

# **Audit, Pensions and Standards Committee**

## **Supplementary Documentation**

**Thursday 14 February 2013**

**7.00 pm**

**COMMITTEE ROOM 1 - HAMMERSMITH TOWN HALL**

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

**CONTACT OFFICER:** Owen Rees  
Committee Co-ordinator  
Governance and Scrutiny  
☎: 02087532088  
E-mail: owen.rees@lbhf.gov.uk

**Reports on the open agenda are available on the [Council's website](http://www.lbhf.gov.uk/Directory/Council_and_Democracy):**  
[http://www.lbhf.gov.uk/Directory/Council\\_and\\_Democracy](http://www.lbhf.gov.uk/Directory/Council_and_Democracy)

**Members of the public are welcome to attend. A loop system for hearing impairment is provided, along with disabled access to the building.**

Date Issued: 06 February 2013

# **Audit, Pensions and Standards Committee Agenda**

14 February 2013

<b><u>Item</u></b>		<b><u>Pages</u></b>
<b>11.</b>	<b>INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 OCTOBER TO 31 DECEMBER 2012</b>	<b>1 - 38</b>
	3 limited assurance reports are attached.	

## Final Internal Audit Report 2011/12

### London Borough of Hammersmith and Fulham

### Theft of Valuable Metals

October 2012


This report has been prepared on the basis of the limitations set out on page 9.

---

*This report and the work connected therewith are subject to the Terms and Conditions of the Engagement Letter dated 14 April 2011 between London Borough of Hammersmith & Fulham and Deloitte & Touche Public Sector Internal Audit Limited under an arrangement agreed with Croydon Council. The report is confidential and produced solely for the use of London Borough of Hammersmith & Fulham. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.*

---

<b>Introduction</b>	<p>As part of the 2011/12 Internal Audit Plan, agreed by the Audit and Pensions Committee on 17 February 2011, we have undertaken an internal audit of Theft of Valuable Metals.</p> <p>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.</p> <p>The agreed objective and scope of our work is set out in the Audit Brief issued on 28 September 2011.</p>
---------------------	---

Audit Opinion & Direction of Travel	None	Limited	Substantial	Full
				

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Identification of Valuable Metals			1	0	0
Prevention of Theft			1	0	0
Detection of Theft			0	1	0
Communication			1	1	0

\* Management have advised that, although they agree with this recommendation in principle, this cannot be fully implemented due to financial resource constraints. This leaves the Council exposed to risks as detailed in recommendation 2.

Please refer to the attached documents for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.

Key Findings	Key Statistics
<ul style="list-style-type: none"> <li>• The Council does not currently have a policy on what they consider to be ‘Valuable Metals’ or a record of the valuable metals used in Council housing detailing type, quantity and location;</li> <li>• Risk assessments are not currently carried out at Council sites to analyse their exposure to theft of metals;</li> <li>• Some Council housing has CCTV facilities on their premises; however, this only surveys entrances to Council properties and estates;</li> <li>• Access to roofs and other non-residential areas is mainly restricted by fire brigade locks;</li> <li>• We were informed that void properties are promptly secured, reducing the risk of theft from such properties;</li> <li>• We were informed by the Head of Repairs that they are currently exploring the idea of using Smartwater/Smartgrease to mark valuable metals which would allow metals to be identified as Council property. This would be accompanied with prominent signage to act as a deterrent to theft;</li> <li>• Discussions with the Programme &amp; Residents’ Liaison Officer established that where damages occur due to theft of metals, alternative materials are used where possible. For example, lead thefts are repaired using felt. Although this is not as hard wearing, it eliminates the risk of further theft;</li> <li>• No joint working between the Council and TRAs to promote awareness of metal theft amongst tenants could be identified;</li> <li>• The Council do not currently share or receive information regarding metal thefts with other neighbouring authorities. Evidence was also not available to suggest communication between different Council</li> </ul>	<ul style="list-style-type: none"> <li>• Metal theft normally increases when worldwide prices for scrap metal rise. Metal items are normally stolen for their value as raw materials and are ultimately scrapped, or recycled, to provide material for making new products;</li> <li>• The metals commonly stolen include copper, aluminium, brass, and bronze. Roofing materials, manhole covers and statues have all been targeted recently due to the rising cost of metal;</li> <li>• The recent instances of theft in the White City Estate affected 24 properties, with up to 90% of lead missing from those properties;</li> </ul>

departments regarding metal theft. Furthermore, evidence of liaison with organisations, such as the British Metals Recycling Association (BMRA), could not be ascertained; and

- The Council have insurance covering property damage from Zurich Municipal. Discussions with the Area Technical Manager established that there have been problems with recouping insurance payments for repairs from their insurers (Zurich Municipal) due to the Council's security arrangements not being in line with the policy.

**Acknowledgement**

We would like to thank all the staff within the Housing and Regeneration Department for their time and co-operation during the course of the internal audit.

## 1. Identifying Valuable Metals

Priority	Issue	Risk	Recommendation	
1	<p>The Housing &amp; Regeneration Department (HRD) do not have an inventory of the types of valuable metal present at each of their premises, their quantities or locations.</p> <p>It was established through discussions with the Programme &amp; Residents Liaison Officer that the Council currently do not have a policy defining what metals they consider to be 'valuable'.</p>	<p>Where the Council do not maintain an inventory of the type and quantity of valuable metals present at their premises, there is the risk that the Council may not be aware of situations where theft has occurred. This may also impact on the Council's ability to adequately assess the risk of metal theft occurring at any particular premises.</p> <p>Where a policy does not exist detailing what metals are considered 'valuable', there is the risk of staff within the Housing &amp; Regeneration Department not being aware of what metals are considered valuable, impairing the identification process.</p>	<p>A policy detailing what are considered to be valuable metals should be developed. This should be made available to all relevant staff.</p> <p>Quantities and location of valuable metals present at Housing premises should be identified and recorded within an inventory such as on the Codeman system.</p>	
Management Response			Responsible Officer	Deadline
<p>Agreed. It is proposed to carry out a stock condition survey as part of the development of an Asset Management Strategy. This information will be placed on Codeman and will include data on metal building elements</p>			Head of Repairs	30/12/2012

## 2. Assessing the Risk of Theft

Priority	Issue	Risk	Recommendation	
1	Risk assessments are not currently undertaken assessing the likelihood and impact of theft occurring on Housing premises.	<p>Where the department do not carry out risk assessments on the likelihood and impact of metal theft at each of their premises, the measures put in place to prevent and detect metal theft may not be proportionate to the risk.</p> <p>Investment may not be made in anti-theft measures or investment may be excessive where there is little or no threat (such as premises where all valuable metals are located internally or where there are few metals present).</p>	<p>Assessments should be carried out on the risk of metal theft at each Housing property. This may be based on the types of metals present at the location, security of the premises and ease of access to metals.</p> <p>The measures already in place to detect and prevent metal theft at each property should then be assessed against this risk assessment and action taken when the current response is not proportionate to the risk.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
<p><b>Management Response</b></p> <p>Agreed in principle; however, there is currently no budget for a risk assessment of this nature to be undertaken and would need financial resources reallocated from other budgets and therefore this recommendation cannot be fully implemented. However, replacement of metal parts at risk of theft, with non-desirable components will be undertaken as part of our maintenance programme.</p> <p><b>Audit Comment</b></p> <p>Where this recommendation cannot be implemented the Housing and Regeneration department will remain exposed the risks detailed above.</p> <p>Where this recommendation cannot be implemented we would advise that, as a minimum, some form of risk assessment is undertaken focussing on high risk properties and 'cloning' risk assessments across similar properties to reduce the resources required.</p>			<p>Head of Repairs Programme &amp; Residents' Liaison Officer</p>	30/12/2012



## 3. Insurance Arrangements

Priority	Issue	Risk	Recommendation	
2	<p>Discussions with the Area Technical Manager established that there have been problems with recouping insurance payments from their insurers (Zurich Municipal) for repairs of the White City estate following metal thefts.</p> <p>Furthermore, we were informed that using fire brigade locks on Council premises is currently not deemed as adequate by Zurich Municipal, as universal keys are readily available. Measures are being drawn up to switch to more secure locks in the near future.</p>	<p>Where the Council's security arrangements are not in line with the requirements of the insurance agreement with Zurich Municipal, there is the risk of the Council not being fully insured against incidents of metal theft. This may lead to financial loss to the Council.</p>	<p>Confirmation should be obtained from the Council's insurance function that the Council has adequate insurance cover for incidents of metal theft.</p> <p>Where the Council is not covered in the event of metal theft, consideration should be given to updating security arrangements or amending the policy to ensure adequate insurance cover is in place.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
Agreed.			Head of Repairs Insurance Manager	31/10/2012

## 4. Cooperation with TRAs to Raise Awareness

Priority	Issue	Risk	Recommendation	
2	<p>The Housing department do not currently engage with the borough's Tenants and Residents Associations (TRAs) to raise awareness of the issue of metal theft amongst housing tenants.</p> <p>This is made more significant as the main mechanism for detecting metal theft is through reports from tenants (either of the theft itself or of secondary damage caused by the theft).</p>	Where awareness of metal theft is not raised amongst tenants, there is the risk that tenants will not look out for instances of metal theft. This could potentially lead to metal theft going undetected for longer periods, further increasing repair costs.	The department should liaise with the borough's TRAs to devise ways to raise awareness of metal theft amongst tenants.	
Management Response			Responsible Officer	Deadline
Agreed.			Head of Repairs Communications Officer	31/10/2012

## 5. Communicating With Other Local Authorities, Organisations and Departments

Priority	Issue	Risk	Recommendation	
1	<p>The Housing and Regeneration department do not currently liaise with other Council departments or neighbouring Local Authorities regarding occurrences of metal theft.</p> <p>Furthermore, the department do not currently report instances of theft to the British Metals Recycling Association (BMRA).</p>	<p>Where the department do not engage in information sharing with other Council Departments and neighbouring Local Authorities, there is the risk that patterns of theft are not identified impacting Local Authorities' ability to take action. Furthermore, the Council may not benefit from sharing best practice.</p> <p>Where the department do not report incidences of metal theft to the BMRA, stolen metals may not be identified or traced back to the Council.</p>	<p>The department should begin sharing information regarding thefts and/or attempted thefts with other Council departments and neighbouring Local Authorities. Patterns of such incidences should be documented and updated where necessary.</p> <p>All incidents of metal theft from Council premises' should be promptly reported to the BMRA.</p> <p>A form of coordination should be established between departments to address the issue of metal theft. A central lead should be appointed to ensure that measures taken to control metal theft in all Council departments are coordinated.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
<p>Agreed. Corporate Asset Delivery Team (CADT) will be the mechanism for reporting, sharing information on measures to mitigate against metal theft. This will be put on the agenda for the next meeting to discuss Internal Audit's findings, also an item is placed on the corporate risk register for monitoring.</p>			<p>Assistant Director of Building and Property Management</p>	<p>Implemented</p>

**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**  
**October 2012**

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

Registered office: Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom. Registered in England and Wales No 4585162.

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](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited

## Final Internal Audit Report 2012/13

London Borough of Hammersmith and Fulham

Cambridge School

December 2012


This report has been prepared on the basis of the limitations set out on page 13.

---

*This report and the work connected therewith are subject to the Terms and Conditions of the Engagement Letter dated 15 March 2012 between London Borough of Hammersmith & Fulham and Deloitte & Touche Public Sector Internal Audit Limited under an arrangement agreed with Croydon Council. The report is confidential and produced solely for the use of London Borough of Hammersmith & Fulham. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.*

---

<b>Introduction</b>	<p>As part of the 2012/13 Internal Audit Plan agreed by the Audit Committee on 15 March 2012, we have undertaken an internal audit of Cambridge School.</p> <p>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.</p> <p>The agreed objective and scope of our work is set out in the audit notification issued on 17 April 2012.</p>
---------------------	---

Audit Opinion & Direction of Travel	None	Limited	Satisfactory	Substantial
				

Page 12

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Governance and Leadership			0	3	0
Financial Management			2	0	0
Asset Management and Business Continuity			0	1	0
Procurement			0	0	1
School Meals Income			0	1	0
Leasing			0	1	0

Please refer to the attached documents for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.

Key Findings	Key Statistics
<ul style="list-style-type: none"> <li>• A Scheme of Delegation, which includes the Committee Terms of Reference, has been approved by the Governing Body. The Governing Body and Resource Committee were meeting in accordance with the Scheme of Delegation. All minutes examined had been signed by the Chair as an accurate record of proceedings;</li> <li>• Examination of the School's Register of Business and Pecuniary Interests found that not all staff with financial decision making responsibility had signed the register, including the Head Teacher;</li> <li>• Complete and regular bank reconciliations were not being performed on a monthly basis, with the last complete bank reconciliation performed in March 2012;</li> <li>• We noted during our audit, and through discussions with the Business Manager, that an officer has not been appointed and trained to cover her duties in her absence;</li> <li>• From a sample of ten purchases selected for testing: <ul style="list-style-type: none"> <li>○ Goods and services received checks were undertaken in all cases;</li> <li>○ All sampled transactions were authorised and approved in accordance with the Scheme of Delegation, with value for money being demonstrated;</li> <li>○ Four transactions were identified where payment was not made within 30 days, with delays ranging from one to four months;</li> <li>○ Two cases were found where a purchase order had not been raised;</li> </ul> </li> <li>• Backups were being performed on the School's IT systems;</li> <li>• A formal building maintenance plan that outlines the maintenance requirements of the School was not maintained; and</li> </ul>	<ul style="list-style-type: none"> <li>• Cambridge School is a Special School located near White City;</li> <li>• There are currently 80 students on roll as per the 2012 School Census;</li> <li>• The School achieved an overall grade of "1" (equates to outstanding performance) in the OFSTED inspection undertaken in July 2010; and</li> <li>• The allocated budget for the 2012/13 financial year is approximately £2.09m.</li> </ul>

- The School did not seek approval from the Council before entering into the lease for the provision of the School's photocopiers and interactive boards.

**Acknowledgement**

We would like to thank the management and staff of Cambridge School for their time and co-operation during the course of the internal audit.



## 1. Approval of the key documents and committee meeting

Priority	Issue	Risk	Recommendation	
2	<p>Discussions with the Business Manager noted that the School Development Plan has not been formally approved by the Governing Body since February 2010, although it is presented at each Governing Body meeting.</p> <p>In addition, we were informed by the School Business Manager that since September 2012, Curriculum Committee meetings have not been minuted as the School struggled to achieve quorum. However, we did note the matters discussed were reported in the next Governing Body meeting.</p>	<p>Where meeting minutes do not clearly evidence approval and reporting of key documents and events such as the School Development Plan, there is a risk that a clear audit trail is not available and accountability is reduced.</p> <p>Where minutes are not taken at committee meetings and signed as an accurate record at the following meeting, there is a risk that there is no agreed record of attendees, matters discussed and decisions made.</p>	<p>The School Development Plan should be approved on an annual basis by the Governing Body and evidenced as such.</p> <p>Where committee meetings are inquorate, minutes should still be documented and signed by the chair as an accurate record at the next meeting.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
Agreed.			Headteacher	30/09/2012

## 2. Continuity of the financial and administrative function

Priority	Issue	Risk	Recommendation	
2	We noted during our audit, and through discussions with the Business Manager, that an officer has not been appointed and trained to cover her duties in her absence.	Where business continuity arrangements surrounding financial and administrative functions are not assessed, there is a risk that operations may be disrupted in the event of staff absence.	The continuity of the financial and administrative function should be assessed to determine whether additional officers should be trained to provide cover in the event of absence of key staff.	
Management Response			Responsible Officer	Deadline
Agreed.			Headteacher	30/09/2012

## 3. Declarations of interests

Priority	Issue	Risk	Recommendation	
2	Examination of the School's Register of Business and Pecuniary Interests found that not all staff with financial decision making responsibility had completed a declaration.	Where declarations of business interests are not completed by all staff members with financial responsibility, there is a risk that the School cannot demonstrate that all financial decisions have been made in the best interest of the School and have not benefited any individual.	The Register of Business and Pecuniary Interest should be updated to include all staff with financial decision making responsibility.	
Management Response			Responsible Officer	Deadline
Agreed.			Headteacher	30/09/2012

**4. Bank reconciliations**

Priority	Issue	Risk	Recommendation	
1	Discussions with the Business Manager identified that formal, complete bank reconciliations are not currently being performed on a monthly basis due to resource constraints, with the last bank reconciliation being completed in March 2012.	Where bank reconciliations are not completed regularly, there is a risk that any errors or anomalies may not be identified and addressed promptly.	Formal bank reconciliations should be completed on a monthly basis (as a minimum) and evidenced as such.	
Management Response			Responsible Officer	Deadline
Agreed.			School Business Manager	30/09/2012

## 5. Budget monitoring

Priority	Issue	Risk	Recommendation	
1	Through discussions with the Head Teacher and Business Manager, we noted that budget monitoring is not being performed on a monthly basis. Furthermore, budget holders do not receive regular budget monitoring reports.	Where budget monitoring is not performed on a formal monthly basis, and budget holders do not receive regular reports on their budgets, there is a risk that budget variances may not be identified in time for an effective course of corrective action to be taken.	Budget monitoring should be performed on a monthly basis by the Head Teacher and Business Manager. Action points to address any issues or concerns should be documented and budget monitoring reports should be signed and dated as evidence of review. Furthermore, budget holders should receive regular reports on their allocated budgets.	
Management Response			Responsible Officer	Deadline
Agreed.			Headteacher	30/09/2012

## 6. Building maintenance

Priority	Issue	Risk	Recommendation	
2	We were informed that the School does not maintain a formal building maintenance plan that outlines the maintenance requirements of the School.	Where the School does not maintain a formal building maintenance plan, there is a risk that necessary maintenance may not be undertaken resulting in the condition of the School buildings deteriorating, increasing the cost of repairs. Furthermore, a planned approach to maintaining the School site will aid in the budget setting process.	<p>A formal building maintenance plan that outlines the maintenance requirements of the School, action required and timescales for completion should be developed and maintained by the site manager or another appropriate officer.</p> <p>The plan should be subject to approval by the Governing Body or Resources Committee.</p>	
Management Response			Responsible Officer	Deadline
Agreed.			Headteacher / Site Manager	30/09/2012

## 7. Payment of invoices

Priority	Issue	Risk	Recommendation	
3	From a sample of 10 purchases tested, four cases were identified where payment was not made within 30 days, with delays ranging from one to four months (cheque numbers 202917, 202867, 202716 and 202719).	Where invoices are not paid in a timely manner, there is a risk that relationships with suppliers will be damaged. The School may also be subject to late payment penalties.	<p>Payments should be made to suppliers within 30 days of invoice receipt.</p> <p>Where invoices are delayed for legitimate reasons, this should be recorded on the invoice to demonstrate why payment of the invoice may be delayed.</p>	
Management Response			Responsible Officer	Deadline
Agreed.			School Business Manager	30/09/2012

**8. Independent review of school meals income**

Priority	Issue	Risk	Recommendation	
2	We were informed by the School that reconciliations between school meals income collection records and cash banked are not reviewed by a second officer.	Where reconciliations between school meals income and cash banked are not subject to review by a second officer, there is a risk that fraud or error may occur.	The school meal income collection records should be subject to an independent review by a senior officer and signed / dated to evidence review.	
Management Response			Responsible Officer	Deadline
Agreed.			Headteacher	30/09/2012



## 9. Lease approval

Priority	Issue	Risk	Recommendation	
2	We were informed that the School did not seek advice from the Council before entering into a lease agreement for the provision of the School's photocopier and interactive whiteboards.	Where advice is not sought from the Council prior to entering into a leasing or financing agreement, there is a risk that inappropriate agreements may be entered into that do not provide value for money or are outside the statutory powers of the School.	<p>Management should seek advice and approval of the Council prior to the School entering into a leasing or financing agreement.</p> <p>The School should liaise with the Council to gain assurance that the photocopier and interactive whiteboard lease agreements are appropriate.</p>	
Management Response			Responsible Officer	Deadline
Agreed.			School Business Manager	30/09/2012

**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**  
**December 2012**

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

Registered office: Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom. Registered in England and Wales No 4585162.

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](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited

## Final Internal Audit Report 2012/13

### London Borough of Hammersmith and Fulham Greenside Primary School December 2012


This report has been prepared on the basis of the limitations set out on page 13.

---

*This report and the work connected therewith are subject to the Terms and Conditions of the Engagement Letter dated 15 March 2012 between London Borough of Hammersmith & Fulham and Deloitte & Touche Public Sector Internal Audit Limited under an arrangement agreed with Croydon Council. The report is confidential and produced solely for the use of London Borough of Hammersmith & Fulham. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.*

---

<b>Introduction</b>	<p>As part of the 2012/13 Internal Audit Plan agreed by the Audit Committee on 15 March 2012, we have undertaken an internal audit of Greenside Primary School.</p> <p>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.</p> <p>The agreed objective and scope of our work is set out in the audit notification issued on 17 April 2012.</p>
---------------------	---

Audit Opinion & Direction of Travel	None	Limited	Satisfactory	Substantial
				

Page 26

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Governance and Leadership			0	0	1
Financial Management			0	1	0
Asset Management and Business Continuity			1	1	0
Procurement			0	1	2
School Meals Income			1	0	0
Leasing			0	1	0

Please refer to the attached documents for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.

Key Findings	Key Statistics
<ul style="list-style-type: none"> <li>• A Scheme of Delegation, which includes the Committee Terms of Reference, has been approved by the Governing Body. The Governing Body and its Subcommittees were meeting in accordance with the Scheme of Delegation. All minutes examined had been signed by the Chair as an accurate record of proceedings.</li> <li>• Examination of the 'Greenside Primary School: Summary of Budget Holders' document, which acts as part of the School's Scheme of Delegation, identified that thresholds where quotes and tenders are required and authorisation limits were not clearly described.</li> <li>• Examination of the School's Register of Business and Pecuniary Interests found that the Deputy Headteacher had not completed a declaration.</li> <li>• Complete and regular bank reconciliations were not being performed, at the time of the audit.</li> <li>• From a sample of ten purchases selected for testing: <ul style="list-style-type: none"> <li>○ Goods and services received checks were undertaken in all cases;</li> <li>○ Three transactions were identified where payment was not made within 30 days, with delays ranging from one to two months;</li> <li>○ One case was found where a VAT invoice was not held on file; and</li> <li>○ One instance was noted where appropriate approval and the required number of quotes were not obtained.</li> </ul> </li> <li>• Backups were not performed on the School's IT systems at the time of the audit.</li> </ul>	<ul style="list-style-type: none"> <li>• Greenside Primary School is a Community School located near Ravenscourt Park.</li> <li>• There are currently 223 students on roll as per the 2012 School Census.</li> <li>• The School achieved an overall grade of "3" (equates to satisfactory performance) in the OFSTED inspection undertaken in December 2009.</li> <li>• The allocated budget for the 2012/13 financial year is approximately £1.1m.</li> </ul>

- A formal building maintenance plan that outlines the maintenance requirements of the School was not maintained;
- School Meals arrears totalling £3,972.30 were identified at the time of the audit (May 2010). There was no evidence of action being taken to recover debts and reduce the level of arrears.
- Although records of income collected from pupils were maintained on the SIMS system, there was no clear audit trail in place between School meals income collected and cash banked.
- The School's photocopier lease expired on 31 March 2012; however the School has continued to make payments. Furthermore, we were informed that the School did not seek approval from the Council before entering into the lease for the provision of the School's telephone system.

**Acknowledgement**

We would like to thank the management and staff of Greenside Primary School for their time and co-operation during the course of the internal audit.

## 1. Declarations of interests

Priority	Issue	Risk	Recommendation	
3	Examination of the School's Register of Business and Pecuniary Interests found that the Deputy Headteacher had not completed a declaration.	Where declarations of business interests are not completed by all staff members with financial responsibility, there is a risk that the School cannot demonstrate that all financial decisions have been made in the best interest of the School and have not benefited any individual.	The Register of Business and Pecuniary Interest should be updated to include the Deputy Headteacher.	
Management Response			Responsible Officer	Deadline
Agreed			Headteacher	31/07/2012

**2. Bank reconciliations and unreconciled items**

Priority	Issue	Risk	Recommendation	
2	Discussions with the Business Manager identified that bank reconciliations were not being performed regularly at the time of the audit due to resource constraints. In addition, the unreconciled items listing from SIMS showed one transaction over six months old.	Where bank reconciliations are not completed regularly, there is a risk that any errors or anomalies may not be detected, investigated and resolved promptly. Where unreconciled items are not investigated and cleared in a timely manner, there is a risk that the School's financial records may be inaccurate.	Formal bank reconciliations should be completed on a monthly basis (as a minimum) and evidenced as such. Unreconciled items should be investigated and cleared in a timely manner.	
Management Response			Responsible Officer	Deadline
Bank reconciliations to the LA are now being completed on a monthly basis and reconciliations are generally undertaken on a weekly basis. I do agree that the unreconciled items need to be cleared in a timely manner and will be addressed.			School Business Manager	31/07/2012



**3. IT systems back up**

Priority	Issue	Risk	Recommendation	
1	We were informed by the Business Manager that backups are not performed on the School's IT systems.	Where regular backups of School data are not undertaken, there is a risk of loss of data due to data corruption or system failures.	Regular backups of the School's IT systems should be undertaken. These backups should be tested periodically to confirm that data can be recovered.	
Management Response			Responsible Officer	Deadline
The school has experienced a period with no back-up due to the change over to LGFL2, however, this is now up and running. Examples of back-ups can be provided upon request.			School Business Manager	31/07/2012

**4. Building maintenance**

Priority	Issue	Risk	Recommendation	
2	We were informed that the School does not maintain a formal building maintenance plan that outlines the maintenance requirements of the School.	Where the School does not maintain a formal building maintenance plan, there is a risk that necessary maintenance may not be undertaken resulting in the condition of the School buildings deteriorating, increasing the cost of repairs. Furthermore, a planned approach to maintaining the School site will aid in the budget setting process.	A formal building maintenance plan that outlines the maintenance requirements of the School, action required and timescales for completion should be developed and maintained by the site manager or another appropriate officer. The plan should be subject to approval by the Premises Committee.	
Management Response			Responsible Officer	Deadline
Agreed			Headteacher / Site Manager	31/07/2012

## 5. Delegated authority and seeking best value

Priority	Issue	Risk	Recommendation	
2	<p>Examination of the 'Greenside Primary School: Summary of Budget Holders' document, which acts as part of the School's Scheme of Delegation, identified that thresholds where quotes and tenders are required and authorisation limits were not clearly described.</p> <p>From a sample of ten purchases tested, we noted one instance (cheque number 103198) where appropriate approval and authorisation was not obtained in line with the Summary of Budget Holders' document. The Headteacher should have approved the purchase order and authorised the payment of the invoice as the individual member of staff concerned had exceeded their authorised financial threshold by £99.95. In addition, the required three quotes had not been obtained.</p>	<p>Where the 'Greenside Primary School: Summary of Budget Holders' document is does not clearly define thresholds where quotes and tenders are required and authorisation limits, there is a risk that staff may be unaware of the limits of their authority, resulting in value for money not being achieved.</p> <p>Where purchase orders and invoices are not approved and authorised in line with the financial procedures of the School and the required number of quotes are not obtained, this may lead to inappropriate purchases being made and value for money not being achieved.</p>	<p>The 'Greenside Primary School: Summary of Budget Holders' document should be updated to clearly define thresholds where quotes and tenders are required and authorisation limits of staff. This document should then be subject to Governing Body / Finance Committee approval.</p> <p>Staff should be reminded of the requirement to obtain quotes and tenders where required in order to achieve, and be able to demonstrate, value for money.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
Agreed.			Headteacher / School Business Manager	31/07/2012

## 6. VAT invoices

Priority	Issue	Risk	Recommendation	
3	For the sample of ten purchases tested we found one instance where a valid VAT invoice was not held on file, although VAT had been claimed.	Where VAT invoices are not obtained and held on file, this may lead to instances where input VAT is not claimed resulting in an increased cost to the School. Alternatively, where VAT is claimed without a valid VAT invoice, this may result in VAT being claimed where it should not be.	Management should ensure that valid VAT invoices or receipts are obtained in all relevant instances where VAT is claimed.	
Management Response			Responsible Officer	Deadline
Agreed.			School Business Manager	31/07/2012

**7. Payment of invoices and supporting documentation**

Priority	Issue	Risk	Recommendation	
3	From a sample of three purchases tested, three cases were found where payment was not made within 30 days, with delays ranging from one to two months.	Where invoices are not paid in a timely manner, there is a risk that relationships with suppliers will be damaged. The School may also be subject to late payment penalties.	<p>Payments should be made to suppliers within 30 days of invoice receipt.</p> <p>Where invoices are delayed for legitimate reasons, this should be recorded on the invoice to demonstrate why payment of the invoice may be delayed.</p>	
Management Response			Responsible Officer	Deadline
Agreed.			School Business Manager	31/07/2012

## 8. School meals debt recovery and banking of income

Priority	Issue	Risk	Recommendation	
1	<p>During our audit visit we identified a total of £3,972.30 School meals income arrears. At the time of the audit there was no evidence of action being taken to recover income due and reduce the level of arrears.</p> <p>Furthermore, although records of income collected from pupils were maintained on the SIMS system, there was no clear audit trail in place between School meals income collected and cash banked.</p>	<p>Where adequate recovery action is not taken to collect debts owed to the School, this may lead to debts becoming irrecoverable and having to be written off.</p> <p>Where a clear audit trail is not in place between income received and income banked, the School may be unable to demonstrate that income has been banked completely and in a timely manner. Furthermore, a weak audit trail reduces the likelihood that fraud or misuse of cash will be detected.</p>	<p>The School should take action to reduce the School meals income arrears. A debt recovery procedure should be developed and followed.</p> <p>Furthermore, the School should ensure that a clear documented audit trail exists between School meals income received and cash banked. Reconciliations between income collected and cash banked should be undertaken by an officer independent of the cash collection process. Where this is not possible, additional supervisory checks should be undertaken to confirm that these reconciliations are being undertaken and that an adequate audit trail is maintained.</p>	
Management Response			Responsible Officer	Deadline
<p>Letters are sent to parents chasing payment, however I do agree that a more robust debt recovery system needs to be implemented.</p> <p>There were some initial problems with the timing of the printing of the bank returns on SIMS. This has now been addressed and the last 3 returns have agreed and been authorised by the head teacher.</p>			Headteacher/School Business Manager	31/07/2012

## 9. Lease renewal and approval

Priority	Issue	Risk	Recommendation	
2	<p>The School's photocopier lease expired on the 31 March 2012; however, the School has continued to pay the same lease payments at the time of the audit (May 2012). Discussions with the Head and Business Manager identified that no action has been taken to renew the lease or seek an alternative arrangement.</p> <p>In addition, we were informed that the School did not seek approval from the Council before entering into the lease for the provision of the School's telephone system.</p>	<p>Where lease agreements expire and are not reviewed, this may result in the School not continuing to obtain value for money. Furthermore, the School may not be able to enforce the terms of conditions of the agreement.</p> <p>Where advice and approval is not sought from the Council prior to entering into a leasing or financing agreement, there is a risk that inappropriate agreements may be entered into that do not provide value for money or are outside the statutory powers of the School.</p>	<p>Management should seek advice and approval of the Council and Governing Body prior to the School entering into a leasing or financing agreement.</p> <p>The School should liaise with the Council to gain assurance that the telephone system lease agreement is appropriate.</p> <p>The School should also review the leasing arrangement for the provision of the photocopier in liaison with the Council. Should the lease be extended or a new lease agreement entered into, this should be subject to Council and Governing Body / Finance Committee approval as appropriate.</p>	
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
Agreed.			School Business Manager	30/09/2012

**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**  
**December 2012**

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

Registered office: Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom. Registered in England and Wales No 4585162.

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](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited