

ABERDEEN CITY COUNCIL

---

<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	14 February 2019
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC1925 – Music Service
<b>REPORT NUMBER</b>	IA/AC1925
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	David Hughes
<b>TERMS OF REFERENCE</b>	2.2

---

**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Music Service.

**2. RECOMMENDATION**

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

**3. BACKGROUND / MAIN ISSUES**

- 3.1 Internal Audit has completed the attached report which relates to an audit of the Music Service.

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from the recommendations of this report.

**5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from the recommendations of this report.

**6. MANAGEMENT OF RISK**

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

## 7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Equality &amp; Human Rights Impact Assessment</b>	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Privacy Impact Assessment</b>	Not required
<b>Duty of Due Regard / Fairer Scotland Duty</b>	Not applicable

## 9. APPENDICES

- 9.1 Internal Audit report AC1925 – Music Service.

## 10. REPORT AUTHOR DETAILS

David Hughes, Chief Internal Auditor  
[David.Hughes@aberdeenshire.gov.uk](mailto:David.Hughes@aberdeenshire.gov.uk)  
(01467) 537861



## **Internal Audit Report**

### **Operations**

### **Music Service**

**Issued to:**

Rob Polkinghorne, Chief Operating Officer  
Graeme Simpson, Chief Officer – Integrated Children’s and Family Services  
Eleanor Shepherd, Chief Education Officer  
Fraser Bell, Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
External Audit

## EXECUTIVE SUMMARY

The Aberdeen Music Service (AMS) within Integrated Children's and Family Services (ICFS) provides non-statutory tuition in musical instruments within schools. It also hosts music ensembles in the evenings and on Saturdays at the Music Centre based at Northfield Academy. The net cost of providing instrumental tuition for 2018/19 was £922,000 (2017/18 - £1,084,000), this includes £448,000 (2017/18 - £383,000) relating to music tuition income

The objective of this audit was to provide assurance over Music Centre procedures for collecting income, entitlement to concessionary tuition, procurement, payroll, and the inventory of musical instruments and sheet music.

Unlike SQA music courses, tuition delivered by the Music Service is non-statutory and, unlike schools, there is no improvement plan in place for the Music Service. With ongoing budget pressures affecting all Council service areas, it is essential that clear direction is in place. The Cluster has agreed to set out a short, medium and long-term Improvement Plan for the Music Service.

The Music Service has procedures which cover certain aspects of the processes being applied but these do not cover the whole procedure in a step-by-step format, from an initial request through to cessation of tuition. The Cluster has agreed to formalise processes supporting the provision of Music Tuition.

Fees for music tuition are agreed by full Council when agreeing its annual revenue budget. However, the Cluster applies concessions against these fees which have not been formally agreed by Council. The Cluster has agreed to include concessions with the annual charges in the budget report to full Council for 2020/21.

The process for managing pupil registration, charging for lessons, and income collection is largely manual, and a number of issues were identified with it. Payment requests are sent by email to parents / guardians and do not specify the amount due. Errors were identified in the Service's records which included the same email address being allocated to multiple pupils which will have resulted in some parents receiving many payment requests and others none. Income received through the Council's cash receipting system could not be fully agreed to the Service's records. A large percentage of concessions were incorrectly applied and continuing eligibility to concessions was not being confirmed. Others, who may have been entitled to concessions were not in receipt of them. The process for following up unpaid debts was not considered to be robust. In view of the issues identified it is not possible to give assurance that lessons have been correctly charged for or that income due is complete.

Whilst the customer interface is undergoing improved digitalisation, improvements in the back-office process are required to ensure that charges levied are correct, transparent and appropriately accounted for. The Cluster has agreed to review and update processes accordingly.

The Cluster has recently introduced a spreadsheet-based inventory of instruments and sheet music. Internal Audit tested the inventory records to the physical stock present on a sample basis and found only a 31.8% accuracy. The records also omitted instruments from one store with a value of £25,000. Other exceptions were noted in relation to the way records were being maintained. The Cluster has agreed to undertake a full inventory check, obtain replacement costs for all items for insurance purposes, and to replace the spreadsheet-based system.

# 1. INTRODUCTION

- 1.1 The Aberdeen Music Service (AMS) within Integrated Children's and Family Services (ICFS) provides non statutory tuition in musical instruments within schools. It also hosts music ensembles in the evenings and on Saturdays at the Music Centre based at Northfield Academy.
- 1.2 A termly charge is made for instrument tuition and access to the service provided at the Music Centres. Annual fees for 2018/19 are: individual lessons - £340; and group lessons - £272. There is no extra charge for attendance at the Music Centre, although pupils not receiving tuition are charged £50 per term.
- 1.3 A 50% concession is applied to the younger child / children when two or more siblings are applying for tuition, but only on one instrument, with any subsequent instrument charged at full rate. A 50% concession is also applied where a pupil is in receipt of a clothing grant. Pupils registered for free school meals are exempt from music tuition fees, as are senior phase (S4 to S6) pupils receiving tuition on an instrument for a Scottish Qualification Authority (SQA) course at National 5 or above.
- 1.4 2,111 pupils were registered as receiving music tuition on 12 March 2019. These figures are broken down as follows:

	<b>No of Pupils</b>
Full Rate Tuition	1,606
Sibling Concession	188
Clothing Grants	6
<b>Total Paying Pupils</b>	<b>1,800</b>
Pupils taking an SQA Course	165
Free School Meals Exemption	146
<b>Total Receiving Free Tuition</b>	<b>311</b>
<b>Total Pupils</b>	<b>2,111</b>

- 1.5 The net cost of providing instrumental tuition for 2018/19 was £922,000 (2017/18 - £1,084,000), this includes £448,000 (2017/18 - £383,000) relating to music tuition income.
- 1.6 The objective of this audit was to provide assurance over Music Centre procedures for collecting income, entitlement to concessionary tuition, procurement, payroll, and the inventory of musical instruments and sheet music.
- 1.7 The factual accuracy of this report and action to be taken regarding the recommendations made have been agreed with Eleanor Sheppard, Chief Education Officer and Beth Edwards, Music Co-Ordinator.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Procedures

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff; important in the event of an experienced employee being absent or leaving.
- 2.1.2 The Music Service procedures are set out in three documents: Procedure for instruments and equipment; Music Service income collection procedures; and Guidance on how to use register / pupil list. Each was updated for the 2018/19 school year.
- 2.1.3 The procedures cover certain aspects of the processes being applied within the Music Service but do not cover the whole procedure in a step-by-step format, from the initial request through to cessation of tuition and all the processes between. The following omissions were noted:
- operation of the waiting list;
  - archiving and destruction of personal information;
  - frequency of checks on entitlement to concessions;
  - application of concessions part way through a term;
  - filing system for new start forms;
  - unpaid debt follow up process (managed by the Service);
  - when a debtors invoice should be raised to recover unpaid debts;
  - recording of deferred payments;
  - budget monitoring;
  - inventory checks;
  - completion of the spreadsheet of current pupils receiving tuition (Pupil Spreadsheet);
  - a legend for the Pupil spreadsheet for completing details and for colour coding.

#### **Recommendation**

Processes supporting the provision of Music Tuition should be formalised in written procedures.

#### **Service Response / Action**

Agreed. A working group will be set up to ensure a full set of procedures will be in place.

#### **Implementation Date**

October 2019

#### **Responsible Officer**

Acting Music Co-ordinator

#### **Grading**

Significant within audited area

### 2.2 Strategy

- 2.2.1 Unlike SQA music courses, tuition delivered by the Music Service is non-statutory. Currently, unlike schools, the Cluster has no improvement plans for the Music Service. With ongoing budget pressures affecting all Council service areas, it is essential that clear direction is in place, to ensure the Service priorities are established, in accordance with the Council's transformation programme, and that Best Value is achieved, with the resources available.

**Recommendation**

The Cluster should set out a short, medium and long-term Improvement Plan for the Music Service.

**Service Response / Action**

Agreed.

**Implementation Date**

December 2019

**Responsible Officer**

Quality Improvement Manager  
(Acting)

**Grading**

Significant within audited  
area

**2.3 Registration**

2.3.1 Digital and Technology is in the process of digitising the Music Service registration process, however at the time of the audit, the whole process was still reliant on manuscript forms, and administrative staff manually updating the waiting lists and Pupil Spreadsheet. The Council's website provides information to parents regarding: lessons; fees; exemptions; and instrument loan terms and conditions. Parents or guardians are required to print off the form and complete it in manuscript, before either returning to a tutor, or scanning and emailing to the Music Service group email address. If a space is available, determined by the music instructor covering that school, they will be required to complete a new start form. The pupil will be added to the tutor's class register spreadsheet and the support staff will update their details on the Pupil Spreadsheet for that academic year. If a space is not available, they will be placed on the waiting list until one is.

2.3.2 The Service's privacy notice states that records will be held for five years after a pupil ceases tuition. This is within the suggested retention period set out by the Scottish Council on Archive Record Retention of seven years. The current process for registration forms and any supporting documentation is to scan the manuscript forms and file them on the network drive, in folders specific to each pupil, by date registered, with the paper copy registration form destroyed at the end of the school year. There is currently no process whereby the electronic records are moved into an archive folder when tuition ceases, therefore destruction of the records after five years cannot be easily accomplished. Individuals have the right to be informed on how their data will be processed under GDPR through a privacy notice, and the related retention period. Erasure of data is a form of data processing and the Council risks penalties and reputational damage for processing / not processing data in a manner described by the related privacy notice.

**Recommendation**

An archiving process should be established which facilitates the destruction of records in accordance with the privacy notice.

**Service Response / Action**

Agreed. Leavers folder will be created in the O Drive and updated on a termly basis. Records will be kept for a maximum of five years and then the folder will be deleted.

**Implementation Date**

August 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited  
area

- 2.3.3 The current system is completely manual, with the information updated on a spreadsheet from the manuscript forms. The system provides no unique identifier for each pupil. It relies on a combination of information, including: pupil name, parent email addresses, and school. The lack of a unique identifier increases the risk of information not being applied to the correct pupil or extra administration to identify the correct record for updating

**Recommendation**

The Service should make use of a unique identifier to enable the correct processing of information within music tuition.

**Service Response / Action**

Agreed. The date of birth and surname will be used as a means of ensuring the correct processing of information. DoB will be required as part of the online registration process.

**Implementation Date**

August 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

- 2.3.4 A sample of registrations completed in the current school year was reviewed and it was confirmed that registration details on the spreadsheet agreed. A follow up analysis of the registration / payment spreadsheet was then undertaken to ascertain the accuracy and completeness of the historical information held. This found:

- 179 records without confirmation of group or individual lesson, making appropriate charge difficult to determine;
- 159 missing the email address used to send out payment requests;
- 95 duplicate email addresses for unrelated pupils, meaning some parents received multiple requests and some none;
- the free lesson column holding 42 different narratives when only four are required (SQA, sibling, free school meals, and clothing grant);
- the free lessons column including “?” meaning the exemption granted cannot be verified;
- no carry forward balances from the previous school year to calculate outstanding debt.

- 2.3.5 Since the spreadsheet is the only source of information for the payment recording process, it is essential that the information is complete and accurate.

**Recommendation**

The spreadsheet should be updated and reviewed to confirm completeness / accuracy.

**Service Response / Action**

Agreed. A key will be created to ensure a consistent approach to recording information by using a pre-set index/legend or colours. The online registration process will aid in the smooth and accurate transition of data. Concessions impact on charges e.g. FSM therefore should be recorded consistently.

**Implementation Date**

December 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

**2.4 Annual Fee Increase**

- 2.4.1 The fees for the school year starting August 2019 were agreed by Council on 5 March 2019. The new charging scheme included three new categories as detailed below:



Category	Unit	2018/19	% change	2019/20	Note
Individual Lessons	per year	340.00	18%	400.00	
Group Lessons	per year	272.00	-11%	242.00	
Paired lessons	per year	N/A	N/A	280.00	New
New start registration fee	per year	N/A	N/A	10.00	New
Hire Charge	per year	N/A	N/A	85.00	New per instrument

2.4.2 The new fees were advertised on the website and reviewed as part of the testing. It was found that the hire charge and group lessons fees were incorrectly recorded at lower rates. This was notified to the Music Service who confirmed that the correct rates had been submitted for publishing and the Co-ordinator has contacted the website editor to have the details corrected.

2.4.3 The Music Service has a set concession process which is applied to all charges due. However, unlike charges, the concessionary scheme has not been approved by Council. As the scheme has a direct effect on the level of income to be generated then it should be approved by Council.

**Recommendation**

Music tuition concessions should be approved by Council with proposed charges.

**Service Response / Action**

Agreed. Concessions will be included with the annual charges in the budget report for 2020/21.

**Implementation Date**

March 2020

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

**2.5 Payments**

2.5.1 The Music Service uses a spreadsheet to generate payment requests, although only to the extent of copying and pasting the email addresses, held in the pupil spreadsheet, into the request emails to be sent to parents. Emailed payment requests are generic and do not personalise the payment being requested for each pupil. It is left to the parent to calculate how much is due, meaning they must know what category of lesson their child is receiving and what concession they are entitled to. The spreadsheet does not record the value of the fees that each pupil is due to pay.

2.5.2 Payments can be made via the Council's online payment system, over the phone, or at any of the Council's pay points. No cash/cheques are processed by Music Service staff. The payments are not interfaced to the spreadsheet, and the Senior Support Assistant is required to access a daily report from the Council's cash receipting system for all payments received and transfer the information to the spreadsheet. As there is no reference to the actual value due, the payments recorded on the Pupil Spreadsheet can differ from how much should actually be paid. However, this is not checked by the Senior Support Assistant.

2.5.3 There is no set timetable for issuing payment requests or follow up requests for unpaid fees. The Service tries to issue a request four weeks before the end of term with a follow up "just before the end of term" and then "once or twice to those that still haven't paid". As indicated in paragraph 2.1.3, there is no written procedure for the process. Since there

is no record of how much is actually due, follow up requests are only based on complete non-payment, not if the payment was incorrect (higher or lower than due).

- 2.5.4 The pupil spreadsheet does not link to the class registration spreadsheets maintained independently by each tutor, there is therefore no guarantee that all pupils receiving tuition are being charged. The pupil spreadsheet also has no audit trail, or validation process to prevent lines from being deleted.

**Recommendation**

If the spreadsheet is to remain the management tool for payment requests / recovery, then the following changes should be implemented:

- a) A payment request timetable for the whole school year should be advertised in advance of the school year commencing.
- b) The actual fee due per term should be recorded.
- c) The payment requests issued to parents should reflect the actual fees due.
- d) A reconciliation between the attendance and payments records should be carried out before the issue of the termly payment request.
- e) Differences in payments made compared to fees due should be investigated.

**Service Response / Action**

Agreed. While digitalisation requires the customer to pay in advance there will still be a requirement to email customers before the start of each term along with maintaining the payment records manually.

**Implementation Date**

October 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

**2.6 Cash Receipting Reconciliation**

- 2.6.1 Currently there is no reconciliation carried out between the income recorded on the Council's cash receipting system and the payments recorded on the pupil spreadsheet. Internal Audit reviewed the overall values in both systems between July 2018 and March 2019, which showed cash receipting income of £299,965 and pupil list payments of £300,361, an apparent difference of £396.

- 2.6.2 However further testing identified larger differences:

- Number of payments in cash receipting system 1,606
- Number of payments in pupil list 1,429

1,280 payments where email address in spreadsheet and cash receipting system match of which:

- 874 recorded payments have exact payment value match (£173,377)
- 153 where cash receipting system payments (£43,058) exceeded pupil spreadsheet payments (£30,206) by £12,852
- 253 pupil spreadsheet payments (£71,161) exceed cash receipting system payments (£40,037) by £31,124

Entries where email address does not match:

- 326 cash receipting system payments (£43,493) which could not be matched to pupil spreadsheet payments

- 149 pupil spreadsheet payments which could not be matched to cash receipting system payments (£25,617)

2.6.3 Such differences, if not identified and corrected, could result in parents being chased for payments they have already made, or not being chased when they should. Improved accuracy in updating the spreadsheet, along with a mandatory unique identifier for matching payments would reduce these errors, with a termly reconciliation providing assurance that the system is working correctly.

**Recommendation**

A termly reconciliation between the cash receipting system and the pupil spreadsheet should be carried out and any differences timeously investigated and corrected.

**Service Response / Action**

Agreed. Music Service administration staff will use Civica to show payments made and these will be matched against current data of those in receipt of lessons.

**Implementation Date**

October 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

**2.7 Concessions**

2.7.1 The new start form has a section where parents are asked to indicate whether they are in receipt of certain benefits, but not free school meals. These benefits, if supported, entitle the pupil to free tuition. 90% of pupils had registered prior to the current school year and had no supporting documentation. Currently there is no annual review of concessionary entitlement, or requirement to resubmit proof of entitlement.

2.7.2 The Service Income Collection procedure states *“Free School Meal reports should be requested from the MIS team on a frequent basis so that the service has the most up to date information available to use for checking entitlement for free lessons.”* Testing of those in receipt of a free school meal (FSM) concession, found four where entitlement had ended during the current school year, but free tuition was still being received. Since the SCN is not shown on the spreadsheet, there is not an easy way of confirming if FSM entitlement is still current, without doing a manual comparison of the free school meal entitlement report to the pupil spreadsheet, which, based on the number of current pupils, is time consuming. This further demonstrates the need to include the SCN in the pupil spreadsheet during the registration process.

2.7.3 As at 12 March 2019, the pupil spreadsheet indicates that:

- 146 pupils are in receipt of FSM
- 165 pupils receive SQA concession
- 6 pupils receive school clothing grants
- 188 pupils receive sibling concession

2.7.4 A sample of eighty-five pupils (50 free school meals, 20 senior pupils on an SQA Music course, and 15 siblings) recorded as being eligible for a concession, was selected to determine if concessions were being applied correctly. Free school meals and SQA eligibility was checked against SEEMIS, and siblings to the pupil list. The testing found six siblings concessions that were incorrectly applied, fifteen SQA errors, and four FSM eligibility errors, (29.4%).

2.7.5 Receipt of school clothing grants is not recorded on SEEMIS. In order to review the clothing grant concession, a list of those entitled was obtained from Revenues and Benefits who administer the grant. The extract was compared to the pupil spreadsheet,

using the pupil name and school as the matching criteria. All six pupils receiving a clothing grant concession were present on the list from Revenues and Benefits.

2.7.6 The review also found that a further 167 pupils in receipt of the grant were receiving music tuition. 103 of these were already in receipt of similar or higher relief, which left 64 which appeared to be receiving no concession, according to the pupil spreadsheet. A review of the 2018/19 pupil spreadsheet showed the following:

- 2 were paying 50%
- 3 records were blank
- 20 were paying full rate at some point during year
- 2 were recorded as “free” but no indicator why
- 7 recorded as “paused”
- 30 recorded as “unpaid”

2.7.7 Since pupils have not been identified as eligible to clothing grant, there have been instances where payment requests have been made and in some cases paid.

2.7.8 The Service has instigated a check process when applying concessions. The Admin Assistant, and Senior Admin Assistant or Music Co-ordinator validate a concession by typing their names into a “checked by” and “Second check by” columns. In some cases a copy of entitlement is retained in others none. If a reduced rate is going to be applied then it should be fully supported and evidenced.

**Recommendation**

The Service should review the eligibility to concessionary entitlement prior to each termly payment request being issued and ensure the eligibility is fully supported.

**Service Response / Action**

Agreed. The information relating to FSM will be extracted from SEEMIS. Details on clothing grants will be obtained from Revenues and Benefits who administer the grant. Non system-based documentation will be scanned and retained.

**Implementation Date**

August 2019.

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

**2.8 Unpaid Fees**

2.8.1 There is no set policy / procedure regarding the follow up of outstanding payments. The lack of a timescale for follow up emails, or details of when to pass overdue payments to corporate debt recovery, increases the risk of debts accruing and being pursued inconsistently.

2.8.2 The pupil spreadsheet does not record the process that has been applied to each parent, i.e. payment request date, payment reminder dates, date payment received. In some cases comments are recorded in cells but identifying the detail held in these comments is cumbersome. This could result in follow ups being missed or repeated. The spreadsheet should document relevant dates clearly to facilitate the payment follow-up process. Comments should be used to document responses or conversations.

**Recommendation**

A set follow up procedure, with the exact number of follow up requests, timescale between each and when debts should be passed to Corporate debt recovery should be documented and applied, with the follow up details recorded on the spreadsheet.

**Service Response / Action**

Agreed. Reminder emails will be manually sent by staff and a record kept of these. In the future the online system will generate these automatically.

**Implementation Date**

October 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

- 2.8.3 The payment requests state that “failure to pay fees could result in cessation of lessons.” However, this has never been applied.

**Recommendation**

The Function should confirm what the Policy is regarding non-payment of tuition fees and how this will affect provision of tuition, and thereafter apply it is practice.

**Service Response / Action**

Agreed. From the beginning of the next school year non-payment of tuition fees will result in no lessons being offered/started. The online system will have this feature built into it.

**Implementation Date**

August 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

- 2.8.4 The payment spreadsheet does not record a number of important items that would help manage debts, including the carry forward balances from the previous school year and the value of debts where invoices have been raised. This means that an accurate overall debt position is not available. The omission of this information could lead to required refunds / deferred payments being overlooked or an increase in bad debts.

**Recommendation**

The pupil spreadsheet should be updated to capture the outstanding debt balance for each pupil / parent.

**Service Response / Action**

Agreed. Music Service administration will chase up late payments along with maintaining a spreadsheet detailing the outstanding debt.

**Implementation Date**

October 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

- 2.8.5 Under Financial Regulations, The Chief Officer – Finance has authority to write off debts up to £25,000. This has not been delegated to any officers in ICFS. Therefore, any debt that requires to be written off, that has not previously been passed to the corporate debtors system should be notified to Finance, to obtain approval for the debt to be written off. It is not possible to determine if debts have been written off by the Service since a record of debts outstanding has not been maintained. The requirement to seek appropriate approval to write off debts should be included in the written procedures covering unpaid fees.

**Recommendation**

The Service should follow Financial Regulations regarding the write off of unpaid debts.

**Service Response / Action**

Agreed. Admin will continue to attempt to recover unpaid debt by directing parents/carers to use the previous online system. A record for how much is owed, when they have been contacted and the outcome will be kept on a spreadsheet. Where payments remain outstanding after agreed follow up procedure, the Music Service will contact Finance to arrange for write offs to be undertaken in line with Financial Regulations”

**Implementation Date**

August 2020

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

**2.9 Attendance**

- 2.9.1 Each Music Instructor is responsible for monitoring their pupils and their own attendance. This is done by updating an individual attendance spreadsheet per tutor, with separate worksheets for each school covered and is saved in a shared drive. The attendance spreadsheets can be accessed by IMS Admin Support staff, in order to determine whether payments received should be deferred until the next tuition period or refunded. Details recorded include the pupil's name, stage, lesson date, whether lesson was attended by the pupil, the lesson / instructor availability and reasons.
- 2.9.2 In the current school year, there is a possible maximum of forty lessons, depending on the days tuition takes place, and the subsequent public holidays or in-service days. Each pupil should receive a minimum of 32 lessons in any school year otherwise they are entitled to a deferral or refund. The current procedures state: *At the end of the year the central team should scrutinise Music Instructor registers to see if there are any pupils who have not received the correct number of lessons (32 for pupils who have had lessons for the entire year / 8 per term for part year pupils). Where the correct number of lessons has not been delivered, parents should be contacted on an individual basis to be offered a fee deferral (preferred option by service) or refund. If a pupil stops mid-way through a session and has not received the right number of lessons, there may also be a requirement for a refund. Refunds can also occur when something has gone wrong with a payment (eg a parent has been double charged). Refunds should not be made without prior consent from the Music Co-ordinator. This can be verbal consent (if working in the same location) or written consent. The reason for the refund must be recorded. Refund reports can be run by the Icon team but refunds should also be noted on the Refund Tab on the main spreadsheet.*
- 2.9.3 The procedure does not include how the calculation of the deferral / refund is calculated which could result in inconsistency.
- 2.9.4 Refunds back to a parent's credit / debit card made via the Council's webpay system do not require online approval to be actioned. While the Admin staff request approval as stated in 2.9.2 this is not followed up in manuscript / email by the line manager. The authority to action a refund should be supported in writing / email from the Music Co-ordinator with the reasons, to ensure any queries at a later date are evidenced, especially should staff change.

**Recommendation**

The procedures should detail how to authorise a refund and how a deferral is to be calculated.

**Service Response / Action**

This will not be necessary as a no refunds policy will be implemented for the start of the new school year. Terms and conditions will be updated to reflect this. Pupils will be guaranteed a minimum of 32 lessons which allows for any missed lessons to be rescheduled.

**Internal Audit Position**

Noted.

**2.10 Inventory and Loan of Instruments**

- 2.10.1 The Music Service maintains an instruments inventory record on an Excel spreadsheet. As at 1 March 2019 the inventory showed 1,135 instruments valued at £374,000 on loan to pupils and 639 held in stock valued at in excess of £271,000, plus a further 94 instruments awaiting repair with no replacement value recorded. The instruments in stock are held in three locked stores within Northfield Academy. Keys for these stores are held by both the Music Service and the school.
- 2.10.2 Along with the instrument stores, a separate room is located off the school library, which holds the sheet music catalogue. This is split into two sections, one belonging to the City Council and one, the David Gordon collection, which was inherited from Grampian Regional Council, and is held on behalf of Moray, Aberdeenshire and Aberdeen City Councils. The catalogue does not show a replacement value, although the office staff believe that replacement costs vary depending on their rarity.
- 2.10.3 Internal Audit tested the inventory records to the physical stock present (66 items) and found only a 31.8% accuracy. One store holding all cellos, violas and double bass are not included on the inventory equating to approximately £25,000 in value. The stores hold a number of empty instrument cases on which the inventory references number is held, meaning that the instrument is elsewhere and without an identifier. The lack of an accurate inventory could result in items being misappropriated and not identified.
- 2.10.4 Prior to the present Music Service Admin staff starting, there was no inventory. The Service has purchased a bar code reader with the intention of using this to manage the inventory going forward. However, there is currently no back-office system being purchased and therefore it will have to be used in conjunction with the current spreadsheet. In addition, not all instruments presently have a suitable label for scanning purposes.
- 2.10.5 Unlike other inventory or loan systems in operation within the Council, the current inventory spreadsheet and forms process being run by the Music Service does not provide the same audit trail, or management information. It also relies on instructors following the correct process for removing and returning instruments, whereby Admin staff are informed to update the spreadsheet. There is therefore a higher risk of misstating the inventory position unless movement of instruments is adequately controlled.

**Recommendation**

A full check of the inventory should be undertaken, by removing every item from the store and then checking each back in, ensuring that empty cases are shown as such; instruments without stock codes are identified and recoded; and items awaiting repair are included.

The Service should obtain replacement costs for all items on their inventories to ensure that insurance cover is adequate.

**Service Response / Action**

Agreed. A system to support the use of barcodes will be purchased and implemented. Locating items and updating the inventory will take a significant amount of time and staff resources.

**Implementation Date**

August 2021

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

2.10.6

Pupils may request the loan of an instrument on which they are receiving tuition. Until the beginning of the 2019/20 school year, this loan has been free of charge. As of August 2019, an annual hire of £85 per instrument will be charged. A parent must submit a loan form, which by signing, they accept the terms and conditions attached to the loan. As of August 2018, these forms were scanned and filed electronically, along with the manual form being filed. However, prior to August 2018, there are no copies of the loan forms held. This means that 970 of the 1,135 instruments recorded on the spreadsheet as on loan, have no signed loan form. This has implications should the instrument be damaged due to negligence, as repaying the cost of repair, is one of the conditions parents agree to when signing the form. With the introduction of the annual hire charge, this provides a good opportunity for the Service to have parents resign the loan agreement as part of the payment process.

**Recommendation**

The Service should require parents to resign the terms and conditions as part of the instrument hire payment process.

**Service Response / Action**

Agreed. The new online system requires parents/carers to click and agree the terms and conditions for instrument hire. They will be advised that they could be liable for payment up to £6,000 and advised to take out insurance per instrument hired.

**Implementation Date**

October 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Important within audited area

2.10.7

While the loan form confirms that an instrument is requested, there is no procedure in relation to receipt of instruments by staff and pupils. On the basis that some instruments are valued in excess of £6,000, a system for recording who has responsibility for that instrument is important. Without it a pupil could claim to have not received, or handed back an instrument, and the instructor will have no supporting document to show this to be incorrect.



**Recommendation**

The Service should introduce a process whereby the transfer of instruments between staff and pupils is fully documented.

**Service Response / Action**

Not agreed. Confirmation of return of the instrument will be sent to parent by Music Service administration when the instrument has been received from the Music tutor.

**Implementation Date**

December 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Significant within audited area

**Internal Audit Position**

Noted. However, this will not safeguard the staff should a pupil / parent state that an instrument has been returned when it has not.

- 2.10.8 With the introduction of the annual hire charge, it is essential that the recording of payments received, follow up of unpaid fees, and the Service's policy regarding instruments being held by pupils who have not paid, is fully documented and communicated to parents prior to the payment requests being issued. As recommended in Para 2.5.4 a specific timetable for the process and clear details of how concessions are applied and recorded, and a reconciliation to the cash receipting system should be fully in place prior to payments being requested.

**Recommendation**

The system in place for managing the new annual hire charges should address all the weaknesses of the current tuition fees payment system.

**Service Response / Action**

Agreed. As part of the revised online payment system, hire of instruments must be paid before lessons begin.

**Implementation Date**

October 2019

**Responsible Officer**

Acting Music Co-ordinator

**Grading**

Important within audited area

**2.11 Youth Music Initiative**

- 2.11.1 The Council receives Youth Music Initiative funding from Creative Scotland to ensure that every school pupil is offered a year of free music tuition by the time they leave primary school. To achieve the aims of the YMI, the Music Service provides class-based projects at each of the Council's primary schools. In 2018/19 the Council was awarded £191,499.

**2.12 Staffing**

- 2.12.1 The Music Coordinator manages the service, with the administration of Music Tuition registration and fees carried out by a Senior Support Assistant and Support Assistant (2 FTE). Provision of tuition, including YMI is achieved by 36 Instructors (33.4 FTE) of which five (3.6 FTE) are on fixed term contracts.
- 2.12.2 A review of a sample of contracts found they were all on the appropriate pay scale and that no enhancements had been paid in the current financial year.
- 2.12.3 Due to the funding for YMI being agreed for 2019/20, four of the fixed term staff will exceed four years continuous service in post. Under the Fixed Term Employees Regulations 2002

any temporary contract extended beyond four years will be made permanent, unless the authority can objectively justify not doing so. The Service has consulted with People and Organisation, who have stated that permanency will only be approved should a vacancy in that specific instrument be available at that time.

- 2.12.4 During the current financial year one tutor left under VSER and the Music Coordinator indicated that one other tutor had indicated their interest in also leaving. Internal Audit requested an extract of the vacancies recorded on the payroll system to review if they reconciled to the staffing budget. The Service records indicate a single vacancy within woodwind provision, while the payroll extract shows 10.07 FTE vacancies. Following the financial year end, Finance undertook a review of the establishment figures and notified People and Organisation of adjustments required to bring the payroll records in line with the 2019/20 budget.

## **2.13 Procurement**

- 2.13.1 Testing of the spend on supplies and services for the Music Service found that purchase orders had been raised where required and that framework suppliers were being used where appropriate. Testing also found that the Council's Scheme of Governance had been followed appropriately.
- 2.13.2 Provision of buses to the Music Centre is arranged by the Public Transport Unit (PTU) as part of the annual home to school contracts and are charged to the home to school budget. These costs relate to the delivery of a non-statutory provision and as such do not fall under the normal free provision for home to school transport. Due to the current budgetary constraints Finance is reviewing the free nature of this service with a view to funding the transport through recharges to parents.

**AUDITORS:** D Hughes  
A Johnston  
G Flood

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
<b>Major at a Service Level</b>	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.