

AUDIT PANEL		
Report Title	Internal Audit update report	
Key Decision	No	Item No. 4
Ward	ALL	
Contributors	Head of Corporate Resources	
Class	Part 1	Date: 6 December 2016

1. Purpose of the report

1.1. This report presents members of the Audit Panel with:

- Progress against the internal audit plan; and
- Progress of implementation of internal audit recommendations.

2. Recommendations

2.1. It is recommended that the Audit Panel note this report and the attached report to Schools' Forum.

3. Background

3.1. Internal Audit is a statutory service that provides management and members with independent assurance on the control environment within the Council.

3.2. Internal audit service consists of an in-house team that is supported by external service providers.

3.3. The in-house team consists of the Head of Corporate Resources (Head of Internal Audit), the Internal Audit Contract Manager, and three principal auditors.

4. Executive Summary

4.1. Internal audit progress update - 2016/17 - 42 out of the 67 planned corporate audits are work in progress, with ToR agreed and fieldwork scheduled or underway. There was one additional audit added to the plan and one dropped since the last meeting.

4.2. The schools' audit plan is also underway with six finalised and 13 draft report for review stage.

4.3. Limited, No Assurance and Consultancy reports - there was one 'Limited' audit report issued since the last meeting.

4.4. High or Medium recommendations not agreed – management agreed all high and medium recommendations made.

4.5. Follow up reviews - There were two corporate follow-up reviews completed since the last meeting. Of the six recommendations reviewed, 67% were either implemented or in progress. This is lower than usual, usually above 90%. However, the number of audits / recommendations is low and may not reflect the true outcome / trend.

- 4.6. Management progress against recommendations made - The percentage of overdue to open recommendations for corporate reports is 24%, which is an improvement on last time, which was 32%.
- 4.7. The schools percentage of overdue recs to open recs is 61% which is an increase on the 42% from last time, and was raised with Schools Forum in October.
- 4.8. Management superseded three recommendations, details of which are provided.
- 4.9. Annual Schools' Forum Report – At the request of the Overview and Scrutiny Business Panel, the schools forum report is presented to the Audit Panel for their consideration. The information in the report collates that already presented to the Audit Panel based on the 2015/16 schools audits.
- 4.10. Any other business – The annual audit planning process has started with meeting with Heads of Service booked in for December and January.

5. Progress against the audit plan for 2016/17

Corporate audits

- 5.1. The table below provides a summary of the status of the corporate part of the internal plan. It shows that 63% of the work is at least to the Terms of Reference (ToR) / Fieldwork stage with final reports expected in January.
- 5.2. Of those audits not yet started, eight have had a pre-audit meeting and fieldwork will start in December. The rest of the audits will be conducted in Qrt 4.

Original Plan	Extra Audits	Dropped Audits	Current Plan	Not Yet Started	ToR / Field work stage	Reports at Draft	Final Reports
68	5	(6)	67	25	32	3	7

- 5.3. Detailed below are the final reports issued since the last meeting.

Audit (Corporate)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Financial Regulations in the Constitution	14/10/16	Substantial	-	-	3
Payroll 2016-17	22/11/16	Substantial	-	1	-
BACS testing	01/11/16	Satisfactory	-	3	-
Payment Card Industry Data Security Standards (PCI- DSS)	05/09/16	Limited	1	1	-
Virtual Private Network / Mobile Working	31/10/16	Satisfactory	-	6	-
Licensing (Alcohol, Gambling)	21/09/16	Satisfactory	-	7	7

- 5.4. As expected, the audit plan changes throughout the year. Below is a list of the changes to the corporate plan since the last meeting:

Additional audits

- Pre-payment cards - Expenses Audit (non-core financial) split into two.

Cancelled audits

- Sundry Debtors System - Consultancy audit cancelled as new IT debtor system due to be put into place.

5.5. School Audits

The table below provides a summary of the status of the schools' part of the internal audit plan.

Original Plan	Extra Audits	Dropped Audits	Current Plan	Not Started	Field-Work stage	Draft Reports	Final Report
27	-	-	27	8	13	-	6

- 5.6. There were four school reports issued since the last meeting, all with a positive opinion.

Audit (Schools)	Date of Final	Audit Opinion	Recs. Made		
			H	M	L
Good Shepherd Catholic School	11/11/16	Substantial	-	3	1
Clyde Nursery	25/11/16	Satisfactory	-	8	-
Brindishe Green Primary	20/10/16	Substantial	-	3	3
Brindishe Manor Primary	20/10/16	Substantial	-	3	-

- 5.7. There were no changes to the schools' part of the audit plan.

6. **Limited , No Assurance and Consultancy reports**

Corporate Audits

- 6.1. There was one corporate 'Limited' opinion report issued since the last meeting.

- Payment Card Industry Data Security Standards (PCI- DSS)

The executive summary for this report is in appendix 2.

- 6.2. There were no consultancy or 'No Assurance' reviews issued since the last meeting.

School Audits

- 6.3. There were no Limited or No Assurance reports for schools issued

7. **High or Medium recommendations not agreed**

- 7.1. Since the last meeting, management have agreed all High or Medium recommendations made by internal audit prior to finalisation.

8. **Follow up reviews**

Corporate follow-up reviews

- 8.1. Corporate audits with High or Medium recommendations are normally followed-up within nine months of the final report. The exception to this are the core financial audits which are followed-up at the next annual audit.

8.2. There were two corporate follow-up reviews completed since the last report. The summary of the status of the recommendations are in the table below. The 67% implemented or in progress is low and consistent with the previously reported trend. However, given this result only includes two audits and six recommendations the position will continue to be monitored before drawing any firm conclusions.

8.3. Details of the individual follow-ups are in appendix 3.

Implemented	In Progress	Superseded	Not Implemented	Total Recs
3	1	-	2	6
50%	17%	-	33%	100%

School follow up reviews

8.4. School audits with a negative assurance opinion (i.e. 'Limited' or 'No assurance') also receive a follow-up review.

8.5. There were no school follow up reviews completed in this period.

9. Management progress against recommendations made

Corporate Recommendations

9.1. The table below shows the status of the High and Medium recommendations as at the 25/11/16 for corporate recommendations.

9.2. The percentage of overdue to open recommendations is 24%, which is an improvement on the 32% reported at the last meeting. It is also closer to the expected performance of 80:20 split of 'in time' v. 'overdue' recommendations.

Month of meeting	Current no. of open recs	No. of overdue recs	No. of open recs with 2+ changes	No. of recs that have been re-opened	No of re-occurring core financial rec	Percentage of overdue recs to open
Dec 16	107	26	18	10	13	24%
Sept 16	139	44	16	11	18	32%
Jun 16	118	37	16	10	11	31%

9.3. As well as timeliness, from a control point of view the recommendations internal audit are monitoring closely are the re-occurring ones as these relate to core financial controls and those that need to be re-opened to ensure the business is implementing the action from the recommendations they have agreed to.

9.4. To accompany the table above, appendix 4 lists the audits with recommendations that are either:

- Overdue (due date has passed)
- Two or more changes have been made to the due date,
- Re-occurring core financial recommendations, or
- Recommendations were re-opened at the time of the follow-up

9.5. There were three corporate superseded recommendations since the last meeting.

Audit name	Recommendation	Reason for super
Children's Centre Contract Management 15/16	Recommendation - The Contract Manager should liaise with the Service Providers to ensure that Common Assessment Frameworks (CAFs) are completed and logged onto the Council's CAF database.	This recommendation is no longer relevant as a new Early Help system is in place.
Pensions 2015-16	Efforts should be intensified to resolve the scanning of documentation for electronic records. In the interim, external options can be considered. In line with current procedure, all documentation relating to pensions should be scanned and retained electronically on a site restricted to pensions staff	Further to discussion at R&R DMT, it was agreed that this action is now part of the Digital Transformation work programme. It should therefore be monitored through that work and not via the Pensions team. If identified again as an on-going issue at the next annual audit this should be noted but not formerly recommended in the pensions report. This will be taken up as part of the audit planning for 2017/18 to ensure the risk is not lost.
Risk Management 2015/16 -	The Performance Plus (P+) system owner should update the manual to provide adequate guidance on the process of setting up and managing risk registers on P+. Management should consider the need for additional training on P+ where required.	Following the refresh of how directorate and corporate risk registers will be prepared this is no longer required. Registers are now held as word documents. The exception is the corporate register which is also on P+ for the management report. However, this is for the performance and insurance teams to produce and does not justify a revised manual.

School Recommendations

- 9.6. The table below shows the status of open High and Medium school recommendations as at the 25/11/16. The percentage of overdue to open recommendations is 61%. This is an increase from the 43% reported last time. The detail is reported in appendix 4 and was raised with Schools Forum as the main responsibility rest with Governors and Head Teachers.

Month of meeting	Current no. of open recs	No. of overdue recs	Percentage of overdue recs to open
Dec 16	95	58	61%
Sept 16	154	67	43%
June 16	116	84	72%

10. School Forum Report

10.1. At the request of the Overview and Scrutiny Business Panel, the annual internal audit report to Schools Forum, presented to them in October 2016, should also be presented to the Audit Panel for review (see appendix 6).

10.2. The report includes information that has already been presented to Audit Panel in the form of the quarterly reports during 2015/16 and the Council wide annual assurance report. As such, while there is no new information to note, the Audit Panel's attention is drawn to:

- the consistent areas of control weakness identified – governance, procurement and assets;
- the agreed action to highlight this through the assurance opinions for 2017/18 audits; and
- that Schools Forum will be writing to all schools emphasising the importance of effective financial controls in managing their school budgets.

11. Any other business

11.1. The audit planning process will soon be under way. Meeting with the Heads of Service to assess emerging areas of risk will take place in December and January. This will ensure that the draft internal audit plan is in place prior for members to approve at their March 2017 meeting.

12. Legal implications

12.1. There are no legal implications arising directly from this report.

13. Financial implications

13.1. There are no financial implications arising directly from this report.

14. Equalities implications

14.1. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

15. Crime and disorder implications

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

16. Environmental implications

16.1. There are no specific environmental implications arising directly from this report.

17. Background papers

17.1. There are no 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

Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'







Corporate audit sorted by type Key = Core Financial= **CF**, IT = **IT**, Contract= **CT**, General = **GN**, and Grants= **GR**.

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CF	Accounts Payable 16-17	→									
CF	Accounts Receivable 16-17	→									
CF	Banking 16-17	→									
CF	Budget Monitoring 16-17	→									
CF	Business Rates 16-17	→									
CF	Capital Expenditure 16-17	→									
CF	Client Contribution for Care Provision 16-17	→									
CF	Council Tax 16-17	→									
CF	Direct Payments 16-17										
CF	Housing Benefit and Council Tax Reduction Scheme 16-17	→									
CF	Main Accounting 16-17	→									
CF	Non-Current Assets 16-17	→									
CF	Payments to Adult Care Providers 16-17										
CF	Payments to Care Provider and Foster Carers for Looked After Children 16-17										








Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CF	Payroll 16-17						22/11/16	Substantial	-	1	-
CF	Pensions 16-17										
CF	Treasury Management 16-17										
IT	BACS testing						01/11/16	Satisfactory	-	3	-
IT	Business Continuity Plans for ICT and the LB of Brent										
IT	Compliance with the Code of Connection (CoCo) and Public Sector Network (PSN).										
IT	Data Breaches - detection, reporting and Network Security										
IT	ICT Governance Arrangements with Brent										
IT	IT and Digital Strategy										
IT	Payment Card Industry Data Security Standard (PCI DSS)						31/10/16	Limited	1	1	-
IT	PayPal Project (Advice only)										
IT	Virtual Private Network (VPN) / Mobile Working						31/10/16	Satisfactory	-	6	-
CT	Flagship Care Scheme for Older People accommodation										

Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
CT	Minor Works Programme (Schools)										
CT	Mobile Devices (Contract Monitoring)										
CT	Public Health - Target based payments to GPs										
CT	Pre contract and Tendering										
CT	Regeneration and Capital Programme Boards										
CT	Schools' Catering Contract										
CT	Supporting People										
GN	Adult Learning Lewisham										
GN	Apprenticeships, Graduates and other Professional Training Schemes										
GN	Better Care Fund										
GN	Blue Badges, Freedom Passes, Discretionary Passes and Taxi cards										
GN	Budget Savings and Decision Making Framework										
GN	Building Control Approval										

Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Business Continuity Plans for Adult Social Care Providers										
GN	Community Budget with Southwark and Lambeth										
GN	Expenses reimbursed by payroll										
GN	Financial Regulations / Constitution						14/10/16	Substantial	-	-	3
GN	Gifts and Hospitality and Declaration of Interests - Officers and Members										
GN	Home Care Provision										
GN	House in Multiple Occupation (HMO)										
GN	Income Generation Scheme / Project										
GN	Key Performance Indicators (KPIs) and Departmental Service Plans.										
GN	Lewisham Website and Intranet Content Usability										
GN	Licensing						21/09/16	Satisfactory	-	7	7
GN	Local Support Scheme										
GN	Mental Capacity Act (MCA) and Deprivation of Liberty Safeguards (DOLS)										

Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Monitoring of Child Care Providers										
GN	Monitoring of Lewisham Homes Management Agreement										
GN	No Recourse to Public Funds (NRPF) Case Framework	➔									
GN	Ofsted Framework Rolling Plan - Children looked after and achieving permanence (Adoption / Experiences and progress of care leavers) -										
GN	Ofsted Framework - Rolling Plan Leadership Management and Governance -										
GN	Ofsted Framework Rolling Plan - Children who need help and protection -										
GN	Pre-Payment Cards										
GN	Procurement Card Expenditure	➔									
GN	Project Management Review Framework and Training	➔									
GN	Risk Maturity Review	➔					28/07/16	Risk Managed	-	6	-
GN	Safe Guarding and Assurance Adults - Proactive Monitoring of Referrals										
GN	Street Trading (Forecourt)	➔									










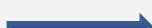

Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'

Type	Name of Corporate Audit	ToR	F/W Started	F/W Ended	Exit Meeting Held	Draft report	Final Report	Assurance Level	H	M	L
GN	Vehicle Fleet - Purchase, Maintenance and Fuel Tank maintenance at Wearside										
GT	Troubled Families Programme Grant Submission	Ongoing grant claim verification									

School audits sorted by name

School audit	F/w started	Draft Report	Final report	Assurance opinion	H	M	L
Brindishe Green Primary			20/10/16	Substantial	-	3	3
Brindishe Manor			20/10/16	Substantial	-	3	-
Clyde Nursery			25/11/16	Satisfactory	-	8	-
Dalmain Primary							
Deptford Park Primary							
Drumbeat School (Special)							
Good Shepherd Catholic School			11/1/16	Substantial	-	3	1
Holy Cross Catholic Primary			07/07/16	Substantial	-	3	2
Horniman Primary							
John Stainer Primary							
Lucas Vale Primary							
Marvels Lane Primary							

Appendix 1 - Progress of the audit plan for 2016-17 - Corporate and Schools'

School audit	F/w started	Draft Report	Final report	Assurance opinion	H	M	L
Myatt Garden Primary							
Rangefield Primary							
Rathern Primary							
Rushey Green Primary			22/07/16	Satisfactory	-	10	5
Sandhurst Infant							
Sandhurst Junior							
St Augustine's Catholic Primary							
St Joseph's Catholic Primary							
St Mary's CE Primary							
St Stephen's CE Primary							
Stillness Infant							
Stillness Jnr							
Torridon Infant							
Torridon Junior							
Turnham Primary							

Appendix 2 - Executive Summaries from Limited, No Assurance or Consultancy Reviews



Executive Summary for PCI DSS Compliance

Internal Audit Assurance Opinion	▲ Limited	Risk Headings	H	M	L	
★ Substantial ● Satisfactory ▲ Limited ■ No Assurance. (See glossary for definitions).		▲	1. PCI DSS compliance requirements	1	1	-
		Total		1	1	-

Introduction

The background for this internal audit including the agreed scope and risks identified, are included in the Terms of Reference (ToR), which can be found on page 7. The findings in this report are by exception. This means only those areas where further management action is required to improve internal control are mentioned.

Key findings that need attention

- The Council is currently not PCI DSS compliant. The following key tasks related to the compliance process have not been completed:
 - Submission of Self -Assessment Questionnaire (SAQ) for PCI DSS compliance for the current year;
 - PCI DSS oriented Network Penetration Test; and
 - Annual reviews of policies and procedures.

Failure to undertake the above tasks in a timely manner could result in the Council being charged penalties for non compliance. Additionally non compliance status could negatively affect the Council's reputation.

- As the Council has not yet submitted its SAQ, post submission work that is associated with compliance continuation is still to be carried out. This includes quarterly external PCI Approved Scanning Vendors (ASV) and internal scans which are aimed at proactively identifying weaknesses in the network and computer systems.

Follow-up

The followup for this audit will take place within nine months from the date of the final report.

Management are required to update the progress any High or Medium recommendations on the Recommendations SharePoint site.

Changes to the scope

This audit was conducted in line with the agreed Terms of Reference.

Areas that worked well

- Management is aware of its non-compliance status and have taken steps to address this issue. A draft SAQ has been prepared and work is being done to finalise it before submission.
- The Council has managed to get penalties waived by the main acquirer, Woldpay, and this has led to Council's other acquirer, Global Payments, granting waivers for penalties as well.
- The Council has obtained a Public Sector Network (PSN) accreditation, which is however conditional, but shows progress being made to address technical issues that could lead to non-compliance which may have an impact on PCI as well.

Appendix 3 - Follow up results

Audit Followed Up (Corporate)	Opinion	Final Rpt Date	F/up Rpt Date	Impl'd	In Progress	Supers'd	Not Impl'd	Total
Recycling and Incineration Arrangements - Contract Management	Satisfactory	10/11/15	03/10/16	3	1	-	-	4
Translation, Interpretation and Transcription Service - Contract Management	Satisfactory	14/07/16	08/09/16	-	-	-	2	2
			Total	3	1	-	2	6

Appendix 4 - Status of Managements' Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Corporate Health and Safety	Satisfactory	23/09/15		1			Changed 3 times
Main Accounting 14-15	Satisfactory	18/06/15		1			Changed 5 times
Non-Current Assets 15-16	Satisfactory	20/05/16				1	
Pensions 2015/16	Satisfactory	01/04/16	1				
PFI Monitoring - School 15-16	Satisfactory	11/08/16	1				
Accounts Payable 15-16	No Assurance	11/06/15	1	4	1	3	Changed 2 and 3 times
Accounts Receivable 15-16	Limited	15/01/16		2		2	Changed 2 and 4 times
Client Contributions for Care Provisions 15-16	Limited	01/04/16		3		1	Changed 2 and 3 times
Compliance with the DPA	Satisfactory	04/05/16		1			Changed 2 times
Housing - Temp Accommodation	Limited	06/06/16		2			Changed 2 times
Payments Centre	Satisfactory	26/09/13		1	1		Changed 6 times
Public Access to Information	Satisfactory	04/05/16		1			Changed 2 times

Appendix 4 - Status of Managements' Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Recycling and Incineration Arrangements - Contract Management	Satisfactory	12/11/15			1		
Registrars 15-16	Satisfactory	30/06/16		1			Changed 4 times
SharePoint 14-15	Satisfactory	13/10/15			2		
Translation, Interpretation and Transcript Service	Satisfactory	14/07/15			2		
Virtual Private Network	Satisfactory	31/10/16	1				
Better Care Fund	Limited	27/05/16	2				
Direct Payments 15-16	Satisfactory	24/05/16	1			1	
Food Safety, Hygiene and Standards	Satisfactory	27/05/16	1				
Licencing - Gambling and Alcohol	Satisfactory	21/09/16	6				
Payments to Adult Care Providers 15-16	Limited	27/05/16	3			1	
Public Health - Statutory Services	Satisfactory	31/12/15			1		
Youth Offending Service	Satisfactory	02/07/15		1	1		Changed 2 times

Appendix 4 - Status of Managements' Recommendations

Name of Audit (Corporate)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Re-occurring (core only)	Comment
Leaving Care 18+	Satisfactory	07/06/16	4				
Payments to Care Providers and Foster Carers 15-16	Satisfactory	27/05/16	4			4	
Youth Service	Satisfactory	01/07/15	1		1		Changed 2 times
		Total	26	18	10	13	

Name of Audit (School)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Comment
Abbey Manor College 15-16	Satisfactory	16/09/15		3		
Adamsrill Primary School 15/16	Limited	26/08/15	1		1	Follow up complete
All Saints Primary 14-15	Satisfactory	11/03/15	1	1		

Appendix 4 - Status of Managements' Recommendations

Name of Audit (School)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Comment
Althelney Primary 15/16	Satisfactory	10/03/16	1			
Brent Knoll Special 14/15	Satisfactory	19/12/14		1		Changed 2 times
Brindishe Green School 16-17	Substantial	20/1/16	1			
Brindishe Manor School 16-17	Substantial	20/10/16	1			
Deptford Park Secondary School	Satisfactory	31/10/16	1	1		
Elfrida Primary School 14-15	Limited	05/03/15	1	1	1	
Forster Park Primary	Substantial	27/01/16	1			
Holbeach School 15-16	Satisfactory	03/02/16		1		
Kilmorie School 15-16	Satisfactory	06/07/15	5			
Launcelot Primary	Satisfactory	23/02/16	2			
Our Lady and St Philip Neri 16-17	Satisfactory	04/02/15	1			
Prendergast - Hilly Fields 16-17	Satisfactory	29/07/16	9			
Prendergast - Ladywell 16-17	Satisfactory	29/07/16	9			
Prendergast - Vale 16-17	Substantial	29/07/16	3			
Rushey Green 16-17	Satisfactory	22/07/16	2			
Sedgehill 15-16	Satisfactory	30/04/16	6			
St Mary Magdalen's Catholic Primary 15-16	Satisfactory	02/07/15		1	1	
Trinity Through School 15-16	Satisfactory	13/11/15	4		1	
Turnham Primary School 13-14	No Assurance	31/07/14	9			

Appendix 4 - Status of Managements' Recommendations

Name of Audit (School)	Opinion	Final Report Date	Recs Overdue	2+ chgs	Re-opened at F/up	Comment
Watergate School 15-16	Limited	11/08/15				
			58	9	4	

AUDIT PANEL		
Report Title	Internal audit report for the School Forum for 2015/16	
Key Decision	No	Item No. 6
Ward	All	
Contributors	Head of Corporate Resources	
Class	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.

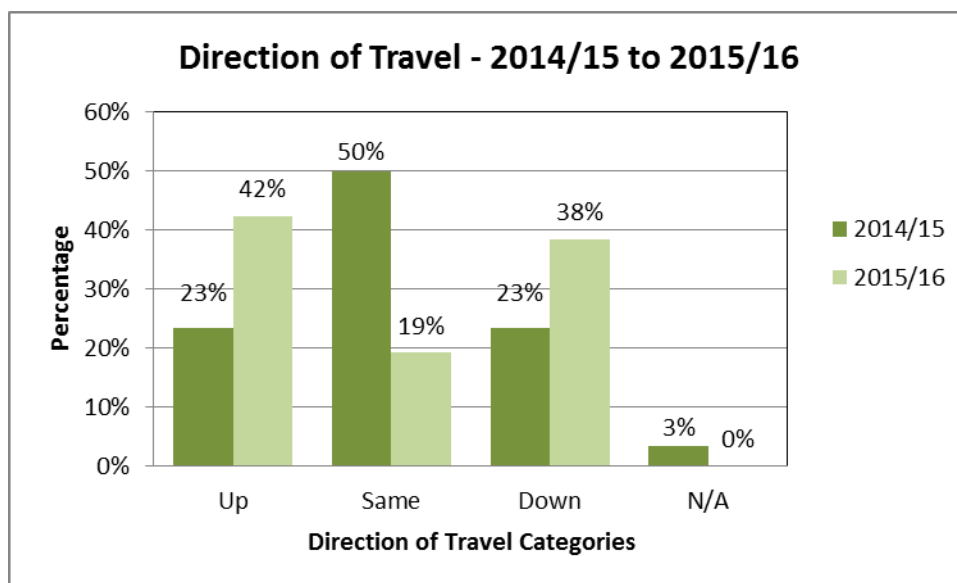
4.2. The overall assurance opinion for the year for all the schools' is Satisfactory. This is consistent with the previous year. Councillors were informed of this opinion in the annual assurance report presented to them at the June 2016 Audit Panel meeting. The annual assurance report feeds into the 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.

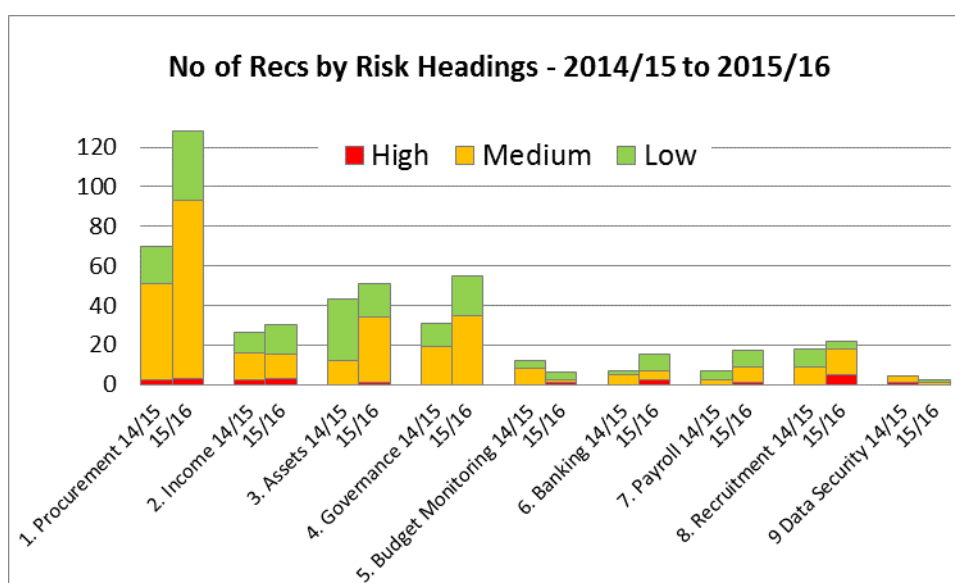
6.2. During the internal audit review, the auditor will review the status of all the agreed High and Medium recommendations made and provide a brief report to Senior Management at the school, Chair of Governors and relevant Senior Management at the Council. These follow-up reviews are in addition to 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	Implem-ented	In Progress	Not Implem-ented	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 .

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

Appendix 1 - Schools' audited in 2015/16

School	Assurance level given	H	M	L	Areas / Risks tested during the review	Date of final report
Sedgehill Secondary	Satisfactory	3	7	-	As above	26/04/16
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 5 - Schools Forum Report

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.

High	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.
Medium	Implementation of this recommendation should be done as soon as possible, to improve the likelihood of the service area meeting its objective.
Low	Implementation of this recommendation would enhance control or improve operational efficiency.