

COMMITTEE: AUDIT AND GOVERNANCE

DATE: 14 MARCH 2012

SUBJECT: SCHOOL MEALS: IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

REPORT BY: GENERAL CATERING MANAGER

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IMPLICATIONS:

| | | | |
|-------------------|-------------------------------------|--------------------|--------------------------|
| LEGAL | <input type="checkbox"/> | COMMUNITY | <input type="checkbox"/> |
| | | SAFETY | |
| EQUALITIES | <input type="checkbox"/> | ENVIRONMENT | <input type="checkbox"/> |
| FINANCIAL | <input checked="" type="checkbox"/> | RISKS | <input type="checkbox"/> |
| STAFFING | <input type="checkbox"/> | OTHER | |

WARDS AFFECTED: NONE

PURPOSE

1. To update the Audit and Governance Committee on the status of the actions plans agreed with Internal Audit in response to two reports issued in October 2011: School Meals and School Meals Income Reconciliation.

RECOMMENDATIONS

2. **The Committee is recommended to:**
 - (i) **Note the report from the General Catering Manager.**

BACKGROUND

3. A number of Internal Audit reports with an opinion of Limited Assurance have been issued during the last two years on Catering Services. The Audit and Governance Committee have requested that the General Catering Manager submit a report on School Meals.

REPORT

4. The procedures for the reconciliation of actual school meals income to expected income were originally audited in May 2010 when an opinion of

limited assurance was given. Two follow-up reports were issued in January 2011 and October 2011 with opinions of limited assurance.

5. Since the Audit report a number of discussions with Corporate Accountancy team, it was agreed the LBC Catering Services to be provided with a list of unreconciled items on a monthly basis. With reference to weekly trading returns and bank counterfoils the Finance and Admin. Manager will, where possible, match the e-returns and bankings and if necessary contact the appropriate Kitchen Managers to establish and rectify the causes of these anomalies. The introduction of the new monitoring system and regular dialogue has drastically reduced the value of the discrepancies. At monthly one to one meetings between the Catering Manager and the Finance and Admin. Manager these issues are discussed and appropriate action is taken. All the recommendations made in the last audit report have been partially implemented. We anticipate full implementation by the end of April 2012. Development is required on the in depth reconciliation of individual schools causing concern and the recording of an appropriate action plan. Progress made against the Internal Audit action plan is attached at Appendix A.
6. In October 2011 Internal Audit issued a report on procedures for the safeguarding and recording of income and stock in school kitchens where meals are provided by Catering Services. The opinion was Limited Assurance.
7. Since the Audit report revised procedures, instructions and forms have been issued to all Kitchens Managers. Area Catering Managers are to inspect on a regular basis to ensure that these procedures are implemented by the Kitchen Manager in accordance to the Audit recommendations. 12 of the 13 Internal Audit recommendations have been implemented and 1 is to be implemented in September 2012. Progress made against the Internal Audit action plan is attached at Appendix B.

RISK IMPLICATIONS

8. There are no risk implications to this report other than those set out in the body of the report.

FINANCIAL IMPLICATIONS

9. There are financial risks relating to the lack of implementation of the audit recommendations relating to school meals. This has been agreed with the Head Finance on the 29th February 2012.

LEGAL IMPLICATIONS

10. There are no direct legal implications to this report save for those set out in the body of the report. This has been agreed with the Head of HR & Monitoring Officer on the 1st March 2012.

APPENDICES

11. The following appendices are attached to this report:-

Appendix A - Confirmation & Tracking Of Previous Recommendations:
School Meals Income Reconciliation

Appendix B - Confirmation & Tracking Of Previous Recommendations:
School Meals

LIST OF BACKGROUND PAPERS

LOCAL GOVERNMENT ACT 1972, SECTION 100D

1. Internal Audit Reports.

Confirmation & Tracking of Previous Recommendations

| | | | | | | | |
|--|---|------------------|-------------------|--|----------------------------|--|--|
| Report: | School Meals Income Reconciliation | | | Date of Report: | October 2011 | | |
| Recommendation | | | | Priority | Management Response | | Responsible Officer & Implementation Date |
| 1 | <ul style="list-style-type: none"> ▪ The total of arrears or prepayments at each school as at the end of the previous term (when available) and current term to be input onto the School Meals Income Reconciliation spreadsheet. ▪ For each school the reconciliation spreadsheet to be used to calculate the net change in arrears (prior term plus current term less write-offs) and this figure compared against observed differences between expected and actual income at the start of the reconciliation process so that residual differences can be identified. | | | H | Agreed | | Catering Account and Administration Manager Immediate |
| Has the agreed action been implemented? | | | | | | | |
| 1 | Fully | Partially | Not at all | Comments / Evidence | | | |
| | | ✓ | | <i>If fully or partially implemented please indicate evidence that is available to substantiate. If not implemented, please indicate why, and if or when the agreed action will be implemented.</i> The reconciliation shows the expected and actual (Civica) income, both for adult and pupils. Also Credits and debts for individual schools at the start and end of term are to be entered and the residual differences investigated. | | | |

| Recommendation | | | | Priority | Management Response | Responsible Officer & Implementation Date |
|---|--------------|------------------|-------------------|---|---------------------|---|
| 2a) The report of un-matched returns and unallocated deposits to be reviewed and investigated with the originating kitchen. Corporate Accountancy to be informed of matches within one month. | | | | H | Agreed | Catering Account and Administration Manager Immediate |
| 2b) Develop monitoring action plan for schools where there are recurrent or significant discrepancies between e-returns and bankings. | | | | M | Agreed | Catering Account and Administration Manager- February 2012 |
| 2c) In the first half of the term following the period of the reconciliation the following should be submitted to the General Catering Manager for review: - the original reconciliation - the latest version of the reconciliation - a written narrative of issues identified and action taken. | | | | M | Agreed | Catering Account and Administration Manager February 2012 |
| Has the agreed action been implemented? | | | | | | |
| 2a | Fully | Partially | Not at all | Comments / Evidence | | |
| | | ✓ | | LBC Catering receive regular reports from Corporate Finance for un-matched returns. These are investigated by LBC finance manger and discussed with individual schools and Area and Managers. Each month these are discussed with Catering Manager and rectified and report back to Corporate Finance. Further work is required by LBC Catering to ensure the movement of these discrepancies are monitored between beginning and the end of each term. Further amendment to the monitoring form is need. More in depth reconciliation must take place with the Catering Manager on individual schools causing concern and the agreed action plan to be recorded. | | |

| | | | | |
|----|-------|-----------|------------|---|
| 2b | Fully | Partially | Not at all | Comments / Evidence |
| | | ✓ | | LBC Catering Finance Manager discusses any discrepancies with Area Managers and the individual schools causing concern. Further action is required to establish improvement in discrepancies between e-returns and backings. A regular monthly meeting has been established with Corporate Finance as monitoring action plan. This includes regular reports from Corporate Finance. |
| 2c | Fully | Partially | Not at all | Comments / Evidence |
| | | ✓ | | At each monthly 1 to 1 meeting these items are discussed with General Catering Manager. However, more in depth reconciliation must take place with the Catering Manager on individual schools causing concern and the agreed action plan to be recorded. |

Confirmation & Tracking of Previous Recommendations

| Report: | School Meals | | | Date of Report: | October 2011 | | |
|--|---|-----------|------------|---|--|--|--|
| Recommendation | | | | Priority | Management Response | | Responsible Officer & Implementation Date |
| 1 | a) All income received directly by the kitchen should be logged. This record should show the child's name, amount and denominations of payment. | | | M | High schools have been provided with a form for the recording of money received other than that inserted by students into the revaluation machine and to reconcile these receipts to 'manual revaluations' | | All Catering Account and Administration Manager Immediate |
| | b) The payment log must be reconciled to the 'manual revaluations' shown on the end of day report and filed with the report and the DCS. | | | M | | | Immediate |
| | c) The boxes on the DCS for 'Cash from revaluation machine', 'Overs' & Unders must be completed. | | | M | This requirement has been emphasised to kitchen staff | | Immediate |
| Has the agreed action been implemented? | | | | | | | |
| 1a | Fully | Partially | Not at all | Comments / Evidence <i>If fully or partially implemented please indicate evidence that is available to substantiate. If not implemented, please indicate why, and if or when the agreed action will be implemented.</i> | | | |
| | ✓ | | | All income is logged in the kitchen register. Cheques are recorded with the child's name, amount and the period it covers (see appendix 1) | | | |
| 1b | Fully | Partially | Not at all | Comments / Evidence | | | |
| | ✓ | | | Manual payments are logged and reconciled with revaluation report. Appropriate training has been given by the Cunningham Cashless System. | | | |

| 1c | Fully | Partially | Not at all | Comments / Evidence |
|---|----------|---|---|--|
| | ✓ | | | Training has been given to the Kitchen Manager and other staff to ensure all relevant areas are completed (see appendix 2) |
| Recommendation | Priority | Management Response | Responsible Officer & Implementation Date | |
| 2 | H | This requirement has been emphasised to kitchen staff | All: Catering Account and Administration Manager Immediate | |
| a) Where adult meals are served staff balances, payments and meals taken must be entered onto the School Meals Summary in order to ensure that all income received can be reconciled to bankings | | | | |
| b) On either the SMRS or DCS there should be a reference from income for milk and other sales to the relevant source document. | M | This requirement has been emphasised to kitchen staff | Immediate | |
| c) Revise the Meals Reconciliation in the School Meals Register Summary so that Actual receipts and refunds in £ are reconciled to receipts, changes in pupil balances and the value of meals served. | L | A revised form has been developed with internal Audit and is being piloted in a small number of schools. If successful it will be rolled out to all schools in the next academic year | September 2012 | |
| d) Kitchen managers are required to sign to indicate that | H | This requirement has been emphasised to kitchen staff | Immediate | |
| o the meals reconciliation is complete and correct | | | | |
| o income per SMRS has been reconciled to bankings per DCS | | | | |
| e) Kitchen Managers (Primary and High Schools) to be reminded that they are accountable for the identification and investigation of anomalies in income recording. | H | This requirement has been emphasised to kitchen staff | Immediate | |

| Has the agreed action been implemented? | | | | |
|---|-------|-----------|------------|--|
| | Fully | Partially | Not at all | Comments / Evidence |
| 2a | | | | <i>If fully or partially implemented please indicate evidence that is available to substantiate. If not implemented, please indicate why, and if or when the agreed action will be implemented.</i> |
| | ✓ | | | At Kitchen Managers termly meetings Kitchen Managers have been instructed to comply with the recommendation. |
| 2b | | | | Comments / Evidence |
| | ✓ | | | Revised DCS has reference for income from Milk and other sales. (see appendix 1) |
| 2c | | | | Comments / Evidence |
| | | | ✓ | In process of implementation by agreed date of September 2012. |
| 2d | | | | Comments / Evidence |
| | ✓ | | | At Kitchen Managers termly meetings, Area Managers explained to the Kitchen Managers the new procedures and new forms were issued. In the revised forms the kitchen managers and cashier are required to sign and date the cash reconciliation and meal number reconciliation when they agreed they are correct. |
| 2e | | | | Comments / Evidence |
| | ✓ | | | At Kitchen Managers termly meetings Kitchen Managers have been instructed to comply with the recommendation. Kitchen Managers are required to contact the Finance and Admin. Manager immediately if they have made any errors to e-returns so this can be recorded and rectified when the report received from corporate accountancy. |

| Recommendation | | | | Priority | Management Response | Responsible Officer & Implementation Date |
|---|-------|-----------|------------|---|---|--|
| 3 | | | | M | Kitchen Managers reminded that stock withdrawals are to be recorded in the stock book on the same day | All Catering Account and Administration Manager: Immediate |
| a) Review current mechanisms for the 'booking out' of stock to ensure that issues are accurately and promptly recorded | | | | M | This requirement has been emphasised to kitchen staff | Immediate |
| b) Ensure that running totals are completed, at minimum at the end of half-term. | | | | M | This requirement has been emphasised to kitchen staff | Immediate |
| c) Stock take figures to be agreed to stock records. This reconciliation should be evidenced by the Kitchen Managers signature. Anomalies to be explained/ investigated by Kitchen Manager. | | | | M | This requirement has been emphasised to kitchen staff | Immediate |
| Has the agreed action been implemented? | | | | | | |
| 3a | Fully | Partially | Not at all | Comments / Evidence <i>If fully or partially implemented please indicate evidence that is available to substantiate. If not implemented, please indicate why, and if or when the agreed action will be implemented.</i> | | |
| | ✓ | | | At Kitchen Managers termly meetings Kitchen Managers have been instructed to comply with the recommendation. | | |
| 3b | Fully | Partially | Not at all | Comments / Evidence | | |
| | ✓ | | | At Kitchen Managers termly meetings Kitchen Managers have been instructed to comply with the recommendation. | | |
| 3c | Fully | Partially | Not at all | Comments / Evidence | | |
| | ✓ | | | At Kitchen Managers termly meetings Kitchen Managers have been instructed to comply with the recommendation. | | |

| Recommendation | | | | Priority | Management Response | Responsible Officer & Implementation Date |
|--|-------|-----------|------------|--|--------------------------|---|
| 4 a) Area managers to conduct routine checks of stock and income records to ensure that reconciliations are being completed accurately and that Kitchen Managers have signed the DCS and SMRS to evidence their review and the resolution of anomalies. | | | | M | Agreed – to be developed | Catering Account and Administration Manager October 2011 |
| b) Where they find that these controls are not operating effectively Area Managers should <ul style="list-style-type: none"> review weekly records to ensure that there has not been a material loss agree an action plan with the kitchen manager to ensure that controls are implemented. This may include the provision of advice and training closely monitor the kitchen's income and/or stock records | | | | M | Agreed– to be developed | Catering Account and Administration Manager October 2011 |
| Has the agreed action been implemented? | | | | | | |
| 4a | Fully | Partially | Not at all | Comments / Evidence <i>If fully or partially implemented please indicate evidence that is available to substantiate. If not implemented, please indicate why, and if or when the agreed action will be implemented.</i> | | |
| | ✓ | | | The Area Managers are required as part of Kitchen Monitoring Audit to inspect all records appertaining to money collection ie. Manual dinner money collection, or till readings, cash up summary, income reconciliation, E-returns and free meals. Any discrepancies are discussed and rectified. | | |
| 4b | Fully | Partially | Not at all | Comments / Evidence | | |
| | ✓ | | | Implemented | | |