

THE HIGHLAND COUNCIL
ADULT & CHILDREN SERVICES COMMITTEE
21 AUGUST 2013

Agenda Item	22i.
Report No	ACS/82/13

**Action Plans – Internal Audit Reports –
System weaknesses at a catering establishment
School Meals – income collection and monitoring systems**
Report by Director of Education, Culture and Sport Service

Summary

This report provides an overview of the Internal Audit reports relating to Education Culture & Sport that were considered by the Audit and Scrutiny Committee in autumn 2012 and progress with the related management actions that were agreed at that Committee.

1. Background

- 1.1 The Audit and Scrutiny Committee met on the 20th September 2012. The agenda included a report relating to system weaknesses in a catering establishment. The Audit and Scrutiny Committee also met on 21st November 2012. That agenda included a report on school meals income collection and monitoring systems. In accordance with the Local Code on Corporate Governance both reports have to be reported to the relevant strategic committee of the Council.
- 1.2 This report provides a progress report in relation to the management actions agreed at these Committees. The management actions relating to the system weaknesses at a catering establishment are appended at **Appendix 1**. The management actions relating to the School Meals Income Collection and Monitoring Systems are appended at **Appendix 2**.

2.0 Progress with management actions

- 2.1 In relation to the report on system weaknesses within a catering establishment, there were 7 management actions identified. The only outstanding action reported to the Audit & Scrutiny Committee has been partially completed. The successful upgrade to the Saffron management information system has been completed and additional reports are in the final stages of development, with a provisional completion date of October 2013. Investigations are on-going to establish whether or not reports can be run in Oracle Financials System that interface automatically with Saffron to confirm the date of each individual lodgement. The benefits being that single bank lodgements can be more efficiently reconciled between the Saffron management information system and Oracle Financials. In the interim period until this automatic interface is in place, the manual cash reconciliation process is subjected to close scrutiny and checking.
- 2.2 In relation to the report on school meals income collection and monitoring systems there were 17 management actions identified. The rollout of the cashless catering systems to all Secondary Schools and 20 Primary Schools has resulted in

significant improvements to income collection and monitoring within those establishments. Plans are currently being put in place to rollout the cashless catering system to all Primary Schools on a phased basis.

- 2.3 Of the 17 management actions identified in the report, 13 have now been completed, report ref. 3.28 is on target and report references 3.1, 3.25, 3.28 have not been fully completed.
- 2.4 **Report ref. 3.1** - the procedural manual index is complete and work is on-going to finalise the content. However, due to lack of resources and the amount of work involved the content will not be finalised until March 2014.
- 2.5 **Report ref.3.3.2** - although this action has been completed Members should note that there is no scope operationally for the use of unique passwords and the system cannot be adapted to accommodate this. As a result, head office system access is restricted to named individuals.
- 2.6 **Report ref. 3.25** – the Head of Resources will issue a letter to all Head Teachers at the start of the new academic session 2013/14 reminding all Head Teachers of the importance of separation of duties for all financial transactions
- 2.7 **Report ref. 3.28** - 3 of the 4 actions identified have been completed. However, the management action relating to reviewing the template letter relating to outstanding payments for school meals is on-going. The key action is prevention and not allowing significant debts to accumulate. As a result, the template letter will be modified to remind parents that outstanding payments will not be allowed to accumulate and that school meal provision may be withdrawn if outstanding payments are not settled and sporadic non-payment continues

3.0 Implications

- 3.1 The investments in the upgrade to the Saffron management information system (including improved management reports), improved procedures and the on-going implementation of cashless catering in schools will ultimately result in greater automation in monitoring and reporting processes and income collection. This increased efficiency provides greater confidence that all income in-gathered can be tracked and accounted for.
- 3.2 As a result the risks associated with income collection, banking and accounting across in excess of 200 separate establishments are significantly reduced.
- 3.3 The implementation of cashless catering systems reduces any perceived stigma associated with free school meal entitlement, gives access to online payments and enhanced interaction and learning within the curriculum.
- 3.4 There are no direct legal or climate change implications.

4.0 Recommendations

4.1 The Committee is asked to:

- Note the management actions that have been taken to address the issues identified in these Internal Audit reports.

Designation: Director of Education, Culture and Sport

Date: 5th August 2013

Author: Ron MacKenzie, Head of Support Services, Education, Culture and Sport

Background Papers

Appendix 1 – Management Actions – System weaknesses in a catering establishment

Appendix 2 – Management Actions - School Meals – Income collection and monitoring systems

AUDIT REPORT ACTION PLAN

APPENDIX 1

Report Title

Report No.

Catering Establishment – System Weaknesses	HC39/007
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The Action Plan contains **7** recommendations as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	2
Medium	5
Low	0
Total recommendations	7

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1	High	<p>There are weaknesses with the ECS Catering Business Support Section's current system for monitoring income and as a result there were delays in identifying missing income or the risk that missing income is not identified.</p> <p>This has also been identified in a recently completed review of school meals income.</p>	<p>(1) The reasons why the additional identified income was overlooked should be investigated and controls put in place to ensure all future unbanked lodgements are promptly identified and investigated.</p> <p>(2) Staff should receive the appropriate training on the income monitoring process to ensure that sufficient cover is provided for periods of extended absence.</p>	<p>Awaiting Saffron upgrade in order that every single lodgement can be re-corded and matched to payments in Oracle.</p> <p>Currently it would take a huge resource to audit and monitor all lodgements due to the nature of the catering and school meals payments and banking.</p>	Business Support Officer/ Catering Manager	To be confirmed

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					RESPONSIBLE OFFICER	TARGET DATE
3.2	High	At the time of the investigation, there was a lack of segregation of duties as the ex-employee was involved in income collection and banking which does not comply with the Council's Financial Regulations.	(1) In accordance with the Financial Regulations, where staff are involved in income collection they should not be responsible for banking. Where this segregation is not possible, as a minimum, it should be ensured that the income collection and banking records are checked by an independent officer, before the income is banked. (2) Where staff have more than one job with the Council it should be ensured that these roles do not conflict and do not allow important controls such as the segregation of duties to be by-passed.	Cash collection and banking procedures and risk assessments have been implemented and carried out in all units and are monitored and reviewed on an annual basis. Noted for future – Staff member was dismissed. Catering establishment has since closed. Reviewed as part of service monitoring.	Business Support Officer/ Catering Manager	Complete
					Business Support Officer/ Catering Manager	Complete
3.3	Medium	At the time of the investigation, there were issues regarding security of income as risk assessments for all 26 catering income units across Inverness had not been completed, the small safe in the van had run out of batteries and could not be used which was addressed during the investigation and the drivers instructions did not detail responsibility for collecting income.	(1) A full risk assessment should be completed of the transport arrangements for income to the Bank. Controls should be in place to address the health and safety risks associated with staff carrying significant amounts of cash.	Risk Assessments will be carried out for the following: <ul style="list-style-type: none"> • Van Driver • Banking of money • Route variation Also reviewed annually as part of service monitoring.	Catering Manager	Complete

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3.3 (cont)			(2) In view of the above, consideration should be given to improving security over the transport of income to the Bank such as using a secure carrier. Alternatively, all Drivers should be reminded of the need to use the safes provided in vehicles and to ensure that any operational faults are promptly reported.	<p>Consideration has been given to the use of a secure carrier. The catering and cleaning service will explore the possibility and costs associated specifically for the catering service.</p> <p>A driver’s manual will produced and will include the following processes and procedures:</p> <ul style="list-style-type: none"> • Cash collection from units, • Storage of cash in van, • Use of Van safe, • Banking of Cash, • Ordering and collection of change for units. <p>Van has been fitted with a new safe, money is deposited via a chute, the driver does not have access to the key.</p>	Catering Manager	Complete

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					RESPONSIBLE OFFICER	TARGET DATE
3.3 (cont)				<p>All cash is signed for and deposited in the safe, the driver returns to base and is accompanied to the bank with the cash where a second party reconciles bags against the list of receipted received bags deposited in the safe.</p> <p>Also reviewed annually as part of service monitoring.</p>		
			(3) Documentation should be held where the driver collects change on behalf of catering units.	<p>A process and documentation has been put in place for kitchens to order change directly via the bank. A copy of the order is given to the driver who will pick it up on their behalf, this is then signed for on delivery.</p>	Catering Manager	Complete

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					RESPONSIBLE OFFICER	TARGET DATE
3.3 (cont)			(4) Responsibility for the collection and banking of income should be clearly stated in any instructions issued to staff and it should be ensured that they fully understand these requirements. These instructions should comply with the requirements of the Council's Financial Regulations.	A driver manual which includes comprehensive process and procedures has been completed.	Catering Manager	Complete
3.4	Medium	The processes at the catering establishment did not comply with Financial Regulations as the bank pay-in slips were not checked by an independent member of staff. In addition, there were areas where control could be improved as bank bags were used out of sequence, no weekly "Z2" till reading was taken, there was no back up documentation from the credit card machine, staff were unsure how to prepare the banking and if there was a cheque pressed the incorrect button on the till and keys for the location where income is held were not held securely during operational hours.	(1) In accordance with the Financial Regulations, where possible the bank pay-in slip should be checked by the cashier's supervisor or by another independent officer.	The bank pay in slip is signed and checked at the end of every day by the Supervisor who also reconciles the till and completes the Returns book. No independent officer is available and attempts to obtain this have been unsuccessful.	No further action can be taken. But in general this is carried out in all units where possible.	N/A

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3.5 (cont)			(2) Where necessary, operational management should be provided with financial management and controls training suitable to their requirements, to ensure they understand the consequences of not ensuring sufficient controls are in place.	Arrangements were made for operational supervisors to attend.	Catering Manager	Complete
3.6	Medium	A meeting held between the Driver and his line manager, which resulted in a written warning being issued, was minuted but did not record important information such as the date of the meeting, staff in attendance neither was there a clear action plan to address the issues raised in the meeting.	Minutes of key meetings should record information on who attended the meeting and when it was held. There should be a clear list of follow up points or an action plan drafted to address any issues identified during the meeting. The process followed should comply with the requirements of the Council's Disciplinary Procedure.	This example is not typical of the normal activity of the service. Instead all key meetings are recorded and where required actions, points and plans are developed as a result.	Catering Manager	Complete
3.7	Medium	For the purposes of the investigation, as Council processes for absence recording had not been followed it was not a straightforward exercise obtaining details of annual leave taken by the ex-employee.	Management should ensure that individual leave records are maintained for all members of staff and that the information recorded is accurate.	All annual leave is recorded on the Catering and Cleaning H drive. Manual copies are also kept in personal files.	Catering Manager	Complete

AUDIT REPORT ACTION PLAN

APPENDIX 2

Report Title

Report No.

Education, Culture and Sport Service: School meals income collection and monitoring systems	HC39/008
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The Action Plan contains **17** recommendations as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	2
Medium	13
Low	2
Total recommendations	17

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1	Medium	Although there are notes on some of the catering income and collection processes, there is no comprehensive procedure manual.	A comprehensive procedure manual should be produced which details all school meals income processes. This would help to ensure consistent processes are followed and assist with staff training.	A comprehensive manual will be produced, containing detailed processes for all activities associated with collection and monitoring of school meals income.	Catering Manager/ Senior Business Support Officer	31/03/13
3.2.1	Medium	There is considerable variation in the processes used to record income collection with the risk that there is no audit trail of the amounts that each child has paid or is due to pay.	The recording of school meals income should be improved so there is clear documentation on the amounts paid for each child. This will be achieved by the roll out of the cashless system.	Cashless system has now been installed in 17 Primary schools (including 4 combined schools).	N/A	N/A

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					RESPONSIBLE OFFICER	TARGET DATE
3.2.1 (cont'd)			Due to budget constraints, it is not possible to roll-out the cashless system to all Schools. The Catering Section should provide guidance on how staff should record income collection manually for each child and ensure that a consistent process is operated across all Schools. This information could be included within the procedure manual referred to in section 3.1, and would therefore ensure that guidance is available to staff in the absence of the regular member of staff who undertakes the income collection process.	Procedures for collection and recording of income will be revised and reviewed; updated procedures will be included in the Procedure Manual; guidance and refresher training rolled out as part of the training programme. Regular monitoring in kitchens by catering officers and supervisors includes checking procedures and paperwork related to income and banking. The service will explore budgetary options to expand the roll-out of the cashless system to the majority of primary schools.	Catering Manager/ Senior Business Support Officer	31/03/13
3.2.2	Medium	The cashless catering system is a considerable improvement on the previous manual systems. However, system users do not have a unique log in for the system. All staff at a School log in with the same username and password for that School. All HQ staff use the same username and password. Therefore there will be no audit trail	As part of the new system being implemented, a checklist should be kept to record which 2 staff were responsible for inputting data on the system and the independent member of staff who checked the days banking.	Procedure will be updated so that name of staff member adding money to an account is included in the reference field.	Senior Business Support Officer	30/11/12

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3.2.2 (cont'd)		recording which staff have amended the system.	The Project Manager should investigate whether there is scope for staff using unique passwords and whether there is an audit trail available within the system.	Software supplier has been asked to advise on application and management of unique user passwords. The system will be adapted where possible.	See above.	See above.
		In addition, the pen drives used to back up the cashless catering system are not held in a secure, fireproof location.	The HQ staff should use unique user names and passwords to access the system. The Project Manager should advise staff to hold the pen drives in a fireproof, off-site location.	As above, however HQ users log on with HC name and password in the first instance. HQ access is restricted to 2 roles/ named individuals. Procedure will be issued instructing staff to store pens in secure, fireproof location, separate from the netbook, and away from the kitchen.		
3.2.3	Medium	At the time of the audit, there were delays in implementing the online payment facility, due to work being completed on the payments interface.	In order to improve financial control and efficiency of cash collection, the online payments process should be rolled out to Schools as planned and an implementation date provided by Fujitsu.	Online payments are now live, and being rolled out as speedily as possible to all schools with cashless catering system in place	Business Support officer	30/11/12

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3.2.4	Medium	It was found that although income responsibilities are included in all descriptions following job evaluation, there was generally a single individual responsible for income collection which created issues when that member of staff was absent.	There should be 2 members of staff at each Primary School trained in income collection to ensure that in the event of staff absence, proper procedures are followed. The introduction of a comprehensive procedure manual could also be used to facilitate training.	Income collection will be included in all new staff induction, and arrangements will be made to ensure all staff in kitchens are trained in income collection	Catering Manager	Immediate and on-going
3.2.5	High	This requirement for separation of duties between staff dealing with income collecting and with banking is not being complied with at all Schools with the risk that there are errors or fraud. Responses from the questionnaire (51% of Schools responded) indicated that at 19% of Primary Schools no one was checking the catering returns and income on site.	An independent member of staff should review the income collected and catering returns, and sign the catering return form as evidence of this check being completed. This could be achieved by school clerical staff inputting the Catering returns information onto Saffron or as a minimum an independent person should check and sign the catering return.	A request will be issued to all Headteachers and Cooks, to remind that an independent check of data on catering return, and income to be banked must be carried out on site. An instruction for school based staff to input into Saffron was previously sent out by the Director, but to date this is only undertaken in approximately 60% of schools.	Catering Manager/ Business Support Officer	30/11/12

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3.2.6	Medium	<p>From the responses to the questionnaire, 26/96 (27%) of staff had not received training on income collection and banking processes but 20/26 did not consider they needed training (59%). 5/96 (5%) highlighted they had on-the-job training which relies on the person before following correct processes.</p> <p>If there was a manual in place on processes to be followed by the Schools catering staff, this would assist with training and help to sure consistency across all Schools.</p>	Once there is a comprehensive procedures manual in place, training should be rolled out to School's catering staff.	Refresher training on income collection and associated processes will be rolled out following production and issue of procedural manual. The option to train by e-learning will be explored. The training will be delivered in the period 01/04/13 – 31/03/14.	Catering Manager	31/03/14
3.2.7	Medium	It was found that there were different processes for giving refunds across the Schools and Schools were unsure how long balances should be carried forward before refunding these. Guidance was provided by Internal Audit during the audit on a refund process.	The proposed refunds process should be documented and disseminated to all staff for them to follow. This process should be included within the procedure manual referred to at section 3.1.	Refunds procedure has been completed, and will be issued to all schools with the November 2012 Catering Update.	Business Support Officer	30/11/12

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3.2.8	Medium	<p>As at 02/02/12, there was £7,857 of outstanding debt (equivalent of 4,489 meals).</p> <p>The unpaid meals process is in the process of being revised and will be managed by the Assistant Business Support Officer. Previously, at the time of the audit there was a process of notifying one of the three Area Catering Officers and then the Assistant Business Support Officer after certain time periods. Debts will now be followed up monthly and on the basis of the value owed.</p> <p>Examples were provided by Internal Audit of letter templates used by other Schools to follow up on outstanding debt.</p>	<p>The outstanding debt situation should be regularly monitored and timely action taken to follow up on outstanding debts.</p> <p>The level of outstanding debt should be reported to catering management on a regular basis.</p> <p>Consideration should be given by the Schools implementing the cashless system to reword the letter template held in the system and address this from the School as appropriate.</p> <p>For Schools not using the cashless catering system, consideration should also be given to rewording the letter template issued to reinforce the implications of not paying for school meals and effect this has on service delivery.</p>	<p>Unpaid Meals processes have been revised, and are now being followed.</p> <p>Debt situation is being monitored on a monthly basis.</p> <p>Review of debt levels will be included in fortnightly business support meetings, and reported to head of service in QPR.</p> <p>Content and format of template letter is being reviewed to reinforce the message.</p>	<p>N/A</p> <p>N/A</p> <p>Senior Business Support Officer</p> <p>Senior Business Support Officer</p>	<p>Complete</p> <p>Complete and on-going</p> <p>On-going</p> <p>30/11/12</p>

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3.3.1	Medium	The security of cash holding was highlighted as an issue in responses to questionnaires in 5 Schools. At 1 of the Schools visited the cash was held in an unlocked tin in a cupboard with a "danger" sign on it as the fuse boxes are held there and this cupboard had the keys left in one of the doors.	<p>Arrangements should be put in place to ensure that income is held securely at the 4 Schools highlighted.</p> <p>At Grantown Primary, staff should be provided with a safe or lockable receptacle for storing school meals income and advised on arrangements for keeping income secure.</p> <p>Staff should not store cash in a location where it would be dangerous for them to enter.</p>	A review is underway of all cash holding arrangements. Any identified as insecure or dangerous will be rectified and appropriate arrangements put in place	Catering Manager/ Senior Business Support Officer	31/12/12
3.3.2	Low	Balloch Primary was not included in the Highland Council van driver's route although a collection was made from a nearby site. It should also be noted that the Council is very reliant on staff delivering income to the bank.	Consideration should be given to including Balloch Primary on the van driver's collection route.	Balloch Primary is now included in the van drivers route.	Area Catering Officer	Complete
3.3.3	Medium	Twice a week the cook from Rosebank Primary collects income from Millbank Primary to take to Nairn Academy. Millbank do not keep a record of the amount that has been collected and signed over to the Rosebank cook.	Where there are processes in place for handing over cash to another Council employee to bank, both employees should keep a record of income that has been handed over/collected for banking.	All Nairn primary schools now bank their own income directly at the post office in Nairn. However, where any similar arrangements are put in place, all employees involved will keep a record of income changing hands.	N/A	Complete

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3.3.4	Medium	Banking is a problem for rural Schools where local Post Office of Banking facilities may have closed down. In response to the questionnaire issued, there were comments from Raasay and Canisbay as to how useful it would be if parents could pay online.	Once the online payment facility is operational, even though Schools do not use cashless catering system as it is not cost effective to do so, the Catering Section should investigate whether there is scope for parents at the rural Schools to use online payments.	At present, it is only feasible to accept and administer online payments for schools which have the cashless catering system in place. Ideally, we will roll out cashless system to all primary schools, if the budget can be found. In the meantime, the service will continue to explore other options.	Senior Business Support Officer	N/A
3.3.5	Medium	Under the Council's new insurance contract operational from 01/04/12, there is no Money policy. Any cash losses are the responsibility of the Catering Service and are not covered by insurance. The procedure note on "Catering Cash Banking Guidance" will need to be updated to reflect this as this refers to the Money Policy and limits which no longer apply.	The Service should be aware that any cash losses are uninsured and manage this risk appropriately. All catering staff should be informed of this change. The procedure note on "Catering Cash Banking Guidance" should be updated to reflect the change to Insurance cover.	The Cash Handling and banking Guidance note and procedure are being updated and will be re-issued with the November 2012 Catering Update.	Catering Manager	30/11/12

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3.3.6	Low	<p>3 Primary Schools (Achfarry, Glenelg and Ardesier) had not completed their bank pay-in slip as the name of the person paying in had not been recorded. One Primary school is completing separate pay in slips for cheques and using pay in book out of order (Durness).</p> <p>This is necessary to ensure that there is a complete audit trail of paperwork in order to investigate any differences.</p>	<p>Catering staff should be reminded that bank paperwork should be fully completed and pay-in books used sequentially in order to provide a full audit trail of bank transactions.</p> <p>Where possible, there should be an independent check of the bank pay-in slip and that it agrees to the income collected, supporting paperwork and the catering return.</p>	<p>Correct banking procedures will be included in the manual and in refresher training.</p> <p>A reminder of correct banking processes will also be circulated to all schools with November 2012 Catering Update.</p>	<p>Catering Manager/ Senior Business Support Officer</p> <p>Senior Business Support Officer</p>	<p>Manual by 30/04/13</p> <p>Training by 31/03/14</p>
3.4.1	High	<p>The current reconciliation process is completed termly and is a reconciliation of totals on the Saffron catering management system to the general ledger rather than on an individual lodgement basis. Therefore there are delays in identifying anomalies and only the larger differences are investigated and reviewed.</p>	<p>The functionality of Saffron should be enhanced so that a report of individual lodgements can be generated and individual lodgement amounts should be recorded on Saffron. Following this, monthly reconciliations should be completed on an individual lodgement basis to the general ledger.</p>	<p>This has been requested, and is being addressed as part of the Saffron upgrade, due for completion by end December 2012. Thereafter, income reconciliation will be carried out monthly.</p>	<p>Senior Business Support Officer</p>	<p>31/01/13</p>

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3.4.1 (cont'd)		The reconciliation differences column is overwritten when differences are accounted for and therefore there is no record of the original difference.	The reconciliation of income to bank lodgements should record the original difference and adjacent columns in the spreadsheet should contain workings explaining the difference.	Reconciliation record document will be amended to include details of any findings and/ or changes, and reasons why.	Senior Business Support Officer	30/11/12
		Although there are meetings to discuss the review the reconciliation, the reconciliation is not signed by the member of staff who prepared this or the member of staff who reviews this.	Details of the member of staff who prepared the reconciliation, the date it was prepared and the period it covered should be included on the reconciliation. There should be evidence on the reconciliation that this has been reviewed by the Business Support Manager.	Reconciliation template will be redrafted to include this detail as standard.	Senior Business Support Officer	30/11/12
3.4.2	Low	The checklists used to track whether catering returns have been received on a weekly basis are not signed and reviewed. Also where there is a bank slip missing (BSM), this is not ticked off once the bank slip has been received.	The school summary ticklists used to record whether there is outstanding bank paperwork are now signed by person who completed check and by the Senior Clerical responsible for reviewing these sheets. Where bank paperwork is missing and later forwarded on by the school, staff should mark on the school summary checklist that these have been received.	The checklists have been updated and there is a "Form completed by" and "Checked by" which must be signed by the member of staff completing the checklist and the Senior Clerical reviewing the checklist.	Senior Business Support Officer	Complete