

The Highland Council

Audit and Scrutiny Committee – 19th June 2014

Agenda Item	3
Report No	AS/7/14

Internal Audit Reviews and Progress Report – 18/03/14 to 06/06/14

Report by the Head of Internal Audit & Risk Management

Summary

This report provides details of work in progress and other information relevant to the operation of the Internal Audit Section.

1. Final Reports

- 1.1 There have been seven final reports issued in this period. Whilst only the Report Summaries and relevant Action Plans are attached for consideration by Members, it should be noted that full copies of reports are available if requested.

SERVICE	SUBJECT	OPINION
Corporate Development	Verification of Performance Indicators 2012/13	Substantial
Care & Learning	Payments to Nursery Providers (follow up)	Substantial
Community Services	School Transport	Substantial
Corporate Development/ Care & Learning	Storage of Council Records at Highland Archive Centre	Substantial
Care & Learning	School Meals Income Collection and Monitoring Systems (follow up)	Limited
Care & Learning/ Development & Infrastructure	Inspection of Equipment in Schools	Limited
Community Services	Outsourced Grass Cutting Contract – Monitoring and Payment Arrangements	Limited

Each report contains an audit opinion based upon the work performed in respect of the subject under review. The five audit opinions are set out as follows:

- (i) **Full Assurance:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- (ii) **Substantial Assurance:** While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iii) **Reasonable Assurance:** Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

- (iv) **Limited Assurance:** Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
- (v) **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

2. Other Work

2.1 Planned work that is in progress and which will be the subject of a future report to this Committee is shown in the attached table. This shows that six draft reports are in progress and three draft reports have been issued.

2.2 During the period covered by this report the Section has been involved in a variety of other work which is summarised below:

(i) Irregularity/ Fraud Investigations

The Section has been involved in the following irregularity/ fraud investigations:

- Income due to the Council but not banked.
- Misappropriation of School Fund monies.
- School Fund/ Devolved School Management anomalies

Some of the above investigations are ongoing. Where appropriate, once any disciplinary action has been considered and addressed, any control weaknesses identified from the audit investigation will be reported to the next available Audit & Scrutiny Committee meeting.

(ii) Whistleblowing

In terms of the Council's Whistleblowing Policy, concerns may be referred to Internal Audit for investigation. The Section is currently investigating such a matter which will be reported to management in due course.

(iii) Grant Claims

Internal Audit is responsible for auditing several grant claims during the course of the year. One such audit of Hitrans – ERDF, Food Port Authority, has taken place during the period in question.

In addition, advice on grant project issues has been provided to the Planning and Development Service following requests from the Leader team and AXIS 4 - European Fisheries Funding Project team.

(iv) Work for other organisations, Boards or Committees

Work has been undertaken on behalf of the Valuation Joint Board, HighLife Highland and the Pension Fund in accordance with the Audit Plan for 2013/14.

(v) Advice, Assurance and Other Work

Work has been undertaken in respect of the following:

- Reviewing and commenting on processes in respect of the Corporate Improvement Programme, Personnel Admin project.
- Assurance work to inform the Statement on Internal Control (see agenda item 4).
- Action tracking of outstanding audit actions (see agenda item 5).
- Reviewing the Section's compliance with the Public Sector Internal Audit Standards (see agenda item 6).
- Reviewing the Council's Financial Regulations (see agenda item 8).
- Collating the Finance Service's Record Retention Schedules for the Information Management project.
- Examining the Finance Service's data storage practices and costs with a view to exploring potential future savings.

(vi) Scrutiny Working Group

Scrutiny training was delivered to Members on 9th May 2014 and, following this, the Chair and Vice Chair met with the Head of Internal Audit & Risk Management to discuss the Council's scrutiny arrangements through the Scrutiny Working Group. These discussions are summarised as follows:

- There is an allowance of 30 days within the Internal Audit Plan for 2014/15 to support the work of the Scrutiny Working Group.
- Scrutiny topics need to be risk-based, focussed and need to add value in comparison with the resources deployed.
- Members should have appropriate skills/experience/interest with relation to the topic concerned. To date, the membership has largely been drawn from the Audit & Scrutiny Committee but this may be drawn from the Council as a whole providing that this reflects the political balance.
- Scrutiny exercises need to be fully scoped in order to identify the objectives of the review, its boundaries and the inputs required in terms of Members and officers, including Internal Audit staff. Dates for all meetings also need to be arranged as part of the scoping process, including dates to agree the review findings.
- Internal Audit needs to support the scrutiny exercises by validating the information put forward as part of the Scrutiny Working Group's fact finding interviews with officers.

The Chair and Vice Chair suggested that an appropriate topic for consideration by the Scrutiny Working Group would be around the Council's performance in managing sickness absence. If this exercise is taken forward it would be scoped in terms of identifying the expected outcomes and resources, ensuring that it focuses on the Services where performance is below the Council average.

Last year the Scrutiny Working Group completed a review of the Audit Scotland National Reports: "Using cost information to improve performance: are you getting it right?" and "Managing performance: are you getting it right?"

The report is being prepared on behalf of the Working Group and will be presented to the next meeting in September 2014.

3. Staffing Resources, Vacancies and Training

- 3.1 It was reported at the last meeting that the Audit team would shortly be fully resourced following the restructuring which took place during 2013/14. This is now the case and the team is now operating with a full complement of ten staff.

4. Progress Against the 2014/15 Plan

- 4.1 In order to improve the monitoring of progress against the Annual Plan this will, in future, be reported on a quarterly basis. In respect of 2014/15 this will be as follows:

Quarter	Audit Committee
April - June	September 2014
July - September	November 2014
October - December	March 2015
January - March	June 2015

5. Implications

- 5.1 Resource implications are referred to within this report.
- 5.2 There are no Legal; Equalities; Climate Change/Carbon Clever; Risk, Gaelic and Rural implications as a direct result of this report.

Recommendation

Members are invited to consider the Final Reports referred to in Section 1.1 above and note the current work of the Internal Audit Section.

Designation: Head of Internal Audit & Risk Management

Date: 10th June 2014

Author: Nigel Rose, Head of Internal Audit & Risk Management

Background Papers

Internal Audit – Planned Work in Progress

SERVICE	SUBJECT	PROGRESS
Care & Learning	School off-site excursions	Fieldwork completed
Care & Learning	Children's units	Draft report issued
Care & Learning	Integrating Care in the Highlands	Draft report issued
Care & Learning	School Lets arrangements	Terms of reference issued
Care & Learning	Commissioning of Children's services	Terms of reference issued
Care & Learning	Highland Instrumental Unit	Terms of reference issued
Care & Learning	Childcare income	Terms of reference issued
Corporate Development	Health & Safety arrangements	Draft report issued
Corporate Development/ Community Services	Business Continuity Planning arrangements (follow up)	Draft report in progress
Corporate Development	Public Art in Inverness	Fieldwork in progress
Corporate Development	Corporate Governance arrangements 2013/14	Draft report in progress
Corporate	Control of overtime working	Terms of reference issued
Corporate	Matters arising from the Statement on Internal Control 2013/14	Fieldwork in progress
Corporate	End User Computing	Draft report in progress
Development & Infrastructure	Contractors' Framework Agreement for works up to £50,000 (follow up)	Draft report in progress
Development & Infrastructure	Uniform system	Terms of reference issued
Development & Infrastructure	Employability Service	Fieldwork in progress
Development & Infrastructure	Asset Management	Terms of reference issued
Development & Infrastructure	Pulteneytown People's Project	Terms of reference issued
Finance	Housing Benefit Payments 2013/14	Fieldwork in progress
Finance	Creditors system	Draft report in progress
Finance	Capital monitoring and budgetary control	Fieldwork in progress
Finance	Revenue budgetary control	Draft report in progress

AUDIT REPORT SUMMARY

Report Title

Corporate Development Service – Verification of Performance Indicators 2012/13

Report No.	Type of Audit	Issue Date	
HA50/002.bf	Systems	Draft Report	09/04/14
		Final Report	27/05/14

1. Introduction

1.1 This audit was undertaken as part of the annual plan for 2013/14. The purpose of this report is to record the findings of a recently completed Internal Audit review regarding the accuracy of the Statutory Performance Indicators (SPIs), the Local Performance Indicators (LPIs) and the SOLACE indicators relating to the financial year 2012/13.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 There are appropriate systems in place to ensure that the Council's performance data published is complete and accurate. This includes Statutory Performance Indicators (SPIs), Local Performance Indicators (LPIs) and SOLACE data.
- 2.2 The systems for the collection, recording and publication of performance data are in accordance with the Council's Internal Guide to Statutory Performance Indicators, which also incorporates the Local Performance Indicator (LPI) requirements.
- 2.3 All management agreed actions from the audit report on the verification of the 2011-12 SPIs and LPIs have been satisfactorily addressed.
- 2.4 When the audit commenced, it was established that the SOLACE data was to come into effect as part of the 2013/14 SPI reporting and so was excluded from this review. The new SOLACE dataset has been developed and approved by the Weekly Business Meeting and this will be examined further as part of the next year's audit review.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- 3.1 This objective was substantially achieved as the Corporate Development Service expanded and updated the Highland Council Internal Guide relevant to SPIs (hereafter referred to as the "Internal Guide"). This ensures that the necessary staff have access to the most up to date and accurate information, and arrangements are in place to meet the requirements of the guidance issued for each year by the Accounts Commission (2011 Direction) with regard to the publication of the SPI data. However, after receiving notification about a possible Intranet migration, the SPI information on the Council Website had not been updated to reflect the 2011 Direction requirements for 2012/13.

The Council's Internal Guidance includes a timetable, which is updated annually, to ensure that SPIs and LPIs are published by 30th September. However, this was not adhered to and there were delays in the provision of the LPI figures for adult social care and obtaining requested information from Services to support the indicator calculations.

- 3.2 This objective was partially achieved as a number of corrections were required following checking of the indicators listed below:
 - SPI 2 - Equal Opportunities Policy;
 - SPI 13 – Processing times – Planning Applications;
 - LPI 3 – Human Resources – Ratio of Human Resources (HR) staff to employees
 - LPI 12 - Cost per attendance (Leisure/ Community/ High Life Highland/ Council Funded)

- LPI 28 – Energy cost in operational buildings per square metre, and
- LPI 40 – Elderly People Care Homes – Gross cost per bed night per week.

In addition to the issue of annual instructions and guidance, a survey of SPI Officers to garner a level of understanding of roles & responsibilities and to develop a training plan. A refresher session was subsequently held on roles and responsibilities with regard to SPIs and LPIs which was well attended. Despite these efforts taken by the Corporate Development Service, issues were still identified with officers in the Services demonstrating lack of awareness of the Internal Guide with regard to: roles and responsibilities, record retention, the need for documented procedures, and for working papers to be appropriately signed and dated.

- 3.3 This objective was substantially achieved as 2 of the 4 management agreed actions were implemented and the majority of the other 2 had been addressed. The outstanding issues related to the need to consider any staff with contracted hours greater than 35 hours per week in the Equal Opportunities and further address the need for independent checking by Officers.

4. Conclusion

- 4.1 Two out of three audit objectives were substantially achieved. The main issue identified relate to the need for Service officers to be aware of the requirements, and comply with the Council's Internal Guide. There are 2 recommendations made as a result of this audit consisting of 1 medium and 1 low grades. All recommendations have been implemented.

5. Audit Opinion

- 5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate Development Service – Verification of Performance Indicators 2012/13

HA50/002.bf

The Action Plan contains **2** 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	0
Medium	1
Low	1
Total recommendations	2

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.1	Low	The SPI Website has not been fully updated to reflect changes to SPI descriptions. Descriptions found for SPIs No. 3, 13, 22, 24 referred to previous year's description.	The Corporate Development Service should update the SPI Website to ensure that information it contains is complete and accurate.	Complete update of website SPI definitions.	Corporate Performance Manager	Complete
3.3.2	Medium	<p>(1) It was found that some Officers had not adhered to the requirements of the Internal Guide.</p> <p>(2) Responses to SPI's 3, 10, 12, 13, 22, 24, LPI 12, 14 & 28 indicated a lack of guidance notes to assist the calculation of the performance Indicators.</p> <p>(3) From the supporting documentation provided, working papers were not always signed and dated by the required Officer.</p>	<p>The Corporate Development Service should request that Service Directors ensure that:</p> <p>(1) Officers involved with performance indicators are clear on their roles and responsibilities and the reporting procedure for their indicators.</p> <p>(2) Appropriate guidance is held to document the sources, method and calculation of the performance indicators.</p> <p>(3) Working papers are appropriately signed and dated by the appropriate Officers.</p>	Annual SPI instructions issued to SPI Co-ordinators and Directors reinforcing key roles and responsibilities.	Corporate Performance Manager	Complete

AUDIT REPORT SUMMARY

Report Title

Care & Learning- Payments to nursery providers (Follow-up)

Report No.	Type of Audit	Issue Date	
HG05/011.bf	Systems	Draft Report	17/03/14
		Final Report	21/05/14

1. Introduction

- 1.1 An Internal Audit report (reference HG05/006) on the system weaknesses surrounding Nursery payments was issued on 31/07/12. The audit was prompted following an Internal Audit investigation into sums fraudulently claimed by a Nursery for the provision of pre-school services. The Nursery, which was subsequently decommissioned by the Council, repaid the amount identified by the audit investigation. In addition to the fraud, the audit also identified four weaknesses concerning payments to Nursery providers. The report had an opinion of Limited Assurance, contained two high and two medium recommendations and the agreed actions in response to these were due to be completed by 28/02/13.
- 1.2 As a result of the audit opinion, a follow-up audit was included in the 2013/14 audit plan. The aim of the follow-up is to ensure that the management agreed actions arising from the original report were satisfactorily implemented.
- 1.3 There are significant changes to Nursery provision in that from August 2014 the level of pre-school funding will be increased from 475 to 600 hours across the Highland area (The Children and Young People Bill, 18 April 2013). These changes were not including in the scope of the audit, however, the findings from this audit should be considered when planning the implementation of these impending changes.

2. Review Objectives

The objectives of the review were to ensure that the management agreed actions had been satisfactorily implemented which will ensure that:

- 2.1 The registration forms (form R1) completed for each child for whom pre-school funding is claimed provide all necessary information.
- 2.2 There are appropriate controls in place to ensure that the payments claimed by Nurseries are correct.
- 2.3 There are appropriate systems in place to ensure that payments are not made for more than the 5 pre-school sessions per week per child.
- 2.4 Prompt action is taken to address any concerns regarding the operation of a particular Nursery provider, particularly where these relate to payments made.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- 3.1 This objective was substantially achieved as the agreed recommendation to update the R1 forms was implemented. However, there was a delay with the use of the new R1 forms and rather than introduce these from the end of August 2012, these were not introduced until February 2013.
- 3.2 This objective was fully achieved. Both agreed actions for the Service to contact a sample of parents/ guardians to confirm attendance and funding levels, and to update the ticklist forms was implemented. However, there is scope to improve the sample checks to ensure that a sufficient response is obtained and for recording any actions taken if necessary. Furthermore, whilst the majority of ticklists reviewed had been signed by an officer from the Nursery, their position at the Nursery was not stated

- 3.3 This objective was partially achieved. The agreed recommendation for both local authority and partner nurseries to use the same management information system was implemented in that Phoenix E1 is used to record attendance information. Despite using the same system, the information is stored separately and must be reconciled to prevent double funding being claimed. In reviewing this information it could not be established that the reconciliation agreed to supporting records and this was not reviewed by an appropriate officer. Furthermore, improvements could be made to the process to record the officer who undertook the reconciliation and what remedial action was undertaken.
- 3.4 This objective was fully achieved as both agreed actions have been implemented. Staff are aware of the need to highlight any suspicions to the appropriate officer. No additional monitoring has been required as no concerns have arisen since the previous audit.

4. Conclusion

- 4.1 The previous audit agreed actions have been satisfactorily implemented in that the updated documentation is in use and checks are taking place to confirm the attendance and funding levels of nurseries. Some scope for further improvement has been identified which will improve the controls, particularly given the planned increase of pre-school hours and corresponding funding. As a result, there is 1 medium and 1 low grade recommendation in this report.
- 4.2 The medium grade recommendation is due to be implemented by 30/06/14 whilst the low grade recommendation has been implemented.

5. Audit Opinion

- 5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning - Payments to nursery providers (Follow-up)

HG05/011.bf

The Action Plan contains **2** 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	0
Medium	1
Low	1
Total recommendations	2

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2	Low	The parental sample check audit currently does not: (1) Obtain and record a full sample of parental/ guardian responses. (2) Record the officer who undertook the audit and when it took place. (3) Record what action was undertaken to confirm the actual position in the case of differences being highlighted.	The Service should amend the audit procedure to ensure that: (1) A full set of responses are obtained and recorded from the sample. If required, the sample should be increased to ensure that 6 responses are received. (2) Details of the officer undertaking the audit and the date it took place are recorded on the audit documentation. (3) Details of what remedial action was taken following notification of any differences from Parents/ Guardians and the final outcome should be recorded on the audit documentation.	Agreed	Resource Manager (Early Years)	Complete
				Agreed	Resource Manager (Early Years)	Complete
				Agreed	Resource Manager (Early Years)	Complete

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning - Payments to nursery providers (Follow-up)

HG05/011.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.3	Medium	<p>(1) There is scope to improve the present reconciliation process as:</p> <ul style="list-style-type: none"> The 2 source documents did not match to the reconciliation provided. No details recorded on reconciliation as to who undertook the task. No details as to what follow-up action was undertaken. There were no details to confirm the reconciliation was reviewed by a regarding appropriate officer. 	<p>(1) The Service should amend the reconciliation procedure to ensure that:</p> <ul style="list-style-type: none"> All source documents in relation to reconciliations are be held and available for review. The officer who undertook the reconciliation is recorded. Details of any remedial action taken and the outcome is recorded. It is reviewed by an appropriate officer who signs and dates it. 	Agreed	Resource Manager (Early Years)	Complete
		<p>(2) Phoenix E1 system is due to be replaced with SEEMIS, however, there have been no discussions of the effect of any changes. It should be established whether SEEMIS will provide an improved reconciliation process.</p>	<p>(2) Discussions should take place with the Project Manager to establish what effect the new system will have upon the process for the recording and monitoring the uptake of Nursery places across all providers and whether an improved reconciliation process can be provided.</p>	Agreed	Resource Manager (Early Years)	30/06/14

AUDIT REPORT SUMMARY

Report Title

Community Services - School Transport

Report No.	Type of Audit	Issue Date	
HH03/001	Systems	Draft Report	13/05/14
		Final Report	10/06/14

1. Introduction

- 1.1 The Highland Council, as an Education Authority, is required by law to arrange transport to and from school for pupils aged under 8 years who live 2 miles or more from their school, and for pupils aged 8 years or more who live 3 miles or more from their school. This applies only to pupils attending their catchment area school. Entitlement to free school transport may also depend on medical conditions, additional support needs or if the pupil's route to school is considered by the Council to be unsafe for children to walk along. Where there are spare seats on routes not taken by an entitled pupil, the Council must offer these as concessionary places to other pupils that travel along that route.
- 1.2 School transport bus routes were re-procured together with public transport bus routes for the first time in late 2011. This was for the 5 year period: January 2012 to December 2016. From August 2012 concessionary pupils are now required to pay for their place for the first time. The amount charged is £190 a year per pupil. Prior to this no fee was charged by the Council for these concessionary places.
- 1.3 Following the re-procurement exercise, the Director of Education, Culture and Sport agreed with the Head of Internal Audit & Risk Management that a review of this would be included in the audit plan audit for 2012/13. This review would include an examination of concerns that had recently been made by a Member regarding school transport arrangements in the Thurso area.
- 1.4 School Transport is managed by the Integrated Transport - Public Transport section in Community Services and this is administered by three satellite offices in Aviemore, Fort William and Wick. All three offices were part of the review.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 Pupils allocated to school transport routes have been allocated correctly and in compliance with the School Transport Policy.
- 2.2 Rejected transport applications have been processed correctly and in compliance with the School Transport Policy.
- 2.3 To ensure the School Transport Policy is adhered to for the granting and withdrawal of concessionary places.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- 3.1 The objective was substantially achieved. Of the application forms examined relating to 89 pupils from Aviemore and 99 pupils from the Fort William satellite offices only 6 and 9 pupils respectively did not have school transport forms held on file. All of these pupils were entitled to free school transport or had their school transport paid for by the Council as they were in Foster Care. The reasons for not holding a form for these pupils were due to a number of outdated practices which will cease, or have now ceased.

The expectation from officers is that all pupils receiving school transport are now expected to complete a school transport form.

There were three issues with the school transport application process found during the review:

- The letter sent to parents informing pupils that they have been awarded an entitled free or concessionary school bus place does not include a statement requiring their parents/guardians to notify their local transport office of any changes to their home address or if they change school;
- School transport forms are not being completed for pupils in Foster Care;
- 1 entitled pupil at the Fort William Office had been wrongly awarded free school transport. The pupil was aged 14 years old was found to live within 3 miles of her school, contrary to the School Transport Policy (STP).

3.2 The objective was achieved. All 30 concessionary places awarded by the Wick and Fort William Offices had been processed correctly and in compliance with the STP.

3.3 This objective was substantially achieved.

The Member's concerns surrounding the transport of school pupils to Thurso High School has identified that there is a need to amend the STP in order to provide greater clarity (see below) and that communication of changes in the contracts to the affected parties was poor. Delays in the re-procurement process of the school bus routes in late 2011, due to complications, resulted in parents being informed in December 2011 that they would have to pay for transport for concessionary pupils' bus seats from January 2012, which was later than planned. Also, affected schools were not informed of the changes. Following complaints from parents the withdrawal of concessionary transport was postponed from January 2012 to August 2012.

Whilst audit findings show that the STP is being followed, in order to prevent similar problems from occurring in the future the STP could be improved by including:

- Details of the points system used when allocating concessionary places where there are too many concessionary pupils;
- Guidance on entitlement to travel to Gaelic Medium schools/units;
- A requirement to inform relevant parties (e.g. schools and parents/guardians) when school transport changes occur;
- The notice period that must be given to affected parties following a change of contract;
- The likely circumstances which would lead to a withdrawal of concessionary transport.

The Transport Development Officer, in consultation with the Head of Resources, Care & Learning Service, is currently revising the STP, which will then go to Committee for approval.

The review also found:

- It was unclear which officer has authority to decide on whether free school travel is to be provided in exceptional cases. The guidance should include direction in order to ensure there is consistency;
- Satellite offices do not have any guidance which states what documents should be retained and for how long.

4. Conclusion

4.1 The combining of procurement for school transport routes and public transport bus routes, and the subsequent introduction of charges for concessionary places has resulted in a number of changes. The lack of time available to communicate these changes to parents and guardians was a result of complications in the procurement process.

4.2 While contract tendering will inevitably result in changes to bus transport route place availability, it is important to communicate these changes effectively and in a reasonable amount of time before they take effect. The recommendations in this audit should ensure that the results of future procurement exercises are communicated more effectively and that the STP provides clearer information to parents and guardians regarding school transport eligibility.

4.3 There are 2 recommendations made as a result of this audit both of which are graded medium and are due to be completed by 28th August 2014.

5. Audit Opinion

5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Community Services - School Transport

HH03/001

The Action Plan contains **2** 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	0
Medium	2
Low	0
Total recommendations	2

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1	Medium	(i) There is scope to improve the information within the STP in order to provide greater clarity to parents/ guardians including: <ul style="list-style-type: none"> The need to promptly inform relevant parties (e.g. schools and parents/guardians) when school transport changes occur following approval of a new contract; Entitlement to travel to Gaelic medium schools/units; Details of the points system used when allocating concessionary places where there are more concessionary pupils than bus places available. 	(i) The necessary amendments should be made to the STP.	Incorporate recommendations into draft revised STP. Report to Education, Children & Adult Services Committee.	Transport Development Officer Head of Support Services	30/06/14 28/08/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Community Services - School Transport

HH03/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1 (cont'd)		<ul style="list-style-type: none"> • There is no guidance provided in order to ensure that there is consistency between the different satellite offices regarding who is responsible for deciding the provision of free school transport in exceptional circumstances. <p>(ii) The STP does not state the notice period that must be given to affected parties following a change of contract.</p>	<p>In addition, the Transport Development Officer (TDO) should discuss with the Care and Learning Service the issue of responsibility for decision making of free school travel in exceptional circumstances and include this either in the STP or the procedures for School Transport officers.</p> <p>(ii) The TDO should discuss with the Council's Procurement section the need for a notification stage at the end of the whole procurement process for the next school transport contracts, ensuring time is built into the procurement process to allow communication with schools and parents/guardians.</p> <p>For mid-term contract changes (e.g. due to poor performance or contract surrender by the contractor) the TDO should review the practicalities of these changes and determine principles when notice should be given to schools and parents/guardians, while still ensuring flexibility – particularly around non-contentious changes.</p>	<p>Currently these are referred to Area Education Managers if there is no precedent or prior policy. Will discuss with Local Transport Officers and include in guidance.</p>	Transport Development Officer	30/06/14
				<p>Discussion as recommended, following completion of current mid-term tender exercise.</p>	Transport Development Officer/ Principal Contracts Officer	31/07/14
				<p>Discuss with Local Transport Operators and include in operating guidance.</p>	Transport Development Officer	31/07/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Community Services - School Transport

HH03/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		(iii) The STP does not include the length of notice that should be given to affected parties when concessionary seats are to be withdrawn in order to be provided to entitled pupils. The letter to parents/guardians of pupils granting concessionary places now includes the text that the concessionary place may be withdrawn at not less than 2 weeks' notice but this is not reflected in the policy.	(iii) The STP should include the statement in the concessionary place letter, that the place may be withdrawn at not less than 2 weeks' notice.	Include in revisions of STP as above.	Transport Development Officer	30/06/14
		(iv) The STP states that concessionary transport is not guaranteed for any period of time, but does not include possible circumstances which would lead to a withdrawal of concessionary transport (e.g. change of transport capacity, change of route, change of provider).	(iv) The STP and the standard concessionary place letter to parents/guardians should include the possible circumstances which would lead to a withdrawal of concessionary transport, while stating this list is not exhaustive.	Include in revisions of STP as above.	Transport Development Officer	30/06/14
		(v) Satellite offices do not have guidance regarding what documents should be retained and for how long.	(v) The TDO should contact Records Management regarding the period of document retention and make staff aware of this through team meetings, and include this in the procedures.	Action as recommended.	Transport Development Officer	30/06/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Community Services - School Transport

HH03/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2	Medium	<p>In a review of entitled pupil applications the following issues were found:</p> <p>(i) The letter sent to parents/guardians informing pupils that they have been awarded an entitled free school bus place or a concessionary paid bus place does not include the requirement that parents/guardians notify their local transport office of any changes to their home address or if they change school.</p> <p>(ii) For pupils in Foster Care school transport application forms were not completed because the Council, through ECS and Health and Social Care (HSC), funded the transport. The TDO has stated that these pupils should have a form completed.</p> <p>(iii) 1 entitled pupil had been wrongly awarded free school travel given school transport but lived within 3 miles of the school, contrary to the STP.</p>	<p>(i) A statement should be added to the school transport award letter requiring parents/ guardians to notify their local transport office of any changes to a pupil's home address or if they change school.</p> <p>(ii) A school transport form should be completed for pupils in Foster Care and the TDO should discuss with the Care and Learning Service the funding of such places and who is responsible for these pupil's school transport applications.</p> <p>(iii) The circumstances behind this award and the pupil's entitlement to free transport should be reviewed by the satellite office and they should make the necessary amendments.</p>	<p>Action as recommended.</p> <p>Discuss volume & process with Local Transport Officers and then with the Care & Learning Service.</p> <p>Details obtained, and case has been reviewed with Local Transport Officer. The pupil was 2.7 miles from school but on a route which at the time of granting transport was assumed to be unsafe to walk.</p>	<p>Local Transport Officers</p> <p>Transport Development Officers</p> <p>Transport Development Officer</p>	<p>30/06/14</p> <p>28/08/14</p> <p>Complete</p>

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Community Services - School Transport

HH03/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
				Subsequent assessment has confirmed this, and new applicants from the area are being granted eligible status due to road safety. Work still required to update eligibility status of older pupils.	Local Transport Officer	14/08/14

AUDIT REPORT SUMMARY

Report Title

Care and Learning Service - Records Storage at Highland Archive Centre, Inverness

Report No.	Type of Audit	Issue Date	
HA20/017	Computer	Draft Report	29/05/14
		Final Report	10/06/14

1. Introduction

- 1.1 This report records the findings of a computer audit review on the storage of Council records at the Highland Archive and Registration Centre (HARC), Inverness. The Council's records are its corporate memory and provide evidence of actions and decisions. Therefore they are a vital corporate asset for effective management and compliance with legal and regulatory obligations.
- 1.2 The site provides a central secure storage facility for the bulk of Highland Council's paper personal records. This records store provides a central secure storage facility for the bulk of Highland Council's paper personal records, separate from and next to the Highland archives storage areas.
- 1.3 High Life Highland (HLH) was contracted by the Education, Culture and Sport Service in 2011 to manage the Council's records. This Records Management function is overseen by the Council's Senior Information & Security Officer on behalf of the Head of Digital Transformation and works closely with the Council's Managing Information Project, which aims to improve information and records management procedures in target areas and enable cost savings.
- 1.4 The audit included a site visit and specifically reviewed technical and organisational security controls in place for Council paper records managed at HARC.
- 1.5 The review was undertaken as part of the annual audit plan for 2013 – 2014.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 Storage of Council records is managed to ensure integrity and availability as appropriate to the type of records held
- 2.2 Access to Council records is in accordance with the business requirements of the Council
- 2.3 Records management complies with legislation, including the Public Records (Scotland) Act.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- 3.1 The first objective was substantially achieved in the areas reviewed. Controls were found for the storage of Council records including:
 - The HARC building was purpose built for the storage of documents to the British Standard Institute's BS5454/PD5454 'Guide for the storage & exhibition and archival documents' which provides elements of secure control for Highland's records. For example, the repository block is of thermal inertial construction to maintain internal temperature
 - External security control elements include external lighting at dusk and barriers across the road to reduce vehicle access at night
 - CCTV cameras monitor key access areas
 - Internal environmental controls including smoke sensors, fire alarms, building zoned areas and safe fire escape areas are in place
 - A building management system monitors the site environment 24/7 using sensors around the building including the records storage area

- Personnel are controlled between the public access areas and restricted zones and an intruder alarm is activated when the building closes
- Visitors are asked to sign in at reception
- There are security doors to manage public and restricted access areas
- The Responsible Premises Officer manages staff access to restricted areas within the building using access control software and ID cards
- The Records Management Team works behind the public access areas and wear security ID cards to allow access to restricted areas for their work
- Access to the records store is through a locked door in the restricted area and there are no windows
- Before records arrive at the store, the Records Team are in contact with the relevant Council Service to confirm quantity and quality of records to be delivered. Any records arriving in poor condition are cleaned in a quarantine room before being moved into storage to reduce risk of records being contaminated
- The most sensitive records stored are locked in cabinets within the Records Storage Room, separate from other records in shelving areas
- Council records sent to the store are recorded in the electronic Accession Register and given a unique identifying record number
- The HLH Records Management Team work closely with Council officers, particularly the ICT Senior Information Security Officer and Managing Information Project for consistency in Records Management processes.

Three areas were identified for improvement:

- The accession register is backed up through standard procedures for electronic files, but is not available offline. In the event of power outage and/or the network being unavailable, loss of access to this key control could result in delays in the records management processes
- The records store was at full capacity when the site was visited in February 2014. A new 'gatekeeper' process was introduced to allow only high risk and vital records into the records store at HARC. The Managing Information Project reported in January 2014 as part of the Accession Register Review that 270 metres of low risk records had been identified which could be stored in a lower specification and more cost effective storage area
- Records registered as received during the year 2013 were found in storage boxes that predominantly were not labelled with description detail and trigger date to review for continued business need or destruction. The corporate classification and labelling system which was introduced in October 2013 now addresses this, as the label template on the Information Management Toolkit includes a destruction date.

3.2 The second objective was mainly achieved with good practice identified as follows:

- Guidance on access to records is available in Council policy documents and guidance including -
 - Highland Council's Records Management Policy
 - Records Management responsibilities are defined in the Council's Information Security Policy agreed in Aug 2013
 - The Council's Data Protection Policy
 - Retention schedules for the Council's physical and electronic records, in line with the Scottish Council on Archives Records Retention Schedules (SCARRS)
 - The Council's Information Management Toolkit which defines procedures and guidance for movement of records from the Council to HLH
- Access to records is controlled through use of a limited number of named Service Requesters. Only requests from these Council Service Requesters are acted on by the Records Management Team
- The Records Management Team maintains a spreadsheet on record requests which includes who requested records, the date requested, the record reference and file reference. When a file is returned this is also noted
- Council Officers with the most sensitive personal data stored in the repository expressed much satisfaction with the level of security and control of the storage of

their records

- The Records Management Team have a 'chase-up' process for records still out on loan after three months to check if the files are still required, or if they can be returned
- If Council Services request to permanently retain a record as they require regular access, then the file is returned to the Service, with a note placed on the transfer list and details filed under permanent withdrawals

Two areas were identified for improvement:

- There is no formalised system for updating HLH Records Management of changes to Council Service Requester names. HLH normally have to approach Council Services to confirm changes and updates to names. In mitigation, because HLH deal with some Services regularly, they generally know when people arrive or move on. HLH Records Management also have Council email accounts to view any account changes and verify names, titles and locations
- A corporately agreed system for managing loaned out records within the Council was not in place. However, each Council Service has devised their own system; the Service using the records store most was reported to have devised a successful process for managing their borrowed records.

3.3 The third objective was fully achieved in the areas reviewed:

- There were clauses within the contract agreed with HLH for security and compliance to the Data Protection Act for managing personal records
- The contract also covers requirements to enable compliance with information disclosure with the Freedom of Information (Scotland) Act
- Towards compliance with the Public Records (Scotland) Act, the Council and HLH are working on completion of a Records Management Plan (RMP) for the Council. The request for submission of this by the Keeper of the Records of Scotland is expected to be in 2015.

4. Conclusion

- 4.1 The review found overall assurance for security of Council records at HARC. The records store, adjacent to an archives store, is situated within a purpose built new building designed in line with guidance for the storage and exhibition of archival documents. This provides Council records with elements of controls shared through proximity to the Highland archives.
- 4.2 There is good progress in the development of Records Management processes between the Council and HLH, assisted by the Managing Information Project. There is also good progress towards compliance with the new Public Records Scotland Act requirements.
- 4.3 The first objective had many controls in place in areas reviewed, with three recommendations for improved control. The second objective was mostly achieved with two recommendations made. The third objective was fully achieved in all areas reviewed
- 4.4 All actions are medium grade. One recommendation has already been completed; the remaining four are due to be completed by April 2015.

5. Audit Opinion

- 5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that whilst there is a generally a sound system, there are areas of weakness which put some of the system objectives at risk and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Records Storage at Highland Archive Centre (HARC), Inverness

HA20/017

The Action Plan contains 5 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	0
Medium	5
Low	0
Total recommendations	5

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.2	Medium	Accession Register The Accession Register used to record and manage Council records received at the Records Store at HARC is an electronic Excel spreadsheet. This is held in a secure network folder area, managed and backed up nightly by Fujitsu. There is restricted access to the Register by a limited number of Records Management Officers.	For business continuity purposes it could be useful to have an off-line copy of the Accession Register available	A business continuity review will be undertaken in relation to the Accession Register	Senior Information and Security Officer	31/12/14
3.1.4	Medium	Storage capacity The records store was already at full capacity with boxes of records stacked on shelving and the floor. A new 'gatekeeper' process to allow only high risk and vital records into the records store at HARC has been approved. Another action to identify lower risk corporate legacy records for relocation out of HARC was reported as underway.	The action to identify lower risk corporate legacy records for relocation out of HARC into alternative storage provides an immediate solution to the storage capacity at HARC and should be completed.	Lower risk records have been identified and transferred to a new off-site storage facility.	Senior Information and Security Officer And Records Manager	Complete
3.1.5	Medium	Labelling of records in store A sample of records in the records store for the calendar year 2013 was	Records Management Team to ask Council Services for retention	The Records Management Service will	Records Manager	30/04/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Records Storage at Highland Archive Centre (HARC), Inverness

HA20/017

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		found to be predominantly not labelled other than displaying the record number. Prior to the corporate guidance in the information management or IM Toolkit being published in Oct 2013, there was no corporate classification and labelling system in place for managing Council records. There is a risk if records are not labelled with a review date that they may be stored for longer than required, taking up storage space and storage costs	dates and trigger dates for review for legacy records that do not already have this listed in the repository, starting with the earliest records listed. This might identify legacy records that can be disposed of immediately and free up capacity in the store	compile a list of legacy records requiring disposal dates. Details will be sent to services via the IM Lead Officers. A proposal will be taken to the Information Management Governance Board (IMGB) to gain agreement for the approach IM Lead Officers will take in assessing this information.	and Senior Information and Security Officer	
3.2.2	Medium	Service Designated Requesters No Council corporate process for updating HLH of changes to the list of Service Designated Requesters (that is, named officers who could submit a request for a record) was found.	The procedures for Information Management (IM) Lead officers to include responsibility for updating their Service Designated Requesters for change	The Records Management Policy sets out the responsibility of the IM Lead Officers in relation to Records Management. A proposal for updating the IM Lead Officer Role description to include details on this specific responsibility will be presented to the IMGB	Senior Information and Security Officer	31/12/14
3.2.3	Medium	Recall of records out on loan The Records Management process for 'chasing-up' records that have been loaned out after 3 months is usually	Guidance in the IM Toolkit should be expanded to include a preferred corporate tracking procedure for	The Records Manager and Senior Information & Security Officer will work together to use best	Records Manager and Senior Information and	30/04/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Records Storage at Highland Archive Centre (HARC), Inverness

HA20/017

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		<p>satisfactory, however it was reported that 11 loaned records have never been returned.</p> <p>The Council process for managing loans requested by Services is not corporately managed; each Service has their own system which may create inconsistency. One Service using the records storage Service the most was reported as having a successful process for managing their borrowed records.</p>	<p>managing records borrowed/ transferred back into the Council as a matter of priority.</p> <p>Tracking processes already in use may provide a useful model for other Services to trial to manage loaned out records</p>	<p>practice to formulate a standard approach. This approach will be presented to the IMGB for approval.</p> <p>Tracking processes to be added to IM Toolkit once approved.</p>	Security Officer	

AUDIT REPORT SUMMARY

Report Title

Care and Learning Service - School Meals Income Collection and Monitoring System
(Follow-up)

Report No.	Type of Audit	Issue Date	
HC39/009.bf	Systems	Draft Report	27/05/14
		Final Report	10/06/14

1. Introduction

- 1.1 This audit was undertaken as part of the 2013/14 audit plan and records the findings of a recently completed follow-up audit in respect of school meals income collection and monitoring systems.
- 1.2 The original audit report was issued on 13/11/12 and had the audit opinion of "limited assurance". The report contained a total 17 recommendations which were classified as follows: 2 high, 12 medium and 3 low grade recommendations. Out of these 17 recommendations, 3 had been completed and the majority were due to be completed by 31/03/13. There was also a longer term action with regard to the production and issue of a procedure manual, and following this, a training programme was to be delivered during the period 01/04/13 – 31/03/14.
- 1.3 As a result of the audit opinion and the fact that a fraud had occurred where an employee had stolen a significant amount of catering income over a period of time before this had been identified, a follow-up review of this area was included in the audit plan.

2. Review Objectives

The objectives of the review were to ensure that the recommendations made in the previous "School Meals Income Collection and Monitoring Systems" internal audit report have been implemented, namely:

- 2.1 Controls are in place which ensure that all income is collected and recorded accurately.
- 2.2 The processes in place for banking of income ensure that all income is banked securely without delay.
- 2.3 The monitoring of income is completed on a regular basis and action is taken where any income is outstanding on a timely basis.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- 3.1 This objective was not achieved as only 6 out of the 9 agreed actions have been completed. One action has been partially completed relating to standard procedures for collection and recording of income across all schools. These procedures are being updated and will be incorporated into the manual referred to above.

The 2 actions which have not been completed relate to:

- Production of a comprehensive manual, containing detailed processes for all activities associated with the collection and monitoring of school meals income. This action was originally due to be implemented by 31/03/13 and this date was later revised to 31/03/14.
- Staff training on income collection procedures and the roll out of refresher training following issue of the manual which was due to be completed by 31/03/14.

The 6 implemented actions relate to:

- Improving the operation of the cashless catering system with regard to staff recording unique identifiers.
- Provision of an online payment facility to cashless schools.

- Training in income collection for all kitchen staff and inclusion of this within the induction for new staff.
- The issue of a letter to Head Teachers highlighting the importance of separation of duties for financial transactions. However, there are schools where there are questions surrounding an indication of independent verification and therefore this instruction needs to be re-issued, particularly as this was a high grade recommendation.
- The refunds procedure has been documented and issued to all schools.
- More rigorous control of unpaid meals has been introduced with a revised template letter and regular reporting of this to the Head of Resources.

3.2 This objective was substantially achieved as 5 out of the 6 agreed actions were implemented, in that risk assessments were carried out. Balloch Primary is now included on a Council van drivers' route and Nairn Primary Schools now bank their income locally. In addition, on-line payment options for rural schools are to be explored within "Phase 2" of the cashless catering project. The cash handling and banking guidance note was updated to reflect changes to insurance cover and a reminder of correct banking processes was circulated to all schools. One low grade action has been partially completed as a reminder of correct banking processes was circulated to all schools, however due to the delay in issuing the comprehensive manual and refresher training, the correct banking procedures are yet to be issued.

3.3 This objective, relating to a high grade action has been partially achieved. Following a system upgrade there is an improved reconciliation process. However, it is unclear whether the system can provide the reconciliation of individual lodgements to the general ledger and this remains outstanding. The system supplier and the Finance Service are still working on this and it is unclear whether this will be feasible.

4. Conclusion

4.1 Follow the presentation of the original report to the Audit and Scrutiny Committee on 21st November 2012, it was later considered by the Adult and Children's Services Committee on 21st August 2013 when members were assured that only 4 actions were outstanding and that good progress was being made with regard to these.

4.2 Although there has been some progress towards implementing the agreed actions, this follow-up audit now shows that 5 actions are still to be fully implemented and include 1 high grade recommendation, relating to the ability to reconcile individual lodgements to the general ledger. Other outstanding actions which were previously agreed relate to the completion of the comprehensive procedure manual, including guidance on the collection and recording of income, and associated refresher training following the distribution of the manual. A further high priority action has also been identified from this review with regards to the need to reinforce the requirement for separation of duties in respect of financial transactions. As a result, there are 2 high, 3 medium and 1 low grade recommendations in this report. These are due to be completed by 08/08/14.

4.3 Due to the audit findings and the fact that this is an area where a number of frauds have occurred, this follow-up report has been given the opinion of Limited Assurance, the same as the original report.

5. Audit Opinion

5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service - School Meals Income Collection and Monitoring Systems (Follow-up)

HC39/009.bf

The Action Plan contains **6** recommendations as follows:

Description

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

Priority

Number

High

2

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

Medium

3

Minor issues that are not critical but managers should address.

Low

1

Total recommendations

6

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Medium	The comprehensive procedures manual has not been completed by the original agreed date of 31/03/13. This was subsequently amended to 31/03/14 but this was not achieved.	The Catering Service should complete and issue the comprehensive procedure manual which details all school meals income processes. This would help to ensure consistent processes are followed and assist with staff training. This manual should then be distributed to all schools.	The final index for the operational manual is complete. 5 training days have been arranged for cooks starting on the 3 rd July and will include Income Collection, Banking and Monitoring Procedures. The manual will be given to cooks as part of their training. Full implementation will take place from August 2014.	Catering Services Manager/ Principal Resources Officer	27/06/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service - School Meals Income Collection and Monitoring Systems (Follow-up)

HC39/009.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.2	Medium	The procedures for the collection and recording of income have not been complete.	The Catering Service 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 should be included within the procedure manual referred to in section 3.1.1, 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 is categorised into 2 processes – manual and cashless, contained within the operational manual, as detailed within 3.1.1.	Catering Services Manager/ Principal Resources Officer	27/06/14
3.1.6	High	A letter to all Head Teachers reminding all Head Teachers of the importance of separation of duties for all financial transactions was issued to Head Teachers. However, there are schools where there are questions surrounding an indication of independent verification.	The Catering Service should ensure that: (1) A reminder is issued to all Head Teachers that 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.	(1) Discussions have taken place with Head of Resources to re-issue this instruction once again.	Head of Resources	03/07/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service - School Meals Income Collection and Monitoring Systems (Follow-up)

HC39/009.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.6 (con't)			(2) Head Teachers in cashless schools should verify the weekly Catering Returns in accordance with the guidance issued by the Cleaning, Catering and Facilities Management Section.	(2) Guidance notes on the catering return specific to schools with cashless system have been prepared and are ready for issue. (3) It would be suggested that all these instructions are held in the new "Heads Up" reference library, to allow head teachers easy access for reference, and to enable electronic updates to be provided, with alerts.		
3.1.7	Medium	It was highlighted that staff training was ongoing, and refresher training would be rolled out following issue of the comprehensive manual.	The Catering Service should ensure that once there is a comprehensive procedure manual in place, refresher training is rolled out to School's catering staff.	See 3.1.1	Catering Services Manager/ Principal Resources Officer	Training Sessions 03/07/14 to 18/08/14, then ongoing rollout training

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care and Learning Service - School Meals Income Collection and Monitoring Systems (Follow-up)

HC39/009.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.4	Low	It was highlighted that correct banking procedures have been produced, however the comprehensive manual is not yet complete.	The Catering Service should ensure that the correct banking procedures are included in the comprehensive manual and in refresher training	The banking instruction has been issued and implemented in November 2012. The only outstanding matter is the inclusion of this in the manual, as detailed above in 3.1.1	Catering Services Manager/ Principal Resources Officer	27/06/14
3.3.1	High	The Saffron system supplier and the Finance Service were working on the option to record/ report meaningfully on individual lodgements. It was not clear whether this would be feasible.	The Catering Service should undertake monthly reconciliations on an individual lodgement basis to the general ledger. If the findings from the Saffron system supplier and Finance Service review on the record/ reporting of individual lodgement proves not to be feasible, the Catering Service should undertake monthly reconciliations on an individual school basis to the general ledger.	Following further review with the supplier, detailed reconciliation of banking lodgements may be achievable. This is being addressed with the Finance Service during w/c 9 th June. If this is not feasible, and if this requirement for monthly detailed checks to be carried out was mandatory, a request would have to be made for additional staffing resource.	Principal Resources Officer	03/07/14 (subject to confirmation by the Finance Service and supplier)

AUDIT REPORT SUMMARY

Report Title

Care & Learning Service/ Development & Infrastructure Service - Inspection of Equipment in Schools

Report No.	Type of Audit	Issue Date	
HC13/017.bf.bf	System	Draft Report	14/05/14
		Final Report	10/06/14

1. Introduction

- 1.1 This audit was undertaken as part of the annual plan for 2012/13 to examine the contractual management arrangements in respect of the Inspection and Testing of Plant, Equipment and Fixed Electrical Installations contract (PAS-INS125) (hereafter to be referred to as "the contract"). The contract commenced on 01/04/07 and was due to expire on 31/03/10. It was then extended for a further 3 years until 31/03/13.
- 1.2 The Property Management Section, Development & Infrastructure Service are the contract administrators on behalf of the interested Council Services such as Care and Learning Service. Each Service has a nominated officer to act on the Service's behalf.
- 1.3 As a result of concerns regarding the overall performance of the contractor, gym equipment, and fixed electrical installation inspections and testing were removed from the contract from 10/12/12 and 01/01/13 respectively. This took place during the course of the audit review.
- 1.4 A number of new contract arrangements were then put in place:
 - In January 2013, a new contract for the inspection and testing of the fixed electrical installations was awarded from February to June 2013, covering all out of date inspections up to the end of May 2013. Another contract was then let to cover the fixed electrical inspections from June to December 2013. Furthermore, new contracts for the inspection and testing of going out of date fixed electrical installations were introduced in February and March 2014 to cover properties within South and North areas respectively. In addition, a new contract was awarded in May 2014 to provide a 2 year cover for routine inspections.
 - The remaining testing and inspection elements, including gym equipment, were included with a contract for the period April 2013 to March 2014. An interim contract is currently in place which expires during August 2014. A replacement contract is presently out to tender.
- 1.5 The audit findings below relate to the arrangements that were in place prior to re-tendering taking place in January 2013.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 There are appropriate contract arrangements in place for the inspection and testing of equipment and this is managed properly.
- 2.2 The Development & Infrastructure Service maintain up-to-date, accurate and complete records of all inspections and subsequent reports. Particular emphasis will be placed upon the process for the inspection of equipment in Schools.
- 2.3 The appropriate action is undertaken and the relevant officers are informed following receipt of the inspection reports
- 2.4 There are appropriate monitoring arrangements in place to ensure that all remedial actions are addressed within the relevant timescale. Emerging themes or issues are promptly identified and escalated in order that any costs can be identified and notified to Care and Learning Management

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

3.1 This objective was not achieved as:

- A number of the expected documents were either not in existence or have not been recently updated:
 - The policies which would support inspection and testing requirements including:
 - The “Electrical at Work” policy which has not been subject to recent review;
 - There are no policies for Lifting, Pressure Systems, Local Exhaust Ventilation (LEV) and Gym Equipment.
- It was highlighted during this audit that there was no service contract in place for LEV equipment and the arrangements in place were only partially compliant with Control of Substances Hazardous to Health (COSHH) requirements. However, the COSHH requirements have since been addressed.
- There was no procedural guidance issued to assist officers with their required roles and responsibilities.
- In addition, no documents were held to support the contract extension for the period April 2011 - March 2012.

There was limited contract monitoring during the period January 2010 to December 2011. This was undertaken by way of contract progression meetings which discussed contract and performance issues. However, only 2 meetings were held during these two years. In addition, the meetings held in 2012 were not minuted.

The contractor failed to provide the appropriate detail of report and instead provided a summarised form of testing results. In addition, review of a sample of fixed electrical inspection reports highlighted that the overall opinion did not always correlate with the individual defects identified, making it difficult to assess their importance and necessity for action.

It was not possible to establish whether the contract sums paid were accurate due to the absence of any formal contract variations after March 2009. In addition, the contractor failed to provide evidence that the schedule of works was completed, and there is no documentation to show how the annual price increases were calculated and applied.

The contractor was paid by an Officer within the Finance Service upon receipt of a monthly invoice, with no recourse to the Property Management Section. Services have then been recharged on the same basis as the allocation of insurance premiums rather than works undertaken. In addition, High Life Highland buildings were omitted in calculating the charges to the Care and Learning Service for 2012/13.

3.2 This objective was not achieved as the contractor failed to use the Council’s unique site reference numbers; using their own instead. Despite requests for the contractor to reconcile their information to that held by the Council, this was not done.

There is no Council wide asset register of equipment to be inspected and therefore, it could not be established if all assets and equipment held was actually inspected.

There were issues with the contractor’s database not presenting all relevant information and this was addressed through the provision of additional reports. Since the previous contract was terminated and a new contractor commenced, this has highlighted further concerns about the quality of the inspections previously undertaken. In particular, where a site has multiple buildings, only one received the fixed electrical inspections (FEI) and the Inspection and Testing (I&T) programme is expanding due to an increased number of items being found by the new contractor.

Access to the contractor’s database, where the inspection reports were held, ceased from 31/03/13 due to termination of the contract. In order to address this, all reports were downloaded manually but there are issues with the completeness and accuracy of this data. In addition, the Care and Learning Service’s records require updating to ensure that full records of inspections are held.

One school had received an FEI during the course of the contract but this was not recorded on the database and the inspection date is unknown. It could not be confirmed whether the FEIs are in accordance with the expected 5 yearly timescale due to no schedule of works being provided by the contractor. In addition, equipment had been inspected more

regularly than standards direct at one High School examined.

- 3.3 This objective was partially achieved as the Plant & Gym Equipment, records show that Care and Learning Officers are requesting and then reviewing the reports within 1-3 months of inspection. However, this is only since March 2012 and there were significantly delays before this date. The FEI reports were not being addressed in a timely manner with delays averaging 19 months.

In addition, the remedial works were not instructed by Care and Learning Officers who stated that this was due to an absence of appropriate contractors on the Framework Agreement. In addition, where works were instructed there was no evidence to demonstrate that this was subsequently completed.

- 3.4 As a result of the findings at (iii) above, this objective was not achieved.

4. Conclusion

- 4.1 This contract has historically not been appropriately administered and scrutinised, with appropriate steps taken to resolve issues. Council sites have potentially been put at risk of delayed inspection. The contractor did not align systems to match Council listings as requested and supply requested documentation in relation to the contract. There has been a lack of joint input over payments, with no reconciliation to works completed. It is unclear whether remedial works highlighted by the inspection and testing reports were being authorised and completed appropriately.

- 4.2 The Contract Administrator had attempted to address these concerns by subdividing the contract, putting new inspection and testing contractors in place and resuming control of contractor payments. A download of the database provided by the contractor, was undertaken, prior to the termination of access. It was advised that these reports will be entered onto the new property database, K2.

- 4.3 In moving forward, there should be improvements in the level of contract documentation held to provide sufficient guidance to officers, support contract changes, reconcile work undertaken and demonstrate adherence to the contract requirements. Council policies which cover inspection and testing arrangements should be subject to regular review. The contract should be regularly monitored and necessary action taken if the contractor deviates from the contract specification. Work should be undertaken to produce an accurate position of site inspection frequencies to ensure compliance to regulation and fully uncover the impact of any under-inspection by the previous contractor.

- 4.4 As a result, there are 2 high, 10 medium and 1 low grade recommendations in this report. 3 medium and the low grade action have been completed, with the majority of the remaining actions due to be completed by the end of September 2014. There is one longer term action which relates to ensuring that all council buildings have a valid Fixed Electrical Inspection and Test report available by the end of July 2016.

5. Audit Opinion

- 5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning Service/ Development & Infrastructure Service – Inspection of Equipment in Schools

HC13/017.bf.bf

The Action Plan contains **13** 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	10
Low	1
Total recommendations	13

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1	Medium	<p>Various documentation which would have been expected as part of good contract arrangements could not be found, in particular:</p> <p>(1) A number of expected Council policies which support Inspection & Testing arrangements either did not exist or had not been updated for several years. In particular:</p> <ul style="list-style-type: none"> The "Electrical at Work" policy was subject to review; There are no policies for Lifting, Pressure Systems, Local Exhaust Ventilation and Gym Equipment. 	<p>The Property Management Section should ensure that:</p> <p>(1) Appropriate policies are in place, up to date and reviewed regularly.</p>	<p>(1) All existing and future Inspection and Testing policies will be updated and subsequently reviewed annually or in response to legislative or other requirements.</p>	Property Risk Management Officer	29/08/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning Service/ Development & Infrastructure Service – Inspection of Equipment in Schools

HC13/017.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.1 (cont'd)		(2) There is no guidance available to officers detailing their roles and responsibilities.	(2) I&T guidance is in place to ensure all involved individuals are aware of their role and responsibilities.	(2) Inspection and Testing procedures for contract management arrangements will be further developed to ensure individuals are aware of their role and responsibilities. New, robust management arrangements will ensure that this recommendation is achieved.	Property Manager	26/09/14
		(3) There is no formal documentation held to support the contract extension for the period April 2011 to March 2012.	(3) All appropriate contract documentation is held, including any changes such as contract extensions.	(3) Appropriate contract documentation is now held electronically in individual contract files.	Property Manager	Complete

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning Service/ Development & Infrastructure Service – Inspection of Equipment in Schools

HC13/017.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.2	Medium	There was limited contract monitoring during the period January 2010 to December 2011. In addition, few contract progress meetings were held and minutes of these were not always retained. This is particularly important as issues were identified with the contractor failing to conform with the contract requirements.	<p>The Property Management Section should ensure that:</p> <ul style="list-style-type: none"> • Future contracts have agreed monitoring measures in place from the outset and these are adhered to. • Any non-conformance with the contract is addressed with the contractor in a prompt manner. • Where Contract progress meetings are held, the Service should ensure that appropriate records and minutes are held for future reference. 	<ul style="list-style-type: none"> • Contract monitoring measures for contract out-puts are now in place. • Contract management meetings are now in place for service contracts. Non-conformance issues when identified will be dealt with in timeous manner. • Contract progress Meeting Minutes are being held and minutes are being taken and recorded in relevant project files. 	Property Manager	Complete
3.1.3	Low	In addition, the contractor failed to provide the required report format, choosing instead to provide a less detailed summary report.	The Property Management Section should ensure that future contracts explicitly highlight what is required from the contractor in terms of reporting requirements, including compliance with statutory legislation and quality control requirements.	All future contracts will be explicit on what outputs are required from the appointed contractor and this will be enforced by the responsible Contract Administrator.	Property Manager	Complete

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Report Title

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.4	High	<p>It is not possible to establish if the contract sums paid were correct as:</p> <ul style="list-style-type: none"> No records were held to evidence changes to contract sum after 2008/09. No Contract Variations found for 2009/10 onwards. No schedule of works was provided by the contractor and it is not known if the expected works were undertaken. No records were held to evidence the basis of annual price increases applied to the contract. 	<p>The Property Management Service should ensure that contractual arrangements are adhered, in that:</p> <ul style="list-style-type: none"> All contract variations should be recorded, reconciled to contract annual sums and once submitted to contractor, the contract variation checked to ensure the appropriate action has been taken. Contractors supply the appropriate schedule of works and all payments should be reconciled to this before authorisation. Any annual price increase should be applied as set out in the contract and confirmed in writing. 	<p>Additional resources have been allocated and will be supplemented when necessary to ensure that Contract Administrators are able to:</p> <ul style="list-style-type: none"> Record all variations Reconcile contract payments Apply annual contract price increases. 	Head of Property	31/07/14

AUDIT REPORT ACTION PLAN

Report Title

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Care & Learning Service/ Development & Infrastructure Service – Inspection of Equipment in Schools

HC13/017.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1.5	Medium	<p>The arrangements for the payment of invoices to the contractor were unsatisfactory as these were processed by the Insurance & Risk Section with no input from Property Management Section to confirm amount or completed works invoiced. It should be noted that this has ceased with termination of the contract.</p> <p>In addition, the process for the recharge of the contract sum is unsatisfactory as it was based on insurance premiums rather than the inspection works.</p>	<p>The Property Management Service should ensure that there are appropriate arrangements in place for the payment and recharge of contract sums, in that:</p> <ul style="list-style-type: none"> • Where they administer contracts then they have the corresponding responsibility for the authorisation and payment of any sums due to the contractor. • Payments are reconciled and agreed to the contract sum including any additions/ deletions and annual uplifts. • Recharges are on the basis of work undertaken rather than insurance premiums. 	<ul style="list-style-type: none"> • Responsibility for payment of contracts has now been transferred to the Development and Infrastructure Service and payments are being administered in accordance with contract conditions. • Contract payment mechanisms have been reviewed and payments are being reconciled. • The recharging process has been realigned and will be applied to take account of actual costs incurred per Service. 	Property Manager	Complete
					Property Manager	Complete
					Property Manager	Complete
3.2.1	Medium	<p>The contractor failed to use the Council's unique site identifiers and instead used their own numbering system, and the two sets of information were never fully reconciled. As a result there is no assurance that all expected items have been inspected in accordance with the contract requirements.</p>	<p>The Property Management Section should ensure that future contracts include the explicit condition that contractors include the Unique Council Site identifiers, as provided within the contract in any correspondence and/ or reporting.</p>	All recent and future contracts have or will include the Council's own unique property code for each property.	Property Manager	Complete

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Report Title

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2	Medium	The absence of an asset register means that it cannot be established if all assets and equipment were inspected in accordance with the contract requirements.	<p>(1) The Property Management Section should work with Services to ensure that an accurate asset register is produced and verified with respective site Responsible Premise Officers.</p> <p>(2) Services should then ensure that this information is kept up to date and can be verified to any inspection reports.</p>	<p>(1) Consultation with Council service RPOs will take place to ensure that asset registers are verified.</p> <p>(2) Property Policy will require Client Service Managers to ensure that service specific asset registers are verified and maintained at all times.</p>	Property Manager	31/03/15
					Property Risk Management Officer	29/08/14

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.5	Medium	<p>It is not possible to establish if inspections were performed within the specified timescale as:</p> <ul style="list-style-type: none"> • Previous inspection dates for FEI were not recorded on Crimson. • No record on Crimson of South Lodge Primary being FEI inspected. The Contract Administrator confirmed that had been undertaken but could not specify the date. • At one school plant equipment was being inspected more regularly than required. 	<p>The Property Management Section should ensure that the inspection periods are monitored to ensure that these are in accordance with the contract's schedule of works and required standards. Any variances should be promptly addressed with the contractor.</p>	<p>Regular contract progress meetings are being held with the appointed service contractors to ensure that contract programmes are adhered to and that contract specifications are being followed.</p> <p>Any deviation from contract specifications would be discussed and resolved during regular progress meetings with the service contractors.</p>	Property Manager	26/09/14
3.3.1	Medium	<p>It was not possible to verify that inspection reports were being reviewed and forwarded in a timely manner as this is not always evidenced. In addition, there were significant delays, averaging over 19 months, in the forwarding of some reports.</p>	<p>The Property Management Service should remind Service contract representatives that the review and forwarding of all testing and inspection reports should be undertaken in a reasonable timeframe and the appropriate records updated to evidence this.</p>	<p>Service contract reports will be circulated timeously to Client Service Managers. Contract Administrators will monitor and record the circulation of inspection reports to Client Service Managers. The new Inspection and Testing contract has a web based portal which provides Council Premises Managers access to copies of all inspection certificates. In addition to this all inspection certification is now e-mailed out to Premises Managers for their review.</p>	Property Manager	26/09/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning Service/ Development & Infrastructure Service – Inspection of Equipment in Schools

HC13/017.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.3.2	Medium	<p>(1) It was not possible to confirm whether remedial works highlighted by I&T reports were authorised and completed.</p> <p>(2) It was established that a number of Care and Learning remedial works were not addressed. The reason provided for this was the lack of suitable contractors on the Framework Agreement.</p>	<p>(1) The Property Management Section should:</p> <ul style="list-style-type: none"> Remind the relevant Services to ensure that appropriate information is held to evidence any remedial works authorised. Ensure appropriate guidance is distributed on how to operate the new contractor's inspection and testing management system. <p>(2) The procedure for requesting remedial works should be documented and distributed to relevant Services. This should include links to the Framework Agreement or Service contracts.</p> <p>(3) Where Services identify the absence of specialist contractors on the Framework Agreement, they should notify Development & Infrastructure Service staff accordingly in order that an appropriate solution can be identified.</p>	<p>(1) Instructions from Client Services to proceed with remedial works will be recorded in each service contract file. Guidance will be distributed to Client Services to ensure that they are able to operate and interrogate the records held in the inspection and testing database.</p> <p>(2) A procedure for requesting procurement and completion of remedial works will be established and communicated to Client Service Managers.</p> <p>(3) Development and Infrastructure Service will procure specialist contracts on behalf of Client Service Managers via the Councils Quick Quote process or alternatively under the full tendering procedure.</p>	Property Manager	Complete
					Property Manager	26/09/14
					Property Manager	29/08/14
					Property Manager	Complete

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning Service/ Development & Infrastructure Service – Inspection of Equipment in Schools

HC13/017.bf.bf

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.4.1	Medium	There is limited monitoring of remedial works undertaken by the Contract Administrator. Therefore, it was not possible to establish if all required works have been undertaken. Also as stated at 3.3.2 above, Care and Learning remedial works have not been undertaken.	The Property Management Section should remind the relevant Services to ensure that appropriate information is held to evidence that remedial works are actioned and completed.	A process of monitoring and reporting that contract remedial works are being completed to the required standards and timescales will be developed and implemented.	Head of Support Services and Head of Property	26/09/14

AUDIT REPORT SUMMARY

Report Title

Community Services – Outsourced Grass Cutting Contract – Monitoring and Payment arrangements

Report No.	Type of Audit	Issue Date	
HH02/002	Systems	Draft Report	28/05/14
		Final Report	10/06/14

1. Introduction

1.1	In May 2010, following a report to the TEC Services Committee on savings proposals, it was agreed that "a tender for all routine grass cutting be issued to establish the potential level of savings to be gained from contracting out this area of the service."
1.2	A tender was subsequently advertised, covering the period from 1st April 2011 to 31st March 2014, split into nine separate Area lots. The results of this tendering exercise were reported back to TEC Services Committee in November 2010 with an agreement that three lots would be retained in-house and that the grass cutting service would be re-organised in order to deliver this function for the price contained in the in-house bid and that the remaining six lots would be awarded to an external contractor.
1.3	This audit was undertaken as part of the 2013/14 annual plan and examined the processes in place for the monitoring and payment arrangements in respect of the contract with the external contractor (the contractor). The audit review covered an examination of the outsourced contract during the period 1 April 2012 to 31 March 2013 and also examined the Grounds Maintenance Performance reports submitted to the Area Committees during 2013/14.
1.4	The current position is that, with the exception of Skye & Lochalsh (Lot 5), the outsourced contract has been extended until 31 March 2015.

2. Review Objectives

	The objectives of the review were to ensure that the management agreed actions had been satisfactorily implemented which will ensure that:
2.1	There are appropriate arrangements in place for the monitoring of the performance of the outsourced grass cutting contract.
2.2	There are appropriate controls in place for the payment to contractors for the grass cutting contract.
2.3	Recharges to Council Services are processed promptly and are in accordance with the service provided.
2.4	No other significant reporting matters were observed.

3. Main Findings

	The main findings of the review, referenced to the above review objectives, are as follows:
3.1	This objective was not achieved as the arrangements for the monitoring and evaluation of the external contractor's performance were unsatisfactory. <u>Monitoring of Contract Performance</u> Within the present arrangements, the contractor is responsible for grass cutting and the Council's Direct Services Organisation (DSO) is responsible for other grounds maintenance functions such as burials and cremations; grass cutting in certain cemeteries; out of cutting season maintenance; sports pitch and play area maintenance; flower, scrub, path and track maintenance; leaf and litter collection and support for events such as the Highland Games. However, as referred to subsequently with this report, some local variations apply.

Site inspection monitoring spreadsheets which combine all grounds maintenance features, not just those relating to grass cutting, have been in existence since 2003. These are completed by monitoring officers but have not been updated and, as a consequence, do not show whether the contractor or the DSO is responsible for maintaining that site. Therefore, it is not possible to evaluate how many externally maintained sites were inspected and thereby accurately monitor the performance of the contractor to ensure that they are meeting their contractual requirements.

From the monitoring spreadsheet data, the number of sites physically inspected by monitoring officers was not proportionate with the results i.e. where there are issues with performance it would be expected that additional inspections are undertaken. The minimum number of sites that should be inspected in terms of the TEC Services monitoring policy is 10% but review of the actual inspections showed that:

- Lot 7 had the lowest substandard performance with 11% of inspections showing unsatisfactory performance, yet 47% of all sites were inspected;
- Lots 4 and 8 both showed that 22% of inspections revealed unsatisfactory performance, however, the inspection rates were 20% and 51% respectively.

The lots which had the highest substandard performance rates (Lot 9, 65%, lot 5, 73% and lot 6, 56%) did not receive the greater number of inspections and instead the rates varied from 24 – 59%.

All site performance inspections are graded using the same guidance notes which are based upon the 2003 Service Level Agreement (SLA) rather than the contract which was issued in 2011. In this respect, the predominant grass cutting performance standard is defined in the SLA even though the contract contains a more precise method of evaluating acceptable grass cutting standard.

Each site location may contain up to four different grounds maintenance features: grassed area; sports areas; planted and hard landscape. Following site inspection, each feature is allocated a score and the lowest score is applied to the site. This means, for example, that if the contractor receives a satisfactory score for grass cutting but one of the other features maintained by the DSO does not, then this is recorded as a fail. For most site locations, only the grass area features are maintained and were scored correctly. However, some inconsistent and inaccurate scoring was noted in cases where more than one site feature is maintained. From a sample of twelve multi-feature inspections, the audit review showed that five of these had reduced scores due to weak performance in one of the features not maintained by the contractor and seven scores were not calculated in accordance with the agreed scoring framework and were incorrect. Overall it could not be established whether the sites maintained by the contractor achieved the necessary performance pass rate as required by the contract.

A Breached Standards Log is maintained to record incidences of failed performance and any complaints received. A review of a sample of six complaints and fourteen failed site inspections identified that the Log was inaccurate and incomplete as three entries did not contain all required information and two were not recorded. Furthermore, differences were noted between the inspection dates recorded on the Site Monitoring spreadsheet in comparison to the Log which could result in greater time being allowed for breaches to be rectified than allowed for in the contract. Also, whilst the contractor confirms in writing that breaches have been rectified, no evidence is provided.

Separate Grounds Maintenance Work Programmes, which are significant in size, are maintained by TEC Services staff to record all works undertaken by the contractor, the DSO and other contractors (e.g. inspection of play park equipment). The maintenance of such records is considered to be inefficient and unnecessary, particularly as there is no benefit in recording details of the work performed by the contractor as this should be addressed through contract management arrangements.

Reporting of Performance to Area Committee

Grounds Maintenance performance is not reported centrally and instead is reported to the appropriate Area Committee. Four performance reports were available for examination in respect of 2013, as follows:

- Lochaber
- Skye, Ross & Cromarty
- Nairn, Badenoch & Strathspey
- Inverness

No report was submitted in respect of Caithness & Sutherland. However, this was recently presented to the meeting on 27th May 2014.

Each of the four reports examined referred to grounds maintenance activity within the Area, including the work performed by the DSO and by the contractor. However, these largely consisted of data regarding the total square metres of grass cut and the number of tasks performed but with no comparisons or benchmarks. For example, performance information was not provided to compare delivered tasks/functions against other operational areas. Tasks assigned to each grounds maintenance category were not split between those assigned to the contractor and those assigned to the DSO and tasks were not sub-analysed for instance, tasks/square metre; tasks/employees; tasks/completion time. Overall, there was insufficient information to ascertain whether a satisfactory performance level had been delivered.

Information was not meaningful: For example: the Nairn, Badenoch and Strathspey report shows a total of 4,247 forecasted grass related tasks per annum, of which 1,058 tasks were forecasted for the DSO during the dormant season (nb the external contract runs for 7 months only, April to October). There was no explanation as to why such a high percentage of tasks were built into the Work Programme when grass is dormant.

Tasks are reported on a forecasted basis, but details were not provided in the performance reports of tasks actually completed. Therefore, for each operational Area, it is not possible to evaluate if programmed work was being delivered.

In conclusion, grounds maintenance performance is not reported in a standard format and the reports do not provide meaningful information for effective Committee scrutiny and evaluation.

- 3.2 This objective was partially achieved as there are procedures in place to pay the contractor on a regular basis. However, an evaluation of the accuracy of contract payments was hampered by the absence of effective monitoring and evaluation records as highlighted at 3.1 above. In addition, in accordance with the contract provisions for failed performance an amount of £18,363 was due in respect of the 2012 season from the contractor. Following protracted discussions, a reduced settlement of approximately £9,000 was finally agreed. However, this amount was offset against additional mapping work, as such, no monetary exchange took place.

Works Instruction records are maintained for any additional works requested beyond that provided for within the contract. In view of the complexity of the records maintained, it is considered that there is scope to reduce the resources involved in maintaining the overly comprehensive records as the sum involved in respect of the season 2012/13, amounted to only £18,789 in respect of external contractors.

- 3.3 This objective was not achieved as the recharges in connection with work undertaken by the contractor was not processed until two months after the end of the grass cutting season, therefore hindering the achievement of budgetary control in the Services subject to recharges.

In view of the absence of records to demonstrate the overall accuracy of the contract payments, as referred to in 3.1 and 3.2 above, it could not be established if the amounts recharged were in accordance with the service provided.

- 3.4 It was observed that there were inconsistencies between grounds maintenance activities within and outwith the scope of the external grass cutting arrangement, for instance, with the exception of Ross & Cromarty (Mid & West), cemetery grass cutting was undertaken by the contractor. Also, the current arrangements are inefficient as the planned grounds maintenance work programme involves frequent travel to the same site by the contractor and the DSO to perform different grounds maintenance tasks.

4. Conclusion

- 4.1 Despite going through a tendering process and subsequently awarding contracts internally and externally, TEC Services were not adequately prepared to manage and monitor these contracts. As a consequence, the audit review has concluded that it is not possible to establish whether the external contractor has provided a satisfactory level of service delivery as no individual monitoring and performance records are maintained.
- 4.2 In addition to the effectiveness of contract monitoring, the report has raised questions regarding the efficiency of this process as resources applied are not commensurate with the contractor's performance. Some lots which do not have performance issues have been significantly over inspected whereas other which do have issues have been subject to lesser inspections. In addition, efficiency of the present system of maintaining the Work Programme is questioned and should be reviewed.
- 4.3 Although performance reports are presented to the respective Area Committee, the information provided is not consistent and does not enable appropriate and effective scrutiny.
- 4.4 There are a total of 3 recommendations in this report, 1 assessed as high priority and 2 as medium priority. The recommendations have been accepted by management, with the agreed action due to be completed by 31 July 2015.

5. Audit Opinion

- 5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Community Services – Outsourced Grass Cutting Contract - Monitoring and Payment Arrangements

HH02/002

The Action Plan contains **3** 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	1
Medium	2
Low	0
Total recommendations	3

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.1	High	(1) The percentage of site inspections performed does not accord with the actual performance. As a result some areas had an excessive number of inspections where as others had a lesser number.	(1) To ensure resources are appropriately targeted, an effective site inspection monitoring regime should be established which minimises the risk of unnecessary inspections but ensures that areas where there is poor performance is reviewed more frequently and any remedial action required is addressed promptly.	Finalise work schedule/planner with database to track work across all 22 wards, split by work type and contractor/DSO whilst allowing for complaint based inspections.	Roads & Community Works Manager	31/07/14
		(2) The site inspection guidelines have not been followed consistently when scoring performance.	(2) To ensure site inspections are consistently calculated in accordance with the score and grading criteria, guidance should be provided to all relevant officers. The officers involved in undertaking site inspections should then ensure that they consistently follow the guidance provided.	a) Fortnightly section briefings supported by training sessions and 1-1 meetings. b) Reassessment of section staff structure to reduce dependency on temporary seasonal staff, proposals to be submitted to Head of Roads & Transportation.	Roads & Community Works Manager Roads & Community Works Manager	Impl'mtd from April 2014 31/08/14

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Community Services – Outsourced Grass Cutting Contract - Monitoring and Payment Arrangements

HH02/002

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		(3) The Breach Standards Log was inaccurate and incomplete. In addition, the contractor is not requested to provide documentary evidence that breaches have been satisfactorily rectified within the prescribed timetable.	(3) The guidance at (2) above should also ensure that the Breached Standards Log is completed at the correct time and that all required information is accurately recorded. Both the DSO and the contractor should be requested to provide documentary evidence which demonstrates that any breaches have been satisfactorily addressed within the required timescale. This could be done by providing digital photographs which also contain the date and time.	a) Reviewed by section leader as part of fortnightly contract progress meetings. b) Requirement for contractor/DSO to provide digital record of completed works to be included in specification of next contract.	Roads & Community Works Manager	Impl'mtd from April 2014
		(4) A Work Programme is maintained and updated to record when work is performed by the DLO and the contractor.	(4) Consideration should be given to removing the need to maintain the Work Programme, particularly where it is not necessary for sites maintained by the contractor.	Transfer of contract information into RCW asset management system (WDM) to allow CS Areas to produce locally managed programmes. Resources will be subject to approval of review under 3.1 (3, b)	Roads & Community Works Manager	31/03/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Community Services – Outsourced Grass Cutting Contract - Monitoring and Payment Arrangements

HH02/002

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		(5) Performance reports did not state whether satisfactory performance was being delivered. It was found that the information contained in the reports was not meaningful to provide No standard reporting format is used to provide meaningful information for effective Committee scrutiny and evaluation.	(5) A more appropriate and effective method of reporting needs to be provided in order to enable effective scrutiny of performance.	a) Produce standardised report using factual data as per 3.1 (1). To include section for ACSM commentary. b) Monthly management reporting to ACSM's.	Roads & Community Works Manager Roads & Community Works Manager	31/08/14 31/07/14
3.2	Medium	(1) Costs associated with sub-standard work were not recovered from the contractor. (2) Existing Work Instruction records were overly comprehensive considering the minor amounts involved.	(1) Costs relating to substandard work should be recovered in a timely manner. (2) A more efficient recording system should be devised concerning Work Instruction records, such as creating a folder to hold all scanned instruction forms electronically. Consideration should be given to simplifying the information recorded on Work Instructions.	Finalisation of discussions with contractor for 2013. a) Issue of bulk map update and variation order for 2012/2013. b) Monthly issue of contract variation orders by the procurement section.	Roads & Community Works Manager Roads & Community Works Manager Roads & Community Works Manager	30/06/14 30/04/14 31/07/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Community Services – Outsourced Grass Cutting Contract - Monitoring and Payment Arrangements

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3.3	Medium	(1) Delays in reporting the Work Programme information led to recharges not being processed in a timely basis.	(1) The DLO work programme should be reviewed to evaluate whether the work records are sufficient enough to remove the need for maintaining a Grounds Maintenance Work Programme.	Completion of 3.1 (4) will include review of work programmes. Use of WDM asset management database to facilitate recording works completion.	Roads & Community Works Manager	30/03/15
		(2) Work Programme records are retained relating to the external contractor for Service recharges whereas recharges could be based on the assumption the contractor was fulfilling the contract, therefore avoiding unnecessary use of resources.	(2) The need to record details of the work performed by the contractor should be removed as this should be addressed through contract management arrangements. The element of work performed by the external contractor should be made on the assumption the contractor has performed satisfactorily unless informed otherwise.	a) Works delivered by the contractor are recorded as part of contractors monthly invoice submission. Verification /monitoring to continue as part of the Contract Management process.	Roads & Community Works Manager	30/04/14
		(3) The current arrangements are inefficient as the work programme for both the contractor and the DSO involves frequent travel to the same location at the same time to perform different maintenance tasks.	(3) Grounds maintenance inefficiencies should be reviewed and amended accordingly through better packaging of work.	b) Service recharges to be set up with CS Finance Manager. HC wide review of delivery of grounds maintenance. Report to November Community Services Committee.	Roads & Community Works Manager Head of Roads & Transportation	31/08/14 30/11/14