Audit and Performance Committee Report

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Meeting:	Audit and Performance Committee
Date:	12 May 2016
Classification:	For General Release
Title:	Annual Report on Internal Audit and Internal Control - 2015/16
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	Moyra McGarvey, Shared Services Director for Audit, Fraud, Risk and Insurance
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1.   Executive Summary

This report summarises the work of Internal Audit in 2015/16 and provides the opinion of the Shared Services Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the internal control environment.

- The work carried out by the Council's Internal Audit Service, in the financial year 2015/16 found that, in the areas audited, internal control systems were generally effective with 68% of the audits undertaken receiving a positive assurance opinion. . There are a few areas where control improvements are required and compliance with agreed systems could be improved. In each case, action plans are in place to remedy the weaknesses identified. These will be followed up by the internal audit team until they are completed. It should be noted that a number of issues concerning compliance were directly or indirectly related to the implementation of the Managed Services Programme. It is anticipated that these issues have or will be addressed within the near future

- The Council was found to be effective, in most areas, at implementing recommendations where concerns in respect of controls were identified. ;

- The main audits due to be undertaken in 2015/16 on various aspects of the Managed Service could not be undertaken as originally planned. However, the Council's Finance Team has undertaken a very significant amount of transaction testing in a number of the key financial areas which Internal Audit has reviewed and confirmed as thorough and focused on the key areas of risk.

2. Recommendation

That the Committee consider and comment on the results of the internal audit work carried out during the period.

3. Background, including Policy Context

3.1 The Audit and Accounts Regulations 2015 require the Council to conduct a review of effectiveness of the system of internal control. With effect from 1 April 2015, the Council's internal audit service has been provided under a shared service arrangement with the Royal Borough of Kensington & Chelsea (RBKC) and the London Borough of Hammersmith and Fulham (LBHF). RBKC are the lead authority for the provision of this service which is managed by the Shared Services Director of Audit, Fraud, Risk and Insurance. The in-house internal audit team is supplemented by resources from Mazars LLP under a Framework arrangement with the London Borough of Croydon. Detailed reports on the performance and outcomes of the internal Audit work undertaken, have been presented monthly to the Council's Section 151 Officer and to the Members of the Audit & Performance Committee.

3.2 A number of the audits in the annual plan were undertaken on a tri-borough basis. The Audit & Performance Committee are provided with updates at each meeting on all RED or AMBER RAG limited assurance audits issued in the period.

3.3 Wherever possible, when planned audits have to be postponed, alternative audit work is identified. Due to the deferral of a number of Managed Services audits, Internal Audit provided some advisory work in this area as well as reviewing the transaction testing undertaken by the Council's Finance Team on a number of areas of the Managed Services systems (see paragraph 4.8.5 below).

3.4 The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). Under these Standards, internal audit services are required to have an external quality assessment at least once every five years. During 2015/16 the Internal Audit Service undertook a self-assessment to verify PSIAS compliance which has identified general compliance with the Standards and has identified minor improvements which will be addressed during 2016/17.

4.   Internal Audit Opinion

4.1   As the provider of the internal audit service to Westminster City Council, the Director of Internal Audit is required to provide the Section 151 Officer and the Audit & Performance Committee an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving this opinion it should be noted that assurance can never be absolute. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

4.2   The opinion is that, at the time of preparing this report and based upon the work completed this year, the Council's governance, risk management and internal control systems in the areas audited were adequate with the exception of those areas detailed as "amber" and "red" all of which have been reported to the Audit & Performance Committee. This is a positive opinion which means that the Council generally has effective internal control systems with 68% of audits receiving a positive assurance opinion. Although the number of positive assurance audits is lower than in previous years, this was not unexpected as there has been a significant amount of process change during the year which will take time to become embedded across the organisation.

4.3   In the above context it should be noted that:
- This opinion is based solely upon the areas reviewed and the progress made by the Council to action internal audit recommendations;
- Assurance can never be absolute neither can internal audit work be designed to identify or address all weaknesses that might exist;
- Responsibility for maintaining adequate and appropriate systems of internal control resides with Council management, not internal audit.

4.4   Follow up reviews confirmed that the implementation of medium and high priority recommendations has been consistently effective.

4.5   Issues arising from Internal Audit work which have significant implications for the Council's control assurance framework have been included in the Annual Governance Statement which is reported separately to this Committee. The monitoring process in respect of the Annual Governance Statement also ensures that follow up action is taken to remedy the key control weaknesses found.

4.6   Appendices to this report are as follows:

- Appendix 1   - A list of audits completed in 2015/16 with assurance opinions;
- Appendix 2   - Advisory work completed in the period;
- Appendix 3   - A summary of the Internal Audit Service performance indicators; and
- Appendix 4   - A summary report of the schools audited during 2015/16.

4.7   There were some areas where improvements in compliance with controls were needed with a total of fifteen audits being designated as "limited" or "no" assurance":

Service Area	Audit
Adult Social Care	Tri-borough – Residential Placements
Children's Services	Tri-borough – Passenger Transport Procurement Tri-borough – Fostering & Adoption
Schools	St George's Primary St James' & St John's Primary St Vincent de Paul Primary
Growth, Planning Housing	Management of Tenant Management Organisations Housing Repairs Service
Corporate Services	Disclosure & Barring Service IT: Multi-User Logins IT: Third Party Remote Access Tri-borough – Contracts Register
Managed Services	Data Migration Interfaces & Acceptance Testing High Level Review of Controls

4.8   Managed Services Audits

4.8.1 The Managed Services Programme (MSP) was set up to introduce an external managed service delivering HR and finance processes. The programme went live on 16 March 2015 with a further programme of staged implementation originally extending to 30 April 2015 that has continued to be extended since. Overall, the programme work plans were reviewed by MSP post go-live and this established key deliverables with new baseline due dates. These plans and the target date for 'Business as Usual', now being referred to as 'Steady State', have necessarily slipped and a more recent review of plans has re-set due dates which now stretch through into the 2016/17 financial year.

4.8.2 During the first nine months of Managed Services being operational, an internal audit was started on the high level controls within the system. Progress on this audit was slow and, due to difficulties in meeting with appropriate staff at BT to undertake all aspects of this review, a number of areas could not be reviewed and a limited assurance opinion was given on the adequacy of the high level controls. It was apparent from this audit that in some of the areas reviewed significant changes had been made since implementation.

4.8.3 In addition to the High Level Controls review, a review of the bank reconciliations process has been undertaken as an advisory piece of work which has been discussed with the Finance Leads for the three Councils and an audit of the established interfaces with Managed Services is due to be reported in May 2016.

4.8.4 The main audits due to be undertaken in 2015/16 on various aspects of the Managed Service could not be undertaken for a number of reasons including a lack of appropriate auditor access and delays in implementing some aspects of the system. In order to undertake an effective internal audit whereby reliance can be placed on the testing undertaken, there needs to be independent assurance that the system is operating in a stable environment with changes properly controlled and tested prior to being implemented. Apart from the high level controls review, which indicated that there were a number of areas where assurance on controls could not be given, Internal Audit have not independently reviewed the system controls and have therefore not undertaken any substantive testing during 2015/16 in the key areas of HR, Payroll and Finance.

4.8.5 However, in order to obtain assurance on the accuracy of the information being processed through the Managed Services environment and feeding into the Council's financial management system, officers within the Council's Finance Team have undertaken a very significant amount of transaction testing in all of the key financial areas. Internal Audit has reviewed this testing and it has been confirmed as thorough and focused on the key areas of risk. Corrective action is being undertaken by both Council staff and by the Managed Service provider and mitigating actions have been taken by the Council to minimise the impact of any errors identified on the Council's financial management information. Although the Council has been proactive in identifying errors and weaknesses to the Managed Services provider, it should be noted that until robust controls and systems are embedded, the potential for further related or unrelated errors, cannot be ruled out.

5.   Assurance on Risk Management

5.1   An audit was undertaken during the year which provided satisfactory assurance in respect of the Council's risk management arrangements.. It was noted that a significant amount of work has been undertaken during the year to improve the recording and reporting of risk across the Council. Six medium and three low priority recommendations were made to further enhance the risk management arrangements and ensure that they are fully embedded across the Council

6.   Assurance on Corporate Governance Arrangements

6.1   An audit review has been undertaken to ascertain compliance with the provisions of the "Good Governance Standard for Public Services" issued by the Chartered Institute of Public Finance Accountants.   The audit evaluated the Council's governance arrangements during 2015/16 against current relevant standards, primarily the CIPFA / SOLACE "Delivering Good Governance in Local Government Framework" and 'Good Governance Standard for Public Services' by the Independent Commission for Good Governance in Public Services. The principles of good governance set out in these publications were used as the

main control areas for review in this audit and testing mechanisms recommended by the guidance were applied.

6.2   The audit provided satisfactory assurance that the Council's governance arrangements were operating effectively.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

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BACKGROUND PAPERS

Internal Audit Reports;
Monthly monitoring reports.

Internal Audit Plan – 2015/16

Adult Social Care:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Tri-borough – Residential Placements (14/15)	Amber	LIMITED	3	5	1	September 2015
Personalisation (14/15)	Green	SATISFACTORY	0	2	0	September 2015
Tri-borough – Mental Health Care Management (S117) (14/15)	Green	SATISFACTORY	0	5	0	December 2015
Tri-borough – Community Independence Service	Green	SUBSTANTIAL	0	1	1	May 2016
Tri-borough – Developing Systems (Customer Journey)	Green	SUBSTANTIAL	0	1	2	May 2016
Health Services Integration (S75)	Green	SATISFACTORY	0	2	1	May 2016

Public Health:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Tri-borough – Joint Strategic Needs Assessment	Green	SATISFACTORY	0	5	1	May 2016

Internal Audit Plan – 2015/16

Children's Services:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Tri-borough – Passenger Transport Post Procurement Review (14/15)	*Amber*	*LIMITED*	4	7	5	September 2015
Tri-borough – Commissioning & Procurement Governance (14/15)	*Green*	*SATISFACTORY*	0	3	3	September 2015
Tri-borough – Early Help (14/15)	*Green*	*SATISFACTORY*	0	3	3	September 2015
Tri-borough – School Meals PQQ (14/15) Process	*Green*	*SUBSTANTIAL*	0	0	3	September 2015
Tri-borough – Fostering & Adoption	*Amber*	*LIMITED*	2	4	0	December 2015
Tri-borough – Semi-Independent Living	*Green*	*SATISFACTORY*	1	2	1	May 2016

Schools:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Soho Parish Primary	*Green*	*SATISFACTORY*	0	5	4	May 2016
St George's Hanover Square Primary	*Amber*	*LIMITED*	3	6	5	May 2016
St James' & St John's Primary	*Amber*	*LIMITED*	1	9	5	May 2016
St Vincent de Paul Primary	*Amber*	*LIMITED*	5	14	1	May 2016
St Stephens' Primary	*Green*	*SATISFACTORY*	1	5	3	May 2016

Internal Audit Plan – 2015/16

Growth, Planning & Housing

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Management of Tenant Management Organisations	*Amber*	*LIMITED*	1	7	4	September 2015
Service Charges	*Green*	*SATISFACTORY*	0	1	1	December 2015
Asset Management & Valuation	*Green*	*SATISFACTORY*	1	3	3	December 2015
Adult Education Service	*Green*	*SATISFACTORY*	1	6	5	December 2015
Housing Rents	*Green*	*SATISFACTORY*	0	4	1	May 2016
Housing Repairs Service	*Amber*	*LIMITED*	3	2	7	May 2016
Planning (enforcement appeals)	*Green*	*SUBSTANTIAL*	0	0	3	May 2016
Procurement of Major Works	*Green*	*SATISFACTORY*	1	4	3	May 2016

City Management & Communities:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
IT – Parking System	*Green*	*SATISFACTORY*	1	4	1	December 2015
Freedom Passes	*Green*	*SATISFACTORY*	0	2	4	February 2016
Licensing	*Green*	*SATISFACTORY*	0	3	3	May 2016
Leisure Services Procurement	*Green*	*SUBSTANTIAL*	0	0	0	May 2016
Mayor of London Grant	*Green*	*SUBSTANTIAL*	0	2	2	May 2016

Internal Audit Plan – 2015/16

Corporate Services:

Auditable Area	RAG Status	Assurance level given	No of High Priority Recs	No of Medium Priority Recs	No of Low Priority Recs	Reported to Committee
Disclosure and Barring Service	Amber	LIMITED	5	3	1	September 2015
Tri-borough – MSP – Data Migration (14/15)	Amber	LIMITED	3	0	0	September 2015
Tri-borough IT Voice & Data Network Procurement PQQ	Green	SUBSTANTIAL	0	0	1	September 2015
Tri-borough – MSP – Interfaces & Acceptance Testing (14/15)	Amber	LIMITED	1	6	0	September 2015
Risk Management	Green	SATISFACTORY	0	6	1	December 2015
Tri-borough – IT Multi-User Logins (14/15)	Red	NONE	5	1	0	December 2015
Business Intelligence	Green	SATISFACTORY	0	6	3	February 2016
Housing Benefit	Green	SUBSTANTIAL	0	0	2	May 2016
Contracts Register	Red	NONE	7	3	2	May 2016
Capital Programme - Accounting	Green	SATISFACTORY	0	3	1	May 2016
Tri-borough – IT – Cyber Security	Green	SATISFACTORY	0	3	0	May 2016
Tri-borough – MSP – High Level Review of Controls	Amber	LIMITED	4	3	1	May 2016
IT – Third Party Remote Access	Amber	LIMITED	0	7	1	May 2016
IT- Software Licensing	Green	SATISFACTORY	1	3	3	May 2016
Council Tax	Green	SUBSTANTIAL	0	1	1	May 2016
NNDR	Green	SATISFACTORY	0	1	0	May 2016

Audits in progress

The audits listed below could not be completed prior to the end of the financial year and the outcomes from these audits will be reported to the Committee during 2016/17:

Adult Social Care	• Tri-borough - Continuing Healthcare Funding; • Tri-borough - Departmental Governance; • Tri-borough – Transition of Young People to Adults; • Tri-borough – System Walk-through.
Children's Services	• Tri-borough - Departmental Governance; • Tri-borough - Departmental Performance Management; • Tri-borough – Schools Health & Safety; • Tri-borough – St Peter's Primary School (Eaton Sq); • Tri-borough - Direct Award of Contracts (also covers Adult Services).
City Management & Communities	• Parking Income.
Growth, Planning & Housing	• Property Investment Portfolio.
Corporate Services	• Tri-borough – IT Internet/Email Monitoring; • Tri-borough – IT Cloud Services & Solutions; • Tri-borough – IT Mobile Device Management/ Airwatch Governance; • Tri-borough – Legal Services Governance; • Tri-borough – MS IT Interfaces.
Public Health	• Tri-borough – Governance; • Tri-borough – School Nurse Contract; • Tri-borough – Substance Misuse; • Tri-borough – Sexual Health Contract; • Tri-borough – Business Planning.

Audits deferred

The audits listed below were not undertaken during 2015/16 for the reasons shown and where appropriate will be undertaken during 2016/17:

Plan Area	Auditable Area	Reason Audit not Undertaken
Adult Social Care	Tri-borough - Homecare Services & Homecare Electronic Monitoring	Timing – more relevant in 2016/17.
Adult Social Care	Tri-borough - Joint Commissioning	Carried forward to tie in with outcomes of other service reviews.
Adult Services	Tri-borough - Better Care Fund.	Agreed to undertake a fact finding exercise only in early 2016/17 to identify the need for internal audit review.
Public Health	Tri-borough – Commissioning & Contracts: • Obesity Service; • Cardiovascular Contract	More appropriate to be reviewed in 2016/17.
Children's Services	Tri-borough – SEN; and Tri-borough - Children & Families Act Implementation	Awaiting a publication of consultancy review before undertaking the SEN audit and then any other audits in this area. Timing has resulted in these audits being moved in to the 2016/17udit plan.
Children's Services	Tri-borough - Leaving Care	Delayed due to OFSTED. OFSTED report resulted in outstanding rating, therefore the audit is no longer required. .
Children's Services	Tri-borough - Troubled Families	Insufficient numbers for meaningful review in 2015/16 so will be undertaken in 2016/17.
Schools	Tri-borough - Safeguarding Children	Delayed pending OFSTED. Will be reviewed in

Plan Area	Auditable Area	Reason Audit not Undertaken
		2016/17 if appropriate.
Schools	Edward Wilson Primary School	Audit undertaken but significant staffing issues at the school at the time and changes in place so will be re-audited in 2016/17.
Schools	St Luke's Primary School	Delayed due to the implementation of Agresso and lack of access by the school to the systems. Added to 20161/17 audit plan.
Schools	St Peter's, Chippenham Mews, Primary School	Delayed due to the implementation of Agresso and lack of access by the school to the systems. Added to 20161/17 audit plan.
City Management & Communities	• Road Management; • Enforcement Sanctions.	• Road Management delayed due to implementation of Agresso for financial information and not operating correctly at the time. Will be planned in once financial management is more stable. • Enforcement sanctions delayed as restructuring undertaken. Will plan in 2016/17 if possible.
Growth, Planning & Housing	Tri-borough - Total Facilities Management	Follow up showed improvement in the management of the contract. Another audit will now be undertaken in 2016/17.
Housing	• Housing Renewal Programme.	Not a significant amount of activity for the use of affordable housing funding. To be reviewed in 2016/17 and included then if appropriate.
Corporate Services	• Tri-borough - PCI Compliance (post MSP).	Other audit activity re MSP taken precedence and will be considered in 2016/17.
Corporate Services	Tri-borough – IT – Governance, Strategy & Incident Manager	Changes in structure – audit more appropriate in 2016/17.
Corporate Services	Tri-borough - Managed Services: • Income Management • Sickness Absence Management • Staff Performance • Intelligent Client Function • Recruitment & Selection • Accounts Payable • Accounts Receivable • Budgetary Control/ Financial Management • General Ledger • Payroll	Audits in these areas were deferred pending the outcomes of higher level control audits as assurance on controls is important before any compliance testing can be undertaken on which reliance can be placed.
Corporate Services	Tri-borough – MSP – Benefits Management	Timing – requested by client to defer to 2016/17.
Corporate Services	Tri-borough – MS: System Development Lifecycle Controls	Timing and pressure of year end.

Advisory Reviews – 2015/16

In addition to the audits listed above, two pieces of advisory work were undertaken during 2015/16:

Service Area	Job Title	Scope	Date	Comments
Corporate Services	Tri-borough Managed Services: Bank Reconciliation Process	To review the current bank reconciliation process and to assess whether this is compliant with the contractual arrangements, is sufficiently robust and delivers the expected outcomes.	March 2016	Findings discussed with the Heads of Finance at the three Councils and recommendations made for consideration by the three Councils.
Schools	Tri-borough Schools IT Security	A thematic review of IT security within the tri-borough schools has been undertaken to help understand the IT security control environment in schools and to identify any apparent weaknesses. The review was based on best practice and it was not expected that all schools would be fully compliant with the requirements set out in the review.	March 2016	The review identified some areas for improvement such as consistent policies for schools on: • Records Management / Retention & Disposals • Information Security; • Website Privacy; • Freedom of Information; Also guidance should be provided on information sharing arrangements.

Performance Indicators – 2015/16

Internal audit performance is summarised below against a range of performance indicators:

Performance Indicators	Target	Actual	Comments
Delivery			
Percentage of audit jobs completed by 31 March 2016	85%	87%	
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	94%	
Percentage of audits finalised within 10 days of a satisfactory response	95%	100%	
Quality			
External audit conclude they can place reliance on Internal Audit work (annual)	Yes	Yes	Liaison with external auditors to provide evidence of internal audit work.
Percentage of jobs with positive feedback from client satisfaction surveys	90%	100%	
Percentage of high and medium priority recommendations accepted by management	95%	100%	
Percentage of high and medium priority recommendations implemented by management	95%	96%	

London Borough of Hammersmith and Fulham | The Royal Borough of Kensington and Chelsea | Westminster City Council

Westminster City Council

2015/16 Schools Year End Report

April 2016

1.   Executive Summary

1.1.   The Schools Audit Strategy consists of a three-year plan to visit all schools at least once during this period. In December 2013, the Schools audit programme was reviewed and expanded to bring the programmes undertaken across London Borough of Hammersmith and Fulham, Royal Borough of Kensington and Chelsea and Westminster City Council into alignment as part of the move to a shared service across the three boroughs.

1.2.   The SFVS replaced the Financial Management Standard in Schools (FMSiS) and has been designed in conjunction with schools to assist them in managing their finances and to give assurance that they have secure financial management in place. The Schools audit programme covers the requirements of SFVS.

1.3.   School Audit Visits and Follow Up

1.3.1.   Overall in 2015/16 the results have deteriorated since 2014/15 with four schools receiving a Satisfactory Assurance opinion and three schools receiving a Limited Assurance opinion. This compares to 10 schools receiving a Substantial Assurance opinion and 7 schools receiving a Satisfactory Assurance opinion in 2014/15. The reduction in school audits this year was partially as a result of the number of school transferring to Academy status. In addition, the audit at two schools was deferred until 2016/17 as they were experiencing challenges following transferring their financial management system to Agresso. These schools have been included in the 2016/17 audit plan.

1.3.2.   When looking at the results for all schools over the last three years, 7 of 47 schools have received a Limited Assurance opinion as their most recent opinion.

1.3.3.   11 priority 1 recommendations were raised as a result of the schools audits 2015/16 in comparison to four in 2014/15. The main issues identified were:

- Evidence of value for money not being retained for large value purchases and appropriate ordering of goods and services for low value payments (i.e. raising and authorising purchase orders);

- Evidence of Payroll Starter information;

- The adequacy of school income records and the audit trail between income collected and cash banked; and

- The maintenance & approval of Assets & Inventory.

1.3.4.   The most commonly occurring issues in audit reports were:

- No evidence of Governing Body or delegated committee review of a summary of school expenditure, including overtime, petty cash and expense claims, on an annual basis;

- No documented evidence of Governing Body approval of key documents and policies. Policies include: School Improvement Plan, Charging Policy, Finance Policy, SFVS, Expense Policy, Pay Policy and Scheme of Delegation;

- Purchase orders not being raised and authorised prior to placing orders with suppliers;

- Goods received checks not being completed on purchases;

- Not obtaining and retaining evidence of value for money for high value purchases & contracts, via quotes and an appropriate tender process;

- Asset registers not being updated on a regular basis and not presented to the Governing Body for review; and

- Adequate Personnel files not being created and retained.

1.3.5. Two follow up visits were undertaken in 2015/16 to check the implementation of recommendations raised in previous Limited Assurance reports. Only one high or medium priority recommendation was not fully implemented. The results of our follow up work can be seen in Appendix B.

1.4. Additional Audit Work Undertaken Related to Schools

1.4.1. A thematic audit of IT Security was undertaken within schools in the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington and Chelsea and Westminster City Council. The audit took the form of a questionnaire, with the responses being collated and analysed to assess IT security arrangements in schools across the borough. The survey questions encompassed the following topics: Operational Security, Computer Systems, Information Sharing and Website. There were a total of 74 question and 24 Primary Schools responded to the survey.

1.4.2. Overall it was identified that 71% of responses were positive with the selection of "Yes", 20% of responses were "No", 8% of responses were left blank and 1% of responses were identified as "not-applicable" by schools.

1.4.3. Following analysis of the responses, a number of recommendations have been raised for consideration by the Children's Services department relating to Information Security and Management Policies and information sharing arrangements.

1.5. Proposed Management Actions

1.5.1. This report has proposed a number of actions for management to consider that have not been raised in individual audit reports. The main recommendations are that the Children's Services department should take proactive action, in collaboration with schools, to improve control and address the common areas of weakness identified.

MAIN REPORT

2. Introduction

2.1. This report gives an overall summary of the results of the work we have undertaken on schools during the 2015/16 financial year. This includes a summary of:

- School audit visits and follow up work;
- Additional audit work related to schools; and
- Further action for management to consider.

3. Results of School Audit Visits and Follow Up Visits

3.1. Results of School Audit Visits

3.1.1. A summary of the schools audited in 2015/16, with the results of their most recent OFSTED inspection, is shown in the table at Appendix A. Furthermore, a summary of assurance opinions provided over the last four years covering all schools can be seen in Appendix C.

3.1.2. Overall in 2015/16, the results have deteriorated since 2014/15 with four schools receiving Satisfactory Assurance opinion and three schools receiving Limited Assurance opinions. This compares to 10 schools receiving Substantial Assurance opinion and 7 schools receiving Satisfactory Assurance opinion in 2014/15.

3.1.3. When looking at the results for all schools over the last three years, 7 of 47 schools have received a Limited Assurance opinion as their last assurance opinion.

3.1.4. The audit opinion for three schools audited this year has deteriorated with one moving from Substantial to Satisfactory assurance, one moving from Satisfactory to Limited assurance and one moving from Substantial to Limited assurance.

3.1.5. Eleven high priority recommendations were raised as a result of the schools audits 2015/16 in comparison to four in 2014/15. The main issues identified were:

- Evidence of value for money not being retained for large value purchases and appropriate ordering of goods and services (i.e. raising and authorising purchase orders and undertaking goods and services received checks);
- Retention of Payroll Starter information;
- The adequacy of school income records and the audit trail between income collected and cash banked; and
- The maintenance asset registers.

3.1.6. The most commonly occurring issues in audit reports were:

- No documented evidence of Governing Body approval of key documents and policies. Policies including: School Improvement Plan,

Charging Policy, Finance Policy, SFVS, Expense Policy, Pay Policy and Scheme of Delegation;

- Purchase orders not being raised and authorised prior to placing orders with suppliers;

- Goods and services received checks not being undertaken;

- Not obtaining and retaining evidence of value for money for high value purchases and contracts, via quotes and an appropriate tender process;

- Asset registers not being updated on a regular basis and checks not presented to the Governing Body for review; and

- Personnel files not being kept up to date.

3.1.7. The Children's Services department should take proactive action, in collaboration with schools, to address common areas of control weakness and improve the control environment within schools. Internal Audit will offer their support where required.

3.2. Results of School Follow Up Work

3.2.1. Two follow up visits were undertaken in 2015/16 to confirm the implementation of recommendations raised in previous Limited Assurance reports. In total four high priority recommendations were followed up, with all being fully implemented. Only one medium priority recommendation was not fully implemented. The results of our follow up work can be seen in Appendix B.

3.2.2. Internal Audit are available to offer advice and support where there is any doubt over the implementation of recommendations.

4. The Schools Financial Value Standard (SFVS)

4.1. The Schools Financial Value Standard (SFVS) was launched by the Department for Education (DfE) on 18 July 2011 and has been available for schools to use since September 2011. The standard audit coverage is intended to cover compliance with SFVS.

4.2. The Chief Finance Officer is required to submit an assurance statement to the DfE by 31 May 2016 declaring:

- How many Schools have not submitted returns in 2015/16 and the reason why; and

- That a system of audit for schools is in place that gives adequate assurance over their standards of financial management and the regularity and propriety of their spending.

5. Additional Audit Work Undertaken Related to Schools

5.1. School's Information Self-Assessment:

5.1.1. A thematic audit of IT Security was undertaken within schools in the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington and

Chelsea and Westminster City Council. The audit took the form of a questionnaire, with the response being collated and analysed to assess IT security arrangements in schools across the borough.

5.1.2. The survey questions encompassed the following topics: Operational Security, Computer Systems, Information Sharing and Website. There were a total of 74 questions and 24 primary schools responded to the survey.

5.1.3. The following recommendations were identified as a result of the work:

- Consideration should be given whether the following policies should be in place at schools: records management & information security; website privacy; records retention & disposal; freedom of information; and cookies policy. Where these are required, example policies should be provided for schools to adopt.

- Schools should be provided with guidance on information sharing arrangements, encompassing the following: where agreements are required and sample agreements; circumstances in which information sharing should be recorded; when and how to assess security arrangements of other organisations with which data is shared; and circumstances in which security arrangements should be reviewed.

6. Proposed Actions for Management

6.1. As a result of the work undertaken in 2015/16, we made the following recommendation in addition to those recommendations already raised in individual audit reports:

- The Children's Services department should take proactive action in collaboration with schools to address common areas of control weakness and improve the control environment within schools. Particular areas of focus should include:
  o Approval of key policies and plans;
  o Demonstrating value for money is being sought for high value expenditure & contracts and approval obtained from the Governing Body;
  o Maintenance of personnel files;
  o Maintenance of asset registers; and
  o The adequacy of school income records and the audit trail between income collected and cash banked.

6.2. An action plan detailing the issues identified and recommendation raised can be found in Appendix E.

Appendix A - School Audits Undertaken in 2015/16

The table below summarises the assurance opinions and Ofsted inspection results for each of the school audits audited this financial year.

Type of School	School	Audit Opinion				Draft Issue Date	Final Issued Date	Date of last Ofsted	Result of Ofsted
		Nil	**Limited**	**Satisfactory**	**Substantial**				
Primary	Edward Wilson*			✔		03/03/2016	N/A	13/03/2013	Good
Primary	Soho Parish CE			✔		20/01/2016	22/01/2016	23/02/2016	Outstanding
Primary	St George Hannover Square		✔			08/01/2016	17/03/2016	02/11/2011	Good
Primary	St James' and St Johns		✔			13/12/2015	12/01/2016	25/09/2015	Good
Primary	St Peter's Eaton Square			✔		22/02/2016	Response awaited	14/01/2014	Good
Primary	St Stephens CE			✔		25/02/2016	27/05/16	17/10/2006	Outstanding
Primary	St Vincent de Paul RE		✔			02/02/2016	23/02/2016	02/04/2014	Requires Improvement
Total		0	3	4	0				

*Edward Wilson School will be re-audited in 2016/17 to verify appropriate records are being maintained correctly as issues were identified following the issue of the draft audit report.

Appendix B – Recommendation Follow ups Undertaken in 2015/16

The table below shows the follow-up audits to review the implementation of "Limited Assurance" audits assurance opinions provided to each school. Of the 32 recommendations followed up, 28 (87.5%) were implemented, 2 (6.25%) were partly implemented and 2 (6.25%) were not implemented.

School	No. of Recommendation Priority			Implemented			Partly Implemented			Not Implemented		
	High	Med	Low	High	Med	Low	High	Med	Low	High	Med	Low
Queen Elizabeth II Special School	1	4	12	1	4	11	0	0	1	0	0	0
College Park Special School	3	5	7	3	4	5	0	0	1	0	1	1
Total	4	9	19	4	8	16	0	0	2	0	1	1

Appendix C – Assurance Opinions for All Schools

The table below shows the assurance opinions provided to each school over the last four years.

School	Year			
	2012/13	2013/14	2014/15	2015/16
Nursery Schools				
Dorothy Gardner			Substantial	
Mary Patterson			Substantial	
Tachbrook			Substantial	
Portman			Substantial	
Primary Schools				
All Souls CE		Satisfactory		
Barrow Hill		Substantial		
Burdett Coutts		Substantial		
Christchurch Bentinck		Substantial		
Churchill Gardens (now an Academy)		Limited		
Edward Wilson	Substantial			Satisfactory
Essendine		Limited		
Gateway		Substantial		
George Eliot				
Hallfield		Satisfactory		
Hampden Gurney CE		Substantial		
Millbank (now an Academy)				
Our Lady of Dolours RC			Substantial	
Paddington Green			Substantial	
Queen's Park			Substantial	
Robinsfield			Substantial	
St Augustine's CE		Satisfactory		
St Barnabas CE			Satisfactory	
St Clement Danes CE			Substantial	
St Edward's RC		Substantial		
St Gabriel's		Substantial		
St George's Hanover Square	Satisfactory			Limited
St James' & St Michael's (now St James' & St John's)	Limited			Limited
St Joseph's RC			Satisfactory	

School	Year			
	2012/13	**2013/14**	**2014/15**	**2015/16**
St Luke's CE	Limited			Defer to 2016/17
St Mary's Bryanston Square			Satisfactory	
St Mary Magdalene's			Satisfactory	
St Mary of the Angel's			Substantial	
St Matthew's CE			Substantial	
St Peter's Chippenham Mews	Substantial			Defer to 2016/17
St Peter's Eaton Square	Satisfactory			Satisfactory
St Saviour's CE			Satisfactory	
St Stephen's CE	Limited			Satisfactory
St Vincent's RC		Substantial		
St Vincent de Paul RC	Substantial			Limited
Soho Parish CE	Limited			Satisfactory
Westminster Cathedral	Substantial		Satisfactory	
Wilberforce (now an Academy)		Satisfactory		
Secondary Schools				
St Augustine's		Satisfactory		
St George's RC (now an Academy)	Satisfactory			
Schools now Academies (last audited 2009/10, all substantial assurance: • Grey Coat Hospital School • Quintin Kynaston • St Marylebone • Westminster City School				
Special Schools				
Queen Elizabeth II	Limited		Limited	
College Park	Satisfactory		Limited	
Pupil Referral Unit				
Beachcroft (now an Academy)			Satisfactory	