, are 5% withheld until handover and 2.5% for the ensuing Defects Liability Period (normally 12 months from handover). Handover takes place when an inspection of the works has shown them to have been satisfactorily completed and the Certificate of Practical Completion has been issued. For one of the projects tested the retention was roughly but not exactly 5%. This was identified to the relevant officer.

## **Overall Conclusions**

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

# 1 Risk management for project timescales.

Issue/Control Weakness	Risk
It is not clear that controls over the timing of works being carried out are sufficiently robust, particularly where additional works have been commissioned via purchase orders.	Work on projects causes disturbance during normal operation of schools.

## Findings

The three projects tested and their original budgeted cost in the Capital Maintenance Programme were:

1. Clifton Green Primary: Rewire, Lighting & Fire Alarm - £215k
2. Carr Infant: Car Park Lighting - £20k
3. Poppleton Road Primary: Playground Brick Wall - £50k

There is evidence that contractors are made aware of the time sensitivities with respect to the completion of works. For Clifton Green Primary the Invitation To Tender (ITT) information sent out to prospective contractors made clear the time constraints of the project and the need to work on a live site to carry out part of the work during term time. However penalties for late completion are not used.

For Carr Infant most of the work was done in-house by CYC depot and as such no penalties would be applied.

The remaining works for Carr Infant and Poppleton Road Primary works (additional works to chimney subject to a waiver of the tender process) were commissioned via purchase orders against a submitted quotation. The "Required By" date was specified on the order in all cases but did not appear to be accurate, being the same date as the order was raised. There is no provision for any penalty for late delivery for these works.

It is not clear that controls on the timing of works being carried out are sufficiently robust.

## Agreed Action 1.1

All tender documentation will include information regarding the use of penalties for late completion. Where the work has not been completed in accordance with agreed dates and penalties have not been applied, a record will be kept detailing the reasons why.

<b>Priority</b>	3
<b>Responsible Officer</b>	Head of School Services
<b>Timescale</b>	Immediate & Ongoing

## 2 Combining Projects.

### Issue/Control Weakness

Where projects are combined cost savings are not always clearly evidenced

### Risk

Best value may not be achieved

### Findings

Works for Clifton Green rewire and roofing and fire alarm and the works for rewire, roofing, windows and fire alarm at Huntington school were originally shown as separate projects but were combined together (separating out the works to the fire alarms) in order to achieve cost savings. However these estimated cost savings were not clearly identified. The budgeted costs did not appear to have been adjusted to show estimated cost savings from combining the projects and the overall budget appeared to have increased by 100K from the original estimate. As a result monitoring was not carried out against a reduced budget.

Savings did not appear to have been made on tendered prices through combining the main projects (A pre tender estimate for the cost of works appeared to be 850K and the tender accepted was 931K), although savings were achieved when costs were compared to the original budget. Final costs included variations to the projects and resulted in spend being around the original budget so no overall saving on the project was made (however a saving of 100K was shown due to increased budget detailed above).

### Agreed Action 2.1

School Services staff will record the reasons why projects have been combined. If this is to make cost savings the estimated savings will be identified at the feasibility stage and will be recorded. Projects may be combined for reasons other than cost savings and these decisions will be recorded at all stages.

**Priority**

3

**Responsible Officer**

Head of School Services

**Timescale**

Immediate & Ongoing

# Audit Opinions and Priorities for Actions

## Audit Opinions

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## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
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# Adoption Services

## City of York Council

### Internal Audit Report 2019/20

Business Unit: Children, Education and Communities Directorate,  
Responsible Officer: Assistant Director, Children's Specialist Services  
Service Manager: Head of Agency, One Adoption North and Humber  
Date Issued: 1<sup>st</sup> July 2020  
Status: Final  
Reference: 11420/003

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>1</b>	<b>2</b>
<b>Overall Audit Opinion</b>	Substantial Assurance		

# Summary and Overall Conclusions

## Introduction

One Adoption North and Humber went live in February 2018 and is responsible for finding families for children needing an adoptive family, the recruitment of adopters and the provision of post adoption support. The Agency delivers services for five Local Authorities, City of York Council (the host), North Yorkshire County Council, East Riding of Yorkshire Council, Hull City Council and North East Lincolnshire Council.

Services are provided under a regional model in accordance with the government policy paper 'Adoption: a vision for change' (2016) that states all local authorities should be in a regional adoption agency by 2020. The purpose of regionalisation is to have a system where children are matched with the most suitable adopter as quickly as possible, with recruitment taking place at an efficient scale to provide a pool of 'adoption ready' adopters large enough and well enough matched to the needs of children waiting and enough high quality adoption support services available nationwide.

The model delivers a single service under a Head of Agency and two Service Managers but is not fully integrated, with staffing systems and procedures remaining under the control of the member councils. The Service Managers report to the Head of Agency, who is directly accountable to the Leadership and Management Board.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to the Local Authorities that the procedures and controls in place ensured:

- Compliance with the approved delivery model
- Shared budgets are well managed
- Effective performance management systems are in place
- Management of best practice and quality assurance
- Responsibilities in respect of Inter Agency Fees are met
- GDPR responsibilities have been met
- The effectiveness of the User Voice system in service development
- The overall effect of the Agency on the rates of recruitment of adopters and the timeliness and number of children placed in the Agency can be measured.

Due to the Covid-19 Pandemic, we have been limited in obtaining information and data to carry out some of the proposed testing. This primarily related to compliance testing of the quality assurance framework and the overall effectiveness of the Agency compared to pre-Agency figures.

## Key Findings

The organisation of the Regional Adoption Agency appears to comply with the approved delivery model with the exception of inconsistencies in who the service manager reports to on adoption issues.

Additionally it was noted that the Agency does not currently have a risk register in place.

The shared budget is managed well, and held separate from Inter-Agency fees. The budget position is reported every quarter to the Management Board. Contributions from each member local authority to the shared budget are collected as one single payment instead of in four instalments as agreed in the Partnership Agreement, however the Partnership Agreement was due for review in February 2020 and this will be considered as an amendment.

There are effective performance management systems in place, with monthly, quarterly and annual reports produced from local and statutory measures. Reports are regularly presented at the Heads of Service meetings and the Management Board meetings and scrutiny of the reports is evidenced.

The Agency has a suitable system in place to manage best practice and has an approved Quality Assurance Framework. Service managers and the Head of Agency complete audits to ensure that staff are adhering to policy and procedure. These form part of staff appraisals and allow service managers to set targets for their teams.

The process in place for collecting the first instalment of Inter-Agency Fees is appropriate however, responsibility for collecting the final instalment is currently external to the Agency, which could prevent the final instalment being requested within a suitable timeframe.

In relation to GDPR, the 5 Local Authorities in the Agency do not have shared systems. The Agency used suitably qualified staff from CYC to assist in creating a Data Sharing Agreement, which was signed by all member authorities. Each authority is responsible for compliance with the data sharing agreement. The GDPR arrangements at individual authorities were not included in this review.

The User Voice System is the process of providing the Agency with direct feedback on improving the service that they offer to their adopters. The system uses social media, surveys and group sessions to form a basis for new projects or existing projects to ensure they are working or how they could be improved. The system is being used effectively in improving service development and providing a direct link between the Management Board and the clients. The User Voice System has been integral in getting client feedback through surveys and focus groups and setting up the Peer Mentoring system.

The Agency measures the recruitment of adopters, the timeliness of placements and number of children that are placed through the Agency through their regular reports, with the Head of Agency providing commentary for the Management Board to explain any changes or trends in the data provided. The Agency has shown performance levels above the national average over the last two years since its inception on most areas within the report.

## Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

# 1 Risk Register

## Issue/Control Weakness

There is no risk register in place for the Agency.

## Risk

The Agency is unable to effectively manage its risks or deliver on its objectives.

## Findings

A risk register is a management tool which helps managers and companies document risks, track risks and address them through preventative controls and corrective actions.

At the beginning of the audit, the Risk Register for the Agency was requested from the Head of Agency. However, the Agency does not have a risk register in place. Although the Agency is jointly owned by 5 Local Authorities, it should have its own risk register in place, which would then be reviewed regularly by the Management Board.

This has been raised with the Head of Agency who plans to have a risk register with regular review in place as soon as possible.

## Agreed Action 1.1

A Risk Register will be created, presented and reviewed at Management Board on a quarterly basis.

**Priority**

2

**Responsible Officer**

Head of Agency

**Timescale**

31 August 2020

## 2 Delivery Model

### Issue/Control Weakness

The Agency's current working practice for reporting does not match the approved delivery model.

### Risk

The Agency fails to achieve its objectives set out in the Partnership Agreement

### Findings

The Partnership Agreement, which is due to be reviewed by the Agency's Management Board, specifies how the Agency is to be organised, through an approved delivery model. The delivery model sets out the Agency structure and the responsibilities in each area. As the Regional Adoption system is new, there is not a mandatory delivery model which all Regional Adoption Agencies need to be following, with only recommended models suggested.

The current model in the Partnership Agreement outlines that Service Managers for both teams are expected to report to the Head of Agency on adoption related matters. They report to their Head of Service at their respective Local Authority for HR related matters. This model has a single line of accountability for adoption matters through the Head of Service who then reports to the Management Board.

Current practice is that the Service Manager for the North Team is still reporting to and supervised by the Head of Service for North Yorkshire County Council. This does not match the approved Delivery Model or provide an equal service for all Local Authorities in the Agency, with an efficient reporting structure and a single line of accountability to the Management Board.

As the Partnership Agreement is currently under review, it would be a suitable time to review current practice against the delivery model, and make the necessary changes.

### Agreed Action 2.1

This will be discussed as the Partnership Agreement is updated. An agreed cause of action will be put in place.

**Priority**

3

**Responsible Officer**

NYCC/CYC Assistant Directors

**Timescale**

31 August 2020

### 3 Inter Agency Fees

#### Issue/Control Weakness

The process for requesting the final fee for Inter Agency adoptions is not efficient.

#### Risk

The Agency fails to collect all income due for children adopted outside of the Agency.

#### Findings

When a child from a different Adoption Agency or Local Authority is placed with one of the Agency's adopters, there is a fee of £27,000 owed to the Agency (added 10% if it is London based). The payment is formed of two instalments, 66% when the match has been made and the final 33% once the adoption has been completed.

The collection of the first instalment of Inter-Agency Fees is initiated by the Service Managers who complete the Inter Agency fee form. Every quarter, the Finance Officer at CYC will contact the relevant Service Managers to see if any adoptions have been completed in the last quarter. This will then prompt the Finance Officer to collect the final instalment of the Inter Agency Fee.

Although testing evidenced that money is being collected, the current system requires the Finance Officer who is a CYC employee, to obtain information on adoption completions from the Service Managers in order to trigger invoicing of the final instalment rather than this process being initiated by the service itself. As the information is only requested quarterly there could be a delay in collection of up to 2 months. This practice could be improved by placing the responsibility for initiating invoicing of the final instalment with the Service Managers.

#### Agreed Action 3.1

Service Mangers will notify York Finance on adoption orders being made when a child has been placed with an RAA adopter. This information will be checked monthly from the data return.

<b>Priority</b>	3
<b>Responsible Officer</b>	Service Managers
<b>Timescale</b>	24 June 2020

## Audit Opinions and Priorities for Actions

### Audit Opinions

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# Council Tax and NNDR

## City of York Council

### Internal Audit Report 2019/20

Business Unit: Customer and Corporate Services Directorate  
Responsible Officer: Assistant Director, Customer Services and Digital  
Service Manager: Head of Customer, Resident and Exchequer Services  
Date Issued: 23 September 2020  
Status: Final  
Reference: 10310/011

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>2</b>	<b>3</b>
<b>Overall Audit Opinion</b>	Substantial Assurance		

# Summary and Overall Conclusions

## Introduction

Council tax and national non-domestic rates (NNDR) are key sources of funding for the provision of services by the council. For 2019/20, the council tax requirement was set at £90 million and retained NNDR income is projected at approximately £32.8 million. In 2019/20, the council will process bills for approximately 6,900 businesses and 90,000 homes.

Following its participation in a 100% NNDR retention scheme in 2018/19, the council is participating in a 75% NNDR retention pilot scheme as part of the North and West Yorkshire Pool for 2019/20.

The council has also introduced the Govtech system to enable residents and businesses to inform the council of changes to their circumstances. This has allowed the automation of some administrative processes within the council tax section.

As a fundamental financial system, Council Tax and NNDR is audited regularly to provide assurance that risks are managed and controls are operating effectively.

The draft report was issued in March 2020, but was not finalised due to the Covid-19 pandemic. Audit testing had been completed prior to the pandemic, so the report does not discuss the council's response. The report and its findings have since been revisited and reviewed with officers as part of the preparations for the 2020-21 audit. Officers have confirmed the issues are still relevant and outstanding. Given the current circumstances, it was agreed to revise the action timescales to 31 March 2021 to give the service time to complete them.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- The council maintains an accurate database of taxable properties and liable persons.
- Bills and demand notices are calculated and issued correctly, in a timely manner and apply legitimate discounts, exemptions, disregards and reliefs.
- Council tax and NNDR income is correctly accounted for and income is correctly recorded.
- Arrears are promptly and effectively pursued.
- Refunds and write-offs are legitimate, correctly processed and authorised.

## Key Findings

The council maintains an accurate database of taxable properties and liable persons. Reconciliations between the Land Registry, Valuation Office Agency and council databases are performed on a regular basis with systems updated accordingly. However, it was found that records of newly identified NNDR properties not yet on the council's database were being held by individual staff, meaning the council did not have oversight of all new properties in one central area. A new centralised repository was created during the audit and the process and expectations communicated to the relevant staff.

Bills and demand notices were calculated and issued correctly for both council tax and NNDR with discounts, disregards, exemptions and reliefs being applied where appropriate. A small number of council tax accounts with reductions did not have end dates applied. These were provided to the service and corrected prior to the end of the audit.

It was found that not all reliefs and discounts were being reviewed regularly. Single person discounts were reviewed by a third party contractor. Other reviews were performed where the relief or discount was known to the council to be a risk area (deceased persons and probate applications) or of high volume (student discounts). No plan was in place for the prioritisation and review of other reductions.

Overall, refunds and write-offs were legitimate, correctly processed and authorised. However, the refund reconciliation process had not been completed for the 2019/2020 billing period due to the retirement of the staff member responsible for this activity. A review of the reconciliation process is due to be undertaken to establish whether the existing process is fit for purpose and whether any improvements could be made before conducting the 2019/2020 reconciliation.

An improved quality assurance (QA) process was introduced early in 2019/20 and QA work has been completed regularly throughout the year. The service is currently deciding on other areas to be included in QA work and some suggestions for further improvements have been provided.

Online application forms provided by Govtech for council tax reductions were found to have declarations making applicants aware of the provision of correct information but did not explicitly contain wording relating to the detection and prevention of fraud.

Council tax and NNDR income is generally accounted for correctly. Customers are promptly notified if direct debit payments are rejected. The suspense account is routinely reviewed and items moved to the correct accounts.

Finally, pursuit of arrears is prompt and effective. While procedure documents exist for arrears, refunds and write-offs, it was found that version control was inconsistent. Some documents did not contain a date when they were reviewed or updated and one was still awaiting sign off.

## Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

# 1 Reviews of discounts, disregards, exemptions and reliefs

## Issue/Control Weakness

Discounts, disregards, exemptions and reliefs are not actively managed across all categories.

## Risk

Some discounts, disregards, exemptions or reliefs may be applied for too long or inappropriately, causing a loss of income to the council.

## Findings

It was found that while some council tax discounts and disregards are periodically reviewed to ensure they are still valid, many council tax reduction categories are not subject to such reviews. Areas currently reviewed include student disregards, grant of probate and single person discounts. The last of these is outsourced to a third party and carried out biannually.

NNDR exemptions and reliefs are not currently subject to periodic review, although the council is introducing data matching software that should enable reviews of Small Business Rate Relief.

It was also noted that a small number of council tax accounts (ten) subject to discounts did not have end dates applied. . These were provided to the service for review and corrected prior to the completion of the audit.

Consideration should be given to determining the priority, frequency and timing of reviews to ensure that reductions to council tax and NNDR liabilities are not applied for too long or inappropriately.

## Agreed Action 1.1

A schedule of reviews for discounts, disregards, exemptions and reliefs will be created with consideration being given to the type, timing and priority of the reviews across both council tax and non-domestic rates.

<b>Priority</b>	2
<b>Responsible Officer</b>	Revenues and Benefits Senior Technical Officer
<b>Timescale</b>	31 March 2021

## 2 Refund reconciliations

### Issue/Control Weakness

Refund reconciliations have not been performed during the 2019/20 financial year.

### Risk

Refunds made erroneously may not be identified such that corrective action can be taken.

### Findings

Periodic refund reconciliations have not been completed during the current financial year because the process is due to be reviewed.

The reconciliations were completed for 2018/19, but due to the retirement of the member of staff responsible for performing the reconciliation, they have not been completed for 2019/20. Officers stated their intention to review and update the process to ensure it is still fit for purpose before carrying out the 2019/20 reconciliations. However, at the time of the audit this had not been completed.

### Agreed Action 2.1

The refund reconciliation process will be reviewed and, where appropriate, revised to ensure reconciliations are performed and risk minimised.

**Priority**

2

**Responsible Officer**

Revenues & Benefits  
Subsidy Manager

**Timescale**

31 March 2021

### 3 Quality assurance process

#### Issue/Control Weakness

A standardised approach to the selection of samples for quality assurance (QA) work had not been agreed and documented. QA work for recovery processes has not been implemented.

#### Risk

There is a risk that quality assurance for management is inconsistent resulting in potential errors on some customer accounts.

#### Findings

Quality assurance work is undertaken on a regular basis with issues being fed back to management for information and resolution. A new process was introduced in 2019/20 for council tax and NNDR accounts.

A pragmatic approach was taken to the sample sizes and method of selection for checks to be performed. However, the number of accounts checked varied each month, with more checks generally being carried out on NNDR accounts than on council tax accounts. Furthermore, the service area was considering extending quality assurance work to additional processes, such as recovery of arrears, but this had not been fully determined. The QA process and sampling method had not been documented, but the QA checks were being undertaken by two of the Technical Officers.

It may be beneficial to consider standardising the approach to the type and number of checks being performed for QA purposes and documenting the process so that other staff are able to carry it out if required.

#### Agreed Action 3.1

A documented approach will be created for the quality assurance process and consideration given to standardising sample sizes and types across both council tax and NNDR.

**Priority**

3

**Responsible Officer**

Revenues and Benefits Senior Technical Officer

**Timescale**

31 March 2021



## 4 Customer declarations on Govtech forms

### Issue/Control Weakness

Declarations on Govtech forms for council tax reductions are not robust enough to deter fraudulent activity.

### Risk

The council may be unable to prove intent during fraud investigations leading to a loss in income for the council by fraudulent activity.

### Findings

Review of the online declaration for single person discount and discussion with Veritau's counter fraud team found that the declaration wording may not be robust enough to prove intent during fraud investigations.

The declarations on the online forms do not explicitly contain wording relating to the detection and prevention of fraud, although a declaration is in place advising customers of the requirement to provide correct information and that the council may need to verify the information provided.

Controls could be enhanced by the addition of wording about the council's approach to fraud prevention.

### Agreed Action 4.1

The declaration on Govtech forms will be reviewed and improved with support and advice from Veritau's counter fraud team.

**Priority**

3

**Responsible Officer**

Revenues & Benefits  
Manager

**Timescale**

31 March 2021

## 5 Version control for policy and procedure documents

### Issue/Control Weakness

Procedure documents for recovery, refunds and write-offs did not have appropriate version control. The recovery procedures and corporate debt policy are awaiting approval.

### Risk

There is a risk that officers might not follow correct procedures resulting in erroneous transactions.

### Findings

The following policies and procedures were reviewed during the audit: corporate debt policy 2014, recovery team procedure notes, NNDR refund, council tax refund, refunds in excess of £10K, credit write on and write off policy, and write off procedure notes for small balances.

The corporate debt policy was under review at the time of the audit, pending finalisation. During the audit, it was found that the version control of the documents stemming from the corporate debt policy was inconsistent. The recovery team procedure notes document was version numbered and dated. However, others were dated but not version numbered and some were neither version numbered nor dated.

It may be beneficial to have a procedure documentation review timetable with responsible officers identified, and to annotate reviewed, updated and authorised procedures with the review and sign off date, even where changes are not made. This would provide visibility that the latest version is being used and align to the corporate debt policy April 2014 (pending the November 2019 version being approved).

### Agreed Action 5.1

The corporate debt policy 2019 is pending finalisation therefore version controls for procedure notes stemming from this revised policy will be considered and implemented across both council tax and non-domestic rates once it is finalised.

**Priority**

3

**Responsible Officer**

Revenues & Benefits  
Manager

**Timescale**

31 March 2021

# Audit Opinions and Priorities for Actions

## Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.