Havering
LONDON BOROUGH

AUDIT COMMITTEE
29 November 2016

Subject Heading:	Head of Assurance Quarter Two Progress Report: 4th July 2016 to 2nd October 2016
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Policy context:	To inform the Committee of progress on the assurance work undertaken in Quarter Two of 2016/17.
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 assurance team during the period 4th July 2016 to 2nd October 2016.

RECOMMENDATIONS

1. To note the contents of the report.
   In particular:
   - The proposed revisions to the Havering / oneSource Audit Plan 2016/17
   - To formally accept the revised audit opinions – levels of assurance introduced earlier this year

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 assurance activity. The report is presented in three sections.

Section 1 Introduction, Issues and Assurance Opinion

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

Section 3 Appendices: Provide supporting detail for members' information

Appendix A: Detail of Quarter Two Internal Audit Work (4th July – 2nd October 2016)
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.

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, 2016/17 in support of the Audit Committee's role.

1.1.2 The main body of the report provides the Head of Assurance'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 At the last meeting of the Audit Committee it was reported that the challenge of delivering the restructure along with ICT configuration and set up work has had an inevitable impact on the number of audit days available across the 3 boroughs. A thorough review of current plans and available resources has been undertaken, given that the structure is not fully populated yet.

1.2 Level of Assurance

1.2.1 At the September Committee meeting, Members received the Head of Assurance's opinion based upon the work undertaken in quarter one of 2016/17, which concluded that reasonable assurance could be given that the internal control environment is operating adequately.

1.2.2 Based upon the work undertaken since the last update to Members, no material issues have arisen, which would impact on this opinion. There has been one Limited assurance report issued this quarter.

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

2.1.1 There have been nine reports issued in quarter two. Five of these were Substantial Assurance, four Moderate Assurance and one Limited Assurance. This was on Direct Payments and a follow up audit will be undertaken at the end of the financial year.

2.1.2 Of the 18 audit recommendations, 5 (Appendix C sets out the list) were categorised as "High Priority". One has been completed and four are in progress.

2.2.1 Proactive Audit Work Plan for quarter two is shown within Appendix A.

2.2.2 The Audit Partner (Pro-Active Audit & Counter Fraud) received 14 new referrals in quarter two to add to the three from quarter one, one of which has been past to the Investigations Team.

2.2.3 Four cases have been completed during the quarter resulting in:

- One Management Action Plan;
- Two Standard Setting's; and
- One No Case to Answer.

2.2.4 Eight recommendations were made during quarter two to improve the control environment.

3.1.1 During the quarter the investigations team:

- have recovered 11 properties with a nominal value of £198,000k;
- had seven Right to Buy applications withdrawn, with a nominal value of £608,928.46; and

3.1.2 The total net savings for the project from Oct 2015 to Sept 2016 is £2,535,748

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

1.1.1 In March 2016 the Audit Committee approved an Annual Audit Plan for the 2016/17 financial year totalling 602 days to Havering Audits and 395 days to auditing oneSource services across both authorities (997 audit plan days). In June, one audit, relating to ICT Data Warehouse was subsequently moved from the oneSource part of the Plan to the individual authorities' plans at Newham and Havering. As a result, the number of days in the Havering part of the Plan was increased to 612 days and the oneSource plan reduced to 370 days.

1.1.2 Revisions to the Havering / oneSource Internal Audit Plan 2016-2017

1.1.3 Introduction and Background

The Internal Audit Service is part of oneSource and had provided an integrated service to the two partner authorities before the London Borough of Bexley joined and the Assurance Service was restructured. Interviews took place throughout the summer months. Appointments were completed in August and the Service went live later in the month. The restructure is not yet fully populated, as there are currently 3 vacancies across the services at Senior Auditor level and 1 at Auditor/Trainee level. Some members of staff have changed roles and it is now evident that there are on the job training requirements. In addition, another member of staff will be commencing maternity leave imminently. The new structure will deliver additional resilience, financial savings and efficiencies required in line with the Joint Committee Business Case. However, the challenge of delivering the restructure along with ICT configuration and set up work has had an inevitable impact on the number of audit days available across the 3 boroughs. A fundamental review of current plans and resources to achieve them has taken place.

1.1.4 Audit Plan 2016/17

Under the Public Sector Internal Audit Standards, the Chief Audit Executive (Head of Assurance) is required to deliver a risk-based audit plan.

The annual plan was developed from a range of sources, including the Corporate Risk Register, and was been developed with the following objectives:

- It should include those audits where there is a mandatory requirement for the work;
- It should give an adequate level of assurance and have sufficient coverage; and
- It should be deliverable by the number and skills mix of staff.

Level of assurance and coverage

In developing the plan, and ensuring that an adequate level of assurance can be given, a number of factors have been taken into account. In particular, it is important that there is assurance about the core systems and processes.

Deliverables

The audit plan was developed to provide maximum assurance using the internal audit resource available. 612 days were allocated to Havering audits and 370 days to auditing oneSource services across the two authorities (982 days in total). Members were also consulted on the plan via a report presented to the Audit Committee in March 2016. However, having now had the opportunity to examine the Plan, there was insufficient provision for; contingencies, the effect of the restructure, the carry forward of prior year work and for the delivery of urgent or unplanned requests for additional work, which had been agreed prior to the restructuring of the Assurance Service. Going forward, such issues will be addressed in plans for 2017/18 and beyond. There are a number of vacant posts, with some staff having applied successfully for posts within and outside the borough. Others have moved into posts with some on the job training requirements and, as a result, it will be necessary to match available resources to individual skill sets.

It is estimated that the plan for 2016/17 could be reduced by 119 days to 863 days. This would comprise a reduction of 74 days in Havering audits and 45 days in oneSource audits. This would be completed with minimal impact on risk, provided that action is in place to deliver full capacity in 2017/18. This would be achieved by: risk assessing which tasks could be moved into 2017/18; reducing the numbers of days planned for the audit engagement; or, addressing the risk in another way. For example, work is being undertaken by the Principal Risk and Insurance Manager, who will be fundamentally reviewing the Risk Management approach at each authority and reporting back to the Audit Committee in due course.

The tasks which had been agreed to be added to the plan and those which are proposed to be rescheduled / removed from the 2016/17 Plan are detailed below:

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Previously Added to Plan (see Paragraph 2.4 **check**):

Directorate/Service	Audit Title	No. of Days
oneSource - ICT	Language Shop	15
oneSource - ICT	Print Room	18
oneSource	Total Added	**33**
Havering - Learning & Achievement	Traded Services Development & Engagement	20
Havering - Learning & Achievement	Schools Assurance Programme Development	45
Havering - Cross-cutting	Payment in Error	13
Havering - Cross-cutting	Advice & Assistance to Directorates	26
Havering - Cross-cutting	Amended provision for completion of 2015/16 work	51
Havering	Total added	**155**

Rescheduled / Removed from Plan:

Directorate/Service	Audit Title	No. of Days	Comments
oneSource	NNDR – Debt Recovery and Write Offs	25	Move to early 2017/18 as two other NNDR audits to be completed in 2016/17.
oneSource	Establishment	30	Move to early 2017/18 – recent service restructure.
oneSource	Staff Vetting	30	Move to early 2017/18 – recent service restructure.
oneSource	Total Rescheduled / Removed	**85**	
Havering – ICT	Security over Data Warehouse	25	Move to 2017/18 following risk assessment of audits in plan and availability of remaining budget. (originally in oneSource plan and moved across to Havering in early 2016/17)
Havering – Adult Services	Care Packages	20	Move to 2017/18 following discussions with Director over timing of audit.
Havering – Adult Services	Safeguarding	20	Move to 2017/18 following discussions with Director over timing of audit.

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Directorate/Service	Audit Title	No. of Days	Comments
Havering – Children's Services	Children's and Adults' Disability Service	20	Move to 2017/18 - recent service restructure.
Havering – Housing	Audit of Process following review by Chartered Institute of Housing (CIH).	20	Removed following discussion with Director of Housing. Review by CIH recently complete and follow up due in early 2017/18.
Havering – Streetcare	Parking Enforcement – Blue Badges	20	Move to 2017/18 following risk assessment of audits in plan and availability of remaining budget.
Havering - Cross-cutting	Compliance with Procurement Rules: Service TBC	40	Removed as there are already 2 audits taking place in 2017/18 with a focus on procurement (Children's Services and Streetcare).
Havering - Cross-cutting	Interface with One Oracle (Feeder systems TBC)	15	Amalgamated with the One Oracle audit in oneSource plan.
Havering	Total Rescheduled / Removed	**180**	
Overall			
oneSource	Net Adjustment (Removed – Added)	52	(85 Days less 33 Days)
oneSource	Other Adjustments	7	As noted in paragraph 1.1.4
oneSource	Total Adjustment	**45**	As noted in paragraph 1.1.4
Overall			
Havering	Net Adjustment (Removed – Added)	25	(180 Days less 155 Days)
Havering	Other Adjustments	49	As noted in paragraph 1.1.4 and to budgets remaining in Plan
Havering	Total Adjustment	**74**	As noted in paragraph 1.1.4
	Total Adjustment	**119**	**As noted in paragraph 1.1.4**

1.1.5 Audit Opinions – Levels of Assurance

1.1.6 Introduction

Members have been advised previously about the oneSource Assurance Service restructure. This new structure will deliver the required additional resilience, financial savings and efficiencies in line with the Joint Committee Business Case. To assist in achieving this, the effectiveness and efficiency of processes will be improved. A "One Policy, Strategy and Procedure" approach will be developed, which will ensure consistency across the three boroughs, with partners receiving the same service standard. With regard to Internal Audit, it will be ensured that audit work will be undertaken in accordance with the Public Sector Internal Audit Standards (PSIAS).

Some of this work was started to be undertaken before the formal creation of the new Assurance Structure. In particular, a consistent approach to the Audit Opinions given at the completion of each audit had been introduced earlier this year. However, although it is believed that this may have been discussed with some Members, it does not appear that this has been formally brought to the attention of the Audit Committee. This report addresses this omission.

1.1.7 Audit Outcomes – Levels of Assurance

Included in each audit report is an audit opinion. Previously, these were as noted below and defined as follows:

- **Full Assurance** – There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

- **Substantial Assurance** – 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.

- **Limited Assurance** – Limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

- **No Assurance** – Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Earlier this year, the Internal Audit team at Havering introduced revised levels of assurance. This was to ensure there would be a consistent approach to audit opinions given across the three boroughs after the Assurance Service had been restructured. These revised levels of assurance are defined as follows:

- **Substantial Assurance** – There is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.

- **Moderate Assurance** – Whilst there is basically a sound system of control within the areas reviewed, a need was identified to enhance controls and/or their application and to improve the arrangements for managing risks.

- **Limited Assurance** – There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

1.1.8 Audit Outcomes - Reporting

At the completion of each audit, following the issue of the final report, the Audit Committee is informed of the outcome of the audit. Where the audit opinion is assessed as Limited, it is proposed that the details of the report will continue to be submitted to the Committee for their consideration.

Where the audit opinion is assessed as Substantial Assurance, for the future it is proposed that a list of these audits will be prepared for the Audit Committee's information and consideration. Where the audit opinion is assessed as Moderate Assurance, as fundamental weaknesses in control have not been identified and the level of risk exposure is not significant, it is proposed that a list of these audits will be prepared for the Audit Committee's information and consideration. Further, more detailed, information about these audits will be made available upon request.

1.1.9 Options

Committee Members are requested to note and accept the revisions to the levels of assurance, which were introduced earlier this year. This will ensure that there is a consistent approach across the oneSource Audit Teams and assist with the implementation of the agreed "One Policy, Strategy and Procedure" approach, in line with the principles in the Joint Committee Business Case.

Committee Members are also requested to note the minor amendment to the reporting of audit outcomes, as noted in paragraph 1.1.8.

Alternatively, Committee Members may request that the levels of assurance revert back to those in operation earlier in the year. The reporting of audit outcomes would therefore remain unchanged.

1.2 Risk Based Systems and School Audits

1.2.1 As at 2nd October 2016, nine assignments had been completed and 21 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						
Direct Payments	Limited	5	9	0	14	B (1)
Disaster Recovery	Substantial	6	8	0	14	B (2)
Talent Link Application	Substantial	0	5	0	5	B (3)
Service Manager Follow Up	Substantial	N/A	N/A	N/A	N/A	B (4)
PARIS Follow Up	Substantial	N/A	N/A	N/A	N/A	B (5)
School Audits						
Dame Tipping Primary	Moderate	2	5	5	12	B (6)
Langtons Infants	Substantial	1	5	0	6	B (7)
Marshalls Park	Moderate	2	8	1	11	B (8)
Royal Liberty	Moderate	1	4	4	9	B (9)
Total		**17**	**44**	**10**	**71**	

1.2.2 Management summaries for the five system reports and 4 school reports are included under Appendix B: Audit Report Summaries.

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 2016. The total number of audits, where there will be a standard approach to deliverables for 2016/17 is 63.

Performance Indicator	Quarter 2 Target	Quarter 2 Actual	Quarter 2 Variance
Percentage of Audit Plan Delivered	47%	38%	-9%
Number of Briefs Issued	33	30	-3
Number of Draft Reports Issued	21	12	-9
Number of Final Reports Issued	18	9	-9

Performance has been affected by the time taken on the Assurance restructure and the additional work undertaken prior to the restructure, as noted earlier in this report.

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.

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1.5 Outstanding Audit Recommendations

			No. of Recommendations in the Original Report				Position as at 02/11/16	
Audit Year	**Area Reviewed**	**Director / HoS Responsible**	**Assurance Level**	**H**	**M**	**L**	**Complete**	**In Progress**
15/16	Accounts Payable	Exchequer & Transactional Services	Substantial	0	2	0	1	1
15/16	Accounts Receivable	Exchequer & Transactional Services	Substantial	0	3	0	2	1
15/16	Service Manager	Exchequer & Transactional Services	Substantial	2	4	1	5	2
15/16	Offsite Storage	ICT Services	Limited	3	3	0	0	6
			2015/16 Totals	**5**	**12**	**1**	**8**	**10**

2.1 Proactive Audit and Counter Fraud

2.1.1 Proactive work undertaken during quarter two is shown below:

Description	Risks	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.	Ongoing
Whistleblowing	All whistleblowing referrals.	Ongoing
Investigation Recommendations	The recording of all investigation recommendations, follow ups and assurance of implementation. 89 made 3 outstanding.	Ongoing
Freedom of Information Requests	To undertake all Freedom of Information Requests relating to Internal Audit Investigations.	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately.	Ongoing
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance.	Ongoing
Advice to Local Authorities	All Data Protection Act requests via Local Authorities, Police etc.	Ongoing

2.1.2 The proactive audit work comprises two elements:

- A programme of proactive audits; and
- Following up the implementation of recommendations made in previous corporate fraud investigation and proactive audit reports.

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 2016/17						
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
3	14	1	0	1	3	12

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

Source and Number of Referrals Quarter 2 2016/17	
Number of Referrals/ Type	**IA Reports Qtr. 2**
External Organisations / Members of the Public	1
Internal Departments	13
Total	**14**

2.2.3 The table below shows the number and categories of audit investigation cases received during quarter two, compared to the quarter one totals.

Reports by Category		
Audit Investigation Category	**Cases Qtr. 1**	**Cases Qtr. 2**
Breach of Code of Conduct	2	1
Breach of Council Procedures	0	2
Misuse of Council Time	0	2
Theft	0	3
Procurement	1	1
Miscellaneous	0	5
Total	**3**	**14**

2.2.4 The table below shows the case outcomes for Internal Audit investigations from July to September 2016.

Case Outcomes	
Outcome	**Qtr. 2**
Management Action Plan	1
Standard Setting	2
No case to answer	1
Total	**4**

2.3 Savings and Losses

2.3.1 The investigations carried out 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 There have been no savings or losses identified during quarter two of 2016.

2.4 Audit Investigation Recommendations

2.4.1 In 2015/16 there were 27 ‘Recommendations Not Yet Due’ carried forward. Eight recommendations were made at the end of September 2015.

Quarter 2 Audit Investigation Recommendations	
Total Recommendations	35
Recommendations Implemented	17
Recommendations Not Yet Due	11
Recommendations Slipped	7
Of Which High Priority	6

2.5 Investigations Team

2.5.1 During the quarter the majority of resource has been focused on the Tenancy Fraud Project. The Tables below shows the work undertaken on the project.

Housing Investigations – Visiting Team				
Quarter Two	**Tenancy Audit Visits**	**Tenancy Audits (Checks) completed**	**Referrals from Audit to Fraud**	**closed**
July	1975	627	13	614
Aug	1799	568	10	558
Sept	1637	543	12	531
YTD	15368	4744	350	4394

Investigation Team							
Quarter Two	**Cases Under Investigation (open cases)**	**NFA'D**	**Notice to Quit Served**	**Possession Order Granted**	**Total Properties Recovered**	**Cases referred for HB Fraud**	**RTB cancelled through audits**
July	134	9	4	0	6	3	1
Aug	142	8	6	1	4	1	4
Sept	153	3	1	0	1	0	2
YTD	N/A	167	14	6	27	24	27

2.5.2 Outcomes for the quarter include the following;

- Eleven properties were recovered with a nominal value of £198,000k;
- 7 Right to Buy applications were withdrawn, with a nominal value of £608,928.46
- The total net savings for the project from Oct 2015 to Sept 2016 is £2,535,748

Appendix B Summary of Audit Reports

Direct Payments	Schedule B (1)

1.1 Introduction

1.1.1 A Direct Payment is one of three types of personal budget awarded to any adult, carer or child who is assessed as needing care services. A Direct Payment allows the client to organise their support themselves and is an agreed amount of money paid by the Council to meet the needs identified in the client's or carer's support plan. A cash lump sum can be paid for an item that the client and their social care worker have agreed is necessary.

1.1.2 A Council Managed Budget is where the client wants the Council to organise their support.

1.1.3 An Individual Service Fund is an agreement made for a service provider to manage the client's personal budget. It must be spent in a flexible way to meet the client's needs. The client remains in control of how the money is spent.

1.1.4 The client can also have a mixture of the different types of payment.

1.1.5 At the time of the audit there were 740 adults, 164 children and 35 carers in receipt of a direct payment. The projected annual spend is gross £10,306,978, net £9,900,493 with a financial contribution of £409,554. The actual spend from 30th March 2015 to 08th November 2015 was £6,333,876 gross, of which £3,492.00 was for carers.

1.1.6 The Direct Payment awarded is dependent upon the need of the client or carer and is established by an initial assessment being carried out, followed by annual reviews.

1.1.7 The Care Act 2014 represents the most significant reform of care and support in more than 60 years and brings the previous laws relating to adult social care together in one law from April 2015. The Act also changes many aspects of how support is arranged and aims to give greater control and influence to those in need of support, with a strong focus on individual wellbeing.

1.2 Objectives and Scope

1.2.1 The audit of Direct Payments is included in the 2016/17 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.

1.2.2 The objective of the audit is to provide the Authority's management and the Audit Committee with assurance regarding:

- Compliance with the Care Act 2014;
- Assessment of the need of the client and subsequent reviews;
- Adequacy of the financial assessment;
- Safeguarding resources from fraud or abuse; and
- Production and review of accurate and relevant management information including performance monitoring.

1.2.3 The audit examined the internal control environment applied to mitigate the following potential key risks:

- Delivery of service is in accordance with legislative requirements; Care Act 2014, and Council rules & procedures;
- Procedures are not overly bureaucratic and /or acknowledge risk;
- Payments are authorised and correct;
- Ineligible amounts are not paid/fraud is prevented
- Errors/overpayments are detected;
- Transactions are supported by robust audit trails;
- Budgetary controls are maintained; and
- The system supports the production of suitable management information

1.3 Summary of Audit Findings

1.3.1 Direct Payment clients were tested as follows;

- Five Carers in receipt of a Direct Payment
- Ten clients in receipt of a Direct Payment between 2010 and 2012
- Ten clients in receipt of a Direct Payment since 2014. One of the clients was not eligible for a Direct Payment and therefore the results of the test are based on nine clients.

1.3.2 The Children's Direct Payment Procedure Guidance is not in place and approved.

1.3.3 Financial Assessments are not always being carried out within the 28 days specified in the Non-Residential Care Assessments Processes and Procedures Document.

1.3.4 Clients who are financially assessed as not eligible for a Direct Payment are not required to reimburse any monies received.

1.3.5 One client's Direct Payment commenced in July 2014 for the amount of £279.08 paid four weekly. There is no evidence on SWIFT that a financial assessment was carried out until 23 September 2015 when it was established that the client was not eligible for a Direct Payment. The Direct Payment paid between 8 July 2014 and 6 November 2015 amounted to £5163.00, which has not been reclaimed.

1.3.6 Clients or their financial representatives have the Financial Assessment undertaken in their home by a Visiting Officer. This process should be reviewed to establish if there is a more efficient and cost effective way of conducting the Financial Assessment.

1.3.7 Quarterly Monitoring Returns are not being submitted by all carers ensuring the Direct Payment is being used appropriately.

1.3.8 There is no procedure in place to ensure that a carers' Direct Payment is stopped if the cared for person goes into residential care.

1.3.9 Copies of documents not verified at the time of the financial assessment visit are not being scanned to the system to evidence they have been received.

1.3.10 Full financial re-assessments are not being carried out every three years.

1.3.11 The Non-Residential Care Assessments Processes and Procedure Document does not specify that financial re-assessments are to be undertaken every three years.

1.3.12 Credit checks are not carried out on clients who are in receipt of Disability Living Allowance (DLA) only. Clients in receipt of other benefits have checks carried out by the Department of Work and Pensions (DWP).

1.3.13 Clients are not requested to supply documents covering a specified period of time. E.g. a three, six and twelve month period to verify financial information.

1.3.14 Documentation in the form of receipts or invoices is not being requested and verified for allowable expenses.

1.3.15 The following documents are not always being scanned to the system;

- Signed and dated Support Plan;
- Commencement letter and contract; and
- Financial Assessment Form

1.3.16 The National Fraud Initiative data matching exercise has highlighted clients in receipt of a private pension which might not have been declared during their financial assessment. Further investigation established that this applied to four clients three of which were re-assessed and one who was deceased.

1.3.17 One client who was re-assessed was requested to supply only one bank statement to evidence the amount of the private pension and had not been re-assessed three years after their initial financial assessment was carried out.

1.3.18 A client has been withdrawing cash from their bank account to pay a carer, which is not permitted. The client has been reminded that this is not in accordance with their contract. A recommendation is not to be raised as the matter was addressed at the time of the audit and further incidences were not found.

1.4 Audit Opinion

1.4.1 A **Limited** Assurance has been given on the system of internal control.

1.4.2 The audit makes five high priority and nine medium priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to:

High

- The Children's Direct Payment Procedure Guidance should be put in place and approved;
- Clients who are financially assessed as not eligible for a Direct Payment should be requested to reimburse the full amount paid;
- Full Financial Assessments should be carried out every three years to ensure that the client is making the correct contribution towards the cost of their care;

- Credit checks should be carried out on clients who are not in receipt of benefits or in receipt of DLA only, to ensure that the information supplied by the client is correct. This would include bank accounts & savings, and identify ownership of a property other than where the client is permanently residing;
- Documents should be requested over specific periods of time to evidence income received. For example bank statements requested over a three, six and twelve month period will show any income which is received other than on a monthly basis.

Medium

- Financial Assessments should be carried out within 28 days as specified in the Non-Residential Care Assessments Processes and Procedure document;
- Management should review the way the financial assessment is carried out. For example, documents could be requested and received via post or taken to PASC and the financial assessment carried out at Council offices;
- Carers Financial Monitoring Returns should be submitted quarterly;
- Procedures should be put in place to ensure that Carer's Direct Payments are stopped if the cared for person (in receipt of a Direct Payment or Independent Service Fund) goes into a Residential Care Home;
- Documents not verified by the Visiting Officer at the time of the visit should be scanned to SWIFT to evidence they have been received;
- The Non-Residential Care Assessments Processes and Procedures should state that a financial re-assessment is to be carried out every three years;
- All documents should be requested to enable sufficient verification checks to be carried out. This includes documentation for allowable expenses such as utility bills/household insurance;
- Documentation should be scanned to the correct clients SWIFT account and include;
    - Signed and dated Support Plan
    - Commencement Letter and Contract
    - Financial Assessment Form
- Checks should be carried out to ensure that clients fully complete contract addendums/new contracts.

Disaster Recovery	**Schedule B (2)**

2.1 Introduction

2.1.1 Disaster recovery forms part of the overall business continuity management (BCM) process. BCM ensures that the council's processes are protected from disruption and that is able to respond positively and effectively when disruption occurs.

2.1.2 ICT continuity management makes sure that ICT and services are resilient and can be recovered within timescales required by and agreed with senior management. Effective BCM depends on ICT continuity management to ensure that the council can meet its objectives at all times, particularly during times of major disruption.

2.1.3 Disaster recovery forms an important part of good governance and organisational prudence in ensuring that the council has the ability to continue to function in the face of any disruption to its systems and is still able to perform its statutory or regulatory duties.

2.2 Objectives & Scope

2.2.1 Disruption to critical council systems without proper planning in the event of a disaster can be a huge risk, which could also damage the council's ability to perform and provide statutory and/or regulatory functions.

2.2.2 The main objective of the audit is to establish whether the council has a robust workable disaster recovery plan in place that is appropriately managed and aligns itself with the wider resilience agenda.

2.3 Summary of Audit Findings

2.3.1 Information supplied by ICT indicated that the DR plan had been approved by the ICT Senior Management Team (SMT). However, at the time of the audit there were no minutes of meetings available detailing that the DR plan had been approved by ICT (SMT), neither had details of the plan been circulated to SLT for information.

2.3.2 An email was sent to 16 officers listed on the DR plan as officers that should have a copy of the plan, requesting them to confirm which version of the plan they had in their possession. Information reported by officers identified the following;

- four officers indicated that they had version 6,
- one officer reported that they had version 9,
- two officers indicated that they had not been supplied with a copy of the plan,
- one officer was no longer employed by the oneSource partners,
- one officer was unsure of which version they had, and
- responses were not received from five officers.

2.3.3 Information was sought to confirm whether key officers involved in disaster recovery planning and other stakeholders meet regularly. Information supplied by ICT indicated that the DR plan is discussed at the monthly oneSource Performance Management meeting and that any actions are noted and followed

up at the next meeting, where necessary. ICT also indicated that it has traditionally been difficult to engage with customers and obtain their buy-in with the DR plan and/or testing. However, at the time of the audit, documentation and/or minutes of the oneSource Performance Management meetings were not supplied us. We were, therefore, unable to establish how frequently these officers attended these meetings.

2.3.4 The effective deployment of the DR plan requires that all officers with key roles and responsibilities within the plan are fully aware of their roles in the event of a disaster occurring. Enquiries were made with officers listed with Gold, Silver and Bronze roles in the DR Plan to ascertain whether they were individually aware of their responsibilities under the plan; further, to check that their contact details had been documented correctly in the plan and to confirm that excessive dependence had not been placed on any one officer. Detailed below are the issues identified:

- It was noted that the bronze, silver and gold co-ordinators did not have a deputy co-ordinator assigned to act in their absence in the DR plan;
- 13 officers were requested to provide information detailing whether they were aware of their roles and responsibilities as part of the DR plan. Two officers indicated that they were not aware of their roles, three officers indicated that they were partially aware of their roles, one officer was no longer employed by the oneSource partners and no responses were received from five officers.

2.3.5 Officers involved in disaster recovery duties should receive sufficient training to ensure that they are capable in performing the roles under pressurised situations. 13 officers with key DR roles were requested to provide information confirming whether they had received training on disaster recovery. Three officers indicated that they had not received training on disaster recovery, one officer reported that they had been provided with material but had not received formal training, one officer no longer worked for the organisation and responses were not received from five officers.

2.3.6 Information was sought from the officer responsible for disaster recovery and other key officers involved in executing the DR plan, in order to establish how frequently the DR plan is tested, which officers are involved in testing the plan and how test results are acted upon and communicated to senior management. Detailed below are the issues noted:

- 13 officers were requested to provide information detailing whether they had been involved or taken part in testing the DR plan in the last two years. Seven officers indicated that they had not been involved in testing the plan, one officer was no longer employed by the oneSource partners and no responses were received from five officers;
- As the DR plan is not tested periodically, test results are not communicated to ICT's SMT and the councils' CLT. Neither are assurances provided that backups can be successfully restored following a major incident.

2.3.7 Examination of the disaster recovery plan identified that it did not detail certain key parameters such as how systems interface with other systems. It indicated who the owner is for some systems and the purpose of the system but it did not cover all the systems listed. The DR plan also did not detail how often particular systems are run and whether they are dependent on critical timescales.

2.3.8 An examination was therefore performed to assess whether contractual arrangements between third party organisations and the council sufficiently fulfilled all the relevant criteria:

- The third party agreement supplied to audit indicated that the first 5 day test of the plan within the first 12 months was offered free as part of the contract. However, subsequent testing of the plan would be chargeable at £700 per day;
- The contract provided for audit examination did not detail any penalties on behalf of the 3rd party for any failure to adhere to their contractual obligations; and
- The contract examined had not been signed and dated by both parties with the relevant authority. The contract had only been signed and dated by an officer from the council and not by an officer from the 3rd party organisation

2.4 Audit Opinion

2.4.1 A **Substantial** Assurance has been given on the system of internal control.

2.4.2 The audit makes six high priority and eight medium priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to:

High

- The latest version of the DR plan should be circulated to all officers that should have a copy of the plan;
- Minutes of the oneSource Performance Management meetings should be documented, retained and disseminated to all connected parties in line with best practice;
- An exercise should be performed to ensure that all officers with key roles and responsibilities as part of the DR plan are made aware of their roles in the event of a disaster;
- Formal training should be arranged for all officers involved in disaster recovery to ensure that in the event of a disaster they are aware of their roles and responsibilities and perform them in a synchronised chronological order;
- The DR plan should be tested periodically, if not annually at least every two years and results of the tests should be formally communicated to ICT's SMT and CLT and any remedial action required should be performed as necessary; and
- All officers identified with key roles to play within the plan should also be involved in testing the plan.

Medium

- Minutes of meetings of the ICT (SMT) should be documented and retained clearly showing where key decisions have been agreed and action taken where relevant;
- Brief details of the plan should be circulated to Corporate Leadership Team (CLT) for information/approval;
- Bronze, silver and gold co-ordinators should all have a deputy co-ordinator assigned to act in their absence within the plan;

- The plan should also be updated and officers no longer employed should be removed from the plan;
- Consideration should be given to incorporating details of which systems interface with each other, the owner and the systems usage for all systems and whether they are dependent on critical timescales. This information can be incorporated in the DR plan supporting documentation referred to as "DR Scenarios - Priority Systems";
- Consideration should be given to including periodic testing of the plan in agreements with the third party organisations;
- Their should be clearly documented penalties where a 3rd party organisation fails to adhere to their contractual obligations; and
- Contracts should always be signed and dated by the relevant authorised officers from both organisations.

Talent Link Application	**Schedule B (3)**

3.1 Introduction

3.1.1 Lumesse TalentLink is an e-recruitment system used by both Havering and Newham councils for the recruitment of all staff except agency workers.

3.2 Objectives and Scope

3.2.1 To establish whether there is an adequate control environment within Talent Link, application controls (conforming to confidentiality, data integrity and availability) are working as expected, and that they are appropriate to enable the achievement of the system's objectives.

3.3 Summary of Audit Findings

3.3.1 The embedded password rules do not support strong passwords.

3.3.2 There is currently no internal oversight or monitoring of the administrators' activity.

3.3.3 There is no escrow agreement in place for this contract, and it is unclear whether this had been considered.

3.3.4 A report on user activity (audit trail), could not be run.

3.3.5 There are no arrangements in place, to review records, after transactions have been completed, to ensure that they are accurate.

3.4 Audit Opinion

3.4.1 A **Substantial** Assurance has been given on the system of internal control.

3.4.2 The audit makes five medium priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to:

- Changing the password convention should be explored;
- Protocols for the Global System Administrator (GSA) and Local System Administrators (LSAs), when carrying out support activity should be established;
- The need for an escrow agreement should be considered to ascertain whether it would be necessary to have one in place;
- If there is capability for the GSA or LSAs to generate a bespoke report to monitor user activity, this should be raised as a support call with Lumesse for guidance on how this could be done; and
- Records should be reviewed and any anomalies identified. These should then be analysed and procedural weaknesses cited in user group meetings. The GSA should ascertain through networking what management information is available to support monitoring responsibilities.

Service Manager Follow Up	**Schedule B (4)**

4.1 Background

4.1.1 An audit of Service Manager was undertaken in September 2015 as part of the Council's 2016/2017 audit plan.

4.1.2 The review resulted in a Limited Assurance on the system of internal control being given. The opinion reflected the fact that limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

4.1.3 The report made seven recommendations, comprising of two high, four medium and one low priority recommendations.

4.1.4 All recommendations were accepted by management and were due to be implemented by May 2016.

4.1.5 This review aims to assess progress made to implement the recommendations raised in the November 2015 report.

4.2 Progress on Implementation

4.2.1 This review found that five of the seven recommendations have been fully implemented with the remaining two partially complete.

4.2.2 Customers were to be made aware of the need to include the call reference as part of the initial contact with Shared Services. The automated email that is sent to customers who place a call now includes the need for them to quote the call reference when contacting Shared Services with regard to that issue.

4.2.3 At the time of the audit 'How To' guides were being created. These have now been completed and are available to all staff using Service Manager.

4.2.4 When the severity of calls were changed the customer wasn't made aware of this change. This change in severity has a direct impact on the delivery timescales. A standard email template to be sent to the customer was designed to include a change in severity; the use of this template went live in March 2016.

4.2.5 Training for staff designing reports has been completed; reports have now been designed within the system.

4.2.6 Reports have been written that will give each service area access to information relating to calls managed and completed. These reports can be interrogated further to provide more detail and allow managers to scrutinise performance and service delivery. Reports will be made available to each individual service once the data has been verified.

4.2.7 Spot checks on calls will be carried out when reports are made available to individual services.

4.2.8 Each severity has an expected delivery timescale; at the time of the audit there was not an expected delivery time for calls that were severity 6. This therefore meant that there was not an expectation to record this call resulting in these calls not being reported on. The expected delivery timescale for severity 6 calls is now two months.

4.3 Conclusion

4.3.1 Five of the Seven recommendations have now been implemented with the remaining two partially completed. Action has been taken to address key weaknesses within the Service Manager process and therefore the audit assurance has increased to **Substantial Assurance** which means that there is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.

4.3.2 There are no plans to carry out a further follow up review on this area and the two remaining partially completed recommendations will be monitored though our quarterly recommendations reporting process.

PARIS Follow Up	Schedule B (5)

5.1 Introduction

5.1.1 As part of the Internal Audit Plan, we have a commitment to conduct follow ups of our previous limited assurance audit reports. This follow up is to assess the actions taken to implement the recommendations arising from a previous audit of the Paris (Cash Receipting) application in January 2015.

5.2 Progress on Implementation

5.2.1 From discussions and information provided by the Senior Team Lead - Systems & Reconciliations, we collated the actions that have been taken since our recommendations were made. Testing was carried out to confirm that the actions have been undertaken and that controls are being operated effectively.

5.2.2 Four recommendations were followed-up from the previous audit report; detailed below is the current status of the recommendations.

Priority	Number of Recommendations	Fully Implemented	Partly Implemented	Not Implemented
High	**3**	**1**	**1**	**1**
Medium	**1**	**1**	**-**	**-**

5.2.3 Summary of high priority recommendations not yet implemented:

It is recommended that the ICT Applications Manager should consider carrying out a data restoration exercise, to confirm that backed up data could be restored to a usable state, if required. As at the beginning of July 2016, a quote had been received from the software supplier. The council has also requested some dates from the provider on when the restore can be tested.

5.3 Conclusion

5.3.1 For the area under review, it is Audit's conclusion that the revised audit opinion is a Substantial Assurance.

Dame Tipping Primary School	**Schedule B (6)**

6.1 Introduction

6.1.1 The audit of Dame Tipping Primary School was undertaken as part of the rolling programme of triennial school audits as set out in the Council's 2016/2017 audit plan.

6.1.2 Dame Tipping Primary School was last audited in May 2013 when the completion of the Triennial Audit resulted in **Substantial Assurance** on the system of internal control being 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.

6.1.3 The May 2013 report made six recommendations, comprising of three medium and three low priority recommendations.

6.1.4 Dame Tipping Primary School was also traded an Audit Health Check in February 2015 which resulted in a Substantial Assurance.

6.1.5 The February 2015 report made nine recommendations, comprising two high, four medium and three low priority recommendations. Progress to implement all previous recommendations has been reviewed as part of this audit.

6.2 Scope and Objectives

6.2.1 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:

- Leadership and Management;
- Strategic Planning & Risk Management;
- Financial Management;
- Income;
- Expenditure;
- Account Management;
- HR & Payroll; and
- Asset Control & Data Security.

6.3 Summary of Audit Findings

6.3.1 This review found that five of the six recommendations raised in January 2014 report have been fully implemented.

6.3.2 The one outstanding recommendation related to raising orders on the system before invoices are received. This recommendation has been reiterated as part of this report.

6.3.3 This review found that all nine of the recommendations raised in February 2015 had been fully implemented.

6.3.4 The Scheme of Delegation did not accurately match when compared to the Bank Mandate and Finance Policy.

6.3.5 The School Information Regulations states that information relating to governor pecuniary interests and attendance at meetings is to be published on the school website of maintained schools.

6.3.6 No checks have been carried out to ensure staff that use their car for work purposes have the relevant documentation. Templates have been provided to the school following the audit visit.

6.3.7 The Emergency Plan relating to the school includes responsibilities directed at the ex-Deputy Head Teacher.

6.3.8 Accruals entered onto the system at the year-end had not been approved prior to being entered.

6.3.9 The school Charging Policy did not contain a threshold for which refunds would be offered to parents in the event of schools trips making a profit.

6.3.10 Summary income and expenditure reports had not been completed for school trips to allow for an accurate review of the cost to the school and whether a profit/ loss was made.

6.3.11 The Finance Policy included procurement thresholds that are no longer relevant. Current thresholds were supplied to the school following the visit.

6.3.12 Procurement testing found that invoices are not signed by an authorised signatory to signify that the invoice is permitted for payment.

6.3.13 Hourly rates for additional hours timesheets should be included on the timesheet to enable accuracy checks to be carried out against payroll reports. The hourly rates are available from the LBH Payroll team.

6.3.14 Two Governors did not have a DBS that was specific to their role as a governor.

6.3.15 When equipment loaned to staff is returned to the school there is no verification on the register from an independent person to show that the items have been received back into the school.

6.4 Assurance Level and Recommendations

6.4.1 A **Moderate Assurance** has been given on the system of internal control.

6.4.2 This audit makes two high, five medium and five low priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to the need for:

High

- To ensure that members of staff who use their own car on school business are legally entitled to do so, checks on individuals documentation should be carried out.
- All staff and Governors should be subject to a DBS check every three years in line with the Councils expectations.

Medium

- The Scheme of Delegation/ Delegated Authority should align with the following documents:
  - Finance Policy and Procedures
  - Bank Mandate
- Governor pecuniary interests should be published on the school website in accordance with statutory requirements and should include any additional governor roles.
- A profit and loss summary should be completed at the end of each school trip. The summary should be signed by the person completing the reconciliation, signed by an appropriate signatory.
- Key documents (orders, invoices, cheque slips / Bacs reports) should be authorised in accordance with the delegated authority.
- The return of equipment on loan should be independent verified (by signature).

Low

- The Emergency / Business Continuity Plan should be updated to include clear roles, responsibilities and action to be taken.
- Accruals should be approved by the Head Teacher prior to processing.
- The Charging Policy should include a financial threshold above which refunds will be given.
- The school should adopt the financial thresholds provided by the Council in regard to procurement processes.
- Rates should be available and used to populate time sheets to ensure the accuracy of checks on payroll reports.

Langtons Infant School	**Schedule B (7)**

7.1 Introduction

7.1.1 The audit of Langtons Infant School was undertaken as part of the rolling programme of triennial programme of school audits as set out in the Council's 2016/2017 audit plan.

7.1.2 Langtons Infant School was last audited in July 2012 when the completion of the Triennial Audit resulted in Substantial Assurance on the system of internal control being given. The opinion reflected the fact that there is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.

7.1.3 The July 2012 report made five recommendations, comprising of one high, two medium and two low priority recommendations. Progress to implement these recommendations has been reviewed as part of this audit.

7.1.4 Langtons Infant School also traded an Audit Health Check in December 2014 which resulted in a Substantial Assurance.

7.1.5 The December 2014 report made five recommendations, comprising one medium and four low priority recommendations. Progress to implement all previous recommendations has been reviewed as part of this audit.

7.2 Objectives & Scope

7.2.1 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:

- Leadership and Management;
- Strategic Planning & Risk Management;
- Financial Management;
- Income;
- Expenditure;
- Account Management;
- HR & Payroll; and
- Asset Control & Data Security.

7.3 Summary of Audit Findings

7.3.1 This review found that four of the five recommendations raised in July 2012 report have been fully implemented.

7.3.2 The one outstanding high recommendation related to checks being carried out to ensure staff using their car for work purposes have the relevant documentation.

7.3.3 This review found that three of the five recommendations raised in December 2014 had been fully implemented. The outstanding recommendations included

one medium recommendation which also related to the checking of documentation relating to staff using their own car for business use.

7.3.4 The final outstanding low recommendation related to the need to complete a DBS check for all governors. These recommendations have been reiterated as part of this review.

7.3.5 The School Improvement Plan did not contain estimated costs to complete the objectives identified. Identifying the expected cost of delivery will enable the school to adequately budget for the expenditure.

7.3.6 The Asset Management Plan (AMP) did not contain estimated costs to complete the objectives identified. Identifying the expected cost of delivery will enable the school to adequately budget for the expenditure.

7.3.7 The AMP did not include completion dates for work to be carried out by. It was therefore unclear as to what work was being prioritised within the current plan. Planning expected delivery will also enable the school to consider which works are needed and the costs involved when completing the school budget.

7.3.8 The Health and Safety Plan did not contain estimated costs to complete the objectives identified.

7.3.9 Driving disclaimers had not been completed for any staff members. Completion of the disclaimer allows the school to keep a record of who has declared that they do/ do not drive. The school need only then complete full checks for those staff declaring to drive.

7.3.10 The school have set a deficit budget of £81,000. The school have put plans in place to reduce this budget and submitted this to the borough LMS team.

7.3.11 All income and expenditure relating to school trips is currently processed through the school fund account.

7.3.12 One Governor did not have a DBS that was specific to their role as a governor.

7.4 Assurance Level and Recommendations

7.4.1 A **Substantial Assurance** has been given on the system of internal control.

7.4.2 This audit makes one high and five medium priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to the need for:

High

- All staff and Governors should be subject to a DBS check every three years in line with the Councils expectations.

Medium

- The financial / resource costs required to deliver the objective should be documented within the School Improvement Plan and incorporated into the budget.

- Works should be supported by an expected completion date, documented within the Asset Management Plan.
- The costs required to deliver works should be documented within the Asset Management Plan and incorporated into the budget.
- Works should be supported by an expected completion date, documented within the Health and Safety Plan.
- All staff should complete the Driving Disclaimer.

Marshalls Park School	**Schedule B (8)**

8.1 Introduction

8.1.1 The audit of Marshalls Park School was undertaken as part of the rolling programme of triennial school audits as set out in the Council's 2016/2017 audit plan.

8.1.2 Marshalls Park School was last audited in February 2013 when the completion of the Triennial Audit resulted in **Substantial Assurance** on the system of internal control being given. The opinion reflected the fact that there is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.

8.1.3 The February 2013 report made ten recommendations, comprising of two high, five medium and three low priority recommendations. Progress to implement these recommendations has been reviewed as part of this audit.

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:

- Leadership and Management;
- Strategic Planning & Risk Management;
- Financial Management;
- Income;
- Expenditure;
- Account Management;
- HR & Payroll; and
- Asset Control & Data Security.

8.3 Summary of Audit Findings

8.3.1 This review found that seven of the ten recommendations raised in the February 2013 report have been fully implemented.

8.3.2 The three outstanding recommendations have been reiterated as part of this report and related to:

- The annual stock check to be signed off and presented to governors (Medium);
- Orders to be raised on SIMS before invoices are received (Medium); and
- Timesheets to be authorised in line with delegated authority (Medium).

8.3.3 The School Information Regulations states that information relating to governor pecuniary interests and attendance at meetings is to be published on the school website of maintained schools.

8.3.4 The School Improvement Plan was finalised during the audit visit. This had not therefore been seen or approved by the Governing Body at the time, but is expected to be taken to the next Governing Body meeting.

8.3.5 The School Improvement Plan does not have estimated costs relating to achieving the objectives within the plan.

8.3.6 The Health and Safety action plan does not include estimated costs relating to achieving the objectives within the plan.

8.3.7 Adequate arrangements have been agreed and confirmed to relocate pupils to an alternative short term location.

8.3.8 The school have a deficit budget of £90,000. The school have put plans in place to reduce this budget and submitted this to the borough LMS team.

8.3.9 Orders were being raised on the system after receipt of an invoice. This process should be completed in advance of invoices being received to commit spend within the system and allow for more accurate budget monitoring.

8.3.10 The schools bank mandate does not accurately match to the Scheme of Delegation detailed within the Finance Policy.

8.3.11 The payroll reports are checked for accuracy by the School Business Manager. A secondary check on the SBM salary is currently not being completed.

8.3.12 Hourly rates for additional hours should be included on the timesheet to enable accuracy checks to be carried out against payroll reports. The hourly rates are available from the LBH Payroll Team.

8.3.13 Of eight additional hours timesheets, three were found to have been authorised by staff who were not included on the delegated authority list.

8.3.14 The schools inventory has not been adequately maintained.

8.4 Audit Opinion

8.4.1 A **Moderate Assurance** has been given on the system of internal control.

8.4.2 This audit makes two high priority, eight medium and one low priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to the need for:

High

- Action should be taken to address and reduce the raising of orders retrospectively;
- Inventory processes and responsibilities to be implemented.

Medium

- Governors pecuniary interests and governor attendance at meetings to be published on the School's website;

- The financial / resource costs required to deliver the School Improvement Plan objectives to be documented within the plan;
- The costs required to deliver works identified through Health and Safety to be documented within the plan and incorporated into the budget;
- Action should be taken to determine a location to safely house staff and pupils in the event of the school buildings needing to be closed.
- Payroll details of the person checking the payroll report should be subject to independent verification;
- Staff timesheets should be retained and kept with the monthly timecard to which they relate.
- Rates should be available and used to populate time sheets to ensure the accuracy of checks on payroll reports;
- Time sheets should be approved in accordance with the delegated authority.

Low

- The bank mandate should be amended to reflect the authorised signatories set out in the delegated authority.

Royal Liberty School	**Schedule B (9)**

9.1 Introduction

9.1.1 The audit of Royal Liberty School was undertaken as part of the rolling programme of triennial school audits as set out in the Council's 2016/2017 audit plan.

9.1.2 Royal Liberty School was last audited in February 2015 when the completion of the audit Health Check resulted in Substantial Assurance on the system of internal control being given. The opinion reflected the fact that there is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.

9.1.3 The February 2015 report made five recommendations, comprising of four medium and one low priority recommendations. Progress to implement these recommendations has been reviewed as part of this audit.

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:

- Leadership and Management;
- Strategic Planning & Risk Management;
- Financial Management;
- Income;
- Expenditure;
- Account Management;
- HR & Payroll; and
- Asset Control & Data Security.

9.3 Summary of Audit Findings

9.3.1 This review found that all of the five recommendations raised in February 2015 report have been fully implemented.

9.3.2 The Terms of Reference for the Full Governing Body could not be located.

9.3.3 Information relating the Governor pecuniary interests and attendance at meetings has not been published on the schools website as per legislative requirements.

9.3.4 Strategic plans for the school have not been formally approved by the Governing Body. (SIP & Asset Management Plan).

9.3.5 There is no Health & Safety Plan in place. The school were unaware of this requirement and therefore a recommendation is not being raised. However, a member of staff from the Health & Safety team will be contacting the School Business Manager to clarify what is required.

9.3.6 Checks on documents for members of staff using their vehicle on school business are not being carried out.

9.3.7 Budget monitoring documents are not being retained.

9.3.8 The Charging Policy is not being reviewed by Governors annually.

9.3.9 The end of trip profit and loss summary is not being presented to Governors.

9.3.10 Approval of Petty cash vouchers does not align with the Finance Policy & Procedures Scheme of Delegation.

9.3.11 Users of the SIMS System do not align with the Finance Policy & Procedures.

9.3.12 Evidence obtained from the bank regarding the de-activation of a charge card had not been retained on file.

9.3.13 Spot checks are not carried out on the member of staff who undertakes the monthly payroll checks to ensure that their pay is correct.

9.3.14 Rates of pay are not available to check ensuring that members of staff claiming additional payments are receiving the correct pay.

9.4 Audit Opinion

9.4.1 A Moderate Assurance has been given on the system of internal control.

9.4.2 This audit makes one high, four medium and four low priority recommendations that aim to mitigate the risks within the above audit findings. Recommendations relate to the need for:

High

- To ensure that members of staff who use their own car on school business are legally entitled to do so, checks on individuals documentation should be carried out.

Medium

- Governor's Pecuniary Interests and attendance at meetings should be published on the Schools website in accordance with statutory requirements and should include any additional Governor roles;
- The School Improvement Plan and the Asset Management Plan should be presented to the Governing Body for formal approval;
- Payroll details of the person checking the payroll report should be subject to independent verification.
- Pay rates should be available and used to populate time sheets to ensure the accuracy of checks on payroll reports.

Low

- The Terms of Reference for the Governing Body should be located;
- The Charging Policy should be reviewed / approved annually by Governors, in line with the Borough's Financial Regulations document.

- The Finance Policy & Procedures should be amended to reflect approvers of Petty Cash vouchers and approved users of the FMS system.
- The profit and loss summary should be presented to Governors for information purposes.

Audit Committee, 29 November 2016

Appendix C: List of High Risk Recommendations and status

Of the five high priority recommendations due, one has been completed and four remain in progress.

Audit Year	Area Reviewed	Director / HoS Responsible	Recommendation	Status
15/16	Service Manager	Exchequer & Transactional Services	Training to be undertaken by those staff responsible for creating performance reports.	Complete
			Reports to created/ extracted that accurately reflect the performance against agreed objectives.	In Progress
15/16	Offsite Storage	ICT Services / Finance	Market testing for offsite storage should be carried out as soon as possible, to identify whether value for money is being achieved.	In Progress
			Officers should ask Iron Mountain for a copy of their disaster recovery plan and enquire whether it has been tested recently.	In Progress
			Officers should satisfy themselves that the current security arrangements are robust.	In Progress