



City of Westminster

# Audit and Performance Committee Report

<b>Meeting:</b>	Audit and Performance Committee
<b>Date:</b>	16 July 2018
<b>Classification:</b>	For General Release
<b>Title:</b>	Annual Report on Internal Audit and Internal Control - 2017/18
<b>Wards Affected:</b>	All
<b>Financial Summary:</b>	The Council's budget
<b>Report of:</b>	David Hughes, 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 2017/18 and provides the opinion of the Shared Services Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion is provided for the use of Westminster City Council and is used to support its Annual Governance Statement.

From the Internal Audit work undertaken in the financial year 2017/18, reasonable assurance can be provided that systems of internal control in place are effective with 85% 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 at each meeting of the Audit & Performance Committee.
- 3.2 Wherever possible, when planned audits have to be postponed, alternative audit work is identified.
- 3.3 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 2017/18 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 2018/19.

#### **4. Internal Audit Opinion**

- 4.1 As the provider of the internal audit service to Westminster City Council, the Director of Audit, Fraud, Risk and Insurance 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" 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 85% of audits receiving a positive assurance opinion. This is an increase from 2016/17 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 2017/18 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 2017/18.

- 4.7 There were some areas where improvements in compliance with controls were needed with a total of eleven audits being designated as “limited assurance”:

<b>Service Area</b>	<b>Audit</b>	<b>Reported to A&amp;P Committee</b>
Adult Social Care	Contract Monitoring: <ul style="list-style-type: none"> <li>• Carers Network</li> <li>• Dementia Outreach</li> </ul> Accounts Receivable	September 2017 November 2017 February 2018
Schools	College Park School	February 2018
Growth, Planning Housing	Tenant Management Organisations: <ul style="list-style-type: none"> <li>• Odham’s Walk;</li> <li>• Millbank Estate</li> </ul>	September 2017 November 2017
Corporate Services	Pensions Administration Payroll (2 audits 2016/17 & 2017/18) Absence Management Supplier Resilience	September 2017 April 2018 April 2018 April 2018

The findings from these audits have been reported to the Audit & Performance Committee as indicated above and the implementation of recommendations arising from these audits will reviewed during 2018/19.

#### **4.8 Managed Services Audits**

- 4.8.1 The Council currently has a contract with BT for the provision of HR, Payroll and Finance services. As a result of various issues with the performance of this contract, the Council has sourced an alternative solution to be in place prior to expiry of the BT contract in May 2019.
- 4.8.2 Of the various options assessed, a public-to-public partnership model with Hampshire County Council (HCC) has been selected as the preferred option. A programme of work is currently in place to manage the exit from the current BT contract and successful transition to the HCC Partnership model during 2018/19.
- 4.8.3 The Director of Audit, Fraud, Risk and Insurance is working with the Programme Board to ensure that key risks have been identified, evaluated and plans put in place to manage them.
- 4.8.4 To provide the Council with assurance over key financial and HR systems, a number of internal audits have also been undertaken during 2017/18, including:
- Accounts Payable (satisfactory assurance);
  - Accounts Receivable (satisfactory assurance);
  - Payroll & Absence Management (limited assurance); and
  - Pension Administration – Contract Performance Monitoring (in progress).

4.8.5 Further audits in respect of managed services and the transfer to the new system will be undertaken during the 2018/19 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 within the shared Libraries Service. Recommendations were made relating to:

- Reviewing the risk register on a regular basis; and
- Correcting inconsistencies in risk scoring and distinguishing between existing and planned actions to manage risks.

5.2 An audit of the Council's corporate risk management arrangements is due to be undertaken in 2018/19.

## **6. Assurance on Corporate Governance Arrangements**

6.1 From the work undertaken by Internal Audit, the Council's corporate governance framework is considered to comply with the best practice guidance on corporate governance issued by CIPFA/Solace.

**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 – 2017/18

## 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
Commissioning Governance (Cfwd 2016/17)	Green	SUBSTANTIAL	0	0	0	Sep-17
Commissioning & Contracts: SHSOP (Cfwd 2016/17)	Green	SUBSTANTIAL	0	0	0	Sep-17
Commissioning & Contracts: Disability Connect (Cfwd 2016/17)	Green	SATISFACTORY	1	1	0	Sep-17
Customer Journey (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	1	Sep-17
Contract Monitoring: Mental Health Day Services (Cfwd 2016/17)	Green	SATISFACTORY	1	2	1	Sep-17
Contract Monitoring: Carers Network (Cfwd 2016/17)	Amber	LIMITED	1	4	0	Sep-17
Health & Wellbeing Strategy (Cfwd 2016/17)	Green	SUBSTANTIAL	0	0	2	Sep-17
Contract Monitoring: Dementia Outreach (Cfwd 2016/17)	Amber	LIMITED	2	4	1	Nov-17
Homecare (Cfwd 2016/17)	Green	SATISFACTORY	0	6	1	Feb-18
Accounts Receivable	Amber	LIMITED	3	4	1	Feb-18

## Internal Audit Plan – 2017/18

## 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
Contract Management – GP & Pharmacy Services (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	0	Sep-17
Supplier Resilience (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	2	Nov-17
Contract Management – Obesity (Cfwd from 2016/17)	Green	SATISFACTORY	0	6	1	Nov-17
Commissioning Governance (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	1	Nov-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
Departmental Governance (Cfwd from 2015/16)	Green	SUBSTANTIAL	0	1	0	Sep-17
Contract Management – Passenger Transport Contract	Green	SATISFACTORY	0	5	8	Sep-17
Special Educational Needs (SEN) Provision (Cfwd from 2016/17)	Green	SATISFACTORY	1	2	0	Apr-18

## 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
St Vincent's Primary School (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	3	Sep-17
St Clement Danes Primary School	Green	SUBSTANTIAL	0	2	2	Nov-17
Robinsfield Primary School	Green	SATISFACTORY	0	2	7	Nov-17
Westminster Cathedral Primary School	Green	SATISFACTORY	0	4	4	Nov-17

**APPENDIX 1**

**Internal Audit Plan – 2017/18**

<b>Auditable Area</b>	<b>RAG Status</b>	<b>Assurance level given</b>	<b>No of High Priority Recs</b>	<b>No of Medium Priority Recs</b>	<b>No of Low Priority Recs</b>	<b>Reported to Committee</b>
Portman Early Childhood Centre	<i>Green</i>	<i>SATISFACTORY</i>	0	2	10	Nov-17
St Matthew's Primary School	<i>Green</i>	<i>SUBSTANTIAL</i>	0	1	5	Nov-17
QE II Special School	<i>Green</i>	<i>SATISFACTORY</i>	0	6	4	Nov-17
Tachbrook Nursery School	<i>Green</i>	<i>SATISFACTORY</i>	0	3	1	Nov-17
Dorothy Gardner Nursery School	<i>Green</i>	<i>SATISFACTORY</i>	0	5	10	Feb-18
Mary Paterson Nursery School	<i>Green</i>	<i>SATISFACTORY</i>	0	3	9	Feb-18
St Joseph's Primary School	<i>Green</i>	<i>SUBSTANTIAL</i>	0	2	5	Feb-18
St Mary's Bryanston Square Primary School	<i>Green</i>	<i>SATISFACTORY</i>	0	4	5	Feb-18
St Mary of the Angels Primary School	<i>Green</i>	<i>SATISFACTORY</i>	0	4	4	Feb-18
College Park Special School	<i>Amber</i>	<i>LIMITED</i>	1	7	4	Feb-18
Queen's Park Primary School	<i>Green</i>	<i>SATISFACTORY</i>	0	2	8	Apr-18



## Internal Audit Plan – 2017/18

## Growth, Planning &amp; 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
TMO Odham's Walk (Cfwd from 2016/17)	<i>Amber</i>	<i>LIMITED</i>	2	10	7	Sep-17
Millbank Estate Management Office (MEMO) (Cfwd from 2016/17)	<i>Amber</i>	<i>LIMITED</i>	10	8	5	Nov-17
Energy Performance of Buildings Directive (Cfwd from 2016/17)	<i>Green</i>	<i>SUBSTANTIAL/ SATISFACTORY</i>	2	2	1	Sep-17
Lessee Charges (Cfwd from 2016/17)	<i>Green</i>	<i>SATISFACTORY</i>	0	3	1	Sep-17
Gas Servicing (Cfwd from 2016/17)	<i>Green</i>	<i>SATISFACTORY</i>	0	2	1	Sep-17
Total Facilities Management (TFM) Contract Management (Cfwd from 2016/17)	<i>Green</i>	<i>SATISFACTORY</i>	2	3	3	Nov-17
CityWest Homes – Acquisition & Disposal of HRA Properties	<i>Green</i>	<i>SATISFACTORY</i>	0	3	2	Nov-17
Apprenticeships in Procurement & Development	<i>n/a</i>	<i>N/A</i>	0	6	0	Apr-18

## Internal Audit Plan – 2017/18

## City Management &amp; 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
Food Safety (Cfwd from 2016/17)	Green	SATISFACTORY	0	2	2	Sep-17
Registrar's Service (Cfwd from 2016/17)	Green	SATISFACTORY	0	3	4	Sep-17
Street Trading (Cfwd from 2016/17)	Green	SATISFACTORY	2	5	2	Sep-17
Commercial & Domestic Waste Enforcement (Cfwd from 2016/17)	Green	SATISFACTORY	0	5	1	Sep-17
Procurement Compliance – Youth Offending Service (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	0	Sep-17
Libraries – Risk Management	Green	SATISFACTORY	0	2	0	Sep-17
Parking Permits	Green	SATISFACTORY	0	3	0	Nov-17
Sayers Croft – Outdoor Learning Centre	Green	SATISFACTORY	0	3	1	Nov-17
Waste Disposal Contract Management	Green	SATISFACTORY	0	2	0	Feb-18
Parks & Open Spaces Contract Management	Green	SATISFACTORY	0	3	1	Feb-18
Parking – Business Technology Contract Management	Green	SATISFACTORY	0	3	0	Feb-18
Prevent Strategy	Green	SATISFACTORY	0	1	0	Apr-18
Highways Contracts	Green	SATISFACTORY	0	6	2	Apr-18
Code of Construction Practice	Green	SATISFACTORY	0	5	1	Apr-18

## Policy &amp; Communications:

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
Partnership Governance (Cross River) (Cfwd from 2016/17)	Green	SUBSTANTIAL	0	0	2	Sep-17

## Internal Audit Plan – 2017/18

## 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
HR - Pensions Administration (Cfwd from 2016/17)	Amber	LIMITED	2	0	1	Sep-17
HR – Payroll (Cfwd from 2016/17)	Amber	LIMITED	9	1	0	Sep-17
IT – Risk Management (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Sep-17
HR – Your Voice Survey (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Sep-17
Managed Services – Data & Information Security	Green	SATISFACTORY	1	2	1	Nov-17
IT – Asset Management & Disposal (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	2	Feb-18
IT – Mobile Device Security (Cfwd from 2016/17)	Green	SATISFACTORY	0	1	0	Feb-18
HR – Occupational Health	Green	SATISFACTORY	0	2	5	Feb-18
IT – Cloud Computing (Cfwd from 2016/17)	Green	SATISFACTORY	0	6	0	Apr-18
HR – Payroll	Amber	LIMITED	4	1	0	Apr-18
HR – Absence Management	Amber	LIMITED	3	3	0	Apr-18
Supplier Resilience	Amber	LIMITED	3	2	1	Apr-18

## Internal Audit Plan – 2017/18

## 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
Accounts Payable (Cfwd from 2016/17)	Green	SATISFACTORY	0	5	2	Sep-17
Accounts Receivable (Cfwd from 2016/17)	Green	SATISFACTORY	0	3	1	Sep-17
Procurement Cards	Green	SATISFACTORY	0	4	1	Nov-17
Accounts Payable	Green	SATISFACTORY	0	8	0	Apr-18
Pension Investments	Green	SATISFACTORY	1	3	2	Apr-18
Council Tax	Green	SUBSTANTIAL	0	1	1	Apr-18
Income Manager	Green	SATISFACTORY	0	0	1	Apr-18
Accounts Receivable	Green	SATISFACTORY	0	1	0	Apr-18

**APPENDIX 1**  
**Internal Audit Plan – 2017/18**

**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 2018/19:

Adult Social Care	<ul style="list-style-type: none"> <li>• Direct Payments (final report issued June 2018)</li> <li>• Client Affairs (fieldwork in progress)</li> <li>• IT - Mosaic upgrade from Frameworki (fieldwork in progress)</li> </ul>
Children's Services	<ul style="list-style-type: none"> <li>• Leaving Care (fieldwork in progress)</li> <li>• Fostering &amp; Adoption (fieldwork in progress)</li> <li>• Supplier Resilience (draft report issued)</li> <li>• IT – Mosaic upgrade from Frameworki (fieldwork in progress)</li> <li>• Our Lady of Dolours Primary School (fieldwork in March)</li> <li>• St Barnabas Primary School (draft report issued)</li> <li>• St Mary Magdalene's Primary School (draft report issued)</li> <li>• St Peter's Chippenham Mews Primary School (final report issued May 2018)</li> <li>• St Saviour's Primary School (draft report issued)</li> </ul>
City Management & Communities	<ul style="list-style-type: none"> <li>• Licensing (fieldwork in progress)</li> <li>• Organisation Health &amp; Safety – ongoing review</li> </ul>
Growth, Planning & Housing	<ul style="list-style-type: none"> <li>• Procurement of Temporary Accommodation (fieldwork in progress)</li> <li>• Planning Applications &amp; Assessments (draft report issued)</li> <li>• Use of Apprenticeships in Procurement &amp; Development (draft report issued)</li> </ul>
Corporate Services	<ul style="list-style-type: none"> <li>• IT – Service Governance (draft report issued)</li> <li>• IT – GDPR Readiness (ongoing work)</li> <li>• IT - Procurement &amp; Contract Monitoring (final report issued June)</li> <li>• Procurement Supplier Resilience (draft report issued)</li> <li>• HR – Pensions Administration (final report issued May 2018)</li> <li>• HR – IR 35 Off Payroll Working (fieldwork in progress)</li> <li>• General – Transparency Data (fieldwork in progress)</li> <li>• Legal Services Alternative Business Solution (in progress)</li> </ul>
City Treasurer	<ul style="list-style-type: none"> <li>• Housing &amp; Council Tax Benefit (final report issued April 2018)</li> <li>• NNDR (final report issued May 2018)</li> </ul>
Public Health	<ul style="list-style-type: none"> <li>• Commissioning Planning &amp; Delivery: Behavioural Changes (draft report issued)</li> </ul>
Policy, Performance & Communications	<ul style="list-style-type: none"> <li>• IT – Members' IT Arrangements (final report issued May 2018)</li> </ul>

**APPENDIX 1**  
**Internal Audit Plan – 2017/18**

**Audits deferred**

The audits listed below were not undertaken during 2017/18 for the reasons shown and where appropriate will be undertaken during 2018/19 or included in a future year's audit plan:

<b>Plan Area</b>	<b>Auditable Area</b>	<b>Reason Audit not Undertaken</b>
Adult Social Care	<ul style="list-style-type: none"> <li>• Reablement;</li> <li>• Residential Placements;</li> <li>• Safeguarding adults;</li> <li>• 3B hospital discharge project;</li> <li>• Emergency Duty Team;</li> <li>• Joint Commissioning.</li> </ul>	Audit delayed due to structural changes within the service. Inclusion in future audit plan will be discussed with the new Director of ASC.
Public Health	<ul style="list-style-type: none"> <li>• Procurement governance;</li> <li>• Commissioning Planning and delivery: Behavioural change;</li> <li>• Health Intelligence and Joint Strategic Needs Assessment delivery;</li> <li>• Clinical Governance;</li> <li>• Prioritisation Framework.</li> </ul>	Delays in starting the audit – to be considered for inclusion in future year's audit plan.
Children's Services	<ul style="list-style-type: none"> <li>• Child Care and the Age 2/3 offer;</li> <li>• Contract Management Arrangements;</li> <li>• Contract Procurements</li> <li>• Safeguarding - Structures &amp; Governance Arrangements;</li> <li>• Early Help.</li> </ul>	Audit delayed due to structural changes within the service. Inclusion in future audit plan will be discussed with the new Director of CHS.
Growth, Planning & Housing	Capital Programme	Deferred to 2018/19 to allow new processes to become embedded.
Growth, Planning & Housing	Operational Property Portfolio (new)	Defer to 2018/19 at request of the service.
Growth, Planning & Housing	<ul style="list-style-type: none"> <li>• Investment Strategy – Commercial Properties;</li> <li>• Building Control</li> </ul>	Defer to future year – to be discussed with the service.
Growth, Planning & Housing	Social Value Commitments	Issues covered by the Apprenticeship audit.
Growth, Planning & Housing	Transparency	No significant issues identified for inclusion in an audit.
City Management & Communities	Organisational Health & Safety	Initial work commenced. Significant changes being made and will review during 208/19.
City Management & Communities	Libraries (target operating model)	Start of audit deferred to early 2018/19 at the request of the service.
City Management & Communities	Bailiff Contract	Start of audit deferred to early 2018 due to other high priority audits.
City Management & Communities	Capital Programme	Deferred to 2018/19 to allow new processes to become embedded.
ICT – RBKC & WCC	<ul style="list-style-type: none"> <li>• Cyber Security Compliance;</li> <li>• Office365.</li> </ul>	Start of audit deferred to early 2018/19 at the request of the service.
ICT – RBKC & WCC	Network Security Compliance	Audit deferred for possible inclusion in 2018/19 audit plan.
ICT – RBKC & WCC	Telecommunications Service Contract	To be replaced by a review of monitoring of BT Contract following discussion with the service and included in 2018/19 audit plan.

**APPENDIX 1**  
**Internal Audit Plan – 2017/18**

<b>Plan Area</b>	<b>Auditable Area</b>	<b>Reason Audit not Undertaken</b>
ICT – RBKC & WCC	Data Management Governance including Information Management (Freedom of Information Requests/ Data Protection & Information Security)	Audits deferred to 2018/19 to allow for requirements of GDPR to be in place.
HR - WCC	Learning and Development	Defer to future year due to change in Managed Services provision in 2018/19.
HR - WCC	Staff Performance Management	Start of audit deferred to early 2018/19 at the request of the service.
CS - Managed Services - General	Intelligent Client Function (cfwd from 16/17)	No longer required due to change in Managed Services provision in 2018/19.
HR	Temporary & Agency Contractor (new contract 2017/18)	Defer to future year due to priority in reviewing changes to Managed Services provision in 2018/19.
CS - Managed Services (IT)	Interfaces (cfwd from 16/17)	Will be reviewed as part of transition to new Managed Service provision in 2018/19.
CS - Managed Services (IT)	MSP Business Continuity and Disaster Recovery (cfwd from 16/17)	Deleted as evidence provided by BT that relevant arrangements are in place (as demonstrated by ISO compliance).
CS – Legal	Trading Account	Due to changes being considered for service provision, audit deleted from the plan.
CS – Legal	Demand Management	Replaced by a review of the Alternative Business Solution (work in progress).
CS - General - WCC	Staff - Declaration of Interests	Review deferred to 2018/19 to accommodate other higher priority work.
CS - General - WCC	Staff - Gifts & Hospitality	System change during 2017/18 which has been overseen. Further review will be considered in 2018/19 audit plan.
Policy, Performance & Communications	<ul style="list-style-type: none"> <li>• Corporate Governance;</li> <li>• Risk Management – systems/ compliance audit of the process;</li> <li>• Community Infrastructure Levy (CIL);</li> <li>• Section 106.</li> </ul>	Start of audit deferred to early 2018/19.
Policy, Performance & Communications	Partnership Governance	This audit was originally planned on a partnership which is actually led by the City of London so not considered high priority
Policy, Performance & Communications	Partnership Governance	This is now under the remit of Growth, Planning & Housing and will be reviewed as part of the 2018/19 audit plan.

## Performance Indicators – 2017/18

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

<b>Performance Indicators</b>	<b>Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Delivery</b>			
Percentage of audit jobs completed by 31 March 2018	90%	94%	
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	82%	Slightly under target. Focus on quicker turnaround of draft report.
Percentage of audits finalised within 10 days of a satisfactory response	95%	96%	
<b>Quality</b>			
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%	25 received average score 4.3 (where 5 is the top score)
Percentage of recommendations implemented by management	95%	100%	125 out of 125 recommendations.



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# ***Westminster City Council***

## ***2017/18 Schools Year End Report***

March 2018



## 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 the Schools Financial Values Standard (SFVS). The schools audit programme is also in line with the programmes undertaken across the Royal Borough of Kensington and Chelsea and the 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 2017/18, the results are similar to 2016/17 with two schools receiving a Substantial Assurance opinion, fifteen schools receiving a Satisfactory Assurance opinion and one school receiving a Limited Assurance opinion. In 2016/17, three schools received a Substantial Assurance opinion, ten schools received a Satisfactory Assurance opinion and one school received a Limited Assurance opinion.

1.2.2. When looking at the results for all schools over the last three years, 6 of 46 schools (including those that have now become academies) have received a Limited Assurance opinion as their most recent opinion, while five have been determined to provide Substantial Assurance.

1.2.3. Two high priority recommendations were raised as a result of the schools audits 2017/18 in comparison with three in 2016/17. Both related to records of income received not being sufficiently detailed to enable a clear audit trail through to banking. In one of these two cases, reconciliation between income received and banked was also not undertaken.

1.2.4. The most commonly occurring issues identified from the school audits were:

- No documented evidence of Governing Body approval of key documents and 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 an order with the supplier. Lack of evidence of goods/services received checks and invoices not paid within 30 days of receipt;
- Quotes or tenders not being obtained for large value purchases, including not testing the market periodically for long standing contracts;
- Reconciliations not being undertaken between income received and banked, or being undertaken but without a sufficient separation of duties;
- Tax Status of Self-Employed Individuals not being confirmed prior to payments being made via cheque;
- Personnel files not being complete;
- Head teacher and Senior Leadership pay not being formally approved or

not in compliance with School Teacher Pay and Condition Document (STPCD); and

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

1.2.5. The implementation of Medium and High Priority recommendations is undertaken as part of our reporting of outstanding recommendations to the Audit Committee. In addition to this, a full follow up visit is undertaken for all Nil and Limited Assurance reports.

1.2.6. No full follow up visits have been undertaken in 2017/18.

### **1.3. Proposed Management Actions**

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 2017/18 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 2017/18, with the results of their most recent OFSTED inspection, is shown in the table at Annex A. Furthermore, a summary of assurance opinions provided over the last four years covering all schools can be seen in Annex B and a definition of audit opinions contained in Annex C.

3.1.2. Overall in 2017/18, the results are similar to 2016/17 with two schools receiving a Substantial Assurance opinion, fifteen schools receiving a Satisfactory Assurance opinion and one school receiving a Limited Assurance opinion. In 2016/17, three schools received a Substantial Assurance opinion, eleven schools received a Satisfactory Assurance opinion and no schools received a Limited Assurance opinion.

3.1.3. When looking at the results for all schools over the last three years, 5 of 39 schools have received a Limited Assurance opinion as their last assurance opinion, while five have been determined to provide Substantial Assurance.

3.1.4. The audit opinion for eight schools audited this year has deteriorated moving from Substantial to Satisfactory assurance in seven cases (indicating a slight deterioration) and one from Substantial to Limited. One school had improved from limited assurance to satisfactory assurance.

3.1.5. Two high priority recommendations were raised as a result of the schools audits 2017/18 in comparison to three in 2016/17. Both related to records of income received not being sufficiently detailed to enable a clear audit trail through to banking. In one of these two cases reconciliation between income received and banked was also not undertaken.

3.1.6. As detailed in Annex D, the most commonly occurring issues in audit reports were:

- No documented evidence of Governing Body approval of key documents and 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 an order with the supplier. Lack of evidence of goods/services received checks and invoices not paid within 30 days of receipt;
- Quotes or tenders not being obtained for large value purchases, including not testing the market periodically for long standing contracts;
- Reconciliations not being undertaken between income received and banked, or being undertaken but without a sufficient separation of duties;
- Tax Status of Self-Employed Individuals not being confirmed prior to payments being made via cheque;
- Personnel files not being complete;
- Head teacher and Senior Leadership pay not being formally approved or not in compliance with School Teacher Pay and Condition Document (STPCD); and
- Asset registers not being updated on a regular basis and not presented to the Governing Body for review.

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 The implementation of Medium and High Priority recommendations is undertaken as part of our reporting of outstanding recommendations to the Audit Committee. In addition to this, a full follow up visit is undertaken for all Nil and Limited Assurance reports.

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 2018 declaring:

- How many Schools have not submitted returns in 2017/18 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**

As a result of the work undertaken in 2017/18, 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:

- Approval of key policies and plans;
- Raising purchase orders prior to placing an order with the supplier. Maintaining evidence of goods/services received checks and paying suppliers within 30 days of receipt of invoices;
- Obtaining quotes and tenders for high value purchases including testing the market for long standing contracts;
- Ensuring tax status of self-employed individuals is confirmed prior to payments being made;
- Maintaining a clear audit trail between income collected and income banked;
- Reconciliation and independent review of income received and banked;
- Maintenance of personnel files;
- Head teacher and senior Leadership pay to be in compliance with STPCD; and,
- Maintenance of accurate asset registers.

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

**School Audits Undertaken in 2017/18**

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

		Audit Opinion							
Type of School	School	Nil	Limited	Satisfactory	Substantial	Draft Issue Date	Final Issued Date	Date of last Ofsted	Result of Ofsted
Nursery	Dorothy Gardner			✓		27/09/2017	24/11/2017	14/01/2014	Good
Nursery	Mary Paterson			✓		07/11/2017	23/11/2017	26/02/2013	Outstanding
Nursery	Tachbrook			✓		17/07/2017	23/10/2017	19/03/2015	Outstanding
Nursery	Portman Early			✓		07/07/2017	12/07/2017	16/01/2014	Outstanding
Primary	Our Lady of Dolours					(In progress)	-	21/03/2013	Good
Primary	Queen's Park			✓		08/09/2017	26/01/2018	11/07/2017	Good
Primary	Robinsfield			✓		22/08/2017	03./10/2017	14/11/2014	Good
Primary	St Barnabas			✓		11/12/2017	-	04/07/2017	Good
Primary	St Clement Danes				✓	26/06/2017	03/08/2017	05/11/2014	Outstanding
Primary	St Joseph's			✓		19/09/2017	13/11/2017	22/01/2015	Good
Primary	St Mary's Bryanston Square			✓		10/10/2017	28/11/2017	24/06/2016	Good
Primary	St Mary Magdalene's			✓		22/01/2018	-	13/12/2016	Good
Primary	St Mary of the Angels			✓		09/11/2017	23/11/2017	18/10/2016	Good
Primary	St Matthew's				✓	10/07/2017	11/10/2017	25/10/2013	Good
Primary	St Peter's Chippenham Mews			✓		15/12/2017	22/05/2018	15/01/2014	Good
Primary	St Saviour's			✓		24/01/2018	-	17/10/2008	Outstanding
Primary	Westminster Cathedral			✓		14/08/2017	03/10/2017	07/02/2017	Good
Special	QEII			✓		29/06/2017	18/10/2017	03/05/2017	Good
Special	College Park		✓			04/07/2017	02/11/2017	03/05/2017	Good
<b>Total</b>		0	1	15	2				



## Assurance Opinions for All Schools

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





School	Year			
	2014/15	2015/16	2016/17	2017/18
<b>Nursery Schools</b>				
Dorothy Gardner	Substantial			Satisfactory
Mary Patterson	Substantial			Satisfactory
Tachbrook	Substantial			Satisfactory
Portman	Substantial			Satisfactory
<b>Primary Schools</b>				
All Souls CE			Satisfactory	
Barrow Hill			Substantial	
Burdett Coutts			Satisfactory	
Christchurch Bentinck			Substantial	
Churchill Gardens (now an Academy)				
Edward Wilson		Satisfactory	Satisfactory	
Essendine			Satisfactory	
Gateway (now an Academy)				
Hallfield			Satisfactory	
Hampden Gurney CE			Satisfactory	
Our Lady of Dolours RC	Substantial			Satisfactory
Paddington Green (now an academy)	Substantial			
Queen's Park	Substantial			Satisfactory
Robinsfield	Substantial			Satisfactory
St Augustine's CE			Satisfactory	
St Barnabas CE	Satisfactory			Satisfactory
St Clement Danes CE	Substantial			Substantial
St Edward's RC			Satisfactory	
St Gabriel's			Substantial	
St George's Hanover Square		Limited		
St James' & St Michael's (now St James' & St John's)		Limited		
St Joseph's RC	Satisfactory			Satisfactory
St Luke's CE			Satisfactory	
St Mary's Bryanston Square	Satisfactory			Satisfactory
St Mary Magdalene's	Satisfactory			Satisfactory
St Mary of the Angel's	Substantial			Satisfactory
St Matthew's CE	Substantial			Substantial
St Peter's Chippenham Mews				Satisfactory
St Peter's Eaton Square		Satisfactory		

St Saviour's CE	Satisfactory			Satisfactory
St Stephen's CE		Satisfactory		
St Vincent's RC			Satisfactory	
St Vincent de Paul RC		Limited		
Soho Parish CE		Satisfactory		
Westminster Cathedral	Satisfactory			Satisfactory
Wilberforce (now an Academy)				
<b>Secondary Schools</b>				
St Augustine's			Satisfactory	
<b>Special Schools</b>				
Queen Elizabeth II	Limited			Satisfactory
College Park	Limited			Limited*
<b>Pupil Referral Unit</b>				
Beachcroft (now an Academy)	Satisfactory			

\*A follow up audit has now been completed and the school has taken action to implement 75% of the recommendations made with three low priority recommendations outstanding.

## 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.

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"> <li>No documented evidence of Governing Body approval of key documents and policies. including: School Improvement Plan, Charging Policy, Finance Policy, SFVS, Expense Policy, Pay Policy and Scheme of Delegation;</li> <li>Purchase orders not being raised and authorised prior to placing an order with the supplier. Lack of evidence of goods/services received checks and invoices not paid within 30 days of receipt;</li> <li>Quotes or tenders not being obtained for large value purchases, including not testing the market periodically for long standing contracts;</li> <li>Reconciliations not being undertaken between income received and banked, or being undertaken but without a sufficient separation of duties;</li> <li>Tax Status of Self-Employed Individuals not being confirmed prior to payments being made via cheque;</li> <li>Personnel files not being complete;</li> <li>Head teacher and Senior Leadership pay not being formally approved or not in compliance with School Teacher Pay and Condition Document (STPCD); and</li> <li>Asset registers not being updated on a regular basis and not presented to the Governing Body for review.</li> </ul>	<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"> <li>Approval of key policies and plans;</li> <li>Raising purchase orders prior to placing an order with the supplier. Maintaining evidence of goods/services received checks and paying suppliers within 30 days of receipt of invoices;</li> <li>Obtaining quotes and tenders for high value purchases including testing the market for long standing contracts;</li> <li>Ensuring tax status of self-employed individuals is confirmed prior to payments being made;</li> <li>Maintaining a clear audit trail between income collected and income banked;</li> <li>Reconciliation and independent review of income received and banked;</li> <li>Maintenance of personnel files;</li> <li>Head teacher and senior Leadership pay to be in compliance with STPCD; and</li> <li>Maintenance of asset registers.</li> </ul> <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