

Executive Summary

Music Service Income- Follow up Audit

BACKGROUND

- 1 A follow up audit review has been undertaken of income processes in the Music Service, which is a non-profit making traded service for Cardiff and the Vale of Glamorgan.
- 2 The original audit provided an assurance rating of unsatisfactory due to insufficient levels of income collection, and gaps in system controls and debt management processes. An executive summary report was provided to the Audit Committee in June 2018.

MAIN CONCLUSIONS

- 3 The follow up audit has considered the progress made in delivering the original audit recommendations, and has reflected on the current control environment.
- 4 The audit review has recognised that some actions have been delivered, but an overall opinion of **unsatisfactory** has been allocated, as management had not sufficiently improved income collection, or the management of outstanding debt, which was only marginally lower than the figure reported in the original audit. (current outstanding debt £310k, compared with £334k at the time of the original audit)
- 5 There has been progress in the roll out of the financial system for the Music Service (Paritor), which has been operational since the academic year 2017/18. The system is used for billing purposes and enables online payment through the Music Service website, as part of the approach to register service users and collect income by the Music Service directly and limit school involvement. Following slow initial uptake and a drive to register peripatetic and ensemble service users, a significant proportion of service users were reported as registered at the conclusion of audit fieldwork.
- 6 To support management to ensure consistent income collection and appropriate action in the event of non-payment, a formal strategy for income and debt management is considered necessary. It was noted during the audit that, whilst letters were issued to request outstanding income payments, services had continued for those in arrears. Following the audit, management have advised that service terms and conditions have been revised, in consultation with Legal Services, and instructions have been issued for outstanding invoice payments, in order for services to continue. Internal Audit will follow up the progress and impact made through the proposed approach.

- 7 In addition to the Paritor system, a number of historic bank accounts were still being used for the administration of ensemble music services, and had not been considered for closure, as agreed in the original audit. Whilst guidance on the required administration of these funds had been reported as circulated, steps should be taken to remove as many legacy accounts as possible to enable efficient and co-ordinated control and monitoring processes. Progress is also required to develop staff guidance and a Music Service Business Plan, as previously agreed.

RECOMMENDATIONS FOR ACTION

- 8 Two of the recommendations made in the original report have been implemented in full. Seven recommendations had not been implemented and were re-raised, and two additional recommendations were made during the audit.
- 9 The new recommendations related to developing a debt management and recovery strategy given the high levels of remaining debt, and ensuring prompt processing and banking of cheques where received, in view of some delays noted.
- 10 The follow up audit report includes nine recommendations for improvement going forward (three red and six red / amber), all of which were agreed by the Head of the Music Service.

LATEST POSITION

- 11 Management have agreed all recommendations, and have indicated that there will be close engagement with finance colleagues in Resources to develop a formal debt collection and recovery strategy. Management have also advised they will improve controls in monitoring and reconciling income invoiced and received, which along with the revised recovery strategy will focus on reducing the level of debt for the service.
- 12 Management have committed to developing a Music Service Business Plan, and to preparing improved working procedures, to support officers. Consideration will also be given to reducing the number of bank accounts held by the Music Service ensembles.
- 13 At the time of concluding the audit, a Service Review for the Music Service was being initiated by the Capital Ambition Delivery Team to consider existing operations, issues and risks and to identify opportunities and recommendations for improvement.
- 14 Internal Audit will continue to monitor the internal control environment through the recommendation tracker and regular discussions with management. A further follow up audit will be undertaken in line with agreed audit protocols.