London Borough of Hammersmith & Fulham

Audit and Pensions Committee

Supporting Documentation

For the meeting to be held on Thursday 17 February 2011 at 7.00 pm

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At its meeting on 9 December 2010, the Committee agreed that limited and nil assurance audit reports, and the appendices for the items on risk management and internal audit, be circulated to members separately to the main agenda. The relevant papers are attached, and are also available with the main agenda online.

Date Issued: 07 February 2011

London Borough of Hammersmith & Fulham

Audit and Pensions Committee
Supporting Documentation

17 February 2011

Key Risks (refer to note 1)

No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
1.	Delivering high quality, value for money public services	**Business Resilience –** **Sub-risk** IT resilience • Systems not joined up and connected • Strategic Information technology framework not implemented effectively • Electronic information storage capacity • Lack of top tier response plans	**If an event occurs** • Customers face delays in service provision • Time to recover power and IT Services could be between 6 & 8 weeks • Loss of information • Service interruption • Loss of productivity • Non compliance with statutory duties - indirectly • Increased cost of resurrecting services (only partially insurable) • Threat to life - indirectly • Wasted resources & staff duplication in recovery phase • Cost of additional data storage capacity • Impact on service delivery due to potential of a local outbreak affecting staff and the public	• Corporate Incident Management Procedures incorporate Business Continuity • Training has been delivered to local service plan leaders • A corporate service resilience group has been formed and meet periodically • Assistant Directors of Resources have been appointed as Departmental contact leads • Local Service Plans have been compiled, reviewed and refreshed and quality checked by Emergency Services • H & F Bridge Partnership have submitted a Local Service Recovery Plan and has worked with the council to undertake a formal risk assessment • Data recovery is insured under the councils corporate insurance package (but limited) • A threat assessment has been compiled • Some ITC service has been moved to East London • The Business Continuity (BC) project involves provision of IT BC for approximately 30 First Order applications as	Business Continuity Audit report 2008/09 (Limited Assurance) in, ICT Disaster recovery provisions Audit report 2009/10 (Nil Assurance) Data storage & back up audit Audit report 2009/10 (Substantial assurance) EMT, Audit and Pension Committee	3	4	12	Medium	Jane West (Insurance & H F Bridge Partnership contract monitoring) Lyn Carpenter (Corporate Business Continuity)	Review February 2011

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Agenda Item 15

CORPORATE RISK REGISTER **APPENDIX 1**

No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
				identified by H&F. The data will be replicated from the primary data centre at East London to the secondary site at HTH. Additionally, there will be local network switch resilience within HTH; resilience for the infrastructure elements such as profiles, home folders and printing; plus annual tests of parts of the BC solution. • User acceptance testing of the business continuity arrangements will take place over Jan – Feb 2011 **NOTE** Please refer to BCP Risk Assessment for highlighted risks and controls							
2.	Delivering high quality, value for money public services	**Managing projects** Sub-risks • Projects do not consider enough time to mobilise in the event services are awarded to the private sector • Project implementation is delayed due to protracted discussions regarding pensions transfer • The risk of challenge to contract awards may increase during the harsher economic climate • Large scale high risk high return projects are not led by a qualified or experienced project manager. • Too many projects are undertaken with unrealistic or unachievable targets • Successful delivery of the	• Customers needs and expectations are not fully met when projects are delivered • Benefits of investment in creating toolkit not realised • Threat of overspend on projects • Benefits are not fully realised • Delays in mobilisation of services through revised contracts	• Project Management toolkit • Training of Officers has being delivered and is ongoing • Transformation Office in Finance & Corporate Services Department acts as a repository for project information and reports to EMT but does not ensure compliance with any toolkit • Senior Managers have all been briefed about the Project Toolkit • Toolkit is available on desktop PC's • Monthly transformation reporting to EMT (dashboard) • Competition Board monitor aspects of project management compliance • Procedures for TUPE transfer have been included in project management instructions	Corporate Programme & project management audited in 2009 draft report issued (Limited Assurance) Competition Board Audit Commission review of selected contract management scheduled 2010 Internal Audit review of specific	3	3	9	Low 🟢	Jane West lead – All Directors	Review February 2011

CORPORATE RISK REGISTER **APPENDIX 1**

| No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
		World Class Financial Management Programme		• Programme and Portfolio governance arrangements are being formalised • Lessons learned report	contracts under 2009/10 Audit Plan and of Use of Consultants (Nil Assurance) EMT, Pension and Audit Committee						
3.	Delivering high quality, value for money public services, Providing a top quality education for all, Tackling crime & anti-social behaviour, A cleaner greener borough, Promoting home ownership.	**Managing statutory duty** **Sub-risks** Non-compliance with laws and regulations Breach of duty of care Departmental assurances	• Non compliance may result in prosecution or a Corporate Manslaughter charge • Financial compensation may be claimed • Injury or death to a member of the public or employee • A breach of information security protocols may result in fines, harm to reputation and personal liability of Directors • Inadequate level of service • Poor satisfaction with statutory services • Potential claims involving failures in Social Care (Stamford House)	• Nigel Pallace appointed lead Sponsor on EMT for Health & Safety • Pro-active Health, Safety and Welfare culture across the council • Contractors are managed within CHAS regime • Insurance cover is in place in the event of a claim for breach of duty of care and in respect of financial claims • Legislative changes are adopted and reflected in amendment to the council's constitution, budget allocation through MTFS (Now unified business & financial planning process) • Training and guidance packages • Corporate Safety Committee • Briefings for Senior Managers on Corporate Manslaughter have been undertaken • Health & Safety week promoted the theme of risk assessment • Health & Safety guidelines have been reviewed,	Internal Audit undertook an Audit of this in 2008/09 and a follow up is planned Health & Safety Internal Audit undertaken 2009/10 demonstrated improvements and substantial assurance Annual Assurance process Assurance required that actions are being taken to ensure compliance with the law and regulations EMT, Audit and	4	3	12	Medium 🟠	Geoff Alltimes	Review February 2011

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CORPORATE RISK REGISTER **APPENDIX 1**

| No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
		Corporate Parenting		refreshed and communicated • Local Safeguarding Childerns Board, Unannounced Safeguarding Inspection, Ofsted , Local and London Child Protection Procedures	Pension Committee						
5.	Delivering value for money	**Managing budgets** **Sub-risks** • Austere financial settlement from government is not favourable. The council is seen as a floor authority. • Impact of a double dip recession and cascade effect on social budgets * link to revenue forecast • Demand led services may occur mid year resulting in unanticipated additional costs • HMRC VAT claims regarding partnering activities • Grant application is incorrectly calculated • Unplanned growth • Failure to achieve VFM • Accruals & reconciliations • Planned savings not implemented • Creditworthiness of some contractors may be downgraded as a result of the economic downturn • Increase in social welfare services as a result of the economic downturn may impact on projected	• Pressure on the authority to manage overspends • Departments have to manage cost pressures • Pressure to meet target savings and Administrations commitment to cut Council Tax • HMRC recover VAT from the council affecting cash flow • Repayment of Grants • CEDAR 5.1 will no longer be supported by the product supplier	• Medium Term Financial Strategy and Business Planning Processes have been combined and is re-modelled • MTFS Officer & Member Challenge • Efficiency programme management in place identifying statutory v discretionary services • Leader's monthly monitoring reports • Financial Strategy Board (FSB) periodically evaluates the effectiveness of the financial management arrangements • Partnership activity now includes a VAT trace and has been raised at FSB • Grant Claims & returns record is tracked at FSB • Monthly corporate revenue & capital monitoring to cabinet • Reports to the Leader identify where spend levels exceed a tolerable level during the year • Credit check of contractors is being undertaken through the Competition Board	Annual Audit Letter Select Committees are given the opportunity to fully scrutinise budgets during January. Assurance required that complete and accurate accounting records are being maintained * EMT, Audit and Pension Committee	4	4	16	High 🔴	Jane West lead – All Directors	Review February 2011

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No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
		spend. • Insufficient budgetary provision and/or budgetary under/overspend * • Incomplete/inaccurate accounting records linked to the World Class Financial Management Programme • Upgrade of CEDAR Financial System to Version 5.3 from 5.1		• Disposal of Assets • CEDAR Planning and preparation work will begin 7 months before the start of the actual implementation, so as to ensure that there is sufficient time to carry out work thoroughly. This timescale also includes slippage time of two months, in case of unforeseen complications.	Cabinet Members Decision report on CEDAR upgrade						
6.	Putting residents first, Setting the framework for a healthy borough	**Successful partnerships & Major Contracts Sub-risks** • Area based grant has been clawed back • Partnering activity with other boroughs and the NHS may blur the lines of responsibility, accountability or liability in the event of service failure • Plans to remodel the PCT's and delivery of health services through GP's as per the White Paper – Liberating the NHS • Re-integration of H & F Homes	• Joint objectives are not met • Community expectations are not met • Relationship deteriorates • Threat of overspends and underspend	• Governance arrangements are in place • Performance monitoring reports reported to Select Cttee's • Area based grant exit strategy is funded short term through contingency / reserves • H & F Bridge Performance Monitoring	H & F Bridge Partnership Assurance process H & F Homes Assurance process PCT are Audited by the Audit Commission Audit of H & F Homes Contract Management undertaken in 2008/09 EMT, Audit and Pension Committee	4	3	12	Medium ⬤	Geoff Alltimes	Review February 2011
7.	Delivering value for money	**Maintaining reputation and service standards** **Sub-risks** • Multiplicity of external forces and initiatives	• Threat to the status of the council • Failure to deliver plans & savings.	• Combined Business Planning & MTFS processes • Business Planning is part of the performance management competencies • Risk registers have been	Cabinet Ofsted, Care Quality Commission, Annual Audit letter	4	3	12	Medium ⬤	All Directors	Review February 2011

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No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
		• Breach of Officer or Member code of conduct • Inappropriate Data released • Poor data quality internally or from third parties, breaches of information protocols, information erroneously sent to third parties. • Auto forwarding of information (Information control and threat of leakage)	• Ability to effectively lead and resource the transformation agenda is diminished • Service delivery deteriorates • Potential adverse media reporting • Potential adverse media reporting • Quality and integrity of data held in support of Performance Management & Financial systems leads to under or over estimation	developed for all departments and divisions • Annual review of corporate governance arrangements conducted by Internal Audit • Performance statistics are scrutinised by Select Committee's, EMT & DMT's • Corvu Performance Management System is able to pick up anomalies • Data Quality Training	EMT, Audit and Pension Committee						
8.	Delivering value for money	**Managing fraud (Internal & External)** **Sub-risks** Misappropriation of assets *	• Loss of reputation • Financial loss • Adverse regulatory /audit report • Inadequately resourced fraud unit	• Literature and training has been delivered to all levels of the authority • Information and guidance has been published on the corporate intranet • Awareness survey has been undertaken • A Corporate Fraud Service has been established • Level of fraud is being tracked through FSB • Close working relationship is established with the Police	Audit Committee receive quarterly reports on Fraud Deloitte Fraud Survey 2008 Assurance required that assets are safeguarded EMT,	2	3	6	Low 🟢	Jane West lead – All Directors	Review February 2011

No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
				• Fraud risks being integrated into risk registers • CAFS team now use a risk assessment to assist in targeting and workload prioritisation	Audit and Pension Committee						
9.	Delivering value for money	**Successful cultural change** • Right staff not available for this work due to increasing workloads while also downsizing and restructuring.	• Potential internal uncertainty re: staff morale • Change consumes more resource than VFM/efficiency gains realise • Uncertainty leads to low staff morale and lower productivity.	• Effective communications programme • Staff Survey undertaken in 2009 and follow up actions are being delivered • Career development discussions • Revised sections in Business Planning document inc. Equalities & Diversity and • Smartworking	Staff survey, Corporate Workforce Group EMT, Audit and Pension Committee	3	3	12	Low 🟢	Ellen Lamparter	Review February 2011
10.	Putting residents first	**Managing the Business Objectives (publics needs and expectations)** **Sub-risks** • A successor integrated financial and business planning process is not delivered	• The Public or section of the public may not receive the service that they need or to the quality they expect • Reputation of the service may be affected • Regeneration of Shepherds Bush Market and Former Library and wider Regen • Services are delivered in an unplanned way • Services start to do their own thing • Maverick decisions • Inconsistencies in service delivery start to emerge • Lack of transparency • Duplication of effort • Communication of objectives and values is lost • Target and Objective setting is diminshed reducing the effectiveness of the performance management	• Robust Business Planning regime revised for 10-12 incorporating fully the Medium Term Financial Strategy • Performance monitoring and feedback through local media • Customer experience and satisfaction surveys Organisational Development in conjunction with Deloitte's have undertaken a review of the Business Planning process	Cabinet Members and Scrutiny Cttee review performance Ofsted, Care Quality Commission	3	3	9	Low 🟢	All Directors	Review February 2011

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CORPORATE RISK REGISTER **APPENDIX 1**

No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
			regime for officers								
11.	Delivering value for money	**Market Testing of Services (refer to Competition Board Roadmap)**	• Increase in threat of legal challenge on contract awards • Officers time away from other projects • Timescale of project is tight • Insufficient numbers of Officers designated to the project • Benefits are not realised • Data Quality (Accuracy, timeliness of information) results in variation to original contract spec	• Consultation with other boroughs • Project managing the process • Separation or joining of projects to maximise benefit potential • Realistic timetables agreed and reviewed at Competition Board • Market Testing progress report to EMT • Programme & Project Management – Risk Logs being maintained, periodic risk reviews	Competition Board, Transformation Board, EMT, Audit review conducted for Use of Contractors	3	3	9	Low 🟢	All Directors	Review February 2011
12.		Scrutiny of Public Health Service	• Department of Health is creating a governing body (Public Health England) where a joint appointment of a Director with the Council – would be necessary. Currently the appointment is jointly with the NHS trust • Maintaining an audit trail of financial expenditure • Monitoring of financial spend against performance targets to achieve financial credit or top ups • Mayor of London seeks increased responsibility for some Public Health work areas in competition to Local Authorities that could reduce the amount allocated to the Council • Setting up a Health and Wellbeing Board attendees would need to include Councillors and managing their time demands • Three Boroughs merged	• Director of Public Health attends Housing, Health and Adult Social Care Select Committee • Dedicated officers implementing the setting up of a Health & Well Being Board • Pilot council before full delivery which is due (start April 1st 2013) • HM Government Healthy Lives Healthy People Nov 2010 • Joint meetings with K & C & Westminster • Officer meetings with Department of Health	EMT	3	3	9	Low 🟢	Geoff Alltimes	Review February 2011

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No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
	Page 9		services may result in functions being delivered to support the new responsibilities jointly • LBHF currently jointly fund the Director of Public Health post, RBKC don't fund Westminster to jointly fund • Deprevation statistics could affect the distribution of financial settlement unevenly • Public Health budgets will be ring fenced however local authorities seek unringfencing of the monies • Commissioning of services responsibilities for some health inequalities (healthly eating, smoking cessation, immunisation, screening, air pollution, drugs and alcohol, teengage pregnancy) • Provision of audit and resilience services i.e. managing environmental hazards and emergency planning								
OPPORTUNITY RISKS											
1.	Delivering high quality, value for money public services	Managing Human Resources Sub-risks Integration of services with NHS Hammersmith & Fulham	• Key staff retention • HR protocol has been agreed for officers who work with the PCT	• HR team has been centralised and self service is being rolled out • Performance reports are provided on staffing to FSB, EMT and are reported to Scrutiny Committees	Business Planning, Corporate Workforce Group	3	3	9	Low	Geoff Alltimes lead – All Directors	Review July 2010
2.	Delivering high	**Merging of education services with Westminster**	**Savings due to removal of duplication across the**	Report to Cabinet 10-01-2011 updated members on progress	Cabinet	2	4	8	Low	Andrew Christie	Review

CORPORATE RISK REGISTER **APPENDIX 1**

No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
	quality, value for money public services	**Council**	**councils**	including the establishment of 1.A joint commissioning unit and the establishment of an arm's length delivery unit for education services across the three LAs by September 2012, with an interim merged service in place for the new academic year in September 2011. 2. For the exploration, in the second phase, of possible different models for the delivery of services - options may include market testing or a social enterprise. 3. That agreement be given for the development of shared provision for the Local Children's Safeguarding Board, Fostering and Adoption services and Youth Offending services by September 2011, subject to agreement by WCC and RBKC Councils. 4. With a view to the implementation in line with these timescales, that the Director of Children's Services be authorised to : i) reach agreement with fellow Directors of Children's Services on reorganisation proposals on a service by service or part service basis, with a view to agreeing the future scope of such services; management arrangements; the staffing structures for such services; the advisability of harmonising terms and conditions across boroughs; and the implementation of a joint commissioning strategy; ii) consult with affected staff and unions on the basis that any							February 2011

No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
				sharing of services will initially take place by affected staff either being seconded to work with staff at other boroughs or will be transferred to the employment of a host borough depending on the detail of the agreement to be reached with other boroughs on a service by service or part service basis; iii) implement the sharing of the services to agree the terms of any secondment either to or from the Council; to agree any necessary changes to staffing structures; and to authorise any resulting redundancies in accordance with the Council's usual procedures and to do everything necessary to give effect to the above. 5. That it is agreed that the implementation of these proposals and any future proposals in relation to Children's Services be aligned with the requirements and timescales for the wider development of shared services across the three LAs.							
3.	Delivering high quality, value for money public services	**Merging of services with Westminster& RB Kensington and Chelsea**	**Savings due to removal of duplication across the council**	Review of corporate and back office functions Review of opportunities with contracts Risk Register compiled and is being presented to the Programme Board	Cabinet	2	4	8	Low 🟢	All Directors	February 2011
4.	Delivering high quality, value for money public services	**Regeneration of Shepherds Bush Market and former Shepherds Bush Library**	**Community benefits through improved market area, social housing and use of buildings**	Section 106 possible funding and partnering with developer over scheme	Cabinet	2	4	8	Low 🟢		February 2011

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No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
5.	Delivering high quality, value for money public services	**Re-integration of H & F Homes**	**Savings due to the removal of duplication in back office functions** There will be some immediate savings of circa £700k that flow from the integration of the ALMO as a result of the deletion of vacant posts, which would otherwise be duplicated in the new structure, and the elimination of agency workers and contractors to whom TUPE does not apply.	Consultation exercise has demonstrated public opinion to re-integrate and a report recommending re-integration presented to Cabinet 10-01-2011	Cabinet	2	4	8	Low 🟢		February 2011
6.	Delivering high quality, value for money public services	**Regeneration of King Street and Civic Offices**	The Town Hall extension has come to the end of its life and needs to either be demolished or refurbished. An estimated cost of around £18m in temporarily accommodating staff through a relocation to facilitate repairs New office accommodation at no cost is being provided in exchange for land A new modern building is also expected to save around £150,000 in energy costs Jobs will be created in King Street A new community-sized supermarket and a range of new restaurants and other retailers, alongside a council 'One Stop Shop', will draw more people down King Street and encourage more investment in the area Successful redevelopment would enable the council to	Planning Committee and team independence Public consultation The council's advisers, Cushman & Wakefield, ran a competition for development of the existing site – which also includes the council car park on Nigel Playfair Avenue. The competition was based on which scheme delivers the best value for money to the borough's taxpayers, the best opportunity to regenerate this run-down part of King Street and the least disruption to local residents. Public exhibition Planning documents are available to view on the council's website A planning application to redevelop the area around Hammersmith Town Hall was submitted to Hammersmith & Fulham (H&F) Council on Friday (29 October). The application from King Street Developments Ltd (KSD) will	Cabinet	3	5	15	Medium 🟠		February 2011

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CORPORATE RISK REGISTER **APPENDIX 1**

No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
			terminate contracts for various costly leased buildings around the borough savings around £2 million a year.	trigger a new round of consultation as the council, now acting as local planning authority, consults extensively with residents, amenity groups and other interested parties. Information from local amenity groups has been passed to planning officers. The Leader of the Council has attended a Save or Skyline meeting The Leader of the Council wrote to prominent amenity societies to make the case for regeneration following concerns from some groups An independent financial assessment from PricewaterhouseCoopers (PwC) on the viability of the proposals							

Note 1. All key risks have been extracted from(but not limited to) a number of sources for analysis by the Corporate Management Team. The sources include;
i.　　　　　Previous Corporate Risk Register
ii.　　　　Benchmarking with other Local Authorities on Identified Risks
iii.　　　　Information identified from Departmental Risk Registers
iv.　　　　Officers Knowledge and experience
v.　　　　The Office of Government Commerce Project Risk Management Handbook
vi.　　　　Procurement exercises
vii.　　　　Significant Weaknesses established from the Annual Assurance process
viii.　　　Audit Reports
ix.　　　　Knowledge and experience of public sector risks from the Principal Risk Consultant
x.　　　　Data Quality and Integrity
xi.　　　　Programme Management Office monthly report
Note 2. Categorised under the PESTLE methodology as published in the Hammersmith & Fulham Risk Standard. Compliant with Audit Commission/ ALARM/IRM/CIPFA best practice.

CORPORATE RISK REGISTER **APPENDIX 1**

Residual

CORPORATE RISK REGISTER

Impact			Likelihood				
Very High	5					
High	4			1,9	5	
Medium	3			2,8,9,10, 11.12	3,6,7	
Low	2		8			
Very Low	1					
		1	**2**	**3**	**4**	**5**
		Very Low	Low	Medium	High	Very High

LIKELIHOOD

Score | **Key**
16-25 | RED - High and very high risk - immediate management action required
11-15 | AMBER - Medium risk - review of controls
6-10 | GREEN - Low risk - monitor and if escalates quickly check controls
1-5 | YELLOW - Very low risk - monitor periodically
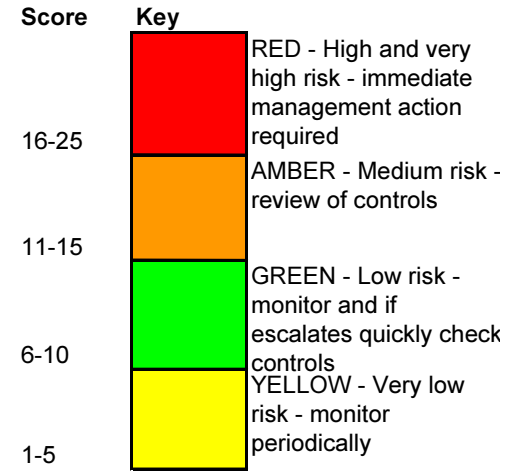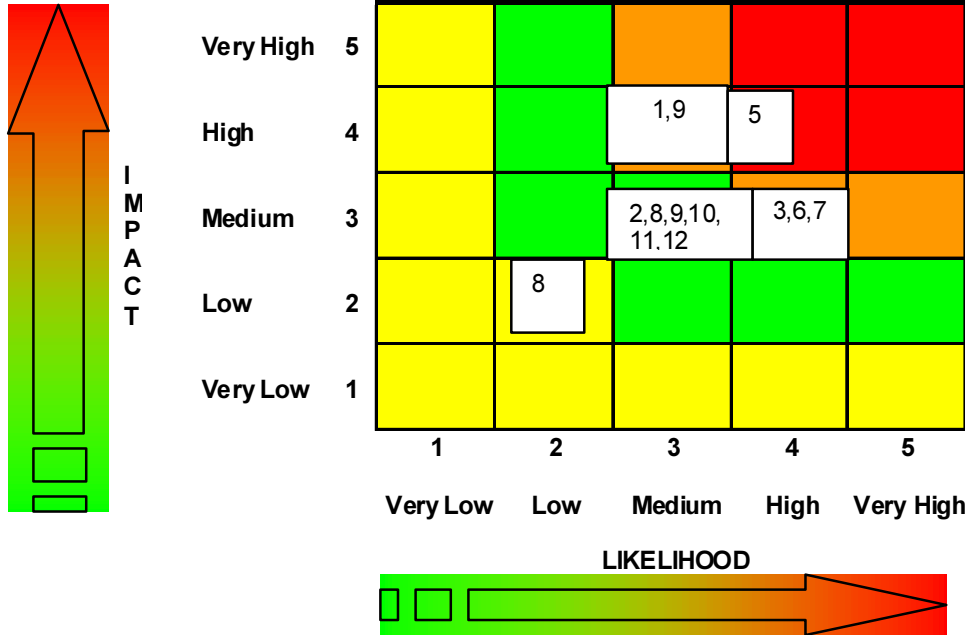
*   **Derived from Deloitte's Assurance Framework 2007/2008**

CORPORATE RISK REGISTER **APPENDIX 1**

Financial Strategy Board (FSB) 2010 – 2011 Assurance Statement and map

Author: Michael Sloniowski, Risk Management, Internal Audit Corporate Finance Division

Decision
FSB are asked to;

1. note that the councils business & financial planning process no longer provides guidance and information on the provision of an assurance process.
2. agree the simplified assurance process for financial risks based on assurance mapping and the risk registers.
3. agree the assurance map of financial risks as identified in Table 1 of this report
4. agree the level of assurance in column I of Table 1 of this report
5. agree any supplementary requirements from internal audit from the assurance map where FSB feel further assurance work is justified or required.
6. recognise that non financial assurances is taken out of scope of FSB responsibility and these will remain under the Directors Departmental Assurance Statements via supportive risk registers.

1. Introduction

1.1. In previous years FSB have been involved in ratifying the overall Assurance process. This paper proposes and seeks to establish an alternate simplified proposal to previous years whereby a separate declaration and assurance map provided from FSB establishes the necessary assurance for the management of the council's finances, based on Tiered Assurance for financial management, control and planning as promoted through the Institute of Internal Audit.

1.2. Directors' statements are still due and this is orientated to support the end of year Annual Governance Statement by FSB giving assurance of the financial framework.

2. The framework in practice

2.1. Financial Assurance will be provided by FSB through a 3 lines of defence approach illustrated in the chart below;

APPENDIX 2
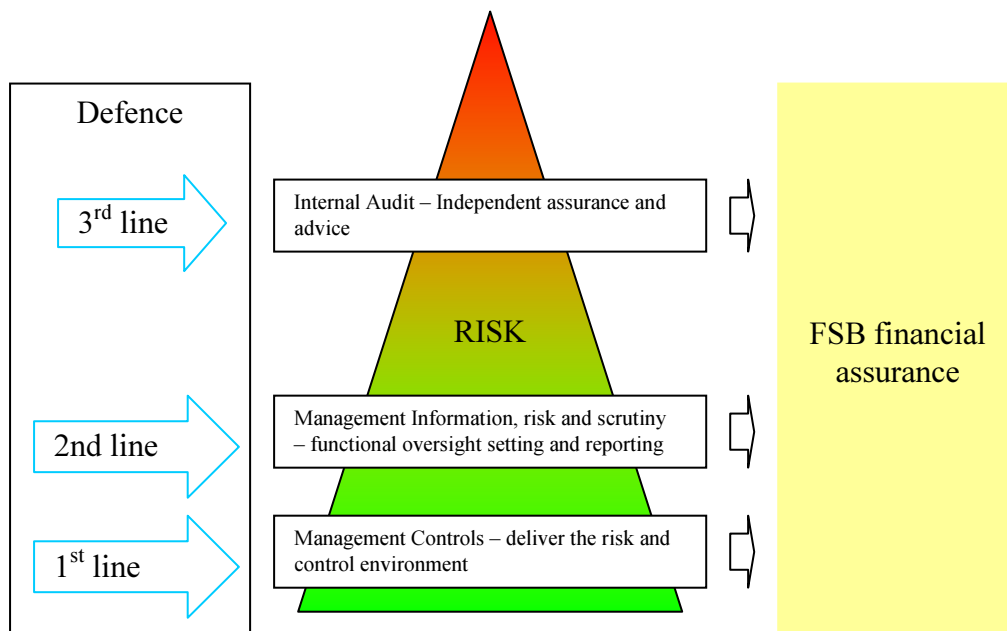
2.2. **Defined FSB Annual Assurance Requirements – Lines of defence**

2.2.1. *1st line of defence – Management Controls*

2.2.1.1. This describes the controls FSB have in place to deal with the day-to-day business. Controls are designed into financial systems and processes and assume that their design is sound to appropriately mitigate risk. Subsequently compliance should ensure an adequate control environment. There should be adequate managerial and supervisory controls in place to ensure compliance and to also highlight and self report control breakdown, inadequacy of process and unexpected events.

2.2.2. *2nd line of defence – Risk Management, Management Information and Scrutiny*

2.2.2.1. This describes the committees and risk management functions that are in place to support FSB in providing an oversight of the effective operation of the internal control framework. These committees review the management of risk in relation to the particular risk appetite of the business, as determined by the Executive Management Team. The effectiveness of the 2nd line is determined by the oversight committee structure, their terms of

reference, the competence of the members and the quality of the management information and reports that are considered by these oversight committees.

2.2.2.2.   The 2nd line is re-enforced by the advisory and monitoring functions of risk management and compliance. For FSB risk management defines and prescribes the financial and operational risk assessment processes for the business; maintains the risk registers and undertakes regular reviews of these risks in conjunction with line management. Compliance advises on all areas of regulatory principles, rules and guidance, including leading on any changes, and undertakes monitoring activity on key areas of regulatory risk.

2.2.2.3.   FSB expect these functions (risk & management information) to report upon their work undertaken and significant findings to the Audit & Pension Committee in the 2nd line.

2.2.3.   *3rd line of defence Internal Audit*

2.2.3.1.   This describes the independent assurance provided for FSB by the internal audit function that reports to the Audit and Pension Committee.

2.2.3.2.   Internal audit undertakes a programme of risk based audits covering all aspects of both 1st and 2nd lines of defence. Internal audit may well take some assurance from the work of the 2nd line functions and reduce or tailor its checking of the 1st line.

2.2.3.3.   The level of assurance taken will depend on the effectiveness of the 2nd line, including the oversight committees, and internal audit will need to coordinate its work with compliance and risk management as well as assessing the work of these functions. The findings from these audits are reported to all three lines, i.e. accountable line management, the Executive Management Team and oversight committees and the Audit and Pension committee.

2.2.3.4. This 3rd line role likens internal audit to that of a goalkeeper in a football match. When the ball is lost in midfield (1st line) and the defence (2nd line) fails to pick up the opposition's attack, it is left to the goalkeeper (3rd line) to save the day. There is a reasonable expectation that internal audit will identify the weaknesses in both 1st and 2nd lines and failure to do so may lead to significant loss to the organisation.

2.2.4. Assurance Map of Financial Services

2.2.4.1. The Financial Strategy Board is responsible for the following Tiers of assurance illustrated below;

Tier 1 Assurance – Financial Management, Financial Control, Financial Planning and Reporting (including of accountable bodies and of the Pension fund)
Tier 2 Assurance – Scrutiny & Risk Management of Financial Performance
Tier 3 Assurance – Internal Audit findings from detailed systems audits
Tier 4 Assurance – Accountability and framework of Financial Accounting systems

2.2.5. In support of the Annual Governance Statement 2010-2011 FSB are providing assurance on the financial management and control of the council through the allocation of accountable officers to Finance Risk Areas and maintaining the controls including risk management that underpin them.

2.2.6. Other assurances in support of the Directors Assurance Statement are to be provided through upkeep of the councils risk and assurance registers. This coupled with the Assurance Map in TABLE 1 of this document will be the prime documents in support of the Annual Assurance Statement.

2.2.7. FSB will maintain this document and review it at two points once mid financial year and prior to sign off and subsequent submission to the Chief Internal Auditor before financial year close down.

2.2.8. Accountability mapping for these Assurance Levels is based on RACI-O allocation outlined below where the key financial activities are listed by Finance Risk Area.

RACI-O

Responsible: person who performs the activity or does the work
Accountable: person who is ultimately accountable and has the YES/NO/VETO
Consulted: person who needs feedback on the activity
Informed: person that needs to know of the action or decision
Oversight: charged with ensuring that multiple accountabilities fit together and risks
are properly understood and communicated

TABLE 1. ASSURANCE MAP of Financial Services

A. Assurance level	B. No.	C. Finance Risk Area	D. Primary Evidence (Highlights not a comprehensive list see Risk & Assurance Registers for more detail)	E. Responsible	F. Assurance provider	G. Accountable Officer	H. Informed	I. Oversight	J. FSB self assessment (F= Full assurance of systems, S=Substantial assurance of systems, L= Limited assurance of systems, N=No assurance of systems)
Tier 1	1	Financial Management	Financial Regulations, Scheme of delegation, Risk and Assurance Registers, FSB Minutes and Agenda items	Assistant Director of Finance (Environment & Childrens Services) Assistant Director of Finance and Resources (Resident Services) Assistant Director of Finance (Business Support) Assistant Director of Resources (Community Services) Corporate Strategy & Resources Manager	Financial Strategy Board	Director of Finance & Corporate Services	Directors, Management Teams Devolved finance teams	Deputy Director of Finance & Corporate Services	F
	2	Financial Control	Internal Audit, External Audit, Financial Regulations, Scheme of delegation, Risk and Assurance Registers, FSB Minutes and Agenda items	Assistant Director of Finance (Environment & Childrens Services) Assistant Director of Finance and Resources (Resident Services) Assistant Director of Finance (Business Support) Assistant Director of Resources (Community Services) Corporate Accountancy Services Manager	Financial Strategy Board	Director of Finance & Corporate Services	Directors, Management Teams Devolved finance teams	Deputy Director of Finance & Corporate Services	F
	3	Financial Planning	Financial Regulations,	Assistant Director of Finance (Environment & Childrens Services)	Financial Strategy	Director of Finance &	Directors, Management	Deputy Director of	F

APPENDIX 2

A. Assurance level	B. No.	C. Finance Risk Area	D. Primary Evidence (Highlights not a comprehensive list see Risk & Assurance Registers for more detail)	E. Responsible	F. Assurance provider	G. Accountable Officer	H. Informed	I. Oversight	J. FSB self assessment (F= Full assurance of systems, S=Substantial assurance of systems, L= Limited assurance of systems, N=No assurance of systems)
			Budget preparation working papers and electronic files, Medium Term Financial Planning guidance, Leaders Challenge papers, Management Team Minutes, Risk and Assurance Registers	Assistant Director of Finance and Resources (Resident Services) Assistant Director of Finance (Business Support) Assistant Director of Resources (Community Services) Corporate Strategy & Resources Manager	Board	Corporate Services	Teams Devolved finance teams	Finance & Corporate Services	
	4	Financial Reporting	Financial Regulations, Corporate Revenue and Capital Monitoring reports and papers, Management Team Minutes	Assistant Director of Finance (Environment & Childrens Services) Assistant Director of Finance and Resources (Resident Services) Assistant Director of Finance (Business Support) Assistant Director of Resources (Community Services) Corporate Accountancy Services Manager	Financial Strategy Board	Director of Finance & Corporate Services	Overview and Scrutiny Committee Audit and Pension Committee Financial Strategy Board Directors	Deputy Director of Finance & Corporate Services	F

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	5	Pension fund Management	Financial Regulations, Pension fund reports to EMT and Audit and Pension Committee	Assistant Director Business Support	Audit & Pension Committee, Independent Audit,	Director of Finance & Corporate Services	Employees, Pension fund members		F
	6	Pension fund Control	Financial Regulations, Pension Fund Strategy, Risk & Assurance Registers	Assistant Director Business Support	Audit & Pension Committee Independent Audit,	Director of Finance & Corporate Services	Audit & Pension Committee	Director of Finance & Corporate Services	F
	7	Pension fund Planning	Financial Regulations, Audit and Pension Committee Agenda and Minutes	Assistant Director Business Support	Audit & Pension Committee Independent Audit,	Director of Finance & Corporate Services	Audit & Pension Committee	Director of Finance & Corporate Services	F
	8	Pension fund Reporting	Financial Regulations, Psolve reporting, Audit and Pension Committee Agenda and Minutes, Annual Report	Assistant Director Business Support	Audit & Pension Committee Independent Audit	Director of Finance & Corporate Services	Audit & Pension Committee	Director of Finance & Corporate Services	F
	9	Key Contract Management	Financial Regulations and Contract Standing orders, Competition Board Agenda and Minutes	Assistant Director Procurement and IT Strategy	Competition Board	Director of Finance & Corporate Services	Directors	Cabinet	F
	10	Treasury Management	Financial Regulations, Treasury Management Strategy, Audit and	Assistant Director Business Support	Audit & Pension Committee	Director of Finance & Corporate Services	Full Council Audit & Pension Committee	Director of Finance & Corporate Services	F

A. Assurance level	B. No.	C. Finance Risk Area	D. Primary Evidence (Highlights not a comprehensive list see Risk & Assurance Registers for more detail)	E. Responsible	F. Assurance provider	G. Accountable Officer	H. Informed	I. Oversight	J. FSB self assessment (F= Full assurance of systems, S=Substantial assurance of systems, L= Limited assurance of systems, N=No assurance of systems)
			Pension Committee Agenda and Minutes						
Tier 2	11	Scrutiny of Financial Performance	FSB agenda and minutes	Deputy Director of Finance	Audit & Pension Committee, Overview and Scrutiny Committee	Director of Finance & Corporate Services	Full Council Cabinet		F
	12	Risk Management of Financial Performance	Financial budget risks identified in budget preparation documents	Deputy Director of Finance & Corporate Services

Assistant Director of Finance (Environment & Childrens Services)

Assistant Director of Finance and Resources (Resident Services)

Assistant Director of Finance (Business Support)
Assistant Director of Resources (Community Services) | Financial Strategy Board | Deputy Director of Finance & Corporate Services | Full Council Cabinet | Director of Finance & Corporate Services | F |
| Tier 3 | 13 | Internal Audit | Review of Internal Audit by the Audit Commission and internal review as part of the AGS, Contract | Chief Internal Auditor | Audit & Pension Committee

Risk Management | Deputy Director of Finance & Corporate Services

Chief Internal Auditor | Director of Finance & Corporate Services

Audit and Pension | Director of Finance & Corporate Services | F |

APPENDIX 2

A. Assurance level	B. No.	C. Finance Risk Area	D. Primary Evidence (Highlights not a comprehensive list see Risk & Assurance Registers for more detail)	E. Responsible	F. Assurance provider	G. Accountable Officer	H. Informed	I. Oversight	J. FSB self assessment (F= Full assurance of systems, S=Substantial assurance of systems, L= Limited assurance of systems, N=No assurance of systems)
Tier 4	14	Financial Accounting system ledger - Cedar		Head of Finance Development Corporate Accountancy Services Manager	Finance Development Board	Deputy Director of Finance & Corporate Services	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services	GAP
	15	Invoice processing - Civica		Corporate Accountancy Services Manager	World Class Financial Management Board	Deputy Director of Finance & Corporate Services	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services Head of Finance Development	Planned Audit 2010 – 2011 Core Financials Debtors
	16	Financial Planning System - Collaborative Planning		Head of Finance Development Corporate Strategy & Resources Manager	Internal Audit	Deputy Director of Finance & Corporate Services	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services	GAP
	17	Cash receipting Civica Radius		Corporate Accountancy Services Manager	Internal Audit	Deputy Director of Finance & Corporate Services	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services	Planned Audit Core Financials 2010 - 2011

Note: Column heading "Monitoring" appears above column D, and "Committee" appears above column H.

	18	Payroll system Trent		Assistant Director Human Resources	Internal Audit	Assistant Director Human Resources	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services	Planned Audit 2010 - 2011
	19	Insurance system database		Corporate Strategy & Resources Manager	Internal Audit	Deputy Director of Finance & Corporate Services	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services	Planned Audit Insurance 2010 - 2011
	20	Development of Finance Systems WCFM	Project working papers, Cabinet Reports, briefing minuets and agenda items	Head of Finance Development	Cabinet	Deputy Director of Finance & Corporate Services		Director of Finance & Corporate Services	Audit adequacy advisory review

Financial Strategy Board are collectively responsible for the Financial Management of the council and throughout the financial year are able to provide reasonable not absolute assurance that sufficient controls proportionate to risk have been applied to safeguard the council's finances as identified in TABLE 1 of this report

Chair of Financial Strategy Board

Sign   Date

Deloitte.

Final Internal Audit Report 2009/10

London Borough of Hammersmith & Fulham

Corporate Programme and Project Management

December 2010

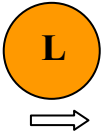This report has been prepared on the basis of the limitations set out on page 20.

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Internal Audit Report – London Borough of Hammersmith & Fulham – Corporate Programme and Project Management 2009/10

Executive Summary

Introduction	As part of the 2009/10 Internal Audit Plan, agreed by the Audit Committee on 11 March 2009, we have undertaken an internal audit of Corporate Programme and Project Management.
	This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.
	The agreed objective and scope of our work is set out at Appendix C.
	Since issue of the draft report, the Project Management Office has transferred into Organisational Development under the management of the Head of Business Transformation. We have been advised that The Head of Business Transformation will take the recommendations under advisement as part of his review of the function, its activities, tools, processes and interfaces going forward.

Audit Opinion (defined at Appendix A)	None	Limited	Substantial	Full
		L ⇨		

Rationale Supporting Award of Opinion and Direction of Travel	The audit work carried out by Internal Audit (the scope of which is detailed in Appendix C) indicated that, there is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
	Weaknesses in control were identified in relation to analysis of common themes resulting from projects; lessons learnt exercises for completed projects and weaknesses in control identified in regards to the ICT Disaster Recovery, which have been addressed within the ICT Disaster Recovery audit.
	The Direction of Travel provides a comparison to the previous audit visit. In this case the arrow shows that the area has improved since the last audit visit however additional issues that impact on the assurance level have been identified due to extended scope of the work.

Priority 1 Recommendations	We have raised two priority one recommendations as a result of this internal audit.
	• Lack of assessment for currency of programmes and projects; and
	• The criteria for the prioritisation of projects should be reviewed to determine if it remains appropriate for the Councils needs in directing project management resources.

Detailed Findings

Background	The Council has developed a Governance Framework that covers the management of all programmes and projects managed by the Council. The Governance Framework sets out the process by which the decision to invest resources is made, and how progress is monitored and communicated to maximize the Council's overall chance of success.
	The Governance Framework was revised and a new framework introduced with effect from November 2008.
	A key goal is to enable the Council to consistently deliver the right solutions and benefits to the agreed budget, scope and time constraints without requiring fundamental changes to the organisation structure, or the service delivery ethos.
	The Council has created a number of bodies responsible for various aspects of corporate programme management. These are as follows:
	• Executive Management Team (EMT) – assigns EMT member as sponsor for strategic programmes, makes funding decisions that help in resolving key issues and mitigating key risks;
	• Strategic Programme Management Group (SPMG) – key body in charge of portfolio management and operational governance;
	• Corporate Programme Management Office (PMO) – delivers a range of services to provide the Council with a consistent framework to track and report detailed status of entire portfolio of programmes and projects;
	• Channel Strategy Board (CSB) – focus on governance of web and other channel investments;
	• Contract Monitoring Office (CMO) – is the client, or Council, side of the managed IT service provided through HFBP;
	• Finance Strategy Board (FSB) – accountable for the monitoring and delivery of cashable benefits and other efficiencies as part of the MTFS process; and
	• Individual Strategic Programmes and Projects Boards – operational focus for decision making on active projects lies with these teams.
	The Corporate Programme Management Team came into effect from April 2007. The team includes the PMO, including managers of Corporate wide programmes. The role of the PMO is to develop and

maintain central co-ordination of the Council's portfolio of programmes and projects whilst minimising overall delivery risk, co-ordinating interdependencies between projects and managing the deployment of specialist resources.

A key role of the PMO is to provide accurate, consistent and useful reports on the status of all aspects of tracked projects and programmes to the SPMG.

Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Organisational Capacity			0	1	0
	Council and Service Objectives			2	0	0
	Approval of Programmes and Projects			0	1	0
	Project Management			0	3	0
	Monitoring			0	0	0
	Post Project Review			0	3	0
	Risk Management and Business Continuity Management			0	0	0
	Follow up on Previous Recommendations*			0	0*	0

*Weaknesses re-raised as recommendations within the report

Summary of Findings	In this section we set out a summary of our findings under each area of scope. This is a balanced summary where possible. Where weaknesses are identified, full details of these are included in the recommendations raised.
	Organisational Capacity
	The organisational structure as detailed on the Council intranet and in the Corporate Governance of Programmes and Projects document has three levels: Council & Strategic Governance, Operational Governance and Programme & Project Governance.
	Cabinet, and Executive Management Team are involved at the strategic governance level. Strategic Programmes Management Group (SPMG), Finance Strategy Board, Channel Strategy Board (CSB) and Programme Management Office (PMO) are responsible for the operational level. Individual business units are responsible for the programme and project management level including project management, risk, issue and change management.
	The Programme Management Office has developed a new programme for the Programme and Project Management Framework and for changing the behaviours across the Council regarding project management. 'Programme and Project Management Capability and Capacity' brief was prepared for SPMG approval in September for the programme to go forward. The main objective of the Programme is to develop a vision for a blueprint for programmes and projects management within the Council. The programme brief identifies a number of challenges of programme and project management across the Council, including not translating lessons learned to future projects, use of external resources to manage Hammersmith and Fulham (h&f) programmes and projects, lack of internal capacity and capability for the demands of project management.
	The responsibilities for programme and project management of each body are detailed in terms of reference. We were provided with the agreed terms and conditions for SPMG, PMO and CSB. We were informed that these are approved by the SPMG and are presented to EMT. In addition, HFBP are commissioned to complete the work for majority of IT projects, including provision of full or partial project management. We were informed that the roles and responsibilities of HFBP are included within the Bridge Partnership agreement with LBFH.
	At the individual business unit level, the PMO have identified that there is insufficient capacity and capability to support the project management across the Council. Not everyone who has attended

training is currently using the skills gained on managing projects.

We have raised one recommendation as a result of our work within this area.

Council and Service Objectives

Each project is assessed against the Council and Service Objectives at the business case preparation stage. We selected a sample of twenty projects to test. We were provided with business cases for seven of these. There is a section within each of the business cases provided to us that clearly identifies the underlying Council Objectives. We were provided with a cabinet member approval of the project in a further five cases; these did not appear to provide a clear link to the Council's objectives, however, we have accepted their approval as evidence of the project meeting the Council's requirements. In a further eight cases, the objectives were specified in the project register.

We were informed that the portfolio is not reviewed for continuing relevance with the view to cancel or modify projects.

The project register also includes a priority score for each project. The purpose and priority of projects and programmes is assessed via ten criteria driving the project. These are outlined in the Portfolio Management Corporate Governance of Programmes and Projects document and include statutory requirements, council imperative, enabling agreed MTFS savings for current year, critical support – system failure risk, time limited funding, enabling service delivery improvements, direct link to priority National Indicator, part of strategic programme, critical support – system upgrade, critical support - organisation. The projects are given their priority status at monthly Project Portfolio Monitoring (PPM) meetings chaired by the PM0. Any project with a score of 10 points or more is considered to be priority 1. In February 2009, an analysis of the project prioritisation specifies that 45% (57 projects) were priority 1 projects. The analysis also identifies that there is a too high proportion of project categorised as priority 1.

We were informed that assessment of whether the methods of delivery of the programmes and projects should be changed in response to legislation, economic considerations and socio-technological changes are the responsibility of each business area. We have not completed further work in this area.

We have raised two recommendations as a result of our work in this area.

Approval of Programmes and Projects

The project's business case is approved at different levels of authority depending on the project value. Those below £50,000 require Director's approval. Projects between £50,000 and £100,000 are approved

by a Cabinet Member and those above £100,000 are approved by full Cabinet. We were not provided with evidence of project approval in nine out of twenty projects tested.

After project approval, a solution proposal is prepared specifying the delivery requirements, project plan and timescales. We were provided with twelve of twenty requested approvals.

The approval process includes discussion of timetabling, available finances and cash flow forecasts. These are considered in the business case for each project. We have verified that all seven cases where a business case was provided, that they included timetabling, finance, and cash flows forecasts.

We have raised one recommendation as a result of our work in this area.

Project Management

In seventeen out of nineteen relevant cases, the project board members were identified within the solution proposal (SP) or other documents provided for the project. The SP and the register of programmes and projects also identify the 'Project's Lead Officer'.

Programme/project milestones are specified in Section 8: Project Delivery Plan of the Solution Proposal. We noted that this information was included within the solutions proposals provided for thirteen projects. In another three cases, the milestones were specified in other project documents such as the business case. For two cases, there was no evidence of project milestones being specified in the documents provided and in a further two cases, we were not provided with any documents.

In four out of eighteen relevant cases, we were provided with evidence of project monitoring and reporting using the PM Toolkit pro-forma 'Highlight Reports'. In a further six cases, we were provided with evidence that project monitoring and reporting had been discussed via the project board meeting minutes. In eight cases, we were not provided with any evidence of project monitoring and reporting. We have noted that the 'Confirm/OLAS interface Adapter' project has been delayed from an initial start date of 8th January 2009 to 2nd February 2009 and that the solution proposal had to be reissued. We are also aware that post completion, the adapters have been found not to work. This is one of the projects that we were not provided with any evidence of project monitoring and reporting for.

We have raised one recommendation as a result of our work in this area.

Monitoring

Programme and project progress is updated on a monthly basis on the project register, where a red, amber or green status is given. The status depends on an assessment against seven criteria: cost,

schedule, benefits realisation, quality, vendor issues, stakeholder satisfaction, and project team. The overall project status colour is the lowest of the individual criteria.

The PMO presents a progress summary to SPMG on a monthly basis. The PMO also updates the EMT on a monthly basis. Projects within programmes are reported to EMT and stand alone projects not included within programmes are only reported if there are any issues arising. We noted that three projects that had a red or amber status as at April 2009 had been reported to SMPG or EMT in the three months reviewed to May 2009, but not discussed at the meetings for that period. We were informed that one of these projects, the Confirm to OLAS interface adapter that had a red status has become a major issue post implementation leading to additional expenditure on staff resources. We were informed that the red status is contributed to the dependency on Confirm project which was running late.

Progress on projects is also reported to the relevant programme/project board on a regular basis. In eight cases, we were not provided with any evidence of project monitoring and reporting. A recommendation concerning project reporting has been made in the Project Management area.

There is no mechanism for validation of the information reported to the SMPG. We were informed that the project board is responsible for the validation of project and programme information.

No recommendations have been raised as a result of our work in this area.

Post Project Review

The 'Portfolio Management Corporate Governance of Programmes and Projects' states that lessons learned should be completed for all projects. We noted that three of the five projects selected did not have completed lessons learned exercise.

We were informed that common themes from lessons learnt exercises are not collated to ensure that mitigating actions are directed at them in future.

We were informed that the mechanism for disseminating lessons learned to all stakeholders is in the process of being developed.

The 'Portfolio Management @h&f Corporate Governance of Programmes & Projects' details the process of tracking efficiency savings and other cashable benefits realised that have been identified as part of the Medium Term Financial Strategy (MTFS). However, there is no formalised process for the monitoring of non cashable benefits realised post-completion of projects.

We have raised three recommendations as a result of our work in this area.

	Risk Management and Business Continuity Management
	Project risks are assessed at the planning stage of each project as well as throughout their life in highlight reports and project board meetings.
	In 17 out of 20 projects tested, we noted that risks had been assessed in the business case or solution proposal. There is a requirement for risk logs to be maintained for each project. We were provided highlight reports for four out of eighteen relevant projects and noted that risks had been assessed within these documents.
	Most of the projects tested had been started prior to a recommendation made in the Risk Management 2008/09 Internal Audit Report that recommended that risks are reported to those who are tasked with decision making. As this has only recently been implemented, we have not undertaken work in this area.
	We have not raised any recommendations as a result of our work in this area.
	Follow-up on Previous Recommendations
	There were five priority two recommendations in our previous internal audit report. One recommendation has been implemented, one recommendation has been partly implemented and three recommendations have not been implemented. Two recommendations are no longer applicable at the corporate level as this element of the original recommendation has been withdrawn.
	We have re-raised four recommendations within the main body.
	We have raised four recommendations as a result of our work in this area.

Acknowledgement	We would like to thank the management and staff of the Finance and Corporate Services Department for their time and co-operation during the course of the internal audit.
	All staff consulted are included at Appendix C.

Recommendations

Organisational Capacity

1. Capacity and Capability of project management skills to be assessed and improved   **(Priority 2)**

Recommendation	Rationale
The agreed programme on developing project management capacity and capability across the Council should be developed and introduced.	Developing an organisation's project management capacity and capability helps ensure that expenditure is decreased on external resources and projects are appropriately managed.
	Paragraph 2.2 of the 'Programme Brief Document', 'Transforming h&f's Programme & Project Management (PPM) Capability and Capacity' identifies that, "training courses alone have not delivered the necessary improvements in PPM capability and capacity" across the Council to manage the h&f portfolio. We have been informed that one of the objectives of the programme is to agree with Organisation Development "a range of suitable means" of developing h&f staff to lead and work on programmes and projects.
	If there are insufficient project management skills across the Council, there is an increased risk of project failure or unnecessary expenditure on external resources.

Management Response			
Agreed.			
Responsibility	Talent Performance Leadership Manager	**Deadline**	31/10/2011

Council and Service Objectives

2.   Review of portfolio for continuing relevance of projects   **(Priority 1)**

Recommendation	Rationale
The project portfolio should be reviewed on a regular basis to ensure the continuing relevance of projects to the Council's objectives	Undertaking reviews of the continuing relevance of projects will help ensure that only those that continue to meet the Council's objectives are furthered and that resources are therefore efficiently allocated.
	We were not provided with evidence that the project portfolio is reviewed for currency. We were informed that the Head of Corporate Programmes has analysed the project portfolio link to corporate objectives, however the strategic direction of the Council is in the process of being changed and the analysis is therefore limited.
	If continuing reviews of the project portfolio are not undertaken, there is an increased risk of expending resources on projects that may no longer meet the Council's objectives.

Management Response			
Agreed. This is underway now with the new set of four portfolios and Executive Management Team members designated as SROs			
Responsibility	Head of Business Transformation	**Deadline**	31/10/2011

3.   Prioritisation of projects   **(Priority 1)**

Recommendation	Rationale
The criteria for the prioritisation of projects should be reviewed to determine if it remains appropriate for the Councils needs in directing project management resources.	Reviewing the project prioritisation criteria will help to ensure the efficient and effective allocation of resources thereby facilitating project delivery.
	An analysis of prioritisation was undertaken in February 2009 by the Head of Project Management. The analysis revealed that 45% of all projects have been classified as priority one projects. The analysis also notes that the definition of one of the scoring criteria has resulted in a disproportionate amount of projects being classified as priority one. A number of negative impacts have been documented as part of this analysis and a number of possible solutions aired.
	If prioritisation criteria result in too many projects being classified as priority one, there is an increased risk that resourcing allocation may become uneconomic, inefficient or ineffective.

Management Response			
Agreed. This is underway now with the new set of four portfolios and Executive Management Team members designated as SROs			
Responsibility	Head of Business Transformation	**Deadline**	31/10/2011

Approval of Projects and Programmes

4.   All projects and programmes to be approved at appropriate level   **(Priority 2)**

Recommendation	Rationale
All projects and programmes should be approved at the appropriate level. In addition, the Programme Management Office should consider implementing a check for the relevant approval when a project is added to the project register.	The Project Management (PM) Toolkit states that all projects should have relevant approval by a Director, a Cabinet Member or full Cabinet depending on the cost of the project. We were not provided with evidence of project approval in eight out of twenty projects tested. . We were unable to determine how many projects are above £50,000 because information is not in the included in the project register for all projects If projects are not approved within the scheme of delegation outlined in the Project Management Toolkit, there is an increased risk that expenditure may be incurred on projects which do not have sufficient budget.

Management Response			
Agreed. Projects under 50k acceptable risk. All decisions over 50k spend between 50k and 100k are Cabinet Member decisions and over that are Cabinet key decisions so they are all recorded in the Committee Minutes system. I am not sure why you were not able to find authorisation for 8 projects over 50k as they must have been subject to this regime. It is the responsibility of the relevant business area manager (third tier usually or AD) to gain the appropriate authorisation. PMO is happy to provide guidance to managers on gaining appropriate authorisation but once they have it projects can proceed.			
Responsibility	Head of Corporate Programmes/ Relevant Business Area Manager	**Deadline**	31/10/2011

Project Management

5. **Project Management toolkit pro-forma documents to be used on projects** **(Priority 2)**

Recommendation	Rationale
Adequate and proportional monitoring and reporting of projects should be undertaken. Senior Management should implement actions to improve the monitoring and reporting of projects through the.PPM Capacity and Capability Programme.	Improving the monitoring and reporting of projects help ensure that no project areas are overlooked. In four out of eighteen relevant cases, we were provided with evidence of project monitoring and reporting using the PM Toolkit pro-forma 'Highlight Reports'. In a further six cases, we were provided with evidence that project monitoring and reporting had been discussed via the project board meeting minutes. In eight cases, we were not provided with any evidence of project monitoring and reporting. We have noted that the 'Confirm/OLAS interface Adapter' project has been delayed from an initial start date of 8th January 2009 to 2nd February 2009 and that the solution proposal had to be reissued. We are also aware that post completion, the adapters have been found not to work. This is one of the projects that we were not provided with any evidence of project monitoring and reporting for. If the PM Toolkit pro-forma documents are not used, there is an increased risk of inconsistency in reporting across different projects. This may lead to non-identification of project issues and project failure.
Management Response	
Agreed. This will be reviewed as part of the restructure of the Project Management Office.	

Responsibility	Head of Corporate Programmes	**Deadline**	31/10/2011

6.   Risk Logs   **(Priority 2)**

Senior Management should implement actions to improve the monitoring of risk through the PPM Capacity and Capability Programme. This should include providing advice on risk assessment and mitigating controls.	Completion of a detailed Risk Log (to include identification of existing mitigating controls) helps to ensure that relevant risks, and areas where further action is needed are identified and adequately controlled.
	The Head of Corporate Programmes commented that the PMO does not have the required resources to monitor that risk logs are in place for all projects. They also stated that this was the responsibility of the Project Board and Project Manager. However, we did not identify senior management approval to risks not being monitored. Risks are included in project monthly highlight reports reviewed by the project board. However the position is unclear where no project board is in place.
	Failure to identify all risks to a project and to confirm that appropriate mitigating controls are in place increases the potential that appropriate mitigating actions are not in place to address risks that may impact upon delivering the project objectives.

Management Response			
Agreed. The proposed restructure is designed in part to address this issue.			
Responsibility	Head of Corporate Programmes	**Deadline**	31/10/2011

7.   Communication Plan   **(Priority 2)**

Senior Management should implement actions to improve the monitoring of communication plans through the PPM Capacity and Capability Programme.	The PM Toolkit contains a Communications Plan Document, which should be used to identify the distribution of information throughout the life of the project (who is to receive what, and how often).
	This is re-instated from the previous internal audit report unertaken for 2007-08. The Head of Corporate Programmes commented that the PMO does not have the required resources to monitor that communication plans are being completed for relevant projects. Communication Plans are required for projects at categories 3 or 4 and it is the responsibility of the project board or project manager. However, we did not identify senior management approval to communication plans not being monitored.
	Failure to complete a Communications Plan increases the risk that key stakeholders will not be kept informed of relevant information by expected dates, resulting in failure to progress the project as expected.

Management Response			
Agreed. The proposed restructure is designed in part to address this issue.			
Responsibility	Head of Corporate Programmes	**Deadline**	31/10/11

Post Project Review

8.   Lessons learnt to be completed for all projects   **(Priority 2)**

Recommendation	Rationale
Senior Management should implement actions to improve the monitoring of lessons learned through the PPM Capacity and Capability Programme.	The 'Portfolio Management Corporate Governance of Programmes and Projects' states that lessons learned should be completed for all projects.
	We noted that three of the five projects selected did not have completed lessons learned exercises. The projects selected have been completed between June 2008 and April 2009.
	If lessons learned are not completed, there is an increased risk of issues not being identified and addressed in future projects.

Management Response			
Agreed. The proposed restructure is designed in part to address this issue.			
Responsibility	Head of Corporate Programmes	**Deadline**	31/10/11

9.   Common themes from projects to be reported at corporate level   **(Priority 2)**

Recommendation	Rationale
Common themes should be collated from each of the projects lessons learnt exercises and reported at corporate level. The outcomes should be communicated to all relevant stakeholders, and in particular to all project managers.	Identification and reporting of common themes helps ensure that the lessons learnt process can become a valuable tool for directing resources at the most costly common failures. Communicating lessons learned helps ensure that future efficiency and effectiveness of projects is maximised. We were informed that common themes from lessons learnt exercises are not collated to ensure that mitigating actions are directed at them in future. We were informed that the mechanism for disseminating lessons learned to all stakeholders is in the process of being developed. Where common themes of what could be done better are not collated for further analysis and corrective management actions, there is an increased risk of their constantly recurring with cost implications. In addition, if lessons learned are not communicated to project managers, there is an increased risk that the future efficiency and effectiveness of projects may not be maximised.

Management Response			
Agreed. The proposed restructure is designed in part to address this issue.			
Responsibility	Head of Corporate Programmes	**Deadline**	31/10/11

10.   Actual benefits realised to be tracked on all projects   **(Priority 2)**

Recommendation	Rationale
Senior Management should implement actions to ensure that non-cashable benefits are reviewed as part of lessons learned.	Analysis of all benefits helps ensure that the basis of assumptions made at the start of projects is validated and can be fed forward to future projects.
	The 'Portfolio Management @h&f Corporate Governance of Programmes & Projects' details the process of tracking efficiency savings and other cashable benefits realised that have been identified as part of the Medium Term Financial Strategy (MTFS). However, there is no formalised process for the monitoring of non cashable benefits realised post-completion of projects.
	If non cashable benefits realised are not tracked, there is an increased risk that the justification for undertaking some projects may not be validated and that future projects may be undertaken on flawed assumptions regarding the achievability of targets.

Management Response
Agreed. The proposed restructure is designed in part to address this issue.

Responsibility	Head of Corporate Programmes	Deadline	31/10/11

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

St Albans

December 2010

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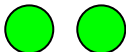
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Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

Audit Opinions

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

●●	**Full**	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
●	**Substantial**	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
●	**Limited**	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
●	**None**	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

$\Longrightarrow$	Improved since the last audit visit. Position of the arrow indicates previous status.
$\Longleftarrow$	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
$\Longleftrightarrow$	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Adequacy and Effectiveness Assessments

Please note that adequacy and effectiveness are not connected. The adequacy assessment is made prior to the control effectiveness being tested.

The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively, i.e. control gaps are a bigger issue than controls not being fully complied with.

	Adequacy	Effectiveness
■	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
■	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
■	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

Recommendation Priorities

In order to assist management in using out internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management and the audit committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

Appendix B – Follow-up of 2007/08 Recommendations

Recommendation	Priority Responsibility	Action Taken as at October 2009	Further Action Required YES/NO
Consultation involving key officers and representatives from the Hammersmith & Fulham Bridge Partnership, and Agilisys should be undertaken prior to further development of the Project Management (PM) Toolkit, to help ensure that the content is agreed by all relevant parties and therefore encourage maximum use of it throughout the Council. Once agreed, monitoring arrangements should be established to ensure compliance with the PM Toolkit. In addition, the contractual relationship with Agilisys in respect of whether they are required to use the PM Toolkit should be clarified.	2 Head of Corporate Programmes	**Implemented** The Corporate Programme Management team has completed a survey of the Project Management Toolkit Users requesting feedback on the Project Management Toolkit.	**No**

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Recommendation	Priority Responsibility	Action Taken as at October 2009	Further Action Required YES/NO
All project managers should be required to submit monthly progress reports using the standard document contained in the Project Management (PM) Toolkit. Monitoring arrangements should be established to ensure compliance.	2 Programme Managers and Project Managers	**Partly Implemented** We were informed that all managers are required to provide progress reports contained in the Project Management (PM) Toolkit and they do so through monthly highlight reports. We were provided with four highlight reports in the standard format out of eighteen relevant cases tested. We were not provided with the reports for the remaining fourteen audits. We were informed that ensuring that highlight reports are submitted is the responsibility of the relevant project board or project sponsor where a project board does not exist.	**Yes** **See recommendation 5 in main body of report.**

Recommendation	Priority Responsibility	Action Taken as at October 2009	Further Action Required YES/NO
The pro-forma document included in the PM Toolkit should be used to document a Risk Log for all projects. Risks identified should cover all potential events that could cause failure to achieve project objectives, and the form should be fully completed to evaluate exposure and identify where corrective action is required. Monitoring arrangements should be established to ensure compliance.	2 Programme Managers and Project Managers	**Not implemented** The Head of Corporate Programmes commented that the PMO does not have the required resources to monitor that risk logs are in place for all projects.	**Yes** **See recommendation 6 in main body of report.**
The Communications Plan Document contained in the PM Toolkit should be fully completed for all projects. Monitoring arrangements should be established to ensure compliance.	2 Programme Managers and Project Managers	**Not implemented** The Head of Corporate Programmes commented that the PMO does not have the required resources to monitor that communication plans are in place for all projects.	**Yes** **See recommendation 7 in main body of report.**

Recommendation	Priority Responsibility	Action Taken as at October 2009	Further Action Required YES/NO
Role, responsibilities and objectives for the PMO regarding input to training should be clearly documented and approved to help ensure effective co-ordination of programme and project management activity throughout the Council, and that all project managers have received appropriate levels of training.	2 Programme Managers and Project Managers	**Not implemented** The issue is identified in the Programme Brief Document for 'Transforming h&f's Programme & Project Management (PPM) Capability and Capacity.	**Yes** **See recommendation 1 in main body of the report**

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Appendix C – List of Audited Projects

	Project Name
1	Confirm / OLAS interface adapter
2	Review of Trent BI tools (use of Cognos or Business objects)
3	Enablement.
4	Work Matters (previously referred to as Review of employment learning and skills.)
5	Corporate Asset Management System, CAMSYS
6	Disposal of Stowe Road Depot
7	ePayments - upgrade / replacement of Icon application & PCI Compliance
8	Implementation of h&f's new structure
9	SmartWorking - Corporate IT (Scoping)
10	SmartWorking - Telephony
11	Replacement of the current Libraries Management System (LMS)
12	Enabling ChS to better safeguard Children

13	Supporting Your Choice - Commissioning personalised ASC support / Self Directed Care.
14	GIS Upgrade
15	Programme Management Toolkit - developing a portfolio of tools for use by Programme managers.
16	Councillor Services system - Committee Management System
17	SmartWorking - Core Team
18	Bishops Park and Fulham Palace Grounds Restoration and Revival (Phase 2)
19	Parks Entrance Signage Project
20	Government Connect & LPSN (London Public Service Network)

Appendix D – Audit Objectives and Scope

Internal Audit Objective and Scope	The overall objective of this internal audit was to provide the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to the following management objectives:
	Organisational Capacity
	That the Councils programme / project management structure is reviewed annually for efficiency and effectiveness.
	That the terms of reference of each body responsible for programme / project identification, planning and delivery are reviewed to ensure there are no overlaps.
	That the project management roles of the Project Management Office and HFBP are appropriately defined and reviewed on a regular basis.
	That conflicts of interests are considered in defining the roles of the respective parties.
	Council and Service Objectives
	That identification of methods of delivery are considered in response to identifying new Council objectives and priorities (from strategic planning, the corporate plan and MTFS) and where necessary that programmes and projects are established to achieve this.
	That identification of methods of delivery are considered in response to external factors (impending legislation, socio-technological change, economic considerations etc) and where necessary that programmes and projects are established to achieve this.
	That for all programmes and projects within the Corporate portfolio the purpose and priority associated with them is identified and detailed in accordance with the Council's Governance Framework prevailing at the time.
	That the portfolio of programmes and projects is regularly reviewed (at least once a year) for currency and continuing relevance and where necessary, individual elements are cancelled or modified appropriately
	Approval of Programmes / Projects
	That all programmes and projects included within the Corporate Programme are approved after

management review that is in accordance with the Council's Constitution and can be funded within the Council's overall financial resources.

That the approval process includes the timetabling of the programmes / projects taking into account their priorities, competing requirements on the available finances of the Council and the cash flows of the programmes / projects over different financial years

Project Management

That a Programme / Project Board (or other suitable accountable management structure) is created for all individual programmes or projects with a clearly identified Lead Officer, with appropriate programme / project milestones agreed in advance against which actual performance can be compared, and that all programmes / projects are managed in accordance with the prevailing Governance Framework of the Council.

Monitoring

That progress on each programme or strategic project is reported periodically to the specific programme / nbproject board, SPMG and CMT, identifying actual progress achieved against plan, and where there is variance from plan, it is identified with an explanation as to the reasons for it, any impact on the programme / project as a whole and proposed actions to be taken to bring them back on plan, and that all variations beyond control limits are agreed by SPMG/CMT.

That progress on all other projects is reported to an appropriate level of management.

That review mechanisms exist to identify unauthorised programmes / projects in departments

Post Project Review

That for all where a lessons learnt and benefits realisation exercise is completed, it identifies good practice and areas of weakness to be reported back to SPMG/CMT/Cabinet as required, and (where appropriate) makes recommendations for improvement to the Corporate Management process.

That for where lessons learnt and benefits realisation exercises are not undertaken, that alternative feedback mechanisms exists.

That feedback is collated, analysed for common themes (buying new systems that can't / don't comply with council security requirements, buying packages that don't interface / reconcile with other systems) reported and disseminated appropriately.

That a number of programmes / projects are selected for audit to provide assurance that the Councils policies and procedures are being complied with.

Risk Management and Business Continuity Management

That all appropriate risks are identified, considered and managed with regard to each individual programme or project, and where appropriate are used to update divisional, departmental and corporate risk registers.

That as new IT systems come on stream, their position in the Council's Disaster Recovery Plan are determined and recorded.

That as new IT systems come on stream, their consideration is added to the relevant business unit, divisional, directorate and corporate business continuity plans.

Follow Up of Previous Recommendations

That the recommendations made in the 2007/08 Internal Audit Report have been implemented as agreed by the service.

Internal Audit Approach and Methodology	The internal audit approach is developed through an assessment of risks and management controls operating within the agreed scope.
	The following procedures were adopted:
	• Identification of the role and objectives of each area;
	• Identification of risks within each area which threaten the achievement of objectives;
	• Identification of controls in existence within each area to manage the risks identified;
	• Assessment of the adequacy of controls in existence to manage the risks and identification of additional proposed controls where appropriate; and
	• Testing of the effectiveness of key controls in existence within each area.
	Management should be aware that our internal audit work was performed in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 standards which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.
	Our internal audit testing was performed on a judgemental sample basis and focused on the key controls mitigating risks. Internal audit testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.
	Please note that, in relation to the agreed scope, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it was not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Appendix E – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
General Manager	Head of Corporate Programmes
Sector Manager	Programme Support Officer
Senior Audit Manager	Head of IT Strategy
Principal Auditor	
Contact Details: ☎ Ext 2550 ☎ Ext 2590	

Appendix F – Audit Timetable

	DATES
Fieldwork Start	03/06/09
Exit Meeting	20/11/09
Draft report issued	27/11/09
Final report issued	14/12/10

Deloitte.

Final Internal Audit Report 2010/11

London Borough of Hammersmith & Fulham

St. Mary's Catholic Primary School

November 2010

This report has been prepared on the basis of the limitations set out on page 50.

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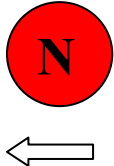
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Internal Audit Report – London Borough of Hammersmith & Fulham – St. Mary's Catholic Primary School 2010/11

Executive Summary

Introduction	As part of the 2010/11 Internal Audit Plan, agreed by the Audit Committee on 23rd March 2010, we have undertaken an internal audit of St. Mary's Catholic Primary School.
	This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.
	The agreed objective and scope of our work is set out at Appendix B.
	The school had a break-in in January 2010 and a number of financial records have been lost as a result of this. Reference to the loss of records is made as appropriate within this report. In summary we understand that records pertaining to earlier financial periods as well as for 2009/10 were taken. These include cheque book stubs, bank statements and invoices. This has therefore impacted on the areas of procurement, bank accounts and school funds where other issues were identified resulting in an assessment that inadequate controls were in place.

Audit Opinion	None	Limited	Substantial	Full
	⇐			

Rationale Supporting Award of Opinion and Direction of Travel	The audit work carried out by Internal Audit (the scope of which is detailed in Appendix B) indicated that, control processes are generally weak leaving the processes/systems open to significant error or abuse and significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.
	Weaknesses in control were identified as follows:
	• A Statement of Internal Control (SIC) has not been produced and approved by the full Governing Body;

- Finance Committee minutes have not been signed by the Chair of the Committee;

- Records are not maintained for the School Fund Account (this issue was also raised in the probity report in April 2007) or for the Governors Funds. Also, an independent check of the status of the account is not undertaken by the Governing Body;

- Evidence of budget monitoring reports presented at Finance Committee meetings and reports discussed at local level between the Headteacher, Finance Advisor and School Administration Officer could not be provided for examination;

- Official Purchase Orders are not raised and committed for goods or services prior to any purchase being made;

- Unreconciled bank items as at 31st March 2010 totalled £249,949.54, with items dated as far back as October 2007;

- Numerous payments were identified that were outstanding to suppliers, and the School incurred late payment charges as a result;

- Invoices were not retained at the School or were taken as part of the break-in to support amounts outstanding to suppliers and payments were authorised and made to suppliers without being accompanied by supporting documentation;

- Accounting records prior to 2009/10 financial years have not been retained at the School or were taken as part of the break-in; and

- Receipts were not being issued or alternative records maintained for cash collected on behalf of the School. There are also no records of transfers of cash between staff.

The Direction of Travel provides a comparison to the previous audit visit. In this case, we have indicated that the Direction of Travel has deteriorated since the previous visit in April 2007 by internal audit where satisfactory assurance was provided.

Priority 1 Recommendations	We have raised seven priority 1 recommendations as a result of this internal audit. The priority 1 recommendations are as follows:
	• The School is required to complete, formally approve and retain essential documentation required for the FMSIS accreditation.
	• Management should ensure that budget monitoring reports are produced and presented to the Finance, Staffing and Pay Committee at each meeting. A copy of the report presented should be filed with the minutes taken at the meeting. Evidence of the regular monitoring of the budget between the Headteacher, Finance Advisor and the SAO should also be documented.
	• All members of staff that undertake financial administration duties should be formally reminded of the need to comply with the requirements of the School Financial Procedures Manual particularly in respect of purchasing.
	• Invoices received for payment should be stored securely and processed in line with the supplier's payment terms and conditions or in line with the Financial Procedures Manual. Suppliers should be contacted and outstanding debts recorded on FMSiS where invoices are missing or were stolen. A check should be made to ensure that there are sufficient funds to cover the payments due.
	• Bank reconciliations should be completed monthly and submitted to the LA, in line with the returns timetable. The School should ensure that bank reconciliations are signed and dated by the preparer, as well as reviewed and certified by the Headteacher as evidence of independent review in a timely manner.
	• Management should ensure that all bank accounts held on behalf of the School are monitored periodically and bank statements obtained and reconciled with the SIMS system monthly. This includes the School Funds and Governors Funds.
	• An Income and Expenditure Statement for the School Fund account and Governors Funds should be produced and reconciled to the bank statements monthly.

Detailed Findings

Background	This report details the Internal Audit of the procedures and controls in place over St. Mary's Catholic Primary School, and has been undertaken in accordance with the 2010/2011 Internal Audit Plan agreed with Hammersmith and Fulham Council.
	St. Mary's Primary School is a mixed Roman Catholic School for pupils aged 3 to 11 years with 219 pupils on roll.
	The School has set balanced budgets of £1,032,068 for the 2009/10 financial year and £1,139,393 for 2010/11 respectively. The 2010/11 budget encompasses total income and expenditure budgets for the financial year of £1,058,842 and £1,119,076 respectively, resulting in a projected budget overspend of £60,234. This has however been offset by a carry forward of £80,551 from 2009/10. The total funds committed for 2010/11 includes a contingency of £20,317.
	As at 11th May 2010, the balance of the School's accounts were as follows:
	• Nat West SIBA Account - £244,306.63;
	• NatWest Business Current Account - £0;
	• Account balance for the School Fund Account was not available for examination; and
	• Governors fund balance was not available for examination
	Unpresented cheques as at 31st March 2010 totalled £249,949.54.
	The School was inspected by OFSTED in June 2007. An OFSTED action plan has been incorporated in the 2009/10 School Improvement Plan as a result of the inspection. In Leadership and management the school was assessed as good. The school has also had a recent OFSTED inspection 10-11th June 2010 and the assessment for Leadership and Management remained good overall. No probity matters were raised in either of these reports.

Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Leadership and Governance			1	5	0
	School Improvement or			0	1	0

	Development Plan and OFSTED	🟩	🟧			
	Financial Planning, Budgetary Control and Monitoring	🟩	🟧	1	4	0
	Payroll	🟩	🟧	0	2	0
	Procurement	🟥	🟥	2	4	0
	Bank Accounts	🟥	🟥	2	1	0
	Income	🟩	🟧	0	1	0
	Assets	🟩	🟧	0	4	0
	School Journey	🟩	🟧	0	1	0
	School Fund (and Governors Fund)	🟥	🟥	1	0	0
	Petty Cash Account	🟩	🟧	0	0	1
	Data Protection	🟩	🟩	0	0	0
	School Meals	🟩	🟧	0	1	0

Summary of Findings	In this section we set out a summary of our findings under each area of scope. This is a balanced summary where possible. Where weaknesses are identified, full details of these are included in the recommendations raised.
	Leadership and Governance
	The current Scheme of Delegation (SoD) is combined with the Committee Structure and Terms of Reference of all four sub-committees. However, it does not include all staff with financial management responsibilities as financial limits have not been included for the Deputy Headteacher and School Administration Officer (SAO), although they have been identified as authorised signatories. The Deputy Headteacher has delegated responsibility for signing cheques and authorised invoices while the SAO has responsibility for certifying all invoices for payment. The SoD was formally approved by the full Governing Body at its meeting held on 23rd November 2009.
	Examination of the completed self-evaluation financial management competency matrix form, R20 found that these were not completed by four of the eight members of the Finance Committee, including the Chair of Finance Committee. We also identified from examination of the completed forms that only one member was assessed as 'Highly Competent'. The remaining three members' competencies were assessed as 'Developing'. Staff self-evaluation financial management competency matrix form, R11 was completed by all staff with financial management responsibilities and overall assessed as competent.
	Governing Body and Finance Committee meetings were being held on a termly basis. However, we identified that all minutes of meetings held for the past 12 months were not retained and a complete set of minutes was not held at the School.
	Examination of minutes of the four sub-committees identified that minutes were not signed by the Chair of the Committees to evidence their correctness.
	The School maintains a Register of Pecuniary and Business Interests; however, one governor had not signed the Register. We identified through examination of the Governing Body minutes of meeting dated 10th May 2010 that the Register was circulated to members for completion and although the governor was present, there was no evidence that he had declared any interest or made a nil return as required. Also, we noted from examination of the Register that it was last updated on 23rd November 2009 although it is being circulated at termly meetings.
	A Statement of Internal Control (SIC) has not been produced and approved by the full Governing Body as the School was informed that the Internal Audit report had to be issued prior to the production of the

statement.

The School does maintain a copy of the Diocese Whistle Blowing Policy dated October 2007 but this has not been reviewed, updated and approved by the Governing Body since May 2008.

The School has not developed their own finance policy; instead the Governing Body has adopted the Local Authority's Financial Procedures. Formal adoption was evidenced in Governing Body minutes dated 23rd September 2007.

We have also been informed that records from earlier financial periods have not been retained by the school and that some were lost as a result of a break in.

We have, with the agreement of the Headteacher, included recommendations on matters relating to the FMSiS assessment within the recommendations section. This is in contrast to our agreed approach for schools, where the first FMSiS assessment still has to be undertaken, when these recommendations are included as an aide memoire within the summary of findings.

We have raised six recommendations as a result of our work in this area.

School Improvement or Development Plan and OFSTED Inspections

The School has produced a School Improvement Plan (SIP) for the academic year, 2009/10 which was approved by the Governing Body on 6th May 2009. There was no evidence to confirm that a rolling plan is in place to supplement the 2009/10 Plan. We also noted that the 2010/11 budget plan was approved by the Governing Body at its meeting held in May 2010 but the 3 year SIP was not presented and approved at this meeting or discussed in order to demonstrate that it was used in the setting of the 2010/11 budget. It was also identified that the financial resource requirements stated in the SIP could not be explicitly linked to 2009/10 budget as these were denoted as 'staff time'.

The most recent OFSTED report was examined and the issues raised within the report had been included within the SIP.

We have raised one recommendation as a result of our work in this area.

Financial Planning, Budgetary Control and Monitoring

We obtained evidence that the budget plan for 2009/10 was approved by the Governing Body on 6th May 2009 and 2010/11 approved on 10th May 2010 and submitted to the Local Authority. However, these budget plans were not signed and dated by the Chair of Governors to evidence its approval.

We were informed that budgetary reports are produced at least once a term, which are monitored by the Finance Committee and presented at Governing Body meetings. However, budget reports presented to

the Finance Committee for review for the financial year, 2009/10 were not available for examination. These were also not attached as appendices to the minutes. We obtained a copy of the year end budget monitoring report dated, April 2009 to March 2010. The report includes the original budget, current budget, actual budget spent and year end projections. We were also informed that the budget is monitored at least bi-monthly by the Headteacher, Finance Advisor and SAO but this could not be evidenced as reports were not available for examination and the review not documented.

Examination of a sample of five allocations from the General Ledger Cost Centre report and the budget plans for 2009/10 and 2010/11 identified variances with the amounts uploaded onto SIMS. However, there were no documented explanations for the variances. We obtained a copy of the Cost Centre Allocation Audit Trail for 2009/10. We however could not agree the report to the variances identified between amounts uploaded on SIMS and the budget plan as the variances were not adequately documented. It should be noted that a similar report for 2010/11 was not available for examination. There was no documented evidence that virements were authorised although we could identify that funds were vired across cost centres.

We confirmed from examination of the Bank Reconciliation file that monthly returns were not being prepared and submitted timely to the Local Authority.

We were informed that financial performance management targets are not set for staff with financial management responsibilities.

We have raised five recommendations as a result of our work in this area.

Payroll

From a sample of five new starters' personnel files examined:

- Four of the five cases did not have a signed contract and appointment letters on file;

- In four of the five cases, evidence of CRB checks was retained (one was in progress);

- Four of the five cases did not have evidence of references on file;

- In one of the four cases where qualifications were appropriate, none was located on file; and

- In all five cases, proof of eligibility to work in the UK was available on file.

Examination of a sample of five leavers' files found that evidence of documentation supporting employees' termination of employment was located in all cases. It was acknowledged that four of the five employees were removed from the payroll in a timely manner (one had recently left and was due payment in May; hence not removed from the April payroll).

A copy of the School's Pay Policy was held at the School. However, we were unable to confirm whether this is the most up to date copy as it was not dated and there was no evidence in the Governing Body minutes to confirm that one has recently been reviewed, updated and formally approved.

The School's staffing structure was recently reviewed in the Summer Term 2010 and reported to the Governing Body in the Headteacher's report.

We have raised two recommendations as a result of our work in this area.

Procurement

Examination of payments for 2009/10 identified the following:

- Official Purchase Orders were not raised and committed on SIMS for the 2009/10 period;

- Invoices were not located in six of the 25 cases selected for testing. However, we examined almost all the invoices located for the period and found that numerous invoices were missing. This was explained to be as a result of a break-in in January 2010;

- Payments were authorised in instances without proof of invoices. For these payments, it was documented that cheques were posted to the suppliers but got lost either in the internal (where appropriate) or public post. For these lost cheques, invoices could not be located so we could not determine when these were initially issued. Further, cheque stubs were not available for examination to confirm that the lost cheques were issued and subsequently cancelled as we were informed that these were taken during a break-in in January 2010;

- Payments were not made within the agreed 30 day threshold as we identified from examination of invoices that late payment charges were incurred by the School by EDF Energy and suppliers writing to the School for outstanding payments. In one instance, we identified that the School lost the benefit of making payment in instalments due to consistent late payments. We examined the unreconciled report for March 2010 and found that payments were outstanding to suppliers from as far back as October 2007. This was explained to be as a result of suppliers not presenting the cheques to the Bank for payments. However, contact with one supplier, London Borough of Hammersmith and Fulham established that payments were not received and the School was being chased for outstanding payments. An amount of approximately £33,000 is currently outstanding to the supplier. We established that payments of £72,652 and £72,420 were made to the Local Authority in November 2009 and March 2010 respectively and a further £19,530.87 paid on 22 November 2009. However, the SAO was unable to provide us with any documentation relating to these payments. Payments totalling £158,483.23 were also made to Westminster Diocese on 31

March 2010 but supporting documentation could not be provided.

- Goods or services received checks were not evident; and
- A list of authorised signatories was not held by the School.

We could not confirm that the School was obtaining value for money as it was identified that the School entered into a Service Level Agreement for provision of ICT services. However, there was no evidence that the School sought value for money prior to the selection of the supplier as there was no evidence of written quotes at the School. There was no evidence to confirm that the contract held is monitored on a regular basis and by whom.

Although we identified that the comparative benchmarking data from the DCSF's website was obtained by the School and proposed actions agreed by the Finance Committee, there was no evidence that the data been analysed, reported to the Governing Body and an action plan developed, where necessary.

A Best Value Statement has not been developed, formally approved by the Governing Body and submitted to the Local Authority.

We have raised four recommendations as a result of our work in this area.

Bank Accounts

A copy of the current bank mandate is not retained at the School; hence we were unable to confirm at the time of the audit who the authorised signatories were. Copies of the bank mandate are held by Cambridge House and the copy held by them showed that the new Headteacher was not listed as an authorised signatory and that the senior finance officer was.

The School is required to submit monthly returns to the Local Authority which include bank reconciliations. Bank reconciliations for the 12 month period to March 2010 were examined. We identified that reconciliations were not always prepared and submitted to the Local Authority, as we could not locate monthly reconciliation for September and October 2009 and February 2010. Bank reconciliations were also not completed in a timely manner and they were also not signed by the preparer to certify its accuracy and completeness.

Examination of the last unreconciled items report found items dating as far back as April 2008, which still remain uncleared at the time of the audit. This totals approximately £250,000 as at the end of March 2010.

The bank account for the School Fund account could not be examined as bank statements were not available for the 2009/10 financial year or for earlier financial years. The SAO informed us that she was

in the process of making requests to the Bank.

We have raised three recommendations as a result of our work in this area.

Income

The School receives income from various sources. We identified that receipts were not issued for uniform sales, music lessons, swimming lessons and cake sale, neither is a record maintained for logging the income and expenditure. Hence, we could not confirm whether all income received was banked intact and in a timely manner. However, receipts are issued for dinner money and cash collection records are maintained for school journeys and reception and nursery cooking.

There was no evidence to confirm that transfers of cash between staff were adequately recorded.

We identified that the School does not currently let its property.

We have raised one recommendation as a result of our work in this area.

Assets

Examination of the inventory record could not confirm when it was last updated. Evidence that the results of the inventory check were reported to the Governing Body could not be located in minutes.

The inventory records do not include the purchase price and assets disposed of. We could not identify whether new items purchased by the School were appropriately security marked and recorded on the inventory before being put into general use as the inventory record does not include the date of purchase.

There was no evidence to demonstrate that equipment loaned to staff were recorded and staff were aware of the terms and conditions of the loan. There was also no evidence that loans were authorised.

The School does not maintain an Accessibility or Building Maintenance Plan and there was no evidence in Governing Body minutes to demonstrate that one was approved.

The School does retain a copy of the Write Off and Disposals Policy; however, we were unable to determine whether this was approved by the Governing Body as evidence could not be located in meeting minutes.

We have raised four recommendations as a result of our work in this area.

School Journey

Details of recent trips to Woodrow High House, Amersham in June and July 2009 were not examined as records were not retained by the School. There was also no evidence in the Governing Body minutes to confirm that approval was obtained prior to the trips. For the two trips to the same location planned for

June and July 2010, approval was evidenced in Governing Body minutes. There was no evidence of an agreed budget being confirmed before the trip and an end of journey statement was not produced, reviewed by the Headteacher and presented to the Governing Body for review.

Appropriate record of monies collected for 2010/11 was retained by the School.

We have raised one recommendation as a result of our work in this area.

School Fund - Accounting

Records are not maintained for the School Fund Account and there was no evidence to confirm that Governors were informed of the status of the account. We are also aware that there are Governors Funds and again that no records are being maintained.

We have raised one recommendation as a result of our work in this area.

Petty Cash Account

The School does not operate a Petty Cash Account; however, we identified an amount of approximately £64 in the petty cash tin which relates to petty cash. We were informed that a Petty Cash account was operated by the School previously and the amount was left from the unspent float which was not banked.

We have raised one recommendation as a result of our work in this area.

Data Protection

We confirmed that the School has an up-to-date Data Protection certificate, The School buys into the Local Authority's IT procedures, in addition to entering into a Service Level Agreement with Kingwood City Learning Centre. Hence, all data is backed up remotely by the SMS Support Team.

We have not raised any recommendations as a result of our work in this area.

School Meals

Examination of the class registers maintained and report of pupils in receipt of free school meal from the Local Authority confirmed for the sample of five pupils selected and tested that all were eligible for free school meals.

The School is required to submit returns to the Local Authority monthly. Amounts recorded on the returns were checked to the amounts paid in monthly and there was no exception noted for the four months (January to April 2010) examined. However, the returns are not independently checked and evidenced as such prior to being submitted to the Local Authority.

We have raised one recommendation as a result of our work in this area.

Acknowledgement	We would like to thank the management and staff of St. Mary's Catholic Primary School for their time and co-operation during the course of the internal audit.
	All staff consulted are included at Appendix C.

Recommendations

Leadership and Governance

1. Scheme of Delegation   (Priority 2)

Recommendation	Rationale
The Governing Body should formally review and update the current Committee Structure, Terms of Reference and Scheme of Delegation (SoD) to include the financial authorisation limits for all staff with delegated authority.	Standard A3 of 'Keeping Your Balance - Standards for Financial Management in Schools' states, "The Governing Body should establish the financial limits of delegated authority".
	The Scheme of Delegation (SoD) held at the School does not include all staff with financial management responsibilities. Financial limits have not been included for the Deputy Headteacher and School Administration Officer (SAO), although they have been identified as authorised signatories. The Deputy Headteacher has delegated responsibility for signing cheques and authorised invoices while the SAO has responsibility for certifying all invoices for payment.
	Where the SoD is not reviewed to include the financial limits of all staff with delegated authority, there is an increased risk that commitments may be entered into which are outside the scope of authority, resulting in inappropriate purchases or virements being made.

Management Response			
Agreed – Deputy Head, SLT member and SAO to be included in SOD 22-11-2010 at FGB.			
Responsibility	Headteacher/Chair of Governors	**Deadline**	22nd November 2010

2. FMSIS documentation (Priority 1)

Recommendation	Rationale
The School should complete, formally approve and retain essential documentation required for the FMSIS accreditation. This includes, but is not limited to: • Self-evaluation financial management competency matrix for Governors; • Statement of Internal Control (SIC); and • Best Value Statement. Issues to be raised in the preparation of the SIC should be considered and discussed in Governing Body meetings prior to its preparation. This should be formally minuted. The Statement of Internal Control and Best Value Statement should be developed and signed by the Chair of Governors and Headteacher prior to submission to the local authority. Where gaps have been identified in the self-evaluation financial management competencies for governors (R20), a training plan should be developed to address these areas.	The Financial Management Standard in Schools (FMSiS) requires schools to complete, formally approve and retain essential documentation. This will help to ensure that schools meet the FMSiS requirement and awarded its accreditation for ensuring that adequate financial controls are in place to manage and mitigate any identified risks. • Self-evaluation financial management competencies for governors were not completed for four of the eight Finance Governors, including the Chair of Finance Committee. We also identified from examination of the four completed forms that only one member was assessed as 'Highly Competent'. The remaining three members' competencies were assessed as 'Developing'. • The SIC and Best Value Statement were not developed, formally approved, signed by the Chair of Governors and Headteacher and submitted to the local authority. We acknowledge that the school reported to the governors that they were waiting for the results of the probity audit. However the probity report is only a part of the necessary process for the statement. The statement will need to be undertaken every year and a probity audit will not necessarily be undertaken. Where essential documentation required to achieve the FMSiS accreditation is not completed and formally approved by the full Governing Body, there is an increased risk that the School may fail to demonstrate that they are ensuring adequate financial controls are in place to manage risks. This could potentially result in the School failing the FMSiS Assessment.

Management Response			
Agreed – Documentation to be completed 5-10-2010 at Sub Committee Meeting.			
Responsibility	Head teacher / SAO	**Deadline**	22nd November 2010

3. Register of Pecuniary / Business Interests   (Priority 2)

Recommendation	Rationale
The Register of Pecuniary/Business Interests should be completed in full by all members of the Governing Body and members of staff with financial management responsibilities.	Paragraph 14 of the Scheme for Financing Schools states, "The Governing Body of the School must establish a register which lists, for each member of the Governing Body (including the Headteacher), any business interests they or any member of their immediate family have and to keep the register up to date on at least an annual basis. The Register must be available for inspection by the Authority, Governors, staff and parents".
	The School does hold a Register of Pecuniary and Business Interests, on examination it was found that one Governor had not completed a declaration. It should be noted that for the February and May 2010 Governing Body meetings the Register was circulated and although the Governor was present, there is no evidence that any interest was declared or a Nil return completed. Declaration of interests are a standing agenda item.
	Where the Register of Pecuniary and Business Interests is not kept up to date, there is an increased risk that conflicts of interests may not be managed appropriately, which could lead to poor decisions with financial and curriculum based implications. Also, individual governors and staff may exercise their fiduciary duties without sufficient transparency, which could lead to an increased risk of undetected fraud or mis-management and potentially a consequential loss of reputation for the School.

Management Response			
Agreed – Register of Pecuniary Interests is being circulated at all GB and Committee Meetings.			
Responsibility	Headteacher	**Deadline**	22nd November 2010

4. Committee Minutes
(Priority 2)

Recommendation	Rationale
The School should ensure that committee meetings held are documented and a complete copy retained and make available for public scrutiny. Further, all sub-committee minutes should be signed by the Chair after their acceptance as being correct at the next meeting and retained for review at the School.	Section A6 of the School Procedures Manual requires that minutes should be taken of all meetings of the Governing Body and its committees, to include all decisions and by whom action is to be taken. Minutes should be signed off by the Chair at the following meeting. Governing Body and Finance Committee meetings were being held on a termly basis. However, we identified that all minutes of meetings held for the past 12 months were not retained and a complete set of minutes held at the School for public scrutiny. Examination of minutes of the four sub-committee meetings found that they were not signed by the relevant Chair as being correct. Where a formal record of meetings is not held, there is an increased risk that actions, decisions and assigned responsibilities arising from meetings may not be fulfilled.

Management Response			
Agreed – All minutes now signed and filed.			
Responsibility	Headteacher/Chair of Governors	**Deadline**	Implemented under deadlines

5. Whistle Blowing Policy (Priority 2)

Recommendation	Rationale
The Governing Body should regularly review and approve the Whistle Blowing Policy. Also, the Policy should be signed by the Chair of the Governing Body and the Headteacher to confirm their validation of the Policy. The policy should be communicated to staff along with any subsequent changes.	Formally adopting and reviewing the whistle blowing procedures on a regular basis ensures that they reflect current best practice. This helps to provide a sound framework of management practice within which the School can provide protection for individuals who disclose malpractice and wrongdoing.
	The School has formally adopted the Diocese Whistle Blowing Policy but this has not been updated since October 2007.
	Where Governors have not reviewed the whistle blowing policy periodically, there is an increased risk that the policy may no longer reflect best practice and legislation. Further, the School may not provide adequate protection for individuals who disclose malpractice and wrongdoing.

Management Response			
Agreed – To be reviewed at Finance Committee Meeting on 5-10-2010.			
Responsibility	Headteacher/Chair of Governors	**Deadline**	22nd November 2010

6. Retention of Records (Priority 2)

Recommendation	Rationale
The Governing Body should review the procedures relating to document management to ensure that the procedures meet the local authority requirements as well as statutory and management needs. A secure location should be found for their storage.	To prevent the premature destruction of records that may need to be retained for a specified period to satisfy legal, financial and any other requirements the school needs to ensure that they have a document management procedure and a secure location for the storage of documents. We understand that some financial documents were destroyed in the break-in January 2010. However it is not clear that documents pertaining to earlier financial periods were in fact being kept or that the school has a clear procedure to manage these documents. The procedure should also cover areas such as VAT, Freedom of information, Everychild matters and Health and Safety requirements etc. Where there is no clear procedure relating to the retention of financial records there is an increased risk that the school will not be able to meet statutory requirements such as for payroll records and purchase records where some records need to be retained for 7 years.

Management Response
Agreed – Records now stored securely, additional security arrangements in place, moved to a locked room. All financial records will be retained for 7 years. We have tabled the Retention Guidelines for Schools by the Records Management Society of Great Britain and this will be retained at the school for reference. New admin premises asap.

Responsibility	Headteacher/Chair of Governors	Deadline	30 September 2010

School Improvement Plan and OFSTED Inspections

7.   School Improvement Plan **(Priority 2)**

Recommendation	Rationale
The School Improvement Plan (SIP) should be forward looking (ideally three years) and be produced sufficiently in advance of the budget to ensure financial allocations can be included within the budget. It should outline estimated financial commitments and clearly link to the annual budget setting process.	Formulating the SIP and linking this to the budget setting process helps to ensure that strategic aims and objectives of the School are formally agreed and adequately resourced. Formulating a rolling plan that covers two or more years defines the strategic aims and objectives of the School. The SIP covers only the 2009/10 academic year. There was no evidence that a rolling plan has been produced and agreed by the Governing Body. In addition, there was no clear link between the SIP and the Budget Plan. Although the 2010/11 Budget Plan was approved in May 2010, the SIP for the 2010/11 academic year has not been developed in advance of the budget. Where the SIP has not been produced for the longer term in line with the three year budget, there is an increased risk that strategic aims and objectives may not be delivered. Further, where the SIP is not used in the budget setting process, there is a risk that the plan will not be adequately resourced.

Management Response			
Agreed – New SIP drawn up with 3 year overview and 1 year detail with costings. To be presented to FGB 22-11-2010.			
Responsibility	Headteacher/Chair of Governors	**Deadline**	22nd November 2010

Financial Planning, Budgetary Control and Monitoring

8.   Updating Budget on SIMS   (Priority 2)

Recommendation	Rationale
It is recommended that the School completes a full check of the budget uploaded onto the SIMS system against the approved budget plan from review of the report "Chart of Accounts". Further, upon formal approval of the budget plan, it should be signed and dated by the Chair of Governors and the Headteacher to evidence its approval.	Accurate input and review of budget allocations ensure that remaining balances (under and overspending) shown on budget monitoring reports are correct and can be relied upon for decision making purposes. • From a sample of five budget allocations examined for 2009/10 and 2010/11, allocations stated on the Chart of Accounts reports differed from the approved budgets. There were no explanations documented for the variances. • Examination of the budget plans identified that although they were formally approved they were not signed and dated by the Chair of Governors to evidence its approval. Where checks are not carried out to confirm the accuracy of the approved budget plan and the budget uploaded onto the SIMS system, there is an increased risk that financial decisions may not be made correctly due to incorrect information.

Management Response			
Agreed – Approved budget agrees with FMS6. Budget now signed. See Virements and additional funding sheet .			
Responsibility	Headteacher/SAO	**Deadline**	22nd November 2010

9. Regular Budget Monitoring   (Priority 1)

Recommendation	Rationale
Management should ensure that budget monitoring reports are produced and presented to the Finance, Staffing and Pay Committee at each meeting. A copy of the report presented should be filed with the minutes taken at the meeting. Further, regular monitoring of the budget should be undertaken at local level, between the Headteacher, Finance Advisor and SAO. Evidence of the review should be documented.	Producing regular monitoring reports for the Finance Committee will help to ensure that budgets are adequately monitored and any variances to the agreed budget are identified. Furthermore, this will help to ensure that commitments are not made beyond approved financial constraints. We were informed that budgetary reports are produced at least once a term, which are monitored by the Finance Committee and presented at Governing Body meetings. However, budget reports presented to the Finance Committee for review for the financial year, 2009/10 could not be provided for examination. These were also not attached as appendices to the minutes. We were also informed that the budget is monitored at least bi-monthly by the Headteacher, Finance Advisor and SAO but this could not be evidenced as reports were not available for examination and the review not documented. Therefore, we were unable to confirm whether the budget was being monitored as required. Where regular budget monitoring reports are not produced and presented to the Finance Committee, there is an increased risk that budgets may not be managed effectively and efficiently. This could potentially lead to the School exceeding its agreed budget, and hence a deficit agreement would have to be entered into with the Local Authority.

Management Response			
Agreed – Budget monitoring reports produced and filed with minutes of Finance Committee. Cost Centre Summary Report produced and signed monthly.			
Responsibility	Headteacher/SAO	**Deadline**	Implemented

10. Budget virement authorised (Priority 2)

Recommendation	Rationale
A standard virement form should be devised and used to record details of all budget adjustments (value, cost codes credited/debited), authorisation and an explanation for the adjustment. Furthermore, documented evidence should be retained to confirm that virements have been authorised in compliance with the requirements of the approved Scheme of Delegation.	Any adjustment to the approved Budget Plan (including virements and the allocation of additional funds received) should be documented and authorised in compliance with the Scheme of Delegation. Further, formal documentation and approval of adjustments to the Budget Plan helps to ensure that the allocation of funding is valid and appropriate. We obtained a copy of the Cost Centre Allocation Audit Trail for 2009/10. We however could not agree the report to the variances identified between amounts uploaded on SIMS and the budget plan as the variances were not adequately documented. It should be noted that a similar report for 2010/11 was not available for examination. There was no documented evidence that virements were authorised although we could identify that funds were vired across cost centres. Where budget virements are not adequately documented and authorised, there is an increased risk that budget amendments may not be in line with the School objectives and priorities or as a result of inefficiencies.

Management Response			
Agreed – Virements and additional funds are documented on Budget Monitoring Report. Form for virements has been developed.			
Responsibility	Headteacher and SAO	**Deadline**	Implemented

11. Financial targets are set   (Priority 2)

Recommendation	Rationale
Management should be reminded that financial performance targets are set for staff with financial management responsibilities. This should be monitored as part of the annual appraisal process with objectives set to further improvements.	It is a requirement of FMSiS Section 2 - People Management 2.2G that "The process for determining Performance Management targets for staff ensures targets include financial management issues, where appropriate". Furthermore, setting financial performance targets for staff with financial management responsibilities will help to ensure that operational processes are properly and consistently applied, thus reducing errors and waste. Where targets are not achieved, these are identified and actioned promptly. Currently, financial performance targets are not set and monitored for staff with financial management responsibilities. Where performance targets are not set, there is an increased risk that areas requiring improvements may not be identified and actioned promptly and the requirements of the FMSiS standard will not be met.

Management Response			
Agreed – Financial performance targets are now part of Performance Management procedures.			
Responsibility	Headteacher	**Deadline**	31st October 2010

12. Monthly returns to the Local Education Authority   **(Priority 2)**

Recommendation	Rationale
The School should comply with the reporting requirements imposed upon it by the Local Education Authority (LEA) and the Consistent Financial Reporting (CFR) requirements regarding the submission of monthly returns.	Compliance with reporting requirements imposed by the Local Education Authority and Consistent Financial Reporting requirements will help to ensure that monthly reports and returns are produced and submitted as required in an accurate and timely manner. Examination of monthly returns for 2009/10 identified that bank reconciliations were not being completed and submitted to the LEA in a timely manner. Bank reconciliations were completed as follows: • No evidence of returns submitted for September and October 2009 and February and April 2010; • April/May 2009 completed 22/06/2009; • July 2009 completed 5/10/2009; and • December 2009 completed 29/01/2010. We also identified that CFR for 2009/10 was not finalised and submitted to the LEA at the time of the audit. Where the School fails to comply with the requirements of the LEA and CFR, there is an increased risk that penalties may be imposed on the School for not submitting returns on time.
Management Response	
Agreed – Returns now produced monthly.	

Responsibility	Headteacher and SAO	**Deadline**	Implemented

Payroll
13. Retention of Recruitment Documents (Priority 2)

Recommendation	Rationale
The School should ensure that a signed contract, qualifications and appointment letters are retained on personnel files for all staff.	Retaining relevant documents on staff personnel files will help to ensure compliance with the School's policy and statutory requirements. From a sample of five new starters' personnel files examined: • Signed contracts and appointment letters were not on file in four cases; • Evidence of references could not be located in four cases; and • Evidence of qualifications not located in one case. We understand that the documents were received from the council's Human Resources service but may have been misplaced or misfiled. In addition, examination of a sample of five leavers' files found that evidence of documentation supporting employees' termination of employment was located in all five cases. It is acknowledged that four of the five (one employee was due payment for May 2010 and could not be removed from the April 2010 payroll) employees were removed from the payroll in a timely manner. Where documents are not retained to evidence the appointment of staff, there is an increased risk that the appointment of unsuitable persons may have an adverse impact on the performance of the School and staff morale, resulting in failure to achieve corporate objectives.

Management Response			
Agreed – Safeguarding procedures followed since September 2009. All contracts signed and all appointments made since September 2009 fully documented and files complete. Reviewed by Ofsted June 2010 [Grade 2]			
Responsibility	Headteacher/SAO	**Deadline**	Immediately

14. School Pay Policy   **(Priority 2)**

Recommendation	Rationale
The School's Pay Policy should be regularly reviewed and approved by the Governing Body to reflect current changes in legislation.	Regularly reviewing and updating of policies helps ensure their currency and continuing use in providing guidance to staff on desired activities and behaviours.
	We were unable to confirm whether the School's Pay Policy held is the most up to date copy as it was not dated, and there was no evidence in the Governing Body minutes to confirm that one had recently been reviewed, updated and formally approved.
	Where the School's Pay Policy is not regularly reviewed and updated, there is an increased risk that the basis upon which teachers' pay is determined may not be a true reflection of what is documented.

Management Response			
Agreed – Pay Policy to be reviewed and adopted Finance Committee Meeting 5-10-2010.			
Responsibility	Headteacher/SAO	**Deadline**	22nd November 2010

Procurement

15. Compliance With the School's Finance Procedures Manual- Purchasing   **(Priority 1)**

Recommendation	Rationale
All members of staff that undertake financial administration duties should be formally reminded of the need to comply with the following requirements of the School Financial Procedures Manual: • Pre-numbered Official Purchase Order forms should be raised for all expenditure prior to any order being processed; • Purchase orders should be raised for all expenditure at the time the order is placed with the supplier; • All orders raised to be committed on the system prior to any goods being purchased; and • Delivery notes should be retained on file and signed off as received by the person checking the goods. In addition, the School should maintain an up to date signatory list for all staff, stating their delegated financial limits for authorising orders, invoices and petty cash claims.	The School's Financial Procedures Manual sets out guidance to be adhered to with regards to the financial processes within Schools. Examination of purchases for the financial year, 2009/10 identified the following exceptions: • Pre-numbered Official Purchase Orders were not raised and committed on SIMS for the 2009/10 period; and • Goods or services received checks were not evident. Without enforcing compliance with the School's Financial Procedures Manual, there is an increased risk that the School may not be able to demonstrate transparency and value for money in its purchasing processes and that commitments are not raised on the system for all expenditure which could result in budgetary overspend. Where there is no evidence that goods and services received checks have been conducted, there is reduced assurance that goods and services have been received to the correct quantity and quality standards.

Management Response			
Agreed – Now implemented.			
Responsibility	Headteacher/SAO	**Deadline**	31st October 2010

16.   Suppliers paid in a timely manner   (Priority 1)

Recommendation	Rationale
Invoices received for payment should be stored securely and processed in line with the supplier's payment terms and conditions or in line with the Financial Procedures Manual. The current budget and current School bank account should be checked to ensure that funds are available in order to process all outstanding invoices at the earliest convenience. Further, all suppliers which the School is indebted to should be contacted with immediate effect and a copy of the initial invoice requested and payment made accordingly.	It is a requirement of the Financial Procedures Manual for supporting documentation to be retained for all payments made. It is also a requirement for payments to be made in a timely manner in order to prevent late payment charges being incurred by the School. Examination of procurement for the period, 2009/10 identified the following exceptions: • Payments were identified to be authorised in instances without proof of invoices. For these payments, it was documented that cheques were posted to the suppliers but got lost either in the internal (where appropriate) or public post. For these lost cheques, invoices could not be located so we could not determine when these were initially issued. Further, cheque stubs were not available for examination to confirm that the lost cheques were issued and subsequently cancelled, as we were informed that these were destroyed during an break-in in January 2010; • Payments were not made within the agreed 30 day threshold as we identified from examination of invoices that late payment charges were incurred by the School as a result of persistent late payments and suppliers writing to the School for outstanding payments. In one instance, we identified that the School lost the benefit of making payment in instalments due to consistent late payments. • We examined the unreconciled report for March 2010 and found that payments were outstanding to suppliers from as far back as October 2007. This was explained to be as a result of suppliers not presenting the cheques to the Bank for payments. However, contact with one supplier, London Borough of Hammersmith and Fulham established that payments were not received and the School was being chased for outstanding payments. An amount of approximately £33,000 is currently outstanding to the council. • We established that payments of £92,182 and £72,420 were made to the Local Authority in November 2009 and March 2010 respectively. However, the SAO was unable to provide us with any documentation relating to these payments. • Payments totalling £158,483.23 were also made to Westminster Diocese on 31 March 2010 but supporting documentation could not be provided.

	Where invoices are not available to support the authorisation and validity of payments, there is an increased risk of inappropriate or invalid payments being made, which may potentially resulted in financial loss to the School, in addition to excessive budget overspends.
	Further, where suppliers are not paid in a timely manner, this increases the risk of the School incurring late payment charges, which may result in breaches of the Late Payment and Commercial Act 1998.

Management Response			
Agreed- All suppliers concerned contacted and invoices paid or cancelled as appropriate.			
Responsibility	Headteacher/SAO	**Deadline**	30th November 2010

17. Appropriate Management and Procurement (VFM) of Contracts   **(Priority 2)**

Recommendation	Rationale
The School should retain records in order to demonstrate how the contracts for services were procured and managed in order to demonstrate effective use of public funds.	Where the School is able to demonstrate how contracts for services were procured and managed, this will help to provide assurance that best value has been achieved, and the procurement process was free from bias. The School has a Service Level Agreement for the provision of ICT services but was unable to demonstrate how the contract was procured. Further, there was no evidence to confirm that the service is monitored. We also noted that the agreement did not delineate any action in relation to poor performance by the provider. Where contractual terms and conditions are not formally agreed, there is an increased risk that in the event of any dispute, the School may not have any legal recourse, resulting in adverse publicity and financial loss. Where the School is unable to demonstrate that selection of contractors was fair and free from bias, there is an increased risk that value for money may not be achieved. Further, where the quality of service provided is not monitored, there is an increased risk of poor performance remained unidentified, resulting in the School making payments for sub-standard services.

Management Response			
Agreed – Improved record keeping and discussions at SLT and FC Meetings.			
Responsibility	Headteacher/SAO	**Deadline**	Implemented

18.   Benchmarking Activity   (Priority 2)

Recommendation	Rationale
The School should comply with the requirements of FMSiS 3.2C and ensure that conclusion and recommendations from the benchmarking activity is made known to the full governing body.	Section 3.2C of FMSiS requires that Reasonable conclusions and recommendations have been drawn from the comparisons made and these have been made known to the Governing Body. We were provided with evidence that the DCSF website had been used and appropriate comparision made to similar schools however we were not provided with any analysis of the data or any suggested areas to be researced further. The minutes of the meeting of 25/01/2010 for the Finance, Staffing and Pay Committee suggest that the raw data was reviewed and that some areas for further research identified. However no deadlines had been set for this research to be completed by and no report taken to the Full Governing Body at the time of our audit. If the school does not progress the anlysis of the raw data and provide a report to the Governing Body then it will not be complying with the requirements of FMSiS.

Management Response
Agreed – Suggestions for further research and analysis at Finance Committee Meeting 5-10-2010.

Responsibility	Headteacher	Deadline	January 2011

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19.   Segregation of duties   **(Priority 2)**

Recommendation	Rationale
The School should ensure that there is adequate separation of duties within the day to day financial management process. This should include, but not be limited to: • The raising of a purchase order should not be done by the person approving the order; • The person placing an order should not be the same person committing the order on the system; • The person checking the goods to the orders upon receipt should not be the same person who signed the order; • The person certifying the invoice for payment should not be the same person who raised the order or authorised the cheque; and • The person administering the day to day financial activities within the school should not be the same person preparing the monthly bank reconciliation.	Section E of Keeping Your Balance states that "The headteacher should ensure that duties related to financial administration are distributed so that at least two people are involved. The work of one should act as a check on the work of the other and all checks should be fully documented." Furthermore, "All financial transactions should be traceable from original documentation to accounting records, and vice versa." At the time of the audit we identified that the school administration officer was responsible for the day to day financial management of the school, including raising and placing orders, approving invoices for payment, checking goods received on behalf of the school, reconciling the bank accounts while administering the school's accounts. Where there is no separation of duties in the financial administration of the school, there is an increased risk that misappropriation, errors or omissions may go undetected for a prolonged period of time.

Management Response			
SAO to place orders on FMS after orders have been raised and authorised by HT. Have now implemented a Cash Check Log to ensure separation of duties – re: counting and checking cash/cheques for banking. HT to check bank accounts half termly.			
Responsibility	HT and SAO	**Deadline**	9 November 2010

20.   Financial management training   (Priority 2)

Recommendation	Rationale
The School should ensure that financial management training is provided to the school administration officer to address any gaps identified in the administration of the financial process. This should include, but not be limited to: • Retention of financial records; • Maintaining and reconciling accounting records for all accounts held by the school; • Paying suppliers within their specified credit terms; • Employing a more appropriate option to dispatch payments to suppliers rather than the public post; and • Clearing the unreconciled items report on a regular basis.	Financial management training will help to address any gaps identified in administering the day to day financial process within the school, ensuring that poor financial management practice is curtailed to an acceptable level. During the audit, we identified the requirement for the school administration officer to be provided with financial mangement training as accounting records were not being maintained for the school fund, suppliers were being paid in excess of their payment credit terms and within the 30 day threshold specified by the financial regulations resulting in late payment charges levied on the school, documents were not being retained in line with the retention policy, numerous cheques were identified as missing in the post, and the unreconciled items report containing items from as far back as 2007. Where training is not provided to address any skills gaps identified, there is an increased risk that poor financial management practice may persists.

Management Response			
SAO attending [SELT] Financial Management Training with HT on 1st February 2011 and attending all SAO Forums in H&F. This area has been identified in Performance Management as a priority area for SAO'S CPD. SAO to liaise with other SAOs and Business Managers in H&F who have recently passed FMSiS			
Responsibility	HT AND SAO	**Deadline**	Implemented and ongoing.

Bank Accounts

21. Bank Mandate   **(Priority 2)**

Recommendation	Rationale
The School should ensure that an updated copy of the bank mandate is obtained and actively managed on an ongoing basis. A copy can be obtained from Cambridge House or from the Bank directly. The school administration officer should not be an authorised signatory of the local cheque account. The mandate should be updated for the new Headteacher.	Obtaining and retaining an up to date copy of the Bank Mandate helps to ensure that only authorised bank transactions take place. LBHF's Financial Procedures Manual Section H3 states It is good practice for staff responsible for undertaking bank reconciliations not to be responsible for the processing of receipts or payments. Currently, the School does not hold a copy of the Bank Mandate. Hence, we were unable to determine on site who the authorised signatories were, and whether bank transactions were being dealt with by only authorised personnel. Since the audit we contacted Cambridge House and understand that the mandate that they hold has not been updated for the new headteacher and that the deputy head and the schools administration officer (SAO) are listed as signatories. A recommendation was made in the Internal Audit Report issued in April 2007 that in order to maintain segregation of duties that the SAO should not be an authorised signatory. Where the School Bank Mandate is not actively managed, there is an increased risk of funds being misappropriated, resulting in financial loss to the School. Where the SAO is an authorised signatory there is an increased risk that segregation of duties may not be maintained. This may have implications for the detection of any fraud, irregularity or error in the use of the bank accounts.

Management Response			
Agreed – Mandate obtained, SAO no longer signatory.			
Responsibility	SAO	**Deadline**	Implemented

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22. Bank Reconciliations   **(Priority 1)**

Recommendation	Rationale
Bank reconciliations should be completed monthly and submitted to the Local Authority, in line with the returns timetable. The School should ensure that bank reconciliations are signed and dated by the preparer, as well as reviewed and certified by a second officer as evidence of independent review in a timely manner. It is further recommended that all unreconciled items over three months old are immediately investigated and the unreconciled items report annotated with any action taken.	Completing and submitting bank reconciliations in a timely manner will help to ensure that errors, omissions, misappropriations, or variances are identified and investigated promptly. Furthermore, a follow up of unreconciled items in excess of three months old helps to ensure that the bank reconciliation is serving as an effective control in terms of identifying any potential errors or anomalies which may exist on the SIMs system or the banking records. Where it is found that the items are correct but relate to either payments that have not been cashed by external parties or to income which has not been banked by the School, then this should be followed up in a timely manner. 1. Bank reconciliations for the 12 month period to March 2010 were examined. We identified that reconciliations were not always prepared and submitted to the Local Authority, as we could not locate monthly reconciliation for September and October 2009 and February and April 2010. Bank reconciliations were also not completed in a timely manner. Banks reconciliations were completed as follows: • April/May 2009 completed 22/06/2009; • July 2009 completed 5/10/2009; and • December 2009 completed 29/01/2010. 2. Bank reconciliations were not signed by the preparer to certify its accuracy and completeness. We found however that all had been signed by the reviewer (i.e. the headteacher or deputy). 3. Unreconciled item listings are submitted to the authority with the monthly returns. Unreconciled listing for March 2010 shows items as far back as April 2008, totalling approximately £250,000. However, there was no evidence that the large balance was investigated by the LA or the School as action taken in respect of

| | items older than three months was not recorded. |
| | Where monthly bank reconciliations are not completed or completed in a timely manner, there is an increased risk of misappropriation, errors, omissions or fraud may go undetected, resulting in financial loss to the School. Further, where the unreconciled listing is not cleared and items investigated on a regular basis, there is an increased risk that any errors or anomalies remain unidentified for an extended period of time, and/or that failure to bank monies received by the School in a timely manner may not be identified. |

Management Response

Agreed – Reconciliation of bank statements now completed promptly.			
Responsibility	Headteacher/SAO	**Deadline**	Implemented

23. Monitoring of School Bank Accounts   (Priority 1)

Recommendation	Rationale
Management should ensure that all bank accounts held on behalf of the School are monitored periodically and bank statements obtained and reconciled with the SIMS system monthly.	Periodic monitoring of all school bank accounts will help to ensure that any anomalies are promptly identified and investigated.
	Bank statements for the School Fund account were not examined during the audit as they were not available at the School. We were informed by the SAO that all the statements were destroyed during the break-in in January 2010. Hence, we were unable to give an opinion on the status of the account. There was also no evidence that the account was ever discussed with the Headteacher, Finance Committee or Governing Body meetings.
	We are also aware that there is an account for Governors Funds and again there appear to be no records held for this account.
	Where monitoring of the School's bank accounts are not undertaken, there is an increased risk that any anomalies may not be identified in a timely manner and action taken, where necessary.

Management Response			
Agreed – Bank statements obtained from May and reconciled to manual ledger. Account be audited by June 2011.			
Responsibility	Headteacher/SAO	**Deadline**	30th November 2010

Income

24. Recording of Income   (Priority 2)

Recommendation	Rationale
Receipts should be issued for all cash income received on behalf of the School. Where it is not practical to issue individual receipts (where small amounts are collected) from a large number of individuals, a cash collection record should be maintained. A reconciliation between the amounts collected and the amounts to be paid into the bank should be undertaken by someone other than the person who receipted the income. Wherever any money passes from one staff member to another, it must be evidenced by a signature of both parties. The recipient will then assume responsibility for the cash until it is either banked or transferred to another member of staff.	Issuing receipts and reconciling amounts receipted to amounts to be banked for all income collected on behalf of the School will help to ensure that all funds collected are recorded and banked completely and intact. Furthermore, recording and signing off of the transfers of cash between staff will help to ensure accountability and deter misappropriation of income. Examination of paying-in slips identified that income received on behalf of the School is not receipted or recorded on a summary sheet before being entered onto the finance system. Cash collection records were not maintained for uniform sales, swimming lessons, donations and music lessons. There are also no cash handling procedures in place for the transfer of cash between members of staff. Where income collected on behalf of the School is not adequately recorded, banked promptly and intact, and where procedures are not in place to record the transfer of money between staff, there is an increased risk that income may be misappropriated or errors in cash collection and banking may not be identified.

Management Response			
Agreed – Receipts now issued for dinner money, uniform, music tuition and school journey. Cash handling log now in place.			
Responsibility	Headteacher/SAO	**Deadline**	Implemented

Assets

25.   Maintenance of Inventory Records   (Priority 2)

Recommendation	Rationale
Inventory records should be updated to record the date of acquisitons, purchase price, and disposals of portable and valuable assets prior to the inventory being circulated for use. An annual inventory check should be undertaken, certified as correct and the results reported to the Governing Body.	Section M2 of 'Keeping Your Balance – Standards for Financial Management in Schools' states, "Up-to-date inventories should be maintained of all items of equipment". Examination of inventory records identified that acquisition dates and purchase prices of the items have not been documented. In addition, inventory records do not identify when the inventory was last updated or who performed the check. There is also no evidence of the check being reported to the Governing Body. This recommendation was also raised in the probity report April 2007. Where up to date comprehensive inventory records are not maintained, there is an increased risk that items of equipment may be lost or misappropriated and that the loss or misappropriation is not identified.

Management Response			
Agreed – Purchase price now included, inventory check to be presented to next GB Meeting 22-11-2010.			
Responsibility	School Administration Officer	**Deadline**	22nd November 2010

26. Write-off and Disposal Policy   **(Priority 2)**

Recommendation	Rationale
The Governing Body should formally adopt and approve the Write-off and Disposals Policy maintained. Approval should be documented in meeting minutes.	The 'Financial Procedures Manual, Section M Paragraph 9' requires that disposal of surplus stock and equipment must be authorised in writing.
	The School has established and implemented a write off and disposals policy. However, upon examination we were unable to confirm whether this had been approved by the Governing Body.
	Where formal procedures have not been approved by the Governing Body, there is an increased risk that write-offs and disposals may not be appropriately documented and / or authorised.

Management Response
Agreed – Write- off and Disposals Policy to be agreed at Finance Committee Meeting 5-10-2010.

Responsibility	Headteacher/SAO	Deadline	22nd November 2010

27. Equipment Loans **(Priority 2)**

Recommendation	Rationale
Equipment loans should be adequately recorded and authorised by an appropriate member of staff and the loan period specified on the loan form.	The 'Financial Procedures Manual', Section M Paragraph 6 requires that, "Whenever School property is taken off the School site, it should be signed for and a register noted accordingly".
	We could not confirm whether equipment loans by the School were adequately recorded and appropriately authorised as records were not maintained at the School. Further, we could not confirm whether any staff member who left the School returned any equipment loaned to them prior to them leaving.
	Where responsibility for School equipment held off-site is not clear, there is an increased risk that the School may not be able to claim for the equipment in the event of loss or misappropriation. There is also a further increased risk that the School may not be able to identify who has access of its equipment.

Management Response			
Agreed – Loan form introduced.			
Responsibility	Headteacher	**Deadline**	31st October 2010

28. Building Maintenance/Accessiibility Plan   **(Priority 2)**

Recommendation	Rationale
A Building Maintenance/Accessibility Plan should be developed and approved by the full Governing Body. Approval should be documented in the minutes of the relevant committee at which approval was given.	'Keeping Your Balance – Standards for Financial Management in Schools' M7 requires that the governing body should have a plan for the use, maintenance and development of the School's buildings. The Maintenance Plan also helps to ensure that the School is demonstrating compliance with legislation, such as Health and Safety Regulations and the Disability Discrimination Acts. There was no evidence to confirm that a MaintenancelAccessibility Plan was developed and presented to the Governing Body for approval. Where a building maintenance plan is not produced and approved by the Governing Body, there is an increased risk that the school's premises and assets may not be maintained or modernised in accordance with statutory regulations and / or guidance or with the school's priorities for service delivery. There is a further risk in that the premises and assets may deteriorate to an extent that requires additional expenditure to re-instate the asset to proper working order / fitness for purpose.
Agreed –To provide by November 2010..	

Responsibility	Headteacher/Chair of Governors	**Deadline**	March 2011

School Journey

29.   End of Journey Statement   (Priority 2)

Recommendation	Rationale
An 'End of Journey' statement detailing all school journey income and expenditure should be produced, certified as correct by the Headteacer and reported to the Governing Body with any reasons for large under spends / overspends, going forward.	'Keeping Your Balance – Standards for Financial Management in Schools' states that parents, pupils and other benefactors are entitled to receive the same standards of stewardship for the funds to which they have contributed. Therefore, it is important to report the income and expenses of each school journey to the Governing Body.
	An end of journey statement' was not produced for the trips examined and reported to the Governing Body for review. We were informed that approval had been sort from governors in March 2009 for the journeys in 2009/10 but as minutes were not available we have not been able to confirm this. We noted however that journeys for 2010/11 were approved in February 2010. This recommendation was also raised in the probity audit April 2007.
	Where the School does not produce an 'End of Journey' Statement, there is an increased risk that there may not be satisfactory financial planning of each trip, expenditure and income may not be closely aligned and that best value may not be achieved for parents' contributions. There is also an increased risk of financial loss to the School arising from a need to absorb any shortfall in income.

Management Response			
Agreed – School Journey July 2010 – End of Journey Statement to Finance Committee Meeting 5-10-2010.			
Responsibility	Headteacher/SAO	**Deadline**	Implemented

School Fund – Accounting

30. Accounting Records maintained **(Priority 1)**

Recommendation	Rationale
An Income and Expenditure Statement for the School Fund account should be produced and reconciled to the bank statements monthly. Management should ensure that all bank statements for the account are requested and retained at the School. Further, the School Fund account should be independently audited on an annual basis and the results presented to the Governing Body for approval. Evidence of the approval should be documented in the minutes of the relevant meeting.	Recording income received and expenditure incurred for the School Fund account will help to ensure that an audit trail is maintained and the account is effectively managed. In order to provide independent assurance on the accuracy of the School Fund financial records, an indepedent audit should be conducted. Audited accounts should be presented to the Governing Body for approval. Furthermore, obtaining monthly bank statements and reconciling them to the income and expenditure record maintained will help to identify any errors/omissions or misappropriations. • Income and expenditure records are not maintained for the School Fund account; • Bank statements for the account are not retained by the School; and • There was no evidence to confirm that the account was discussed by the Governors or Headteacher. Similar issues were raised in the probity audit April 2007. • We have also been informed that there is a Governors Account but no records have been retained for this. Where records for the School Fund are not maintained and subject to an independent audit, there is an increased risk that the School may not be able to demonstrate satisfactory stewardship over the School Fund. Further, any misappropriations may go undetected.
Management Response	
Agreed – New accounting procedures introduced from May 2010.	

Responsibility	Headteacher/SAO	**Deadline**	30th November 2010

Petty Cash Account

31. Petty Cash paid into the Bank **(Priority 3)**

Recommendation	Rationale
The current amount of petty cash float held at the School should be paid into the main school account with immediate effect. Evidence of this should be retained.	It is a requirement of the Schools Financial Manual for all cash held within the School to be paid into the bank intact and in a timely manner. This will help to deter theft and misappropriation of cash. We identified that a cash float of £63.54 is held for petty cash but the School does not operate a petty cash account. We were informed that the amount relates to balance carried forward from the account when it was in operation. Where petty cash is not banked into the school account, there is an increased risk of loss, theft or inappropriate use of the cash resulting in financial loss to the School.

Management Response			
Agreed – Petty Cash has been paid into the main school account.			
Responsibility	Headteacher/SAO	**Deadline**	Implemented

School Meals

32. Review of the School Meals Account **(Priority 2)**

Recommendation	Rationale
On completion of the reconciliation of the School Meals Account to paying-in slips and student number, the reconciliation should be reviewed and agreed by an independent person prior to being submitted to the Local Authority.	The completion of regular reconciliation of the School Meals records to paying in slips and pupil number, with review and approval by an independent person will help ensure that any errors, omissions or misappropriation may be identified and actioned promptly. Amounts recorded on the school meals returns were checked to the amounts paid in monthly and there was no exception noted for the four months (January to April 2010) examined. However, the returns were not independently checked and evidenced as such prior to being submitted to the Local Authority. Without review of the reconciliation of school meals records, there is an increased risk that variances may not be identified and rectified promptly.

Management Response			
Agreed – Sims dinner money module now in use and cash log book introduced. School Chef to sign return			
Responsibility	Headteacher	**Deadline**	31st October 2010

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited
London
November 2010

In this document references to Deloitte are references to Deloitte & Touche Public Sector Internal Audit Limited.

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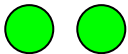
Deloitte & Touche Public Sector Internal Audit Limited is a subsidiary of Deloitte LLP, the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

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Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

Audit Opinions

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

🟢 🟢	**Full**	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
🟢	**Substantial**	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
🟠	**Limited**	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
🔴	**None**	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

$\Longrightarrow$	Improved since the last audit visit. Position of the arrow indicates previous status.
$\Longleftarrow$	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
$\Longleftrightarrow$	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Adequacy and Effectiveness Assessments

Please note that adequacy and effectiveness are not connected. The adequacy assessment is made prior to the control effectiveness being tested.

The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively, i.e. control gaps are a bigger issue than controls not being fully complied with.

	Adequacy	**Effectiveness**
	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

Recommendation Priorities

In order to assist management in using out internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management and the audit committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

Appendix B – Audit Objectives & Scope

Internal Audit Objective and Scope	The overall objective of this internal audit was to provide the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to the following management objectives:
	Leadership and Governance
	The Governing Body is collectively responsible for the overall decision of the School and its strategic management. This involves determining guiding principles within which the School operates and then making decisions about, for example, how to spend the school's budget. Effective governance stems from making corporate decision-making based on comprehensive and accurate information about the school. Effective governance also results in clear public accountability for the performance of the school.
	School Improvement or Development Plan and OFSTED Inspections
	To ensure that clear statements of key tasks and targets exist which reflect the obligations and strategy of the School and that key objectives arising from OFSTED/Council Inspections are incorporated within the School's Improvement Plan so as to ensure the school will meet its educational aims, objectives and goals.
	Financial planning , Budgetary control and Monitoring
	The School should have a School Development Plan (SDP) which includes a statement of its educational goals to guide the planning process. The SDP should cover in outline the School's educational priorities and budget plans for at least three years, showing how the resources are linked to the achievement of the school's goals. The SDP should state the School's educational priorities in sufficient detail to provide the basis for constructing budget plans for the financial year.
	There should be annual and multi-year budgets. An annual budget is an absolute requirement as part of the LA's own budgeting arrangements. Ideally these annual budgets for the School will be prepared in the context of a longer term financial plan covering at least three years that takes account of issues in the SDP such as:
	- Forecast pupil numbers, likely staffing profile etc; and
	- Longer-term improvement and development aspirations.
	In this way the longer term financial plan or budget can help to demonstrate the sustainability of the SDP. From 2006, every school will receive a guaranteed minimum increase in funding per pupil each year help to make multi-year budgeting more accurate.
	Payroll

In most schools, staff costs make up around 70% of the entire budget. From 1st April, schools have been able to buy their payroll, personnel and other services from an external provider. However, contracting another organisation to administer payroll and personnel does not relieve the governing body and the headteacher of the responsibility for ensuring that proper controls are in place. Schools need to be aware of a number of areas where Inland Revenue regulations may affect or determine the way payments are made. For example, there are strict rules about payments to individuals who are self-employed. Schools are advised to seek advice from their LEA in such cases.

Procurement

Payments are made in accordance with the Financial Regulations and the School's Scheme of Delegation and there is appropriate documentation which has been appropriately authorised, supporting all payments.

Bank Accounts

The proper administration of bank accounts is at the heart of the financial control. In particular bank reconciliations are essential. These prove that balances shown in the accounting records are correct and provide assurance that the underlying accounts are accurate.

Income

Income is a valuable asset and is therefore vulnerable to fraud and theft. It is imperative that proper controls are in place to minimise those risks. It is also important to ensure that schools do not exceed their insurance limits on holdings of cash on school premises.

Schools generate income from a variety of sources, including grant funding, school meals income and lettings. The Governing Body should establish a charging policy and review it every year. The Headteacher is responsible to the Governing Body for accounting for all income due and cash collected, and the maintenance of up to date and accurate accounting records.

To ensure that where income is generated, there is a clearly defined policy in place to support the arrangements and that the policy has been approved by the Governing Body.

Assets

Schools have a considerable number of attractive and portable items of equipment and materials ranging from library books to computers video recorders and television. These assets need to be kept securely and recorded in an inventory.

The delegation of funding for structural maintenance since April 1999 and for some capital projects from April 2000 has given most schools much more responsibility for their buildings and other parts of the premises than was previously the case. It is important therefore that schools plan how they intend to use, maintain and develop their buildings.

School Journey

To ensure that school journeys are carried out in accordance with an approved policy and Health and Safety legislation.

To ensure that a full end of journey accounting statement has been produced to support the overall income and expenses incurred for the journey.

School Fund

To ensure that all private funds held by the School have been subject to proper accounting procedures and independent audit review and that the funds have been used for the sole benefit of the School.

Petty Cash Account

Petty cash is useful for making small purchases occasionally with a minimum of fuss. However, as cash presents a significant risk to theft and fraud, proper controls need to be in place to minimise these risks. Controls should encompass authorisation, documentation and secure storage of cash.

Data Protection

To ensure that the School has registered under the Data Protection Act.

To ensure that ICT systems are appropriately safeguarded and that arrangements are in place to recover data in the event of a disaster.

Internal Audit Approach and Methodology	The internal audit approach is developed through an assessment of risks and management controls operating within the agreed scope.
	The following procedures were adopted:
	• Identification of the role and objectives of each area;
	• Identification of risks within each area which threaten the achievement of objectives;
	• Identification of controls in existence within each area to manage the risks identified;
	• Assessment of the adequacy of controls in existence to manage the risks and identification of additional proposed controls where appropriate; and
	• Testing of the effectiveness of key controls in existence within each area.
	Management should be aware that our internal audit work was performed in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 standards which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance grading provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.
	Our internal audit testing was performed on a judgemental sample basis and focused on the key controls mitigating risks. Internal audit testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.
	Please note that, in relation to the agreed scope, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it was not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Appendix C – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
Contact Details: ☎ Ext 2550 ☎ Ext 2590	

Appendix D – Audit Timetable

	DATES
Fieldwork Start	19/05/10
Exit Meeting	24/05/10
Draft report issued	13/07/10
Final report issued	

This is a schedule of all recommendations where the target date for implementation has passed and either the recommendation has not been fully implemented, or the auditee has failed to provide information on whether it has been implemented.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
1	2010/11	School	St Mary's Catholic Primary School	Nil	It is recommended that the School completes a full check of the budget uploaded onto the SIMS system against the approved budget plan from review of the report "Chart of Accounts". Further, upon formal approval of the budget plan, it should be signed and dated by the Chair of Governors and the Headteacher to evidence its approval.	2	22/11/2010	Headteacher/ SAO	Action point ongoing at present
2	2010/11	School	St Mary's Catholic Primary School	Nil	Invoices received for payment should be stored securely and processed in line with the supplier's payment terms and conditions or in line with the Financial Procedures Manual. The current budget and current School bank account should be checked to ensure that funds are available in order to process all outstanding invoices at the earliest convenience. Further, all suppliers which the School is indebted to should be contacted with immediate effect and a copy of the initial invoice requested and payment made accordingly.	1	30/11/2010	Headteacher/ SAO	Action point ongoing

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Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
3	2010/11	School	St Mary's Catholic Primary School	Nil	The School should ensure that there is adequate separation of duties within the day to day financial management process. This should include, but not be limited to: • The raising of a purchase order should not be done by the person approving the order; • The person placing an order should not be the same person committing the order on the system; • The person checking the goods to the orders upon receipt should not be the same person who signed the order; • The person certifying the invoice for payment should not be the same person who raised the order or authorised the cheque; and • The person administering the day to day financial activities within the school should not be the same person preparing the monthly bank reconciliation.	2	9/11/2010	Headteacher/ SAO	Action point ongoing
4	2010/11	School	St Mary's Catholic Primary School	Nil	Management should ensure that all bank accounts held on behalf of the School are monitored periodically and bank statements obtained and reconciled with the SIMS system monthly.	1	30/11/2010	Headteacher/ SAO	Action point ongoing
5	2010/11	School	St Mary's Catholic Primary School	Nil	Inventory records should be updated to record the date of acquisitions, purchase price, and disposals of portable and valuable assets prior to the inventory being circulated for use. An annual inventory check should be undertaken, certified as correct and the results reported to the Governing Body.	2	22/11/2010	School Administration Officer	Ongoing - will review at Finance sub committee meeting 24/1/11

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
6	2010/11	School	St Mary's Catholic Primary School	Nil	Equipment loans should be adequately recorded and authorised by an appropriate member of staff and the loan period specified on the loan form.	2	31/10/2010	Headteacher	In process
7	2010/11	School	St Mary's Catholic Primary School	Nil	An Income and Expenditure Statement for the School Fund account should be produced and reconciled to the bank statements monthly. Management should ensure that all bank statements for the account are requested and retained at the School. Further, the School Fund account should be independently audited on an annual basis and the results presented to the Governing Body for approval. Evidence of the approval should be documented in the minutes of the relevant meeting.	1	30/11/2010	Headteacher/ SAO	Past statements requested from School Funds. Ongoing
8	2010/11	School	St Mary's Catholic Primary School	Nil	On completion of the reconciliation of the School Meals Account to paying-in slips and student number, the reconciliation should be reviewed and agreed by an independent person prior to being submitted to the Local Authority.	2	31/10/2010	Headteacher	To be agreed

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Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
9	2009/10	School	Cambridge School	Substantial	Inventory records should be promptly updated to record all acquisitions and disposals of valuable and portable assets prior to the inventory being circulated for use. All assets should be indelibly and visibly security marked with the name of the school. Further, an annual inventory check should be undertaken, recorded, certified as correct and its results reported to the Governing Body.	2	02/11/2010	Business Manager	Inventory check has been undertaken by the Site Care Manager. The school is currently looking into marking systems - taking a little longer than originally thought as actively seeking the right system that also offers value for money. Once all items marked asset register will be updated and presented to the governing body (GB meeting 2/11/10 - confirmed to IAM 7/9/10)
10	2009/10	School	Cambridge School	Substantial	The School should register the computer data with the Data Protection Registrar. Once registration is complete, the School should retain a copy of the certificate on site so as to demonstrate compliance with the Data Protection Act 1998 Further, the Governing Body should formally approve the Confidentiality Policy. Evidence of the approval should be documented in the minutes of the relevant meeting to which the policy was approved.	1	02/11/2010	Headteacher	The School registered with the Data Protection in November 2009 and has a copy of the certificate on file. The Confidentiality policy is currently under review and will be submitted to the full governing body at the next meeting - 02/11/10
11	2009/10	School	Addison Primary School	Substantial	An annual Income and Expenditure and Fund Balance Statement for the School Fund account should be produced, independently audited and presented to the Governing Body for approval. Evidence of the approval should be documented in the minutes of the relevant meeting.	2	31/12/2010	Headteacher/ Chair of Governors	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
12	2010/11	Children's Services non-school	Frameworki	N/A	The review of the reconciliation between OLAS and Frameworki should be documented within the monthly budget monitoring meeting minutes.	2	31/12/2010	Frameworki Team Manager	
13	2009/10	Children's Services non-school	Leaving Care	Substantial	The YPS team should liaise with the Corporate Anti Fraud Service (CAFS) to determine whether a data matching exercise can be undertaken to identify care leavers receiving both government benefits and subsistence payments from YPS. Following this, YPS should also determine how this information can be used to monitor the level of government benefits claimed by care leavers.	2	31/12/2010	Senior Business Support Officer	
14	2009/10	Children's Services non-school	Leaving Care	Substantial	The 'Young Peoples' Leaving Care - Policy & Procedure' document should be updated to include external funding streams for care leavers in Higher Education.	2	30/11/2010	Education and Development Worker	
15	2009/10	Children's Services non-school	Leaving Care	Substantial	All 'Budget/Assessment' forms should be completed by care leavers in Higher Education, receiving support from YPS.	2	30/11/2010	Education and Development Worker	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
16	2008/09	Environment	ICPS Application	Substantial	It is recommended that a periodic review of the user accounts and permissions on the ICPS application be performed to ensure that all users are active and current and that their access is allocated in line with their job role. A process should also be established for the authorisation of changes to user permissions.	2	30/04/2010	Parking Control Group Officer and Principal Parking Control Officer	Agreed: Will investigate with MTS for the possibility of reporting users and their current permission levels and to review thereafter. Other Councils might have reported this to MTS before. In the absence of a solution by MTS, it will take long for individual users to be reviewed manually. To investigate by the end of July 2008 to be followed up with responsible officers **Update - January 2010.** A range of "Dummy User" accounts have been set up which have the necessary permissions for each group of users. This needs to be tested and, once this is done, we can clone existing users to those accounts *{Target date extended to April 2010 by IAM to allow for testing to be completed.}*
17	2009/10	Finance & Corporate Services (HFBP)	IT Service Desk	Substantial	A formal strategy should be developed which clearly defines the service desk's medium to long term objectives and how these will be achieved. This could be included in the overall IT strategy and should outline the plan to achieve the service desk objectives. In addition, the strategy should be monitored and reviewed periodically to ensure that the plan is achieving its objectives and goals.	2	30/09/2010	Service Desk Manager/ H & F CMO	26/08/2010 HFBP - A formal strategy has been defined but has not yet been documented. The Service Desk has formulated strategic goals aligned to the 2010/2011 business objectives related to growth, customer satisfaction, financial performance and people. Completion date expected to be end September 2010.
18	2009/10	Finance & Corporate Services (HFBP)	Data Storage and Backup Recovery Audit	Substantial	A process should be established for carrying out periodic test restores for back up data across all Council systems.	2	31/07/2010	Server Infrastructure Manager	

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Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
19	2009/10	Finance & Corporate Services (HFBP)	Citrix and VMware	Substantial	The benefits realisation achievements of the virtualisation strategy investments should be formally documented and evaluated by management to ensure that the benefit evaluation metric is effectively delivered and monitored for achievement.	2		Client Server Infrastructure Manager(HFBP)/Senior Finance and Contract Monitoring Officer	
20	2010/11	Residents Services	Anti-Social Behaviour Unit	Substantial	Management should continue to try and establish a benchmarking group to compare working practices, case volumes and performance with other local authorities. Where a benchmarking group cannot be established, benchmarking/service comparison exercises should still be conducted on a periodic basis.	2	31/12/2010	Anti-Social Behaviour Manager	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
21	2008/09	Residents Services	Libraries - cash and banking	Limited	Management should ensure that when the new management information system is implemented, income collected is reconciled daily to sales volumes.	1	30/09/2010	Head of Libraries	FOLLOW-UP FINDING: Partly implemented. As per discussion with the Head of Libraries, the Management Information System is partly implemented. The complete implementation is still in progress UPDATE: This should be resolved at the next upgrade of the system due in July 2009. Additional overall controls involve the close monitoring of the financial take at each library by the Support Services Officer who receives and checks each entry and discusses verifies and signs each and any variation with the Head of Service. RSD reported 3/3/10 that implementation of this part of SPYDUS has been postponed to mid 2010/11. Target date amended from 31/10/2009 to 30/09/2010 at request of department.

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Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
22	2007/08	Residents Services	Mortuary Services	Limited	It is recommended that management enter into contractual agreements with key service providers, such as undertakers. When entering into contractual agreements it is recommended that appropriate procedures are undertaken as per the Financial Regulations of the Council.	1	31/12/2010	Head of Service	AP update 07/01/09 – undertakers only Still ongoing re further debate with MPS Coroner's Officers. New implementation date proposed of 31/3/09 UPDATE 07/04/09 partially complete - confirmed that undertakers rota introduced at Kingston & MPS Coroners officers will do the same for H&F. Benchmarking - copy of Camden undertakers contract obtained. Formal tender process was planned to start by 1/7/9. Undertakers have been approached but are unwilling to engage in informal contractual arrangement. UPDATE 04/08/09 - Currently considering either 1 contract for all 7 boroughs or 3 contracts (inner, middle and outer). Currently operating under rota arrangement which is working well. Benchmarking with Camden & other boroughs. Included in Business Plan to tender by 31/03/09 AP 01/02/2010 Follow-Up - We identified that contracts with service providers have still not been developed. However, management is considering whether to produce one contract for all seven boroughs or three contracts (inner, middle and outer). This has been included in the 2010/11 Business Plan as part of the objectives of delivering a high quality, value for money public services. NOT IMPLEMENTED - Planned in 2010/11 Business Plan

Internal Audit reports in issue more than two weeks as at 31 December 2010

	Audit Year	Department	Responsible Director	Audit Title	Assurance	Draft report issued on	Responsible Officer	Target date for responses	Awaiting Response From
1	2008/09	Environment	Nigel Pallace	Section 106 Agreements	Limited	24/09/2010	Section 106 Officer, Principal Accountant - Environment Finance Team, Team Leader Enforcement and Special Projects	08/10/2010	Director
2	2010/11	Residents Services (HFBP)	Lyn Carpenter	Spydus Application Audit	Limited	27/07/2010	Head of Libraries	10/08/2010	Auditee and Director