

<b>AUDIT PANEL</b>		
<b>Report Title</b>	Internal audit report for the School Forum for 2015/16	
<b>Key Decision</b>	No	Item No. 6
<b>Ward</b>	All	
<b>Contributors</b>	Head of Corporate Resources	
<b>Class</b>	Part 1	Date: 6 October 2016

### 1. Purpose of this report

- 1.1. This report presents members of the Schools' Forum with a summary of the 2015/16 (fiscal year) internal audit work in schools.

### 2. Recommendations

- 2.1. That the Schools' Forum

- Note this report and the proposed change to include an assurance opinion on the key risks of governance, procurement and assets for 2017/18.
- Request officers write to schools highlighting the main recommendations in the report.

### 3. Background

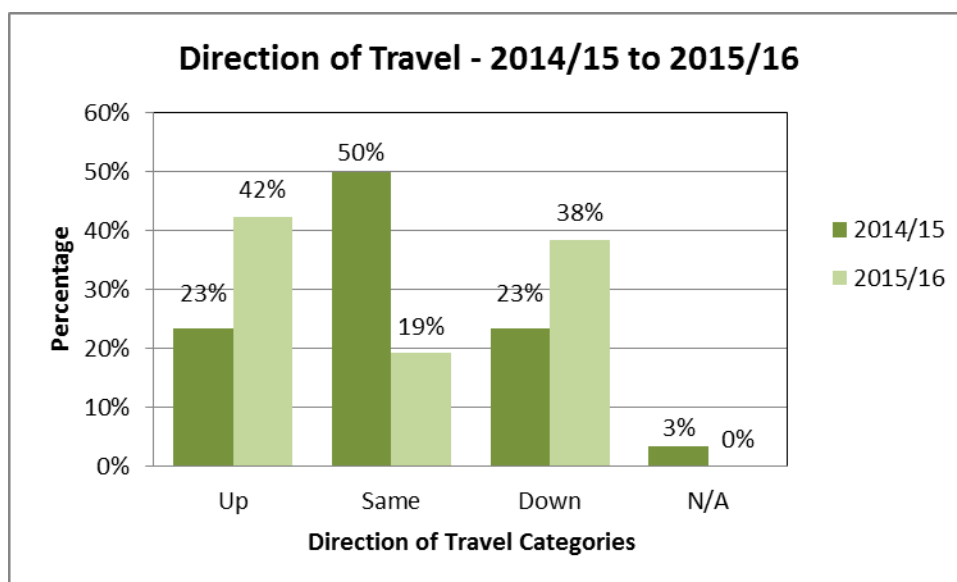
- 3.1. All schools under the responsibility of the Council have an internal audit every three years. Members' agree the schools' audit plan around February / March for the following fiscal year (April to March). The Royal Borough of Greenwich conducted all of the school audits during 2015/16 under a Service Level Agreement (SLA).
- 3.2. Internal audit use the same scope for testing at each school. The scope covers nine high-risk (non-teaching) areas which include; Procurement (purchasing), Governance, Asset Management, Banking, Budget Monitoring, Income, Recruitment, Payroll, and Data Security (DPA).
- 3.3. Internal audit assesses the controls in these risk areas and provides an opinion on the effectiveness of them to Governors, School Senior Management, and Senior Management at Lewisham Council. The overall assurance opinion categories are Substantial, Satisfactory, Limited and No Assurance.
- 3.4. Where appropriate internal audit will make recommendations to help management improve these controls to minimise the risks. Recommendations are ranked using three levels, High, Medium and Low.

### 4. Audit assurance opinion

- 4.1. In 2015/16 26 schools had an internal audit. The number of schools with a Limited or No assurance opinion remains low, with only two schools having a Limited opinion (one primary and one special). The rest of the schools had either a Substantial (8) or Satisfactory (16) assurance opinion. The definitions of the assurance opinions and the categories of the recommendation are in Appendix 2.
- 4.2. The overall assurance opinion for the year for all the schools' is Satisfactory. This is consistent with the previous year. Councillors were informed of this opinion in the annual assurance report presented to them at the June 2016 Audit Panel meeting. The annual assurance report feeds into the Annual Governance Statement (AGS), which forms part of the Council's financial accounts.
- 4.3. A list of the schools that had an audit can be found in Appendix 1. It details the audit opinion, number of recommendations made, and the date of the final report.

**5. Direction of travel**

- 5.1. In addition to providing an assurance opinion, internal audit also notes the direction of travel for each school. It compares the audit assurance opinion from the last audit (normally three years earlier) to the current assurance opinion.
- 5.2. The graph below show the direction of travel for 2015/14 compared to 2014/15. It shows that 38% of the audits have a lower audit opinion than last time. This does not necessarily mean they have a negative opinion. They could have moved from Substantial to Satisfactory, which are both positive opinions. In addition, 42% of schools audit opinions have improved since the last audit, which is a step in the right direction.



**6. Follow-up reviews**

- 6.1. Where a school has had a negative assurance opinion, (Limited or No Assurance), internal audit will conduct a formal follow-up review, normally nine months after the final report. This allows time for the agreed actions to be implemented and assessed.
- 6.2. During the internal audit review, the auditor will review the status of all the agreed High and Medium recommendations made and provide a brief report to Senior Management

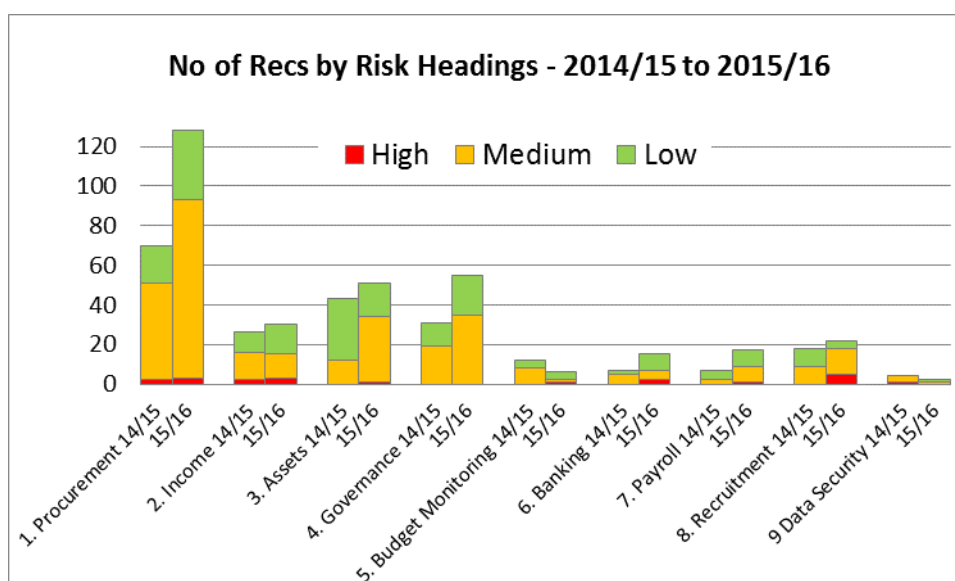
at the school, Chair of Governors and relevant Senior Management at the Council. These follow-up reviews are in addition to any updates provided by the school to the CYP Directorate.

- 6.3. For 2015/16, the two schools that had negative opinions had their follow up reviews done in April and May 2016. The status of the recommendations at the time of the follow-up are set out in the table below.

Audit Followed – Up	Original Opinion	Original Final Rpt Date	Follow-up Rpt Date	Implemented	In Progress	Not Implemented	Total
Adamsrill Primary	Limited	26/08/15	26/04/16	9	5	2	16
Watergate Special	Limited	11/08/15	09/05/16	11	1	1	13

## 7. Recommendations

- 7.1. The auditor will make recommendations where improvements to controls are required. A comparison to the number of recommendations made for the previous year can be seen in the graph below.



- 7.2. As you can see, the main areas where the majority of recommendation are made are Procurement, Governance, and Assets. This is a consistent theme. There has been an increase of medium recommendations in Procurement compared to last year. There does not seem to a particular reason for this. However, the majority of secondary schools were audited in 2015/16 so this may account for the increase.

- 7.3. The main findings in Procurement are:

- Non-compliance with the procurement levels set by the Council, EU regulations and the school's own procurement levels.
- Purchase Orders (PO) not being raised (and therefore commitment to spend not approved).
- POs not completed prior to purchasing the goods or receiving the invoice.
- Lack of separation of duties in the procurement process.

- Not obtaining authorisation from the Council's payroll department to pay individuals from the schools bank account (rather than through payroll).
- Purchasing alcohol, gift vouchers, payment to staff social events and leaving / birthday presents out of schools main bank account.

7.4. The main findings in Governance:

- Lack of approval from Governing body for finance policy and / or local scheme of delegation.
- Finance policy not being updated with key changes.
- Register of interest forms not completed by governors or staff with financial responsibility (or staff that can influence spend).
- Governors not declaring invoiced work at the school they are a governor at.
- Voluntary Fund / School Fund not audited and presented to governors for approval.
- Changes to the schools website regarding governors not being done in a timely manner.

7.5. The main findings for Assets Management:

- Lack of segregation of duties - the officer who maintains the asset register also completes the stock take.
- Asset register not in place or not containing all the appropriate assets.
- Annual stock take not done.
- Write off policy not in place.
- Write off of assets not documented or authorised.
- Assets not appropriately security marked.

7.6. In light of these same key risks – governance, procurement and assets - continuing to be the ones on which internal audit raise significant recommendations, for the next three year review cycle starting in 2017/18 internal audit will revise their assurance reporting. In addition to providing the assurance opinion from the audit, as part of this a specific assurance opinion on these three key risks will also be given (using the same scales).

## 8. Conclusion

- 8.1. Overall, although the assurance opinions remain positive for the majority of schools the same types of recommendations continue to be made in a significant proportion of schools in the same areas - governance, assets and procurement. For the next round of audit reviews an assurance opinion on these three risks will be provided, as well the overall one for the audit.
- 8.2. To improve controls in schools and avoid the financial and reputational risks associated with any failure for these reasons, internal audit recommends that the Governors consider including a review of recommendations from internal audit and/or other reports as a regular agenda item. This will enable them to monitor the progress of actions to address recommendations and respond to any issues that may arise.

## 9. Financial implications

There are no financial implications arising directly from this report.

**10. Legal implications**

There are no legal implications arising directly from this report.

**11. Crime and disorder implications**

There are no crime and disorder implications arising directly from this report.

**12. Equalities implications**

There are no equalities implications arising directly from this report.

**13. Environmental implications**

There are no environmental implications arising directly from this report.

**14. Background Papers**

If there are any queries on this report, please contact David Austin, Head of Corporate Resources, on 020 8314 9114, or email him at: [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk) .

## Appendix 1 - Schools' audited in 2015/16

School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
Watergate	Limited	1	12	10	Procurement, Banking, Budget Monitoring, Governance, Recruitment, Payroll, DPA, Income and Asset Management	11/08/15
Adamsrill School	Limited	1	15	6	As above	26/08/15
Abbey Manor College	Satisfactory	-	11	10	As above	16/09/15
Athelney Primary School	Satisfactory	-	7	1	As above	10/03/16
Bonus Pastor RC College	Satisfactory	1	8	10	As above	15/12/15
Chelwood Nursery	Satisfactory	1	12	3	As above	22/10/15
Deptford Green Secondary	Satisfactory	-	8	4	As above	15/10/15
Edmund Waller Primary	Satisfactory	1	8	-	As above	18/09/15
Forest Hill Secondary	Satisfactory	-	11	5	As above	25/02/16
Holbeach Primary	Satisfactory	-	10	1	As above	03/02/16
Kender Primary	Satisfactory	-	7	2	As above	06/07/15
Launcelot Primary	Satisfactory	-	7	4	As above	23/02/16
Our Lady and St Philip Neri RC Infant and Jnr	Satisfactory	3	9	9	As above	04/02/16
Trinity All Through CE Secondary	Satisfactory	2	6	2	As above	13/11/15
Sedgehill Secondary	Satisfactory	3	7	-	As above	26/04/16

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School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
Kilmorie Primary	Satisfactory	1	11	1	As above	22/04/16
Prendergast Hilly Fields College (Secondary)	Satisfactory	1	9	-	As above	29/07/16
Prendergast Ladywell Fields College (Secondary)	Satisfactory	1	9	1	As above	29/07/16
Addey & Stanhope Secondary	Substantial	-	2	2	As above	19/08/15
Conisborough College - (Colfe's Associated School)	Substantial	-	2	13	As above	15/10/15
Fairlawn Primary	Substantial	-	4	-	As above	02/10/15
Forster Park Primary	Substantial	-	5	10	As above	27/01/16
St Mary Magdalen's Catholic	Substantial	-	5	1	As above	02/07/15
St Michael's CE Primary	Substantial	-	4	8	As above	19/10/15
Sydenham Secondary	Substantial	-	6	7	As above	27/11/15
Prendergast Vale College (Secondary)	Substantial	-	3	1	As above	29/07/16

## Appendix 2 - Definitions of audit opinions and categories of recommendations

Level	Definition
Substantial Assurance ★	A strong framework of controls is in place to ensure that the service area is more likely to meet their objectives. In addition, the controls in place are continuously applied or with only minor lapses.
Satisfactory Assurance ●	A sufficient framework of controls is in place, but could be stronger to improve the likelihood of the service area achieving its objectives. In addition, the controls in place are regularly applied, but with some lapses.
Limited Assurance ▲	There are limited or no key controls in place. This increases the likelihood of the service area not achieving its objectives. Where key do controls exist, they are not regularly applied.
No Assurance ■	There is no framework of key controls in place. This substantially increases the likelihood that the service area will not achieve its objectives. Where key controls do exist, they are not applied.

### Definitions of Category of recommendations.

<b>High</b>	It is crucial that this recommendation is implemented immediately. This will ensure that service area will significantly reduce its risk of not meeting its objectives.
<b>Medium</b>	Implementation of this recommendation should be done as soon as possible, to improve the likelihood of the service area meeting its objective.
<b>Low</b>	Implementation of this recommendation would enhance control or improve operational efficiency.