



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	9 May 2017
Classification:	For General Release
Title:	Annual Report on Internal Audit and Internal Control - 2016/17
Wards Affected:	All
Financial Summary:	The Council's budget
Report of:	Moira Mackie, Interim Shared Services Director for Audit, Fraud, Risk and Insurance
Report author:	Moira Mackie, Senior Manager; email: moira.mackie@rbkc.gov.uk Tel: 020 7854 5922

1. Executive Summary

This report summarises the work of Internal Audit in 2016/17 and provides the opinion of the Interim 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 2016/17 found that, in the areas audited, internal control systems were generally effective with 82% 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.
- The Council was found to be effective, in most areas, at implementing recommendations where concerns in respect of controls were identified.

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.
- 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 2016/17 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 2017/18.

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 with 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 82% of audits receiving a positive assurance opinion. This is an increase from 2015/16 when audit outcomes reflected the significant amount of process change during that year which was taking 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 2016/17 with assurance opinions;
 - Appendix 2 - A summary of the Internal Audit Service performance indicators; and
 - Appendix 3 - A summary report of the schools audited during 2016/17.

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

Service Area	Audit
Public Health	Tri-b – School Nurse Contract Management
Children’s Services	Tri-b – Schools Health & Safety Disabled Services – Direct Payments
Growth, Planning Housing	Tenant Management Organisations (5)
Corporate Services	Tri-b – IT - Internet Monitoring/ Use of Social Media IT – Disaster Recovery & Business Continuity HR/Procurement – Use of Consultants

4.8 Managed Services Audits

4.8.1 The Managed Services Programme was procured by the Council in 2013 to provide transactional Human Resources, payroll and finance services and commenced limited service provision in April 2015. Since this point BT have continued to deliver a number of staged improvements to their service, however they are yet to deliver to the required contracted standard. Officers and members from the Council have held regular meetings with BT to review plans to improve performance, including making sure measures were taken to ensure internal controls operated.

4.8.2 To provide the Council with some assurance over their key financial and HR systems, a number of internal audits have been undertaken during 2016/17 including:

- Accounts Receivable, Satisfactory Assurance;
- Accounts Payable, Satisfactory Assurance;
- General Ledger, Substantial Assurance;
- Treasury Management, Substantial Assurance;
- VAT, Satisfactory Assurance and
- Budgetary Control, Substantial Assurance.

Sample testing has also been undertaken on key areas of the Payroll process and although the testing has identified a number of exceptions, no material issues were identified.

Further audits in respect of managed services will be undertaken in the 2017/18 financial year.

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. Two medium and one 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 A Corporate Governance audit in 2015/16 evaluated the Council's governance arrangements against relevant standards, primarily the CIPFA "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 2016/17 internal audit focussed on requirements arising from the 2016 edition of the CIPFA Delivering Good Governance Framework that have not been subject to recent internal audit coverage.
- 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:

Moira Mackie on 020 7854 5922,

Email: moira.mackie@rbkc.gov.uk

BACKGROUND PAPERS

Internal Audit Reports;
Monthly monitoring reports.

Internal Audit Plan – 2016/17

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-b – Transition, Young People to Adults (Cfwd from 2015/16)	Green	SATISFACTORY	0	5	1	Sep-16
Tri-b – Walkthrough (referrals) (Cfwd from 2015/16)	Green	SATISFACTORY	0	2	2	Sep-16
Tri-b – Continuing Healthcare Funding (Cfwd from 2015/16)	Green	SATISFACTORY	0	6	0	Nov-16
Tri-b – Departmental Governance (Cfwd from 2015/16)	Green	SATISFACTORY	0	2	2	Feb-17
Tri-b – Quality Assurance & Compliance	Green	SATISFACTORY	1	5	0	Feb-17
Tri-b – Carer Assessments	Green	SATISFACTORY	1	6	2	May-17
Tri-b – Information Governance (NHS Toolkit)	Green	SATISFACTORY	0	2	1	May-17
Tri-b – Supplier Resilience	Green	SATISFACTORY	1	4	0	May-17

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-b – Substance Misuse Contract Management (cfwd from 2015/16)	Green	SATISFACTORY	0	2	1	Sep-16
Tri-b – Sexual Health Contract Management (cfwd from 2015/16)	Green	SATISFACTORY	0	1	3	Sep-16
Tri-b – School Nurse Contract Management (Cfwd 2015/16)	Amber	LIMITED	1	5	1	Sep-16
Tri-b - Governance	Green	SATISFACTORY	1	3	1	Sep-16
Tri-b – Business Planning	Green	SATISFACTORY	1	3	0	Sep-16
Tri-b – Contract Management (Cardiovascular Disease)	Green	SATISFACTORY	2	3	1	Nov-16

Internal Audit Plan – 2016/17

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-b – Schools Health & Safety (cfwd from 2015/16)	Amber	LIMITED	4	3	1	Sep-16
Tri-b – Departmental Performance Management (Cfwd from 2015/16)	Green	SATISFACTORY	0	3	2	Feb-17
Tri-b - Procurement of Residential Placements	Green	SATISFACTORY	3	0	5	Nov-16
Disabled Services Direct Payments	Red	NO	8	5	0	Nov-16
Tri-b – Children & Families Act Implementation	Green	SATISFACTORY	0	2	6	Feb-17
Tri-b – Unaccompanied Asylum Seeking Children	Green	SATISFACTORY	0	5	0	Feb-17
Tri-b – School Meals Contract	Green	SATISFACTORY	1	3	4	May-17

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
Barrow Hill Primary School	Green	SUBSTANTIAL	0	2	1	Sep-16
St Luke's Primary School	Green	SATISFACTORY	0	3	5	Sep-16
Christchurch Bentinck Primary School	Green	SUBSTANTIAL	0	2	2	Nov-16
Essendine Primary School	Green	SATISFACTORY	0	3	6	Nov-16
Hampden Gurney Primary School	Green	SATISFACTORY	0	5	4	Nov-16
St Augustine's Primary School	Green	SATISFACTORY	1	2	3	Nov-16
St Augustine's High School	Green	SATISFACTORY	0	5	4	Nov-16
Hallfield Primary School	Green	SATISFACTORY	0	3	3	Feb-17
All Souls Primary School	Green	SUBSTANTIAL	0	2	4	May-17

Internal Audit Plan – 2016/17

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
Burdett Coutts Primary School	Green	SATISFACTORY	0	5	5	May-17
St Edward's Primary School	Green	SATISFACTORY	1	4	4	May-17
St Gabriel's Primary School	Green	SATISFACTORY	0	1	4	May-17

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
Property Investment Portfolio (cfwd from 2015/16)	Green	SATISFACTORY	0	2	1	Sep-16
Tavistock Co-op (TMO)	Amber	LIMITED	5	15	3	Sep-16
Torridon TMO	Amber	LIMITED	6	12	0	Sep-16
Lilestone TMO	Amber	LIMITED	3	10	5	May-17
Carlton Vale TMO	Amber	LIMITED	3	11	8	May-17
Hide Tower TMO	Amber	LIMITED	0	17	7	May-17
Right to Buy	Green	SATISFACTORY	1	4	3	Nov-16
Property Database Techforge	Green	SATISFACTORY	0	5	2	Feb-17
Housing Rents	Green	SUBSTANTIAL	0	0	1	May-17

Internal Audit Plan – 2016/17

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
Parking – People & Resources Contract Management	Green	SATISFACTORY	0	3	2	Sep-16
Waste Collection, Recycling & Street Cleansing Contract Management	Green	SUBSTANTIAL	0	1	1	Sep-16
Commercial Waste	Green	SATISFACTORY	2	1	1	Sep-16
Parking Income (cfwd from 2015/16)	Green	SATISFACTORY	0	2	0	Feb-17
Leisure Centres – Contract Management	Green	SATISFACTORY	0	4	4	May-17
Parking – Pay by Phone (IT)	Green	SATISFACTORY	0	3	0	May-17

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
Tri-b – Legal Services, Governance (cfwd from 2015/16)	Green	SUBSTANTIAL	0	0	1	Sep-16
Tri-b – Managed Services Interfaces (Cfwd from 2015/16)	Green	SATISFACTORY	0	4	1	Sep-16
Governance Review (Cfwd from 2015/16)	Green	SATISFACTORY	0	1	3	Sep-16
Procurement - Governance	Green	SATISFACTORY	0	3	0	Sep-16
Tri-b – Internet Monitoring/ Use of Social Media (cfwd from 2015/16)	Amber	LIMITED	1	3	0	Sep-16
IT – Security Incident Management	Green	SATISFACTORY	0	3	0	May-17
IT – Disaster Recovery & Business Continuity	Amber	LIMITED	1	5	0	May-17
HR/Procurement – Use of Consultants	Amber	LIMITED	2	4	0	May-17

Internal Audit Plan – 2016/17

City Treasurer:

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
Highways Infrastructure Accounting	<i>n/a</i>	<i>N/A</i>	0	3	0	Feb-17
Budgetary Control	<i>Green</i>	<i>SUBSTANTIAL</i>	0	0	0	May-17
VAT	<i>Green</i>	<i>SATISFACTORY</i>	1	4	7	May-17
Tri-b – Anti-Fraud Services	<i>Green</i>	<i>SATISFACTORY</i>	0	4	0	May-17
Treasury Management	<i>Green</i>	<i>SUBSTANTIAL</i>	0	0	1	May-17
General Leger	<i>Green</i>	<i>SUBSTANTIAL</i>	0	0	0	May 17

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 2017/18:

Adult Social Care	<ul style="list-style-type: none"> • Tri-borough – Homecare Services & Homecare Electronic Monitoring (WIP); • Tri-borough – Commissioning (WIP); • Tri-borough – Procurement (sample of contracts) (draft report); • Tri-borough – Contract Management (sample of contracts) (draft report); • Tri-borough – Health & Wellbeing Strategy (draft report); • Tri-borough – Customer Journey (draft report).
Children's Services	<ul style="list-style-type: none"> • Tri-borough – Passenger Transport Contract Monitoring (draft report); • Tri-borough – SEN Provision (WIP); • Tri-borough – Departmental Governance (WIP); • Tri-borough – St Vincent's Primary School (draft report); • Tri-borough – Edward Wilson Primary School (draft report).
City Management & Communities	<ul style="list-style-type: none"> • Food Safety (draft report); • Registrar Service (draft report); • Procurement Compliance (WIP); • Street Trading (draft report); • Commercial & Domestic Waste Enforcement (draft report).
Growth, Planning & Housing	<ul style="list-style-type: none"> • Odham's Walk TMO (WIP); • Millbank (MEMO) TMO (WIP); • Energy Performance of Buildings Directive (WIP); • Lessee Charges (WIP); • Gas Servicing (starts in April – delayed by Dept); • Apprenticeships and S106 (starts in June – delayed by Dept).
Corporate Services	<ul style="list-style-type: none"> • IT – Mobile Device Security (WIP); • IT – Asset Management & Disposal (WIP); • IT – Cloud Computing (WIP); • IT – Risk Management (draft report); • HR – Your Voice Survey (draft report); • HR – Payroll (draft report); • HR – Pensions Administration (draft report); • MS – Organisation Structure (WIP); • MS – Recruitment & Selection (WIP).
City Treasurer	<ul style="list-style-type: none"> • Accounts Payable (draft to be issued); • Accounts Receivable (draft to be issued);
Public Health	<ul style="list-style-type: none"> • Tri-borough – Supplier Resilience (WIP); • Tri-borough – GP & Pharmacist Services (draft report); • Tri-borough – Obesity Contract Monitoring (WIP).

APPENDIX 1
Internal Audit Plan – 2016/17

Audits deferred

The audits listed below were not undertaken during 2016/17 for the reasons shown and where appropriate will be undertaken during 2017/18:

Plan Area	Auditable Area	Reason Audit not Undertaken
Adult Social Care	Re-commissioning CIS Reablement	Request to defer until 2017/18 due to changes in service.
Adult Social Care	Partnership working with Health & CCGs	Request to defer until 2017/18 due to changes in service.
Public Health	Gum Sexual Health Contract (procurement)	Delayed for procurement to progress. Will consider as addition to 2017/18 plan – full audit may not be required.
Children's Services	Outsourced Payroll	Not significant area for inclusion in the plan.
Children's Services	Leaving Care	Cfwd to 2017/18 to accommodate other higher priority audits.
Children's Services	School Improvement Service	Low risk area – defer to a future year.
Schools	St Peter's, Chippenham Mews, Primary School	Delayed due to changes at the school in Finance and Admin. Added to 2017/18 plan.
City Management & Communities	Waste Disposal	Delayed to allow new contract to start in 2016/17. Added to 2017/17 plan.
City Management & Communities	Corporate Health & Safety	Delayed to allow for changes in structure to embed in 2016/17. Added to 2017/18 plan.
City Management & Communities	Libraries	Service review in 2016/17 so audit deferred until 2017/18 – scope to be agreed.
Growth, Planning & Housing	Three TMOs	Audits at ABC, Thurso Dundee & Charfield TMOs cancelled due to organisational changes at these TMOs.
Growth, Planning & Housing	Planning (excl Enforcement)	Audit deferred to accommodate additional work on TMOs. Has been included in 2017/18 plan.
Corporate Services	Legal Services – Demand Management	Delayed due to implementation of new systems. Added to 2017/18 plan.
Corporate Services	Legal Services – Trading Accounts	Delayed due to implementation of new systems. Added to 2017/18 plan.
Corporate Services	Managed Services – Income Management	Delayed to allow the system to develop. To consider adding to the 2017/18 audit plan.
Corporate Services	Managed Services – Business Continuity & Disaster Recovery	Delayed to allow for review of BT ISO compliance and added to 2017/18 plan.
Corporate Services	Managed Services - System Administration Access Organisation Hierarchy	Delayed due to other higher priority audits. Consider for inclusion in future audit plan – year to be agreed.
Corporate Services	Managed Services – Change Control Process	Delayed due to other higher priority audits. Consider for inclusion in future audit plan – year to be agreed.
Corporate Services	Managed Services – Intelligent Client Function (ICF)	Delayed due to other higher priority audits. Added to 2017/18 audit plan.
Corporate Services	Managed Services - Interfaces	Audit in 2015/16 was satisfactory so deferred until 2017/18 to allow other higher priority audits to be completed.
Corporate Services	IT - Networks & Telecommunication	Delayed due to re-organisation of service. Added in

APPENDIX 1
Internal Audit Plan – 2016/17

Plan Area	Auditable Area	Reason Audit not Undertaken
	Service Contract	as two audits in 2017/18 audit plan.
Corporate Services	IT – Contract Monitoring Arrangements	Delayed due to re-organisation of service. See above for audits planned in 2017/18.
Corporate Services	IT – Office 365	Review post implementation – moved to 2017/18 audit plan.
Corporate Services	HR – Absence Management	Delayed for other higher priority audits. Included in 2017/18 audit plan.
Corporate Services	HR – DBS Checks	Planned for expectation that DBS checking would pass to BT. The function has retained in house so will be planned for a future year.
Corporate Services	Ethics – Declaration of Interest and Gifts & Hospitality	Some changes to Gifts & Hospitality recording so deferred to 2017/18. Declarations of Interest a separate audit on the 2017/18 plan.

Performance Indicators – 2016/17

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 2017	90%	94%	
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	88%	Slightly under target. Focus on quicker turnaround of draft report.
Percentage of audits finalised within 10 days of a satisfactory response	95%	97%	
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 recommendations implemented by management	95%	94%	130 out of 143 recommendations. Three audits requiring further follow up.

**Summary of School Audits
2016/17**

Page intentionally left blank



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

Westminster City Council

2016/17 Schools Year End Report

April 2017



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 and is designed to cover the requirements of SFVS. The schools audit programme is also in line with the programmes undertaken across the Royal Borough of Kensington and Chelsea and London Borough of Hammersmith and Fulham as part of shared service working across the three boroughs.

1.2. School Audit Visits and Follow Up

1.2.1. Overall in 2016/17, the results have improved since 2015/16 with three schools receiving a Substantial Assurance opinion, eleven schools receiving a Satisfactory Assurance opinion. This compares to four schools receiving a Satisfactory Assurance opinion and three schools receiving a Limited Assurance opinion in 2015/16.

1.2.2. When looking at the results for all schools over the last four years, 7 of 46 schools (including those that have since become academies) have received a Limited Assurance opinion as their most recent opinion.

1.2.3. Three priority one recommendations were raised as a result of the schools audits 2016/17 in comparison to eleven in 2015/16. The issues identified were:

- Evidence of Payroll Starter information not being retained (one school); and
- Insufficient purchase approval process including: lack of purchase orders, unapproved or invalid invoices, lack of goods/services received checks, and late payment (two schools).

1.2.4. 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;
- Not obtaining and retaining evidence of value for money and approval for high value purchases & contracts, via quotes and an appropriate tender process;
- The Local Authority not being properly consulted before entering into leasing agreements;
- Asset registers not being updated on a regular basis and not presented to the Governing Body for review; and
- Adequate Personnel files not being maintained.

1.2.5. Three follow up visits were undertaken in 2016/17 to check the implementation of recommendations raised in previous Limited Assurance reports. Of thirty-seven high or medium priority recommendations, two medium priority recommendations were not implemented, and seven (three high, four medium) were only partly implemented. The results of our follow up work can be seen in Appendix B.

1.3. Proposed Management Actions

1.3.1. 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 2016/17 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 2016/17, 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 2016/17 the results have improved since 2015/16 with three schools receiving a Substantial Assurance opinion, eleven schools receiving a Satisfactory Assurance opinion. This compares to four schools receiving a Satisfactory Assurance opinion and three schools receiving a Limited Assurance opinion in 2015/16.

3.1.3. When looking at the results for all schools over the last four years, 7 of 46 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 reduced since their last audit with them moving from Substantial to Satisfactory assurance.

3.1.5. Three high priority recommendations were raised as a result of the schools audits 2016/17 in comparison to eleven in 2015/16. The issues identified were:

- Insufficient evidence of Payroll Starter information; and
- Insufficient purchase approval process including: lack of purchase orders, unapproved or invalid invoices, lack of goods/services received checks, and late payment.

3.1.6. 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;
- Not obtaining and retaining evidence of value for money and approval for high value purchases & contracts, via quotes and an appropriate tender process;

- The Local Authority not being properly consulted before entering into leasing agreements;
- Asset registers not being updated on a regular basis and not presented to the Governing Body for review;
- Adequate Personnel files not being maintained;
- Asset registers not being updated on a regular basis and not presented to the Governing Body for review; and
- Complete Personnel files not being maintained.

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. Three follow up visits were undertaken in 2016/17 to check the implementation of recommendations raised in previous Limited Assurance reports. Of thirty-seven high or medium priority recommendations, two medium priority recommendations were not implemented, and seven (three high, four medium) were only partly 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 Department for Education by 31 May 2017 declaring:

- How many Schools have not submitted returns in 2016/17 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. Proposed Actions for Management

5.1. As a result of the work undertaken in 2016/17, 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:
 - Review and approval of a summary of school's expenditure;
 - Approval of key policies and plans;
 - Demonstrating value for money and approval is being sought for high value expenditure & contracts;
 - Maintenance of personnel files;
 - The consultations required before entering into leasing agreements; and
 - Maintenance of asset registers.

5.2. An action plan detailing the issues identified and recommendation raised can be found in Appendix E. A formal response is required for the recommendation.

Appendix A - School Audits Undertaken in 2016/17

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	All Souls CE Primary			✓		06/01/2016	-	16/06/2011	Good
Junior	Barrow Hill Primary				✓	06/06/2016	21/06/2016	10/09/2014	Good
Primary	Burdett Coutts Primary			✓		18/11/2016	10/01/2017	10/12/2014	Good
Primary	Christchurch Bentinck CE Primary				✓	27/07/2016	13/09/2016	10/10/2013	Good
Primary	Essendine Primary			✓		28/07/2016	13/09/2016	28/02/2013	Good
Primary	Hallfield Primary			✓		18/11/2016	09/12/2016	24/10/2013	Good
Primary	Hampden Gurney CE Primary			✓		20/07/2016	04/10/2016	08/05/2009	Outstanding
High	St Augustines CE High			✓		28/07/2016	27/09/2016	19/09/2013	Outstanding
Primary	St Augustines CE Primary			✓		08/07/2016	19/09/2016	10/10/2013	Good
Primary	St Edward's RC Primary			✓		05/12/2016	06/01/2017	03/10/2014	Good
Primary	St Gabriel's CE Primary				✓	03/11/2016	01/02/2017	12/03/2014	Good
Primary	St Luke's CE Primary			✓		09/06/2016	12/07/2016	09/03/2012	Good
Primary	St Vincent's RC Primary			✓		10/02/2017	-	09/05/2013	Good
Primary	Edward Wilson			✓		24/01/2017	-	14/03/2013	Good
Total		0	0	11	3				

Appendix B – Recommendation Follow ups Undertaken in 2016/17

The table below shows the follow-up audits to review the implementation of “Limited Assurance” audits assurance opinions provided to each school. Of the 48 recommendations followed up, 35 (73%) were implemented, 9 (19%) were partly implemented and 4 (8%) 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
St James and St John	1	9	5	1	5	3	0	3	1	0	1	1
St Georges School	3	5	6	1	5	4	2	0	1	0	0	1
St Vincent de Paul	5	14	1	4	11	1	1	1	0	0	1	0
Total	9	28	11	6	21	8	3	4	2	0	2	2

Appendix C – Assurance Opinions for All Schools

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





1.1

School	Year			
	2013/14	2014/15	2015/16	2016/17
Nursery Schools				
Dorothy Gardner		Substantial		
Mary Patterson		Substantial		
Tachbrook		Substantial		
Portman		Substantial		
Primary Schools				
All Souls CE	Satisfactory			Satisfactory
Barrow Hill	Substantial			Substantial
Burdett Coutts	Substantial			Satisfactory
Christchurch Bentinck	Substantial			Substantial
Churchill Gardens (now an Academy)	Limited			
Edward Wilson (audit 2015/16 re-audit 2016/17 due to staff changes)				Satisfactory
Essendine	Limited			Satisfactory
Gateway (now an Academy)	Substantial			
Hallfield	Satisfactory			Satisfactory
Hampden Gurney CE	Substantial			Satisfactory
Our Lady of Dolours RC		Substantial		
Paddington Green		Substantial		
Queen's Park		Substantial		
Robinsfield		Substantial		
St Augustine's CE	Satisfactory			Satisfactory
St Barnabas CE		Satisfactory		
St Clement Danes CE		Substantial		
St Edward's RC	Substantial			Satisfactory
St Gabriel's	Substantial			Substantial
St George's Hanover Square			Limited	
St James' & St Michael's (now St James' & St John's)			Limited	
St Joseph's RC		Satisfactory		
St Luke's CE				Satisfactory
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				
St Peter's Eaton Square			Satisfactory	
St Saviour's CE		Satisfactory		
St Stephen's CE			Satisfactory	
St Vincent's RC	Substantial			Satisfactory
St Vincent de Paul RC			Limited	
Soho Parish CE			Satisfactory	
Westminster Cathedral		Satisfactory		
Wilberforce (now an Academy)	Satisfactory			
Secondary Schools				
St Augustine's	Satisfactory			Satisfactory
Special Schools				
Queen Elizabeth II		Limited		
College Park		Limited		
Pupil Referral Unit				
Beachcroft (now an Academy)		Satisfactory		

Appendix D - Definition of Audit Opinions

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

	Substantial	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.
	Satisfactory	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
	Limited	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
	None	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Appendix E – Recommendations

1. Commonly Occurring Issues

Priority	Issue	Recommendation	
2	<p>The most common high and medium priority occurring issues in audit reports were:</p> <ul style="list-style-type: none"> 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; Not obtaining and retaining evidence of value for money and approval for high value purchases & contracts, via quotes and an appropriate tender process; The Local Authority not being properly consulted before entering into leasing agreements; Asset registers not being updated on a regular basis and not presented to the Governing Body for review; and Adequate Personnel files not being maintained. 	<p>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:</p> <ul style="list-style-type: none"> Review and approval of a summary of schools expenditure Approval of key policies and plans; Demonstrating value for money and approval is being sought for high value expenditure & contracts; The consultations required before entering into leasing agreements; Maintenance of asset registers; and Maintenance of personnel files. <p>This may take the form of training, briefings or guidance notes. Further support should also be provided to those schools that receive a Limited Assurance Opinion.</p>	
Management Response		Responsible Officer	Deadline