

Appendix B - 2013/14 Critical Exceptions

ISS.1 - Information Governance - File Security	
Priority Level Critical Risk	
Exception The auditor carried out a security check of the Civic Offices building on Saturday 20th and the evening of Tuesday 22nd July. The following areas of the building were included in the checking (in brackets shown the number of incidents of documents containing personal data not secured): Adult Social Services (4), Children's Social Services (2), Children and Young People Services(3), Human Resources (4), Housing (0), HR (4), Revenues and Benefits (0), 2nd Floor Finance(0), Community Safety (4), Licensing (3 - no clear desk policy), Legal Services (no clear desk policy), Traffic and Environment (0), HIDS/Public Health (0). Overall most services have a clear desk policy and there were isolated incidents where cupboards and drawers had been left unlocked. Heads of Services have been informed about breaches and are taking up actions within their services and keeping internal audit informed. Two areas were restricted entry. These were the Legal Service mezzanine floor and Children's Services floor 5 core 5. Legal Services do not follow a clear desk policy and as a result, despite the restricted access (which includes cleaning staff, members and building maintenance staff) breaches the Data Protection Act requirements, as steps have not been taken to secure sensitive and personal information against unauthorised access. Children's Services when interviewed said they followed a clear desk policy but the Security checks during the audit found a number of areas where paperwork is being left on desks or in unlocked drawers. Licensing do not have a clear desk policy and Internal Audit recorded 3 examples of documentation not secured due to moving from a secured area and not having suitable lockable cabinets. Action is underway to rectify this.	
Risks and Consequences Harm is caused to an individual through unauthorised access to their records, breach of the Data Protection Act results in a fine from the Data Commissioner and reputational damage.	
Agreed Action	Person Responsible / Action by Date
Legal Services - have undertaken to lock items away within the mezzanine and a follow up showed that files are now securely held. Children's Services - took action to inform all staff and to	Internal Audit to carry out a follow up in two months' time.

Appendix B - 2013/14 Critical Exceptions

<p>provide locked drawers and cupboards where needed. A follow up showed still some information is not being locked into drawers at night and further actions taken with individuals and with training and awareness. All other Heads of Services informed of individual circumstances and immediate actions taken by those Heads of Services with individuals concerned.</p>	
---	--

Appendix B - 2013/14 Critical Exceptions

EX.1 - 1213-138 - MMD Transport - Sub-contractors - CMP	
Priority Level Critical Risk	
Exception MMD sub-contract haulage journeys to a number of haulage companies. The Transport Manager also confirmed that presently there is no process in place to ensure up-to-date copies of insurance documents are obtained for the sub-contractors. A sample of five haulage contractors were selected no current insurance certification could be evidenced for any of those tested.	
Risks and Consequences Financial - financial loss due to no/under insurance.	
Agreed Action	Person Responsible / Action by Date
A system has been set up to ensure all subcontractors have their insurance checked annually.	Haulage Manager – March 2013

Appendix B - 2013/14 Critical Exceptions

EX.2 - 1213-138 - MMD Transport - Process - ICE

Priority Level

Critical Risk

Exception

A review of the processes in the transport department was carried out to establish whether there are sufficient controls in place to prevent or detect fraud following a significant fraud by the previous Transport Manager. Changes have been made to the system to improve the controls in place, however the risk of fraud/ error occurring within transport activities is still not adequately mitigated as;

- The system in place puts significant reliance on the Transport Manager to negotiate rates with haulage sub-contractors for journeys undertaken on behalf of MMD and the back load rates with customers as these don't follow the schedule of rates.
- Orders for deliveries of items not from MMD stock e.g. backloads, are reliant upon the Transport Manager or the assistant manually entering the journey details into 'HARM' and then raising a manual invoice request to recover the costs from the customer. There is no compensating control that reduces the risk of error or fraud.
- The system is not efficient with various manual and electronic (system generated) processes. Many of the records used can be altered or in the case of 'HARM' (excel spreadsheet) deleted/ amended, for example to change the price and remove the order from the system.

The Transport Manager has confirmed that there are no written agreements in place with any of the companies, as all orders and agreements are made verbally, including pricing. Therefore the Road Haulage Association conditions of carriage apply to all sub-contracted journeys. There is however no written agreement for the price of the journey until the purchase order is sent to the customer, which normally takes place the day after the journey.

Appendix B - 2013/14 Critical Exceptions

Risks and Consequences	
<p>Fraud risk - Adequate controls are not in place to prevent/detect fraud.</p> <p>Operational risk – The system is open to error</p> <p>Legal/Operational - Dispute resolution may be difficult without agreed written prices in advance of journeys.</p>	
Agreed Action	Person Responsible / Action by Date
<p>As background, haulage is now a profit centre, the Transport Manager has clear accountability for delivering a profit and the financial environment has now been changed. Motivation to deliver a profit has also been enhanced by introducing performance related pay for the Transport Manager.</p> <p>2.1 Sub-Contractors</p> <p>Unit costs (e.g. price per mile) for regular destinations will be captured by the Financial Controller and presented to the MMD Board as part of the monthly Management Information Pack for review</p> <p>Haulage out load invoicing (80% of the total) has now been automated by linking invoices to dispatch notes, which ensures completeness of invoicing. Dispatch notes are entered onto Navision by the distribution team ensuring segregation of duties. Monthly reports are run to identify any un-invoiced deliveries.</p> <p>This has meant that an accurate accrual can be calculated monthly & hence accurate monthly accounts which, as previously stated, are reviewed by the Financial Controller (escalated where necessary) and presented to the MMD Board on a monthly basis as part of the Monthly Information Pack to provide an early warning of any material problems.</p>	<p>Noted</p> <p>Financial Controller / Directors – March 2014</p> <p>Completed</p> <p>All Directors, Financial Controller & Transport Manager - Ongoing</p>

Appendix B - 2013/14 Critical Exceptions

<p>The HARM is reconciled to Navision invoicing monthly. The Financial Controller will investigate and escalate to the Board any unexplained variances beyond a 1% tolerance</p> <p>Controls will be put in place to detect any significant fraud. Subcontractor margins on each journey will be monitored and any beyond "normal" tolerances (i.e. +/- 5%) will be investigated by the Financial Controller. Any necessary escalation will be taken to the MMD Board</p> <p>The Transport Manager has control of the customer haulage rates and informs the Directors on a regular basis of his business plan and changes. Directors compare haulage rates with the previous set of haulage rates for any anomalies</p> <p>2.2 Backloads Backloads are now recorded in HARM by the Haulage Manager and his deputy. Trips are raised in Navision by the Haulage Admin Assistant (who records the Trip number in the HARM) and subsequently invoiced in Navision by Finance, so there is a segregation of duties</p> <p>The HARM's structure and static data is a password controlled spreadsheet. The password is only known by Accounts. The HARM is reconciled to Navision invoicing, monthly, to within 1%. The Financial Controller will investigate and escalate accordingly any variances beyond a 1% tolerance</p>	<p>Completed by Financial Controller - Ongoing</p> <p>Financial Controller - Ongoing</p> <p>Transport Manager & Directors- Ongoing Financial Controller –Ongoing</p> <p>Completed</p> <p>Financial Controller - on-going</p>
---	--

Appendix B - 2013/14 Critical Exceptions

EX.3 - 1213-138 - MMD Transport - Asset Utilisation – EOO	
Priority Level Critical Risk	
Exception Testing was carried out to establish whether the hired units and trailers were being fully utilised, this highlighted that unit usage reviewed via the information in HARM however there is no analysis of the trailer usage. The Transport Manager states that the vehicles are used regularly, but there is no review of the actual day's usage. A review of the taco readings for all drivers for the period of 17th September 2012 to 14th October 2012 was conducted as this records which unit was used. This highlighted that there were significant periods where the units were not used for example unit registration KYC was only used for 5 days over the entire period.	
Risks and Consequences Financial - Not maximising income by fully utilising assets. Fraud risk – MMD assets are used for non MMD business.	
Agreed Action	Person Responsible / Action by Date
Trailer usage has not been monitored daily. The HARM has now been modified to include trailers, so utilisation can be regularly monitored Unit and trailer usage statistics will be reported to the MMD Board on a monthly basis as part of the Monthly Information Pack	Transport Manager / Financial Controller - Completed 8/3/13
Periodic spot checks to verify that trailers not logged out remain on site	Financial Controller –Ongoing

Appendix B - 2013/14 Critical Exceptions

EX.1 - 1314 - 062 - Purchase Card - Persistent Errors - CMP

Priority Level

Critical Risk

Exception

From the sample of 25 purchase card logs selected for testing for the month of May 2013, 11 of the 15 claims for one member of staff (73%) were non-compliant with expected controls. These are reported alongside the other breaches raised in exception 2.

As a result of this the logs for April and June 2013 were also reviewed for this employee.

Testing identified 3 non-compliant claims (30%) on April's transaction log and 5 non-compliant claims (63%) on June's transaction log. Errors included;

- 4 occasions where no supporting VAT invoices were submitted. Breach of Financial Rule G38 (k).
- 1 transaction where VAT was claimed but there was no supporting VAT invoice. Breach of Financial Rule G38(l) and HMRC regulations
- 1 transaction where an entry on the purchase card log was different amount from the invoice by £5.95. Breach of Financial Rule G38 (b(v))
- 1 transaction where a delivery note was supplied instead of a VAT invoice. Breach of Financial Rule G38 (k)
- 1 payment to a catering supplier where VAT able items had not been identified and it is unclear if VAT has been claimed. Breach of section 25 of the Policy and G38(l) and HMRC regulations

Financial rule G38 (n) states that "if any of the financial rules are not followed by the cardholder the process for withdrawing the card as detailed in the Policy must be followed. Section 17 states "if a cardholder repeatedly fails to comply with the requirements of keeping receipts, recording transactions and completing and submitting a transaction log their card will be cancelled.

Appendix B - 2013/14 Critical Exceptions

Risks and Consequences	
Financial risk resulting from a breach of the Purchasing Card Policy and Procedures and Financial Rules G38 as listed above.	
Operational risk as a result of non-compliance with policy and procedures resulting in errors and breaches.	
Legislative risk resulting in a possible fine from HMRC as VAT is not being recorded and reclaimed correctly.	
Agreed Action	Person Responsible / Action by Date
Head of Customer, Community & Democratic Services to discuss breaches of Financial Rule G38 with the member of staff to ensure VAT is administered correctly for future purchases and that if purchases are required to be made from eBay a waiver will be sought in advance of the purchase.	Head of Customer, Community & Democratic Services by 31 August 2013
Financial Services to be contacted to establish if they have the capacity to provide administrative support to the service.	

Appendix B - 2013/14 Critical Exceptions

EX.2 - 1314 - 062 - Purchase Cards - Non Compliance with the Policy and Procedures

Priority Level

Critical Risk

Exception

A random sample of 25 purchase card logs across all Directorates was selected for testing for the month of May 2013.

It was noted that six purchase card holders in the sample tested had not used their cards during May 2013 and one had left PCC employment. From the remaining 18 transaction logs testing identified 10 different breaches of the Purchase Card Policy and Procedures, HMRC VAT regulations and Financial Rules G38.

The 18 transaction logs equated to a total of 101 transactions, of which there was a 34% error rate, errors identified were:

1. On 12 occasions VAT had not been reclaimed on purchases from large companies including Argos and Wilkinson's. The total amount of VAT not reclaimed is £56.80.

Financial Rule G38 (I) states that "where VAT is applicable, a VAT receipt must be obtained and attached to the transaction log".

2. For 4 transactions VAT receipts were provided as proof of purchase but VAT was not reclaimed. This equated to £141.02 of VAT over the 4 invoices.

Section 25 of the Purchase Card Policy defines what is required for reclaiming VAT against different value purchases. VAT legislation requires purchasers to obtain a VAT invoice from suppliers as evidence of VAT incurred.

Appendix B - 2013/14 Critical Exceptions

3. For 3 of the transactions VAT has been claimed but there is not a VAT receipt or invoice to support this. The amount of VAT claimed without supporting documentation totals £10.09.

Financial Rule G38 (l) states that "where VAT is applicable, a VAT receipt must be obtained and attached to the transaction log". Section 25 of the policy states that VAT legislation requires purchasers to obtain a VAT invoice from suppliers as evidence of VAT incurred.

4. Testing confirmed that no receipts were provided for 4 of the 101 transactions.

Financial Rule G38 (k) states that "proper receipts or invoices for all expenditure incurred must be obtained and retained and attached to the statement. Section 25 of the policy states "invoices are the evidence that is required for PCC to reclaim the VAT incurred on purchases.

5. One transaction log was not signed by a manager, one electronic log was not submitted for the month of May 2013 and for one the manager's name was not printed on the form. Two logs were submitted for the same month by the same person for the same transactions but signed by 2 different managers and one member of staff had moved departments and did not know who her purchase card coordinator was. This equates to 5 of the 18 logs tested (28%) not being correctly authorised

Section 31 of Purchase Card policy states that "all transactions carried out on your purchase card will be reviewed by your line manager on a monthly basis. Your line manager will sign your transaction log, spot checks will be performed by your purchasing car co-ordinator to ensure purchases are appropriate and procedures are adhered to".

6. On two occasions payments were split to circumvent cardholder's transaction limits. The purchase of catering equipment totalling £2,224.22 was split into 3 payments as the cardholder transaction limit is set at £2,000 and the purchase of Westlaw UK Service online subscription totally £3,306 was split into 2 payments as the cardholder transaction limits set at £3000 .

Financial Rule G38(b) states that purchase cards must be used in accordance with the Purchase Card Policy and Procedures inclusive of types and limits of purchases. Section 19 of the policy states that "you must not try to increase your transactions limit by asking the supplier to split the purchase".

Appendix B - 2013/14 Critical Exceptions

7. One member of staff in the sample tested left PCC in November 2012, however, they were still showing as active on the current purchase card list as at 23 July 2013.

Financial Rule G38 (o) states that "when a cardholder leaves the employ of the council the Head of Service must ensure the return of the card in accordance with procedures including cancellation and disposal of the card".

8. Another purchase card holder in the sample had moved department, however when reviewing the file there was no evidence that a review of purchase card limits has been undertaken. The PCard02 form has been completed but it is unclear from this if the £10,000 transaction and monthly limit is still appropriate.

Financial Rule G38 (p) states "if a cardholder transfers to another department within the City Council their new line manager must decide whether the purchase card is required and a PCard02 form completed".

9. One purchase card holder has made purchases from eBay totalling £240.05.

Financial Rule G38 (h ii) states that "purchases cannot be made from individuals, or from eBay or eBay type organisations.

10. One purchase card holder had not correctly coded the transactions on the purchase card log.

Section 26 of the Purchase Card Policy states that "accurate record keeping is essential to the success of the Purchasing Card programme. The purpose of the transaction log is to identify purchases made during the course of the month and allow expenditure to be coded to the correct budget in the General Ledger.

Appendix B - 2013/14 Critical Exceptions

Risks and Consequences

Financial risk resulting from a breach of the Purchasing Card Policy and Procedures and Financial Rules G38 as listed above.

Operational risk as a result of non-compliance with policy and procedures resulting in errors and breaches.

Legislative risk resulting in a possible fine from HMRC as VAT is not being recorded and reclaimed correctly.

Fraudulent risk as a result of management not signing transaction logs and coordinators not receiving logs to carry out monitoring.

Agreed Action

Person Responsible / Action by Date

Email to be sent to the purchase card co-ordinators reminding them of their responsibility.

Accounts Payable Team Leader to continue to gather information from co-ordinators to establish any common themes/issues with the purchase card logs that need to be rectified.

As part of the R12 release, i-expenses will automatically code the transactions.

Co-ordinators to have a copy of the final audit report to highlight the areas of non-compliance that have been identified during testing.

If payments are required to be made on eBay a waiver will be sought in advance of the purchase.

Accounts Payable Team Leader by 31 August 2013

Appendix B - 2013/14 Critical Exceptions

Secondary School

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
Value for Money		
<p>1. It was identified during testing that the School had purchased ink and toner cartridges from a supplier that cost, on average, 4 times above the lowest price available as a result of market research.</p> <p>At the beginning of the year it was identified by the Head teacher that an upgrade of IT equipment was required in order to prepare for Ofsted. On the recommendation of the [REDACTED] 25 refurbished HP Pavilion laptops and 25 solid state hard drives (SSD), which were bought to upgrade the laptops on arrival, were purchased. The motivation for the hard drive upgrade was that they would provide increased performance and durability. The unit price for these laptops and SSD was £398.99 exc VAT, where market research shows that the same items could have been purchased for £341.50 exc VAT.</p>	<p>[REDACTED] - (SOA) There has been failure to obtain best value on the purchase of ink and toner cartridges and upgraded IT equipment.</p> <p>This is a breach of the Scheme for Financing Schools - Section 2.6 Efficiency and Value for Money which states that 'schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements'.</p> <p>The potential overspend and loss of funds for the School, in the first example is estimated at £16k on expenditure of £21k. In the second example the loss is estimated at £1,437 on expenditure of £9,974.</p>	<p>The school are looking to appoint a new member of staff and to review the job description of the [REDACTED]. The school envisage that this will be a two tier process. The first stage being the appointment of a full time temporary [REDACTED] (After interview and skills appraisal an administrative assistant was appointed from the Government Apprentice scheme, who will take up duties from 6th January 2014). This member of staff will be responsible for receiving, unpacking and entering new items on the school inventory. This person will also be responsible for implementing and operating a robust and secure stock control system for items such as ink cartridges. The [REDACTED] will be line managed by the [REDACTED] and [REDACTED], and monitored by the [REDACTED].</p> <p>The second phase of the process is the review of the [REDACTED]'s role and responsibilities, which will be undertaken by the Head Teacher, Chair of Governors and Link Governor for ICT. Job description information will be obtained from PCC. Until such an appointment is made all orders for ink cartridges and ICT equipment will be checked by the link governor for ICT.</p> <p>The Finance and Staffing sub-committee</p>

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		<p>commissioned the [REDACTED] to undertake a price survey of ink and toner cartridges from permitted suppliers using criteria of named brand, high quality, stipulating no refills, from approximately six suppliers, including the historical supplier This information to be made available at the next Finance and Staffing sub- committee meeting on the 10th December 2013.</p> <p>Action point:</p> <p>Short term:</p> <ul style="list-style-type: none"> ○ Obtain price comparison information. ○ All orders for ICT equipment and cartridges to be monitored. ○ Appointment of Administrative Assistant. <p>Medium term:</p> <ul style="list-style-type: none"> ○ Stock control system to be implemented. ○ The role and responsibilities of the [REDACTED] to be reviewed using PCC guidelines, by the Head Teacher and a governor from the Finance and Staffing sub-committee, training needs to be identified. <p>Long term:</p> <ul style="list-style-type: none"> ○ Regular stock and inventory checks to be carried out by school staff and monitored by a representative of the Governing body. ○ The school to consider developing a resource management role to

Short term: By the 31st December 2013
 Medium term: By the 24th February 2014
 Long term: By the 31st March 2014

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		include [REDACTED] role.
<p>2. During a site visit to the School it was established that thirty five monitor screens are being stored in the loft. Following discussions with the [REDACTED] and the Head teacher it was confirmed that the future use of them is undetermined although they are usable and are in working condition.</p>	<p>High Risk - (SOA) There is an operational and financial risk that storing assets in a remote location will place the [REDACTED] in a vulnerable position as damage to, or the loss or theft of assets may go undetected. Additionally valuable assets are not being utilised and may become obsolete over time.</p>	<p>A procedure is in place to 'write off' equipment that is old and surplus to requirements. The school have taken advice regarding the disposal of the obsolete items and have agreed to pay to have them removed. Action point: Short term: <ul style="list-style-type: none"> o 'Write off' forms are being used to write off equipment that is old or obsolete. These will be signed by the Head Teacher and a representative from the Governing Body, within a reasonable time scale of not more than one working week. Medium term: <ul style="list-style-type: none"> o A quote has been obtained; and an order will be raised for the disposal of monitor screens as soon as possible. </p>
<p>3. During an examination of the Schools server room and class rooms it was identified that 28 (24 Hard Drive Disk (HDD) & 4 Solid State Drive (SSD)) hard drives were situated in carrier bags (with leads and wires) or desk drawers. Hard drives are fragile items of equipment and should be safely secured when not in use.</p>	<p>High Risk - (SOA) The lack of internal control for monitoring and checking assets places all staff, but especially the [REDACTED], in a vulnerable position as damage to, or the loss or theft of assets may go undetected.</p>	<p>Future purchases of ICT equipment over £1,000 per any single order will be referred to the Finance and Staffing sub-committee. (As per recommendations in the PCC Scheme for Financing Schools) Instructions will be given to the [REDACTED] to ensure that all equipment is safely, efficiently and tidily stored. The [REDACTED] has been reminded of</p>

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
	<p>Additionally, as above, valuable assets (to the estimated value of £1,332.00) are not being utilised and may become obsolete over time.</p>	<p>the process for 'writing off' and disposing of obsolete equipment and has agreed to record such items appropriately, this to be line managed by the Head Teacher. All items to be disposed of will be recorded on the appropriate pro-forma.</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ All orders for ICT equipment/cartridges to be monitored by the link Governor for ICT. ○ ██████████ has been reminded of the process for 'writing off' obsolete/old equipment using the appropriate pro-forma. ○ A letter has been sent reminding the ██████████ that all equipment should be stored, efficiently, safely and tidily. ○ All items with a value of £200 or more and which are portable or attractive will be included on the inventory.
Stock records		
<p>4. During the period April 2012 to July 2013 £21,416.00 was spent by the School on ink and toner cartridges. There is no evidence that stock control records were kept for the monitor and use of these items.</p>	<p>██████████- (SOA) The lack of internal control for monitoring and checking stock or IT equipment places all staff in a vulnerable position as damage to, private use of or the loss or theft of</p>	<p>The control of stock will become part of the job description of the new ██████████ (see item 1) The link Governor for ICT will liaise with the appropriate staff to ensure that purchases reflect and are in line with the Schools ICT Strategic plan.</p>

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>For the same period £38,116.00 was spent by the School on computer supplies which included hardware, software and general items. There is no evidence that stock control records were kept for the monitor and use of those items that do not fit the School's criteria to be recorded on the Inventory. The estimated value for these items is £12,288.00. The job description of the [REDACTED] stipulates that he is required to maintain an inventory of IT stock.</p>	<p>assets could potentially occur and go undetected. Additionally, there is no evidence that the IT purchases were an efficient use of resources.</p>	<p>The current function of the [REDACTED] will be reviewed by the Head Teacher, Chair of Governors and the link Governor for ICT (see also item 9) The outcome of which will be discussed at the Finance and Staffing governors sub-committee meeting. Action point: Medium term:</p> <ul style="list-style-type: none"> ○ The current function of the [REDACTED] will be reviewed taking into account the changing needs of the school. ○ Outcome of review findings to be discussed by the Finance and Staffing governors sub-committee.
<p>Inventory and Safeguarding of Assets</p>		
<p>5. During the course of testing it was established that ten of the fifty six promotional items which were sent to the School as a result of bulk purchasing with one company were unaccounted for.</p> <p>In addition, it was also noted that the number of hard drives purchased by the school as identified by relevant invoices (23) did not correlate with the number of drives physically sighted (14).</p> <p>Action required: These items must either be located and recorded on the School Inventory or, as</p>	<p>[REDACTED] - (CMP) As a result of the lack of internal administration and control, damage to, private use of, or the loss or theft of, these items could potentially occur and go undetected. PCC Financial Rule G27 stipulates that School Governors and Head teachers are required to make arrangements for the care and custody of stocks and stores in their service and to ensure that adequate records are kept and that reasonable levels are maintained which are subject to a regular independent</p>	<p>The [REDACTED] will keep a register of any promotional/ donations/ gifts that the school receive. This to be an agenda item, every term at the Finance and Staffing governors' sub-committee meeting, where any concerns can be raised. This will not include items below the value of £5 donated for raffles, tombola etc. A policy will be drafted and adopted by the full governing body at their next meeting covering the above. All staff have signed to acknowledge receipt of hard drives. Further investigations will take place to ascertain location of all equipment. Items located will either be added to the Gift register or submitted for the 'write off' procedure.</p>

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>the value exceeds £100.00, submitted for write-off to the Authority's Section 151 Officer as per section 2.3.6 of the Scheme for Financing Schools</p>	<p>physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.</p>	<p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ Register of promotional/donations/gifts to be implemented. ○ Promotional/donations/gifts policy to be adopted by governors. ○ Checks to ascertain location of the 23 hard drives have been carried out 22 have been located and 1 was reported as stolen in Summer 2013 ○ All hard drives have been added to the appropriate register. (see attached document)
<p>6. As at July 2013 there were 730 items recorded on the School inventory. An initial search by Internal Audit staff of the School and store rooms located 668 items. However, there were also 72 items that were not recorded on the inventory but identified during the search. Following several subsequent searches by either Internal Audit or School staff, 35 items were still not found (Note small items such as keyboards/ blenders and musical instruments were excluded).</p>	<p>██████████ - (SOA) The School has unaccounted assets and therefore no assurances can be given that theft has not occurred.. The Scheme for Financing Schools -2.3.4 Control of assets, stipulates that; schools must maintain an inventory, which as a basic minimum includes all items with a value of over £200, or which are deemed portable and attractive. The information required for inventory items over £1,000 should be consistent with the requirements of Portsmouth City Council's Financial Rules and should be kept up to date.</p>	<p>Monthly inventory checks will be carried out by a representative of the governing body to ensure that all new items have been added to the inventory. Any discrepancies will be reported to the Head Teacher. This will also include small/portable items as recommended by PCC. A copy of the inventory will be sent monthly to: The Authority, the Head Teacher and the ██████████, by the representative of the governing body. Regular, monthly inventory checks will also be carried out by the ██████████.</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ Arrangements for monthly inventory checks will be made. ○ Copies of inventory to be sent to

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		<p>PCC, Head Teacher and [REDACTED]</p> <ul style="list-style-type: none"> ○ A member of the Finance and Staffing governor's sub-committee to carry out random spot checks.
<p>7. Manual disposal sheets are in place to evidence authorisation of asset disposal. The majority of these sheets do not record the reason for disposal and dates indicate that authorisation was obtained after disposal - in some instances up to two months later.</p>	<p>[REDACTED] - (SOA)</p> <p>The School's assets are at risk of theft as items may have been used for personal use. There is also a risk that assets have been disposed of whilst still serviceable.</p> <p>PCC Financial Rule G25(f) states that Head Teachers may write off redundant, obsolete or damaged items in accordance with instructions issued by the Governors in the case of schools.</p>	<p>All staff will be reminded of the 'write off'/disposal procedure for obsolete equipment.</p> <p>All items to be disposed of will be recorded on the appropriate pro-forma.</p> <p>The signature of two members of staff will be required in order that items are 'written off' the inventory. Copies of the disposal forms to be given to the [REDACTED].</p> <p>Action point:</p> <p>Short term:</p> <ul style="list-style-type: none"> ○ All staff will be made aware of the correct procedure for writing off old/obsolete equipment. ○ Approved forms for writing off equipment will be used and copies given to the [REDACTED] who will keep and maintain a file. ○ Write off' forms will be used to write off equipment that is old or obsolete. These will be signed by the Head Teacher and a representative from the Governing Body, within a reasonable time scale of not more than one working week.
<p>Policies & Procedures</p>		
<p>8. At various stages throughout the Internal</p>	<p>[REDACTED] - (ICEN)</p>	<p>All Governors on the Finance and Staffing</p>

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>Audit review it became apparent by either individual acknowledgement or evidenced by breaches that a significant number of staff at Redwood Park were either:</p> <ul style="list-style-type: none"> • Not fully aware of the requirements of the Scheme for Financing Schools, the Authority's Financial Rules or the School's own policies, i.e. Gifts and Hospitality and Curriculum IT use or had. • Or had failed to adhere to them either due to lack of knowledge or potential deliberate circumvention. 	<p>The School is exposed to the risk of potential financial penalties as a result of non-compliance with HMRC and Data Protection Legislation.</p> <p>The school are unable to evidence that they have obtained value for money in the procurement of goods and services</p> <p>Staff are vulnerable to accusations of theft and fraud.</p>	<p>sub committee and staff with a financial responsibility have been given a copy of PCC's Scheme for Financing Schools. A new policy/procedure for recording gifts and hospitality will be implemented and all staff will be made aware of its contents. (see also point 5)</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ All Governors and staff with a financial responsibility have been given a copy of Portsmouth City Council's Scheme for Financing Schools. Staff will be asked to sign to say they have received the information, the [REDACTED] to hold the record. ○ Policy for acceptance and recording of promotional offers/gifts and hospitality will be distributed to all staff. Staff will be asked to sign to say they have received the information, the [REDACTED] to hold the record.
<p>9. Although the School has an IT Curriculum Policy there is no IT Strategy or long term vision required to outline the future ICT needs of the school or a maintenance and replacement schedule for the equipment.</p> <p>There is also no disposal policy for the removal of data and safeguarding of</p>	<p>High Risk- (ICEN) Expenditure decisions are based on short terms needs instead of a longer term vision and strategy, resulting in potential spending limitations and a failure to provide adequate and appropriate resources in the future. The School is exposed to financial</p>	<p>A Governor has been identified with a brief for ICT. Regular monthly meetings have been planned with curriculum leaders who will form an ICT Forum. This Forum will make recommendations, based on the ICT Strategic Plan, to the School Improvement Plan. The [REDACTED] and link governor will be asked to compile a disposal of data and</p>

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
information.	<p>penalties if sensitive data and information is not safeguarded. i.e. A Breach of the Data Protection Act (DPA) could result in a maximum £500,000 fine for a serious breach by a public body.</p> <p>Prosecutions could also occur dependent on the severity of any breach.</p>	<p>safeguarding of information policy. Once adopted this will be distributed to staff who will sign to say they have received the information. The [REDACTED] to hold the record. A review of ICT technical support and services at the school will be carried out by the Head Teacher, Chair of Governors and the link governor. This to take into account the integral part ICT plays in the School Improvement Plan and pupils learning.</p> <p>Action point: Medium term:</p> <ul style="list-style-type: none"> ○ Safeguarding of information and disposal of data policy/procedure to be drafted, in line with PCC guidelines by [REDACTED] and link Governor for ICT. ○ The job description of the [REDACTED] will be reviewed taking into account the changing needs of the school.
10. All Governors, the Head teacher and any members of staff with financial responsibilities must submit an annual declaration of interest and refrain from participating in the appointment of contractors where there is a clear conflict of interest.	<p>High Risk- (ICEN) Non-compliance could result in; a reputational risk as non-declaring of at pecuniary interest could potentially place the School and member of staff in a vulnerable position or a financial risk that the school are unable to evidence that they have obtained value for money in the procurement of goods and services.</p>	<p>The Clerk to the Governors already holds a file where all information regarding the pecuniary interest of Governors and staff with a financial responsibility is held. These are updated on a yearly basis. Pecuniary interest is recorded in the minutes at the start of every governors meeting.</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ All staff have now been requested

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		<p>to complete these forms. [REDACTED] to hold and maintain a file.</p> <ul style="list-style-type: none"> ○ Nature of pecuniary interest to be recorded in minutes of all meetings to avoid any conflict of interest. ○ Governors, members of staff declaring pecuniary interest to be excluded from any decision making connected to the interest.
Budgetary Control		
<p>11. Testing identified that for the financial years 2011/12, 2012/13 and 2013/14 to date, expenditure for the purchase of ink and toner cartridges was found to have been coded to various other budget headings instead of all of it to the correct budget heading i.e. Printer and Ink. No explanation for this action has been provided.</p> <p>In addition to this there is no evidence that the over spend on ink and toner was presented accurately to the Head teacher or the Governing Body.</p> <p>One action required: Expenditure must be coded to the correct area and not hidden by means of coding to underspent alternative headings.</p>	<p>[REDACTED] - (R&I)</p> <p>A satisfactory explanation has not been given as to why expenditure has been regularly miscoded and unauthorised by the Head teacher or Governing Body.</p> <p>The School is therefore unable to evidence that they have obtained value for money in the procurement of goods and services</p>	<p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ The [REDACTED] will in future ensure all shortfalls in budget planning are addressed through the process of virement. This will support the process of ongoing budget planning being based on actual need/useage and enable the Finance and Staffing sub-committee to monitor budget expenditure more effectively. The Finance and Staffing sub-committee to identify level of virement that is delegated to the Head Teacher. ○ The [REDACTED] will sign an undertaking that under no circumstances will they use the practice of 'split coding'. ○ All budget overspend with detailed explanations to be presented to the governors at the Finance and

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>All proposed individual budget overspends must be reported and if deemed appropriate ratified by the Governing Body or Head teacher (if within delegated spending limits) prior to any further expenditure being incurred.</p>		<p>Staffing sub-committee meetings by the [REDACTED]. Remedial action will be taken to address these variances.</p> <ul style="list-style-type: none"> ○ Minutes of meetings will reflect all decisions made.
<p>Contractual Hours & Monitoring of Performance</p>		
<p>12. During testing it was identified that the School held no records for the period of the end of January 2013 to July 2013 of the hours worked by the [REDACTED], this was despite concerns raised by the Head teacher in the summer of 2012 where the [REDACTED] was asked to make up contracted hours paid for but not worked.</p> <p>In addition to this the [REDACTED] is accompanied by [REDACTED] each Wednesday, (this individual has no contract of employment with the School). The [REDACTED] confirmed during interview that this individual is and has been left unsupervised when on the School grounds and that there is no record of what work that individual has carried out in relation to the installation of hardware, upgrades or movement of IT equipment.</p>	<p>High Risk - (EOO) Financial risk that the School may be paying for services that they are not actually receiving. The School is therefore unable to evidence that value for money has been obtained in the procurement of services</p>	<p>The [REDACTED] is now accountable for recording and submitting his hours on a weekly basis. This is checked by a [REDACTED] and monitored by the Head Teacher.</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ Hours worked by [REDACTED] to be recorded and approved weekly. ○ Status of ICT (volunteer) support worker to be clarified and reviewed. ○ All volunteer workers in school to be approved by a member of the Senior Leadership Team and recorded in minutes of their meetings.

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
Server Room and Access		
<p>13. Following discussion with both the [REDACTED] and [REDACTED], Internal Audit was informed that access to the Server Room is unrestricted and that all members of staff can gain access. Several items located in the server room had been moved between an initial observation and recording of items by Internal Audit and a subsequent visit and examination. The [REDACTED] also confirmed that items had been moved without his knowledge when in theory only he should be removing items in and out.</p> <p>The Server Room also appear to be being used as a storage room with items of equipment stacked unsafely on top of one another. Most of the items had to be removed in order to physically enter the room and examine the servers and record the items of equipment stored.</p>	<p>High Risk- (E00) Unauthorised access may lead to accidental or deliberate tampering of the server and School's IT capability resulting in a disruption to teaching, preparation and all other school work.</p> <p>There is a risk of physical injury in accessing the server room, a risk of damage to the equipment stored and a waste of resource in time spent carrying out general maintenance.</p>	<p>The school has a problem with lack of storage space and therefore have to make best use of all space available. Action point: Short term:</p> <ul style="list-style-type: none"> ○ The [REDACTED] will liaise with the [REDACTED] and ask him to install a digital locking system to the door of the Server Room therefore restricting access to the [REDACTED] and the Head Teacher only. ○ A letter has been sent to the [REDACTED] to ensure that all equipment is stored safely, efficiently and tidily. ○ Regular monthly checks to be made by the Head Teacher.
HMRC and VAT Implications		
<p>14. It was confirmed by the IT [REDACTED] that he had installed two new hard drives into staff members' personal laptops that are used in the School. This would constitute a 'benefit in kind' and would need to be declared as part of the</p>	<p>High Risk- (CMP) There is a legislative and financial risk that a breach of HMRC regulations may result in a financial penalty to the school.</p>	<p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ A letter has been written to the [REDACTED] to inform him that he must no longer carry out personal work for himself or staff members, on the school site.

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>School's P11d tax return to HMRC or the Authority could receive a substantial fine for incorrectly reclaiming VAT on these purchases and for non-declaration of a benefit in kind.</p>		<ul style="list-style-type: none"> ○ The Head Teacher to send letters to the members of staff concerned requesting that they repay to the school 50% of the cost of the equipment and installation.
Promotional Items		
<p>15. Fifty six promotional items had been received by the School from one supplier. The promotions appear to be as a result of purchasing various items from that company - potentially as part of a marketing strategy. None of the items had been recorded on the School's Gift's and Hospitality Register and 23 of the items should have been, but were not recorded on the School's inventory.</p> <p>Action required: The School must at all times demonstrate that they are obtaining value for money. If this is achieved and a promotional item is received then the item must be registered on the Gifts and Hospitality Register, recorded on the inventory (if appropriate) and at all times used by the School. A full management trail must be in place to demonstrate receipt and use.</p>	<p>High Risk- (SOA) The School has failed to follow agreed policy and is unable to provide assurances that its assets have been safeguarded or that its funds have been used effectively.</p>	<p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ The school has recently received the PCC Gifts and Hospitality model policy. This policy was adopted at the Finance and Staffing sub-committee meeting on the 10th December 2013 and will be ratified by all Governors at their meeting on the 23rd January 2014. ○ The [REDACTED] will at all times obtain comparable data from three supplies on the PCC recommended 'Pick List' to demonstrate best value.

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>16. A television was received at the school during 2012 as part of a promotional offer from a supplier. This was placed in the Schools Summer Fare raffle and was apparently exchanged for Tesco vouchers worth half the value of the television. This arrangement was arranged privately between [REDACTED] and [REDACTED]. It was not authorised by either the Head teacher or the Governing Body and was to the detriment of the School.</p>	<p>High Risk- (ICEN) The School is unable to provide assurances that staff have acted with integrity or honesty.</p>	<p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ The school will, with immediate effect implement a register of all promotional/ donations/ gifts that they receive over the value of £5. ○ No items will be taken off this register without being recorded, re-allocated and approved by the Governors Finance and Staffing sub-committee. ○ A letter will be sent to [REDACTED] and [REDACTED] outlining the approved process for disposal of items. ○ All staff to be informed of the Gifts and Hospitality policy and the procedure for recording data ○ [REDACTED] has offered, and will repay to the school the difference, based on current values.
<p>Loft and Storage Room</p>		
<p>17. Whilst performing a physical verification of the Schools assets, Internal Audit were advised of a 'loft' used for storage. The loft was located by means of using a chair to climb out of a second floor window, onto a placed chair on a flat roof, followed by a walk over two further flat roofs to a vertical ladder (five steps) and hatch approximately four foot high. The loft runs</p>	<p>[REDACTED] - (CMP) There is a risk of physical injury and or death.</p> <p>In relation to the storing of pupil data there is a potential Breach of Data Protection Act Principle 7 'Appropriate technical and organisational measures shall be taken against</p>	<p>This issue will be passed to the Governors of the Premises and Site sub Committee with a request that investigations be carried out into the feasibility of the development of this area. Governors have given approval for the 35 flat screen monitors that are approximately six years old and surplus to requirements to be disposed of. As recommended by PCC [REDACTED] Ltd will be requested to</p>

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
<p>the length of the main building and is part boarded. Various items were located in the loft namely;</p> <ul style="list-style-type: none"> • 35 flat screen monitors • Pupil records • Tables • Christmas decorations • Personal possessions <p>Subsequent to this visit PCC's Fire Safety Advisor has performed an independent risk assessment over the access and use of this loft. The following main issues have been raised and are noted below, however a separate 'Fire Risk Assessment' report will be issued.</p> <ul style="list-style-type: none"> • The access route to the loft is unprotected and dangerous. • The stacking of document filed boxes on wooden joists (i.e. not on the boarded area) is also dangerous. <p>One action required: Due to the height and the loading issues the School must ensure that the loft is subject to an inspection from a structural engineer to determine, if allowed the storage capabilities of this space.</p>	<p>unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.'</p> <p>Breach of the DPA can result in a maximum £500,000 fine from the Information commissioner's office for a serious breach by a public body</p>	<p>remove the items at a cost of £2.00 per screen. Plus a licence fee of £20. A second verbal quote had been obtained from another source who had quoted £3.50 per screen.</p> <p>Action point: Short term:</p> <ul style="list-style-type: none"> ○ The [REDACTED] to raise purchase order for removal of items. ○ The [REDACTED] will remove pupil records and relocate in a secure cupboard in annex. ○ The [REDACTED] will remove tables and will find suitable alternative accommodation. ○ The Christmas decorations will be removed. ○ All personal items will be removed as soon as possible. ○ The [REDACTED] will be asked to secure the classroom window. ○ The loft area will cease to be used for storage. <p>Medium term:</p> <ul style="list-style-type: none"> ○ The [REDACTED] has been made aware of the concerns over the access route to the loft and will be obtaining quotes to make safe. ○ The boxes of documents will be removed and suitable alternative accommodation found. ○ The [REDACTED] will liaise with the relevant department at PCC

Appendix B - 2013/14 Critical Exceptions

Finding	Risk and Consequence	Action Proposed, Date by and Responsible Officer/ Person.
		<p>regarding an inspection from a structural engineer.</p> <ul style="list-style-type: none"> ○ The school are in receipt of the Fire Report and will act on all its recommendations.
<p>18. It is Internal Audits understanding that on some occasion's pupils have assisted in transferring items to and from this loft, yet the access is clearly dangerous for both adults and children.</p>	<p>██████████ - (CMP)</p> <p>This is a breach of the PCC Health & Safety Policy which stipulates that LA schools should implement site-specific policies to ensure the safety and wellbeing of their employees, other employees (including PCC staff) and persons visiting the school (including pupils, members of the public, trespassers, etc.)</p> <p>Such a breach of this policy could result in physical injury and or death.</p>	<p>Action point:</p> <p>Short term:</p> <ul style="list-style-type: none"> ○ The ██████████ has been informed by the Head Teacher of the dangers of accessing the loft with pupils. This will be confirmed in a letter to the ██████████ by the ██████████ PCC Health and Safety regulations will be adhered to at all times.