

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	REVIEW OF CATERING
AUDIT DATE	MAY 2015

2015/2016



1. BACKGROUND

A review of Catering Services within Facility Services section of Customer Services has been planned as part of the 2015/16 Internal Audit programme.

The core service provided by Catering Services is the school meals service. Annually 1.02 million school meals are prepared and served from 67 production units to 13 dining centres, 10 secondary schools and 76 primary schools. There is approximately 157FTE within the Catering Service and 8 FTE Catering and Cleaning Management and Support.

The Catering Service has procedures and controls in place to fulfil the ISO 9001:2008 requirements.

All menus comply with Schools – (Health Promotion and Nutrition) (Scotland) Act 2007. This ensures that nutritionally balanced school meals are provided. School meals uptake, within Argyll and Bute, remains above the Scottish average for both free and paid meals. There is a programme of pupil consultation through focus groups which has led to Primary school menu improvements.

The Children's and Young Peoples Act 2014 placed an obligation on Local Authorities to provide free school meals (FSM) to all primary 1 to 3 pupils (P1 to P3), the obligation came into force in January 2015.

The additional obligations placed on the Authority have been estimated to have associated revenue costs of £321k for 2014-15 and £744k for 2015-16, with £264k for 2014-15 and £863k for 2015-16 of additional funding available. The associated capital costs have been estimated at £570,180 with £550,000 of additional funding available for 2014-15. The estimated costs were outlined in a report to the Policy and Resources Committee on 21 August 2014 and an updated report on 18 December 2014.

2. AUDIT SCOPE AND OBJECTIVES

The scope of the audit will be limited to the arrangements for compliance with Children's and Young Peoples Act 2014 (Provision of school meals) requirements, to include:

- Compliance with the obligation to provide free school meals to all primary 1 to 3 pupils.
- Processes for the recording and monitoring of levels of P1 to P3 free meal uptakes.
- Arrangements for the recording and monitoring of associated capital and revenue costs.

3. RISKS CONSIDERED

ORR - Insufficient resource to fully meet commitments arising from Children and Young Peoples Act, Section 93 Free school meals

ORR - Inadequate Kitchen Facilities /Equipment

Audit Risk – Non-compliance with Children and Young Peoples Act, Section 93 Free school meals

4. AUDIT OPINION

The level of assurance given for this report is Substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

5. FINDINGS

The following findings were generated by the audit:

Compliance with Legislation

- All schools are providing free school meals with the exception of two rural schools that were identified as having no kitchen facilities. An alternative method of meeting the requirements of the Children's and Young Peoples Act 2014 (Provision of school meals) has been implemented, whereby parents/guardians are reimbursed the cost of school meals. This approach is consistent with authorities across Scotland where there are no kitchen facilities and is deemed compliant with the requirements of the act.
- It was evidenced that detailed timelines, risk assessments, costs and a pilot for the implementation of Free School Meals for P1 to P3 children showed a well planned and executed introduction of a major piece of legislative change.

Additional Equipment Requirements

- Documentation reviewed showed that the planning stages identified schools where the kitchens required additional equipment.
- A programme of meeting the additional equipment requirements has commenced, however is not yet complete due to the requirement of some major works/ adaptations.

Planning and monitoring of associated costs

- It was evidenced that a process for estimating the capital and revenue costs was in place and regularly updated prior to implementation.
- The actual capital costs for Q4 2014/15 and estimated costs for 2015/16 are shown in Table 1.

Table 1 – Capital actual and estimated costs

Cost Element	Actual Cost for 2014-15	Estimated Cost for 2015-16
Dishwashers	£122,477	£0
Storage	£40,000	£0
Kitchen Refits	£0	£415,000
Van	£0	£12,675
Total Capital Costs	£122,517	£427,675
Scottish Government Funding Allocation	£550,000	£0
Net (cost)/surplus	£427,483	(£427,675)

- The actual revenue costs for Q4 2014/15 and estimated costs for 2015/16 are shown in Table 2.

Table 2 – Revenue actual and estimated costs

Cost Element	Actual Part Year Cost for 2014/15	Estimated Full Year Cost for 2015/16
Food Purchases	£64,128	£256,512
Staffing Kitchens	£29,514	£118,056
Staffing Education	£9,213	£36,855
Equipment	£120,165	£0
Loss of Income	£101,500	£333,000
Pilot costs	£18,000	£0
Total Revenue Costs	£342,521	£744,423
Scottish Government Funding Allocation	£264,000	£863,000
Net (cost)/surplus	(£78,562)	£118,577

Recording and monitoring of Free Meal Uptake

- Four school kitchens were selected for review, two joint campuses, one small primary and one large primary:
 - It was evidenced that there is no set procedure or process for recording of P1 to P3 FSM uptake at the catering counters. This is largely due to historic practices at individual schools and the cross departmental responsibility for reporting the information. At present 15 schools have implemented a system using wristbands which has been proven to be effective.
 - Figures for school meal uptake are recorded at individual establishments and passed to a central point for processing. This procedure involves double entry, and increases the risk of human error.
 - It was noted that the catering service are in the third phase of implementing an Information Technology programme, the first and second phases involved roll out of computers for all the kitchens and ensuring all Food Hygiene related forms were fully available via a SharePoint site. This has resulted in a greater level of control and improved effectiveness.

- The revised process involves an element of using IT and a training requirement has been identified and a step by step approach is being used to upskill the staff. However, there are time constraints in respect of when staff can be trained.

6. CONCLUSION

This audit has provided a substantial level of assurance. There were a number of recommendations for improvement identified as part of the audit and these are set out in Appendix 1. There are 2 medium recommendations set out in Appendix 1 which will be reported to the Audit Committee. Appendix 1 sets out the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the Catering staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

APPENDIX 1 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. FSM uptake records		High/ Medium or Low		
There is no set procedure or process for recording of P1 to P3 FSM uptake at the catering counters.	Inaccurate recording of information	Medium	In consultation with Education Management and Head Teachers, consideration will be given to a procedure for schools with cashless catering and one for schools using manual. In the interim spot checks on the recording of actual uptake will take place.	Operations Manager (Catering) 30 September 2015
2. FSM uptake records		High/ Medium or Low		
The process for recording of school meal uptake involves double entry, and can lead to human error.	Increased risk of error leading to inaccurate reporting of figures.	Medium	In consultation with Education Management and Head Teachers, a revised process will be considered using the available technology reducing the requirement for manual input.	Operations Manager (Catering) 31 December 2015

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