

REPORT TO: Audit Committee	DATE 20 March 2012	CLASSIFICATION	REPORT NO. 5.1	AGENDA NO.
REPORT OF: Corporate Director, Resources		Quarterly Internal Audit Assurance Report Ward(s) Affected: N/A		
ORIGINATING OFFICER(S): <i>Minesh Jani, Head of Risk Management and Audit</i>				

1. SUMMARY

- 1.1. This report summarises the work of Internal Audit for the period December 2011 to February 2012.
- 1.2. The report sets out the assurance rating of each audit finalised in the period and gives an overall assurance rating. The quarterly assurance report feeds into the annual internal audit opinion which will be produced at the end of the financial year.

2. RECOMMENDATION

- 2.1. The Audit Committee is asked to note the contents of this report and to take account of the assurance opinion assigned to the systems reviewed during the period.

3. Background

- 3.1. From April 2005, we have assigned each review one of four ratings, depending upon the level of our findings. The ratings we use are: -

Assurance	Definition
Full	There is a sound system of control designed to achieve the system objectives, and the controls are being consistently applied;
Substantial	While there is a basically sound system there are weaknesses which put some of the control objectives at risk 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	Weakness in the system of controls are such as to put the system objectives at risk or the level of non-compliance puts the system objectives at risk;
Nil	Control is generally weak leaving the system open to significant error or abuse, or significant non-compliance with basic controls leaves the system open to error or abuse.

- 3.2. In addition, each review is also considered in terms of its significance to the authority in line with the previously agreed methodology. The significance of each auditable area is assigned, based on the following factors: -

Significance	Definition
Extensive	High Risk, High Impact area including Fundamental Financial Systems, Major Service activity, Scale of Service in excess of £5m.
Moderate	Medium impact, key systems and / or Scale of Service £1m- £5m.
Low	Low impact service area, Scale of Service below £1m.

4. Overall Audit Opinion

- 4.1. Overall, based on work performed in the year to date, I am able to give a substantial level of assurance over the systems and controls in place within the authority.

5. Overview of finalised audits

- 5.1. Since the last Assurance Report that was presented to the Audit Committee in December 2011, 18 final reports have been issued. The findings of these audits are presented as follows:

The chart below summarises the assurance rating assigned by the level of significance of each report.

Appendix 1 provides a list of the audits organised by assurance rating and significance.

Appendix 2 provides a brief summary of each audit.

- 5.2. **Members are invited to consider the following:**

The overall level of assurance provided (para 5.3-5.5).

The findings of individual reports. The Audit Committee may wish to focus on those with a higher level of significance and those assigned Nil or Limited assurance. These are clearly set out in Appendix 1.

- 5.3. The chart ranks the overall adequacy and effectiveness of the controls in place. This assurance rating will feed into Internal Audit's overall assessment of the adequacy of governance arrangements that is required as part of the Accounts and Audit Regulations 2003 and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

(Please refer to the table on the next page).

Chart 1 Analysis of Assurance Levels

SUMMARY		Assurance				
		Full	Substantial	Limited	Nil	Total
Significance	Extensive	-	5	-	-	5
	Moderate	-	10	3	-	13
	Low	-	-	-	-	-
Total Numbers		-	15	3	-	18
Total %		-	83%	17%	-	100%

- 5.4. From the table above it can be seen that all five finalised audits that focused on high risk or high value areas were assigned Substantial Assurance. A further thirteen audits were of moderate significance and of these; ten were assigned Substantial Assurance and three, Limited Assurance.
- 5.5. Overall, 83% of audits resulted in an adequate assurance (substantial or full). The remaining 17% of audits have an inadequate assurance rating (limited or nil).

6. Performance Indicators

- 6.1. At the start of the year, three performance indicators were formulated to monitor the delivery of the Internal Audit service as part of the Chief Executive's Monitoring process. The table below shows the actual and targets for each indicator for the period:-.

Performance measure	Target	Actual
Percentage of Audit Plan completed up to January 2012	80%	76%
Percentage of Priority 1 Audit Recommendations implemented by Auditees at six monthly follow up audit stage	100%	100% (4 out of 4)
Percentage of Priority 2 Audit Recommendations implemented by Auditees at six monthly follow up audit stage	95%	88% (15 out of 17)

The table above shows that the proportion of internal audit work completed to January 2012 is 76% against the target of 80%. The proportion of audit plan delivered to January is 4% behind schedule. The audit plan was refreshed at the end of November 2011 and a number of audits originally scheduled to start in November and December 2011 have been cancelled. Alternative audits are being booked and it is anticipated that the plan will be completed by March 2012.

- 6.2. The percentage of priority 1 recommendations implemented at the follow up stage was 100%, whereas the percentage of priority 2 recommendations was 88%. Relevant Corporate Directors were sent copies of the final Follow Up audit reports. Details of all priority 2 recommendations not implemented are set out in Appendix 3. The percentage of recommendations not implemented is significantly lower than previous quarters. Further to the usual actions, meetings are being convened with key officers to seek assurances that agreed recommendations will be implemented promptly.

7. Comments of the Chief Financial Officer

- 7.1. These are contained within the body of this report.

8. Concurrent Report of the Assistant Chief Executive (Legal Services)

8.1. There are no immediate legal implications arising from this report.

9. One Tower Hamlets

9.1. There are no specific one Tower Hamlets considerations.

9.2. There are no specific Anti-Poverty issues arising from this report.

10. Risk Management Implications

10.1. This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. This risks highlighted in this report require management responsible for the systems of control to take steps so that effective governance can be put in place to manage the authority's exposure to risk.

11. Sustainable Action for a Greener Environment (SAGE)

11.1. There are no specific SAGE implications.

Local Government Act, 1972 SECTION 100D (AS AMENDED)
List of "Background Papers" used in the preparation of this report

Brief description of "background papers"

Contact :

N/A

Minesh Jani, 0207 364 0738

Summary of Audits Undertaken

APPENDIX 1

APPENDIX 1

Assurance level	Significance	Directorate	Audit title
LIMITED			
	Moderate	Children, Schools and Families	St Mary and St Michael Catholic Primary School
	Moderate	Children, Schools and Families	St Luke's Primary School
	Moderate	Children, Schools and Families	John Scurr Primary School
SUBSTANTIAL			
	Extensive	Corporate	Asset Management and Disposals
	Extensive	Corporate	Control and Monitoring of Staff Hospitality and Gifts
	Extensive	Resources	CHAPS Payments – Follow Up audit
	Extensive	Resources	Cashiers
	Extensive	Resources/THH	Housing Rents
	Moderate	Resources	Civica Council Tax Application Audit
	Moderate	Communities, Localities and Culture	Lifelong Learning

Summary of Audits Undertaken

APPENDIX 1

Assurance level	Significance	Directorate	Audit title
SUBSTANTIAL	Moderate	Adults, Health and Wellbeing Follow Up	Quality Assurance Systems – Follow Up audit
	Moderate	Adults, Health and Wellbeing Follow Up	Day Centres – Probity Audit
	Moderate	Children, Schools and Families	St Saviours Church of England Primary School
	Moderate	Children, Schools and Families	St Peter's Primary School
	Moderate	Children, Schools and Families	Holy Family Catholic Primary School
	Moderate	Children, Schools and Families	William Davis School
	Moderate	Children, Schools and Families	Beatrice Tate Special School
	Moderate	Children, Schools and Families	Hague Primary School

**Summary of Audits Undertaken
Limited Assurance**

APPENDIX 2

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Mary and St Michael Catholic Primary School	Jan. 2012	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review showed that controls were adequate in updating the School Development Plan; control and monitoring of school bank accounts; accounting for income and expenditure; collecting and recording of income; personnel and payroll management; school meals; procurement; disaster recovery; risk management and insurance. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • The Scheme of Delegation has not been updated and does not include cheque signatories and their financial limits. • We established that terms of reference for the Standards Committee and the Equality and Cohesion Working Party have not been compiled. • The School Improvement Plan has not been discussed during the Governing Body meetings on a regular basis. • Budget statements were not routinely provided to budget holders. Records to show how the school journeys had been costed were not retained and presented to the Finance & Premises Committee prior to the journey. • We established that there was no record of transfers of money between staff. • Review of five supply staff records identified that one of the invoices had not been signed by an authorised signatory. • The school inventory list was not up to date and the result of the full stock check was not presented to the Governing Body for approval. • The school fund objective statement has not been presented and approved by the Governing Body. Whilst the school fund had been audited on 20 April 2011, there was a lack of documentary evidence to show that the results of the review had been presented to the Governing Body <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Luke's Primary School	Jan. 2012	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Controls were adequate in financial planning and budget monitoring; control and monitoring of the school's bank accounts; accounting for income and expenditure; payroll management; school meals; IT infrastructure; risk management and insurance. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • The Financial Management & Delegation of Financial Authority document was not reviewed, updated, and approved by the Governing Body annually. In addition, the Charging Policy had not been reviewed by the Resource Committee or the Governing Body within the last 12 month; the Letting Policy within the last 18 months; and the Pay Policy since 1996. • We determined that terms of reference for the Resource Committee and Curriculum Committee had not been produced by the Governing Body. In addition, neither the Resource nor Curriculum Committee meetings held were minuted. There were no business declarations for four of the governors. • Official order forms are not always completed. Where they are raised, they are not always authorised by a signatory. • Records to show how the school journeys had been costed were not retained and presented to the Resource Committee prior to the journey. • The inventory records were not up to date and an annual inventory check had not been undertaken within the last 12 months. • The school lets its property to a single group during the week, although there is no current signed letting agreement. The Letting Policy has not been reviewed, updated, and approved by the Resources Committee or the Governing Body in the last 18 months. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Limited

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
John Scurr Primary School	Jan. 2012	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Controls were adequate in financial planning and budget monitoring; accounting for income and expenditure; procurement of goods; payroll management; school meals; IT infrastructure; risk management and insurance. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • The financial delegations within the school's code of financial practice, scheme of delegation, and terms of references for the approval of expenditure, virements, disposal of assets, and write off of debts were inconsistent. There were no business declarations for eight governors and one member of staff. • There was no evidence that Governing Body approved the School Development Plan relating to the 2010/11 and 2011/12 academic years. Minutes for some committees are not always recorded or signed-off by the chair. • The bank mandate for the school fund bank account was not up to date. • Official order forms are not always completed and authorised by the Head Teacher and invoices authorised by a delegated signatory. Receipt of goods / services had been checked was not always evidenced. • The school was unable to provide evidence to show how the previous school journey had been costed or that a summary account of costings of the previous journey having been presented to governors. • There was no evidence of the school having performed an inventory check in the last 12 months. A number of items identified were not security marked and one item had been moved to a new location and the inventory not updated. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Limited

Management Comments for Schools

The Children, Schools and Families (CSF) Directorate have put the following systems and processes in place:-

- Internal audit reports on schools are now a regular item on the DMT agenda for discussion.
- Internal audit reports are used by CSF schools Finance team to feed into systems to determine schools requiring priority support.
- Internal Audit assurance rating is used to target specific support to schools.

In addition, necessary intervention is put in place by CSF Finance to assist and support schools in improving governance, financial management and control in specific areas of business activities. .

Comments:

The schools have acted immediately and agreed to complete all actions within a defined timeframe.

The schools and the governing bodies are fully committed to the recommendations made in the Audit report by:

- tracking all actions within the timeframe provided in the report, including evidence of actions taken where appropriate
- confirming additional steps that the schools are planning to take in light of the audit findings and take immediate action in mitigating exposure to risks arising from weaknesses in the control environment

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Asset Management and Disposals	Feb. 2012	<p>This audit examined the systems for managing the assets of the Council to ensure that its strategic objectives and priorities are being achieved including arrangements for controlling and accounting for disposal of assets.</p> <p>Our audit showed that the Council has an Asset Management Plan (AMP) which was approved by the Cabinet in February 2011. This is supported by documented procedures. The disposals procedure was developed in 2009 and officers are guided by the protocol which governs the sale of properties declared surplus following an assessment. We noted that the Council's property and land assets are subject to regular review. Options appraisal and external valuation is obtained for each asset disposal. Members receive regular reports on progress of disposals and Cabinet approves all asset disposals.</p> <p>However, we have recommended that controls over the receipt, opening, recording and evaluating of all offers received should be strengthened and that compliance with the approved protocol should be monitored by the Service Head.</p> <p>All findings and recommendations were agreed with the Service Head, Corporate Property and Final report was issued to the Acting Corporate Director, D&R.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Control and Monitoring of Staff Hospitality	Jan. 2012	<p>The objective of this audit was to provide assurance that the Council's procedures for accepting hospitalities and gifts were sound and being complied with.</p> <p>Our review showed that Hospitality Procedure was revised in March 2011 and included definition of hospitalities, gifts, benefits and bribes. The procedure sets out the required standards, administration and management review arrangements. The procedure is supported by other corporate documents such as the Employees Code of Conduct and Financial Instructions. All these documents are available to staff on the intranet.</p> <p>Our findings indicate considerable improvement in the arrangements for dealing with hospitality, from our testing of 63 Staff Hospitality Register forms. Testing showed that hospitality records were either maintained by Corporate Directors' Personal Assistants or a Business Manager. With the enactment of the Bribery Act, we recommended that regular reminders be sent to staff advising them of their obligations with regards to staff hospitality, gifts and benefits and the principle of not accepting any gifts should be clearly communicated.</p> <p>All findings and recommendations were agreed with the Service Head HR&WD as regards setting of policy and procedure, and with all Corporate Directors in terms of compliance with the Council's governance in this area. The final report was issued to all Directorate nominated officers, Corporate Directors and the Monitoring Officer.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
CHAPS Payments – Follow UP Audit	Dec. 2011	<p>This follow up audit showed good progress had been made in implementing recommendations raised in February 2011. The follow up audit showed that both priority 1 recommendations raised had been implemented. Out of six priority 2 recommendations, five had been progressed. The one recommendation outstanding related to carrying out a risk assessment on key risks around processing of electronic payments at operational level.</p> <p>Our testing showed that since the previous audit, significant improvements in the systems and procedures that support the delivery and use of the CHAPS had been made. Clear criteria were in place for making CHAPS payments and the volume of payments had reduced significantly. All payment requests had been certified properly and had been supported by adequate evidence. A system was in place to reconcile CHAPS payments recorded in the Daily Diary with the Council's General Ledger system. Monthly reconciliations between payments made on the FD system and the GL system were being carried out and had been signed off by the Chief Financial Strategy Officer. Our testing also showed that since June 2011, journals were carried out within 1 day of payment on average.</p> <p>The one recommendation outstanding related to carrying out a risk assessment on key risks around processing of electronic payments at operational level. Once the risks are assessed, the associated controls should be identified and regularly tested and monitored.</p> <p>The findings and recommendations were agreed with the Chief Financial Officer and the final report was issued to the Corporate Director, Resources.</p>	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Cashiers	Dec. 2011	<p>The purpose of this audit was to provide assurance to management as to whether the systems of control over the Cashiers functions are sound, secure and adequate.</p> <p>We noted that the Cashier procedures are subject to annual review and are updated on an ongoing basis. Income received is accurately recorded and passed on for cash collection and banking. Effective controls to support the prompt recording of transactions on the cash receipting system are maintained. Reconciliations between the records held on the cash receipting system including the imprest account and the general ledger are undertaken on a monthly basis, and the reconciliations are subject to formal sign off and independent review. Daily cash collection arrangements are undertaken to help ensure that the Cashier Office complies with the insurance limit for which they are covered. Appropriate security arrangements are in place surrounding the Cashier Office.</p> <p>We raised recommendations in relation to the following findings: -</p> <ul style="list-style-type: none"> • The Cashier Office does not maintain an up to date authorised signatory list. There were two cashiers on the float signatories list that had since left the Cashier Office; • Testing of a sample of 20 cash-up, reports are not always signed off as checked by another Cashier officer; and • Information was not processed onto the Cash & Deposit spreadsheet in a timely manner which the Chief Cashier informed advised was due to time constraints. <p>The findings and recommendations were agreed with the Chief Cashier and Payments Manager and the final report was issued to the Corporate Director, Resources.</p>	High	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Housing Rents	Dec. 2011	<p>The purpose of this audit was to provide assurance to management as to whether the systems of control over the Housing Rents functions are sound, secure and adequate.</p> <p>The annual rent increase for 2011/12 was applied and checked for accuracy. There are effective processes in place to monitor credits posted to the rents module and for allocating them to relevant rent accounts. In addition, items in the suspense account are cleared on a regular basis. Reconciliations are performed between the rents module, housing benefit module and the general ledger with all reconciliations since April 2011 have been completed in a timely manner, independently reviewed and discrepancies resolved following investigation.</p> <p>Effective processes are in place to ensure that all housing benefit receipts that are due to Tower Hamlets Homes are received in a timely and accurate manner. Housing benefit is applied and recorded accurately on housing rent accounts. Monitoring processes are in place over rent arrears and write-offs were applied in line with procedures with appropriate approval being obtained.</p> <p>Robust monitoring procedures in place for management to evaluate the effectiveness of performance over the housing rents function.</p> <p>We raised two recommendations: -</p> <ul style="list-style-type: none"> • Testing identified that rent accounts are not always created in a timely manner, and notes detailing the reason for the delay were not posted in all instances; and • Access levels to the SX3 rents module found that access was not always consistent with officers' job roles. <p>The findings and recommendations were agreed with the Head of Rents and the final report was issued to the Director of Finance and Customer Services.</p>	High	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Civica Council Tax Application Audit	Feb 2012	<p>This audit was designed to provide assurance over the Civica Council Tax application used to manage and process Council Tax Billing, Valuation and Recovery and support the collection of Council Tax. In terms of data input, processing, output and interface controls, automated schedules, scripted tasks and reports have been set up on the system to perform checks, control totals and detailing income received to help ensure the accuracy and completeness of data entered onto the system. There is a support arrangement in place for the Civica system and a signed contractual agreement supported by a Service Level Agreement (SLA), license and support maintenance.</p> <p>We raised two recommendations:-</p> <ul style="list-style-type: none"> • Users established on the Civica system should be reviewed to ensure that access is still required; and • Management should review the audit trail files, both 'Not audited' and 'Audited' files with suppliers and ensure that file names are clear, identifiable and whether files require removal or additional files are required for audit logging <p>The findings and recommendations were agreed with Interim Head of Revenue Services and a copy of the final report was issued to the Service Head- Customer Access and ICT and Corporate Director – Resources.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Lifelong Learning - Fees and Charges including delivery of the Skills Funding Agency (SFA) contract.</p>	<p>Dec. 2011</p>	<p>This audit sought to provide assurance over the systems for reviewing, collecting, processing and administering fees and charges for Life Long services.</p> <p>The audit showed that systems and controls for collecting and banking income were adequate. Testing of a sample of 50 cases showed that the actual charges levied were in line with the agreed scale of charges for the course applied for by the Learner. Where courses were free of charge such as ESOL, we confirmed that no charge was levied in accordance with the Council's policy. The Idea Store Learning has comprehensive management information system which identifies, monitors and reports on delivery of the programme and areas of underperformance.</p> <p>In accordance with the Council's Financial Regulations, Fees and Charges for Idea Store Learning courses were reviewed and Cabinet approved that fees and charges should not be increased. The Cabinet report of 6th April 2011 identified that the levels of fees and charges were very low at £2.20 per hour compared to many other providers in London. The report also explained that due to the fixed level of contract with the SFA which did not protect the funding for the future levels of inflation, there was a risk that the rising cost of the programme in view of fees and charges not being increased for more than two years.</p> <p>All findings and recommendations were agreed with the Service Head, Culture and final report was issued to the Corporate Director, CLC.</p>	<p>Moderate</p>	<p>Substantial</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
<p>Quality Assurance Systems</p> <p>Follow Up Audit</p>	<p>Feb. 2012</p>	<p>This review followed up on the recommendations raised in our audit of the Quality Assurance systems.</p> <p>Our testing showed that out of 11 recommendations followed up, two priority 1 recommendations were being progressed. Of the remaining nine priority 2 recommendations, one was fully implemented and eight were at various stages of implementation.</p> <p>Since the original audit, both the Quality Board and the Performance Board have been integrated into one Quality & Performance Board as recommended by Audit. We also noted that the Case Record Audit tool was being reviewed currently as part of a project which was initiated in August 2011. From our review we have found that the Directorate has clear governance framework for Quality Assurance at strategic and operational levels. We have raised one recommendation to ensure that once signed-off by the DMT, the proposed work on the review of strategies, policies, plans, procedures and protocols should be action planned and monitored and progress reported to the DMT on a regular basis.</p> <p>All findings and recommendations were agreed with the Service Head - Adults Social Care and final report was issued to the Corporate Director, Adults Health Wellbeing.</p>	<p>Moderate</p>	<p>Substantial</p>

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Poplar, Russia Lane and Somali Day Centres – Probity Audit	Feb. 2012	<p>The objective of audit visits to the three Day Centres was to carry out a probity audit over the management of cash income, petty cash accounts, ordering and paying for goods and services, staffing, inventory control, H&S matters and catering.</p> <p>Our testing showed that in general, adequate procedures were in place. However, further improvements needed to be made for income control, petty cash control and inventory control. H&S inspections had been undertaken in all centres, but an action plan needed to be prepared to ensure that all recommendations from health and safety inspections and surveys like asbestos and water installation inspections are prioritised for action to manage H&S risks effectively.</p> <p>All findings and recommendations were agreed with the Service Manager – Reablement and Resources and Final reports were issued to Service Head – Adults Social Care and Corporate Director, Adults Heath Wellbeing.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Saviours Church of England Primary School	Feb. 2012	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review showed that the school has a full Governing Body and retains minutes of the meetings. Controls were adequate in updating the School Development Plan; control and monitoring of school bank accounts; accounting for income and expenditure; collecting and recording of income; personnel and payroll management; school meals; procurement; disaster recovery; risk management and insurance. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • The school does not currently have a Finance Committee (or one specifically responsible for finance issues) with approved terms of reference. Declarations of interest were not held for two Governors. Minutes are not taken at the Personnel Committee meeting; • Budget statements are not routinely provided to budget holders and no evidence is retained that material variances are queried or action taken. Purchas orders are not always raised; • Petty cash vouchers are not always fully completed and/or signed by the cash recipient. In addition, there is no independent check undertaken of petty cash vouchers or the float. Copies of receipts in respect of cash received by the school are not retained; • A new starter reference was not received, although a condition of employment as the individual was known to the school; • The school fund is audited by the Bursar of Lansbury Lawrence Primary School (under a reciprocal arrangement) which does not provide a full degree of segregation. Furthermore the audit results are not presented to Governors at committee meetings; and • The results of the annual inventory check had not been presented to the Governing Body. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Peter's Primary School	Feb. 2012	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review showed that controls were adequate in updating the Code of Practice and Scheme of Delegation; School Development Plan; control and monitoring of school bank accounts; accounting for income and expenditure; collecting and recording of income; personnel and payroll management; school meals; procurement; disaster recovery; risk management and insurance. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Examination of the School Development Plan revealed that there was a lack of cohesion between the resource requirements to meet the objectives detailed in the School Development Plan and the approved budget plan; • Leaver forms or resignation letters are not always retained on file; • Results of the inventory check had not been presented to the Governing Body; and • Where equipment is loaned out, it was not recorded on the inventory. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Holy Family Catholic Primary School	Jan. 2012	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review showed that controls were adequate in updating the Code of Practice and Scheme of Delegation; School Improvement Plan; control and monitoring of school bank accounts; accounting for income and expenditure; collecting and recording of income; school meals; procurement; personnel and payroll management; disaster recovery; risk management and insurance. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • Declarations of interest had not been obtained from two Governors; • Records to show how the school journeys had been costed were not retained and presented to the Holy Family Committee prior to the journey; • Inventory records were not up to date. In addition, there was no evidence of the school having performed a full inventory check within the last 12 months; and • Staff were not asked to sign an acceptable use policy where equipment was loaned to them and therefore their responsibilities and liability were not clearly explained. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
William Davis School	Oct. 2011	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review showed that controls were adequate in updating the Code of Practice and Scheme of Delegation; School Development Plan; control and monitoring of school bank accounts; accounting for income and expenditure; collecting and recording of income; procurement; school meals; personnel and payroll management; disaster recovery; risk management and insurance. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • The School Fund account has not been audited for three years; due to the school having difficulty finding someone suitable to do this who is sufficiently independent to the school. Approximately £2k per annum is passed through the account; • Inventory records are not completely up to date as a result of issues whilst updating the records. Assets were identified that are not on the records; • Passwords to the school's IT systems are not changed on a regular basis; and • Whilst budget virements were discussed at the Finance Committee, not all virements made by the school were clearly minuted as being reported to the full Governing Body. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Beatrice Tate Special School	Dec. 2011	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review showed that controls were adequate in relation to the Scheme of Delegation; School Development Plan; control and monitoring of school bank accounts; accounting for income and expenditure; collecting and recording of income; personnel and payroll management; disaster recovery; risk management and insurance. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • The Code of Financial Practice document is currently not up to date. Authorised signatories as per the bank mandate are not included and we also established that authorisation of virement limits for the Head Teacher needs to be revised; • Examination of virements covering the last 12 months a number of instances with a value over £5,000 where there was no evidence that they had been approved by the Chair of Governors in addition to the Head Teacher; • Official orders are on occasions being raised retrospectively following receipt of the goods/services; • The School Pay Policy did not include a version control and it was unclear through our examination of minutes whether the Policy had been approved by the full Governing Body; and • The results of the annual stock check had not been presented to the Governing Body. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Hague Primary School	Dec. 2011	<p>The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review showed that controls were adequate in updating the Code of Practice and Scheme of Delegation; School Development Plan; control and monitoring of school bank accounts; accounting for income and expenditure; recording of income; personnel and payroll management; school meals administration; disaster recovery; risk management and insurance. The main weaknesses were as follows:-</p> <ul style="list-style-type: none"> • There was no evidence that the Financial Management Code of Practice, which incorporates the Scheme of Delegation, had been formally approved by the Governing Body within the last 12 months. The Scheme of Delegation for the school's Finance, Personnel, and Premises Committee did not include upper financial limits in relation to the purchasing of goods and services; • There was no evidence that the School's Development and Improvement Plan had been approved by the full Governing Body; • There was no evidence to show that the school had obtained alternative quotations prior to entering into a photocopier contract in May 2010 totalling £10,220; and • Transfer of school trip money from the class teachers to the Office Manager is not being signed for by both parties. <p>All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.</p>	Moderate	Substantial

APPENDIX 3**Follow Up Audits – List of Priority 2 Recommendation still to be Implemented**

Audit Subject	Recommendation	Service Head	Officer Name
CHAPS Payments	An exercise should be undertaken to identify and assess key risks around processing of electronic payments at operational level. Once the risks are assessed, the associated controls should be identified and regularly tested and monitored.	Peter Hayday	Oladapo Shonola
Quality Assurance Systems	Once signed-off by the DMT, the proposed work on the review of strategies, policies, plans, procedures and protocols should be action planned and monitored and progress reported to the DMT on a regular basis.	Katharine Marks	Karen Sugars

THIS PAGE IS INTENTIONALLY LEFT BLANK