Havering
LONDON BOROUGH

AUDIT COMMITTEE   Report
1 December 2015

Subject Heading:	Head of Internal Audit Quarter Two Progress Report: 6th July 2015 to 4th October 2015
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Policy context:	To inform the Committee of progress on the assurance work undertaken in Quarter Two of 2015/16.
Financial summary:	N/A

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for   [x]
People will be safe, in their homes and in the community   [x]
Residents will be proud to live in Havering   [x]

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 6th July 2015 to 4th October 2015.

RECOMMENDATIONS

1.   To note the contents of the report.

2.   To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

This progress report contains an update to the Committee regarding Internal Audit activity. The report is presented in three sections.

Section 1   Introduction, Issues and Assurance Opinion

Section 2   Executive Summary A summary of the key messages from quarter two.

Section 3   Appendices Provide supporting detail for members' information

Appendix A Detail of Quarter Two Internal Audit Work (6th July - 4th October 2015)
Appendix B Summary of Audit Reports
Appendix C List of High Priority Audit Recommendations

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

By maintaining an adequate audit service to serve the Council, management are supported in the effective identification and efficient management of risks and ultimately good governance. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obliged to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. Such failures may result in financial losses for the Council.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report. Any implications or risks arising from the planned restructure of the service will be picked up under the change management procedures and identified within the restructure report.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

N/A

Section 1: Introduction, Issues and Assurance Opinion

1.1   Introduction

1.1.1   This composite report brings together all aspects of internal audit and anti-fraud work undertaken in quarter two, 2015/16 in support of the Audit Committee's role.

1.1.2   The main body of the report provides the Head of Internal Audit's ongoing assurance opinion on the internal control environment and highlights key outcomes from audit and anti-fraud work and provides information on wider issues of interest to the Council's Audit Committee. The Appendices provide greater detail for the committee's information.

1.1.3   The 2015/16 planned audit days is 800, which has reduced by 12.5% (67 days) compared to 2014/15. This is line with the 2013/14 London average of 900 days.

1.1.4   The oneSource service transformation restructure is due to be formally launched, consulted on and implemented for April 2016/17. This will deliver the savings and efficiencies required in line with the Joint Committee Business Case. The future Audit TOR, Charter and Strategy to launch will be brought to the Audit Committee in 2016; the current ones remain in place until then.

1.2   Current/Future Key Issues

1.2.1   The new Accounts and Audit Regulations 2015 for local Authorities in England that came into effect on 1st April 2015 are being followed.

1.2.2   The requirement to have internal audit has been amended to require local authorities to *"…undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".*

1.2.3   The Head of Internal Audit is currently part of a working group to strengthen the Officer Governance Group; this will include consideration of the assurance perspective and will include the risk management arrangements and any changes that may arise from the current CIPFA/SOLACE consultation paper on the *Framework for Delivering Good Governance in Local Government* that closed at the end of September 2015. In preparation for this the Governance Group met in September and considered the consultation paper, the significant governance issues reported in the 2014/15 Annual Governance Statement and the Corporate Risk Register to ensure it was still relevant.

1.2.4   Organisations are no longer required to undertake an annual review of effectiveness to meet the requirements of the Public Sector Internal Audit Standards but to have an ongoing programme of quality assessment and improvement. This will form part of the oneSource Audit Charter and Strategy.

1.2.5   With the demise of the Audit Commission from April 2015, councils are required to consider how they will procure External Audit. The LGA have set up a company to oversee the existing contracts and councils will be required to

determine if they wish to remain part of that arrangement or look at an alternative. It was anticipated that an information report would be presented at the December Committee; however the LGA has not concluded its offering in time for this to happen. The Audit Committee will be advised when the information is available.

1.2.6 The DCLG funded Fraud Data Sharing Hub under development across London Boroughs to help share data that will help deter and prevent crime is underway. Havering has signed the required MOU to progress this.

1.2.7 Post the implementation of the oneSource restructure of Internal audit, there will be a "one Policy, Strategy and Procedure" approach in line with the principles in the Business case, that will ensure duplication is removed and partners receive the same service standard. The Audit Committee is reminded that it agreed the oneSource Anti-Fraud and Corruption Strategy at the September meeting.

1.3   Level of Assurance

1.3.1 At the September Committee meeting, Members received the Head of Internal Audit's opinion based upon the work undertaken in 2015/16 quarter one, which concluded that reasonable assurance could be given that the internal control environment is operating adequately.

1.3.2 Based upon the work undertaken since the last update to Members, no material issues have arisen which would impact on this opinion. There have been no Nil or Limited assurance reports issued this quarter.

Section 2. Executive Summary of work undertaken in quarter two, 2015/16

2.1.1 Delivery of the Audit Plan is progressing as anticipated. There have been seven additions and one deletion from the 2015/16 Audit Plan in quarter two (Appendix A, Section 1.1.6 sets out these alterations).

2.1.2 In quarter one, one Nil Assurance report (Manor Green Pupil Referral Unit [MGPRU]) and one Limited Assurance report (Members' Allowance Payments) were issued.
- A follow-up audit has been undertaken of the MGPRU. Progress has been made since the original audit with 15 of the 27 recommendations being implemented. However, the audit assurance that can be placed on the control environment remains at Nil as seven of the ten outstanding recommendations are high priority recommendations. Members will have the opportunity to ask questions of the appropriate officer, who will be in attendance at this meeting.
- A review of the Members' allowance payments process has not been undertaken by Internal Audit. However, a full review of the administration of the Members' allowance process was undertaken by the Committee Administration Manager and implemented in June 2015.

2.1.3 Apart from the MGPRU follow-up there were no Nil or Limited assurance reports issued in quarter two.

2.1.4 Of the 79 audit recommendations, 26 (Appendix C sets out the list) were categorised as "High Priority". Sixteen of these have been completed, one has been superseded and nine are in progress.

2.1.5 The performance against key performance indicators is within acceptable variances.

2.2.1 There have been no amendments to the Proactive Audit Work Plan for 2015/16 in quarter two, shown within Appendix A, Section 2.1.

2.2.2 In quarter one four frauds were reported on within the 2014 NFI matches, three within the Pensions/ Pension Gratuity to DWP Deceased report and one within the Waiting List to In-Country Immigration. The Council Tax 'Single Person Discount' and 'Approaching 18' matches are now in the process of being reviewed and it is anticipated that an update will be issued in quarter three.

2.2.3 The reactive auditor received 13 new referrals in quarter two; six were passed to the criminal investigation team. From the start of the year £27k of savings and £2k of losses were identified. Of the £27k savings identified £2k has been recovered. Eighty nine recommendations were made to improve the control environment.

2.3.1 During quarter two the criminal investigation team:
- have recovered two housing properties with a nominal saving of £36,000;
- had one housing application withdrawn with a nominal saving of £18,000; and
- had one Right to Buy withdrawn with a value of £85,000.

2.3.2 At the end of the quarter the criminal investigations team had 81 outstanding cases.

Appendix A: Quarter Two Internal Audit Work (6th July 2015 to 4th October 2015)

1.1.1 Excluding the Interim Head of Internal Audit the established structure of the team delivering this work is six full time equivalent posts. The structure of the team is used to determine the number of days in the Audit Plan.

1.1.2 The team:
   ➢ Undertake risk based systems audits;
   ➢ Review grant claims;
   ➢ Provide consultancy advice for new and developing systems;
   ➢ Provide assurance with regard to compliance with policy and procedure;
   ➢ Undertake school probity audits;
   ➢ Undertake audit health checks on schools on behalf of the Head of Learning and Achievement, which generates an income for the team; and
   ➢ Undertake proactive and reactive audits/investigations as required

1.1.3 With the transfer of Havering employees to the Department for Work and Pensions (DWP), the residual workload has been incorporated into the team and has been classified into four headings:
   ➢ Proactive audit investigations;
   ➢ Reactive audit investigations;
   ➢ Criminal / fraud investigations and
   ➢ HR investigations.

1.1.4 In June 2015 the Audit Committee approved an Annual Audit Plan for the 2015/16 financial year totalling 560 days to Havering Audits, 110 days to auditing oneSource services across both authorities and 185 days for proactive audits (800 audit plan days).

1.1.5 The table below provides a summary of the audits removed from and added to the 2015/16 approved Audit Plan and the reason for the change; this is a common occurrence within audit services. For some audits the budget is not required or is exceeded; this is closely monitored for performance management purposes.

1.1.6 The impact on the total days in the plan has been managed by adjusting other budgets for the year. The totalled planned days remain at 800.

Audit Title	Orig. Days	Rev. Days	Reason
Mayor's Appeal Fund	0	2	Added to 2015/16 Audit Plan - Additional work required due to new process of recording.
Service Manager - Transactional Services	0	10	Added to 2015/16 Audit Plan - Concerns over processing and monitoring of service requests.
Scheme of Delegation	0	10	Added to 2015/16 Audit Plan - AGS Significant Risk Area.
Service Manager - ICT	0	10	Added to 2015/16 Audit Plan - Concerns over processing and monitoring of service requests.

Audit Title	Orig. Days	Rev. Days	Reason
Direct Payments	0	25	Added to 2015/16 Audit Plan - Significant risk area / frauds previously reported.
Troubled Families Grant	0	4	Added to 2015/16 Audit Plan - Service request for audit involvement re new process.
Manor Green PRU Follow Up	0	2	Added to 2015/16 Audit Plan - Follow up of Nil Assurance report.
Council Tax Collection	20	0	Removed from the 2015/16 Audit Plan as a previous review was completed in May 2015
Contingency	55	12	

1.2 Risk Based Systems and School Audits

1.2.1 As at 4th October 2015, 18 assignments had been completed and six were in progress but had not reached final report stage. The table below details the final reports issued in quarter two.

Report	Assurance	Recommendations				Ref
		High	Med	Low	Total	
System / Computer Audits						
Accounts Payable	Substantial	2	0	0	2	B (1)
Accounts Receivable	Substantial	3	0	0	3	B (2)
Responsive Maintenance*	Substantial	1	6	0	7	B (3)
Manor Green PRU Follow Up	Nil	N/A	N/A	N/A	N/A	B (4)
Malware	Substantial	2	1	0	3	B (5)
ID Smart Cards	Substantial	0	0	0	0	B (6)
Release of Software Follow Up	Substantial	N/A	N/A	N/A	N/A	B (7)
School Audits						
Ardleigh Green Junior	Substantial	1	4	4	9	B (8)
Crowlands Primary	Substantial	0	2	2	4	B (9)
Elm Park Primary	Substantial	2	2	1	5	B (10)
Hilldene Primary	Substantial	0	5	1	6	B (11)
Hylands Primary	Substantial	2	7	1	10	B (12)
Nelmes Primary	Substantial	1	6	6	13	B (13)
Scargill Junior	Substantial	1	4	3	8	B (14)
Scotts Primary	Substantial	1	0	4	5	B (15)
St Peters RC Primary	Full	0	1	3	4	B (16)
Suttons Primary	Substantial	1	2	1	4	B (17)
The RJ Mitchell Primary	Substantial	1	3	2	6	B (18)
Whybridge Infant	Substantial	0	5	2	7	B (19)
Total		**18**	**48**	**30**	**96**	

* Last Year's Audits Final Reports issued in Quarter Two

1.2.2 Management summaries for the seven system reports and 12 school reports are included under Appendix B: Audit Report Summaries.

1.2.3 Work nearing completion at the end of September included two risk based systems audits, two computer audits and two school audits.

1.3 Key Performance Indicators

1.3.1 The table below details the profiled targets and the performance to date at the end of September 2015. The total number of audits, where there will be a standard approach to deliverables for 2015/16 is 45.

Performance Indicator	Quarter 2 Target	Quarter 2 Actual	Quarter 2 Variance
Percentage of Audit Plan Delivered	53	53	0
Number of Briefs Issued	30	32	+2
Number of Draft Reports Issued	24	23	-1
Number of Final Reports Issued	23	18	-5

1.4 Outstanding Audit Recommendations Update

1.4.1 Internal audit follow up all recommendations with management when the deadlines for implementation pass. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations in systems where limited assurance was given is verified through a follow up audit review.

1.4.2 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high priority recommendations.

1.4.3 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

High:	Fundamental control requirement needing implementation as soon as possible.
Medium:	Important control that should be implemented
Low:	Pertaining to best practice.

1.4.4 The list of what the High Priority Risks are is shown in Appendix C; the current level of implementation is shown in the table below.

Audit Year	Area Reviewed	HoS Responsible	Assurance Level	No. of Recommendations in the Original Report			Position as at 04/10/15	
				H	M	L	Complete	In Progress
12/13	iProcurement	Internal Shared Services	Limited	0	2	1	2	1 ◆
12/13	Transport	Asset Management	Substantial	1	4	2	5	2
12/13	Accounts Payable	Internal Shared Services	Substantial	0	1	0	0	1 ◆
12/13	Contracts & Procurement	Finance & Procurement	Substantial	0	1	0	0	1 ◆
			2012/13 Totals	**1**	**8**	**3**	**7**	**5**
13/14	Tenancy Management	Homes & Housing	Limited	0	14	0	13	1
13/14	Compliance with Corporate Policy: Fees and Charges	Finance / Asset Management	N/A	0	2	0	1	1
			2013/14 Totals	**0**	**16**	**0**	**14**	**2**
14/15	Gas Safety (Building Services)	Homes & Housing	Substantial	1	4	3	5	3
14/15	TMO's	Homes & Housing	Limited	3	4	0	5	2
14/15	Environmental Protection & Housing	Regulatory Services	Limited	2	2	2	5	1
14/15	PARIS System	Exchequer & Transactional Services	Limited	2	1	0	1	2
14/15	Manor Green PRU	Children's Services	Nil	17	10	0	17	10
			2014/2015 Totals	**25**	**21**	**5**	**33**	**18**
			Totals	**26**	**45**	**8**	**54**	**25**

1.5 Outstanding Audit Recommendations

◆ Implementation of these recommendations are being delayed due to the development of joint oneSource procedures etc.

2.1   Proactive Audit Investigations

2.1.1 The proactive work plan for 2015/16 is shown below:

Description	Risks	Plan days	Quarter 2 Status
Grants	Identification of grants provided to charity organisations to inspect and confirm that supporting documentation for expenditure is valid and used for the purpose intended in the original application or as stipulated by the Council on approval of the grant. Review formal acceptance documentation and payment and bank records to ensure payments are accounted for.	20	On Hold
Payment of Election expenses	Review appointment of staff, entitlement, and payment of fees/arrangements including postal votes and counting. Completion of claims and receipt.	10	In progress
NNDR	A full review of the NNDR process to gain a position statement and establish the recovery levels to date and possible weaknesses in system particularly with Charities and 'Pop Up Shops'	20	Delayed due to Restructure
Direct Payment Assessments	This to include the assessment and payment calculations and follow ups with the Care Assessors to establish processes and evaluate controls.	15	Planned
Employee Applications	This could involve any applications, including attempts, to gain employment or subsequently where any of the details prove to be false including, including but not limited to: false identity, immigration (no right to work or reside); false qualifications; or false CVs.	20	Planned
NFI	The match identifies addresses where the householder is claiming a council tax single person discount on the basis that they are the only occupant over 18 years of age yet the electoral register suggests that there is somebody else in the household who is already or approaching 18 years of age. This may or will make the SPD invalid.	30	In progress

Description	Risks	Plan days	Quarter 2 Status
NAFN	National Anti-Fraud Network	5	Ongoing
Whistleblowing	All whistleblowing referrals. 8 reported.	10	Ongoing
Investigation Recommendations	The recording of all investigation recommendations, follow ups and assurance of implementation. 89 made 3 outstanding.	15	Ongoing
Freedom of Information Requests	To undertake all Freedom of Information Requests relating to Internal Audit Investigations.	5	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately. 10 calls received 2 remain under investigation.	5	Ongoing
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance. 20 cases with 1 ongoing.	15	Ongoing
Advice to Local Authorities	All Data Protection Act requests via Local Authorities, Police etc. 15 cases assisted.	15	Ongoing
	TOTAL	**185**	

2.1.2 The proactive audit investigation work comprises three elements:
   ➢ Co-ordinating the Authority's investigation of the National Fraud Initiative (NFI) data;
   ➢ A programme of proactive audit investigations; and
   ➢ Following up the implementation of recommendations made in previous corporate fraud investigation and proactive audit reports.

2.1.3 The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and is conducted every two years. The 2014 NFI matches are available in 2015 and comprise of 11,329 High Risk matches of which four frauds were reported in quarter one. The Council Tax 'Single Person Discount' and 'Approaching 18' matches are now in the process of recovery and it is anticipated that an update will be issued in quarter three.

2.2 Reactive Audit Investigation Cases

2.2.1 The table below provides the total cases at the start and end of the period as well as referrals, cases closed and cases completed.

Caseload Quarter 2 2015/16						
Cases at start of period	Referrals received	Referred To Criminal Fraud Team	Referred to HR	Audit Investigations		
				Not Proven Cases	Successful Cases	Cases at end of period
6	13	6	0	1	7	5

2.2.2 The table below provides information on the sources of audit investigation referrals received.

Source and Number of Referrals Quarter 2 2015/16	
Number of Referrals/ Type	IA Reports Qtr. 2
Anonymous Whistleblower	5
External Organisations / Members of the Public	2
Internal Departments	6
Total	**13**

2.2.3 The table below shows the number and categories of audit investigation cases at the end of the quarter two, compared to the quarter four totals.

Reports by Category		
Audit Investigation Category	Previous Cases Qtr. 1	Current Cases end of Qtr. 2
PC – Misuse and Abuse	0	0
Breach of Code of Conduct	2	1
Breach of Council Procedures	1	3
Misuse of Council Time	2	0
Direct Payments	0	0
Theft	0	1
Disabled Facility Grant	0	0
Procurement Fraud	1	0
Money Laundering	0	0
Total	**6**	**5**

2.2.4 The table below shows the case outcomes for Internal Audit investigations from July to September 2015.

Case Outcomes	
Outcome	Qtr. 1
Management Action Plan	3
Resigned	2
Disciplinary	2
No case to answer	1
Withdrawn Application	0
Total	**8**

2.3   Savings and Losses

2.3.1   The investigations carried out by Audit Investigations provide the Council with value for money through:
  ➢ The identification of monies lost through fraud and the recovery of all or part of these sums; and
  ➢ The identification of potential losses through fraud in cases where the loss was prevented.

2.3.2   The table below shows the savings and losses identified during 2015/16.

Case details	Savings Identified	Losses Identified	Actually Recovered Savings	Details
Timesheet Abuse		£239		Employee resigned
Falsification of Flexi Records		£163		Disciplinary Action Taken
Overcharge Gas Safety 2013	£866		£866	Contractor overcharge
Overcharge Gas Safety 2014	£912		£912	Contractor overcharge
Mileage Claim		£134		Disciplinary Action Taken
Internet Misuse		£458		Disciplinary Action Taken
Caretaker Misuse of Time		£790		Disciplinary Action Taken
Caretaker Misuse of Time		£141		Disciplinary Action Taken
Housing Employee Mileage Claim		£66		Disciplinary Action Taken.
NFI	£6,159			Pensions Recovering

Case details	Savings Identified	Losses Identified	Actually Recovered Savings	Details
NFI	£50			Pensions Recovering
NFI	£574			Pensions Recovering
NFI	£18,000			Notional £18k saving
	£26,561	**£1,991**	**£1,778**	

2.4   Audit Investigation Recommendations

2.4.1   In 2014/15 there were 15 'Recommendations Not Yet Due' carried forward. Eighty nine recommendations were made at the end of September 2015 and three are outstanding as at the agreed implementation date.

Quarter 2 Audit Investigation Recommendations				
Total Recommendations		59	72	89
Recommendations Implemented		46	47	68
Recommendations Not Yet Due		13	25	18
Recommendations Slipped		0	0	3
Of Which High Priority		0	0	3

3.1   Criminal Investigations Team

3.1.1   The table below provides the total cases at the start and end of the period as well as referrals, cases closed and cases completed

Open and under investigation c/f from Q1	Referrals			Housing Outcomes	Housing Benefit		Fraud not proven	Cases open and under investigation
	Received	Passed to DWP	Rejected		Over-payments	Prose-caution		
71	28	0	0	3	0	1	28	81

3.1.2   During the quarter:
- Two properties were recovered with a nominal value of £36k;
- One housing application was withdrawn with a nominal value of £18K;
- One Right to Buy was withdrawn with a value of £85k;
- Two Notices to Quit were served; and
- Forty six housing cases were under investigation.

3.1.3   The team have concluded one housing benefit (HB) and non-residency of a council property prosecution with a recoverable overpayment of £17,099.62. The tenant was sentenced to six months imprisonment (concurrent) on all three counts, suspended for twelve months and was also ordered to complete 180 hours of unpaid work. The tenant was evicted in August.

3.1.4   Two further HB cases have been concluded. In the first case the claimant was issued a Compensation Order of £79,297.74 (LBH - £10,237.86, DWP - £58,033.85, HMRC - £11,026.03) with five and half months to pay. In the second case the claimant was issued with a Compensation Order of £33,916.64 (Social Housing - £27,666.64, Old Ford Housing - £6,250.00) and a Confiscation Order of £253,282.73 with three months to pay, although this has been appealed.

3.1.5   The table below shows the number and categories of investigations cases at the end of the quarter two, compared to the quarter one totals.

Category	End of Qtr. 1	End of Qtr. 2
Direct Payments	2	4
Financial proceedings	7	7
Blue Badge misuse	2	0
Capital	3	1
Contrived Tenancies	2	0
Income from other sources	2	3
Living Together	8	14
Other	1	13
Non – Residency	15	10
Subletting	23	22
Right to Buy	1	0
False Housing Apps	4	5
Corruption	0	1
Procurement	1	1

71	81

Appendix B Summary of Audit Reports

Accounts Payable	Schedule B (1)

1.1   Introduction

1.1.1   Accounts Payable (AP) sits within Exchequer and Transactional Services.

1.1.2   In August 2014 the Council's Oracle 12 system was replaced with One Oracle as part of a new shared system being used in conjunction with five other local authorities in London.

1.1.3   Figures in relation to the number and value of invoices received and paid have been set out below. These are:

Year	No of Invoices	Value of Invoices
2014/15	113,045	£379,685,998.87
2013/14	93,767	£394,986,572.72
2012/13	93,072	£386,020,310.02

1.2   Objectives and Scope

1.2.1   The audit was undertaken to provide assurance to the Authority's management and the Audit Committee on the effectiveness of the system of internal control operating over the Accounts Payable Service. The system of internal control operates to:
- Ensure compliance with relevant legislation and the organisations, policies and procedures;
- Ensure the service is being administered in an efficient and effective manner;
- Reduce risk, including the risk of fraud; and
- Provide accurate, useful and timely management information.

1.2.2   The audit examined the controls in place to mitigate the following potential risks:
- Non-compliance with legislative requirements and local policies and procedures impacting on the efficiency and effectiveness of the service;
- Lack of controls or loss of controls from the legacy system leading to increased use of resource intensive manual controls;
- Lack of controls resulting in duplicate payments being made, invoices not being paid in full, on time and to the right supplier;
- Lack of controls to prevent unauthorised access to and amendment of data;
- Lack of available / useful management information impeding the ability to monitor service delivery and make timely decisions; and
- Lack of performance indicators and mechanisms to measure and monitor performance.

1.3   Summary of Audit Findings

1.3.1. The primary performance indicator for the Accounts Payable Team relates to the payment of invoices within 30 days. Achieving this target is reliant on the

timeliness of invoices submitted to the team for processing. The One Oracle system has not facilitated the recording of the date the invoice was received by the team and as a result the team have been unable to monitor the processing times of invoices received. Identifying whether invoices paid outside of the 30 day target were a result of delayed submission to the AP team, or whether once received the invoice was not processed in a timely manner, has until now been impossible to monitor. The system now allows the dates received to be recorded and are working on producing a report from the system to monitor processing times. The team need to establish a process for reporting issues of non-compliance where services are not submitting invoices in a timely manner, in turn impacting on the corporate performance indicator.

1.3.2 Duplicate payment checks are undertaken however since being introduced there has been no consistency in regards to the frequency with which the check is completed. Additional staff are currently being trained to carry out the check; however, this check is currently being carried out on an ad-hoc basis. The service must formally decide how often the check must be completed and the period to be covered.

1.3.3 The effectiveness of the duplicate payments process relies on the accuracy of information being entered onto the system. It is possible for multiple invoice numbers to be recorded against a single payment. During data cleansing where all spaces are removed for formatting reasons, there is an inherent risk that by removing the spaces between characters multiple invoice numbers are treated as one single invoice number. Users have been informed that multiple invoice numbers should not be recorded. This issue is more prevalent within iProcurement transactions and will be investigated further as part of the iProcurement audit.

1.3.4 All invoices received for manual input to the system must contain a certification slip signed by an appropriately authorised signatory. During the audit testing was undertaken on a sample of 30 invoices totalling 20 approvers. Limited information was available to confirm that all invoices had been appropriately approved. Approval via iProcurement is built into the system and relates to job roles. The AP Team have been reliant on a manual, hard copy authorised signatory sheet system for a number of years that is resource intensive to maintain. Increased use of iProcurement will reduce the level of risk associated with inappropriately authorised invoices; however work is also underway to implement a manual process that will address the weaknesses identified during this review.

1.3.5 During the audit discussions highlighted a potential weakness within the One Oracle system that could potential violate the Data Protection Act. All suppliers for each of the six boroughs involved in the One Oracle project are listed within the system. If the supplier is not already set up within the system, or is not set up as a supplier for Havering, the supplier will be set up by the AP Team. Each of the six boroughs can see information of the other boroughs at a header level. Bank details are added at site level. Although not permitted, it is possible for bank details to be recorded at header level which would be visible to all other boroughs. Work is currently underway to resolve this issue, through the implementation of system controls that prevent bank details being added at header level.

1.4   Audit Opinion

1.4.1 A **Substantial Assurance** has been given on the system of internal control on the basis that whilst there is a basically a sound system of control in place, there are limitations that may 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.

1.4.2 The recommendations are designed to address weaknesses in the control environment and the implementation of the recommendations will enable the resulting risks to be mitigated.

1.4.3 The audit makes two medium priority recommendations that comprise the need for:
- A robust process for reporting issues of non-compliance in regards to both the late submission of invoices for payment and approval of invoices by unauthorised signatories, to be established; and
- The frequency of duplicate payment checking to be established, including the period to be covered by the check.

Accounts Receivable	**Schedule B (2)**

2.1   Introduction

2.1.1   Accounts Receivable (AR) sits within Exchequer and Transactional Services.

2.1.2   In August 2014 the Council's Oracle 12 system was replaced with One Oracle as part of a new shared system being used in conjunction with five other local authorities in London.

2.1.3   Figures in relation to the number and total value of invoices raised have been set out below. These are:

Year	Invoices Raised	Total Value (£'s)
2014	24,625 (Apr 14 – Feb 15)	159,037,385.70
2013	16,415	115,068,830.48
2012	17,431	118,578,704.21

2.2   Objectives and Scope

2.2.1   The audit was undertaken to provide assurance to the Authority's management and the Audit Committee on the effectiveness of the system of internal control operating over the Accounts Receivable Service. The system of internal control operates to:
- Ensure compliance with relevant legislation and the organisation's, policies and procedures;
- Ensure the service is being administered in an efficient and effective manner;
- Reduce risk, including the risk of fraud; and
- Provide accurate, useful and timely management information.

2.2.2   The audit examined the controls in place to mitigate the following potential risks:
- Non-compliance with legislative requirements and local policies and procedures impacting on the efficiency and effectiveness of the service;
- Lack of controls or loss of controls from the legacy system leading to increased use of resource intensive manual controls;
- Invoices being raised incorrectly or in an untimely manner, resulting in delays in the collection of income due to the Council;
- Miscoded payments going undetected, leading to unnecessary recovery action and adverse criticism of the Council;
- Incomplete or untimely recovery of debt;
- Lack of controls to prevent unauthorised access to and amendment of data;
- Unnecessary write off of recoverable debts, leading to loss of monies due to the Council;
- Lack of available / useful management information impeding the ability to monitor service delivery and make timely decisions; and
- Lack of performance indicators and mechanisms to measure and monitor performance.

2.3   Summary of Audit Findings

2.3.1   One of the key performance indicators (KPIs) for the Accounts Receivable service is the timeliness of invoices raised upon request. In order to monitor performance it is necessary to collect information that allows the time taken to raise an invoice upon receipt of a request to be monitored. The legacy system, Oracle 12, allowed the date that the request was received by Internal Shared Services to be entered onto the system. This function is not available within the new One Oracle system and is currently being manually gathered. This increases the risk of human error occurring and may affect the accuracy of the KPI. As the function is not available in One Oracle no recommendation has been raised.

2.3.2   Invoices raised within the system are printed by the Print Room and collected by a member of the AR team who reconciles the invoices printed against the original requests and carries out management checks on the accuracy of the invoices raised. A new process is being implemented to allow invoices to be electronically emailed to the debtor, where the debtors email address is held within the system. This process will still generate a paper invoice and the team is working with Capgemini to resolve this issue. However once resolved paper invoices will no longer be available in these instances, impacting on the reconciliation / checking process described above and subsequently the current control environment.

2.3.3   When debtors make payments via Paris, the Paris system interfaces with One Oracle to allocate the payment against the correct customer account / invoice. In order to do this a reference number must be entered by the customer. Whilst Paris recognises whether a reference number has been added, it does not validate the number used. Where a customer makes a single payment for multiple invoices, the Paris system generates one receipt number, which is then rejected by One Oracle pushing the payment into a holding area called Lock Box. Whilst the Lock Box is cleared manually on a daily basis, reducing the risk of miscoded payments going unresolved, there is a potential fix available for Paris that would stop this issue from occurring. This would improve the control environment and efficiency of the process.

2.3.4   A robust mechanism for approving access to the Accounts Receivable and Account Collection modules within One Oracle is in place, including the allocation of permitted access levels. Information regarding users is subject to regular monitoring. This audit reviewed those with access to the AR and AC modules and found that there are an excessive number of Capgemini users who have retained access to AR and AC post implementation of One Oracle system. Testing confirmed that in total 101 users have access to the AR module 34 of which are Capgemini staff. A further 28 users have access to AC of which 12 are Capgemini staff.

2.4   Audit Opinion

2.4.1   A **Substantial Assurance** has been given on the system of internal control on the basis that whilst there is a basically a sound system of control in place, there are limitations that may 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.

2.4.2   The recommendations are designed to address weaknesses in the control environment and the implementation of the recommendations will enable the resulting risks to be mitigated.

2.4.3   The audit makes three medium priority recommendations. The recommendations comprise the need for:
- A process for continued reconciliation, in the absence of hard copy invoices, to be determined to ensure that changes to the process do not impact on the control environment;
- Action to be taken to reduce the number of payments that are being unnecessarily redirected to the lockbox; and
- The number of Capgemini users who have retained access to AR and AC post implementation of One Oracle to be reviewed with Capgemini for appropriateness.

Responsive Maintenance	Schedule B (3)

3.1 Introduction

3.1.1 Responsive Maintenance sits within Housing Property Services. The team manages the responsive maintenance to Council properties within the borough.

3.1.2 In March 2014 the London Borough of Havering contracted responsibility for undertaking responsive maintenance to Breyers on a fixed price contract worth £2.5 million per year for five years. Prior to March 2014 the contract for responsive maintenance was with Morrison Facilities Services and was delivered through an 'average job cost' arrangement, based on the previous year's actual costs.

3.2 Objectives and Scope

3.2.1 The audit of Responsive Maintenance was included in the 2014/15 Internal Audit plan to provide the Authority's management and the Audit Committee with an opinion on the effectiveness of the system of internal control in operation.

3.2.2 The audit was undertaken to provide assurance on the effectiveness of the system of internal control operating over the administration of the Responsive Maintenance process

3.2.3 The audit examined the internal control environment applied to mitigate the following potential key risks:
- Delivery of the service is not in accordance with the legislative requirements;
- The Council is subject to adverse criticism / reputational damage caused by:
    → Delays in raising requests for and completion of repairs;
    → Incomplete or inadequate repairs; and
    → Erroneous information.
- A distorted view of demand for the service, caused by inaccuracies in data, leading to financial loss / adverse criticism;
- Failure to achieve service objectives because of a lack of / or inadequate levels of performance / monitoring; and
- Poor decisions are made regarding service delivery due to a lack of / or inaccurate management information.

3.3 Summary of Audit Findings

3.3.1 The Councils contract with Breyers for the provision of the responsive repairs service contains clear roles and responsibilities. Performance is supported by key performance indicators should have been populated into a performance spreadsheet to allow regular monitoring of performance to be undertaken. A review of the spreadsheet found that an indicator relating to the percentage of post inspections completed by Breyers for works above £1k is not included within the spreadsheet.

3.3.2 Additionally no information is being recorded against an indicator that is used to gather information and relates to the percentage of repairs which were completed right first time. This indicator should be populated using information collected from tenants via survey responses.

3.3.3 Performance monitoring is undertaken using data from OHMS, provided by Breyers and through a number of manual processes. One of the processes is the completion of post inspections for all works above £1k. These inspections are carried out by the Council's Surveyors based on information generated by OHMS.

3.3.4 This review aimed to test the completion of post inspections to ensure that inspections are being carried out in line with expectations. However discussions highlighted potential issues with the data contained within OHMS. A report generated by the Council's Performance Team indicated that only 23 of the 172 post inspections completed since the contract began in April 2014 have been for works over £1k. This issue requires further investigation to be sure that the system is providing accurate management information.

3.3.5 The Responsive Repairs Manger has asked Breyer Operatives to provide feedback as to the accuracy of the job order and the priority allocated to the job by the Contact Centre in order to begin assessing whether the job orders are being correctly set up. This information is not being consistently provided. Provision of this information is essential to ensure that orders are being accurately raised and also to allow compliance checks to be undertaken.

3.3.6 Job priorities have been set against all jobs within the system and so when the job is raised the system automatically indicates its priority and therefore when the job must be completed. The priority can be manually amended by Supervisors within the Contact Centre in the event of an emergency. No checks are undertaken to asses why priorities were amended. Feedback from Breyer Operatives is key to establishing whether the job was a genuine emergency or was over exaggerated by the tenant.

3.3.7 There are system controls in place within OHMS to protect against the raising of duplicate job orders. These controls can be bypassed where there is a genuine need to. Duplicate orders must be supported by one of four predetermined explanations. These are:
- Duplicate Order;
- Incomplete Job;
- Not Attended; and
- Job Valid.

3.3.8 At the time of the review no checks were being undertaken to establish whether the reason for the creation of the duplicate job was appropriate or whether this is a result of poor performance.

3.3.9 Breyers are responsible for reimbursing tenants £25 in the event that the operative does not attend the appointment. These costs are initially paid by the Council but should be recharged back to Breyers. Testing undertaken at the time of the review established that a total of £1325 in "missed appointment" payments had been paid by the Council between the 1st April 2014 and the 25th March 2015. In the early

stages of the audit these costs had not been recharged to the Contractor, although discussions later confirmed that recharging was now underway.

3.3.10 The Responsive Repairs Teams ability to monitor the performance of the contractor is hugely reliant on the Council's Performance Team to extract the necessary data from OHMS and populate the performance spreadsheet. Whilst reports are sent out by the Performance Team on a weekly basis, it would be useful for the team to have access to generate reports as and when they need it.

3.4 Audit Opinion

3.4.1 A **Substantial Assurance** has been given on the system of internal control on the basis that whilst there is a basically a sound system of control in place, there are limitations that may 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.

3.4.2 The audit makes one high and six medium priority recommendations.

3.4.3 The recommendations are designed to address weaknesses in the control environment and the implementation of the recommendations will enable the resulting risks to be mitigated. The recommendations comprise:

High:
- Work to be undertaken to investigate and resolve the issues with the data interface between systems to ensure that only accurate information is being used.

Medium:
- Work to be undertaken to ensure that all key performance indicators set out within the contract are being monitored and that data is being provided for all indicators within the performance spreadsheet;
- Feedback from operatives as to the accuracy of the job order and the priority allocated to the job, to be made a mandatory requirement to ensure that sufficient information is available to carry out robust compliance checks;
- Compliance checking exercises to be established between the Responsive Repairs Team and the Contact Centre to ensure all activity is compliant with expectations and procedures;
- Regular review of duplicate job orders to be undertaken to assess whether these orders are a result of poor performance;
- Regular monitoring of financial reimbursements to tenants by the Council to be undertaken and recharged in a timely manner; and
- Management information needed to carry out contract monitoring to be accessible by the Responsive Repairs Team.

Manor Green PRU Follow Up	Schedule B (4)

4.1 Background

4.1.1 Under Section 19 of the 1996 Education Act Local Authorities must provide education to children of compulsory school age, that due to illness, exclusion or other reasons are not receiving education via a mainstream / special school.

4.1.2 Historically the London Borough of Havering had four individual Pupil Referral Units (PRUs) across the borough. In April 2013, the individual PRUs were combined to create one PRU called Manor Green College.

4.1.3 The following campuses create Manor Green College:
- Manor Green;
- Oglethorpe;
- Birnam Wood; and
- Green Vale.

4.1.4 The 2014/15 Internal Audit Plan included a review of Manor Green College. The audit found that a nil assurance level could be provided as a result of the findings and so a follow up audit was scheduled into the 2015/16 audit plan. The purpose of this review was to provide the Authority's management and the Audit Committee with assurance the recommendations raised from the original Manor Green College audit had been implemented or to provide a progress update for any that remain outstanding.

4.1.5 Limitations in the system of control were identified in the original audit that put the system objectives at risk. In order to strengthen the control environment 17 high and 10 medium priority recommendations were raised. Twenty seven of the recommendations were accepted by management. All except one recommendation were to be implemented by the end of August 2015 with the remaining one by the end of October 2015.

4.2 Progress on Implementation

4.2.1 A follow up review has now been completed to assess progress made to implement the recommendations raised in the original audit report. The follow up found that 15 recommendations have now been implemented.

4.2.2 Work is underway to implement six recommendations that have only partially been progressed, revised implementation dates have been applied in these instances.

4.2.3 Four recommendations remain outstanding, revised implementation dates have been applied in three cases, however one was not due to be implemented until August 2015 and so this deadline is still applicable.

4.2.4 Two recommendations have been superseded by events occurring since the original audit.

4.3   Conclusion

4.3.1   Progress has been made since the original audit was completed resulting in 15 recommendations being implemented. However the audit assurance that can be placed on the control environment remains at Nil as six of the ten outstanding recommendations are high priority recommendations with the rest being medium priority. Whilst it is acknowledged that the College has made good progress to implement recommendations, high level weaknesses particularly in relation to strategic elements of the College remain outstanding.

| **Malware** | **Schedule B (5)** |

5.1 Introduction

5.1.1 Antivirus (or anti-virus) software is used to prevent, detect, and remove malware, including computer viruses, worms and trojan horses. Such programs may also prevent and remove adware, spyware and other forms of malware.

5.2 Objectives & Scope

5.2.1 The objective of the audit is to ensure that the council has adequate controls in place for the protection of its assets against attack from malicious software.

Scope
- Policies and Procedures
- Purchase and installation of hardware/software and unauthorised software
- Automated scanning
- Software updates
- Portable hardware and remote access usage
- Housekeeping
- Back ups

Risk
- The council is unable to deal with non-compliance with the policy.
- Infected software is introduced to the council's network.
- Machines are vulnerable to attack through a lack of anti-virus and spyware software.
- There are delays in clearing infected hardware and software.
- Viruses remain on the network following clean-up.
- Without backups data may be lost in the event of an infection.
- Users are not aware of how to report or handle viruses, or protect the council's network from high risk activities.
- Viruses attached to incoming email are not detected.

5.2.2 The findings and conclusions are based on the results of testing carried out within a limited time period, December 2014 – March 2015.

5.3 Summary of Key Findings

5.3.1 Key Findings:
- The policies and guidance, in particular the Business Systems Policy, briefly explains the virus and spyware risks, however, these are insufficient to educate staff, considering the current technological environment. Intranet links to other guidance within this policy are broken and other guidance cannot be accessed; and
- Regular reports on anti-virus updates, for PCs logged onto the network, are received. However, no action is taken to follow up those PCs that are not updated. We were advised that these PCs are part of the server migration programme and that they will eventually be updated. Although this may be the case, the reports are not being used effectively.

5.3.2 Other Finding

- We were advised by the ICT analyst that on a regular basis (approximately every three months), upon login to the council network, users are asked to read the policies and sign an electronic agreement, agreeing to abide by the policies. The electronic agreement can be deferred up to two times, however, upon the third login, if the electronic agreement is not accepted the user is locked out of the network and must contact ICT. The whole process then starts again.

  If there is a suspected incident, a security notice is emailed to all staff.

  We were also advised that a web based internal training course with a question and answer session is available, when you log onto the network the first time.

  The above processes are reasonable; however, they are insufficient, especially as there is a lack of policies. Information and guidance should be made available to users so that they can be educated about the risk of viruses and the action to take if there is a possible incident.

5.4   Audit Opinion

5.4.1 For the area under review, it is Audit's opinion that there is **Substantial Assurance.** While there is basically a sound system of control, there are some weaknesses in the system and there is evidence of non-compliance with some of the controls. There is scope for improving the management of business risks.

5.4.2 As a substantial assurance opinion has been given recommendations are not made by Internal Audit. It is therefore up to the client to determine how they address the issues raised.

ID Smart Cards	**Schedule B (6)**

6.1 Introduction

6.1.1 All officers who work for London Borough of Havering (LBH) are required to wear ID badges. Some are for access to entry doors within council buildings and, where appropriate, access to the staff car parks, others are just for identification purposes. The LBH workforce is located largely across 10 main sites, including the Town Hall, Mercury House and Tollgate House. The badges are required to access each floor and entry doors within those floors.

6.1.2 Asset Management - Havering is responsible for the long term and day to day management of operational premises, providing a safe and fit for purpose work environment. In support of this overarching responsibility, the Corporate Support Manager, administers and manages the creation and issuing of ID passes.

6.1.3 Controls over ID badges are important as they give access to areas of the council where personal and commercially sensitive data is held.

6.1.4 The system used to administer and manage ID cards is called Symmetry Professional, a security management system which combines security equipment and software for more effective management of the security and facilities. The vendor for the system is G4S.

6.2 Objectives and Scope

6.2.1 The audit objective is to confirm that ID badges are securely controlled, so that the risk of an intruder gaining access to the council's buildings is reduced. The scope below presents these in order of most to least critical.

Scope
- Access to the application used to create and manage the ID badges and the pc where the application has been locally installed, is restricted to authorised users only.
- User names and passwords meet accepted standards/ the Council's minimum requirements or are changed every 30days.
- There are back up arrangements and contingency plans (including access to the database and physical security requirements) in the event that there is either a catastrophic failure or denial of service, after which the system is not available.
- The ID system includes an audit trail function that tracks all changes made to badge records.
- ID badge numbers are unique.
- There is a fixed link between the ID badge number and the individual's photo.
- There is a formal, documented application process for an ID badge. Where visitors, contractors or external auditors, the formal application process clearly states the level of authority required to approve these temporary passes
- ID badges are only issued to individuals who have been authorised by their line manager or human resources.

- Duplicate ID badges are only issued after a formal application by the individual's line manager.
- Corporate Support are informed by the appropriate business liaison, that an employee will be leaving or changing job locality or role and therefore, their permission dictating their level of access, needs to be amended or removed. Leavers' ID badges (in particular those badges issued to temporary staff) are immediately disabled upon notification of a leaver or automatically disabled after 3 months of inactivity or notification of a leaver. All leavers' ID cards should be collected by a responsible manager/officer, in line with the ICT managers' change of circumstances checklist. These cards should then be either destroyed or deposited to Corporate Support for destruction.
- There is regular, and at a minimum annual reconciliation between the HR systems, including any system used to manage temporary staff, and Symmetry to identify discrepancies. These are followed up and resolved.

Risk
- Unauthorised users gain access to the ID badges system leading to badges being issued to unauthorised persons or unauthorised changes to the underlying data.
- User accounts and passwords are not sufficiently complex or remain unchanged, increasing the risk of them becoming known to others and leading to greater opportunities for malicious damage.
- Data cannot be recovered in the event the system becomes damaged.
- Unauthorised changes to ID badge records cannot be identified.
- If badge numbers are not unique, it will not be possible to track individuals.
- Fake ID badges are created.
- Without a formal application process, there is no evidence to confirm that the individual should be given an ID badge.
- ID badges are issued to unauthorised individuals giving them access to areas in the council that contain sensitive data.
- Officers hold multiple copies of ID badges, which are then lost or stolen.
- Leavers' badges are used by unauthorised persons (including the leaver), not only to gain access to council buildings but also to engage customers, contractors, suppliers, under the guise of working for the council.
- Duplicate badges are not identified.

6.2.2 The findings and conclusions are based on the results of testing carried out within a limited time period, June to August 2015.

6.3   Summary of Audit Findings

6.3.1 Key Findings:
- HR provides a monthly list of leavers so that their ID badge can be deactivated. However, regular reconciliation exercises are not carried out between the Symmetry database and the HR system. There were no arrangements in place to ensure that where Newham staff have been issued an LBH id card, in the event of their departure from LBN, the oneSource HR team, responsible for the LBN employed staff, inform their colleagues in LBH team, so the LBN leaver can be included in the leavers list routinely sent to Corporate Support;

- Clearing alarms on a daily basis and investigating unusual activity for example, attempts to use deactivated cards was used to monitor access to the buildings in line with protecting the council's information assets. However, in half of the cases relating to temporary and agency staff (4), an inactive date was not inserted in the cardholder's profile on Symmetry to ensure that the card is automatically disabled at the end of the contract period. This, therefore, erodes the integrity of the alarm monitoring control; and
- Where automatic deactivation had not been set up (as is the case with permanent employees), in half those cases, deactivation of the leavers' id cards was not on a timely basis. The lead times spanned from 16 days to 3 months after the end of the employment/contract. There was no reasonable explanation for these delays. It could not be ascertained, in these cases, when (if at all) notification had been received from HR. Therefore, it is difficult to say with any certainty where the responsibility for the delay lies.

6.3.4 Other Findings:
- The ICT policy does not specify the frequency with which users must change their passwords. Although there is capability for password expiration dates to be set for each user on Symmetry, which could force them to change their password routinely upon expiration, this had not been enabled for any of the Symmetry users; and
- It was noted that there was inconsistency in the level of approval for car parking required in the intranet guidance and the application form available from the intranet. The Corporate Support Manager advised that the application form available online had been revised but the new version is not available online, as the LBH intranet pages are being revamped.

6.4 Audit Opinion

6.4.1 For the area under review, it is Audit's opinion that there is **Substantial Assurance.** While there is basically a sound system of control, there are some weaknesses in the system and there is evidence of non-compliance with some of the controls. There is scope for improving the management of business risks.

6.4.2 As a substantial assurance opinion has been given recommendations are not made by Internal Audit. It is therefore up to the client to determine how they address the issues raised.

Release of Software Follow Up	**Schedule B (7)**

7.1 Background

7.1.1 As part of the Internal Audit Plan, we have a commitment to conduct follow ups of our previous audit reports. This follow up is to assess the actions taken to implement the recommendations arising from a previous audit on Release of Software in May 2013.

7.1.2 In the original report, it was Audit's opinion that there was Limited Assurance as the system of control is weak and there is evidence of non-compliance with the controls that do exist. The level of risk exposure is significant.

7.2 Progress on Implementation

7.2.1 A follow up review has now been completed to assess progress made to implement the recommendations raised in the original audit report. The follow up found that all eight recommendations have now been fully implemented.

7.3 Conclusion

7.3.1 As a result of the findings of this follow up review the assurance level has been raised from Limited to Substantial Assurance which means that while there is basically a sound system of control, there are some weaknesses in the system and there is evidence of non-compliance with some of the controls. There is scope for improving the management of business risks.

Ardleigh Green Junior School	**Schedule B (8)**

8.1 Introduction

8.1.1 The audit of Ardleigh Green Junior School was undertaken as part of the rolling triennial programme of school audits.

8.1.2 Ardleigh Green Junior School was last audited in January 2013 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, limitations in the systems of control identified were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

8.1.3 The 2013 report made three priority one (High) and five priority two (Medium) recommendations. As part of this review, progress to implement the recommendations raised in 2013 has been undertaken. This review confirmed that five recommendations have been implemented.

8.1.4 The remaining three recommendations, all a priority two (Medium), remain outstanding. The recommendations relate to the need for:
- The school's summary Scheme of Delegation document to include financial limits for the disposal of assets and the petty cash float limit.;
- The school to monitor and significantly reduce the level of orders being raised on SIMS before invoices are received to ensure that expenditure is committed and budget availability is up to date; and
- Signed copies of the electronic timesheet submitted to the Local Authority to be retained at the school. It is also recommended that all claimants sign their timesheets to confirm the hours worked.

8.1.5 Whilst evidence of these weaknesses was identified during this review, further recommendations have not been raised in this report to avoid duplication. However, the school should progress the implementation of these recommendations.

8.2 Objectives and Scope

8.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

8.3 **Summary of Audit Findings**

8.3.1 Whilst comprehensive minutes are being taken of Full Governing Body and Finance Committee meetings and discussions regarding key documents are visible within the minutes, approval of these key documents could not be located within the minutes.

8.3.2 The schools Emergency Plan has not been presented to Governors recently. Whilst approval of the plan by Governors is not expected, as a matter of good practice, the plan should be presented to Governors for information purposes.

8.3.3 The school has worked hard to ensure that all staff complete the annual Driving Checklist. Copies of the supporting documentation are held alongside the checklist. This review noted four instances whereby the individuals Driving Checklist indicates that their insurance arrangements permit them to use their car for work purposes. However, upon review of the insurance policies it appears that these individuals are not insured for business use.

8.3.4 Whilst bank reconciliations are being completed, a review of the documentation held on file found that the school does not always complete the bank reconciliation on a monthly basis as set out within Financial Regulations for Schools.

8.3.5 During the review testing was undertaken on a sample of purchases made by the school in 2014/15 and 2015/16. Testing found that invoices are not consistently signed to evidence approval to pay. Cheque run reports are signed by the Head Teacher but not by the second cheque signatory.

8.3.6 Responsibility for approval of key procurement processes rests with the Head and Deputy Head Teachers and the Office Manager who is also responsible for the raising of both purchase orders and cheques due to the limited number of administrative staff within the school.

8.3.7 In addition to having a limited number of signatories, the schools Scheme of Delegation sets out relatively low financial limits. Procurement testing noted one order that had been approved by the Head Teacher. The Head Teacher's financial limit for the approval of orders is set at £9,999; however the value of the order was £23,750. No recommendation has been raised regarding this issue as Governors approval to spend this amount had been obtained. However, these factors place limitations on the schools ability to comply with the Scheme of Delegation and financial procedures.

8.3.8 The school has completed the Self Employment Questionnaire on a number of individuals deemed to be self employed. These checks were not supported by the completion of Decisions Sheets or checks on the HMRC website to assess the individual's self-employment status. This review also noted that the school has made a payment to an individual that would be deemed to be self employed. No checks were undertaken on this individual.

8.3.9 The school has produced a template to reconcile the monthly charge card statements however this template does not include key information included on the official Transaction Log template.

8.3.10 Starters and leavers forms are held on file. These forms clearly show the name of the Head Teacher, although this is electronically added and is not supported by the physical signature of the Head Teacher.

8.4   Audit Opinion

8.4.1 A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls during a period of instability and as a result there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

8.4.2 The audit makes one high, four medium and four low priority recommendations which comprise the need for:

High:
- A review of the insurance policies of the four individuals identified to ensure that their respective insurance arrangements provide suitable cover for them to use their car for work purposes.

Medium:
- Governors approval of key documents to be clearly recorded within the minutes;
- Regular bank reconciliations to be completed and submitted to the LMS Team in line with Financial Regulations;
- All key procurement documents to be appropriately signed; and
- All necessary checks to be undertaken to assess an individual's self-employment status, before engaging that individual for the provision of goods / services.
.
Low:
- The schools Emergency Plan to be presented to Governors for information purposes;
- The school to review the current arrangements for authorised signatories and financial limits for procurement to ensure that arrangements do not impact on the schools ability to comply;
- Documentation in relation to the reconciliation of charge cards to facilitate the completion of all necessary information; and
- Starters and leavers forms to be physically signed by an authorised signatory.

Crowlands Primary School	**Schedule B (9)**

9.1 Introduction

9.1.1 The audit of Crowlands Primary School was undertaken as part of the rolling triennial programme of school audits.

9.1.2 Crowlands Primary School was last audited in October 2013 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that while there is a basically sound system, there are limitations that may 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

9.1.3 The 2013 report made eleven recommendations, two priority one (High) and nine priority two (Medium) recommendations were raised to mitigate the potential risks. As part of this review, progress to implement the recommendations raised in 2013 has been undertaken.

9.1.4 The review found that all recommendations had been implemented and could be easily evidenced.

9.2 Objectives and Scope

9.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

9.3 Summary of Audit Findings

9.3.1 The school has an up to date registration certificate from the Information Commissioners Office; however a member of staff or Governor has not been given the responsibility of ensuring the school is compliant with the Data Protection Act.

9.3.2 The Finance Policy and Procedure Document details users of the system and their access rights. The Senior ICT Technician has not been included in the Policy as an authorised user with access rights.

9.3.3   The schools inventory is up to date and maintained by the ICT Technician. Items of equipment are loaned to staff and recorded. However, there is not the facility on the equipment on loan log for the Head Teacher to sign as approver of the loan.

9.3.4   Income is received by the school for school trips, music tuition, after school club and school uniform. There is no separation of duties between collection of income and banking as the Finance Officer undertakes both tasks.

9.4   Audit Opinion

9.4.1   A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls during a period of instability and as a result there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

9.4.2   The audit makes two medium priority recommendations and two low priority recommendations which comprise the need for:

Medium:
- A member of staff or nominated Governor to be nominated as the responsible officer for compliance with the Data Protection Act; and
- Two officers to be involved in the collection and banking of income to ensure a clear separation of duties.

Low:
- The Finance Policy & Procedure Document to be amended to include the Senior ICT Technician as an authorised 'read only' user of the system; and
- The equipment on loan register to include the facility for the Head Teacher's signature as approver of the loan.

Elm Park Primary School	**Schedule B (10)**

10.1   Introduction

10.1.1 The audit of Elm Park Primary School was undertaken as part of the rolling triennial programme of school audits.

10.1.2 Elm Park Primary School was last audited in March 2015 when the completion of the Audit Health Check by Internal Audit resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, limitations in the systems of control identified were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

10.1.3 The March 2015 report made one high, two medium and four low priority recommendations. As part of this review, progress to implement the recommendations raised in March 2015 has been undertaken.

10.1.4 The review found that five recommendations had been implemented. The remaining recommendations relate to:
- Meeting minutes to clearly reflect decisions being made, including Governing Body approval of key documents;
- Checks on individual's self-employment status should be completed before engaging/ paying for goods/ services.

10.2   Objectives and Scope

10.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

10.3   Summary of Audit Findings

10.3.1 Due to the short timescale between the Health Check and Triennial audit there has not been sufficient time for the two outstanding recommendations mentioned above to have been implemented/ evidenced. Although these remain outstanding at the time of the audit they have not be reiterated as part of this review.

10.3.2 Checks on the Single Central Record found nine members of staff whose DBS disclosure was older than three years. The procedures set out by the London

Borough of Havering require a three yearly renewal cycle.

10.3.3 Financial thresholds shown within the Finance Policy are not the current thresholds promoted by the borough.

10.3.4 Of ten orders tested, eight were found to have been raised retrospectively following receipt of an invoice.

10.3.5 A sample of ten invoices was reviewed and none were found to have been authorised for payment. Due to the order being authorised and the good segregation of duties apparent within the process throughout the testing this minimises any risk. The authorisation of the invoices in this instance would be deemed to be a good practice exercise.

10.3.6 It is not set out within the Finance Policy as to who has the authorisation to promote or terminate staff. Although this is mentioned within another policy it should be included within the Finance Policy for clarity.

10.4 Audit Opinion

10.4.1 A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls during a period of instability and as a result there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

10.4.2 The audit makes two high, two medium and one low priority recommendations which comprise the need for:

High:
- DBS Disclosures should be carried out for all staff who have not had a renewal within three years; and
- A process should be designed and implemented that allows for DBS disclosure renewals to be highlighted and allow sufficient time to complete any checks in advance of the deadline.

Medium:
- The financial thresholds included within the Finance Policy to be updated to the current limits as promoted by the borough; and
- The school should reduce the number of retrospective orders raised in order to safeguard the efficiency of the budget monitoring process.

Low:
- Invoices to be authorised for payment by an appropriate signatory as a good practice exercise.

Hilldene Primary School	**Schedule B (11)**

11.1 Introduction

11.1.1 The audit of Hilldene Primary School was undertaken as part of the rolling triennial programme of school audits.

11.1.2 Hilldene Primary School was last audited in February 2014 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that while there is a basically sound system, there are limitations that may 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

11.1.3 The 2014 report made eight priority two (Medium) recommendations which were raised to mitigate the potential risks. As part of this review, progress to implement the recommendations raised in 2014 has been undertaken.

11.1.4 The review found that all recommendations had been implemented and could be easily evidenced.

11.2 Objectives and Scope

11.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

11.3 Summary of Audit Findings

11.3.1 The school annually requests all members of staff to complete a Pecuniary interest's form declaring any association they may have with organisations used by the school. The Assistant Head teacher has declared that she has a personal association with ABC Behaviour, whose services are used by the school. The Assistant Head Teacher is a cheque signatory and approver of payments, therefore approval should be sought from the Governing Body before the organisation is used again. The Assistant Head Teacher should be removed from any financial decision making surrounding ABC Behaviour.

11.3.2 All members of staff are annually requested to complete a form declaring if they will or will not use their car on school business and if they will, to supply relevant documents to ensure they are legally able to do so. Members of staff who do not use their cars on school business only need to complete and sign the declaration once; acknowledging that they will not use their car on school business and the onus will be on them to inform the school if this changes. The form should inform the members of staff that if they have declared they will not use their car, the school has therefore not authorised its use at any time.

11.3.3 The Senior Admin Officer maintains a SIMS inventory which she updates when new items of equipment are purchased. Testing of the inventory showed that items were not always found in the location specified. The Network Manager has devised a new system for distributing ICT items to year groups and laptops and iPads are now kept in trolley in the ICT store room and wheeled out every morning for use. The Inventory is still showing ICT items allocated to specific classrooms. A system should be devised to ensure that the inventory is accurately updated with locations and the serial numbers of new items.

11.3.4 The Senior Admin Officer produces a banking form for Breakfast Club income which agrees to the amount of income recorded and banked. The calculations are secondary checked by the School Business Manager. The two officers are not initialling the documents to show a clear separation of duty.

11.3.5 The School Business Manager is the only member of staff to hold a charge card which is used solely for purchasing iPad apps. However,
- The School Business Manager is reconciling the purchases made and not completing the Boroughs Transaction log, which has provision for the reconciliation to be checked by two designated officers;
- The Head teacher checks the reconciliation produced by the School Business Manager, however, this should be checked alongside the bank statement and signed to evidence that the direct debit agrees to the amount of the transactions; and
- The Finance Policy & Procedure document does not show the transaction limit of the card or that it must not be used for the withdrawal of cash.

11.3.6 The School Business Manager carries out monthly checks on payroll. The Head Teacher is currently not carrying out spot checks to ensure that employees are paid the correct amounts at the correct times.

11.4 Audit Opinion

11.4.1 A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls during a period of instability and as a result there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

11.4.2 The audit makes five medium and one low priority recommendation which comprise the need for:

Medium:

- Governing Body approval to be obtained before further services are procured from ABC Behaviour, due to their association with the Assistant Head teacher;
- All members of staff to complete a declaration form stating whether they will use their car on school business. If the member of staff states 'no', it must be made clear on the form that it is their responsibility to inform the school and produce documentation if the situation changes;
- A system to be devised to ensure that newly acquired items are recorded accurately on the SIMS inventory, including serial numbers and locations.
- The Charge Card User Guide to be followed when using and reconciling the School Business Managers charge Card; and
- The Head teacher to undertake spot checks on Payroll records to ensure payments made to employees are appropriate and correct.

Low:

- Breakfast Club income and banking records to be initialed when prepared by the Senior Admin Officer and by the SBM when checks on accuracy are carried out.

| **Hylands Primary School** | **Schedule B (12)** |

12.1   Introduction

12.1.1 The audit of Hylands Primary School was undertaken as part of the rolling triennial programme of school audits.

12.1.2 Hylands Primary School was last audited in January 2013 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that while there is a basically sound system, there are limitations that may 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

12.1.3 The 2013 report made ten recommendations, one priority one (High) and nine priority two (Medium) recommendations were raised to mitigate the potential risks. As part of this review, progress to implement the recommendations raised in 2013 has been undertaken.

12.1.4 The review found that eight recommendations had been implemented and could be easily evidenced. One recommendation is still outstanding and one is partly implemented.

12.1.5 A priority two recommendation was for the need to certify invoices for payment in accordance with the Scheme of Delegation. Procurement testing showed that not all invoices are being certified for payment.

12.1.6 A priority two recommendation was for the implementation and formal agreement of a Grants Policy. A Grants Policy has been produced but there was no evidence of Governing Body approval.

12.1.7 Recommendations have been raised as part of this report to address these findings.

12.2   Objectives and Scope

12.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

12.3   Summary of Audit Findings

12.3.1 The school does not have a "grab bag" that includes useful / necessary items that may be required in an emergency situation. The schools Emergency Plan has been produced using the Council's "Emergency Planning in Children's Establishments" document which outlines items that should be placed in the bag. The Head Teacher considers that as the feeder school is at the back of the school, a bag would be an unnecessary hindrance during an evacuation. There is also limited space at the school for storage of a 'grab bag'. The current plan mitigates the risk, however, consideration should be given to the likelihood of Francis Bardsley school not being open on the same days as Hylands Primary school, for example in the case of in-set days.

12.3.2 Checks have not been carried out since 2013/2014 on staff using their own cars whilst on school business. Members of staff are reluctant to produce documents and there has been uncertainty over whether it is acceptable to request documents annually or more frequently, depending on when they expire and the retention of documents.

12.3.3 A member of staff or Governor has not been given the responsibility of ensuring the school is compliant with the Data Protection Act.

12.3.4 The schools inventory is up to date and maintained by the ICT Technician. Items of equipment are loaned to staff and recorded electronically. However, a hard copy Equipment on Loan Register recording the details of the equipment on loan, the signature of the approver and the signature of the recipient is not maintained.

12.3.5 A residential school trip is organised annually. The trip is costed and income collected from pupils via Parentpay. An end of trip profit & loss account is not being produced and signed off by the Head Teacher showing if a balance was left at the end of the trip. Testing of the costing for the most recent trip showed that there appeared to be a profit of £844. The member of staff who costed the trip no longer works at the school and therefore it was not possible to establish if there were any other costs incurred and not accounted for during the test. Any monies left over after the trip has been paid for must be reimbursed to the parents.

12.3.6 Testing of the procurement process showed that there is no clear separation of duties between the person authorising the order and the person checking the invoice. The school has recently started paying suppliers by BACS and there was no BACS header sheet attached to orders or invoices evidencing the officers who were authorising the BACS payment. LMS guidance states that invoices and orders should be filed in the batches according to the BACS payment, with the Batch Header Sheet attached.

12.3.7 Seventeen purchases were tested of which ten had retrospective orders. To ensure there is sufficient budget available, orders should be raised on the system before the order is placed and the invoice received.

12.3.8 The Head Teacher is the only member of staff who holds a charge card and the School Business Manager has been using the card frequently to make purchases and also reconciling the monthly statement, this has then authorised by the Head Teacher.

12.4   Audit Opinion

12.4.1 A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls during a period of instability and as a result there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

12.4.2 The audit makes two high priority recommendation, seven medium priority recommendations and one low priority recommendation which comprise the need for:

High:
- The school to put together a "grab bag" and allocate responsibility for this bag; and
- All Business Use declarations and checks to be completed for all staff / governors where applicable;

Medium:
- A responsible person to be nominated to ensure compliance with the Data Protection Act;
- A hard copy Equipment on Loan Log to be maintained;
- An end of trip profit and loss account to be completed;
- Orders to be raised on the system before the invoice is received;
- A clear separation of duties to be maintained between authorisation of orders and invoices;
- Invoices paid by BACS to show who has authorised the BACS payment; and
- Approval to be sought for the School Business Manager to obtain a Charge Card which should only be used by the School Business Manager.

Low:
- Approval of the Grants Policy and approval of named holders of charge cards, with transaction limits should be sought from the Governing Body and recorded in the minutes.

Nelmes Primary School	**Schedule B (13)**

13.1 Introduction

13.1.1 The audit of Nelmes Primary School was undertaken as part of the rolling triennial programme of school audits.

13.1.2 Nelmes Primary School was last audited in August 2011 as part of the triennial audit programme which resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, limitations in the systems of control identified were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

13.1.3 The 2011 report contained ten recommendations consisting of six medium and four low priority recommendations. A formal follow up of these recommendations has not been specifically referenced within this report as all control weaknesses identified within the 2011 audit are covered in the current audit programme.

13.2 Objectives and Scope

13.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

13.3 Summary of Audit Findings

13.3.1 Whilst the Head Teacher has a good understanding of the skills and experience of the existing Governing Body members, the school has not completed a formal / documented skills assessment.

13.3.2 The school has completed the relevant driving checks on a number of staff. The process of completing the driving checks is reliant on the participation and honesty of staff and leaves the school unable to evidence that all staff have been suitably notified of their responsibility in relation to this requirement. It must be noted that this is not caused by a weakness in control within the schools processes, but with the original guidance / requirements issued to the school.

13.3.3 Whilst comprehensive minutes are being taken of Full Governing Body and Finance Committee meetings and discussions regarding key documents are

visible within the minutes, approval of the 2015/16 Budget and the School Improvement Plan could not be located within the minutes.

13.3.4   The review identified a small number of inexpensive items (flip cameras) that had not been included within the schools inventory as the value of these items falls below the £250 value set out in the Financial Regulations for Schools. Discussions were held with the Head Teacher to highlight the changes in risk since the £250 limit was applied and the need for desirable / portable items of equipment below this limit to be included.

13.3.5   DBS information is recorded on the schools Single Central Record for a small number of Governors, although it was noted that this information is taken from DBS checks carried out on the individual by other organisations. The Council does not permit the use of external information in relation to DBS checks. Equally, as Governors are encouraged to become increasingly involved in school activities, it is advisable that all Governors are subject to a DBS check as a matter of good practice.

13.3.6   Testing identified 19 members of staff that have not completed the Disqualification form.

13.3.7   Minutes to Finance Committee and Full Governing Body meetings clearly provide evidence that budget related information is being reported to Governors by the Head Teacher. Evidence to support the budget monitoring process carried out between the School Business Manager and the Head Teacher using the Chart of Accounts are destroyed once complete. There is therefore a reliance on the accuracy and completeness of meeting minutes to evidence the completion of adequate budget monitoring.

13.3.8   The 2014/15 residential trip resulted in the school making a profit of £652.91 which equates to £12 per pupil attending the trip. The cost of the trip was originally calculated on a maximum number of pupils attending and included transport costs. The final costs were less than calculated as not all pupils attended the trip, which resulted in the profit. At the time of the review the school had not refunded these costs to parents.

13.3.9   The school maintains two documents (Scheme of Delegation and Delegated Authority document) that set out which staff are permitted to authorise certain procurement activities and the respective financial limit applied. A review of these documents found discrepancies between the two documents in regards to the financial limits applied as well as a lack of financial limits to other procurement related activities.

13.3.10 Procurement testing found instances of orders being raised after the invoice has been received. Placing orders retrospectively has an impact on the accuracy of the budget monitoring process and therefore the ability to manage the budget effectively.

13.3.11 Testing undertaken within procurement found instances of cheque slips not being signed by the two cheque signatories.

13.3.12 The schools only charge card is held by the Head Teacher. Reconciliations are carried out by the School Business Manager and authorised by the Head Teacher and the Chair of Governors. As the reconciliation relates to the Head Teachers card, the Head Teacher should not authorise the reconciliation.

13.3.13 Payroll reports are checked by the School Business Officer before being passed to the Head Teacher for approval. The School Business Officer does not sign the payroll report as evidence of checking its accuracy.

13.4 Audit Opinion

13.4.1 A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls during a period of instability and as a result there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

13.4.2 The audit makes one high, six medium and six low priority recommendations which comprise the need for:

High:
- The school to take the necessary action to reimburse parents for the overpayment from the 2014/15 school trip.

Medium:
- The school to carry out a documented skills assessment of the existing Governing Body;
- Governors approval of key documents to be clearly minuted;
- The school to ensure that smaller items that would be deemed to be portable / desirable are included in the schools inventory, regardless of its value;
- All Governors to be subject to an enhanced DBS check;
- Disqualification forms to be completed by all staff identified as not having a form on file; and
- The school to reduce the number of retrospective orders raised in order to safeguard the efficiency of the budget monitoring process.

Low:
- The school to introduce the driving disclaimer;
- The annotated Chart of Accounts used to present budget monitoring information to Governors to be retained on file;
- The school to review the current Scheme of Delegation and Delegated Authority document to ensure that financial limits of the two documents align and that responsibilities for each stage of the procurement process are included;
- All key procurement documents to be appropriately signed to ensure that a robust audit trail is in place;
- The Head Teachers Charge Card reconciliation to be approved by the Deputy Head Teacher; and

- Payroll reports to be signed by the School Business Manager as the person checking the accuracy of the report.

Scargill Junior School	**Schedule B (14)**

14.1 Introduction

14.1.1 The audit of Scargill Junior School was undertaken as part of the rolling triennial programme of school audits.

14.1.2 Scargill Junior School was last audited in February 2014 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, limitations in the systems of control identified were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

14.1.3 The 2014 report made one priority one (High), nine priority two (Medium) and one priority three (low) recommendations. As part of this review, progress to implement the recommendations raised in 2014 has been undertaken. This review confirmed that eight recommendations have been implemented.

14.1.4 Two priority two (Medium) recommendations remain, outstanding. The recommendations relate to the need for:
- The school to reduce the level of orders being raised retrospectively; and
- The school to ensure all relevant checks are undertaken on individuals deemed to be self employed, before engaging them for the provision of goods / services.

This review identified issues within the relevant areas. To avoid duplication no further recommendations have been raised and the school has been notified of the need to implement these recommendations.

14.1.5 In the remaining case the original recommendation raised in February 2014 was a priority one recommendation that set out the need for the school to ensure that staff using their own cars for school business produce relevant documentation confirming they are legally allowed to do so and that this documentation is reviewed every six months by the school. This recommendation has been replaced by a more specific recommendation as part of this review to addresses gaps in the schools documentary evidence.

14.2 Objectives and Scope

14.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;

- Payments; and
- Capital Projects.

14.3 Summary of Audit Findings

14.3.1 The school has an Emergency Plan in place and has made adequate arrangements for the evacuation of pupils and key items in the event of an emergency, with the exception of pupil medication. It is noted that the school has a larger than usual number of pupils requiring medication.

14.3.2 The school has begun to complete checks in relation to staff that use their car for work purposes which was a recommendation in the February 2014 Audit Health Check. This review found that the school is still waiting for responses from staff to ensure all checks are complete. As the school is reliant on the participation of staff in the process, the original recommendation is being replaced for a more specific recommendation that provides the school with evidence to support the communication of requirements to all staff.

14.3.3 The school maintains sufficient evidence to support the loan of IT equipment to staff, however records do not facilitate the signature of the individual verifying the return of loaned items.

14.3.4 The school is in the process of arranging their first residential trip. Day trips are completed at the school; however profit and loss accounts are not produced to determine income collected versus costs incurred.

14.3.5 The school Scheme of Delegation lacks clarity over the approval and financial limits applied to key procurement processes.

14.3.6 Petty cash payments are reimbursed and approved by the School Business Manager. Petty cash transactions are reviewed retrospectively by the Head Teacher. The schools Finance Policy and Procedures document sets out that petty cash payments are approved by the Head Teacher.

14.3.7 Testing of timesheets found two instances where the staff member whose timesheet was reviewed had not signed the timesheet to confirm that the record of hours was an accurate reflection of hours worked.

14.3.8 A small error was noted on the April 2015 timecard which resulted in the member of staff being underpaid.

14.4 Audit Opinion

14.4.1 A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls during a period of instability and as a result there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

14.4.2 The audit makes one high, four medium and three low priority recommendations which comprise the need for:

High:
- The school to liaise with the Councils Schools Health & Safety Team for advice in establishing procedures for the removal of pupil medication in the event of an emergency evacuation.

Medium:
- The school to introduce the new driving disclaimer to reduce the leave of resources required to manage the driving insurance process;
- The school to ensure that profit and loss summaries are completed for all trips;
- The school to ensure that all staff sign timesheets; and
- The school to take action to correct the error highlighted in the April 2015 timecard.

Low:
- The school to ensure that either the individual long term loan forms or the loan register facilitate the signature of the individual verifying the return of loaned items;
- The school to consider the current wording of the Scheme of Delegation to ensure that responsibilities are clear, that all individuals involved in the procurement process have been included and that control over spend focuses on the key milestones in the procurement process; and
- The school's Finance Policy and Procedures document to be updated to reflect that petty cash payments are approved for payment by the School Business Manager and retrospectively reviewed by the Head Teacher.

Scotts Primary School	**Schedule B (15)**

15.1 Introduction

15.1.1 The audit of Scotts Primary School was undertaken as part of the rolling triennial programme of school audits.

15.1.2 Scotts Primary School was last audited in December 2013 when the completion of the Audit Health Check by LMS resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system, there were limitations in the systems of control such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

15.1.3 The December 2013 report made eight priority two (medium) recommendations. As part of this review, progress to implement the recommendations raised in December 2013 has been undertaken.

15.1.4 The review found that all eight of the recommendations had been fully implemented.

15.2   Objectives and Scope

15.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

15.3   Summary of Audit Findings

15.3.1 The school do not have a current Asset Management Plan due to the ongoing expansion works affecting the works to be carried out on the buildings by the school.

15.3.2 Inventory testing was not undertaken due to the length of time since the last check was undertaken and that the annual check is due to be completed in September following the summer break.

15.3.3 A list of equipment on loan was maintained within the Finance Policy. Although a 'loan agreed' column was included this hadn't been completed. It was discussed during the audit that although the equipment is allocated per classroom and can

be taken off site most staff choose to leave it within the school.

15.3.4 A sample of twenty purchases were tested and followed from order through to cheque payment. Nineteen of the twenty orders tested were found to have been raised retrospectively following receipt of an invoice.

15.3.5 It could not be located within the Finance Policy as to who has responsibility for promotion or termination of staff.

15.3.6 As part of a test of additional hours timesheets it was found that there were instances of the member of staff claiming not signing the record sheet to agree that the hours being claimed were an accurate record of those that had been worked.

15.4   Audit Opinion

15.4.1 A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects that there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

15.4.2 The audit makes one high and four low priority recommendations which comprise the need for:

High:
- The school should reduce the number of retrospective orders raised in order to safeguard the efficiency of the budget monitoring process.

Low:
- The school should undertake a review of inventory to ensure details included within the system accurately reflect the equipment on site, the findings of this check should then be reported to the Governing Body;
- When allowing staff to take equipment off site an equipment on loan register should be completed where staff sign to accept responsibility of the equipment; this should also be signed by an authorised signatory;
- The Finance Policy and Procedures document should be amended to identify an authorised officer for key personnel responsibilities such as recruitment and promotions; and
- Additional hours timesheets should be signed by the person claiming as agreement that the hours claimed are a true reflection of hours worked.

St Peters RC Primary School	**Schedule B (16)**

16.1 Introduction

16.1.1 The audit of St Peters Catholic Primary School was undertaken as part of the rolling triennial programme of school audits.

16.1.2 St Peters Catholic Primary School was last audited in February 2014 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, limitations in the systems of control identified were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

16.1.3 The 2014 report made six priority two (Medium) recommendations. As part of this review, progress to implement the recommendations raised in 2014 has been undertaken. This review confirmed that four recommendations have been implemented. In the remaining cases:

- One recommendation related to the need for a specific Governor to be subject to a DBS check. The recommendation has been superseded by events as this Governor has since left the Governing Body. This review confirmed that all staff and Governors have an up to date DBS checks in place; and
- The last recommendation relates to the need for the Driving Checklist to be signed by the person checking documents presented by staff that use their car for work purposes. Discussions were held with the Head Teacher who acknowledges that this recommendation remains outstanding and therefore still requires implementation.

16.2 Objectives and Scope

16.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:

- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

16.3 Summary of Audit Findings

16.3.1 The school has begun to use the SIMs Equipment Register module to maintain the schools inventory. The previous manual inventory is still operational as the school made a decision to only use SIMs to record new items purchases. The aim was to

begin to close down the previous inventory as the items contained were disposed of. This inventory is relatively small now. To avoid maintain two inventories it is advisable that the school enter the last remaining items from the old inventory onto SIMs.

16.3.2 Profit and loss summaries are being produced upon completion of all school trips. Summaries are signed by the relevant Teacher and approved by the Head Teacher. As a matter of good practice, the reconciling officer should also sign the summary in order to provide a clear and complete audit trail.

16.3.3 Testing identified that the school has a large number of orders being raised retrospectively. Whilst assurance was available that authorisation to purchase these items was given verbally by the Head Teacher, it was noted that in some instances the member of staff requesting approval to spend did not communicate this to the Finance Officer in order for a purchase order to be raised. Only when the invoice was received was a purchase order raised. Staff must be made aware of the importance of notifying the Finance Officer of the purchase in order to protect the effectiveness of the budget monitoring process, particularly in light of the limited budget available.

16.3.4 Monthly payroll reports are signed by the Finance Officer as the person checking the payroll report. As a matter of good practice, the Finance Officer's entry on the payroll report should be independently verified.

16.4   Audit Opinion

16.4.1 A **Full Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that there is basically a sound system of control designed to achieve the system objectives and the controls are being consistently applied. This level of assurance also considers the weaknesses identified were minor and that most of the recommendations raised relate solely to good practice.

16.4.2 The audit makes one medium and three low priority recommendations which comprise the need for:

Medium:
- The school to reduce the number of orders raised retrospectively in order to ensure funds are committed at the earliest opportunity and to protect the effectiveness of the budget monitoring process.

Low:
- The school to enter the last remaining items from the manual inventory onto SIMs to provide a central one off inventory;
- Profit and loss summaries to be signed by the Finance Officer as the reconciling officer; and
- The Finance Officers entry on the monthly payroll report to be independently verified (signed) by the Head or Deputy Head Teacher.

| Suttons Primary School | Schedule B (17) |

17.1 Introduction

17.1.1 The audit of Suttons Primary School was undertaken as part of the rolling triennial programme of school audits.

17.1.2 Suttons Primary School was last audited in December 2013 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that while there is a basically sound system, there are limitations that may 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

17.1.3 The 2013 report made three priority two (Medium) recommendations, raised to mitigate the potential risks. As part of this review, progress to implement the recommendations raised in 2013 has been undertaken.

17.1.4 The review found that two recommendations had been implemented and could be easily evidenced. One recommendation is still outstanding.

17.1.5 The outstanding recommendation was for lettings application forms to be signed by both the hirer of premises/facilities and the school.

17.1.6 A recommendation has been raised as part of this report to address these findings.

17.2 Objectives and Scope

17.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

17.3 Summary of Audit Findings

17.3.1 The school has recently re-constituted their Governing Body. The Finance Policy and Procedure Document reflects the composition of the old Governing Body. As the changes were very recent, the recommendation raised is to act as a reminder to the school to include the changes to the Governing body when the Policy is reviewed in the Autumn Term

17.3.2 Members of staff are requested to complete a form annually stating whether they will use their car on school business and documents are requested regardless of their response. Where members of staff declare they use their car on school business, documents must be produced annually, if they declare no, then it should be made clear that the school has not given authorisation for the member of staff to use their car on school business.

17.3.3 The school is going to be completely rebuilt on the existing playing fields during the 2015/16 academic year and therefore there is not a current Asset Management Plan for the existing school building. All urgent work has been undertaken and the school has been advised not to spend money on any further repairs or works, unless deemed necessary.

17.3.4 There is a budget balance figure of £315,085, which has been carried forward from 2014/15. The school proposes to build an extra classroom when the new school is built and create outdoor areas for the new build, for example canopies and lighting for the driveway. The funds will also go towards furniture and fittings, astro turf, outdoor play equipment and to set the staffing budget.

17.3.5 The school lets out the school hall to the Elm Park Twirlers. The leader of the Twirlers is a member of staff who is an approved cheque signatory and authoriser of invoices within the school. The use of the school hall by the Twirlers is deemed beneficial as it brings awareness of the school and as the member of staff is able to lock the premises after their session, the Governing Body have approved the use of the school hall at a concessionary rate. The member of staff has declared her connection with the group on her Pecuniary Interest Form.

17.3.6 During the audit invoices to the Elm Park Twirlers had been calculated at £10 per hour, and in one case £11 per hour. The approved rate is £20 per session. Clarity needs to be obtained as to the period of time a session covers. The normal rate of hire of the school hall is £25 per hour.

17.3.7 The school has few lettings; however they are hoping to encourage more when the new school is built. The Hire of School Premises application form does not have the facility for a school officer to sign in acceptance of the hire of the premises/facilities. The form is signed by the hirer only.

17.3.8 As well as letting the school hall to the Elm Park Twirlers, playing fields are let to Tigers JFC and Barnes Sports JFC. The hirers are not informing the SBM of the dates of hire required and therefore invoices are being raised and paid after the hire of the premises has taken place.

17.4 Audit Opinion

17.4.1 A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls and as a result there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

17.4.2 The audit makes one high, two medium and one low priority recommendations which comprise the need for:

High:
- The letting of the school hall to the Elm Park Twirlers to be reviewed and approval sought again from the Governing Body. The session period for the Elm Park Twirlers to be established and the correct charge applied.

Medium:
- The Lettings application and agreement form to have the facility to be signed by both the hire and the school; and
- Invoices to be raised and paid by the hirer before the letting period commences.

Low:
- The school Finance Policy and Procedures document to be updated to reflect the current set up of the Governing Body.

| **The RJ Mitchell Primary School** | **Schedule B (18)** |

18.1   Introduction

18.1.1 The audit of RJ Mitchell Primary School was undertaken as part of the rolling triennial programme of school audits.

18.1.2 RJ Mitchell Primary School was last audited in March 2014 when the completion of the Audit Health Check by Internal Audit resulted in a Limited Assurance on the School's system of internal control being given. The opinion reflected the fact that there were limitations in the systems of control such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

18.1.3 The March 2014 report made three high and fourteen medium priority recommendations. As part of this review, progress to implement the recommendations raised in March 2014 has been undertaken.

18.1.4 The review found that twelve recommendations had been fully implemented with one recommendation partially implemented. The outstanding recommendations have been reiterated as part of this review and related to:
- Following the completion of the inventory check any missing items should be investigated and the security arrangements of the items reviewed;
- The Finance Committee should receive details of all budget virements processed under the delegated level;
- Robust procedures should be in place to ensure that the register of vehicles for school business use is up-to-date, including the completion of the checklist forms;
- Staff who have left the school should no longer have access to FMS and their access rights should be removed; and
- Outstanding pecuniary interest declaration forms should be obtained as soon as possible.

18.2   Objectives and Scope

18.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

18.3   Summary of Audit Findings

18.3.1 Pecuniary interest forms had not been completed and returned for all staff and governors at the time of the audit.

18.3.2 Checks on staff driving documentation had been undertaken since January 2014. However, these checks had not been completed for all staff at the time of the audit visit.

18.3.3 The details regarding access to FMS held within the Finance Policy do not accurately reflect the current access rights to the system. LMS should be contacted to remove the access of any leavers.

18.3.4 A check on inventory items resulted in three of ten items not being located in the location detailed on the inventory.

18.3.5 Checks are not being completed for self-employed individuals being employed by the school.

18.3.6 It could not be found within the Finance Policy as to who has delegated responsible for the promotion or termination of permanent staff.

18.4   Audit Opinion

18.4.1 A **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls during a period of instability and as a result there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

18.4.2 The audit makes one high, three medium and two low priority recommendations which comprise the need for:

High:
- Staff using their own cars for school business should produce relevant documentation confirming that they are legally allowed to do so. This should be undertaken on an annual basis;

Medium:
- The school should ensure that all governors and key staff complete a pecuniary interest form each year;
- The school should undertake a review of the inventory to ensure details included within the system accurately reflect the equipment on site. The findings of this check should then be reported to the Governing Body; and
- Checks on self-employed individual's tax status should be carried out in advance of any work or payment.

Low:
- Access to the FMS system to be limited to only those with required access, as listed within the Finance Policy;

- The Finance Policy and Procedures document should be amended to identify an authorised officer for key personnel responsibilities such as recruitment and promotions.

Whybridge Infant School	**Schedule B (19)**

19.1 Introduction

19.1.1 The audit of Whybridge Infant School was undertaken as part of the rolling triennial programme of school audits.

19.1.2 Whybridge Infant School was last audited in October 2013 when the completion of the Audit Health Check by the Council's LMS Team resulted in a Substantial Assurance on the School's system of internal control being given. The opinion reflected the fact that whilst there was basically a sound system of control in place, limitations in the systems of control identified were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

19.1.3 The 2013 report made one priority one (High) and seven priority two (Medium) recommendations. As part of this review, progress to implement the recommendations raised in 2013 has been undertaken. This review confirmed that four recommendations have been implemented.

19.1.4 The remaining four recommendations, all a priority two (Medium), remain outstanding. The recommendations relate to the need for:
- The school's Financial Policy & Procedure document Delegated Authority to agree to the summary Scheme of Delegation;
- Minutes to be signed and dated as agreed by the chair of the Finance, Personnel, Sites and Building Committee;
- The school to monitor and significantly reduce the level of retrospective orders to ensure that expenditure is committed and budget availability is up to date; and
- The Equipment of Loan log to include acceptance of the school user acceptance policy as well as the schools terms and conditions of loaned equipment.

19.1.5 Evidence of these weaknesses was identified during the review, and has been re-iterated in this report.

19.2 Objectives and Scope

19.2.1 The audit was undertaken to provide the Governing Body and Head Teacher with assurance on the system of internal control operating within the school to manage key risks in the following key areas:
- Corporate Governance & Risk Management;
- Strategic Planning;
- Information Governance;
- Safeguarding;
- Financial Management;
- Income;
- Banking;
- Procurement;
- Payments; and
- Capital Projects.

19.3   Summary of Audit Findings

19.3.1 The Finance Policy & Procedure document includes the Scheme of Delegation, detailing the financial limits of persons approved to authorise orders, sign cheques and approve payments. This has not been accurately reflected in the Delegated Authority (Annex 2) section of the document.

19.3.2 The Full Governing Body has delegated authority, as specified on the Finance Policy & Procedure document, to the Finance, Personnel, Sites and Building Committee. The chair of the committee is not signing and dating minutes produced to confirm they are complete and accurate. This may lead to the risk that decisions taken by the committee could be considered invalid and challenged.

19.3.3 Forms are issued to members of staff annually to establish if they intend using their own car on school business and if so, relevant checks are carried out. The form does not contain a declaration stating that it is the responsibility of the member of staff to notify the school if there is a change of circumstances and acknowledging that the school has not authorised the member of staff to use their car if they have specified that they do not intend to do so.

19.3.4 The school loans equipment to teaching staff for use outside of the school premises. An Equipment on Loan register is maintained, however it does not include the following details;
- Make;
- Serial number;
- Signature of approver; and
- Agreement of the Acceptable Use Policy.

19.3.5 Income is received from pupils for school trips and school uniform. The Finance Assistant receives and counts income and completes an income sheet recording the pupil name and amount. There is no evidence that a secondary check is being carried out to ensure that all income is fully accounted for and agreed before being banked. Income sheets should be initialed by the Finance Assistant and School Business Manager as evidence that the checks have been carried out.

19.3.6 A sample of eighteen purchases, were tested during the review. Fourteen of the eighteen had the order raised after the invoice had been received and therefore the budget is not being committed and the finance system is not accurately reflecting the current financial position of the school.

19.3.7 The School Business Manager checks payroll information to Personnel Links on a monthly basis. The Head Teacher is not carrying out spot checks on salary payment to ensure that members of staff are being paid appropriately and correctly.

19.4   Audit Opinion

19.4.1 **Substantial Assurance** on the system of internal control operating at the time of audit is given. This reflects the fact that the school has maintained good controls during a period of instability and as a result there is a basically sound system of control in place. However, there are limitations that may 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 and therefore need to be addressed.

19.4.2 The audit makes five medium and two low priority recommendations which comprise the need for:

Medium:
- The Finance Policy & Procedure Scheme of Delegation and Delegated Authority sections to agree;
- Business Use forms to be issued to members of staff, incorporating a declaration if they do not intend using their own car on school business;
- The Equipment on Loan log to be revised to include the make, serial number, signature of approver and acceptance of Acceptable Use Policy;
- Orders to be placed on the finance system before invoices are received; and
- Spot checks to be carried out by the Head Teacher on monthly Payroll Reports.

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Low:
- Committee meeting minutes to be ratified by the chair of the committee; and
- Evidence of income being secondary checked before banking.

Appendix C: List of High Risk Recommendations and status

Of the 26 high priority recommendations due, 16 have been completed, 1 has been superseded and 9 remain in progress

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Status
12/13	Transport	Asset Management	Management should ensure that: • Members of staff should submit CRB renewals prior to expiration; • CRB renewals are followed up if a response has not been received in a timely manner; and • Members of staff should not be permitted to work with vulnerable people if a CRB renewal has not been submitted or a response has not been received in a timely manner.	Complete
14/15	Gas Safety (Building Services)	Homes & Housing	Procedures are documented and communicated so that contractors know what processes to follow in the event of them finding a property that is over occupied or in an uninhabitable state of repair or if they suspect a vulnerable person is subject to neglect or abuse.	Complete
14/15	TMO's	Homes & Housing	Management to either utilise the consultant used by the TMOs or enlist some additional, experienced resource to assist in brokering discussions with the TMO to ensure the MMA is updated, fit for purpose and is agreed and signed by all parties as soon as is possible.	Complete
			A process map to map the risks LBH need to manage with regards TMO's areas that require monitoring and starting objectives should be developed prior to agreeing the MMA.	In Progress
			Recognition in the Homes & Housing Risk Register of the potential risk to LBH in the event of a disaster or financial failure by a TMO.	Complete
14/15	Environmental Protection & Housing	Regulatory Services	The results of the HMO records testing is followed up and corrective action undertaken.	Complete
			The inspection of HMO's is monitored and corrective action undertaken to ensure inspections are carried out in accordance with legislative and service requirements	In Progress

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Status
			and APP records are in accordance with service requirements. Management reports from APP should be produced to assist in the monitoring of these inspections.	
14/15	PARIS System	Exchequer & Transactional Services	A full review of users and group permissions should be undertaken. In addition, the service, in conjunction with ICT, should investigate the completeness and accuracy of the reports produced by the application.	Complete
			1. Audit trail reports should be extracted from the system and they should be reviewed by an appropriately senior officer on a regular basis. 2. The Senior Team Leader (Systems and Reconciliations) should consider the production and review of regular exception reports. Information that should be monitored includes, but is not limited to, unusual login times, repeated failed logon attempts, repeated daily password changes and unusual high frequency usage.	Complete
14/15	Manor Green PRU Follow Up	Children's Services	Declarations of Interest should be signed (annually) by all members of the Management Committee and those staff involved in financial processes / making financial decisions for the College.	In Progress
			The SFVS for the financial year 2015/16 should be completed and approved by the Management Committee, before being submitted to the Council's LMS Team.	Superseded
			The College's performance targets should be clearly documented, ensuring that sufficient systems are in place to capture the information needed to monitor performance.	In Progress
			A College Improvement Plan should be documented and made available to all staff. This plan should clearly identify: · Objectives; · How success will be achieved; · Responsible Officer; and · Any cost / resource implications (linked to the budget).	Complete

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Status
			The College should clarify the current arrangements for all campuses and where necessary ensure that appropriate service level agreements are in place setting out responsibilities and applicable costs.	In Progress
			The College should produce a documented Asset Management Plan setting out remedial and improvement related works across all sites, including: · Priority of the work; · Estimated costs; and · Expected timescale for completion.	In Progress
			Emergency Planning / Business Continuity arrangements covering both the College and the individual campuses should be documented and made available to all staff.	In Progress
			All staff should be required to complete a driving declaration that identifies whether they use their car for work purposes. For those that declare they do use their car for work purposes, the full driving checklist should be completed to verify eligibility.	Complete
			The College must register with the Information Commissioner for Data Protection.	Complete
			The College should ensure that appropriate records are maintained at each campus of all assets. Records should be checked annually for accuracy and results reported to the Management Committee.	In Progress
			Formal budget monitoring should be undertaken and documented. This should include explanations of variations to projected spend and should be submitted to Committee members in advance of meetings to ensure sufficient time is available for the information to be analysed before the meeting.	In Progress
			Bank reconciliations should be: · Completed regularly (in line with Financial Regulations / Finance Policy); and · Appropriately signed by the Executive Head; and Submitted to LMS by the deadline.	Complete

Audit Year	Area Reviewed	HoS Responsible	Recommendation	Status
			The College should drive down the number of retrospective orders being placed, to allow funds to be committed against the budget at the earliest opportunity and ensuring the accuracy of budget monitoring processes.	Complete
			Key procurement documents to be in place and signed by an appropriate authorised signatory in line with corresponding financial limits.	Complete
			The College should ensure that all petty cash and charge card procedures have been embedded at each of the campuses and that all documents are sufficiently completed / signed to evidence compliance with these procedures.	Complete
			Timesheet information should be supplied to the Business Manager to allow checks on the payroll report to include checks on these payments.	Complete
			The College should engage with the Council to explore the possibility of using Personnel Links to allow efficient and effective monitoring of payroll related payments.	Complete