

**Title of meeting:** Governance & Audit & Standards Committee

**Date of meeting:** 15<sup>th</sup> September 2017

**Subject:** Audit Performance Status Report to 18th August 2017

**Report by:** Chief Internal Auditor

**Wards affected:** All

**Key decision:** No

**Full Council decision:** No

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## **1. Summary**

- 1.1 This is a progress report for the 2017-18 planned audit activities. To date two 'No Assurance' audits have been identified with no critical risks raised.
- 1.2 There are 71 Full Audits and 40 Follow ups, planned for 2017, totalling 111 reviews. This has increased from the 105 reported in June 2017.  
The 6 additional audits are:
- Culture and City Development - Safety Signage Follow up
  - Children Social Care - Residential Units
  - Regeneration - SIM Card Inventory and Control
  - Community and Communication - Covert Surveillance Social Media
  - External - Meredith infant Scholl
  - Adult Social Care - Write off Charges
- 1.3 To date, 49 (44%) have been completed or are in progress as at 18<sup>th</sup> August 2017. This represents 27 (55%) audits where the report has been finalised, 3 (6%) where the report is in draft and 19 (39%) audits currently in progress.
- 1.4 In addition to the planned audits there are 11 areas of on-going work and 2 continuous audits which contribute to risk assurance.
- 1.5 Areas of Assurance are shown in Appendix A.

## **2. Purpose of report**

- 2.1 This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2017/18 to 18<sup>th</sup> August 2017 against the

Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework

### **3. Recommendations**

- 3.1 That Members note the Audit Performance for 2017/18 to 18<sup>th</sup> August 2017.
- 3.2 That Members note the highlighted areas of control weakness from the 2017/18 Audit Plan.

### **4. Background**

- 4.1 The Annual Audit Plan for 2017/18 has been drawn up in accordance with the agreed Audit Strategy approved by this Committee on 3<sup>rd</sup> February 2017 following consultation with Directors and the previous Chair of this Committee. The Plan will be revised quarterly to take account of any changes in risks/ priorities, in accordance with the Strategy.

- 4.2 For 2017/18 Internal Audit will conduct 1005 days of audit work for external clients.

### **5. Audit Plan Status 2017/18**

#### **Percentage of the approved plan completed**

- 5.1 44% of the annual audit plan has been completed. Appendix A shows the completed audits for 2017/18. Appendix B shows the completed follow up audits for 2017/18.

The overall percentage figure is made up as follows:

- 8 new reviews (16%) audits where the report has been finalised, 3 (6%) where the report is in draft and 19 (39%) audits currently in progress
- 19 (39%) planned follow ups where the report has been issued

- 5.2 As requested by Members of the Committee a breakdown of the assurance levels on completed audits since the last meeting is contained in Appendix A. Where specific parts of the control framework have not been tested on an area (because it has been assessed as low risk for example) it is recorded as NAT (No Areas Tested) within the Appendix.

#### **Reactive Work**

- 5.3 Reactive Work undertaken by Internal Audit in 2017/18 includes:
  - 6 special investigations (excludes Benefit and Council Tax Support cases)
  - 8 items of advice, (where the advice exceeds an hours work)

### **Exceptions**

5.4 Of the 2017/18 full audits either completed or at the draft report stage the number of exceptions within each category have been:

- 0 Critical Risk
- 30 High Risk
- 10 Medium Risk
- 0 Low Risk (Improvements)

5.5 The table below is a comparison of the audit status figures for this financial year and the previous two years

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>% of the audit plan completed</b>	47%	44%	44%
<b>No. of Critical exceptions*</b>	0	1	0
<b>No. of High risk exceptions</b>	15	31	30

### **Ongoing Areas**

5.6 The following 11 areas are on-going areas of work carried out by Internal Audit;

- Regulation of Investigatory Powers Act (RIPA) - authorisations
- Anti-Money Laundering monitoring and reporting
- Investigations
- Financial Rules Waivers
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office
- National Anti-Fraud Network (NAFN) bulletins and intelligence follow up
- Counter Fraud Programme
- Policy Hub project to ensure that all Council policies are held in one place and staff are notified of the policies relevant to them
- G&A&S Committee reporting and attendance and Governance,
- Audit Planning and Consultation
- Risk Management

### **Continuous Audit Areas**

5.7 The following 2 areas are subject to continuous audit (i.e. regular check to controls) and feed into overall assurance;

- Key risks management in services
- Performance Management

Internal Audit, in collaboration with the Purchase to Pay (P2P) team, facilitates the weekly review of potential duplicate invoices. Using Data Analytics software to analyse all invoices, a number of automated tests highlight potential duplicates which the P2P team then investigate. Since inception in 17<sup>th</sup> July 2017, approximately £28,000's worth of duplicate payments have been stopped.

**6. Areas of Concern**

**New areas of concern**

**6.1 External - Harbour School**

6.1.1 The audit of Harbour School was given no assurance as testing resulted in thirteen high risk and 6 medium risk exceptions.

6.1.2 The high risk exceptions and agreed actions are summarised in the table below.

<p><b>Exception 1</b> - There was no evidence that the Schools Financial Value Statement (SFVS) was agreed or submitted to the Local Authority by the Governing Body for year ending March 2016 or by the Interim Education Board (IEB) for year ending March 2017. Completion and submission of the SFVS is a mandatory requirement for Local Authority Schools, as Governors are required to give assurance to all stakeholders that they have secure financial management in place.</p> <p><b>Agreed Action</b> - An interim SFVS statement, will be completed by the IEB, once the exceptions and agreed actions raised as a result of this audit, have been addressed.</p>
<p><b>Exception 2</b> - The School Single Central Record (SCR) presented for testing had 136 employee entries, of which 31 (25%) had exceeded the three year Disclosure &amp; Barring Service (DBS) renewal date. Based on this document, no assurance can be given that the SCR is accurate or contains all relevant staff or data. This could result in appointing an employee who does not have the appropriate skills, abilities or qualifications for the job and / or who may have a criminal record (the details of which may preclude them from working in a school).</p> <p><b>Agreed Action</b> - During the exit meeting it was confirmed that the document presented to the auditor for testing was not current and the school had already identified that a number of DBS records had exceeded the three year renewal date. It was also confirmed that the safeguarding lead for the school is working to ensure that the checks are all completed and up to date.</p>
<p><b>Exception 3</b> - There was no evidence that there is a current, signed hire agreement for the school let or evidence of Governing Body review of charges. The school will have no evidence of the agreed conditions of use in the event of a dispute and if charges are not reviewed annually the Governing Body will not have evidence that the income received outweighs the cost to the school for the hire.</p>



**Agreed Action** - The IEB will review the Terms & Conditions of Hire and charge for lettings at the beginning of the new academic year. All hirers will be required to complete an annual Terms & Conditions of Hire.

**Exception 4** - The inventory of assets did not contain adequate detail in order to identify an asset in the event of an insurance claim. There is no evidence of annual asset checks or that the Head teacher authorises disposal of assets. This increases the chance of loss or theft going undetected and may result in any insurance claims being negated.

**Agreed Action** - An inventory control and stock check process will be implemented and an initial stock audit will ensure that all current assets have been listed and categorised correctly on the inventory. Annual checks will be carried out and evidenced by a person who is independent from the control and administration of the inventory. Disposal of assets will be authorised by the Head Teacher.

**Exception 5** - At the time of audit testing there was no approved deficit recovery plan in place to reduce the deficit and return to a break-even point. Historically the School have been in a deficit budget position since 2014/2015. Regular meetings between the Education Finance team and the Governing Body highlighted that the deficit was not reducing according to the agreed plan (in part due to funding not reaching the predicted levels). The Governing Body was replaced by an IEB in July 2016.

**Agreed Action** - A workable Deficit Recovery Plan will be agreed and, following written agreement with the Section 151 Officer, a recovery plan timetable and supporting monitoring schedule will be implemented and checked at each IEB meeting.

**Exception 6** - Testing highlighted weakness in the control and administration of purchase cards. One purchase via Amazon UK Marketplace was noted as sent to the cardholder's home address. For another card holder it was highlighted 98 receipts were lost – total value £172.66 (24% of total) over a 3 month period.

**Agreed Action** - The purchasing process will be centralised from September 2017 and robust controls will be put in place to ensure expected procedures are followed.

**Exception 7** - Purchase orders were found to be have been raised retrospectively which is against PCC Financial Rules as expenditure is not being duly authorised prior to commitment.

**Agreed Action** - The purchasing process will be centralised from September 2017 and robust controls will be put in place to ensure expected procedures are correctly followed.

**Exception 8** - The school operate 2 leased cars, 3 leased mini buses, 1 leased van, 2 rented mini buses and 2 owned mini buses. The logs for these vehicles are incomplete and details recorded are poor and do not comply with the expected controls.



No assurance can be given that the vehicles have been used for legitimate business use, or that the drivers (where required) hold current MIDAS certificates.

**Agreed Action** - A robust process will be implemented to ensure all journey log books are maintained to ensure that they are completed correctly and kept clear and up to date. The school is in the process of installing mileage meters in the mini buses which will assist in determining the accuracy of the log books.

**Exception 9** - Expected procurement rules are not being adhered to. Procedures for procurement are 'mostly by phone and normally 3 suppliers are contacted'.

Documentation in the 'quotations' folder is muddled and unclear and it is not possible to determine 3 written quotations for the same items. The School cannot demonstrate that they have obtained quotations to ensure that they have not favoured a particular supplier and achieved value for money.

**Agreed Action** - The purchasing process will be centralised from September 2017 and robust controls will be put in place to ensure expected procurement procedures are followed.

**Exception 10** - Testing could not confirm that all mini bus drivers are appropriately trained due to the poor control and administration of MIDAS certificates for mini bus drivers and illegible log book records. A non-MIDAS qualified driver may negate the insurance policy in the event of an accident.

**Agreed Action** - A summary of the copy of the MIDAS certificates will be retained on file as evidence that the driver is a member of the scheme, holds a current certificate and when the certificate is due for renewal.

**Exception 11** - The school do not have a Business Continuity Plan which is compliant with best practice. In the event of an emergency the school may not have the required resources or awareness of a strategy to resolve the issue.

**Agreed Action** - Each site will be assessed individually for potential risks associated with their provision. These assessments will be included in a comprehensive Business Continuity Plan which will be approved by the IEB and communicated to all staff. The plan will be reviewed on an on-going basis and annually as part of the SFVS ratification.

**Exception 12** - Petty cash reconciliations are not taking place on a monthly basis. Some reimbursements exceed the £200.00 petty cash limit.

A lack of regular reconciliations places the Finance Officer in a potentially vulnerable position in the event of loss or theft of money.

Petty cash may also be used to circumvent the required method of payment.

**Agreed Action** - A Financial monthly checklist will be implemented which will stipulate that the petty cash account must be reconciled on a monthly basis. A financial rule waiver will be requested for petty cash reimbursements.

**Exception 13** - A sample of personnel files highlighted that confidential / sensitive data is being retained which is a breach of the DBS Code of Practice

and Data Protection Act. This could result in enforcement action from the Information Commissioner or a potential fine.

**Agreed Action** - All personnel files will be checked to ensure that they only contain permitted document which is compliant with the Data Protection Act.

6.1.3 At the request of the IEB and Head Teacher a follow up audit will take place in Quarter 3 of 2017/18 to ensure that the agreed actions have been fully implemented.

## 6.2 External - Mayfield School

6.2.1 The audit of Mayfield School was given no assurance as testing resulted in ten high risk and one medium risk exceptions.

6.2.2 The ten high risk exceptions and agreed actions are summarised in the table below.

**Exception 1** - For the period tested there was no evidence of a complete management trail from receipt to banking therefore no assurance can be given regarding the accuracy of income banked or that there has been no errors, loss or misappropriation of funds.

**Agreed Action** - The current process will be reviewed and an effective management trail from receipt to banking will be implemented.

**Exception 2** - There was no evidence that there are current, signed hire agreements for all lettings - including the mini bus when it is externally hired. The last review of charges was in April 2015. The school will have no evidence of the agreed conditions of use in the event of a dispute and if charges are not reviewed annually the Governing Body will not have evidence that the income received outweighs the cost to the school for the hire.

**Agreed Action** - The Full Governing Body will review the Terms & Conditions of Hire and charge for lettings at the beginning of the new academic year and on an annual basis moving forward. All hirers will be required to complete and sign an annual Terms & Conditions of Hire.

**Exception 3** - Testing highlighted that the school safe contained large amounts of uncounted cash in unlocked cash tins. There was no evidence that any of the Finance staff are aware of, have signed or are complying with either a copy of the PCC Cash Handling Policy or the Mayfield School Finance Policy.

No assurance can be given regarding the accuracy of income held in the safe or that there has been no errors, loss or misappropriation of funds.

**Agreed Action** - Controls will be put in place to ensure compliance with PCC Financial Rules and Income Handling Policy.



All income in relation to the Friends of Mayfield will be kept in a locked cash tin with the key retained by the Treasurer of the fund and the total cash held notified to the Finance Officer on each occasion before the tin is placed in the school safe.

Spot checks will be made by the Finance Officer to ensure that the total amount of cash held in the safe at any one time does not exceed the permitted cash holding limit of £2,500.00.

**Exception 4** - Petty cash reconciliations are not taking place on a monthly basis. A reconciliation was carried out during this financial year in June 2017 and previous to this a reconciliation took place in February 2017.

A lack of regular reconciliations places the Finance Officer in a potentially vulnerable position in the event of loss or theft of money.

**Agreed Action** - Petty cash reconciliations will be carried out on a monthly basis or, as minimum, every six weeks if the level of claims is minimal.

**Exception 5** - Nine occasions were highlighted where staff had claimed personal 'reward points' for purchases made on behalf of the school and there were two instances where petty cash cheque reimbursements were 'split' for payment of invoices which exceeded the petty cash limit of £200.00 per transaction

Non-compliance with PCC financial rules and staff obtaining personal reward points while purchasing goods on behalf of the school may be deemed to be a 'benefit in kind' by Her Majesty's Revenue & Customs (HMRC).

Petty cash may also be used to circumvent the required method of payment.

**Agreed Action** - Staff will be reminded that personal reward points cannot be claimed when purchasing items on behalf of the school.

A financial rule waiver will be sought for any potential reimbursements which exceed the permitted petty cash limit.

**Exception 6** - Testing highlighted a sample of transaction entries where the descriptor narrative was the name of the supplier and not a description of the goods purchased and one transaction entry where the purchase was 'flowers for a member of staff'. Assurance cannot be given that these purchases were compliant with policy and rules.

**Agreed Action** - Staff will be reminded of the requirement to include detail of purchases made in the 'descriptor field' for future claims.

Staff will also be reminded that the purchase of flowers for staff constitutes 'forbidden expenditure' and failure to comply with the Purchase Card policy may result in the withdrawal of the card.

**Exception 7** - Closed-circuit television (CCTV) cameras are in operation on the school premises but Governors have not adopted a CCTV Policy as required by the Information Commissioner's Office.

Non-compliance with the Data Protection Act could result in a potential fine to the School.

**Agreed Action** - The Governing Body will review and ratify the school CCTV Policy at the next Full Governing Body meeting which is due to be held in October 2017.



**Exception 8** - The school asset register is incomplete and there is no evidence of annual physical checks. This may result in the loss or theft of assets going undetected, non-compliance with Insurance requirements may negate the Policy in the event of a claim for lost or stolen assets. The current practice places the school staff in a vulnerable position as there is a lack of internal control for the administration of assets.

**Agreed Action** - A review will be carried out to ensure that all non IT assets which are deemed portable, attractive and worth over £200.00 in value are included on the inventory. Annual checks will be carried out and evidenced by a person who is independent from the control and administration of the inventory. Spot checks will continue to be carried out by a member of the Governing Body – the results of the check will be annotated on the inventory as evidence of the check.

**Exception 9** - A copy of the statement of accounts for the Unofficial Fund was not submitted to the Local Authority by the 31st October deadline. This exception was raised during the previous audit but no explanation was given for the lateness of submission for the 2015/2016 accounts. The Governing Body are not able to demonstrate that they have fulfilled their role of challenge and support in the field of budget management in relation to the schools unofficial fund.

**Agreed Action** - The Governing Body will monitor the operation of the Unofficial Account to ensure an Audited Statement of Account is submitted to the Local Authority within the expected deadline in the future.

**Exception 10** - The Friends of Mayfield PTA group do not present audited statements of account to the Full Governing Body on an annual basis. The Governing Body cannot demonstrate they have appropriate financial control over the operation of the PTA accounts.

**Agreed Action** - The Governing Body will monitor the operation of the PTA Funds to ensure an Audited Statement of Account is submitted within the expected deadline in the future.

- 6.2.3 At the request of the Head Teacher, the Report will be presented to the Governing Body by a member of the Audit Team on 18<sup>th</sup> October 2017 for consideration and a decision regarding providing assurance to the Section 151 Officer that the school has an effective financial management framework in place.

**Updates on no assurance audits previously reported to committee**

- 6.3 Housing and Property - Compliance with Fire Policy - Significant progress**
- 6.3.1 The 2016/17 audit on Compliance with Fire Policy resulted in no assurance being given. A follow up audit was conducted as part of the 2017/18 audit plan.

6.3.2 1 critical risk, 1 high risk and 2 medium risk exceptions arose during the original audit. The results of the follow up are detailed in the table below.

**Original Critical Exception 1** - The PCC Fire and Asset Management policies state that each property should have a full fire risk assessment (FRA) every ten years, and that these must be reviewed regularly. Properties over 6 storeys are classed as 'high risk' and must be reviewed every two years. Properties below 6 storeys as required by PCC policy, should be reviewed every three years.

PCC has 39 properties that are six storeys or over. Testing confirmed that seven blocks of flats (18%) were established as missing a current FRA, and fifteen blocks (38%) were shown to have an expired FRA.

Of the 712 properties which are 5 storeys or lower, analysis found that 280 (39%) had no recorded FRA date, and 171 (24%) blocks were overdue a review.

If PCC has not carried out a Fire Risk Assessment for all of its properties subject to The Regulatory Reform (Fire Safety) Order 2005, it may be putting its residents at risk of serious harm in the event of a fire. Not fulfilling this responsibility under the Act constitutes a summary offence, subject to a £1000 fine, or, upon indictment, a fine and/or imprisonment not exceeding two years.

**Follow up Results** - An updated data extracted from the Repairs & Maintenance database was verified on 17th July 2017 as part of follow-up testing. As at this date: All forty properties six-storeys and above had a FRA within its expiry. All were within their planned review period. All 742 properties 5 storeys and below that fall under the requirement to have an FRA were shown as having received one. All FRAs were shown to be within their expiry, though 181 of these properties were shown to have exceeded their planned review date.

**Further Agreed Action** - To ensure that all FRAs remain current for all six and above storey properties. To continue with previous agreed action, to bring all five and below storey properties up to date by September 2017.

**Original Exception 2** - PCC has landlord responsibility for 14,821 properties. Of these, 13,064 have a gas supply. Testing found that 143 of these did not have a gas certificate in line with Gas Safety (Installation and Use) Regulations 1998 s.36 (2) & (3). Action had not been taken to address this situation for 11 cases (<1%).

Failure to properly maintain a tenant's gas equipment may ultimately result in a loss of life, or damage to PCC property. In constituting a breach of regulations, it could lead to prosecution. If referred to the Crown Court, the potential outcomes include imprisonment and an unlimited fine. Although the number of outstanding properties represents a very small percentage of the overall population, the exception has been rated as high-risk, as expired certificates constitute a breach of the legislation.

**Follow up Results** - An export of the Repairs and Maintenance database taken as at 19/07/2017 was provided by the Mechanical and Electrical Repairs Manager. It revealed that, of the 13,478 properties for which PCC has a responsibility to carry out gas safety checks, 258 (2%) were showing as out of date. 217 out of date properties related to HRA residential properties, and the remaining 41 were General Revenue Account (GRA) properties including schools, offices and community centres.

All properties that required a gas safety check were accounted for within the clarification provided by the Mechanical and Electrical Repairs Manager which can be viewed within the full report.

**Further Agreed Action** - Continue to carry out annual gas service checks for all PCC properties requiring one. Also, ensure that all details are correct and up to date on the Repairs & Maintenance database.

6.3.3 After completion of the follow up review, on 25<sup>st</sup> August 2017, Housing and Property provided minutes from an internal meeting confirming that all blocks of flats now have a Fire Risk Assessment that is inside their stipulated review date. This was also evidenced from an extract of the Housing Stock Database dated 21<sup>st</sup> August 2017.

6.4 **External - Craneswater Junior - significant progress since original audit**

6.4.1 The 2016/17 audit of the Craneswater Junior School resulted in no assurance being given. A follow up audit was conducted as part of the 2017/18 audit plan.

6.4.2 7 high risk and one medium risk exceptions were raised as part of the original audit. The results of the follow up testing are detailed in the table below.

**Original Exception 1** - Governors were not being offered the opportunity to declare any pecuniary interests before meetings of the Full Governing Body which contradicts the Schools Financial Value Standards (SFVS).

**Follow up Results** - Arrangements were evidenced as in place during the follow up for both declarations of pecuniary and personal interests for Governors and the Clerk.

**Further Agreed Action** - No further action required

**Original Exception 2** - Staff have not completed the staff competencies matrix as declared on their SFVS statement. The Governing Body are responsible for ensuring this statement is accurate and that the skills mix is appropriate.

**Follow up Results** - A comprehensive competency matrix has been completed in January 2017 and was evidenced during the follow up

**Further Agreed Action** - No further action required



**Original Exception 3** - No signed hire agreement form was in place for an ongoing let of the school hall. In addition there was no evidence that the hirer holds a current public liability certificate. Without an agreement there is no documented evidence of the conditions of the hire should there be needed to resolve a dispute. If the hirer doesn't have insurance any claims may become the responsibility of the school.

**Follow up Results** - Follow up testing evidenced a signed hire agreement form and evidence of current liability insurance from the hirer in question.

**Further Agreed Action** - No further action required

**Original Exception 4** - At the time of audit testing the cash held in the safe exceeded the insurance limit of £3000 (£5394). This could negate the School's insurance policy in the event of a theft/loss.

**Follow up Results** - Governors have performed a spot check and as part of the follow up testing a review of the safe was undertaken. On all occasions the level of cash was below the permitted limit.

**Further Agreed Action** - No further action required

**Original Exception 5** - Petty cash reconciliations were not being undertaken on a monthly basis which is a breach of PCC Financial Rules and does not enable the identification of errors or other inaccuracies which may then require correction.

**Follow up Results** - Follow up testing highlighted that the most recent petty cash claim had been reconciled and signed off by the Headteacher.

**Further Agreed Action** - No further action required

**Original Exception 6** - The School's 'Emergency Management Plan' was found to be non-compliant with best practice. It was not clear who had written the plan, when, approval, and its review data. In the event of an emergency the school may not have the required resources or awareness of a strategy to resolve the issue presented.

**Follow up Results** - The Emergency Management Plan was reviewed after the audit. The Headteacher has assumed overall responsibility for the plan. The plan was scheduled to be discussed during the next staff training day scheduled for June 2017

**Further Agreed Action** - No further action required

**Original Exception 7** - 7 of 18 MIDAS certificates required to operate the minibus were found to have expired. Using a non MIDAS driver may negate the insurance policy in the event of an accident.

**Follow up Results** - Follow up testing evidenced that a driver tracking spreadsheet has been implemented and 100% of the drivers (17) had a current MIDAS certificate.

**Further Agreed Action - No further action required**

6.5 **HR Legal and Performance - Staffing off Contract - partially resolved**

6.5.1 The 2016/17 audit of Staffing off Contract resulted in no assurance being given. A follow up audit was conducted as part of the 2017/18 audit plan.

6.5.2 1 Critical risk and 2 high risk exceptions were raised as part of the original audit. The results of the follow up testing are detailed in the table below.

**Original Critical Exception 1** - A sample of 19 workers was tested, of which 14 (73%) had been allowed to commence work on the basis of a DBS check carried out under previous employment. However for 9 of the 14 employees, the agency couldn't evidence that a review of this previous DBS check had occurred prior to employment at PCC. For the remaining 5 employees, these DBS checks were reviewed after employment commenced, which is a breach in policy.

Checks were then conducted on the current DBS certificates for the 19 workers. There was no record on file that a DBS check had been done for 4 workers (21%) and the certificate for 1 worker (5%) was not seen until after employment with PCC started even though they had not previously had a DBS check carried out.

If an incident was to occur and it was found that the temporary employee had not been DBS checked a claim could be made against both the agency and the Authority which could result in a financial loss and reputational damage.

**Follow Up Results** - Pre-employment DBS checks were tested. The results show for 3 of the 8 (38%) workers that: It was not possible to tell for 2 (67%) workers whether their certificates had been seen prior to employment with PCC commencing as the review form was not dated. No issues were found for the other worker

Post-employment DBS check were also tested for all 8 workers. It was not possible to tell for 3 (38%) workers whether their certificate had been seen prior to employment with PCC commencing as the review form was not dated.

Evidence was provided by the contracts team that they have carried out one visit to Staff 2000 to check staff documentation. A further visit is planned for December 2017.

**Further Agreed Action** - To commence the recruitment process for the peripatetic team staff, with the view to putting the team into place September/October for a 6 month initial trial period - July/August 2017. Residential Homes to continue to check DBS and record the certificate number for all

agency staff entering the home for the first time. Contracts team to carry out a further visit to Staff 2000.

**Original Exception 2** - Testing highlighted that for 11/19 (58%) workers only had one reference on their file. PCC recruitment process requires two references. Without adequate references a risk arises that a recruitment decision is made on incomplete information. In addition, 1 worker (Accountant) hired via Sheridan Maine had no evidence of any qualifications held on file.

**Follow Up Results** - The Director of HR, Legal & Performance confirmed that the HR Business Partners communicated to service management teams that Comensura should be used to fulfil all temporary staffing requirements.

A list was provided by Staff 2000 of all current staff being used by PCC. There are currently only 9 workers being used, 1 was covered in audit testing under the original audit. For the 8 files tested during the follow-up, 2 workers only had one reference on file (25%), references for 4 staff members were received after they had started working for the agency. A signed code of conduct and financial rules/information governance/fraud & corruption document was seen on file for all 8 workers.

**Further Agreed Action** - Unit Managers to continue to keep records where Comensura have been unable to fulfil requirements and feed this back to the Senior Manager. The Senior Manager to continue to discuss the issues with the Temporary Staff Manager - ongoing.

To commence the recruitment process for the peripatetic team staff, with the view to putting the team into place September/ October for a 6 month initial trial period - July/August 2017.

**Original Exception 3** - Testing highlighted that for two of the recruitment agency used, they did not have an adequate public liability insurance. As a result, PCC could become liable for a claim which would not be covered by the recruitment agency resulting in a financial loss to the Authority.

**Follow up Results** - Follow up testing has confirmed that PCC, at the time of testing, were not employing any persons from the two agencies highlighted and that a communication was issued to all staff noting that Comensura should be used for all temporary workers.

**Further Agreed Action** - No further action required.

- 6.5.3 At present there are no plans for a further follow up audit in this area.
- 6.6 **Housing and Property - Emergency Procedures - limited progress**
- 6.6.1 The 2016/17 audit of the Emergency Procedures resulted in no assurance being given. A follow up audit was conducted as part of the 2017/18 audit plan.
- 6.6.2 3 high risk exceptions were raised as part of the original audit. The results of the follow up testing are detailed in the table below.

**Original Exception 1** - Testing found that a sample of relevant staff did not have a copy or were aware of PCC's Emergency Planning document. If staff are not aware of the processes and protocols to follow in an emergency situation services may be ineffective or non-operational and staff/residents placed in danger.

**Original Exception 2** - The Housing and Property service does not maintain centralised records of actions taken relating to emergency incidents. It is not therefore possible to evaluate whether responses to the emergency were correctly implemented against the Emergency Planning document or whether there are lessons to be learnt. i.e. staff training or revising the Emergency Planning procedures

**Follow Up Results** - The interim Director of Property & Housing has reconsidered the risks relating to this exception which were identified in the 2016/17 report. He has determined that the current arrangements do not adequately reflect the service's approach to emergency situations, and to the way that records of such situations are kept.

The interim Director of Property & Housing has stated that the Emergency Planning Document does not sufficiently reference other processes, including how and where data is recorded, nor does it appear to have been fully embedded with senior managers. It has been identified that there is not a sufficient means of recording incidents that are more than day-to-day emergencies, but require less than a full-scale emergency response. With this in mind, the service will undertake a review of their emergency procedures, in order to ensure that there is in place a means of logging, recording and reflecting on the approach taken to emergency incidents.

**Further Agreed Action** - Procedures to be reviewed and embedded by October 2017.

**Original Exception 3** - No central records are kept detailing the type or frequency of emergency incidents that have occurred. Failure to log incidents does not enable patterns or trends to be identified and actioned relating to other properties or buildings, which could help prevent future incidents.

**Follow Up Results** - A copy of the Emergency Planning Document was obtained from the Assistant Housing Manager. The document has been recently updated to reflect current staff contacts within the service, Email evidence was obtained to show that the document was disseminated to senior Property & Housing management on 21<sup>st</sup> June 2017.

**Further Agreed Action** - No further action required

6.6.3 A further review of this area will be considered in future audit plans.

6.7 **External - Medina Primary - resolved**

6.7.1 The 2016/17 audit of Medina Primary resulted in no assurance being given. The exceptions raised were followed as part of the 2017/18 audit plan.

6.7.2 6 high risk exceptions were raised in the 2016/17 audit. The results of the follow up testing are detailed in the table below.

<p><b>Original Exception 1</b> - Testing reviewed the Schools Financial Value Standard (SFVS) statement for the year ending March 2016 and the auditor was unable to substantiate a number of the declarations within the statement. It was also not clear what documentation had been submitted to governors when they signed off on the statement.</p> <p><b>Follow Up Results</b> - Testing confirmed that the Schools Financial Value Standard had been presented to the Full Governing Body for approval.</p> <p><b>Further Agreed Action</b> - No further action required</p>
<p><b>Original Exception 2</b> - No evidence was found that the Governors of the school had a DBS check. This is in breach of the School Governance (Constitution) (England) Regulations 2012</p> <p><b>Follow Up Results</b> - Testing evidenced DBS checks had been undertaken for 100% of the Governors at the time of testing.</p> <p><b>Further Agreed Action</b> - No further action required</p>
<p><b>Original Exception 3</b> - A number of issues were found with hire agreement arrangements. No evidence was found that the governing body had approved the fees. Hire agreements were found for only 5 of 8 hirers and no evidence was available to confirm the 8 hirers had the required insurances in place. Without a hire agreement this is no evidence the hirer has accepted the terms and conditions for use. If an accident were to occur and the relevant insurance not in place the school could be exposed to compensation claims.</p> <p><b>Follow up Results</b> - Full Governing Body minutes confirmed that approval had been granted for the continuation of the letting charges and the bulk discounts for some groups were to continue. Testing also evidenced that for the 5 current hirers, there was a hire agreement form and indemnity insurance policies had been sighted for all.</p> <p><b>Further Agreed Action</b> - No further action required</p>
<p><b>Original Exception 4</b> - One of the four staff responsible for income collection had signed the PCC Income Handling Policy. This may mean that staff are not following Financial Rules and placing themselves in a vulnerable position to accusations of mishandling funds.</p> <p><b>Follow up Results</b> - During follow up testing a signed copy of the PCC Income Handling Policy &amp; Instructions was evidenced for all 8 employees who are involved in cash collection as part of their duties.</p>



**Further Agreed Action** - No further action required

**Original Exception 5** - From a sample of 6 purchase orders, 5 were raised retrospectively which is a breach of Financial Rules. The total spend on these purchase orders was £2679.92. Purchase orders form part of the internal control process for expenditure, raising them retrospectively bypasses the control as the expenditure is already committed.

**Follow up Results** - Follow up testing evidenced that compliance with Financial rules for this area is now in place.

**Further Agreed Action** - No further action required

**Original Exception 6** - Testing on a sample of 3 employee's files found that the school had retained on DBS application and one DBS document on file which is a breach of the DBS Code of Practice and the Data Protection Act 1998. This could result in a financial penalty for the Authority

**Follow up Results** - During follow up testing the personal files for the employees in the original sample were reviewed. There was no DBS documentation retained in any of the files. The Finance Manager confirmed that all current personal files have been checked and only permitted documentation has been retained.

**Further Agreed Action** - No further action required

## 6.8 Culture & City Development- Safety Signage - In Progress

6.8.1 The 2016/17 audit of Safety Signage resulted in no assurance being given. A follow up audit was conducted as part of the 2017/18 audit plan.

6.8.2 1 Critical risk and 2 high risk exceptions arose during the original audit. The results of the follow up testing are detailed in the table below.

**Original Critical Exception 1** - There is no evidence of formal and periodic assessments being carried out for large areas of open/inland water under the council's responsibility. Exceptions to this have been limited to areas of the seafront and Paulsgrove Lake which were most recently assessed by the Royal National Lifeboat Institution (RNLI) in 2016, recommendation actions of which are still outstanding as at 09/01/2017.

Audit site visits noted old, non-compliant safety signage - if any - present at 5 areas tested.

Half of the eight sites visited across the city appear not to have been checked recently as audit checks on 12/12/2016 noted poorly maintained signage.



Safety practices may be deemed insufficient without formal and robust risk assessments being carried out of water areas in public open spaces. This could ultimately contribute towards injury/death of members of the public. The lack of risk assessments could also result in the Authority being held liable in any related legal challenge resulting from injury/death

**Follow Up Results** - The Leisure and Sports Facilities Manager has advised that the RNLI will be carrying out the risk assessments at no cost to the Authority.

A water safety project for all areas not already covered (The Hard to Eastney Toilets) has been prepared in coordination with the RNLI. The city has been organised into a standard grid in which each section will be risk assessed and the Public Rescue Equipment (PRE) reviewed. This process has commenced and will be ongoing as per RNLI availability. Once fully mapped the results will be sent to GIS for input into PCC mapping.

**Further Agreed Action** - Each section within the city grid will be risk assessed and the Public Rescue Equipment (PRE) reviewed. Recommendations will be implemented as soon as the reports are received. The area along the western section of the city will be reported on once the sea defences are completed. The Leisure & Sports Facilities Manager is charged with this project. Work is hoped to be completed by March 2018 depending on RNLI availability.

**Original Exception 2** - There is no corporate accountability for water safety generally and safety signage specifically. There is no defined lead to water safety in the city and the subject is not explicitly addressed at a constitutional level in the terms of reference for any cabinet members.

There is no corporate water safety policy and by extension safety signage - across all public open spaces areas for which the council is responsible.

Without corporate oversight to water safety the risks to the public may not be dealt with appropriately or consistently increasing the likelihood of successful legal action / reputational damage against the council in the event of death/injury.

**Follow Up Results** - The City Development & Culture Director has been acting as the provisional lead across the Authority whilst initial work is made towards compliance. The Leisure and Sports Facilities Manager has been made the lead officer in charge of organising the remedial work in the first instance.

**Further Agreed Action** - No further action required

**Original Exception 3** - An inspection of 8 areas across Portsmouth found that the majority of signage across the Seafront/Old Portsmouth meets the latest British Safety standards, with the exception of those noted by the RNLI in 2016. The recommendations made by the RNLI have yet to be addressed.

Signage at all other locations appeared to be old, with several in a poor state, and are non-compliant with national standards.

Signage which is in a poor state or does not meet national/EU standards are more likely to be unclear as to their meaning and ultimately may not provide sufficient warning in any cases of negligence/breach of statute brought against the council.

**Follow up Results** - The RNLI have been commissioned to carry out a separate signage survey as part of the aforementioned risk assessment location visits.

**Further Agreed Action** - Upon the receipt and review of the RNLI signage survey reports, actions will be taken to remediate signage inadequacies where appropriate. The Leisure & Sports Facilities Manager is charged with this project. Depending on RNLI availability, this is hoped to be completed by March 2018.

## **10. Equality impact assessment (EIA)**

10.1 The contents of this report do not have any relevant equalities impact and therefore an equalities assessment is not required.

## **11. Legal Implications**

11.1 The City Solicitor has considered the report and is satisfied that the recommendations are in accordance with the Council's legal requirements and the Council is fully empowered to make the decisions in this matter.

11.2 Where system weaknesses have been identified he is satisfied that the appropriate steps are being taken to have these addressed.

## **12. Finance Comments**

12.1 There are no financial implications arising from the recommendations set out in this report.

12.2 The S151 Officer is content that the progress against the Annual Audit Plan and the agreed actions are sufficient to comply with his statutory obligations to ensure that the Authority maintains an adequate and effective system of internal audit of its accounting records and its system of internal control.

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Signed by: Elizabeth Goodwin, Chief Internal Auditor

## **Appendices:**

Appendix A – Completed audits from 2017/18 Audit Plan  
 Appendix A - Municipal Year 2017/18  
 Appendix B - Completed follow up audits from 2017/18 Plan

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
1 Accounts and Audit Regulations	<a href="http://www.legislation.gov.uk/ukxi/2011/817/contents/made">http://www.legislation.gov.uk/ukxi/2011/817/contents/made</a>
2 Previous Audit Performance Status and other Audit Reports	Refer to Governance and Audit and Standard meetings – reports published online <a href="http://democracy.portsmouth.gov.uk/ieListMeetings.aspx?Committeeld=148">http://democracy.portsmouth.gov.uk/ieListMeetings.aspx?Committeeld=148</a>

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
 Signed by: