



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT EXTERNAL CATERING CONTRACTS 2024/25

Assurance Level	Reasonable
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Audit Data

Customer:	Susan Vuli – General Manager, Shire Services
Report Distribution:	David Shaw – Assistant Director of Education and Achievement
Auditor(s):	Carole Moir
Fieldwork Dates:	September 2024
Debrief Meeting:	8th October 2024
Draft Report Issued:	8th October 2024
Responses Received:	8th October 2024
Final Report Issued:	8th October 2024

Introduction and Background

1. As part of the approved internal audit plan for 2024/25 Audit Services have undertaken a review of External Catering Contracts. Shire Services is Shropshire Council's catering and cleaning unit, providing services to a large number of schools and other venues, both inside and outside of the county. They are a major school meals provider for primary and secondary schools and of catering services to nurseries, care homes, and further education colleges in Worcestershire, Herefordshire, Cheshire, North Wales, and the West Midlands. External Catering contracts have not been the subject of an internal audit previously and following a restructure of the Shire Services Team it has been included in the Audit Plan. The restructure meant the loss of posts to reduce overheads with a view to ensuring the service could break even and become profitable.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Maintenance of the control environment is the responsibility of Management. The audit process is designed to provide a reasonable chance of discovering material weaknesses in internal controls. It cannot however, guarantee absolute assurance against all weaknesses including overriding of management controls, collusion, and instances of fraud or irregularity.
4. Audit Services would like to thank officers who assisted during the audit.
5. The audit was delivered on time and within budget.

Scope of the Audit

6. The following scope was agreed with key contacts at the beginning of the audit:
To review and give assurance that contracts are in place for external catering, the contract monitoring arrangements are robust and the profitability of the contracts is monitored.
7. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved. Objectives with a ✓ demonstrate that appropriate management controls are in place and upon which positive assurance can be given. Objectives with an X are those where the management controls are not being achieved:
 - X There are signed and up to date contracts in place.
 - ✓ The contracts detail the responsibilities of Shire Services and the client in relation to costs, fees, services, income, payment etc and these are monitored in accordance with the contract.
 - ✓ There are clear processes, outlined in the contract, for raising and resolving disputes.
 - ✓ There is a system in place to monitor the profitability of contracts.
 - ✓ Management information is produced on a regular basis and is subject to independent review in a timely manner.
 - ✓ Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

Assurance Level and Recommendations

8. An opinion is given on the effectiveness of the control environment reviewed during this audit. The level of assurance given is based upon sample testing and evaluation of the controls in place. This will be reported to the Audit Committee and will inform the Annual Governance Statement which accompanies the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

Audit Services can give the following assurance level on the area audited:

Reasonable	There is generally a sound system of control in place but there is evidence of non-compliance with some of the controls
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9. Recommendations are made where control weaknesses, risks or areas for improvement have been identified and are of sufficient importance to merit being reported to you in accordance with auditing standards. There are four categories of recommendation; Best Practice, Requires Attention, Significant and Fundamental. Detailed findings and a definition of the recommendation categories are included in the Exception Report at **Appendix 1**. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
1	1	0	0	0

10. A summary of the recommendations, together with the agreed management responses are included at **Appendix 2**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.
11. The audit work identified one fundamental issue leading to the following recommendation:
- It is acknowledged that reduced resources make it more difficult to send the contracts out, however a contract should be in place before services are provided. Progress should be made to ensure contracts are sent out without delay to ensure that all parties understand their responsibilities. Once returned the contracts should be signed by Shropshire Council.
- The Operational Risk Register should be updated to reflect the risks of relying upon old contracts which are not fit for purpose and could leave Shire Services exposed to financial risk regarding deficits.

Audit Approach

12. The approach adopted for this audit included:
- Review and documentation of the system.
 - Identification of the risks to achieving the business outcomes and associated key controls.
 - Testing of controls to confirm their existence and effectiveness.
 - Identification of weaknesses and potential risks arising from them.
13. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report (**Appendix 1**). Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at

Appendix 2. A more detailed report covering all the work undertaken can be provided on request.

14. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action taken to address identified control weaknesses.

Barry Hanson
Head of Policy and Governance

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INTERNAL AUDIT EXCEPTION REPORT FOR EXTERNAL CATERING CONTRACTS 2024/25

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
Management Control Objective: There are signed and up to date contracts in place.					
1.1	<p>Contracts with schools have been identified as old, often rolled over, and no longer fit for purpose.</p> <p>Progress has been made in drawing up new contracts which detail all the responsibilities of Shire Services, and the schools and templates have been agreed for each type of contract arrangement. This is a priority for Shire Services, as they need schools to fully understand their responsibilities, however it takes time to ensure that the correct information is detailed in each the contract before it is sent out.</p> <p>There are 126 schools, as of 9th September 55 new contracts/SLA's have been sent out (43.6%) and 14</p>	Without valid contracts the client may not understand their responsibilities leading to disputes and non-payment for service received. This risk has already been realised as the old contracts did not specify responsibilities for deficits.	1	Fundamental	<p>It is acknowledged that reduced resources make it more difficult to send the contracts out, however a contract should be in place before services are provided. Progress should be made to ensure contracts are sent out without delay to ensure that all parties understand their responsibilities. Once returned the contracts should be signed by Shropshire Council.</p> <p>The Operational Risk Register should be updated to reflect the risks of relying upon old contracts which are not fit for purpose and could</p>

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	<p>have been returned, none have been signed by Shropshire Council. For contracts outside of Shropshire there are 90 schools of which 50 (55%) have been sent new contracts/SLA's have been sent out and 10 have been returned.</p> <p>There is a system in place to monitor the contracts sent out, returned and signed on behalf of Shropshire Council.</p> <p>The risks associated with the old contracts of schools not paying deficits has not been reflected in the Operational Risk Register.</p>				<p>leave Shire Services exposed to financial risk regarding deficits.</p>

ACTION PLAN FOR EXTERNAL CATERING CONTRACTS 2024/25

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
1.1	1	<p>It is acknowledged that reduced resources make it more difficult to send the contracts out, however a contract should be in place before services are provided. Progress should be made to ensure contracts are sent out without delay to ensure that all parties understand their responsibilities. Once returned the contracts should be signed by Shropshire Council.</p> <p>The Operational Risk Register should be updated to reflect the risks of relying upon old contracts which are not fit for purpose and could leave Shire Services exposed to financial risk regarding deficits.</p>	Fundamental	<p>Operational Risk Register to be updated.</p> <p>The remaining outstanding 40 external contracts to be sent out to clients before the 31.12.2024.</p> <p>SLA or internal Shropshire Council maintained schools will receive an updated Contract/SLA before 28.02.2025</p>	<p>Susan Vuli</p> <p>Steve Kingdom</p> <p>Steve Kingdom</p>	<p>Completed 08/10/2024</p> <p>31.12.2024</p> <p>28.02.2025</p>