London Borough of Hammersmith & Fulham

Audit, Pensions and Standards Committee

Agenda

THURSDAY 9 DECEMBER 2010
7.00 pm
COMMITTEE ROOM 1, HAMMERSMITH TOWN HALL
KING STREET, LONDON W6 9JU

Administration:	Opposition	Co-opted Member
Councillor Michael Adam Councillor Nicholas Botterill Councillor Marcus Ginn Councillor Robert Iggulden Councillor Michael Cartwright Councillor PJ Murphy Eugenie White	Councillor Michael Cartwright Councillor PJ Murphy	Eugenie White

If you require further information relating to any item on this agenda please contact:

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

Issue Date: 30 November 2010

Reports on the agenda are available on the Council's website: -

http://www.lbhf.gov.uk/Directory/Council_and_Democracy/

Audit, Pensions and Standards Committee
9 December 2010

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Agenda

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GOVERNANCE STATEMENT 2010 ACTION PLAN

This report updates the Committee on the implementation of Audit Committee recommendations, and updates the Committee on progress towards meeting Audit Commission recommendations.

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This report provides information in the Council's debt, borrowing and investment activity up to 30th September 2010

This report updates the Committee of the risks, controls, assurances and management action orientated to manage organisational level risks.

The report updates on progress on delivering Corporate Anti-Fraud Service service plans in quarter 2 of the 2010-11 year, including key results of the work undertaken and the level of performance achieved.

This report summarises internal audit activity in respect of audit reports issued during the period to 30 September 2010, as well as reporting on the performance of the Internal Audit service.

This report sets out proposals for reporting to the Audit and Pensions Committee.

12. **EXCLUSION OF THE PUBLIC AND PRESS**

The Committee is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

13. **MINUTES OF THE MEETING HELD ON 22 SEPTEMBER 2010-EXEMPT ASPECTS**

14. **COMBINED RISK MANAGEMENT HIGHLIGHT REPORT- EXEMPT ASPECTS**

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London Borough of Hammersmith & Fulham

Audit and Pensions Committee

Minutes

Wednesday 22 September 2010

<u>**PRESENT**</u>

Committee members: Councillors Michael Adam (Chairman), Marcus Ginn, Robert Iggulden, Michael Cartwright and PJ Murphy

Co-opted member: Eugenie White

Officers:
Jane West, Director Of Finance and Corporate Services
Hitesh Jolapara, Deputy Director of Finance
Pat Gough, Assistant Director- Finance
Geoff Drake, Chief Internal Auditor
Jill Lecznar, Corporate Accountancy Manager
Michael Sloniowski, Principal Consultant- Risk Management
Bob Pearce, Group Accountant- Technical
Owen Rees, Committee Coordinator

Simon Jones and Helen Smith, P-Solve
Jon Hayes, District Auditor, and Julian McGowan, Audit Manager, Audit Commission

19. <u>MINUTES OF THE MEETING OF THE 29TH JUNE 2010</u>

Councillor Iggulden raised concerns that actions agreed at the last Committee meeting had not been completed, and that others had not been completed promptly; particularly with regard to the requested Corporate Anti-Fraud Service training session. He also requested that minutes were circulated to members within two weeks of the meeting taking place.

RESOLVED THAT

(i)   The minutes of the meeting held on the 29th June 2010 be agreed as true and accurate, and;

(ii)   The outstanding actions be noted.

20. <u>APOLOGIES FOR ABSENCE</u>

There were apologies from Councillor Botterill, who was on other Council business.

21. DECLARATIONS OF INTEREST

Councillors Cartwright and Murphy declared a personal interest in all items, as members of the Pension Fund.

22. PENSION VALUE AND INVESTMENT PERFORMANCE

Helen Smith, P-Solve, introduced the report, which set out the performance of the Council's pension fund in the quarter ending 30 June 2010. The period described, and the period subsequent to it, had been a period of volatility, with the value of the fund first falling and then rising to its previous level. The performance and prospects for different mandates within the fund were analysed, including the harsher market conditions faced by the Goldman Sachs Matching Fund mandate, and the respective performances of Barings and Ruffer within the Dynamic Asset Allocation Mandate.

Councillor Murphy asked what level of confidence P-Solve had in Goldman Sachs continuing to meet their targets. Helen Smith said that their mandate had been in an area in which it had been relatively easy to outperform their target, but as conditions in the bond market changed, this would become more challenging.

The Chairman and Councillor Murphy asked questions about the performance of Barings, with regard to their performance relative to that of Ruffer and with regard to their exposure to emerging market equities respectively. Helen Smith said that Ruffer's portfolio contained more risk than that of Barings and that, with this in mind, P-Solve were happy with the allocation balance between the two managers, and that it was too early to consider changing it. With regard to Barings' exposure to equities, this was to equities as a whole, rather than emerging market equities in particular.

Councillor Cartwright asked, in the light of recent articles in The Evening Standard, about the tobacco industry stock held by the fund, and whether any policy was in place on ethical holdings. The amount held was relatively low, but there was no specific ethical policy on what stocks the fund held, though it would be one of the factors a fund manager would consider.

RESOLVED THAT

The report be noted

23. REBALANCING THE INVESTMENT STRATEGY

Simon Jones, P-Solve, introduced the report, which set out proposals regarding a rebalancing strategy for the Council's pension fund. P-Solve had been requested to assess ways in which the Council could rebalance between the resources allocated between the fund's different elements, when one element exceeded the percentage threshold set.

There were different ways in which this rebalancing could be undertaken. If done on a daily basis, research showed that it would produce a benefit, though not one that was believed to outweigh the costs of implementation. As the period between rebalancings was extended, the value added by the rebalancing fell.

Eugenie White said that she and Councillor Iggulden had understood that the practice was in place at a large institution, and was a success there. She asked why this might be the case.

Simon Jones said that large institutions were likely to have large in-house teams meaning that costs were easier to absorb, derived from the control of wider group of assets.

Councillor Iggulden said that he understood the practice to be transferring gains over target made in equities to the Matching Fund, to be done on an annual basis, if there was an outperformance of 5% over target, for instance.

Pat Gough, Assistant Director of Finance, and Bob Pearce, Group Accountant-Technical, said that the different elements of the fund were rarely more than a couple of percentage points outside their target level. This was the subject of periodic review by officers, though the position of the fund could be assessed on a daily basis, barring certain elements.

RESOLVED THAT

The report be noted, and no further action be taken.

24. **MATCHING FUND STRATEGY**

Simon Jones, P-Solve, introduced a report on strategy within the Matching Fund. He said that the Council had sought to invest in a leveraged LDI vehicle to hedge liability risk. However, due to excessive costs of implementation, an alternative strategy had been pursued, investing in very long –dated indexed gilts. P-Solve had now reviewed whether it was an appropriate time to implement the original proposal. However, while costs had fallen somewhat, a change remained impractical; particularly as no product was available through Legal and General, the current holder of the mandate, that hedged against inflation risk alone. P-Solve did not recommend a change to the current arrangements.

Councillor Murphy asked whether the Council could purchase the product that it wanted from another provider. Simon Jones said that there was limited availability of such products and that any such change to the mandate would require a procurement exercise, which would incur cost and take some time. It would also be difficult for the Council to begin a procurement exercise and to abort it at a later date, without damaging its own credibility.

Given the limits placed on the Council by European procurement law, and the possibility that Legal and General might shortly introduce a product that hedged against inflation risk alone, the Committee agreed that the best course was to ask P-Solve to continue discussions with Legal and General on the availability of an investment that met the Council's requirements. P-Solve would then report to the

Committee's December meeting on the outcome of these discussions, and whether a change of mandate should be pursued.

RESOLVED THAT

P-Solve be requested to submit an update on the issue to the Committee's next meeting.

25. **CIPFA NEW KNOWLEDGE AND SKILLS FRAMEWORK**

Pat Gough, Assistant Director Of Finance, introduced the report, which set out new CIPFA guidance on the skills required of officers and members involved in decision making on Pension Funds. The guidance recommends that members and officers complete a skills assessment to Identify training needs, and enable planning of training.

The Committee agreed to individually complete the questionnaire, asking that officers issue it to them with only those elements necessary.

RESOLVED THAT

(i)   The report be noted, and;

(ii)   The Committee agree to undertake the skills assessment.

26. **TREASURY MANAGEMENT OUTTURN REPORT**

Pat Gough, Assistant Director of Finance, introduced the report, which set out the annual outturn for the 2009/10 financial year, setting out levels of debt and investment at the end of that year; the report would be received by the next meeting of Council. She drew the Committee's attention to key aspects of the report, including the timing of borrowing from the Public Works Loan Board, and the breakdown of the Council's debt maturity, as set out in table 6.2 of the report.

In response to a question from Councillor Ginn, she said that the Council borrowed in the long-term to meet the short-term costs of its Capital Programme. The Council sought to time its borrowing so as to best achieve the low rates of interest.

RESOLVED THAT

The report be noted.

27. **ANNUAL GOVERNANCE REPORTS 2009/10 – STATEMENT OF ACCOUNTS & PENSION FUND**

Jon Hayes, District Auditor, described the key findings of the audits of the Council's main accounts and of its Pension Fund accounts. He said that the audit of the main accounts had gone very well, and that he expected to be able to issue a clean opinion on the accounts shortly. He said that there had been more problems with the Pension Fund accounts. He understood that this arose from issues with the London Pension Fund Authority, who, under contract, undertook pensions

administration on the Council's behalf. This manifested itself in the need to reconcile the number of fund members, as the Council and the LPFA's figures differed, for instance.

Councillor Cartwright noted that there had been recurring issues with the Pension Fund accounts. Jon Hayes said that the audit of the general fund accounts had gone very well, and the papers provided by the LPFA might well be the cause of the problem. He said that while the problems were not critical, they were a hindrance to the Council's stated aim of an early opinion on the Pension Fund accounts.

Councillor Murphy asked what measures were in place to improve performance the following year. Jane West, Director of Finance and Corporate Services, said that the effects of the retender and actuarial valuation combined with a reduction in staff had meant that resources within the pensions administration team had been stretched. New process and additional staff resource had been agreed to improve the situation.

Councillor Iggulden raised concerns about the treatment of PFI projects in the accounts, feeling that this did not show the full extent of the liabilities, though he noted that the treatment was in line with recommended practice.

Councillor Murphy asked about the size of the earmarked reserves, and whether there was scope for reserves to be smaller. Officers clarified that the reserves were not unusually larger than those held by other, comparable boroughs or an organisation with similar turnover. Further, elements of the reserves were earmarked to be spent, having been set aside at the initiation of given projects. Officers agreed to provide a breakdown of the Other Funds element of the Reserves to members.

Eugenie White asked why a different value for the Council's Pension Fund was given in the accounts and in the performance reporting received. Jill Lecznar, Corporate Accountancy Manager, said that this was owing to the different treatment applied under FRS17, the accounting rules that the Council was obliged to apply.

Councillor Ginn asked how officers had arrived at the figures for debt write-off. Jill Lecznar said that the Council applied an analysis of debt age, and wrote off that which it was unlikely to recover. The figure shown was comprised largely of parking debt, for which the Council had not credited itself with income.

RESOLVED THAT

(i)   The content of the Auditor's Annual Governance Reports that the accounts will receive an unqualified opinion, are free from material error and that the Council has an adequate internal control environment be noted, and;

(ii)   The Council's response to those reports be noted, and;

(iii)   The management representation letter be noted, and;

(iv)   The Statement of Accounts be approved.

28. **AUDIT COMMISSION RECOMMENDATIONS UPDATE**

Geoff Drake, Chief Internal Auditor, introduced a report setting out progress on the implementation of Audit Commission recommendations. Only 2 remained outstanding, and he agreed that they would either be concluded or have a date for conclusion by the time of the next report.

RESOLVED THAT

The report be noted.

29. **ANNUAL GOVERNANCE STATEMENT 2010 ACTION PLAN**

Geoff Drake, Chief Internal Auditor, introduced the report, which updated on progress against the 2010 Annual Governance Statement Action Plan. It was noted that Hitesh Jolapara should be listed as the Lead Officer for Budget Estimation.

RESOLVED THAT

The report be noted

30. **CORPORATE ANTI-FRAUD SERVICE Q1 PROGRESS REPORT**

Geoff Drake, Chief Internal Auditor, introduced the report, which set out the performance of the Corporate Anti-Fraud Service (CAFS) in the first quarter of 2010-11. The report outlined the services' strategy for the coming year, as well as providing an update on work completed and income received. The successful outcomes included 103 sanctions against a target of 43, and 11 recovered properties. The value to the Council of the work undertaken was estimated at £3.9million.

In response to a question from Councillor Murphy, Geoff Drake said that formulas devised by the Audit Commission was used to measure the value of work. This had advantages in ensuring that totals were comparable with other Councils, and in its ease of use. The formula itself might not always reflect the full value of an outcome, however: a recovered property, for instance, was adjudged to be worth £75,000.

Councillor Cartwright noted that fewer staff were working on internal fraud investigations. Geoff Drake said that there had been a backlog of internal investigatory work to undertake, much of it disciplinary: when this was cleared, the service was able to reallocate its resources. The Service was also devising guidelines for managers in that area.

Eugenie White asked how the Service chose which cases to pursue, and what happened to cases that not subject to a full investigation. Geoff Drake said that the service assessed a number of factors, including the alleged crime, the workload of the team and the quality of evidence; cases that did not receive a full investigation

were kept on file to allow them to be reinvestigated at a later date if more evidence was presented or resource available.

RESOLVED THAT

The report be noted.

31. **COMBINED RISK MANAGEMENT HIGHLIGHT REPORT- OPEN ASPECTS**

Michael Sloniowski, Principal Consultant- Risk Management, introduced the report. He said that the report's format had changed from those previously received by the Committee, as part of ensuring that the Council meets the British Standard Code of Practice for Risk Management. Further to this, a gap analysis of the Council's risk management in line with the British Standard was under way.

He also outlined the work ongoing with regard to the Council's operational risk areas including Insurance , health & safety and business continuity This included work on risk control with the aim of reducing costs, and work on what were the appropriate levels of risk for the Council to retain.

In response to questions from members, he said that the Council's insurance excess was £100,000 and that liability and other claims were typically around £500,000 to £600,000 per annum. Work was ongoing about what the best arrangements might be to gather all relevant information held in the different systems within the Council and improve data for scrutiny.

Councillor Iggulden asked what progress had been made on the mutual insurance scheme that Hammersmith and Fulham had been part of with other Councils. Jane West, Director Of Finance and Corporate Services, said that the project had been the subject of successful legal challenge by one of the companies that had tendered. Councils had since been granted the powers necessary to introduce the arrangement envisaged, but reconstituting them would take some time.

With regard to the risks associated with the Building Schools For The Future programme, Michael Sloniowski said that the risk was assessed as red owing to the end of Government funding for the programme in its previous form.

RESOLVED THAT

The report be noted.

32. **INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 APRIL TO 30 JUNE 2010**

Geoff Drake, Chief Internal Auditor, introduced the report, which updated on the activities of the Internal Audit service in the quarter to 30 June 2010. He said that since the report was written, the situation reported had improved. 26 reports had been produced, 2 of which had limited assurance and were incorporate in the report. All recommendations relating to these 2 reports have been reported by management as implemented. 47 outstanding recommendations had been

reduced to 14, none of which were more than six months past their target date for implementation.

Councillor Cartwright asked about the report to the Governing Body of Brackenbury Primary School, and how the arrangements were funded. Geoff Drake said that the audit was funded from the Schools budget, but that there was no extra contribution if an audit proved complex. In response to a query from Councillor Iggulden regarding the role of Governors, Jane West clarified that, as Director of Finance and Corporate Services, she was obliged to sign off that schools were in compliance with the Financial Management In Schools guidance, with the Council's audit necessary in that regard.

Councillor Murphy asked what steps were taken when an audit found that there was sub-par performance on the part of Council officers. Geoff Drake said that Internal Audit did not make recommendations with regard to individual officers, with action of that nature left to line managers, but did monitor the implementation of recommendations made on limited assurance reports. Jane West added that these issues were picked up with Directors through the annual assurance statements.

RESOLVED THAT

The report be noted.

33. **EXCLUSION OF THE PUBLIC AND PRESS**

RESOLVED THAT

The press and public be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of schedule 12A under Section 100A (4) of the Local Government Act 1972, and that the public interest in maintaining that exemption currently outweighs the public interest in disclosing the information.

34. **EMERGING MARKETS (E)**

RESOLVED THAT

The mandate held by MFS be moved from the Global Equity to the Global Growth product.

35. **COMBINED RISK MANAGEMENT HIGHLIGHT REPORT- EXEMPT ASPECTS (E)**

RESOLVED THAT

That the report be noted.

Meeting started: 7.00 pm
Meeting ended: 9.37 pm

Chairman   ....

Contact officer:
     Committee Co-ordinator
     Councillors Services
     ☎:
     E-mail:

h&f
putting residents first

AUDIT AND PENSIONS COMMITTEE

9 December 2010

CONTRIBUTORS	PENSION FUND VALUE AND INVESTMENT PERFORMANCE	WARDS
		All
DF	This report, prepared by P-Solve, provides details of the performance and the market value of the Council's pension fund investments for the quarter ending 30th September 2010.	

RECOMMENDATION:

To note the report.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	P-Solve quarterly fund manager reports	P.Gough Extn 2542	FCS, Room 42, Town Hall

London Borough of Hammersmith & Fulham Pension Fund

Investment Governance Report – Quarter 3 2010

November 2010

CAMRADATA
Pension Reporting

Summary

The assets of the Scheme are considered in terms of four equally weighted sections: UK Equities, Overseas Equities, Dynamic Asset Allocation Mandates and the Matching Fund.

The UK Equities are managed by Majedie and the Overseas Equities by MFS. There are two Dynamic Asset Allocation managers, Barings and Ruffer, managing three quarters and one quarter of this section respectively. The Matching Fund is split equally between a global bond mandate managed by Goldman Sachs and a Liability Driven Investment (LDI) fund managed by Legal & General. With the exception of the LDI fund, all others are actively managed by fund managers who aim to meet or exceed their stated benchmark.

Liability Benchmark (LB)

To match the predicted growth in the liabilities, the Total Fund return needs to meet a return equivalent to the Liability Benchmark plus 1.75% p.a. (net of fees). The Total Fund strategy aims to exceed this and targets a return 2.5% p.a. (net of fees) in excess of the Liability Benchmark. Within this, the Matching Fund is targeting a return of 1% p.a. in excess of the Liability Benchmark.

The liabilities move in accordance with changes in relevant gilt yields. For this reason, the benchmark used to measure the estimated movement in liabilities, the "Liability Benchmark" is calculated based on the movement of a selection of Index Linked gilts, in the following proportions:

27% Index-linked Treasury Stock 2½% 2024, 63% Index-linked Treasury Gilt 1¼% 2027, 10% Index-linked Treasury Gilt 1¼% 2055

This Liability Benchmark was last reviewed in September 2008.

Manager Benchmarks

Each Investment Manager has a benchmark which they are monitored against on an ongoing basis. These are:

Majedie	*FTSE All Share + 2% p.a. over three year rolling periods*
MFS	*FTSE World ex UK + 2% p.a. over three year rolling periods*
Barings	*3 month Sterling LIBOR + 4% p.a.*
Ruffer	*3 month Sterling LIBOR + 4% p.a.*
Goldman Sachs	*3 month Sterling LIBOR + 2% p.a.*
Legal & General	*2 x FTSE + 15yr Index Linked Gilts - LIBOR p.a.*

Private Equity

Additionally, the Panel has agreed to invest up to £15 million in four private equity fund of funds. Two managed by Invesco, which has approximately 75% invested in the United States and 25% in Europe, and the other two by Unigestion which is invested almost entirely in Europe.
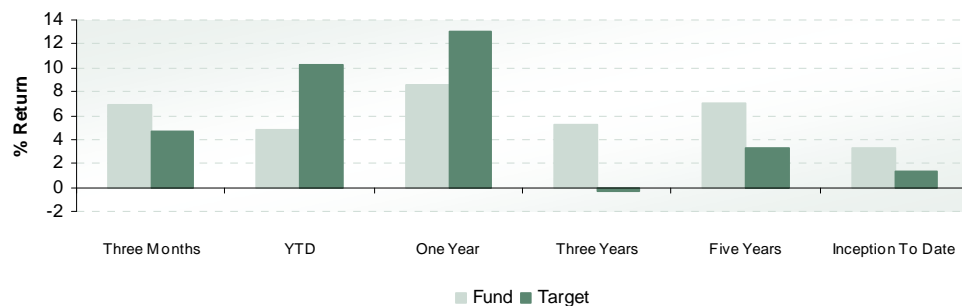
Breakdown of Scheme Peformance by Manager as at 30th September 2010

Fund Manager	Market Value (£000)	% of Total Fund	Target % of Total Fund	3 month return (%)	1 year return (%)	3 year return (%)
Total Fund	**547,987**	**100.0**	**100.0**	**6.9**	**8.6**	**5.2**
Liability Benchmark + 1.75% p.a.				*4.7*	*13.0*	*(0.4)*
Difference				*2.2*	*(4.4)*	*5.6*
UK Equities	**143,560**	**26.2**	**25.0**			
Majedie				11.4	9.4	3.9
FTSE All Share + 2% p.a.				*14.2*	*14.7*	*0.9*
Difference				*(2.8)*	*(5.3)*	*3.0*
Overseas Equities	**141,783**	**25.9**	**25.0**			
MFS				7.5	10.3	6.5
FTSE World ex UK + 2% p.a.				*8.8*	*11.7*	*3.7*
Difference				*(1.3)*	*(1.4)*	*2.8*
Dynamic Asset Allocation Mandates	**140,380**	**25.6**	**25.0**	**5.3**	**11.1**	**-**
Barings (note 2)	104,629	19.1	18.8	5.7	9.4	-
3 month Sterling LIBOR + 4% p.a.				*1.2*	*4.7*	*-*
Difference				*4.5*	*4.7*	*-*
Ruffer (note 2)	35,751	6.5	6.2	4.1	16.1	-
3 month Sterling LIBOR + 4% p.a.				*1.2*	*4.7*	*-*
Difference				*2.9*	*11.4*	*-*
Matching Fund	**122,265**	**22.3**	**25.0**	**3.0**	**3.3**	**-**
Liability Benchmark + 1% p.a.				*4.5*	*12.2*	*-*
Difference				*(1.5)*	*(8.9)*	*-*
Goldman Sachs	58,512	10.7	12.5	0.7	3.5	0.7
3 month Sterling LIBOR + 2% p.a.				*0.7*	*2.7*	*(1.6)*
Difference				*0.0*	*0.8*	*2.3*
Legal & General (note 3)	63,753	11.6	12.5	5.2	3.1	2.6
2 x FTSE + 15yr IL Gilts - LIBOR p.a.				*9.9*	*13.0*	*(0.6)*
Difference				*(4.7)*	*(9.9)*	*3.2*

Notes:

1) All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. Figures may be affected by rounding.
2) Performance for Ruffer and Barings is for less than 3 years. Date of inception for Ruffer is 7th August 2008. Date of inception for Barings is 19th August 2008.
3) At the time of reporting, the Legal & General mandate consisted of index linked gilts, the first step of the new LDI mandate. The longer term benchmark consists of a blend of benchmarks, reflective of Legal & General's previous holdings.

3

CAMRADATA *Pension Reporting*

Asset Reconciliation and Valuation									
Fund	Manager	Closing Market Value as at 30th June 2010 £000	% of Total Fund	Net Investment £000	Appreciation £000	Income Received £000	Closing Market Value as at 30th September 2010 £000	% of Total Fund	Target % of Total Fund
Total Fund		512,753	100.0	25	33,087	2,122	547,987	100.0	100.0
UK Equities	Majedie	128,914	25.1	-	13,186	1,459	143,560	26.2	25.0
Overseas Equities	MFS	131,846	25.7	(0)	9,440	496	141,783	25.9	25.0
Dynamic Asset Allocation Mandates		133,264	26.0	25	6,924	166	140,380	25.6	25.0
	Barings	98,930	19.3	25	5,674	-	104,629	19.1	18.75
	Ruffer	34,334	6.7	-	1,250	166	35,751	6.5	6.25
Matching Fund		118,728	23.2	-	3,537	-	122,265	22.3	25.0
	Goldman Sachs	58,116	11.3	-	396	-	58,512	10.7	12.5
	Legal & General	60,612	11.8	-	3,141	-	63,753	11.6	12.5

Page 14

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. Figures may be affected by rounding.

CAMRADATA
Pension Reporting

Historical Plan Performance

% Return — Fund / Target

Three Months | YTD | One Year | Three Years | Five Years | Inception To Date
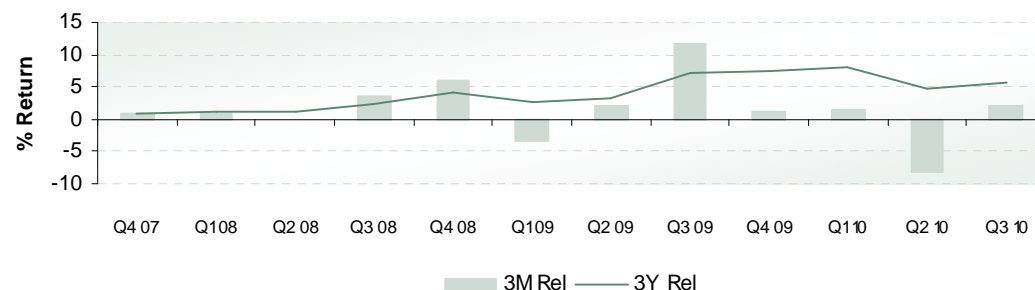
The Scheme outperformed its liability benchmark over the quarter, returning 6.9% compared to the target of 4.7%. The outperformance was driven, in the main, by strong equity returns and the performance of the DAA group which outperformed it's cash based target. Despite MFS, Majedie and L&G funds posting strong positive returns over the quarter they did underperform their targets. The Fund underperformed it's target over the year by 4.4%, although the return of 8.6% over the period was encouraging given the poor equity markets in the second quarter of 2010. The main reason for the underperformance was the inability of the current L&G mandate to match its target. P-Solve are working with L&G to improve this. Overall the Scheme has performed well on a 3 and 5 year basis.

	Three Months	YTD	One Year	Three Years	Five Years	Inception To Date
Fund	6.87	4.85	8.61	5.18	7.10	3.22
Target	4.68	10.20	13.03	-0.37	3.33	1.40

Page 15

Three Years Rolling Quarterly Returns
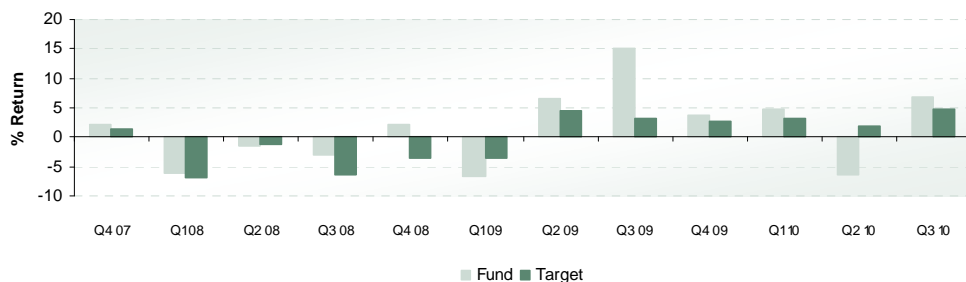
% Return — Fund / Target

Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 | Q2 10 | Q3 10

Three Years Rolling Relative Returns

% Return — 3M Rel / 3Y Rel

Q4 07 | Q1 08 | Q2 08 | Q3 08 | Q4 08 | Q1 09 | Q2 09 | Q3 09 | Q4 09 | Q1 10 | Q2 10 | Q3 10

	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Fund	2.28	-6.13	-1.39	-3.11	2.03	-6.68	6.46	15.21	3.59	4.75	-6.34	6.87
Target	1.36	-6.85	-1.23	-6.35	-3.61	-3.50	4.47	3.09	2.57	3.21	2.00	4.68

	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
3M Rel	0.91	0.78	-0.16	3.45	5.85	-3.29	1.90	11.76	1.00	1.49	-8.18	2.09
3Y Rel	0.95	1.08	1.03	2.21	4.13	2.79	3.37	7.14	7.52	8.10	4.86	5.56

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.

CAMRADATA
Pension Reporting

Majedie are a small boutique specialist active UK Equity manager with a flexible investment approach. Their approach to investment is mainly as stock pickers. They were appointed in July 2005 following an OJEU tender process. They started managing investments for the fund in August 2005.

Historical Plan Performance

Fund ■ Target
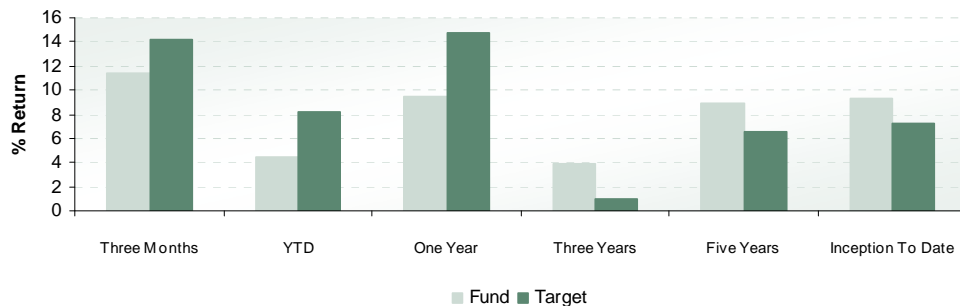
	Three Months	YTD	One Year	Three Years	Five Years	Inception To Date
Fund	11.36	4.41	9.42	3.88	8.97	9.27
Target	14.17	8.23	14.72	0.92	6.59	7.22

Three Years Rolling Quarterly Returns

Fund ■ Target
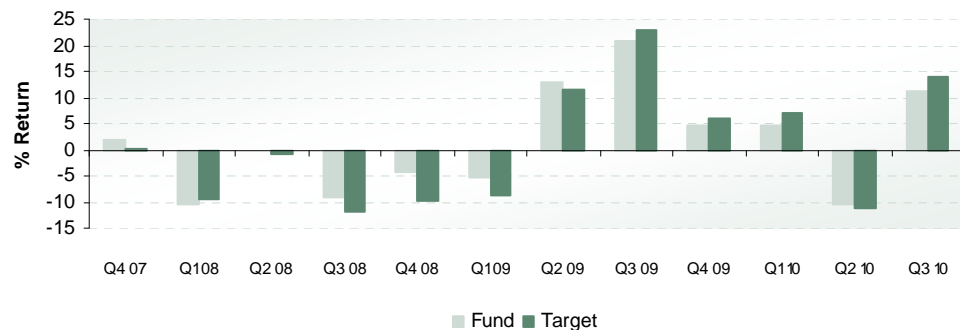
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Fund	2.03	-10.35	0.00	-9.13	-4.38	-5.47	12.97	20.72	4.80	4.73	-10.47	11.36
Target	0.15	-9.41	-0.96	-11.75	-9.74	-8.63	11.43	22.94	5.99	6.93	-11.35	14.11

Quarterly Manager update

|	
Organisation	Subsequent to the quarter end, Majedie have announced that Rob Harris is to move from day to day fund management to a reporting fund management role. Matthew Smith (Manager of Majedie's Tortoise Fund) will take responsibility for Harris' part of the UK Equity Service and UK Focus Portfolio sub-portfolios, with the remainder of the portfolios continuing to be managed by James de Uphaugh, Chris Field and Adam Parker. P-Solve are investigating the potential significance of this change.
Product	No significant changes over the quarter.
Performance	The fund performance was 11.4% over the quarter, 2.8% behind its target. Over 12 months, the portfolio was 5.3% below its target. The relative underperformance over the quarter can mainly be attributed to the portfolio's under-representation in the Mining sector. Not holding major index constituents such as Rio Tinto and Xstrata contributed to the shortfall. Low exposure to Lloyds Banking Group which yielded strong returns over the quarter also harmed performance relative to the benchmark. Majedie believes the defensive stance on the banking sector is justified in the long term. The portfolio's overweight holding in BP, which rebounded strongly, along with it's holdings in GKN, Spirax-Sarco and Tomkins contributed to the strong positive performance over the quarter.
Process	No significant changes over the quarter.

Three Years Rolling Relative Returns

3M Rel ——— 3Y Rel
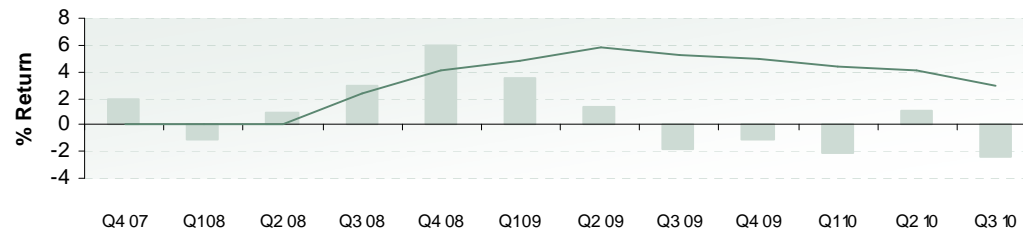
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
3M Rel	1.88	-1.05	0.96	2.96	5.94	3.46	1.38	-1.81	-1.12	-2.06	0.99	-2.46
3Y Rel	-	-	-	2.38	4.13	4.88	5.82	5.27	4.96	4.35	4.11	2.93

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.

CAMRADATA
Pension Reporting

MFS are owned by Sun Life Financial based in Boston. Their investment philosophy is to select the best investment opportunities across regions and sectors. They were appointed in July 2005 following an OJEU tender process. They started managing investments for the fund in August 2005.

Historical Plan Performance
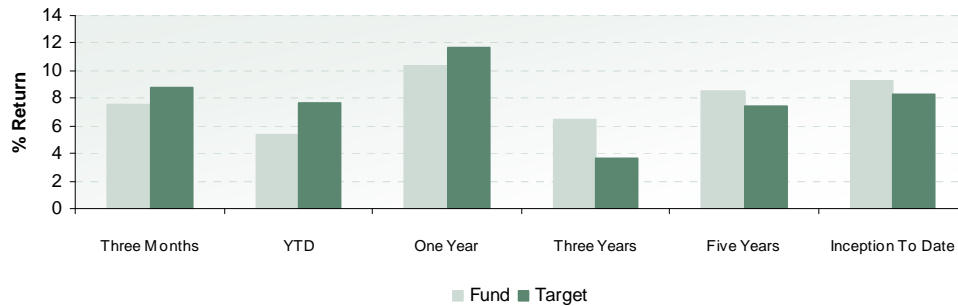
	Three Months	YTD	One Year	Three Years	Five Years	Inception To Date
Fund	7.54	5.30	10.29	6.51	8.48	9.20
Target	8.77	7.68	11.69	3.65	7.41	8.29

**Quarterly Manager update**

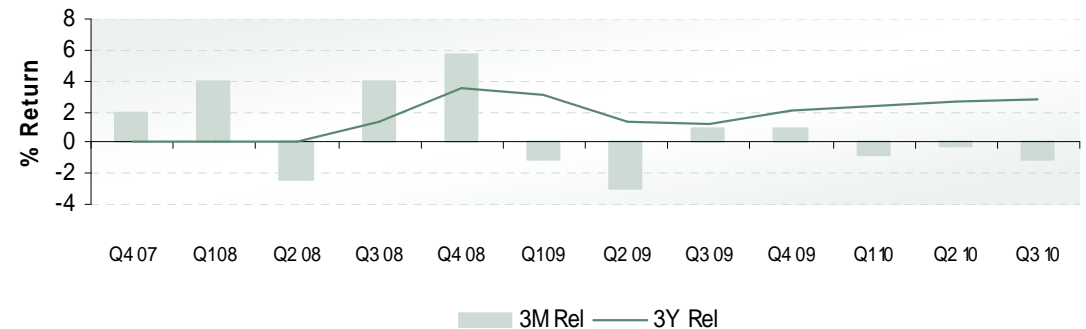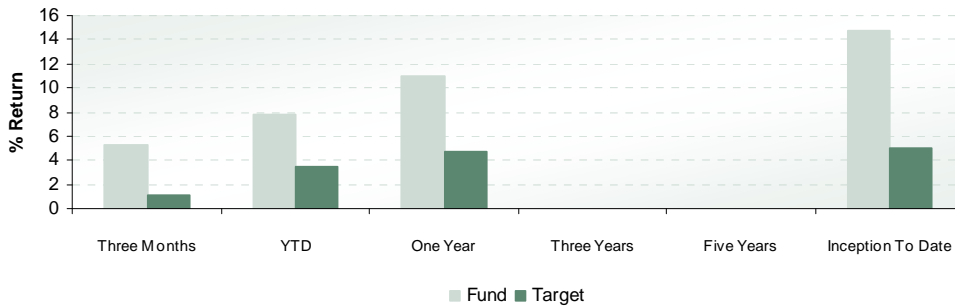| Organisation	No significant changes over the quarter.
Product	No significant changes over the quarter.
Performance	The fund performance was 7.5% over the quarter, 1.2% below its target. Over 12 months, the fund was 1.4% behind its target. Stock selection and the overweight position in healthcare and consumer staples along with stock selection in leisure and the individual stocks Inpex and Cisco Systems all detracted from performance over the quarter. Despite the relative underperformance, the portfolio's strong positive return over the quarter can be attributed to stock selection in retailing, financial services and technology along with individual stocks Linde, Heineken, National Oilwell Varco and Svenska Cellulosa. The overweight position in retailing and underweight stance in financial services also aided performance as did positive currency effects.
Process	No significant changes over the quarter.
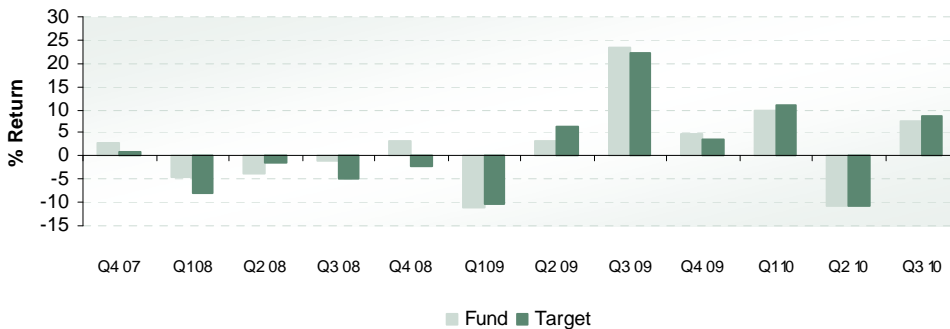
Three Years Rolling Quarterly Returns

	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Fund	2.95	-4.44	-3.72	-1.02	3.29	-11.21	3.23	23.43	4.74	9.83	-10.85	7.54
Target	0.94	-8.05	-1.27	-4.76	-2.22	-10.25	6.44	22.30	3.73	10.80	-10.65	8.77

Three Years Rolling Relative Returns

	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
3M Rel	2.00	3.92	-2.48	3.93	5.64	-1.07	-3.02	0.92	0.98	-0.87	-0.22	-1.13
3Y Rel	-	-	-	1.32	3.50	3.02	1.32	1.21	2.11	2.39	2.71	2.76

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.

CAMRADATA
Pension Reporting

Historical Plan Performance

The group has returned 5.3% over the quarter compared to its LIBOR-based target of 1.2%, due to strong performances from both Ruffer and Barings. The performance was aided by strong equity returns over the quarter which rebounded well after posting negative returns in the previous quarter. Over the past 12 months, performance has been above target, as both Barings and Ruffer have significantly outperformed the target.
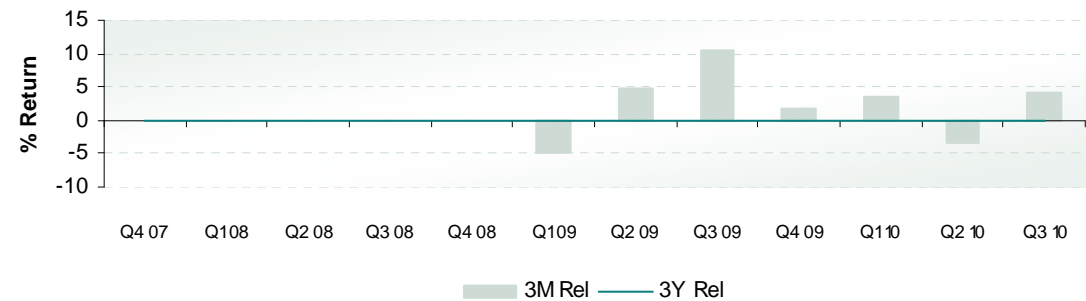
	Three Months	YTD	One Year	Three Years	Five Years	Inception To Date
Fund	5.32	7.84	11.06	-	-	14.80
Target	1.17	3.51	4.69	-	-	5.02

Page 18

Three Years Rolling Quarterly Returns

Three Years Rolling Relative Returns
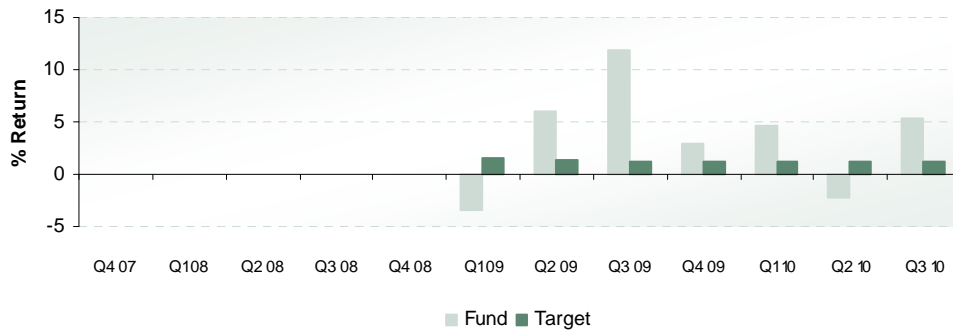
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Fund	-	-	-	-	-	-3.38	6.10	11.82	2.99	4.73	-2.22	5.32
Target	-	-	-	-	-	1.50	1.33	1.19	1.14	1.14	1.16	1.17

	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
3M Rel	-	-	-	-	-	-4.81	4.71	10.51	1.83	3.54	-3.34	4.10
3Y Rel	-	-	-	-	-	-	-	-	-	-	-	-

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified

8

CAMRADATA
Pension Reporting

Barings are a large UK based investment manager investing in global asset classes. They were appointed for the Dynamic Asset Allocation mandate in June 2008 following an OJEU tender process. They started managing investments for the fund in August 2008.

Historical Plan Performance
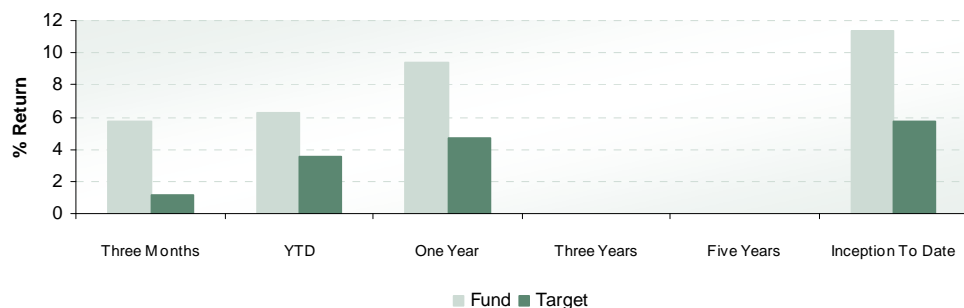
|	Three Months	YTD	One Year	Three Years	Five Years	Inception To Date
Fund	5.73	6.30	9.42	-	-	11.34
Target	1.17	3.51	4.69	-	-	5.77

Quarterly Manager update

| Organisation	No significant changes over the quarter.
Product	No significant changes over the quarter.
Performance	The fund performance was 5.7% over the quarter, 4.6% ahead of its target. Over 12 months, the fund is 4.7% ahead of target. The largest positive contribution came from equities, with the portfolio benefitting from a skew towards large Multi National Companies and away from the Japanese market. The portfolio also experienced good returns in the bond markets with super long dated US bonds and Australian bonds producing particularly good returns. However, some of these positive returns were eroded by the portfolios currency hedging policy, costing 100 basis points over the quarter. Gold bullion in Sterling terms and other hedging instruments also detracted from performance over the quarter.
Process	No significant changes over the quarter.

Three Years Rolling Quarterly Returns
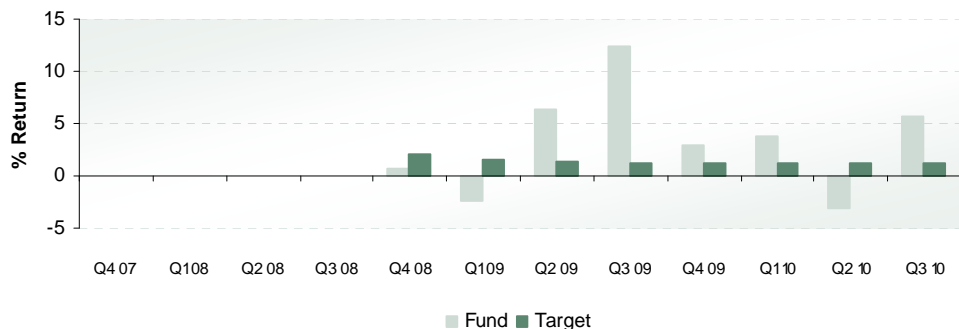
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Fund	-	-	-	-	0.67	-2.42	6.42	12.50	2.94	3.77	-3.12	5.73
Target	-	-	-	-	2.01	1.50	1.33	1.19	1.14	1.14	1.16	1.17

Three Years Rolling Relative Returns
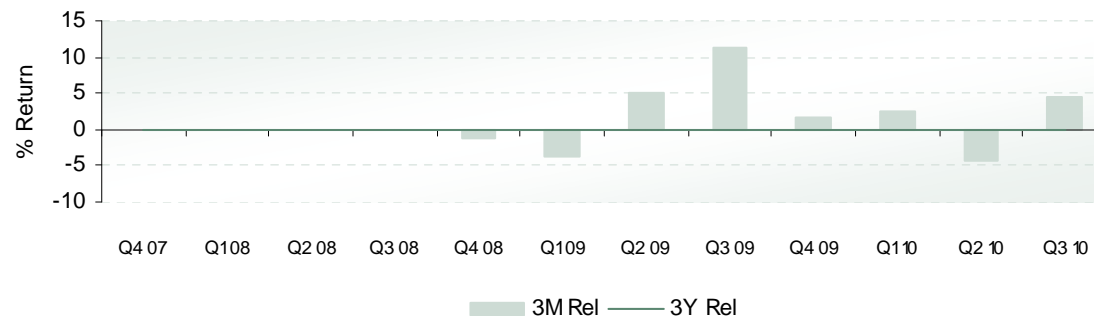
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
3M Rel	-	-	-	-	-1.32	-3.86	5.02	11.18	1.78	2.59	-4.23	4.51
3Y Rel	-	-	-	-	-	-	-	-	-	-	-	-

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified

CAMRADATA
Pension Reporting

Ruffer are a small boutique investment manager investing in global asset classes. They were appointed for the Dynamic Asset Allocation mandate in June 2008 following an OJEU tender process. They started managing investments for the fund in August 2008.

Historical Plan Performance
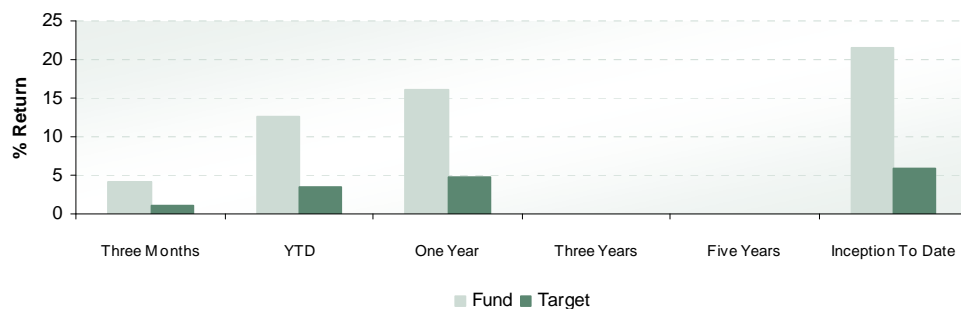
	Three Months	YTD	One Year	Three Years	Five Years	Inception To Date
Fund	4.13	12.55	16.06	-	-	21.43
Target	1.17	3.51	4.69	-	-	5.77

Page 20

**Quarterly Manager update**

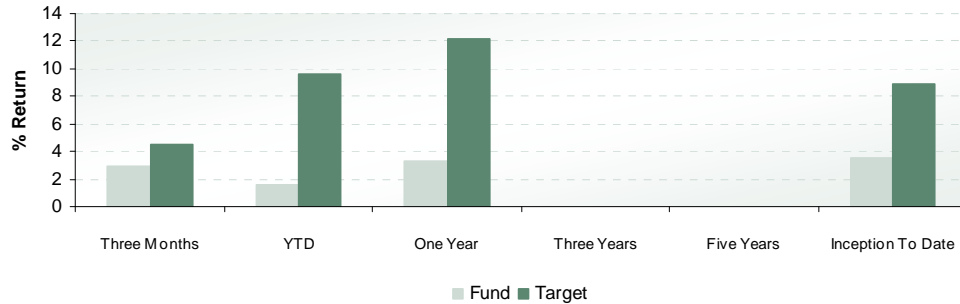|	
Organisation	No significant changes over the quarter.
Product	No significant changes over the quarter.
Performance	The fund performance was 4.1% over the quarter, 3.0% ahead of its target. Over 12 months, the fund was 11.4% ahead of target. The portfolio's holding of global index-linked bonds and gold performed strongly over the quarter. Western equities also contributed to the strong returns driven by BP recovering some of its losses, while Vodafone, Texas Instruments and Tomkins aided performance. However, adverse currency experience as well as exposure to the Japanese equity market and telecoms company Ericsson detracted from the generally positive performance.
Process	No significant changes over the quarter.

Three Years Rolling Quarterly Returns
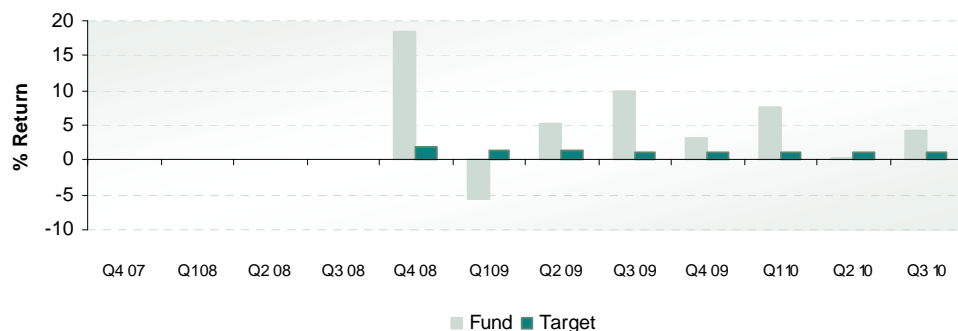
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Fund	-	-	-	-	18.47	-5.49	5.17	9.81	3.12	7.64	0.41	4.13
Target	-	-	-	-	2.01	1.50	1.33	1.19	1.14	1.14	1.16	1.17

Three Years Rolling Relative Returns
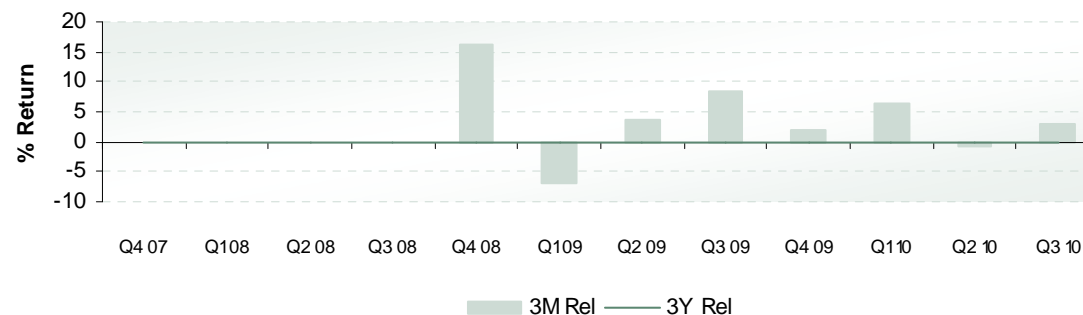
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
3M Rel	-	-	-	-	16.14	-6.90	3.79	8.52	1.96	6.42	-0.74	2.93
3Y Rel	-	-	-	-	-	-	-	-	-	-	-	-

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.

CAMRADATA
Pension Reporting

Historical Plan Performance

Fund ■ **Target**

	Three Months	YTD	One Year	Three Years	Five Years	Inception To Date
Fund	2.98	1.58	3.28	-	-	3.50
Target	4.49	9.60	12.21	-	-	8.83

The performance of the Matching Fund over the quarter of 3.0% is below its gilts-based liability benchmark. This can be attributed to relative underperformance of the Goldman Sachs bond portfolio against the Matching Fund target despite the portfolio performing in-line with its individual target over the quarter. The Legal & General gilt portfolio outperformed the Matching Fund target but failed to keep pace with the target performance.
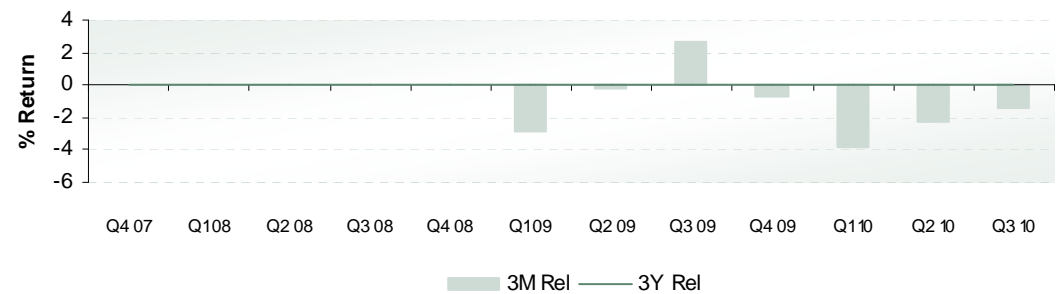
P-Solve are working with L&G to revise their mandate to improve its ability to meet the Fund's target going forward.

Three Years Rolling Quarterly Returns

Fund ■ **Target**
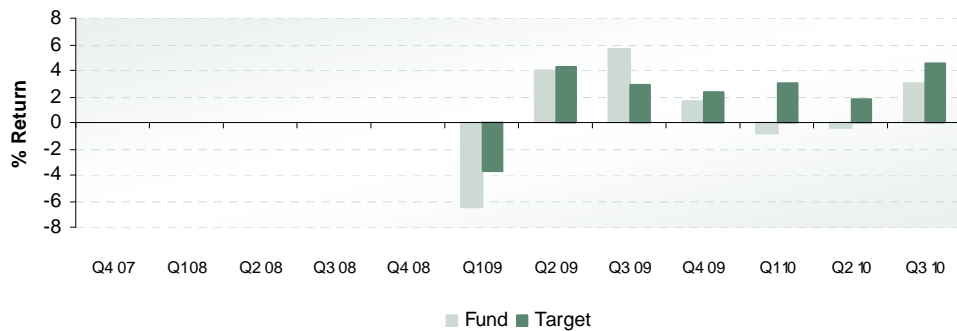
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Fund	-	-	-	-	-	-6.45	4.04	5.66	1.67	-0.88	-0.48	2.98
Target	-	-	-	-	-	-3.68	4.28	2.90	2.38	3.02	1.81	4.49

Three Years Rolling Relative Returns

3M Rel ——— 3Y Rel

	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
3M Rel	-	-	-	-	-	-2.87	-0.23	2.68	-0.69	-3.79	-2.25	-1.45
3Y Rel	-	-	-	-	-	-	-	-	-	-	-	-

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.

Goldman Sachs are a very large American investment bank who were first appointed in 1999 following a tender process. They have managed both equities and bonds on an active basis and since February 2009 manage an active bond fund.

Historical Plan Performance
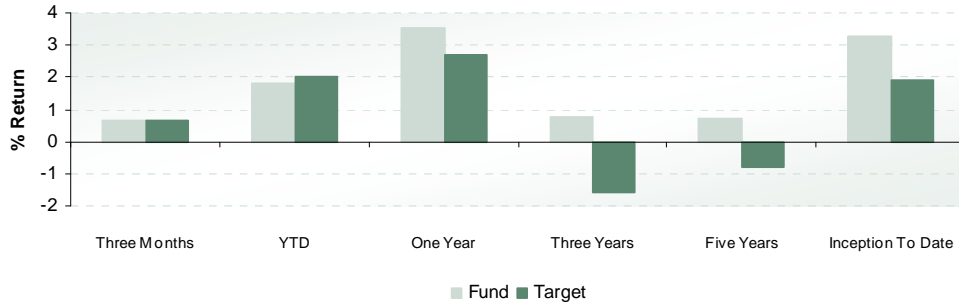
Legend: ■ Fund ■ Target

|	Quarterly Manager update
Organisation	No significant changes over the quarter.
Product	No significant changes over the quarter.
Performance	The fund performance was 0.7% over the quarter, in line with its target. Over 12 months, performance was 0.8% ahead of target. The fund's cross-sector and corporate selection strategies were the main sources of performance over the quarter.
Process	No significant changes over the quarter.

	Three Months	YTD	One Year	Three Years	Five Years	Inception To Date
Fund	0.68	1.82	3.51	0.74	0.73	3.25
Target	0.68	2.02	2.68	-1.59	-0.80	1.90

Three Years Rolling Quarterly Returns
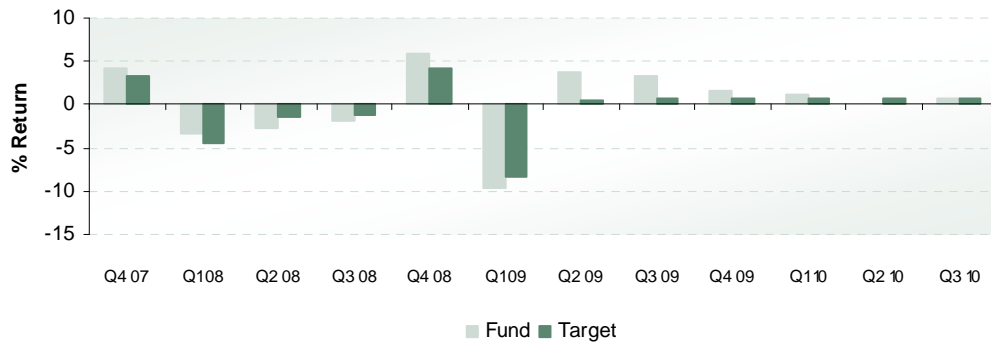
Legend: ■ Fund ■ Target

Three Years Rolling Relative Returns

Legend: ▬ 3M Rel ── 3Y Rel
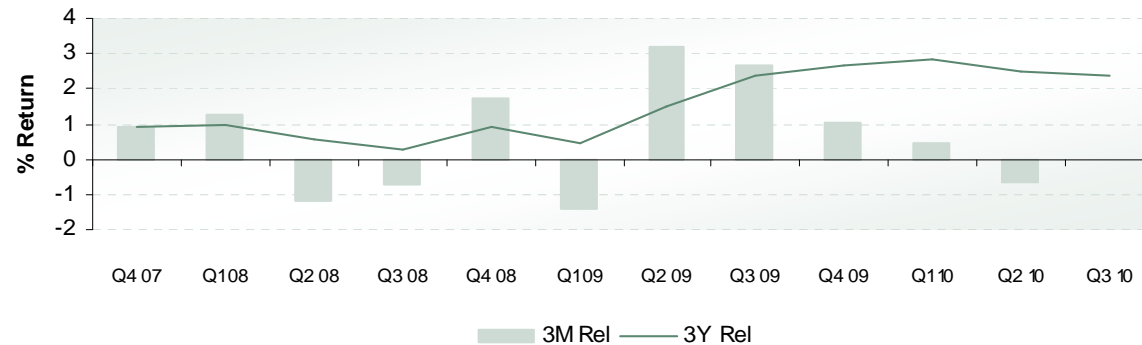
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Fund	4.24	-3.27	-2.67	-1.86	5.86	-9.70	3.78	3.36	1.66	1.10	0.03	0.68
Target	3.29	-4.46	-1.48	-1.12	4.09	-8.39	0.56	0.70	0.65	0.65	0.67	0.68

	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
3M Rel	0.91	1.24	-1.21	-0.74	1.70	-1.43	3.20	2.64	1.01	0.44	-0.64	0.00
3Y Rel	0.89	1.00	0.54	0.27	0.90	0.47	1.48	2.37	2.68	2.86	2.51	2.37

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified.

12

CAMRADATA
Pension Reporting

Legal & General are a very large manager of indexed funds. They were first appointed to manage investments for the fund in 1993. They have managed both equities and bonds on an indexed basis. Their current investment mandate started in July 2009 following the investment structure review.

Historical Plan Performance
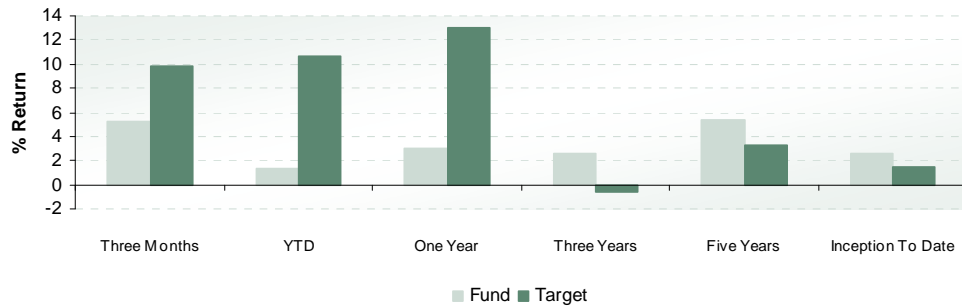
	Three Months	YTD	One Year	Three Years	Five Years	Inception To Date
Fund	5.18	1.37	3.07	2.57	5.36	2.55
Target	9.89	10.70	13.01	-0.64	3.34	1.52

**Quarterly Manager update**

| Organisation	No significant changes over the quarter.
Product	No significant changes over the quarter.
Performance	The fund performance was 5.2% over the quarter, 4.7% below its target. Over 12 months, performance is 9.9% behind target. The fund, which is invested in the 2055 Index-Linked Gilt, has again tracked its benchmark over the quarter. Despite being behind it's target over the quarter, the fund as a whole has continued to track its benchmark since inception.
Process	No significant changes over the quarter.

Three Years Rolling Quarterly Returns
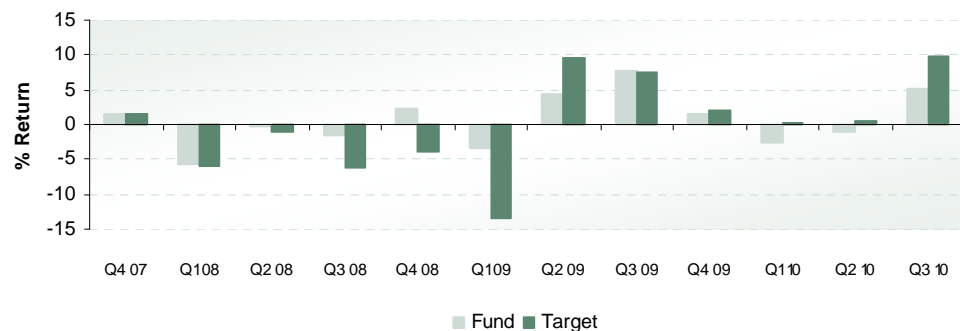
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Fund	1.66	-5.79	-0.17	-1.60	2.34	-3.32	4.29	7.85	1.68	-2.69	-0.96	5.18
Target	1.67	-5.98	-0.99	-6.25	-3.90	-13.51	9.52	7.48	2.08	0.36	0.39	9.89

Three Years Rolling Relative Returns
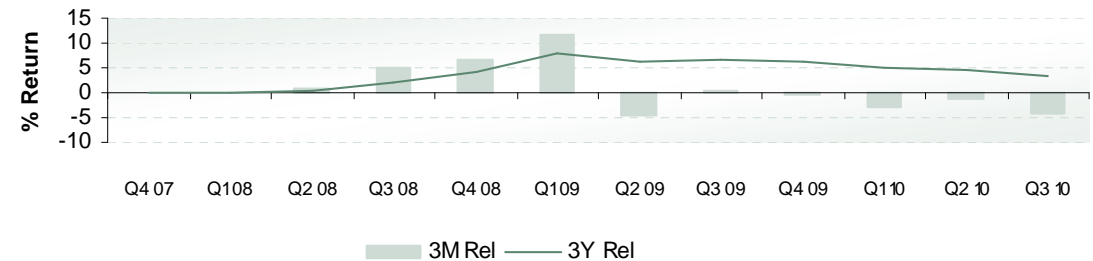
	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
3M Rel	-0.01	0.19	0.83	4.97	6.49	11.78	-4.77	0.34	-0.40	-3.03	-1.34	-4.29
3Y Rel	0.12	0.12	0.42	2.03	4.16	8.07	6.34	6.46	6.29	5.20	4.71	3.23

Notes: All numbers are sourced from the Custodian, Northern Trust, and have not been independently verified. Northern Trust have revised some of the rolling three year fund and target performance numbers from their Q4 2009 report.

This is a general market commentary for CAMRADATA Pension Fund clients covering the events of the third quarter of 2010.

After a difficult second quarter which saw negative equity returns across most regions, global equity markets rallied during the third quarter. However, positive returns masked volatile investor sentiment over the period.

In the UK, equities produced a return of 13.6% over the quarter. Overseas markets as a whole delivered 14.1% to local investors. However, this was in part eroded by continuing Sterling strength producing a return of 8.3% in Sterling terms.

These returns reflected strong performance in July and September either side of poor returns in August.

July saw positive returns in most territories as large marketable stocks which had suffered heavily last quarter bounced back promisingly. Japan was the exception falling due to currency factors as opposed to local stock performance.

European markets recovered strongly from their depressed levels in the aftermath of the Greek bail out and were buoyed by the positive results arising from the "stress testing" of EU banks, with Italy, Spain, Austria and Greece returning double digit positive returns over the month (albeit the Greek market was still down by 35.2% over the year to date).

The recovery of BP's share price along with investor approval of the coalition governments budget combined with higher than expected economic growth led the UK to outperform its international peers.

This initial confidence supported by strong corporate results was however hit by a short term resumption of fears of economic decline; double–dip

recession and continuing sovereign debt problems.

August saw international equity markets fall, with the exception of Asia (ex-Japan) which experienced marginal growth. Europe encountered the most difficult conditions following Ireland's credit rating again being downgraded and news that it's banking sector required a significant level of government support. The adverse impact on investor confidence spread once again to Greece as recurring fears about it's fiscal debt crisis resulted in a large negative return for the month.

September however again saw a reversal in this negative sentiment with strong equity appreciation in most regions. The US had its best September performance since 1939 in contrast to the worst August for ten years.

Europe experienced a similar turn around with most countries again producing double digit returns.

Gilts saw net gains over the quarter, however as with other asset classes volatility was a key feature.

The increased buoyancy in July resulted in investors moving away from government bonds, which had until then been seen as a safe haven, causing a marginal decline in Gilts over the month.

In contrast the reduction in risk appetite in August which caused equities to fall, together with an increase in liquidity from governments efforts to stimulate economic activity, saw a flood of investors returning to the perceived safety of government bonds. Long dated Gilts were particularly in demand, resulting in the FTSE-A UK Gilts Over 15 Year Index returning 8.4% over the month.

September saw Gilt markets lose support amid concerns that above target inflation would persist well into 2011. However, investor confidence

Note: To put past performance into context, the market commentary is not updated to take into account any events after the date of production.

began to return towards the end of the month in the belief that a new round of quantitative easing would take place.

The net gain over the quarter drove yields down to levels last seen at the height of the credit crisis when there was huge demand for low risk Gilts.

Corporate bond markets saw strong returns during the earlier part of the quarter tailing off slightly towards the end. Global Fixed Interest delivered the highest return over the quarter with the Barclays Global Aggregate Index returning 9.7%. The volatility of the corporate bond markets was markedly lower when compared to equities over the period.

The confidence that rallied equity markets in July extended to bonds leading investors to more willingly accept increasing debt risk although returns were more subdued than those seen in global equity markets. Lower rated bonds were the biggest winners over the month.

In stark contrast to the downward trend in equities over August, corporates, backed by the ongoing decline in government bond yields, posted positive returns. This was highlighted by the Merrill Lynch Non-Gilt Sterling Index returning 4.2% over the month.

September saw corporate bond markets delivering only modest positive returns. The gain was however aided by the clarity given by the Basle Commitee in announcing its new bank capital requirements.

Currency markets proved volatile over the quarter with a recovering Euro gaining ground against Sterling, the US dollar and Yen. The Japanese government however intervened towards the end of the quarter to ease the upward pressure on the Yen.

Property proved lacklustre over the quarter. Returns over the period were positive, however this was almost exclusively driven by strong income flows, particularly in central London, as sellers held back in the hope of forthcoming price increases.

Outlook

Market volatility in both equity and bond markets proved a key feature of the third quarter. Despite encouraging returns in most sectors for the quarter as a whole, market volatility highlighted the fragility of investor confidence. This is likely to remain for the foreseeable future.

How governments continue to deal with their deficits and the impact of future spending cuts will continue to affect market sentiment and the risk appetite of investors. This will be reflected in the performance of the investment markets.

Whilst economic growth in the leading developed countries has continued, it has been relatively pedestrian with the exception of Germany which has seen strong export driven growth. This trend looks set to continue.

The emerging market outlook remains positive supported by a continuation of recent economic growth. However, these markets will not be immune to events in developed Europe and the US.

It is expected that interest rates will remain low to support economic growth despite above target inflation.

Sources: Reuters; Datastream; Bank of England; Office for National Statistics, Financial Times.

CAMRADATA Pension Reporting

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Datasource: Data has been sourced from the Custodian, Northern Trust, and the Managers.

16

AUDIT AND PENSIONS COMMITTEE

9 December 2010

CONTRIBUTORS	Subject: Annual Audit Letter 2009-10	WARDS All
Audit Commission	This letter summarises the external audit work for 2009/10.	

RECOMMENDATION:

The audit committee is asked to note the content of the letter.

Annual Audit Letter

London Borough of Hammersmith & Fulham

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Contents

Audit Commission   Annual Audit Letter   **1**

Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (page 4); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 7).**

I have included only significant recommendations in this report. The Council has accepted these recommendations.

Audit opinion and financial statements

1 I issued an unqualified opinion on the Council's financial statements on 30 September 2010. The financial statements did not require any material amendments.

2 My audit opinion on the financial statements included an unqualified opinion on the Pension Fund's financial statements. While material amendments were not needed, the quality of the Pension Fund working papers could be improved.

Value for money

3 I issued an unqualified value for money conclusion on 30 September 2010 stating the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Current and future challenges

4 The Council continues to made good progress on the transition to accounting under International Financial Reporting Standards. However, challenges remain, particularly in respect of some changes to the finance team and accounting for leases.

5 Arrangements for completion of grant claims remain generally sound, with all claims were submitted by the government certification deadlines. However, the Teachers' Pension claim continues to be problematic and the working papers require improvement.

6   The financial outlook for the public sector is challenging. The Council has already taken action to reduce costs and increase efficiency. The Council will need to ensure its innovative plans to work closely with two neighbouring boroughs are underpinned with appropriate governance arrangements.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.
I gave an unqualified opinion on the Council's 2009/10 financial statements on 30 September 2010.

Overall conclusion from the audit

7   I gave an unqualified opinion on the Council's 2009/10 financial statements. The audit was completed earlier than in previous years with most work completed by the end of August. The Council's arrangements for supporting the audit process have improved significantly in recent years. To further improve the process the Council could ensure that all the working papers set out in my working paper requirements schedule are available at the start of the audit.

8   I also gave an unqualified opinion on the Pension Fund's 2009/10 financial statements. The Pension Fund audit was more problematic and the process could be improved by ensuring the working papers are provided at the start of the audit and that the accounts are fully reconciled to the working papers provided by the London Pension Fund Authority.

Significant weaknesses in internal control

9   I did not identify any significant weaknesses in your internal control arrangements.

Recommendation
R1 Improve the timeliness and quality of the working papers to support the Pension Fund financial statements.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

10   At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

11   However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

12   I report the significant findings from the work I have carried out to support the vfm conclusion.

VFM conclusion

13   I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

14   The following table shows a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural Resources	Yes
Strategic asset management	Yes
Workforce	Yes

15   I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

Risk-based performance reviews

16   To support my review of the criteria I undertook a review of market testing, focusing on how the Council monitored the benefits of market testing, how the Council captured learning and good practice from the exercises and on contract management.

17   I have reported my detailed findings to the Council in a separate report. I found that the arrangements in place were generally sound. Recommendations were made concerning the monitoring of findings from post implementation reviews, measuring the success of the contract managers' forum and ensuring proportionate contract management arrangements are in place.

Approach to local value for money work from 2010/11

18   Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

19   My work will be based on a reduced number reporting criteria, specified by the Commission and concentrating on:

■   securing financial resilience; and

■   prioritising resources within tighter budgets.

20   I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Current and future challenges

International Financial Reporting Standards

21 Financial statements will be prepared using International Financial Reporting Standards (IFRS) for the first time in 2010/11. The Council has made good progress to date on the transition from UK Generally Accepted Accounting Practice to IFRS. However, challenges remain. The high risk areas for the Council are accounting for leases, employee benefits and group accounting.

22 The Council has also lost some key staff in the finance team in recent months and it is important that their skills are replaced. I will assist the Council by profiling early audit work in line with the expected leave date of staff. I will also continue to provide regular feedback on the Council's progress.

Recommendation
R2 Ensure the capacity of the finance team is maintained.

Grant Claims

23 The Council's arrangements for completion of grant claims remain good. Claims are received by audit in line with government submission dates and amendments are few or generally not significant. However, the Teacher's Pension claim remains problematic and arrangements should be put in place to improve the quality of the working papers and to respond to auditor queries in a more effective manner.

24 To date we have certified ten grant claims out of an expected 16 for the year. Five of these claims have been certified without any amendments, five have been subject to amendments and the pooling of housing capital receipts return included a minor qualification in relation to late payment penalties.

25 The Housing benefits claim remains the claim that requires the most time both from auditors and officers. The quality of claim assessments made by officers has improved but there are still errors. Officers need to ensure that internal processes are adhered to more rigorously to improve the quality of claimant assessments.

Recommendation
R3 Improve the quality of working papers provided in support of the Teachers' Pension Grant Claim.
R4 Improve the level of compliance with internal procedures when making housing benefit claimant assessments.

National Fraud Initiative

26 The Audit Commission runs the National Fraud Initiative (NFI) to help detect fraud, overpayments and errors. The NFI 2008/09 found record levels of fraud, overpayments and errors of £215 million across the UK, up 54 per cent from our previous exercise in 2006/07.

27 The Council has submitted data for the 2010/11 NFI round. The data matched will be released in January 2011 and the Council should ensure that resources are in place to investigate matches..

The abolition of the Audit Commission

28 You may have seen the announcement on 13 August by the Secretary of State for Communities and Local Government about the proposed abolition of the Audit Commission. This is likely to take place in 2012 or 2013 and the government has announced its plan to seek legislation in this session of Parliament to effect this.

29 The Audit Commission's Managing Director for Local Government & Community Safety has written to your Chief Executive to confirm there is no immediate change to the audit arrangements for the Council.

30 The Audit Commission has confirmed there would be no change to its proposed approach to the value for money element of the 2010/11 audit.

31 The Audit Commission is in discussion with the Department of Communities and Local Government about the proposed legislation and the details that need to be worked through. I will keep the Council informed about the future audit programme and any changes to audit arrangements.

Future developments

32 The wider financial outlook continues to be challenging for the public sector. At the end of the first quarter of 2010/11 the Council reported a forecast overspend of £2 million on its General Fund due to reduced revenue grants, though this can be met through earmarked reserves. There has also been a £190 million reduction in capital funding from the changes to the Building Schools for the Future scheme. Clearly, in such a challenging environment effective financial management becomes ever more critical. This is recognised by the Council as can be seen in its ambitious World Class Financial Management programme.

Page 38

33 In the face of the challenging financial climate, the Council recognises the need to maintain its focus on the continued identification of efficiencies. Key to its plans is its work with the City of Westminster Council and the London Borough of Kensington & Chelsea to achieve closer collaboration and integration. The Council needs to ensure that this innovative development is underpinned by appropriate governance arrangements, for example to:

■ Manage the transition.
■ Maintain the roles and responsibilities of statutory officers.
■ Avoid actual and/or perceived conflicts of interest.
■ Maintain constitutional integrity.
■ Address legal, financial and risk management requirements.
■ Allow for and manage potential termination/withdrawal.

Recommendation

R5 Underpin closer collaboration and integration with the City of Westminster Council and the London Borough of Kensington & Chelsea with appropriate governance arrangements.

Closing remarks

34 I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Audit Committee in December 2010 and will provide copies to all board members.

35 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued (Council)	Date issued (Pension Fund)
Audit Fee Letter	April 2009	April 2009
Council opinion audit plan	March 2010	March 2010
Annual governance report	September 2010	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010	September 2010
Final accounts memorandum	September 2010	September 2010
Opinion on Whole of Government Accounts	September 2010	n/a
Review of market testing	July 2010	n/a

36 The Council has taken a positive and helpful approach to our audit. I wish to thank the Council staff for their support and cooperation during the audit.

Jon Hayes
District Auditor

November 2010

Appendix 1 – Audit fees

Council audit	Actual (£)	Proposed (£)
Financial statements and annual governance statement	328,500	328,500
Value for money	85,500	85,500
Whole of government accounts	5,000	5,000
Total audit fees	**419,000**	**419,00**

Pension Fund Audit	Actual (£)	Proposed (£)
Financial statements	35,000	35,000
Total audit fees	**35,000**	**35,000**

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:
- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Financial statements

The annual accounts and accompanying notes.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

Appendix 1 Action Plan

Recommendations	
Recommendation 1	
Improve the timeliness and quality of the working papers to support the Pension Fund financial statements.	
Responsibility	Deputy Director of Finance Finance & Corporate Services Department
Priority	High
Date	Immediate and ongoing
Comments	The Council recognises the need to improve in both these areas. An action plan has been produced which assigns responsibilities to named individuals with deadlines and clear expectations. Particular problems were encountered in reconciling membership numbers between the council and the LPFA and this is being addressed with the LPFA with monthly reconciliations taking place (from September 2010). It is hoped that regular monitoring and reconciliations during the year (on a monthly basis) will allow the working papers to be produced earlier and to a higher standard.
Recommendation 2	
Ensure the capacity of the finance team is maintained.	
Responsibility	Deputy Director of Finance Finance & Corporate Services Department
Priority	High
Date	Ongoing
Comments	The Council recognises the challenges ahead in respect of accounts preparation and readiness for audit. Plans are in place to replace members of the team who have recently left and existing staff are working flexibly to resource areas such as IFRS implementation and quality and timeliness of working papers. The position is monitored on a regular basis by the Financial Strategy Board (FSB) and the Financial Development Board (FDB).

Recommendation 3	
Improve the quality of working papers provided in support of the Teachers' Pension Grant Claim.	
Responsibility	Assistant Director (Human Resources) Finance & Corporate Services Department
Priority	High
Date	By April 2011
Comments	It is recognised that improvements need to be made in the quality of working papers submitted and in the responses to auditors' queries. A review of the 2009/10 issues is underway and an action plan will be produced by December 2010 to address them. The plan for the 2010/11 audit will be shared with the Audit Commission to ensure it meets the grant certification requirements and this will form the basis for information produced and submitted in support of the claim.

Recommendation 4	
Improve the level of compliance with internal procedures when making housing benefit claimant assessments.	
Responsibility	Assistant Director (H&F Direct)- Finance & Corporate Services Department
Priority	High
Date	May 2011
Comments	The Subsidy team was established 3 years ago and has been successful in reducing the errors in the overall subsidy claim to a net £21k in the 2008/09 claim. Whilst the system of quality checking has made improvements we accept in now needs to be reviewed to maximise the impact of the quality checking that we can currently resource. This will be undertaken after the 2009/10 subsidy claim audit has been completed.

Recommendation 5

Underpin closer collaboration and integration with the City of Westminster Council and the London Borough of Kensington & Chelsea with appropriate governance arrangements.

Responsibility	Chief Executive and Director of Finance & Corporate Services
Priority	High
Date	Ongoing
Comments	Hammersmith & Fulham, Westminster and Kensington & Chelsea are looking at plans to share more services. Various working groups are being set up to develop and study options for four main areas: children's services, environmental services, adult social care and corporate services. A variety of options are being considered and all are at an exploratory stage. All viable proposals will be presented to the Leaders and Chief executives of the three boroughs in an official report by the end of February 2011.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

■   any director/member or officer in their individual capacity; or

■   any third party.

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www.audit-commission.gov.uk   November 2010

AUDIT AND PENSIONS COMMITTEE

9 December 2010

CONTRIBUTORS	**Audit Commission recommendations updates & Annual Governance Statement 2010 Action Plan**	**WARDS**
Internal Audit Manager		**All**

This report updates the Committee on the implementation of Audit Committee recommendations, and updates the Committee on progress towards meeting Audit Commission recommendations.

RECOMMENDATION:

That the Committee notes the report.

Internal Audit

Update on Audit Commission report recommendations

The table attached as Appendix 1 shows updates on recommendations from Audit Commission reports which have been previously reported. Updates on 7 recommendations have been sought for this report provided including those contained in the 2009/10 Annual Governance and Market Testing Programme reports which have not previously been reported. Four recommendations have been reported as fully implemented whilst the remaining three will require further updates at future meetings. We will continue to report progress on all outstanding recommendations at future meetings together with recommendations contained in any newly received reports.

In addition to the reports being reported in detail, the 2009/10 final accounts memorandum has also been issued. This reports items that "were not deemed significant enough to report to the Audit Committee" and we have not reported each item in detail. However we have provided at Appendix 2 a summary of the actions taken in response to this report.

Annual Governance Statement Action Plan

The 2010 Annual Governance Statement (AGS) was first considered by the Audit and Pensions Committee at its June 2010 meeting.

Attached as Appendix 1 is the latest update to the action plan relating to the control weaknesses identified in the statement and report on its progress.

The action plan is a necessary result of producing the AGS. Because these issues are considered to be significant the action plan and the progress made in its implementation should be periodically reported to the Audit and Pensions Committee to agree and then to monitor progress. The action plan should provide sufficient evidence to show that the individual significant control weaknesses taken from the AGS will be resolved as soon as possible, preferably in-year before the next statement is due.

Failure to act effectively on the significant control issues would increase the exposure of the council to risk.

The schedule at Appendix 3 shows the current stated position as reported by the identified responsible officers.

Internal Audit has not verified the current position reported in either appendix and can therefore not give any independent assurance in respect of the reported position.

The Audit and Pensions Committee is invited to note the updates provided by operational management.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	External Audit report recommendations progress update	Internal Audit Manager Ext. 2505	Finance, Internal Audit Town Hall King Street Hammersmith W6 9JU
2.	Annual Governance Statement Action Plan	Internal Audit Manager Ext. 2505	Finance, Internal Audit Town Hall King Street Hammersmith W6 9JU

Audit Commission Recommendation updates

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
08-09 Annual Governance Report					
	R3 Establish a policy for the write off of penalty charge notices.	To be established by parking officers in conjunction with their finance team.	Director of Environment and Assistant Director of Finance and Resources – Environment	A draft policy is to be submitted for consideration by the Financial Strategy Board and then to the appropriate cabinet member.	*Policy now agreed by cabinet member* *This recommendation is now closed and no further updates will be reported.*
Grants 2008-09					
New Deals for Communities					
	R9 Review the NDC asset register to ensure it only records expenditure which is capital in nature, over the de minimis of £5,000 and is clearly traceable to a tangible asset.	It is agreed that improvements need to be made to ensure that the NDC asset register is maintained in accordance with CLG guidelines. Guidance has been drafted by the departmental finance officer responsible and this will be reviewed by corporate finance colleagues and an Audit Commission view sought before implementation to correct the register for 2009/10. (**Target March 2010**)	Housing Finance Manager	The NDC asset register has been reviewed and updated in line with the recommendation. This will now be passed to corporate finance colleagues and the Audit Commission for review before implementation.	*The NDC asset register has been reviewed and updated in line with the recommendation. This will now be passed to corporate finance colleagues and the Audit Commission for review before implementation.* *{Target Date: December 2010}* **Further update to be provided to next meeting**

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
2009/10 Annual Governance Report					
Page 51	**R1** Ensure a full set of working papers is available for the agreed date of the commencement of the audit.	*To achieve an even quicker conclusion to the audit process, the Council will ensure all working papers are produced for the agreed start date of the audit* *{Target Date: June 2011}*	Deputy Director of Finance	*Not previously reported*	*All working papers are being reviewed and improvements implemented where appropriate. Corporate Finance is co-ordinating quarterly in year closing to ensure all balance sheet, revenue and capital entries are properly scrutinised before the year end. This will reduce the amount of time required to close the accounts post 31st March 2011 and give more time for working papers to be produced and quality checked before the commencement of the audit.* *{Target Date: June 2011}* *Further update to be provided to next meeting*

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
	R2 Review the £2.3 million of unallocated receipts in the sales ledger.	*This has been accounted for correctly, however, as part of the WCFM programme, unallocated cash in AR will be dealt with under a series of agreed options **{Target Date: December 2010}***	Deputy Director of Finance	*Not previously reported*	*These unallocated receipts are currently being analysed by department and ledger and preliminary discussions have taken place with IT to formulate possible options. It is intended that possible options will be produced by the end of December and agreed early in January 2011 for immediate implementation.* **{Target Date: January 2011}** ***Further update to be provided to next meeting***

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
Market Testing Programme					
	R1 Monitor the implementation of findings from post implementation reviews and lessons learnt exercises.	*Corporate Procurement Team will undertake sample checks to ensure findings are being implemented.* **{Target Date: September 2010}**	Corporate Procurement Team	*Not previously reported*	*The 2007-10 Market Testing Programme has largely been delivered with 19 Market Testing Projects successfully completed. A new 2010-14 Market Testing Programme is in preparation and will be submitted to members shortly for approval. Sample checks by the Corporate Procurement Team will be undertaken and reported to the Council's Competition Board as part of its normal quarterly report on progress.* *This recommendation is now closed and no further updates will be reported.*

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
Page 54	**R2** Assess the success of the contract managers' forum using measureable targets and indicators.	*Corporate Procurement Team has already implemented a delegate satisfaction KPI (see below) and will look to extend this to cover other KPIs (Savings secured through the Contract Review and Negotiation Programme, no of contract audits receiving a limited or worse assurance).* *KPI – 80% of attendee evaluations rate the Forum as "good" or "excellent".* *March 2010 90%* *June 2010 83%.* **{Target Date: September 2010}**	Corporate Procurement Team	***Not previously reported***	*The success of the Contract Managers Forum is being monitored through a number of indicators namely:* • *Delegate satisfaction KPI* • *Savings achieved through the Contract Review & Negotiation Programme* • *No of adverse contract audits* • *The % of the top 50 contracts (by value) rated as "green" against the Council's Contract Monitoring Performance Framework* *These will be reported to the Council's Competition Board on a quarterly basis. It is worth noting that delegate rating for the Contract Managers Forum has jumped to 100% in October and there have been no adverse contract audit reports in the last quarter (July-Sept 2010). The other 2 KPIs will be reported to the Council's Competition Board in Jan 2011.* *This recommendation is now closed and no further updates will be reported.*

Report	Recommendation/Areas of Improvement	Initial response	Responsible Officer	Position previously reported to Audit Committee	Current Position Updates provided October 2010
	R3 Ensure that proportionate contract management arrangements are in place before letting the contract.	*Will be considered as part of the overall approach in the Market Testing Programme and discussed at the recent Contract Managers Forum (23rd June 2010). .* *{Target Date: April 2011}*	Corporate Procurement Team	*Not previously reported*	*The 2007-10 Market Testing Programme has largely been delivered with 19 Market Testing Projects successfully completed. A new 2010-14 Market Testing Programme is in preparation and will be submitted to members shortly for approval. This will cover the arrangements for ensuring that proportionate contract management arrangements are in place before letting a contract.* *This recommendation is now closed and no further updates will be reported.*

Page 55

Final Accounts Memo 2009/10

Audit and Pensions Committee December 2010

The 2009/10 accounts audit was completed by the statutory deadline of 30 September, and an unqualified opinion was issued on both the Council and Pension Fund accounts, as detailed in the Annual Governance reports tabled at the September 2010 Audit and Pensions Committee.

The Audit Commission also produce a Final Accounts Memorandum which details all of the findings from the audit that were not deemed significant enough to report to the Audit and Pensions Committee, but which warrant further attention by the Council.

The 2009/10 Final Accounts Memorandum described some areas of attention in the following groups which Council Officers have now implemented:

●   Strengthening disciplines concerning significant system and other financial reconciliations by evidencing review by a senior manager and how variances are followed up.

Specific areas have been addressed and reviewed and each reconciliation will be provided for review during the Council's In Year closing programme. From these submissions, any further areas of weakness will be identified and addressed before the Final Accounts 2010/11 closing and audit processes.

●   Overall discipline surrounding the clearance of suspense accounts with particular reference to monitoring and purging old items that are unlikely to be cleared

2010/11 has already seen improvements in this area through the particular attention being paid to financial systems areas. Again the Council's In Year closing programme will highlight any areas of continued weakness and these areas will be addressed before the Final Accounts 2010/11 closing and audit processes.

●   review of council policies in relation to debt - particularly write off and calculation of bad debt provisions related to the age of the debt outstanding

This is being dealt with by a World Class Financial Management (WCFM) work stream and is scheduled to produce a new policy for agreement by January 2011.

2009/10 Annual Governance Statement

Action Plan

AGS Finding re Significant Control Weakness	Responsible Officer	September Update	Update for December Audit and Pensions Committee meeting
Budget Estimation Corporate Capital and Revenue monitoring identified variances to budgets during the 2009/10 year. These were brought to the attention of the council's Financial Strategy Board as part of the standard monitoring process. Consequently departmental procedures have been strengthened through more explicit standard setting by Corporate Finance complimented with written guidance. Financial Regulations were updated and republished in 2009. An internal Audit review of the process will be undertaken during the 2010/11 year to gain an assurance on the effectiveness of the process improvements.		Further assurance and recommendations as appropriate to be reported following the completion of further work by Internal Audit.	
Reconciliation of Financial Systems The Council has progressed well in redeveloping financial systems and processes over the past few years and acknowledges the project to move towards World Class Financial Management. However there are outstanding recommendations from External Audit relating to reconciliations that remain to be fully resolved.	Head of Corporate Accountancy		The financial systems stream of the WCFM project has identified improvements to the reconciliation of financial systems which are being implemented now.

AGS Finding re Significant Control Weakness	Responsible Officer	September Update	Update for December Audit and Pensions Committee meeting
Business Continuity IT A paper has been submitted to Cabinet, and approved, recommending the implementation of a Business Continuity project to increase IT resilience. This will take some time to complete however it is anticipated that once in place arrangements should prove robust in the event of an IT service interruption.	Head of IT Strategy	The ICT Business Continuity paper was approved in February 2010. Since then H&F Bridge Partnership have been negotiating with suppliers on data storage. Levels of usage are high and rising so a key aim is to contain the cost of storage and this has an impact on the BC proposal. Now these are reaching a conclusion, the project is starting with procurement taking place in August and implementation of the new BC service due to complete in December 2010. **{Target Date 31/12/2010}**	The Business Continuity paper was approved in February 2010. H&F Bridge Partnership have negotiated with suppliers on data storage, made proposals for cost containment and determined a suitable supplier for the future Storage Area Network, which is a key part of the BC proposals. Procurement has taken place. Though the plan was originally to have a the new BC service ready in December 2010, an unexpected issue causing a delay arose in relation to the installation of upgraded air conditioning in the Hammersmith Town Hall computer room. This work cannot now complete until the end of November which means that user acceptance testing for the whole service has had to be put back to complete in February, at which point the whole service can go live. **{Target Date 28/2/11}**
Contract Management of Consultants The Audit Committee has received a report that identifies a number of weaknesses in managing these contracts that need to be addressed. The corporate Procurement team are leading a piece of work across departments to strengthen the management of consultants and the area will be re-audited in the 2010/11 audit programme.	Principal Consultant (Strategic Procurement)	Further assurance and recommendations as appropriate to be reported following the completion of further work by Internal Audit.	

AUDIT AND PENSIONS COMMITTEE

9 December 2010

CONTRIBUTORS	**Treasury Management Mid-year Review**	WARDS
DFCS	This report provides information in the Council's debt, borrowing and investment activity up to 30th September 2010	All

RECOMMENDATION:

To note the Council's debt, borrowing and investment activity up to the 30th September 2010.

Treasury Management update for the six months of 2010/11

1. Introduction

CIPFA issued the revised Code of Practice for Treasury Management in November 2009 following consultation with Local Authorities during the summer. The revised Code suggests that members should be informed of Treasury Management activities at least twice a year. This report therefore ensures this Council is embracing Best Practice in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised Code of Practice.

This report covers both quarters and provides information on the Council's debt, borrowing and investment activity up to 30th September 2010.

2. Economic Background

2.1   The first six months of the financial year of 2010/11 saw:

- The new coalition government enact a fiscal squeeze set to be the most severe since the end of the 1930's, through its Emergency Budget on the 22nd June;
- The labour market show some tentative signs of improvement;
- The UK's trade position deteriorate, despite the weak pound;
- The Monetary Policy Committee maintain Quantitative Easing (QE) and keep Bank Rate on hold at 0.5%;
  Quantitative easing is the purchase of government bonds or gilts by the Bank of England to increase the money supply.
- UK GDP increase 1.2% in the second quarter of 2010 which takes the annual figure up to 1.7%
- GDP forecast staying positive but low through 2010. Growth is expected to be slow, at a rate of just over 3% in two years time due to the extra fiscal tightening announced in the June budget;
- US GDP grow slower than initially estimated;
- EU growth grow at its fastest pace in more than 3 years, boosted by a strong performance by Germany and France;
- UK CPI Inflation in August remain its lowest since February at 3.1%,
- RPI remain high at 4.7% in August;
- Public Sector Net Borrowing post a record high in August at £15.3 billion as interest payments on gilts shot up because of higher inflation;
- British house prices rise 0.2 percent in August, confounding expectations for a decline (Halifax). It is expected that UK house prices with remain static overall in 2010;
- Nationwide report that house prices fell 0.9% in August due to a rise in the number of properties available.

3. Economic Forecast

The Council's Treasury Adviser, Sector, provides the following interest rate forecast:

Sector's Interest Rate View	NOW %	Sep-10 %	Dec-10 %	Mar-11 %	Jun-11 %	Sep-11 %	Dec-11 %	Mar-12 %	Jun-12 %	Sep-12 %	Dec-12 %	Mar-13 %	Jun-13 %	Sep-13 %
Sector's Bank Rate	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	2.00	2.50	3.00	3.25	3.25
5 yr PWLB Rate	1.96	2.20	2.20	2.20	2.40	2.60	2.80	3.00	3.30	3.60	3.80	4.10	4.40	4.40
10 yr PWLB	3.19	3.30	3.30	3.30	3.40	3.70	3.90	4.00	4.30	4.40	4.60	4.60	4.90	4.90
25 yr PWLB	4.09	4.20	4.20	4.30	4.30	4.40	4.50	4.70	4.70	4.80	5.00	5.00	5.00	5.00
50 yr PWLB	4.10	4.20	4.20	4.30	4.30	4.40	4.50	4.70	4.70	4.80	5.00	5.00	5.00	5.00

- The forecast is based on moderate economic recovery and moderate Monetary Policy Committee concerns about inflation looking 2 years ahead
- The first Bank Rate increase is expected to be in the quarter ending September 2011;
- Long term Public works loans Board (PWLB) rates are expected to steadily increase to reach 5% by the end of 2012 due to high gilt issuance, reversal of Quantitative Easing and investor concerns over inflation;
- The double dip recession worries have eased slightly in the UK but the economy is still fragile.
- There is considerable uncertainty in all forecasts due to the difficulties of forecasting the timing and amounts of QE reversal, the fiscal effect of a general election, speed of recovery of banks profitability and balance sheet position , changes in the consumer saving ratio, rebalancing of the UK economy in terms of export and import etc;
- Inflation is expected to fall below 2% in two years time even if interest rates remain at their record low;

4. Treasury Management Strategy Statement:

4.1 Annual Investment Strategy:

The Treasury Management Strategy for 2010/11 was approved by Council on 24th February 2010. The Council's Annual Investment Strategy, which is incorporated in the overall strategy, outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity

The Council will also aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions using the Sector suggested creditworthiness matrices, including Credit Default Swap overlay information provided by Sector.

4.2 A full list of investments held as at 30 September 2010 are as follows:

Money Market Fund	Principal £'m	Interest Rate	Start Date	Maturity Date
Primerate	10	0.81%		Call
Insight	6.3	0.61%		Call
Bank				
National Westminster Bank	30	0.85%		Call
Thurrock Council	4	0.48%	19/05/10	19/10/10
Barclays Bank	10	1.44%	20/11/09	19/11/10
Lloyds Bank	5	1.82%	20/11/09	19/11/10
NatWest Bank	5	0.91%	19/05/10	19/11/10
Thurrock Council	5	0.48%	24/05/10	24/11/10
Lloyds Bank	5	1.50%	21/04/10	21/01/11
Lloyds Bank	5	1.82%	28/01/10	27/01/11
Lloyds Bank	5	1.84%	20/05/10	19/05/11
Lloyds Bank	5	1.84%	30/06/10	02/06/11
Lloyds Bank	5	2.05%	04/08/10	03/08/11
Total Investments	**100.3**			

4.3 Officers can confirm that the approved limits within the Annual Investment Strategy was not breached during the first half of 2010/11.

As illustrated in the interest rate section above, investment rates available in the market are at an historical low point. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The table below shows that the authority outperformed the benchmark by 0.54%.

Benchmark	Benchmark Return Average Rate as at 30/09/10	Council Performance as at 30/09/10
7 days	0.42%	0.96%

5. Outstanding Debt and Investments

5.1 This table shows the Council's outstanding debt and investments at 30th September 2010 compared to 31st March 2010.

	31 March 2010		30 September 2010	
	000's		000's	
	Principal	Ave. Rate		Ave. Rate
Fixed Rate PWLB	475,520	5.93%	475,520	5.75%
Variable Rate PWLB	Nil		Nil	
Market & Temporary Loan	Nil		Nil	
Total Loans	**475,520**		**475,520**	
Total Investments	**137,000**	1.24%	**100,300**	0.96%
Net Borrowing	**338,520**		**375,220**	

5.2 Breakdown of Debt

	31 March 2010		30 September 2010 (Estimate)
HRA	404,634		409,732
GF	70,886		65,788
Total Debt	475,520		475,520

5.3 Variation on Investment Balances

It is quite usual for cash balances to fluctuate daily but in the first six months there was a payment to the DCLG of £30 million relating to Non Domestic Rates which has resulted in a reduction in overall cash balances.

6. Prudential Indicators

This section shows the Council's position against the prudential indicators for 2009/10 agreed by Council in February 2009.

6.1 It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit" or "Authorised Limits". In England and Wales the authorised limits represent the legislative limits specified in section 3 of the Local Government Act 2003.

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.

Whilst termed an "Authorised Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements.

6.2 Limits to Borrowing Activity

a) The Authorised Limit – This represents the maximum amount the Council may borrow at any point in time in the year. It has to be set at a level the Council considers "prudent" and it needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable and encompasses borrowing for temporary purposes. It is not a limit that is designed to be brought into consideration during the routine financial management of the authority. That is the purpose of the Operational Boundary.

b) The Operational Boundary – This indicator is the focus of day to day treasury management activity within the authority. It is a means by which the authority manages its external debt to ensure that it remains within the self imposed Authorised Limit. Sustained breaches of the Operational Boundary would give an indication that the authority may be in danger of stepping beyond the Prudential boundaries it has set itself.

6.3 Interest Rate Exposures

Interest rate risk management is a top priority for local authority management. While fixed rate borrowing and investment can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance may justify, or even demand, retaining a degree of flexibility through the use of variable interest rates on at least part of a treasury management portfolio. This is a best practice approach to treasury management and is to be encouraged to the extent that it is compatible with the effective management and control of risk.

a) Upper Limit on fixed rate exposure -– This indicator identifies a maximum limit for fixed interest rates based upon the debt position net of investments.

b) Upper Limit on variable rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

c) Total principal funds invested for periods longer that 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.

d)

	2010/11 Limit	30 September 2010 Actual
	000's	000's
Authorised Limit for external debt	506.991	375,220
Operational Limit for external debt	490,450	375,220
Limit of fixed interest rate based on net debt	493,000	375,220
Limit of variable interest rate based on net debt	98,000	Nil
Principal sum invested >364 days	20,000	Nil

6.4   Maturity structure of borrowing – This indicator is designed to be a control over an authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. It is not necessary to include variable rate debt because local authorities do not face substantial refinancing risks.

Maturity structure of fixed rate borrowing during 2010/11

	Upper Limit	Lower Limit	Actual
Under 12 months	15%	0%	0.00%
12 months and within 24 months	15%	0%	0.00%
24 months and within 5 years	60%	0%	9.14%
5 years and within 10 years	75%	0%	16.57%
10 years and above	100%	0%	74.29%

7.   LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1	Borrowings and Investments Ledger	Rosie Watson Ext. 2563	Room 4 Hammersmith Town Hall
2	CIPFA-Prudential Code - Accounting for Capital Finance	Rosie Watson Ext. 2563	Room 4 Hammersmith Town Hall
3	Various Economic commentaries	Rosie Watson Ext. 2563	Room 4 Hammersmith Town Hall

AUDIT AND PENSIONS COMMITTEE

9 December 2010

CONTRIBUTORS	COMBINED RISK MANAGEMENT HIGHLIGHT REPORT	WARDS All

This report updates the Committee of the risks, controls, assurances and management action orientated to manage organisational level risks.

RECOMMENDATION:

1. The committee consider the current Strategic, Programme and Operational risk position as outlined in the report.
2. The committee is asked to note the review of the Hammersmith & Fulham Risk Standard to align the risk management process more closely to the British Standard code of risk management practice BS31100

1. **PURPOSE**

   1.1. This report updates Members on the highlight risk management issues identified across council services and follows changes in the reporting process to Committee expressed at its September 2010 meeting. Effective risk management continues to help the council to achieve its objectives by 'getting things right first time' and is a key indicator of the 'Corporate Health' of the council.

2. **BACKGROUND**

   2.1. The Finance and Corporate Services Department acts as the lead Department on risk management supported by the Principal Consultant Risk Management. Departmental Directors act as Risk Champions in their own service areas to support the process across all levels of the authority. Following an internal Finance and Corporate Services department reorganisation the line management reporting for risk management now reside with the Chief Internal Auditor in the Corporate Finance Division. Risk Management is critical to both the value for money assessment and provision of annual assurance that form part of the annual accounts.

3. **PROGRESS**

   3.1. The council's risk management arrangements have recently been benchmarked against the British Standard BS31100 code of practice through a gap analysis to ascertain the appropriateness of intelligence used to inform the risk management process. A copy of the report is attached as **Appendix A** for members information. Recommendations from the report will be included in a refresh of the Hammersmith & Fulham risk standard currently underway. Findings indicate the continued presence of robust arrangements in place to manage risk across the range of services sampled in this exercise.

4. **PRIORITY RISKS**

   4.1. At the September 2010 Committee it was agreed that future output would be orientated in accordance with the British Standard model that covers three discreet elements. These are listed below in three sections, Strategic, Programmes & Projects and Operations. Members are asked to note the highlights and significant changes to the risk profile in each area these are listed below;

   Strategic risks

Corporate Risk Register – (the full register is attached for Members

information as **Appendix B** to this report)

    4.1.1.   Managing budgets (risk number 5) remains high given the financial implications of the Comprehensive Spending Review.

    4.1.2.   The Information Commissioner is currently monitoring the councils responsiveness to Freedom of Information (FOI) issues. This has previously been reported through to the decommissioned Audit Committee where risk management highlighted the increasing risk of FOI requests.

    4.1.3.   Deletion of PCT Integration (opportunity risk number 1), PCT's are due to be abolished in 2013 and since the last report to Audit & Pension Committee Hammersmith & Fulham PCT will be working with Westminster and Kensington & Chelsea PCT's in a new joint arrangement.

Emerging Strategic Risks

    4.1.4.   New opportunity risks are included on the register including the shared education service provision with Westminster (opportunity risk number 2), Shared services with Westminster and the Royal Borough of Kensington & Chelsea that include corporate services (opportunity risk number 3), Shepherd's Bush Regeneration (opportunity risk number 4) and the re-integration of H & F Homes (opportunity risk number 5)

    4.1.5.   Members are also asked to note new risks may emerge from the integration of Public Health following abolition of the PCT.

Programmes and Projects including contract management

    4.1.6.   Following the internal reorganisation within the Finance & Corporate Service Department the responsibility for the Programme Management Office (PMO) and procurement functions transferred to new line management. New arrangements for reporting of programmes and projects through the Transformation programme are being discussed with the Executive Management Team and the

reporting requirements of the Audit & Pension Committee have been relayed to the new line manager of the PMO. A full list of ongoing programmes and projects is attached to this report for Members information as **Appendix C**.

4.1.7. Asset Management programme designated red, progress has been achieved as the Help Desk, Finance and Planned Maintenance modules of the SmartFM project (CAMSYS) going live during September but the project remains at Red status in view of concerns regarding the ultimate costs of the centralised FM Service and the CAMSYS project. This issue is expected to be resolved soon.

4.1.8. A new market testing programme is being compiled with departments and is due to be presented at the councils Competition Board. Ongoing monitoring of existing contracts is undertaken by the Procurement and IT Strategy Division and this has raised one red risk issue in relation to the performance of a contractor. This has however been raised in the contract performance review recently undertaken by the Leader of the Council. The full list is provided for Members information attached to this report as **Appendix D. (Exempt)**

Operations

4.1.9. Bringing together operational risk information, for example insurance, health & safety and fraud, adds value through shared intelligence from data, for example to examine if there is any correlation across health & safety, sickness and insurance statistics to spot any patterns emerging. A discussion paper is being prepared on the future of these Resilient Service activities in the council to determine if a different service model could bring greater benefits by consolidating the operational risk management areas under one line management.

4.1.10. Health and Safety data is currently being moved from manual labour intensive collection and input of information to the new ENABLE software system. Statistical output requirements have been discussed at the recent Safety Committee where Officers were briefed on the development of ENABLE to provide managers access to data more efficiently. Managers will be able to track,

report, record and respond to incidents as the system is designed to provide information output to desktop personal computers.

4.1.11. Following the need to provide greater transparency of the councils insurance portfolio and claims experience, to determine value for money in relation to the councils insurance contracts work is being undertaken to a. Establish a regular suite of insurance data b. Consider the options open to the council in respect of the procurement of insurance potentially aligning policy dates with the Royal Borough of Kensington and Chelsea (RBKC) to undertake a single package of insurances for Hammersmith & Fulham and RBKC. This may be particularly advantageous as shared services may result in some consolidation of resources.

4.1.12. Information Security and Data Quality - The information management team has been asked to compile information for the next Audit and Pension Committee to address any potential or actual breaches of information security and or data quality incidents.

5. **CONCLUSIONS**

5.1. Risk management across the council is aligning itself to comply more fully with British Standards BS31100 code of practice and that this report to Members reflects the changes to risk at Strategic, Programme and Project and Operational levels.

6. **Comments from Director of Finance and Corporate Services**

The Director of Finance and Corporate Services is the Council's 'Risk Champion' and endorses the contents of this report.

LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Audit Commission: Worth The Risk, Improving Risk Management in Local Government	Michael Sloniowski 2587	Strategy, Performance & Procurement Ground Floor, Room 10 Hammersmith Town Hall

2.	Association of Local Authority Risk Managers & Institute of Risk Management, 2002, A Risk Management Standard	Michael Sloniowski 2587	Strategy, Performance & Procurement Ground Floor, Room 10 Hammersmith Town Hall
3.	The Orange Book, Management of Risk Principles & Concepts – HM Treasury	OGC Website	http://www.ogc.gov.uk/sdtoolkit/reference/ogc_library/related/orange-book.pdf
4.	Departmental Risk Registers	Michael Sloniowski 2587	Strategy, Performance & Procurement Ground Floor, Room 10 Hammersmith Town Hall
5.	CIPFA Finance Advisory Network The Annual Governance Statement	Michael Sloniowski 2587	Strategy, Performance & Procurement Ground Floor, Room 10 Hammersmith Town Hall
6.	BS 31100 Code of Practice for risk management	Michael Sloniowski 2587	Strategy, Performance & Procurement Ground Floor, Room 10 Hammersmith Town Hall

Members information full reports

Appendix A Risk Management BS31100 Gap Analysis

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Appendix B Corporate Risk Register

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Appendix C Programmes and Projects list

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Appendix D Contract Management **(Exempt item)**

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Date: October 2010

To: Jane West (Director Finance and Corporate Services) and Mike
               Sloniowski (Principal Consultant Risk Management)

From: Deloitte and Touche Public Sector Internal Audit Ltd.

Subject: Risk Management – BSI Standard Gap Analysis

Dear Jane and Mike,

1.   Introduction

1.1.   As part of the 2010/11 Internal Audit Plan approved by the Audit Committee on 23
       March 2010, we have undertaken a gap analysis against the BSI Standard for Risk
       Management (BS31100). This gap analysis is intended to form part of a four year
       rolling programme under which compliance with the BSI Standard is assessed.

       Our audit work was limited to the following two parts of the Standard:
       • BSI Standard (Draft) 4.7 – Risk and Impact Categorisation and Measurement
       • BSI Standard (Draft) 5.3.2 – Risk Analysis

       Further details on these two parts of the Standard can be found in Section 5 of this
       management letter (Detailed Gap Analysis).

1.2.   We are not providing an assurance opinion in respect of our work; however, there
       are some areas where we have identified gaps between the BS31100 Risk
       Management Standard and current practices in place across the Council. Where
       relevant, we have raised recommendations for consideration by management in
       Section 6 of this management letter.

2. Background

2.1. BSI Standard 31100 was published by the British Standards Institute and came into effect on 31 October 2008. It was drafted to be consistent with the general guidance on risk management given by ISO 31000 but also recognising the knowledge contained in HM Treasury's Orange Book, the Office of Government Commerce publication, "Management of risk: Guidance for practitioners", "Enterprise Risk Management – Integrated Framework and application techniques published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), and the Risk Management Standard developed by the Institute of Risk Management (IRM), The Association of Insurance and Risk Managers (AIRMIC) and ALARM.

2.2. The Standard provides a guide to risk management principles, models, framework and processes. Its purpose is to assist organisations in achieving their objectives through effective risk management. Effective risk management can assist organisations to achieve their objectives by:

- Reducing the likelihood of events that would have a negative consequence overall and reducing the negative consequences of such events;
- Increasing the likelihood of events that would have a positive consequence overall and increasing the positive consequences of such events;
- Identifying opportunities where taking risks might benefit the organisation;
- Improving accountability, decision making, transparency and visibility;
- Identifying, understanding and managing multiple and cross-organisation risks;
- Executing change more effectively and efficiently and improving project management;
- Providing better understanding of, and compliance with, relevant governance, legal and regulatory requirements, and corporate social responsibility and ethical requirements;
- Protecting revenue and enhancing value for money;
- Protecting reputation and stakeholder confidence;
- Proactively managing the organisation's operations;
- Targeting control expenditure and delivering a cost-optimal control environment;
- Retaining and developing customers through reducing risks to service delivery and enhancing service provision; and
- Making the organisation more flexible and responsive to market fluctuations so that it is better able to satisfy customers' ever changing needs in a continually evolving business environment.

3. **Audit Approach and Summary of Findings**

3.1.　　　　The requirements of BS31100 (draft paragraphs 4.7 and 5.3.2) were compared to the Council's risk management framework, as described in the Risk Management Standard and Policy 2008-2011 and other relevant documents. During our initial meeting with the Principal Consultant, Risk Management we were provided with a copy of the draft version of the Standard and this version was used for the purpose of this exercise. Although no significant differences were noted between the draft and final versions of the Standard, we would recommend that the final version is used for any future exercises.

3.2.　　　　In addition, a sample of five departments was visited and interviews were held with relevant officers in order to determine how the requirements of the Standard are applied at an operational level. In relation to paragraph 5.3.2 of the Standard, we attempted to assess a sample of risks from the departments against the requirements of the Standard. Where this was not possible, we examined the types of documented risk information produced and our findings are presented in Section 4 below. Overall, we identified that qualitative and quantitative information on risks is available but there is no explicit link to the risk assessment of service risks identified and included in the service risk registers.

3.3.　　　　In the Standard, the word "should" is used to express the recommendations with which users have to comply in order to comply with the Standard. The word "may" is used to express permissibility, e.g. as an alternative to the primary recommendation of the clause. The word "can" is used to express possibility, e.g. a consequence of an action or an event. The specific paragraphs covered in this exercise included provisions mainly introduced with "should" and some with "may" but for the purposes of our analysis they have all been treated as compulsory.

3.4.　　　　A line by line presentation of our gap analysis is presented in Section 5. No significant gaps where identified, although consideration should be given to updating the risk register template to include the main impact category and a description of potential consequences. At an operational level, we identified that some teams do not use the risk register template provided and as a result, the risk category is not always identified.　Furthermore, the risk analysis is not consistently linked to information produced during the normal course of business. Details of the recommendations raised can be found in Section 6 of this management letter.

4. Risk Information

4.1. Finance

Information produced in the finance department is based on information submitted by departmental finance teams. It is used to complete the monthly CRM report, which is discussed with EMT and also presented to Cabinet. The report presents the overall financial position of the Council and includes details for all individual departments showing their projections for the year. A specific part of the report template submitted by departmental management teams requires them to report on risks and quantify them to show lower and upper limits of the potential financial impact. This information can potentially inform analysis of risks included in the service risk registers and provide quantitative information to assess the risk consequence score.

4.2. Treasury Management

Risk information produced by the Treasury Management Team is mainly determined by relevant legislation and good practice guidance (CIPFA Treasury Management Code of Practice). The Treasury Management Strategy is approved by Cabinet at the beginning of the financial year and includes approved institutions and types of investments as well as limits for the specific investments (prudential indicators). The methodology used to determine acceptable investment counterparties is essentially an assessment of the credit risk associated with the specific institutions. Consideration is also given to liquidity and other relevant risks, which are managed as part of the day to day dealing.

4.3. Information Security

A policy for reporting, assessing and recording information security breaches and information security risks has been developed and it is available on the intranet. In accordance with the Policy, any incidents are assigned a priority rating. This is reviewed by the Information Manager and reported to the IT Strategic Operations Group (ITSOG) on a monthly basis. A log of all incidents is maintained and reported risks are assessed using a template risk register which is based on the corporate one and has been developed with the help of the Principal Consultant, Risk Management. Action taken to deal with incidents and address reported risks is recorded on the incidents/risks log and a RAG system is used to report on status. These risks are not normally linked to the formal risk management process, as they usually relate to a more operational level. Incidents and risks are communicated through the ITSOG and where applicable, messages are sent to staff through e-mail and/or intranet messages.

Information security breaches data can be used to identify and quantify (for instance, through loss experience information) relevant risks and controls for the IT Team and other departments experiencing the breaches and relevant consequences. Consolidated data from the breaches and risk logs can inform the relevant risk assessment in the service risk registers.

4.4. Emergency Planning and Business Continuity

Hammersmith and Fulham is a member of the West London Local Resilience Forum, which also includes Brent, Ealing, Hounslow, Harrow and Hillingdon. The Local Resilience Forum brings together representatives from local authorities, emergency services, government agencies, health, utilities, voluntary organisations, business and the military in order to identify and assess local risks that could cause an emergency so that they can be monitored and managed. A Community Risk Register has been produced. A relevant risk register specific to Hammersmith and Fulham is not in place, however we were informed that the Team is in the process of producing one.

As far as business continuity is concerned, a joint Service Resilience Policy between the Council and NHSHF was recently produced and approved. Services are assessed as critical, key and tertiary in accordance with impact assessment guidelines included in the Policy. Services are not required to identify key risks but a sample of scenarios to consider has been developed, reflecting key risks to service delivery continuity. Specific risks are not currently identified and the links between risk management and business continuity are not mentioned in the Service Resilience Policy and the Risk Management Standard and Policy. We were however informed that there is regular communication between the two services (Business Continuity and Risk Management).

4.5. Fraud Incidents

All referrals received in the fraud service are risk assessed against a set of criteria. The criteria are mainly used for high volume referrals (such as benefit fraud). We were informed that the criteria are reviewed on a regular basis and they are mainly used in order to prioritise resources and manage officers' workload. Information on actual fraud cases investigated is included in a number of SLA reports produced for key stakeholders, including general corporate anti-fraud cases. In addition, quarterly reports are submitted to the Audit and Pensions Committee. These communication arrangements can help relevant departments identify and address significant fraud risk.

Moreover, a fraud risk profiling exercise was completed in 2008. The resulting fraud risk register informs any proactive fraud work undertaken by the Team.

5. Detailed Gap Analysis

Draft BS31100 Provision	Final BS31100 Provision	Risk Management Framework	Practical Application
Paragraph 4.7 – Risk and Impact Categorisation and Measurement			
The organisation should clearly set and document its risk and impact categories and its risk measurement criteria, and integrate these into the components of the risk management framework; applying them each time the risk management process is undertaken.	The organisation should set and document its risk and risk consequence categories and risk criteria, and integrate these into the risk management framework.	Examples of risk categories are included in the Risk Management Standard and Policy. This covers strategic and operational risk categories. Risk impact categories are included in the guides/tables provided to support the classification of risk impacts. Risk criteria are established in the Risk Management Standard and Policy.	The template risk register included in the Risk Strategy requires the identification of the risk category. A sample of five services was visited and the relevant risk registers were obtained. Risk categories had only been identified in one case. Risks are assessed in terms of impact and likelihood but the relevant impact category (or the main one) is not identified in the risk registers. **See Recommendations 6.1 & 6.2.**
The organisation should review its risk and impact categorisations and its risk measurement criteria to ensure they remain fit for purpose.	N/A – not explicitly included in the final version	The risk and impact categories and risk criteria are reviewed when the Risk Management Standard and Policy is reviewed. This covers a period of three years and was last reviewed in 2008.	N/A

Draft BS31100 Provision	Final BS31100 Provision	Risk Management Framework	Practical Application
The number and type of risk categories that an organisation employs, and the level of granularity within categories, should suit the size, purpose, nature, complexity and environment in which the organisation operates, and reflect the maturity of risk management within it. While risk categories differ between organisations, risk categories in common usage include: • Market Risk; • Credit Risk; • Operational Risk; • Project Risk; • Financial Risk; • Strategic Risk; and • Reputational Risk. Risk categories can be influenced by legal and regulatory requirements or sector practice.	The organisation should develop risk categories that suit its size, purpose, nature, complexity and context, while taking into account the maturity of its risk management.	Risk categories, risk consequence categories and risk criteria are included in the Risk Management Standard and Policy. Approval by an appropriate body can help to ensure that they are suitable for the organisation. We examined the minutes of Audit Committee meetings for 2008 and 2009 and there was no evidence of the Risk Management Standard and Policy being approved. **See Recommendation 6.5.**	N/A
The purpose of categorisation of impacts is to allow consistent assessment, profiling and reporting of the effects/consequences of actual and potential events, and to facilitate comparison across the	To allow consistent assessment, profiling and reporting of the consequences of actual and potential events, and to facilitate comparison across the organisation, the organisation should develop risk consequence	Risk consequence categories are described in a number of tables included in the Risk Management Standard and Policy, designed to assist with the assessment of potential impact of indentified	The risk registers used do not record the main impact category for identified risks. **See Recommendation 6.1.**

Page 80

Draft BS31100 Provision	Final BS31100 Provision	Risk Management Framework	Practical Application
organisation. While impact categories differ between organisations, impact categories in common usage include: • Financial; • People; • Service; • Clients; • Stakeholders; • Investors/funders; • Production; • Legal and compliance; and • Reputation and Brand. The number and type of impact categories that an organisation employs should suit its size, purpose, nature, complexity and environment in which the organisation operates, and reflect the maturity of risk management within it. The organisation should have both financial and non-financial impact categories.	categories that suit its size, purpose, nature, complexity and context, while taking into account the maturity of its risk management capability.	risks.	

Draft BS31100 Provision	Final BS31100 Provision	Risk Management Framework	Practical Application
The organisation should develop risk measurement criteria against which the risk can be consistently assessed. A basic approach is to consider the two dimensions of: • Likelihood; and • Impact (financial and non-financial).	To enable risks to be consistently assessed, the organisation should develop risk criteria that suit its size, purpose, nature, complexity, management level and context, while taking into account the maturity of its risk management. A basic approach is to consider likelihood and consequence and the time period over which consequences are assessed.	Risk measurement criteria have been developed and are included in the Risk Management Standard and Policy. However, the time period over which consequences are assessed is not referred to in the Policy. **See Recommendation 6.6.**	All risks in the risk registers are assessed in terms of impact and likelihood.
Measurement criteria need to be calibrated. For the basic approach, the organisation would need to define for each dimension the scale to be used, e.g. this could be "low, medium, high", or a scale of 1 to 5, and the criteria for each element of the scale, e.g. for impact, "High" may equate to greater than a £10m loss.	N/A – not covered in the final version	Guidelines regarding measurement criteria are included in the Risk Management Standard and Policy.	N/A

Draft BS31100 Provision	Final BS31100 Provision	Risk Management Framework	Practical Application
Risk measurement criteria should take into account, and be in keeping with, the risk appetite of the organisation, and should allow for all risks to be measured, including those that do not naturally lend themselves to numerical diagnosis, e.g. reputational risk.	The organisation's risk criteria should take into account its risk appetite and allow for all risks to be measured, including those that do not normally lend themselves to numerical analysis.	Risk criteria, as described in the risk consequence tables, are used to determine the risk score, which is then linked to the risk appetite. However, linkages are not described in the relevant part of the Risk Management Standard and Policy. **See Recommendation 6.4.**	N/A
The criteria should be communicated through the organisation in order for all to share a common understanding of how risk is measured. Tables and matrices can assist.	The risk categories and risk consequence categories should be communicated throughout the organisation in order for all to share a common understanding. The criteria should be communicated throughout the organisation in order for all to share a common understanding of how risk is measured.	The criteria are communicated in the Risk Management Standard and Policy and tables are used to describe the different levels of potential risk consequences. The Risk Management Standard and Policy is available to staff through the intranet.	N/A

Draft BS31100 Provision	Final BS31100 Provision	Risk Management Framework	Practical Application
Paragraph 5.3.2 – Risk Analysis			
The likelihood of each risk occurring and its impact should be determined, taking into account existing controls and their adequacy and effectiveness. This activity should be undertaken in accordance with the risk measurement criteria set out in the risk management framework to help ensure consistency of analysis and aid the comparison and prioritisation of risks.	Each risk should be analysed to an appropriate extent, considering its consequences, and summarised in terms of the consequences arising and their likelihood.	Risk criteria (impact and likelihood) are described in the Risk Management Standard and Policy.	A sample of five services was visited, the risk registers were obtained and the risks relevant to the services were examined. Risks in the risk registers had been scored in terms of impact and likelihood but these had not been described in detail. There was no documentation or relevant evidence supporting the scores assigned. **See Recommendation 6.1.**

Draft BS31100 Provision	Final BS31100 Provision	Risk Management Framework	Practical Application
Risk analysis may be undertaken with varying degrees of detail depending upon the risk, the purpose of the analysis, and the information, data and resources available. Analysis may be qualitative, semi-quantitative or quantitative, or a combination of these. In practice, qualitative analysis is often used to first rank the risks in relation to one another, to indicate the level of risk and to reveal the most significant risks. It might subsequently be necessary to undertake more detailed or quantitative analysis of the most significant risks. The complexity and costs of qualitative risk analysis are lower than those of semi-quantitative analysis, which in turn are lower than those of quantitative analysis.	Risk analysis may be undertaken with varying degrees of detail depending upon the risk, the purpose of the analysis, and the information data and resources available. Analysis may be qualitative or quantitative or a combination of these.	There is no detailed guidance on how risk analysis should be undertaken. **See Recommendation 6.3.**	In all areas visited, we could not see any evidence of qualitative risk analysis (for the relevant risks in the service risk registers).

Draft BS31100 Provision	Final BS31100 Provision	Risk Management Framework	Practical Application
Risk analysis is an iterative process, being repeated as more data become available, e.g. as a project evolves and develops. Impacts may be determined by modelling the outcomes of an event of set of events, or by extrapolation from experimental studies or past data. There are many tools for presenting and communicating the results of risk analysis; some examples are provided by the standard.	Risk analysis should be an iterative process, being repeated as more data become available. It may take into account the inherent risk, the controls in place and how well these mitigate the risk, and be undertaken in accordance with the risk criteria.	The Risk Management Standard and Policy suggests that departmental risk registers should be reviewed at least quarterly. This should ensure that risks are re-assessed regularly.	We were informed during our meetings with the five services visited that risk registers are reviewed at least quarterly. This process is monitored by the Principal Consultant, Risk Management. We examined current and older versions of the risk registers for the services visited and we could see evidence of iterations and updates of the risk register. For three of the areas visited we were informed that risk registers are produced during "brainstorming" sessions. No information could be provided for the other two areas visited as the officers interviewed were not directly involved in the process. Please note that detailed testing regarding the updates of risk registers (and compliance with the quarterly requirement included in the Policy) was not undertaken as this will be covered in other risk management audits planned to be completed later in the year.

Page 86

Draft BS31100 Provision	Final BS31100 Provision	Risk Management Framework	Practical Application
Once all risk have been analysed, and the level of risk has been established for each risk, a prioritised list of risks should be produced. As well as the likelihood of occurrence and scale of impact, analysis criteria may include proximity and timing.	N/A – not covered in the final version	A paragraph has been included in the Risk Management Standard and Policy regarding risk prioritisation and escalation. Proximity and timing of risks are not explicitly mentioned. The time horizon of the risk is mentioned in a guidance document on completing the risk section of Cabinet reports. Although this is an optional part of the Standard, consideration should be given to including relevant guidance in the Risk Management Standard and Policy. **See Recommendation 6.6.**	As it is not covered in the main risk management guidance, proximity and timing of risks had not been explicitly described for any of the services visited or risk registers examined. Even though risks had not been re-arranged in any specific order, the final score for all risks had been calculated and this can serve as prioritisation.

6. Recommendations

6.1. Risk Consequence Category and Description

BS31100 Provision	Issue	Recommendation
The organisation should set and document its risk and risk consequence categories and risk criteria, and integrate these into the risk management framework.	Risk and risk consequence categories and risk criteria are included in the Risk Management Standard and Policy. However, risk consequence categories are not identified and described in the risk registers as the template risk register does not include relevant columns.	The template risk register included in the Risk Management Standard and Policy should be updated to include a column showing the main risk consequence category associated with the identified risk and a description of the potential risk consequence. Potential consequences should be linked to the impact guide and the template risk register should be amended to facilitate this.
Management Response	**Responsible Officer**	**Deadline**
Agreed	Principal Consultant Risk Management	March 2011

6.2. Use of Template Risk Register

BS31100 Provision	Issue	Recommendation
The organisation should set and document its risk and risk consequence categories and risk criteria, and integrate these into the risk management framework.	Risk categories are described in the Risk Management Standard and Policy and a specific column has been included in the template risk register. Risk categories had only been identified in one out of four risk registers examined. Two risk registers were not completed using the suggested template.	Services across the Council should be reminded to use the template risk register included in the Risk Management Standard and Policy so that all required information is captured. Where the template is not understood, support and additional training should be provided as required.
Management Response	**Responsible Officer**	**Deadline**
Agreed	Principal Consultant Risk Management	March 2011

6.3. Risk Analysis Tools and Guidance

BS31100 Provision	Issue	Recommendation
Risk analysis may be undertaken with varying degrees of detail depending upon the risk, the purpose of the analysis, and the information data and resources available. Analysis may be qualitative or quantitative or a combination of these.	There is no detailed guidance on how risk analysis should be undertaken. In all five areas visited, we could not see any evidence of qualitative risk analysis (for the risks relevant to the risk registers).	The Risk Management Standard and Policy should be amended to include guidance on risk analysis and a list of potential tools that can be used for risk identification, analysis and reporting purposes. Services across the Council should be instructed to link the risk analysis process to quantitative and qualitative information on potential risks produced in the normal course of business, where applicable.
Management Response	**Responsible Officer**	**Deadline**
Agreed	Principal Consultant Risk Management	March 2011

6.4. Risk Appetite

BS31100 Provision	Issue	Recommendation
The organisation's risk criteria should take into account its risk appetite and allow for all risks to be measured, including those that do not normally lend themselves to numerical analysis.	Risk criteria, as included in the risk consequence tables, are used to determine the risk score, which is then linked to the risk appetite. However, the connection is not clear in the Risk Management Standard and Policy.	The Council's risk appetite should be clearly defined in the Risk Management Standard and Policy. This should be linked to the risk impact/magnitude tables. Consideration should be given to simplifying the risk impact/magnitude tables and consolidating them into one overall table. A potential example has been included for information in Appendix 1.
Management Response	**Responsible Officer**	**Deadline**
Agreed	Principal Consultant Risk Management	March 2011

6.5. Risk Management Standard and Policy Approval and Review

BS31100 Provision	Issue	Recommendation
The organisation should develop risk categories, risk consequence categories and risk criteria that suit its size, purpose, nature, complexity and context, while taking into account the maturity of its risk management.	Risk categories, risk consequence categories and risk criteria are included in the Risk Management Standard and Policy. Approval by an appropriate body can help to ensure that they are suitable for the organisation. We examined the minutes of Audit Committee meetings for 2008 and 2009 and there was no evidence of the Risk Management Standard and Policy being approved.	The Risk Management Standard and Policy should be formally approved by the Audit and Pensions Committee and evidenced as such e.g. within the meeting minutes. Consideration should be given to reviewing the Policy on an annual basis to ensure risk management objectives and the Council's risk appetite remains relevant to the external and internal environment.
Management Response	**Responsible Officer**	**Deadline**
Agreed	Principal Consultant Risk Management	March 2011

6.6. Proximity and Timing of Identified Risks

BS31100 Provision	Issue	Recommendation
To enable risks to be consistently assessed, the organisation should develop risk criteria that suit its size, purpose, nature, complexity, management level and context, while taking into account the maturity of its risk management. A basic approach is to consider likelihood and consequence and the time period over which consequences are assessed. Once all risk have been analysed, and the level of risk has been established for each risk, a prioritised list of risks should be produced. As well as the likelihood of occurrence and scale of impact, analysis criteria may include proximity and timing [Draft Version of the Standard].	The proximity and timing of risks are not explicitly referred to in the Risk Management Standard and Policy or recorded in the risk registers. Also the time period over which consequences should be assessed is not mentioned.	Consideration should be given to explicitly documenting in the risk registers the proximity and timing of identified risks as well as the time period over which risk consequences are assessed. Relevant guidelines should be included in the Risk Management Standard and Policy.
Management Response	**Responsible Officer**	**Deadline**
Agreed	Principal Consultant Risk Management	March 2011

Appendix 1 – Example of Consolidated Risk Impact/Magnitude Guide

Impact Description	Category	Description
1 Very Low	Cost/Budgetary Impact	£0 to £25,000
	Impact on life	Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)
	Environment	Minor short term damage to local area of work.
	Reputation	Decrease in perception of service internally only – no local media attention
	Service Delivery	Failure to meet individual operational target – Integrity of data is corrupt no significant effect
2 Low	Cost/Budgetary Impact	£25,001 to £100,000
	Impact on life	Temporary disability or slight injury or illness greater than 4 weeks recovery (internal) or greater than 10 people (external)
	Environment	Damage contained to immediate area of operation, road, area of park single building, short term harm to the immediate ecology or community
	Reputation	Localised decrease in perception within service area – limited local media attention, short term recovery
	Service Delivery	Failure to meet a series of operational targets – adverse local appraisals – Integrity of data is corrupt, negligible effect on indicator
3 Medium	Cost/Budgetary Impact	£100,001 to £400,000
	Impact on life	Permanent disability or injury or illness
	Environment	Damage contained to Ward or area inside the borough with medium term effect to immediate ecology or community
	Reputation	Decrease in perception of public standing at Local Level – media attention highlights failure and is front page news, short to medium term recovery
	Service Delivery	Failure to meet a critical target – impact on an individual performance indicator – adverse internal audit report prompting timed improvement/action plan - Integrity of data is corrupt, data falsely inflates or reduces outturn of indicator
4 High	Cost/Budgetary Impact	£400,001 to £800,000
	Impact on life	Individual Fatality
	Environment	Borough wide damage with medium or long term effect to local ecology or community
	Reputation	Decrease in perception of public standing at Regional level – regional media coverage, medium term recovery

Impact Description	Category	Description
	Service Delivery	Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action - Integrity of data is corrupt, data falsely inflates or reduces outturn on a range of indicators
5 Very High	Cost/Budgetary Impact	£800,001 and over
	Impact on life	Mass Fatalities
	Environment	Major harm with long term effect to regional ecology or community
	Reputation	Decrease in perception of public standing nationally and at Central Government – national media coverage, long term recovery
	Service Delivery	Failure to meet a majority of local and national performance indicators – possibility of intervention/special measures – Integrity of data is corrupt over a long period, data falsely inflates or reduces outturn on a range of indicators

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 2010

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CORPORATE RISK REGISTER **APPENDIX 1**

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, Pension and Audit Committee	3	4	12	Medium 🔴	Jane West (Insurance & H F Bridge Partnership contract monitoring) Lyn Carpenter (Corporate Business Continuity)	Review November 2010

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. **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 World Class Financial Management Programme	• 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 • Programme Management Office in Finance & Corporate Services Department acts as a repository for project information and reports to EMT but does not ensure compliance with the toolkit • Senior Managers have all been briefed about the Project Toolkit • Toolkit is available on desktop PC's • Monthly programme reporting to EMT (dashboard) • Competition Board monitor aspects of project management compliance • Procedures for TUPE transfer have been included in project management instructions • Programme and Portfolio governance arrangements are being formalised	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 contracts under 2009/10 Audit Plan and of Use of Consultants (	3	3	9	Low 🟢	Jane West lead – All Directors	Review November 2010

Page 98

No.	Corporate Priorities	Risk	Consequence	Identified Control	Assurance	Likelihood (L)	Impact (I)	Exposure = L x I	Risk Rating	Responsible Officer – Group	Review
				• Lessons learned report	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 Panel • 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, refreshed and communicated	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, Pension and Audit Committee	4	3	12	Medium 🟠	Geoff Alltimes	Review November 2010

| 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 spend.
• Insufficient budgetary provision and/or budgetary under/overspend *
• Incomplete/inaccurate accounting records linked to the World Class Financial Management Programme | • 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 | • 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
• Disposal of Assets | 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 *

Participation in London Efficiency Challenge

EMT, Pension and Audit Committee | 4 | 4 | 16 | High

🔴 | Jane West lead – All Directors | Review

November 2010 |

6.	Putting residents first, Setting the framework for a healthy borough	**Successful partnerships (Local Area Agreement - Borough Partnership & 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	• Joint objectives are not met • Community expectations are not met • Relationship deteriorates • Threat of overspends and underspend	• LAA partners are risk assessed and LAA refreshed • Community Strategy refreshed • Governance arrangements are in place • Borough Partnership Compact • Performance monitoring reports reported to Scrutiny Cttee's & Borough Partnership • Strategy Unit monitors Partnership progress • Area based grant exit strategy is funded short term through contingency / reserves • Review of Partnerships undertaken by Strategy Unit • Data Quality protocols agreed in Borough Partnership Handbook – Constitution • H & F Bridge Performance Monitoring	Audit Commission & Internal Audit have undertaken a review of partnerships in 08-09 (Satisfactory assurance) 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, Pension and Audit Committee	4	3	12	Medium 	Geoff Alltimes	Review November 2010
7.	Delivering value for money	**Maintaining reputation and service standards** **Sub-risks** Breach of Officer or Member code of conduct Data released Poor data quality internally or from third parties, breaches of information protocols, information	• Threat to the status of the council • Potential adverse media reporting • Quality and integrity of data held in support of Performance Management & Financial systems leads to under or over estimation	• Combined Business Planning & MTFS processes • Business Planning is part of the performance management competencies • Risk registers have been developed for all departments and divisions • Annual review of corporate governance arrangements conducted by Internal Audit • Performance statistics are	Ofsted, Care Quality Commission, Annual Audit letter EMT, Pension and Audit Committee	4	3	12	Medium 	All Directors	Review November 2010

Page 101

		erroneously sent to third parties. Auto forwarding of information (Information control and threat of leakage)		• scrutinised by Select Committee's, EMT & DMT's • Corvu Performance Management System is able to pick up anomalies • Data Quality Training							
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 • Fraud risks being integrated into risk registers • CAFS team now use a risk assessment to assist in targeting and workload prioritisation	Audit Committee receive quarterly reports on Fraud Deloitte Fraud Survey 2008 Assurance required that assets are safeguarded EMT, Pension and Audit Committee	2	3	6	Low 🟢	Jane West lead – All Directors	Review November 2010
9.	Delivering value for money	**Successful cultural change**	• Potential internal uncertainty re: staff morale • Change consumes more resource than VFM/efficiency gains realise	• Effective communications programme • Staff Survey undertaken in 2009 and follow up action plans • Career development discussions • Revised sections in Business Planning document inc. Equalities & Diversity and • Smartworking	Staff survey, Corporate Workforce Group EMT, Pension and Audit Committee	3	3	12	Low 🟢	Ellen Lamparter	Review November 2010

Page 102

|											
10.	Putting residents first	**Managing the Business Objectives (publics needs and expectations)**	• 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 • Updating the Community Strategy will affect the direction of travel in some business areas • Regeneration of Shepherds Bush Market and Former Library and wider Regen	• Robust Business Planning regime revised for 10-12 incorporating fully the Medium Term Financial Strategy • Performance monitoring and feedback through local media & H & F News • Customer experience and satisfaction surveys	Cabinet Members and Scrutiny Cttee review performance Ofsted, Care Quality Commission	3	3	9	Low	All Directors	Review November 2010
11.	Delivering value for money	**Market Testing of Services (refer to Competition Board Roadmap and Programme Dashboard)**	• 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 reported on Programme dashboard to EMT • Programme & Project Management – Risk Logs being maintained, periodic risk reviews	Competition Board, Programme Management Board, EMT, Audit review conducted for Use of Contractors	3	3	9	Low	All Directors	Review November 2010
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**			2	4	8	Low	Andrew Christie	November

Page 103

	quality, value for money public services	**Council**	**councils**							2010
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		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		2	4	8	Low 🟢		February 2011
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**			2	4	8	Low 🟢		February 2011

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.
*   Derived from Deloitte's Assurance Framework 2007/2008

CORPORATE RISK REGISTER **APPENDIX 1**

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

EMT Summary - h&f tracked Programmes and Projects - 6 October			
Strategic Programmes			
Programme	Status - last Month	Status - this Month	Comments
Asset Management Programme Sponsor: NP PM: Maureen McDonald-Khan	**Red**	**Red**	The Help Desk, Finance and Planned Maintenance modules of the **SmartFM** project (CAMSYS) went live during September but the project remains at Red status in view of concerns regarding the ultimate costs of the centralised FM Service and the CAMSYS project. This issue is expected to be resolved soon. Project Management costs will be contained by transferring responsibility for remaining data load to business as usual. Amber status is shown against the **NHS HF relocation** project from 1 HB - which has a current target date of 30 Nov 2010 for relocating at least some staff to HTHX, hence timescales are tight. Good progress is being made but there remains a great deal of work still to be done which will require close monitoring - see **Issue 2**. Vacation and hand-over of **Stowe Road depot** to be completed on 30 September. Previously reported issues in this area are now closed - see **Issue 1**. The programme dashboard now includes information on **SmartWorking Stage C** where there are two projects at Amber status: - **IT infrastructure** - where there are dependencies upon a number of HFBP projects that are cu - **Openscape** - where the upgrade is due for completion by end September, which will allow the Outlook plug-in to be completed. An overall training strategy has been drafted and an e-Learning package for the roll-out is due to be completed by early October .
Customer Transformation Programme Sponsor: LC PM: Marie Snelling	**Amber**	**Amber**	A resourcing plan has been developed for projects and key resourcing and funding gaps have been identified. These are now being addressed. A range of conversations and negotiations have been undertaken with AD Finance for departments, through DMTs and FSB to explain and agree departmental Customer transformation savings allocations. Amber status is currently shown against schedule on the **h&f Pre-Pay Card** project. We are currently engaging with 4 service providers to ascertain what they can offer us for the pilot and progress is being made. We will not achieve the Leader's 100 day target but are managing expectations. A business benefits workshop was completed on 23 Sept, the findings from which will feed into the paper. Amber status is also shown against: - Several **Lean Thinking** projects (i.e. Housing Pathway, Adult Social Care Pathway, Children's Social Care Pathway, Contact Centre, Home Care charging, Business planning / performance and Adult Social Care income generation) due to delays in either scoping the projects or getting them off the ground. - The **Improving the Customer Experience Online** project where timeframes have needed to be extended for completing work on online benefits, parking permits and council tax transactions. Work has been carried out to review the scope of the project to minimise the forecasted cost impacts. - **eResource booking** where the delivery of business case has been delayed, but will now go to CMG on 5 October.
Strategic Regeneration Sponsor: NP / Nick Johnson PM: Jon Whitwell	**Amber**	**Amber**	The **Local Development Framework (LDF)** was published in September 2010 and will go out for consultation on 1 October. Jon Whitwell is retiring at the end of September, but is likely to be returning on a consultancy basis. His role in coordinating the programme is in the process of being clarified - **see Issue 5**. There are 3 projects showing Amber status: • **Developing h&f Decent Neighbourhoods (Regeneration) Strategy** - Strategy has been drafted and now awaits the affordable housing strategy review, which is subject to external input and importantly, Member's views. Also awaiting draft borough investment plan which has been circulated and will go for consultation in Autumn 2010. • **Area Opportunity Plans - Riverside**: The Transport Study reporting back in September 2010 has assessed the quantum of new development that can be supported within the existing infrastructure and proposes a series of interventions required and costed for a higher quantum of new development at various density scenarios. A stakeholder workshop was held in July to commence consultation with relevant bodies, residents and businesses. A further workshop is planned for 28 September 2010. Rated amber against schedule and stakeholder satisfaction due to tight timescales and possibility of negative response from stakeholders. • **Fulham Town Hall** - which has now been included on the list of properties for consultation over possible disposal. A confidential soft market test is currently being undertaken and is due to report in early October.

Programme	Status - last Month	Status - this Month	Comments
Slicker Business Programme Sponsor: JW PM: Graeme Trott	**Amber**	**Amber**	The **World Class Financial Management** project has presented its business case to EMT and is pressing ahead. Timescales are tight but the project is on track to deliver the planned savings for 2011/12. The work being carried out as part of the **Role of the Organisation** project with regard to officer challenges on MTFS submissions has now largely been completed. A matrix of possibilities for future service and delivery models is being developed. Amber status remains against this project. The **Information Management** project has been refocussed towards a **Business Intelligence** project that is being supported by Agilisys. The overall governance of the eDMS rollout is now likely to pass to SmartWorking. As part of the **Support Functions** project an options paper will be going to EMT on 6 October in regard to the centralisation of performance, policy research & information functions. By the end of this calender year EMT will also receive a business case covering proposals for reorganising admin functions.
Supporting Your Choice (SYC) Programme Sponsor: JR PM: Kay Reeve	**Amber**	**Amber**	Preparations for the go live of the **Customer Journey** project in October continue. Staff briefings have been completed and detailed sessions are being held with staff impacted by the changes. Monitoring mechanisms are being developed and a letter has been sent to service users outlining the changes in processes and services. Amber status reflects the ambitious timetable but weekly meetings are taking place to manage risks. Two other projects are showing amber status against schedule - the **Universal Offer** and the **Contributions Review**. Sue Beresford has now taken over the Universal Offer project. The Contribution Review project has work under way on the charging policy.
Support for Implementing Transformational Change Sponsor: JW PM: Martin Nottage	**Green**	**Green**	PWC's work on the Transformation Programme deliverables is judged to be on track, with a clearer view of what will be presented to Transformation Board and when, and plans in place to run a workshop on 12th Oct to help inform production of the first deliverables that will be presented to the board on 27th Oct. MTFS support to most departments is also in hand, with lead work taking place with ChS in the run up to their challenge session on 30 Sept . As part of an internal re-organisation within FCS, from 1 October the Corporate PMO will transfer to OD under Martin Nottage to monitor and support the delivery of both the council's Transformation programme and business as usual.
Schools Improvement Programme Sponsor: JW PD: Andy Rennison	**Black**	**Green**	With the government's stopping of the h&f BSF programme, and the impending Government comprehensive spending review, officers are now developing an alternative funding strategy for a school improvement programme which will be submitted to Cabinet for approval. **See Issue 6.**

	EMT Summary - h&f tracked Programmes and Projects - 6 October			
	Issues and Risks			
	Programme or Project name	**Issue or Risk**	**Description**	**Recommendation**
1	h&f Network refresh and retirement of Corporate ATM Network - impact on disposal of Stowe Road Depot Director: JW PM: Jackie Hudson & David Green	**Issue**	h&f are currently refreshing the IT network links between sites. However, h&f have not been able to agree all terms and conditions with the provider, Virgin Media Broadband, for rights to gain access to buildings to carry out work (wayleaves). This delay in concluding wayleaves rights for the two critical sites for Stowe Road decommissioning of Brackenbury Road and Uxbridge Road has resulted in slippage of up to 2 months on the decommissioning of the Stowe Road network hub. We are incurring additional costs, both for maintaining Stowe Road past the original date of June but also an additional budget overspend for alternate ways of maintaining network links to sites currently dependent upon Stowe Road.	Whilst there are still issues with securing wayleaves for some sites within the h&f network, the issues particular to the disposal of Stowe Road depot have now been resolved and the site should be fully decommissioned by 30 September. A site walk through with representatives of St James took place on the 23rd of September in preparation for the handover. This issue can now be closed.
2	Asset Management programme - NHS HF relocation from 1HB Director: NP PMs: Maureen McDonald-Khan	**Issue**	NHS HF need to relocate from the existing premises in 1 Hammersmith Broadway by December 2010. One option currently being explored is to relocate to existing council premises, which would have a knock-on effect on existing accommodation, requiring the full SmartWorking of Env to be accelerated. This is a very tight timeframe to relocate this number of staff. In addition to the physical relocation of staff, there is considerable work which requires to be completed to allow flexible use of desks by Env staff and integration of the NHS IT infrastructure onto the Council's network.	Draft Heads of Terms have now been submitted to the PCT for their approval. Environmental Services will consolidate to the 5th and 6th floors thus vacating the 4th floor for the PCT. The PCT lease will commence from the 1st November 2010 but the PCT will not take occupation until the end of November 2010. The period between 1st and 30th November 2010 will be used to complete internal redecorations of the 4th floor. The project is currently on track but as timescales are tight and there is still a great deal of work to be done it will need to be closely monitored.
3	Contact Point	**Issue**	Central government have instructed that Contact Point, a project that consolidates contact details for children looked after by the Council, be decommissioned on 6th August and all held data to be destroyed.	The National database shutdown took place on noon Friday 06 August and the h&f elements of the project have now been closed down. This issue can now be closed.
4	ChS and Adults Frameworki / eDMS integration project Sponsor: Graeme Trott PM's: Richard Frost & Elwyn Rees	**Issue**	Issues had been identified with the search functionality for related family members. This is a useful search feature within Frameworki, but it currently does not pick up documents that have been scanned-in and stored within Anite. The suppliers have investigated the options for providing the required search functionality, but the costs are significant. ITSOG considered an options paper assessing the different ways forward and accepted the recommendation to revert to storing documents within Framework-i rather than the corporate EDMS, Information@Work.	The decision was made on an interim basis, but also affects Adult Social Care's use of document scanning. The decision needs to be kept under review in the light of corporate needs to view such documents and the potential for funcitonality to be developed to meet the needs of other users of Framework-i. The PMO are currently taking forward a lessons learned review of the project. The issue can be closed for the time being.
5	Strategic Regeneration Programme Sponsor: NP / Nick Johnson PM: Jon Whitwell	**Issue**	Jon Whitwell is retiring at the end of September, but is likely to be returning on a consultancy basis. His continuing role in coordinating the programme is in the process of being clarified.	The arrangements for coordination and reporting of this programme are therefore under further review and we await the outcome. If necessary this will be picked up in next month's report to EMT.

	Programme or Project name	Issue or Risk	Description	Recommendation
6	Schools Improvement Programme Sponsor: JW PD: Andy Rennison	**Issue**	As a result of the Government's announcement of the stopping of all BSF programmes that have not achieved Financial Close all work has stopped on school projects that we had within our BSF programme. Officers are now developing an alternative funding strategy for a school improvement programme which will be submitted to Cabinet for approval.	Work is progressing on the alternative funding strategy but clearly this cannot be finalised until after the results of the Government's comprehensive spending review have been published and analysed.

EMT Summary - h&f tracked Programmes and Projects - 6 October

	Calls to Action / EMT Decisions			
	Programme or Project or Area	**Action or Decision**	**Issue / Risk**	**Recommendation**
1	**There are no calls to action on EMT this month**			

16-Sep-10	Asset Management Programme - Project Status Dashboard							Programme Manager: Maureen McDonald-Khan
Project	**Cost**	**Schedule**	**Benefits Realisation**	**Quality**	**Vendor Issues**	**Stake holders**	**Project Team**	**Notes**
Decant of Parking Staff from Stowe Road Depot	Green	Green	Green	Green	Green	Green	Green	The generator will be moved on Thursday 16th September 2010 to Bagleys Lane. Awaiting confirmation from representatives from St James on the oil storage tank de-commissioning. Site is clear. The only outstanding issue is the IT comms to be relocated. David Green is confident that he will decommssion and remove the IT comms by the 30th September 2010. There will be a site walk through with representatives of St James on the 23rd September 2010 in preparation for handover on the 30th September 2010.
Facilities Management and Corporate Asset Management System, CAMSYS (PM Matthew Derry-Thomas)	Amber	Red	Amber	Green	Red	Green	Green	The Help Desk and Planned maintenance modules will go live on the 17th September 2010. The supplier, Technology Forge (TF) has been developing a series of enhancements to h&f's specifications, and these are in progress, with a latest delivery date for the full set by October 2010. The Cedar interface is also outstanding, although this would not prevent go live. The project management module will be delivered as a separate project. The responsibility for loading the remaining datasets will be transferred to business as usual. Concerns remain in regard to the ultimate costs of the centralised FM Service and CAMSYS project costs.
Civic Accommodation (Bill Dyke)	Green	Green	Green	Green	Green	Green	Green	Sign off on design freeze for plans expected soon, in readiness to go for Planning approval submission in early autumn 2010. Need to understand costs of new accommodation.
Environment moves within HTHX (PM Jonathan Bruwer)	Green	Green	Green	Green	Green	Green	Green	Planning has started on the moves required to enable NHS HF relocation from 1 HB. Project is on track to meet overall timelines. 5th floor space plan has been approved and 6th floor is on track for sign-off by due date (17th Sep). Re-carpeting of 5th floor will now happen post move to de-risk the project and enable the first move to happen 2nd half w/c 18th October. There have been some delays in gaining divisional sign-off on required IT applications and Power PCs but this is now on track. HFBP will provide costs for installations by 20th September. Next steps are to confirm ENV IT device requirements and to concentrate on OD aspects of the project.

Page 111

Project	Cost	Schedule	Benefits Realisation	Quality	Vendor Issues	Stake holders	Project Team	Notes
NHS HF relocation from 1 HB (PM Terance Sotinwa)	Amber	Green	Green	Green	Green	Amber	Green	The PCT has now agreed to relocate from 1 The Broadway to the 4th floor HTHX. Draft Heads of Terms have now been submitted to the PCT for their approval. Environmental Services will consolidate to the 5th and 6th floors thus vacating the 4th floor for the PCT. The PCT lease will commence from the 1st November 2010 but the PCT will not take occupation until the end of November 2010. The period between 1st and 30th November 2010 will be used to complete internal redecorations of the 4th floor.
Asset Management	Green	Green	Green	Green	Green	Green	Green	ChS, RSD and CSD property asset reviews have now been completed and properties surplus to requirements have been indented and included in the disposal programme. The property asset review for Housing and Regeneration Services will be considered at the next LAMP meeting in September 2010.
Barclay House	Green	Green	Green	Green	Green	Green	Green	Currently undertaking review of relocating Barclay House staff into other council buildings. This is inter-related to the NHS-HF move in that it could impact on where the Barclays House staff relocate to. The plan is to SmartWork the staff prior to their move and we are currently working with the SmartWorking programme to ensure that this takes place by the time the lease expires on 28th September 2011. PID and plan are under development. Initial phase will be CSD and the first CSD Project Board is scheduled for Monday. AR now working with Adele Casey to develop an accommodation roadmap up to and including the Barclay House project for review and agreement through departmental Asset Review meetings, APB & CADT. Buy-in appears strong across CSD, CHS and RSD.
Voluntary Sector Premises Review (Sue Spiller)	Complete	Complete	Complete	Complete	Complete	Complete	Complete	The review is completed - it resulted in the 3rd Sector Strategy: Premises Plan, which was agreed by Cabinet in September 09. Implementation of the strategy includes a current consultation on a proposal to consider a number of buildings for disposal - a report on this will go to Cabinet in December/January.
Smart Working Programme - Stage C								
IT Infrastructure	Green	Green	Green	Green	Amber	Green	Green	HFBP projects that are considered dependencies for each Stage C project remain on track (User Personalisation, Manual Y, Home Worker SLAs, Openscape licence procurement & set-up). IT infrastructure projects on track and all but one of the critical Openscape issues have been resolved (see next note). Milestones have been agreed with HFBP.

Project	Cost	Schedule	Benefits Realisation	Quality	Vendor Issues	Stake holders	Project Team	Notes
Openscape	Green	Green	Green	Green	Amber	Green	Green	Openscape - Currently agreeing date for infrastructure upgrade with Siemens (HFBP have indicated that this will be done before 30/09). Completing the plug-in is dependent on this upgrade. User Acceptance Testing for the plug-in has been agreed with HFBP to be completed by 30/09/2010. E-learning package is being developed with OD and is due to be completed by 08/10/2010. Overall training strategy for Openscape has been drafted.
2nd floor THX project	Green	Green	Green	Green	Green	Green	Green	Project has started and John Cordani is in place as Project Manager. SWITs have been identified and an initial kick-off held. Project timescale has been agreed to run until the end of November. This project will form a key dependency for the Barclay House project as 40 desks will be freed-up on the 2nd floor to accommodate CSD staff (with flexibility for PCT staff to also work there).
Benefits management strategy for SmartWorking	Green	Green	Green	Green	Green	Green	Green	The proposed approach was approved at Programme Board on 3rd September. Cheryl Rehal will now be taking the approach forward with departments.
EDMS and SmartWorking	Green	Green	Green	Green	Green	Green	Green	AR met with Ron Clements to understand requirement for SmartWorking to inform EDMS (Anite) roadmap. OD Lead engagement with departments will include developing view of requirements for EDMS to pass to Information Management team.

Project	Cost	Schedule	Benefits Realisation (Overall)	Quality	Vendor Issues	Stakeholder Satisfaction	Project Team	Indicative savings allocations 2011/12 Target	Indicative savings allocations 2012/13 Target	Summary Comments
Customer Transformation Programme										Programme Manager: Marie Snelling
										A resourcing plan has been developed for projects and key resourcing and funding gaps have been identified. These are now being addressed. A range of conversations and negotiations have been undertaken with AD Finance for departments, through DMTs and FSB to explain and agree departmental Customer transformation savings allocations.
Lean Thinking										
Housing pathway	Green	Amber	Green	Green	Green	Green	Green	75,000	175,000	*MS, Julie Matthews and Anne Marie Bonner met with Toby Graves and have drafted a scope for how Lean could support H&F Advice and broader Housing Options to achieve required savings (MTFS plus transformation cut) *The dashboard is amber due to the slippage in time associated with scoping this project.
Adult Social Care Pathway	Green	Amber	Green	Green	Green	Green	Green	100,000	225,000	* Meeting with partners held in July and scope of project determined * Decision taken to appoint an interim rather than engage consultants * Project Manager in place (Mike Turner) and draft PID produced * JD for interim currently being produced * Dashboard is amber due to slippage of time on scoping this piece of work
Children's Social Care pathway	Green	Amber	Green	Green	Green	Green	Green	100,000	225,000	* CP, Jenny Charles and MS progressing Lean event on legal processes * REV event for Passenger transport being scoped for delivery * Dashboard is amber due to lack of progress in pusruing further Lean projects in social care despite Clare Potts engaging widely
Planning	Green	Green	Green	Green	Green	Green	Green	0	0	* Project is being delivered
Contact centre demand management and migration	Green	Amber	Green	Green	Green	Green	Green	150,000	250,000	* Draft business case complete and to be agreed by end of September (with input from LTG) * Dashboard amber due to slippage in producing the business case
Becoming unemployed/finding work	Green	Green	Green	Green	Green	Green	Green	0	100,000	*Agreement from JCP to map the customer journey * MS in conversation with CP to see if we can secure DWP resource to undertake value stream mapping to kickstart the project * JCP have agreed to move to an integrated offer around worklessessness and this piece of work will be important to unlocking further potential to drive savings around benefit processing for both DWP and the Council.
Home care charging	Green	Amber	Green	Green	Green	Green	Green			* Project to commence w/c 13th Sept * Dashboard marked amber due to slippage in time for getting this project off the ground
Business planning/performance	Green	Amber	Green	Green	Green	Green	Green	Savings to Slicker Business	Savings to Slicker Business	* Cheryl Rehal is working with the PPRI project and is driving a Voice of the customer element to the work
HR	Green	Green	Green	Green	Green	Green	Green	Savings to Slicker Business	Savings to Slicker Business	* MS has sessions booked with key process owners for 20th Sept
Rapid improvement workshops	Green	Green	Green	Green	Green	Green	Green	TBC	TBC	*Rapid improvement workshop in Cleaner Greener delivered successfully *Passenger transport event being scoped with CHS * Successful session with CSD managers forum identified 3 REV events to be scoped
Traded services to schools	Green	Green	Green	Green	Green	Green	Green	50,000	150,000	* MS is supporting Sam Relf with a deep dive analysis on all traded services to schools, key costs, actual income received etc to inform future direction as part of the merger with Westminster. * CHS DMT have agreed to engage staff in identifying further commercial opportunities - Andy Rennison, Dave Mc and Marie Snelling to work out an approach
Advertising and sponsorship	Green	Green	Green	Green	Green	Green	Green	25,000	50,000	* SJ, MS and SB holdiing a workshop on 21st September 2010 with colleagues across the organisation to explore initial options
Parking	Green	Green	Green	Green	Green	Green	Green	50,000	100,000	* ENV DMT agreed that income focus should be on reducing debt levels * MS and John Collins working on 2 debt management approaches which will be of benefit to Parking 1) for contact centre to play a role in chasing 'young debt' 2) external contractor to take and pursue old debt on a risk reward basis
Adult social care	Green	Amber	Green	Green	Green	Green	Green	100,000	125,000	* Workshop to consider wider ASC income generation opportunities to be designed * Amber as this has not yet been progressed

Project	Cost	Schedule	Benefits Realisation (Overall)	Quality	Vendor Issues	Stakeholder Satisfaction	Project Team	Target	Target	
										A resourcing plan has been developed for projects and key resourcing and funding gaps have been identified. These are now being addressed. A range of conversations and negotiations have been undertaken with AD Finance for departments, through DMTs and FSB to explain and agree departmental Customer transformation savings allocations.
Other commercialisation opportunities	Green	Green	Green	Green	Green	Green	Green	50,000	300,000	* Initial proposals on product offering to be presented back to RSD and ENV DMTs in July * Initial work on cross sell has started in RSD- to be rolled out * CHS DMT agreed that MS to work with Andy R and Dave Mc to engage managers in commercialisation workshops
Customer toolkit	Green	Green	Green	Green	Green	Green	Green	N/A	N/A	*Mark Hutton and the Early Years team have agreed to trial the customer toolkit- managers meeting in July 2010 to discuss * Customer toolkit to be used to inform role of the organisation discussions
Communications and engagement	Green	Green	Green	Green	Green	Green	Green	N/A	N/A	No focused Lean comms over the summer period but MS has been working with SJ and FT to develop overall transformation messages for both staff and external customers
Learning and development	Green	Green	Green	Green	Green	Green	Green	N/A	N/A	* MS and CR are scoping a Lean elective as part of the MDP * MN and MS met with Max Jones from LEAD to understand their proposition and how this could proivde learning and development for staff whilst building capability around Lean
Channel Migration (Overall Workstream)	Green	Green	Green	Green	Green	Green	Green	300,000	800,000	Scoping of priority projects within the programme is ongoing and the outline business case development has commenced. The Improving the Customer Experience Online project has reduced its forecast cost over-run but is still predicting £30k over the approved budget. The business cases for ReportIT and e-Resource Booking have both been delayed. The Project Board on ReportIT would like to discuss the project's priority with the Leader and are also awaiting an anticipated announcement from the Mayor of London regarding Love Clean Streets. The e-Resource Booking busines case will now be presented to CMG on 2 November. A number of options are being reviewed for the My h&f Pre-Pay card. The Tell Us Once project has been placed on hold following the announcement that it is undergoing central government funding review. The findings and their implications from the fact-finding work in regard to the billing aspects of the Payments and Billing project were discussed at CMG and next steps agreed.
Improving the Customer Experience Online and Project Sparkle projects (Sponsors John Collins, Jackie Hudson; PM David Cook)	Amber	Green	Green	Green	Green	Green	Green	N/A	N/A	Project Sparkle - The improved website went live Monday 26th July. Early analysis shows approx 10% of visitors who were previously 'bouncing' are now clicking through to more pages and two-thirds of users are clicking on the personalised links on their homepage. In a survey on the intranet, staff were asked to compare how well the old and new sites enhance the council's reputation and encourage take-up of online services. The old site scored 5/10 and the new site scored 7/10 on both measures. Key outstanding tasks for project closure: - Put final 'wrapped app' (payments) live; - update website SMA to an SLA; - conduct user survey on website, - submit entries for LGC and e-Govt awards. Improving the Customer Experience Online - Forecast cost is £648k (8.0% over original £600k budget; 4.9% over approved budget of £617,800). This is down from £661k last month due to reduced estimate for H&F project manager. Benefits calculator/claim form launch continues to be pushed back due to integration and testing issues and a dependency on Risk Based Verification. SMART Visitor Permits functionality will go live later than the rest of the customer portal due to availability of Parkmobile. A number of minor additions have been made to scope and these changes are putting pressure on HFBP's ability to deliver the expanded scope within the fixed price SP for implementation. An Academy upgrade has caused delays in development and testing. Main risks: a) Parkmobile costs are T&M basis so could rise b) Difficulties getting hold of test data c) Availability of H&F staff to plan and carry out process re-engineering, UAT, etc d) Performance issues

h&fProgrammes&Projects_EMT_6 Oct v2.xls

Page 115

Project	Cost	Schedule	Benefits Realisation (Overall)	Quality	Vendor Issues	Stakeholder Satisfaction	Project Team	Target	Target	
										A resourcing plan has been developed for projects and key resourcing and funding gaps have been identified. These are now being addressed. A range of conversations and negotiations have been undertaken with AD Finance for departments, through DMTs and FSB to explain and agree departmental Customer transformation savings allocations.
eResource Booking (Sponsor Marie Snelling, Marie Snelling; PM Stephen Menzies)	Green	Amber	Green	Green	Green	Green	Green	50,000	175,000	Currently clarifying and finalising requirements with departments. Site visits have been set up to view the offerings from the four suppliers that we have been dealing with - all with a view to having final costing from suppliers by end Sept. A costed options paper from HFBP is due week beginning 4 October which will be used to finalise the business case which will now go to CMG on 2 November. Currently expecting project itself to be implemented April 2011, 1 month later than originally envisaged.
Report It! (Sue Harris; PM Stephen Menzies)	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	HOLD	Savings included in e-forms below	Savings included in e-forms below	Project Board reviewed draft solution proposal and customer journey. Recognising that this project has taken some time to get to this stage it was agreed that the project's priority and value for money be discussed with the leader before continuing to implementation. Also re-examining scope with a view towards extending functionality to mobile phomes as well as the web. Currently on Hold pending confirmation of the anticipated announcement, due end Sept, from the Mayor of London regarding a pan-London rollout of Love Clean Streets.
My h&f Pre-Pay Card Sponsor: Jackie Hudson PM: Howell Huws	Green	Amber	Green	Green	Green	Green	Green	TBC	TBC	A 2 stage approach is being taken forward with an initial pilot to deliver some card functionality to meet the Leader's 100 day target followed by a larger, competitively tendered, project aimed at delivering all the facilities that will be required by h&f of a corporate card. Currently engaging with 4 service providers who are supplying us with details of what they can offer for the pilot. Benefits and cashable savings workshop due to be held on 23 Sept.
Billing and payments (Sponsor tbd; PM Claire Barrett)	Green	Green	Green	Green	Green	Green	Green	150,000	225,000	**Payments:** An analysis has been completed on the channels through which payments are made to h&f. A further piece of work is under way where we have asked departments to advise: 1) Whether there are any services that customers cannot currently pay for online that need to be added. 2) Whether any of the services will require any other payment functionality in order to migrate customers to cheaper channels. The information fed back from departments has been entered into a spreadsheet. We will take forward the necessary improvements with HFBP. **Billing** is more complex and a short-term secondee from Deloittes was secured to focus on this area. A 15 day fact-finding exercise has been completed. This work is also of significant interest to the World Class Financial Management project and the findings have been shared with them. The implications of the findings were presented to CMG in September where the next steps were agreed. Rather than progress from purely a billing perspective it will be wrapped-up in an offer to services to review their costs to serve (access, delivery & payment). e-Billing will also form a part of Project Speed. Findings to also be shared with FSB.
Tell Us Once (Sponsor: Marie Snelling PM: Stephen Menzies)	Green	Green	Green	Green	Green	Green	Green	TBC	TBC	This is a strategic project that we have signed up to. It is a national programme and we are part of the 2nd wave. Project status was moved to On Hold following a government announcement that the Tell Us Once programme was undergoing central government review. Announcement stated that the decision on likelihood of funding being available will be taken in mid-August. The letter to Chief Executives on 14 September has since confirmed that the Efficiency and Reform Group (ERG) has provided formal approval for the programme to proceed. A revised timetable for the strategic IT solution is to be published as the delay in appraising the programme has had an impact on delivery dates.
Project Speed ('Life'- a secure digital letterbox) (Sponsor: Marie Snelling; PM: Claire Barrett)	Green	Green	Green	Green	Green	Green	Green	TBC	TBC	A report was discussed at EMT on 4 August and papers were presented to CMG in September where it was agreed that this is as an opportunity worth exploring. Marie Snelling to take it forward to Cabinet Briefing and to conduct further discussions with the I-Red Partnership (a wholly owned subsidiary of the Royal Mail Group Ltd). This will incorporate e-Billing which Claire Barrett is managing. Further meeting held with I-Red on 21 Sept.
Mobile technologies (Sponsor: Marie Snelling, PM: Claire Barrett)	Green	Green	Green	Green	Green	Green	Green	TBC	TBC	A piece of exploratory pre-work is currently being carried out with HFBP. This will examine what "offers" can be made to services re the use of SMS.

Page 116

Project	Cost	Schedule	Benefits Realisation (Overall)	Quality	Vendor Issues	Stakeholder Satisfaction	Project Team	Target	Target	
										A resourcing plan has been developed for projects and key resourcing and funding gaps have been identified. These are now being addressed. A range of conversations and negotiations have been undertaken with AD Finance for departments, through DMTs and FSB to explain and agree departmental Customer transformation savings allocations.
e-Forms (Marie Snelling PM: Lee Maynard)	Green	Green	Green	Green	Green	Green	Green	50,000	75,000	An initial list of existing e-forms is held by Stephen Menzies. Resources to carry forward the project included in the programme resourcing requirements sent to Jane West.
Self/supported assessments (Sponsor: TBC PM: TBC)	Green	Green	Green	Green	Green	Green	Green	0	75,000	It will be explored further once the Improving the Customer Experience Online project has been completed.
Engagement and Consultation (Overall Workstream)	Green	Green	Green	Green	Green	Green	Green	N/A	N/A	The group has: • Developed a new engagement and partnership strategy for the Council based around greater neighbourhood involvement.... due to go EMT in early September • Engagement work/customer insight to be supported by new ward-based communications funded by local advertising • New stakeholder e-newsletter to be launched in September, called 'Inside Track' • Internal engagement due to be launched in September to support customer transformation, aligned with external messaging • First draft of engagement toolkit completed - to be used across the Council from September
Corporate Workforce (Overall Workstream)	Green	Green	Green	Green	Green	Green	Green	N/A	N/A	• LGC mini challenge reviewed - consideration being given to run as a 3 borough event next year • Generic job descriptions - sub group met - visit planned to Portsmouth. This aims to help create greater flexibility and provide career development for staff. • Supporting change programme piloted in RSD and CSD - good feedback. Buddy programme run for front line staff by front line staff being rolled out in RSD. • Performance appraisal scores reviewed and indicate role for managers to be more challenging - consider review categories and move from 4 to 5. • Consideration being given to the HR consequences of joint working at the October meeting.
Management development programme	Green	Green	Green	Green	Green	Green	Green	N/A	N/A	Work on the 'role of the Hammersmith and Fulham manager' continues and will concentrate especially on what keeps the H&F manager motivated. The management development programme has commenced.
Total Reward project	Green	Green	Green	Green	Green	Green	Green	N/A	N/A	A Total Reward project in conjunction with the London Borough of Camden has been initiated with the aim of presenting the benefits of the Council's overall pay and benefits package to staff and prospective recruits in a coherent and organised way.

Page 127

22 September 2010	Strategic Regeneration Programme Status Dashboard							Programme Manager: tba
								Summary Comments
Project	**Cost**	**Schedule**	**Benefits Realisation**	**Quality**	**Vendor Issues**	**Stakeholder Satisfaction**	**Project Team**	The Local Development Framework (LDF) will be published in September 2010, evidence base being developed in response to high level of comments received. Likely to go out for consultation Autumn 2010. Jon Whitwell is retiring at the end of September, but is likely to be returning on a consultancy basis. His role in coordinating the programme is in the process of being clarified.
Developing h&f Decent Neighbourhoods (Regeneration) Strategy (Sponsor NJ, Project Lead ?)	Green	Amber	Green	Green	Green	Green	Green	Document has been pulled together and now awaits the affordable housing strategy review, which is subject to external input and importantly, Member's views. Now awaiting draft borough investment plan which has been circulated and will go for consultation in Autumn 2010.
Area Opportunity Plans - Hammersmith (Sponsor NJ/NP / Project Leads Matin Miah, Juliemma McLoughlin)	Green	Green	Green	Green	Green	Green	Green	White City residents/stakeholders advisory group first meeting held on 11 August 2010 - further meetings being planned with expanded membership. The Leader has been briefed on the emerging OAPF in early July, further briefings planned for late August. OAPF public consultation planned from Oct to Nov 2010 - early resident drop-ins/exhibitions being organised for September. Shepherds Bush Market Planning Brief being updated following consultation. A viable regeneration scheme has been identified with the interested developer. Cabinet decision is due 14 October 2010.
Area Opportunity Plans - North Fulham, West Kensington and Earl's Court (Sponsor NJ/NP / Project Lead Matin Miah, Juliemma McLoughlin)	Green	Green	Green	Green	Green	Green	Green	Sir Terry Farrell and Partners have been appointed as masterplanners by the developer. They are discussing with the council and local residents the key concepts which will udnerlie development of the area. This process will be key to the council's decision in principle to participate or not in a comprehensive regeneration proposal.
Area Opportunity Plans - Riverside (Sponsor NP / Project Lead Philip Morris, Juliemma McLoughlin)	Green	Amber	Green	Green	Green	Amber	Green	The Transport Study will be reporting back in September 2010 and has assessed the qunatum of new development that can be supported within the existing infrastructure and porposes a series of interventions required and costed for a higher quantum of new development at various density scenarios. A stakeholder workshop was held in July to commence consultation with relevant bodies, residents and businesses. A further workshop is planned for 28 September 2010.
Economic Development (Sponsor NJ, Project Lead Kim Dero)	Green	Green	Green	Green	Green	Green	Green	Project seeks to maximise employment opportunities for residents through better co-ordination and multi agency service integration, particularly with Job Centre Plus. Key achievements include • a successful pilot apprenticeship scheme at the Council offering 19 residents (17-24 years) an opportunity to gain NVQ2 Business Admin and paid employment (14 completed programme August 2010); • 7 Advanced Apprenticeships (NVQ3 Business Admin) commencing Sept 2010 • funding for the Work Matters lead officer and the successful development of an integrated LBHF/JCP service offer to be piloted at Hammersmith JCP from 1st October 2010. Project development includes successful bids for Future Jobs Funding which has seen 55 young people, previously unemployed for at least 6 months, working with the Council and 65 working with local 3rd Sector organisations.

								Programme Manager: tba
22 September 2010		**Strategic Regeneration Programme Status Dashboard**						
								Summary Comments
Project	**Cost**	**Schedule**	**Benefits Realisation**	**Quality**	**Vendor Issues**	**Stakeholder Satisfaction**	**Project Team**	The Local Development Framework (LDF) will be published in September 2010, evidence base being developed in response to high level of comments received. Likely to go out for consultation Autumn 2010. Jon Whitwell is retiring at the end of September, but is likely to be returning on a consultancy basis. His role in coordinating the programme is in the process of being clarified.
Local Housing Company (Sponsor NJ, Project Lead Ken Glendinning)	Green	Green	Green	Green	Green	Green	Green	Financial modelling has now been completed and a preferred approach has been discussed with Members, and a detailed Outline Business Case being prepared together with a Cabinet briefing for July.
Fulham Court Estates Renewal (Sponsor NJ, Project Lead: Angela O'Connor)	Green	Green	Green	Green	Green	Green	Green	Jan 2010 Cabinet approved Fulham Court Improvement Strategy: Phase 1 Physical Improvements recommending that work continue on the estates improvement strategy, in particular to review the location of the proposed children's centre following consultation with residents. March 2010 Cabinet approved report for an integrated children's centre and tenants hall into one building Public exhibition in Feb 2010 for residents to comment on preferred location and to indicate preferences for estate improvements. Location of new centre agreed and planning application to be submitted imminently, with a start on site in autumn.
Fulham Town Hall (Sponsor: NJ, Project Lead: Phillip Morris)	Green	Amber	Amber	Green	Green	Amber	Green	A report has been produced jointly between Strategic Regeneartion and Property management to assess different options for development and disposal met5hods and estimates values. The town hall has now been included on the list of properties for consultation over possible disposal. a confidential soft market test is currently being undertaken by Property managemnet and is due to report in early October.

20 Sept 2010

Programme Manager: Graeme Trott

	Slicer Business							Overall Summary: The World Class Financial Management project has presented its business case to EMT and is pressing ahead. Timescales are tight but the project is on track to deliver the planned savings for 2011/12. The work being carried out as part of the Role of the Organisation project with regard to officer challenges on MTFS submissions has now largely been completed. A matrix of possibilities for future service and delivery models is being developed. The Information Management project has been refocussed towards a Business Intelligence project that is being supported by Agilisys. The overall governance of the eDMS rollout is now likely to pass to SmartWorking. An options paper will be going to EMT on 6 October in regard to the centralisation of performance, policy research & information functions. By the end of this calender year EMT will also receive a business case covering proposals for reorganising admin functions.

Project	Cost	Schedule	Benefits Realisation	Quality	Vendor Issues	Stakeholder Satisfaction	Project Team	
Collaborative working with other organisations through shared functions and efficient service design (Overall Workstream)	Green	Green	Green	Green	Green	Green	Green	Work in this area is currently being kept under review by the SP programme, although the likelihood is that it will become a separate programme when work across the 3 boroughs (h&f, K&C and Westminster) becomes more formalised. Various areas are currently being examined, including longer term areas such as IT and Corporate Finance and possibly more shorter-term areas such as Legal, HR, Business Transformation, Housing Benefits and other areas within h&f Direct.
Athena project (Finance Shared Services across London) Led by: Adam Evans / Caroline Wilkinson	Green	Green	Green	Green	Green	Green	Green	This is a Capital Ambition project aiming for standardisation of common processes and functions across all London authorities, to co-ordinate and join up the SAP, Agresso, Cedar and Oracle users in London to harness their purchasing power and to procure 1 or 2 managed/hosted Enterprise Resource Planning (ERP) software systems which can support the financial and human resource processes through a single supplier. h&f are currently carrying out a watching brief and will be taking a longer term view, i.e. in the context of our plans for collaborative working with neighbouring authorities. There have been no further meetings over the summer months but these will resume in October.
Reductions in the cost of support functions through shared functions (Overall Workstream)	Green	Green	Green	Green	Green	Green	Green	This is looking at areas including: admin, performance, policy research & information, procurement and internal audit: • admin: Richard George is now leading work in this area. Over the next few weeks the emphasis will be on confirming which staff are within scope of the project. Visits will take place to 3 other authorities who have re-structured their admin (Hounslow, Harrow & Hackney) and a private sector organisation. The plan is to submit a business case to EMT before the end of the calender year. • performance, policy research & information: an options paper re the potential centralisation of staff working in this area will be going to EMT on 6 October. • procurement: for the moment our focus is on the Contract Review and Negotiation programme as reported elsewhere below. • internal Audit: service to be re-tendered - paper to Competition Board on 21 Sept.
World Class Financial Management (WCFM) Led by: Caroline Wilkiinson	Green	Green	Green	Green	Green	Green	Green	The business case for this project has now been presented and agreed. There are some concerns over whether the timetable is achieveable but the project is pressing ahead and is on track to achieve the planned 2011/12 savings.

Project	Cost	Schedule	Benefits Realisation	Quality	Vendor Issues	Stakeholder Satisfaction	Project Team	
Improve Business Intelligence across the organisation (Overall Workstream)	Green	Green	Green	Green	Green	Green	Green	Project has been re-focussed towards Business Intelligence rather than Information Management. The eDMS elements previously reported upon are now likely to move across to SmartWorking. Various meetings have taken place with Liz Constance and Graham Davies of Agilisys who are currently looking towards developing a scope and approach for the project which will go to EMT. The current aim is to have a draft ready for SB Board on 28 October.
Provide a benefits management function for the organisation's Transformation Portfolio (Overall Workstream)	Green	Green	Green	Green	Green	Green	Green	Liz Constance of Agilisys is currently examining this area and we are also talking to Alistair Cameron of PWC. We are using a variant of the in-house MTFS tracker for the current financial year. The bid to the Capital Ambition Board regarding the Verto tracker has been abandoned. .
Role of the Organisation (Overall Workstream)	Green	Amber	Green	Green	Green	Green	Green	MTFS submissions and officer challenges now largely completed. Martin Nottage is currently developing a matrix of possibilities of future service and delivery models that we may wish to pursue in regard to the role of the organisation.
Procurement (Overall Workstream, led by Francis Murphy)	Green	Green	Green	Green	Green	Green	Green	A briefing note was circulated in July setting out the Contract Review / Negotiation programme which also proposed refreshing the Market Testing programme. An update report was presented to Competition Board on 21 Sept showing the Top 10+ contracts in each department and the progress being made in engaging with suppliers. Competition Board requested that the Head of Procurement (Francis Murphy) plus the procurement relationship managers attend DMT's to further discuss the work and discuss the best approaches to be taken. As well as attempting to renegotiate on prices, departments will be encouraged to take a holistic approach and examine other areas such as reduced level of demand, streamlined contract management arrangements etc A Contract Managers Forum has been arranged for 19 October to which all Directors and Assistant Directors have been invited. As part of a reorganisation currently under consultation within FCS, the plan is for the procurement area come under Jackie Hudson's leadership from October.

16 September 2010	Supporting Your Choice Programme							Programme Manager: Kay Reeve
								Summary Comments
Project	**Cost**	**Schedule**	**Benefits Realisation**	**Quality**	**Vendor Issues**	**Stakeholder Satisfaction**	**Project Team**	
Adult Social Care (ASC) Workstream - (John Chamberlain)		Amber						
Completion of the 100 Club.	Green	Green	Green	Green	Green	Green	Green	Evaluation findings and recommendations being built into the Customer Journey - preparations for roll out. This project is completed - except for reviewing activity (BAU) CLOSE
Development of Support Planning Service (Day Services Review)	Green	Green	Green	Green	Green	Green	Green	Support Planning Service now live with 6 permanent staff members. Induction and initial training programme completed. CLOSE
Review and implement Customer Journey	Green	Amber	Green	Green	Green	Green	Green	Preparations for "go live" on 1st October continue. Staff briefings completed. Fwi developments underway. Process, forms and letters signed off at ASC SYC board. Staff who have not participated in briefing sessions will be briefed through sweep up sessions. Detailed walk through/training sessions are currently happening with all staff impacted by changes. Floor walking support will be provided during roll-out. Working on monitoring mechanisms for mangement team and programme team. Letter has been sent to all service users outlining changes in process and services. Information handbook will also be available, in a clear easy to understand format, being reviewed and awaiting sign-off prior to design work.
Implementation of Self Assessment / Resource Allocation System	Green	Green	Green	Green	Green	Green	Green	Resource allocation sytem (RAS) has been designed. The process has been proven through pilot work. RAS business questions have been merged into existing assessment and this has been built in Frameworki, with HFBP to deliver within FWi
TCES Retail Model project	Green	Green	Green	Green	Green	Green	Green	Now in initiation phase, which will run until end of December, being supported by PM resource from DoH. Part of this phase is to revisit financial model to confirm efficiency savings from the project.
Reablement service (development and implementation)	Green	Green	Green	Green	Green	Green	Green	The reablement service has been expanded to include anyone who is identified as needing home care support (previously the reablement service was focussed on people being discharged from hospital). Service went live on 1 May 2010. CLOSE

16 September 2010		Supporting Your Choice Programme						Programme Manager: Kay Reeve
Project	**Cost**	**Schedule**	**Benefits Realisation**	**Quality**	**Vendor Issues**	**Stakeholder Satisfaction**	**Project Team**	**Summary Comments**
Quality Commissioning and Procurement (QCP) - (Benedict Hefford)		Amber						
Market Management (lead Rachel Soni)	Green	Green	Green	Green	Green	Green	Green	Exrnal support has been commissioned from Sequena who have started work. Time limited piece of work with commissioners and providers to ensure that providers have a development plan to ensure readiness for changes in commissioning arrangements, and being able to provide services to indiviudal purchasers and have a development plan based on an agreed template. Due for complete in December
Universal Offer (Information & Advice)	Green	Amber	Green	Green	Green	Green	Green	Sue Beresford has taken over as lead in Sarah McClintons absence. Linking with WLA workshop in July to consider efficiency opportunities for procuring information web portal. Update 19th July 2010: SYC board made decision 15 Jul 10 to pursue development of web-enabled information via lbhf website. WLA development still an option.
Carers Grant (review & development)	Green	Green	Green	Green	Green	Green	Green	Commissioner will prepare a proposal for Carers' grants process which will complete this project.
Personal Health Budgets (Pilot)	Green	Green	Green	Green	Green	Green	Green	Care facilitators are undertaking baselining interviews with pilot project participants. Working on idnetifying suitable patients from long term illness client group. Scope remains on track. Sign up by end of financial year of all patients in.
Brokerage service	Green	Green	Green	Green	Green	Green	Green	Decision at board to hold this piece of work until we have built our understanding of this role via our internal Support Planning Service. Update July 2010: To be reviewed at programme board at end 2010.
Infrastructure - (Mark Jones)								
Contributions Review	Green	Amber	Green	Green	Green	Green	Green	Work underway to analyse areas of the charging policy - to understand what is related to process failure versus where a change in policy may be required. This work will be concluded during next reporting period. Update July 2010: Possible consultation being considered - decision will be made in August 2010. KR will update to us

Criteria to determine Project Status							
Status	**Cost**	**Schedule**	**Benefits Realisation**	**Quality**	**Vendor Issues**	**Stakeholder Satisfaction**	**Project Team**
Green	On Budget and forecast to complete on budget.	On Schedule, projected milestone dates all OK.	No Current Issues re achieving benefits targets.	No Current Quality Issues.	No current vendor issues.	No current stakeholder issues.	No current project team issues.
Amber	Currently > 5%* over budget or Forecast > 5%* over budget at completion (* lower figure of 5% or £10K)	In jeopardy of missing a milestone date – recovery plan in place.	Minor problems known or projected in meeting agreed benefits targets – recovery plan in place.	Minor problems with meeting customer expectations re published quality and acceptance criteria – plan in place.	Minor vendor issues or dissatisfaction which can be addressed – plan in place.	Minor stakeholder issues or dissatisfaction which can be addressed – plan in place.	Some (non critical) team satisfaction issues – plan in place to address.
Red	Currently > 10%* over budget or Forecast > 10%* over budget at completion (* lower figure of 10% or £20K)	Has missed, or projected to miss key milestone. Note that this may be because of a dependency on another project.	Problems known or projected in meeting agreed benefits targets.	Major problems with meeting customer expectations re published quality and acceptance criteria.	Major vendor issue or dissatisfaction that will effect delivery dates, quality or costs.	Major stakeholder issue or dissatisfaction – this issues relating to achievement of benefits goals.	Critical project team issues that will effect delivery dates, quality or costs.
Black	Normal mitigation and management are not working to control cost.	Normal mitigation and management are not working to control or correct the project schedule.	Normal mitigation and management are not working to meet agreed benefits targets.	Normal mitigation and management are not working to produce acceptable quality.	Normal mitigation and management are not working to meet client expectations.	Normal mitigation and management are not working to meet client expectations.	Normal mitigation and management are not working to meet needs of team.

Overall project status colour is highest of individual Key Status Indicators (e.g. if 1 red, 1 amber, and 4 green, then overall project is red)

Page 124

AUDIT AND PENSIONS COMMITTEE

9 December 2010

CONTRIBUTORS	**Corporate Anti Fraud Service Q2 Fraud Report 2010-11**	**WARDS**
Head of Fraud Service Chief Internal Auditor Director of Finance		All

The report updates on progress on delivering Corporate Anti-Fraud Service service plans in quarter 2 of the 2010-11 year, including key results of the work undertaken and the level of performance achieved.

RECOMMENDATION:

That the Committee agrees the contents of the report.

Hammersmith & Fulham Council

Corporate Anti Fraud Service

Fraud Report

The Council's 2nd Quarter Fraud Report to 30th September 2010

Management Summary

1. This report details the counter fraud work undertaken during the first two quarters of the financial year to 31st March 2011, by the Council's Corporate Anti Fraud Service (CAFS).

2. Performance is measured by output in numbers of sanctions (prosecutions, penalties, formal cautions or other action taken directly against proven fraudsters). CAFS has delivered 156 sanctions (including 13 prosecutions) in the first half year, plus 33 removals from the Housing Register that took place in March 2010 which were too late to be included in the year end outturn report (and hence which have been included in this years report). This total delivery of 189 compares very well to the annual unit target of 180.

3. Applying the Audit Commission's recommended values for property recoveries, as well as calculating the value of overpayments generated and penalties applied to offenders, the value of CAFS work to the council for the first half year stands at £9.7 million, against an annual projected operating cost of £1.1million. The unit has also delivered direct cash benefit to the council in the first 6 months of the year totalling £300,000.

4. Targeted project work aimed at reducing tenancy fraud continues as this helps reduce the housing register, reduces fraudulent letting of council properties to free them up for those in real need, and reduces the likelihood of fraudulent sub-letting in the future. It should also help to reduce level of temporary accommodation needed by the council. CAFS employs 2 officers funded in part from central government to achieve this, their work has delivered 73 successful recoveries or removals from the Housing register so far this year.

5. A new Head of Fraud Service has been recruited and will take up post in December 2010.

6. In summary, the successful start to the year demonstrated in Quarter 1 has been built on and improved, and the service continues to apply a sound strategic approach to the issue of fraud affecting the Council, and achieving results commensurate with the aims and goals of the service.

1. Introduction

1.1   The Council's counter fraud services are provided by the Corporate Anti Fraud Service (CAFS). CAFS investigates suspected fraudulent Housing Benefit and Council Tax Benefit claims; suspected fraudulent tenancies and the circumstances of tenancy related matters; and investigating allegations of fraud or irregularity committed within or against the Council. CAFS also has responsibility for raising fraud awareness across the Council; managing participation in the Audit Commission's National Fraud Initiative; providing advice and guidance in such areas as Money Laundering and Whistleblowing; and maintaining close working relationships with the police and other partnership organisations in order to protect the Council from fraud directed at it, whilst contributing to the reduction of crime overall.

2. Performance

2.1   CAFS performance is measured on outputs which are the number of sanctions successfully applied and the number of fraudulent issues stopped or prevented. We also keep under review the value of fraud and error identified plus the amount of recovered and recoverable losses identified for the Council and the public purse.

2.2   CAFS has produced 156 sanctions, including 13 prosecutions, against a mid-year target of 90. Additionally, we are claiming 33 Housing Register removals which were made in the final days of the 2009/10 year which were too late to be recorded last year. **Figures 2** and **3** show the outturn for Quarter 1 and Quarter 2, for each type of fraud, and by sanction delivered. The 189 sanctions achieved to date compares very well to the 180 annual target set for CAFS.

Benefit Fraud

2.3   The majority of the 500 or so benefit fraud cases that CAFS deals with on average each year arise from direct referrals. All referrals are risk scored in order to reject those of poor quality. Currently, the equivalent

of 4.5 full time investigators is employed to deliver a targeted 58 "sanctions" this financial year against proven offenders. A sanction could be a case prosecuted in court, a formal caution, a penalty, or a reduction in benefit entitlement. The 43 results to date represent 74.1% of the annual target, or 148% of the mid-year target.

Tenancy Fraud

2.4   Tenancy fraud investigation is driven by two primary sources: direct referral of suspected fraudulent tenancies from H&F Homes; and targeted work into specific areas such as Housing Register applicants or areas of concern flagged by central government. CAFS strategy is to seek to recover properties and to prosecute offenders under the Fraud Act 2006 wherever possible to act as a deterrent. The equivalent of 5 full time officers were tasked with achieving 57 recoveries (and/or removals from the Housing Register) in this financial year. To date however, exceptional performance in this area has resulted in 93 recoveries and/or removals in the first half year, representing 163% of the annual target or 326% of the mid-year target.

Internal/Corporate Fraud

2.5   All of the investigations in this area arise from direct referral. The majority relate to incidences of staff misconduct, and CAFS policy is to assist HR in the collation of evidence to ensure appropriate disciplinary action is taken, and where the seriousness of the incident warrants it to effect prosecution. The team comprises 2 officers. To date, the team has achieved 20 sanctions (including 1 prosecution) against an annual target of 36 so is also ahead of its mid-year target. The team are also developing guidance for managers on how to investigate simple disciplinary cases so that they can become more advisory on those cases freeing up resource for the more serious cases.

Financial value of counter fraud work

2.6   The measurable financial value of CAFS work involves cash recoveries received from the application of penalties or court awards; Housing Benefit overpayments which become a debt owed to the Council plus a

40% 'bounty' on these overpayments which is paid to the Council from Government subsidy; the recovery of property or removals from the Housing Register; the prevention of fraudulent Right to Buy applications; and other overpaid benefits which are recoverable and while bringing no specific value to the Council do represent a saving made to the public purse. The analysis of the value of fraud identified and recovered is contained in the table at **Figure 4** plus **Figure 5** in Appendix 1, and shows a calculated value to the public purse of £9.7million. This is largely made up of properties recovered or prevented from being fraudulently allocated; the value of these have been calculated using the Audit Commission's figures from its most recent National Fraud Initiative 2008/09 report produced in May 2010 which calculated the average cost of a tenancy fraud as £75,000; and the average cost of a Right to Buy fraud as £26,000.

2.7   The tables at **figure 4** and **figure 5** in Appendix 1 show that £183k cash benefit was recovered either directly by CAFS or by the council through subsidy. A further £120,000 was recovered against identified benefit fraud which the council also retains, giving a total of £300,000 direct cash benefit achieved by the council in the first 6 months of this year. These figures and the £9.7 million quoted above compare well to the operating costs of CAFS which stand at approximately £1.1million per annum.

3.   Service Review

3.1   A new Head of Fraud Service, Kirsten Quinn, has been appointed and is expected to take up post at the beginning of December.

3.2   The Corporate fraud team was reduced in size during September from 4 to 2 officers. As reported previously, this was done due to clearance of the backlog of cases that arose from when the team only had one investigator.   The new strategy to refer straightforward disciplinary cases for line management to manage with support from HR and CAFS should help to keep future case numbers to a manageable level.

3.3 In 2009/10 CAFS pioneered the secondment of a Council fraud officer to the local police. For 2010/11 the objective is to target prolific criminals identified by the police from their intelligence where there is also suspected benefit fraud and identified significant hidden assets, freeze the assets of the offenders, prosecute in court and make use of the Proceeds of Crime Act to ensure restitution plus generate windfall income where possible for the Council and the police to put back into the fight against crime. Long months of hard work by the police and CAFS jointly have begun to deliver results and a number of high profile cases have made the headlines only recently. This should be the start of the delivery of similar successful cases.

3.4 In order to maximise the potential benefit of the joint working arrangement with the police, a Memorandum of Understanding has been put in place between LBHF and the Metropolitan Police to formalise the arrangement and the split of any proceeds. A first significant case has just realised the confiscation of £123k of funds to be split between the police, CAFS, and CDRP. We have managed to contribute over £40k to the Council's CDRP (Crime and Disorder Reduction Partnership) this year already. Two CAFS officers are undergoing training to qualify as accredited Financial Investigation Officers which will give us the future option to apply to the courts to make restraints ourselves, rather than being dependant on the police.

3.5 We have already reported that £120k of outstanding overpayment debt has been recovered this year to date. A comparison of the outstanding debt levels show that older debt has fallen most which supports our previous statements that while overpayment debt does take a while to be recovered, it does get recovered.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Corporate Anti Fraud Service operational investigation files and performance reports	Head of Fraud Service X1300	Corporate Anti Fraud Service, 4th Floor, Town Hall, Hammersmith

Appendix 1

Fig. 1 Cases Opened, Rejected, and Closed 2010-11 (to Q2)

	1st Half Year
Cases referred	709
Cases rejected due to poor quality	67
Cases rejected due to overload of case	36
Cases closed with a successful sanction/outturn	156
Total number of cases closed	682

Fig. 2 Performance by Outcome Achieved to Date (to Q2)

	Prosecutions Successfully Undertaken	Caution, Penalty, Recovery or Disciplinary Sanction	Positive Outcome / Action Achieved	Totals
Housing Benefit	11	22	10	43
Tenancy	1	19		20
Housing Projects		73		73
Corporate	1	18	1	20
Total	**13**	**132**	**11**	**156**
Housing Proj 09/10**		33		33
Grand Total	**13**	**165**	**11**	**189**

**33 Housing Register removals effected in March 2010 but not counted or reported in 2009/10 outturns, hence included here

Fig.3 Performance Outturn against Target (to Q2)

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Benefits	19	24			43
Tenancy	11	9			20
Housing Projects	7	66			73
Corporate	0	20			20
Total All	**37**	**119**			**156**
Housing Proj 09/10**	33				33
Grand Total	**70**	**119**			**189**
Target 2010/11	**45**	**45**	**45**	**45**	**180**
Previous Years' Comparatives					
Total 2009/10	55	92	40	91	278
Total 2008/09	31	54	98	186	186
Total 2007/08	32	65	97	130	130
Total 2006/07	33	66	99	132	132

**33 Housing Register removals effected in March 2010 but not counted or reported in 2009/10 outturns, hence included here

Fig.4 Financial Value of Counter Fraud Work Undertaken 2010-11 (to Q2)

		Recovered		Recoverable		Additional value to the Council	Recoverable to public purse	*Speculative Income*
		Recovered by CAFS	Recovered to LBHF	Recoverable by CAFS	Recoverable by LBHF	Value of properties recovered or lets avoided	Recoverable	*Value of Assets Currently Restrained*
Benefits	Penalties	18,060						
	Costs, Compensation, POCA	4,815						
	HB Overpayments				193,102			
	40% Bounty on HB O/Ps		77,241					
Tenancy	Tenancies recovered					2,025,000[1]		
	Housing Register removals					4,650,000[1]		
	HR removals 2009/10**					2,475,000[1]		
	Right to Buys prevented					52,000[2]		
	Other					75,000		
Corporate	Corporate cases	41,275	41,275[3]					
NFI*	HB Overpayments							
	40% Bounty on HB O/Ps							
	Pay & pensions							
	Creditors							
Income Support Overpayments								
Assets Restrained								*2.4million*
Total		**64,150**	**118,516**	**0**	**193,102**	**9,277,000**	**0**	***2.4million***
Total recovered		**182,666**						
Total balance recoverable				**193,102**				
Total overall recoverable value to the council		**375,768**						
Total value to council due to CAFS work		**9,652,768**						
Total value to the public purse		**9,652,768**						

*NFI is a bi-annual exercise. Results for the last exercise were published as part of the 2009-10 Annual Fraud Report. No results expected in this area until Q4 at the earliest.

**33 Housing Register removals effected in March 2010 but not counted or reported in 2009/10 outturns, hence included here

[1]. Valued by the Audit Commission at £75k per council property recovered

[2]. Valued by the Audit Commission at £26k per RTB stopped

[3]. Income to CDRP

Fig. 5 Value of Recovered Debt – Fraudulent HB Overpayments

Period ending	Total debt raised since April 2004*	Outstanding at period end	Recovered by period end	Recovered in Quarter
As at 31/3/2010	*£3,034,762*	*£1,457,135*	*£1,577,627*	-
As at 30/6/2010	£3,093,178	£1,447,150	£1,646,028	£68,401
As at 30/9/2010	£3,237,449	£1,539,290	£1,698,159	£52,131
This year to date				**£120,532**

* This start date has been used as it is when the Corporate Anti-Fraud Service was set up

AUDIT AND PENSIONS COMMITTEE

9 December 2010

CONTRIBUTORS	Internal Audit Quarterly report for the period 1 July to 30 September 2010	WARDS All
Chief Internal Auditor Internal Audit Manager Deloitte & Touche LLP	This report summarises internal audit activity in respect of audit reports issued during the period to 30 September 2010, as well as reporting on the performance of the Internal Audit service.	

RECOMMENDATION:

a) To note the contents of this report

b) To approve the amendments to the audit plan as outlined in Appendix E

CONTENTS

1. Introduction

1.1 This report summarises internal audit activity in respect of audit reports issued during the period 1 July to 30 September 2010 as well as reporting on the performance of the Internal Audit service.

2. Internal Audit Coverage

2.1 The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found internal audit will propose solutions to management to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner.

2.2 A total of 13 audit reports were finalised in the second quarter of 2010/2011 (see **Appendix A**). In addition 1 FMSIS Inspection letter was issued as well as 1 follow-up report and 7 other management letters.

2.3 3 audit reports issued in this period received limited assurance and one received nil assurance. .Of the 7 recommendations made in the iWorld Repairs Module report, 5 have been reported ads fully implemented whilst 2 are no longer applicable. All of the 16 recommendations relating to Fulham Primary School and the 20 relating to Wormholt Park Primary School have been reported as implemented. Follow-up reviews will now be undertaken for all 3 of these audits. The 1 recommendation for IT Disaster (priority 1) remains outstanding although it had not yet reached its target implementation date of 31 December 2010. In an update to the Committee in respect of the Annual Governance Statement, it has been noted that this target date has now slipped to 28 February 2011.

2.4 Two reports are maintained on an ongoing basis to which departments (including directors and FSB reps) have access and which departmental Internal Audit reps help to maintain. The first of these is a schedule of draft audit reports that have been issued for which responses have not been received for more than two weeks. These are listed in **Appendix C** for information and total 5.

Environment Services and Finance & Corporate Services each have 2 reports outstanding while Residents Services has 1. None of these reports will be over 6 months old at the time of the Committee meeting. We are pleased to report that there are no reports outstanding for Schools, Children's Services (non-schools), Community Services, or Community Services (Housing).

2.5 The second report is a table, a copy of which has been provided at **Appendix D,** that shows there are now 25 audit recommendations made since Deloitte commenced their contract in October 2004 where the target date for the implementation of the recommendation has passed and they have either not been fully implemented or where the auditee has not provided any information on their progress in implementing the recommendation. This compares to the 14 reported as outstanding at the end of the previous quarter and represents a deterioration in the overall position. We continue to work with departments and HFBP to further reduce the numbers outstanding.

2.6 The breakdown between departments is as follows:
- Schools – 3
- Community Services (Housing) - 2
- Environment Services Dept – 6
- Finance & Corporate Services Dept – 13
- Residents Services - 1
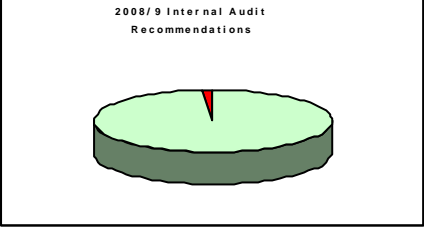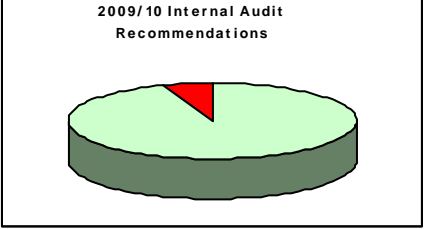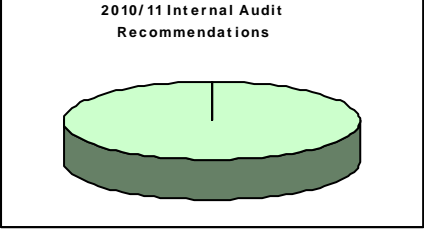
Six of these outstanding recommendations relate to HFBP. We are pleased to note there are no recommendations outstanding in respect of Children's Services (non-schools) or Community Services.

Internal Audit recommendations outstanding as at 30 September 2010

Residents Services, 1
Schools, 3
Community Services (Housing), 2
Finance & Corporate Services: IT, 3
Environment Services, 6
Finance & Corporate Services: non-IT, 10
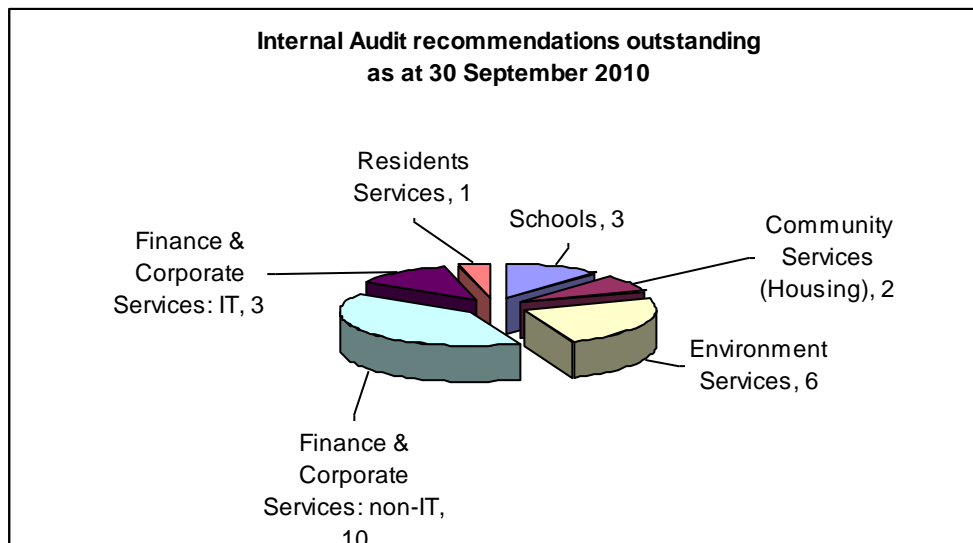
2.7 4 of the 25 recommendations listed are over six months past their target date for implementation as at the date of the Committee meeting. None are older than a year. These long-outstanding recommendations have been highlighted in Appendix D. Internal Audit are continuing to focus on clearing the longest outstanding recommendations and to that end will continue to meet with the specific managers responsible for all these recommendations and those overdue by more than 5 months as and when this occurs. The breakdown of recommendations implemented as a proportion of the total raised in each audit year can be seen below.

Percentage of 2007/8 year audit recommendations past their implementation date that have been implemented.	99.49%	394 recommendations implemented out of a total of 396 **2 recommendations outstanding**	2007/8 Internal Audit Recommendations
Percentage of 2008/9 year audit recommendations past their implementation date that have been implemented.	98.74%	391 recommendations implemented out of a total of 396 **5 recommendations outstanding**	2008/9 Internal Audit Recommendations
Percentage of 2009/10 year audit recommendations past their implementation date that have been implemented.	94.44%	306 recommendations implemented out of a total of 324 **18 recommendations outstanding**	2009/10 Internal Audit Recommendations
Percentage of 2010/11 year audit recommendations past their implementation date that have been implemented.	100%	2 recommendation implemented out of a total of 2 **0 recommendations outstanding**	2010/11 Internal Audit Recommendations

3. Internal Audit Service

3.1 Since the last report to the Audit Committee, there has been no structural change to the operation of the internal audit service. The in-house team consists of the Chief Internal Auditor (CIA) and Audit Manager. Deloitte Public Sector Internal Audit Ltd supply the resources for carrying out individual audits and also periodically provide management information to support the reporting requirements of the in-house team

3.2 As part of the CIA's function he is required to monitor the quality of Deloitte work. Formal monthly meetings are held with the Deloitte Contract Manager and one of the agenda items is an update on progress and a review of performance against key performance indicators. The performance figures are provided for the period from 1

April 2010 to 30 September 2010 and also include an update on the completion of the 2009/10 audit plan.

Performance Indicators 2009/2010 & 2010/11

Ref	Performance Indicator	Target	Pro rata target	At end of Q2	Variance	Comments
2009/10						
1	% of deliverables completed (2009/10)	95%	100%	100%	-2%	127 reports delivered out of a total plan of 127
2	% of planned audit days delivered (2009/10)	95%	100%	99%	-1%	1128 days delivered out of a total plan of 1129 days
2010/11						
3	% of deliverables completed (2010/11)	95%	48%	33%	-15%	38 reports delivered out of a total plan of 116
4	% of planned audit days delivered (2010/11)	95%	48%	38%	-10%	416 days delivered out of a total plan of 1096 days
5	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	94%	-1%	33 audit briefs out of 35 issued within PI requirement
6	% of Draft reports issued within 10 working days of exit meeting	95%	95%	100%	+5%	15 draft reports out of 15 issued within PI requirement

3.3 For the 2009/10 year all draft reports have been issued.

3.4 Delivery of the 2010/11 audit plan is behind target due to difficulties with agreeing start dates and long lead times when planning audits. Audits have been brought forward from Quarters 3 and 4 wherever possible in order to help increase delivery.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/ Copy	Department/ Location
1.	Full audit reports from October 2004 to date	Geoff Drake Ext. 2529	Finance and corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU

Audit reports Issued 1 April to 30 September 2010

We have finalised a total of 23 audit reports for the period to 30 September 2010, all relate to the 2009/10 programme.   In addition, we have issued a further one FMSIS reports, 12 management letters and 1 follow-up report.

Audit Reports

We categorise our **opinions** according to our assessment of the controls in place and the level of compliance with these controls.

Audit Reports finalised in the period:

No.	Audit Plan	Audit Title	Director	Audit Assurance
1	09/10	Watermeadow Court	Nick Johnson	Substantial
2	09/10	i-World Repairs Module Application Audit	Nick Johnson	Limited
3	09/10	IT Disaster Recovery	Jane West	Nil
4	09/10	SMART Working Project	Jane West	Substantial
5	09/10	Partnership and Corporate Governance	Jane West	Substantial
6	09/10	Fulham Palace Primary School	Andrew Christie	Limited
7	09/10	Cleaning Services Contract	Andrew Christie	Substantial
8	09/10	Wormholt Park Primary School	Andrew Christie	Limited
9	09/10	HF Homes Contract Management	Nick Johnson	Substantial
10	09/10	Vertical Contract – Installation of New Boilers	Nigel Pallace	Substantial
11	09/10	Highways Paving Service	Nigel Pallace	Substantial
12	10/11	SERCO Waste Management	Lyn Carpenter	Substantial
13	10/11	Complaints Project Management	Jane West	Substantial

Audit Reports

Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	While there is a basically sound system, there are weaknesses, which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

FMSIS Inspection Reports

No.	Audit Plan	Audit Title	Director	Result
14	2010/11	Wendell School	Andrew Christie	Conditional Pass

Financial Management Standard in Schools (FMSIS) inspections are categorised as Pass, Fail or Conditional Pass in line with the guidance issued by the DCSF.

Other Reports

Management Letters

No.	Audit Plan	Audit Title	Director
15	2010/11	Management of ALMOS	Jane West
16	2010/11	Accessible Housing Register - Project Management	Nick Johnson
17	2010/11	Safeguarding Children – Project Management	Andrew Christie
18	2010/11	Trent Self Service - Project Management	Jane West
19	2010/11	Fees and Charges income Diagnostic	Jane West
20	2010/11	Risk Management – BSI Gap Analysis	Jane West
21	2010/11	Smartworking – Project Management	Jane West

Follow ups

No.	Audit Plan	Audit Title	Director	Findings on recommandations				
				Fully Implemented	No longer Applicable	Partly Implemented	Not Implemented	Total
22	2010/11	Use of Consultants	Jane West	2	0	4	3	6

Limited and No Assurance Final Audit Reports

In quarter two of 2010/11 we issued one report which received Nil Assurance – IT Disaster Recovery - and three reports which were provided limited assurance – iWorld Repairs Module Application Audit, Fulham Palace Primary School and Wormholt Park Primary School.

Deloitte.

Final Internal Audit Report 2009/10
London Borough of Hammersmith & Fulham

ICT Disaster Recovery Provisions
July 2010

Contents

Page No

Executive Summary

Introduction	As part of the 2009/2010 Internal Audit Plan, agreed by the Audit Committee on 12 March 2008, we have undertaken an internal audit of the ICT Disaster Recovery Provisions.
	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.

Audit Assurance Opinion (defined at Appendix A)	None	Limited	Substantial	Full
	N ⟺			

Rationale Supporting Award of Opinion	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. Significant non-compliance with basic control processes leaves the processes/ Systems open to error or abuse.
	The Direction of Travel provides a comparison to the previous audit visit. In this case, we have indicated no change, as this area has not been improved since the last audit.

Priority 1 Recommendations	We have raised one priority 1 recommendation regarding the implementation of ICT service resilience and the documentation of a Disaster Recovery Plan.

Detailed Findings

Background	The Civil Contingencies Act 2004 requires that local authorities implement robust business continuity arrangements to enable them to continue to provide services and communicate with relevant stakeholders during an incident. Due to the reliance that is placed on ICT for the operation of services within the Council, ICT service resilience and disaster recovery provisions are critical components of business continuity.
	Currently, the Council does not have an ICT disaster recovery solution in place for the majority of its systems. An ICT Business Continuity paper has been submitted to Cabinet for the approval of the implementation of a hot site solution. This paper indicates that currently, if the Council were to lose its East London Data Centre or the Hammersmith Town Hall Computer Room, it would take between four and six months to recover its systems. During this time, the Council would be unable to access any of its electronic data, which would have a high impact on the ability of services to continue.
	In light of these identified weaknesses, the Hammersmith and Fulham Bridge Partnership have implemented improved ICT resilience within the Council's data centres. This improved resilience does not however, mitigate against a disaster situation.
	Based on feedback from the Cabinet after the last submission, the ICT Business Continuity paper has been updated and is due to be resubmitted for approval later this year. In the interim, the Council Departments have been asked to consider alternative methods of continuing operations in the event of a loss of ICT.

Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Adequacy of ICT disaster recovery provision	🟥	🟥	1		
	ICT disaster recovery testing	🟥	🟥	(See R1)		

Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	ICT disaster recovery plans link to business continuity plans	🟧	🟧	(See R1)		
	ICT disaster recovery development for systems	🟩	🟧	(See R1)		
	ICT disaster recovery third parties	🟧	🟥	(See R1)		
	Ongoing improvements	🟧	🟧	(See R1)		

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.
	Area 1: Adequacy of ICT Disaster Recovery Provision Formal disaster recovery arrangements are not in place, although it was noted that the Hammersmith and Fulham Bridge Partnership would provide the Council with assistance during the recovery effort in the event of a disaster. This is a contractual requirement but only to the extent that HFBP are bound by the CCA through the council and could only be on a reasonable endeavours basis and would therefore be provided at the discretion of the H&F Bridge Partnership. Arrangements are in place only for the recovery of a limited service on the telephony network, for the Cedar financial application and the invocation of the Lynx remote access service in emergencies. Furthermore, resilience within the Hammersmith Town Hall Computer Room and the East London Data Centre has been improved. These improvements do not, however, mitigate against a disaster scenario. A paper has been documented for the implementation of a hot site and is to be re-submitted with the scope amended and scaled down later this year to Cabinet for approval. Due to these limitations, a Disaster Recovery Plan (DRP) has not been documented or communicated and staff members have not been formally tasked with disaster recovery responsibilities. It was identified that this paper has taken the financing of the hot site into consideration. A recommendation has been raised to implement ICT resilience and disaster recovery arrangements.

Appendix 1 indicates best practice guidance for the implementation and documentation of a disaster recovery plan and solution.

Area 2: ICT Disaster Recovery Testing
Annual testing takes place on the council and HFPB's service resilience plans. Each year changes are documented and made. Due to the lack of major formal disaster recovery arrangements, no other disaster recovery testing is performed. It was noted that the need to perform annual disaster recovery tests has been documented in the ICT Business Continuity paper which is to be submitted to Cabinet.

Recommendation 1 and Appendix 1 apply.

Area 3: ICT Disaster Recovery Plans Link to Business Continuity Plans

The Council Departments have been instructed by the Service Resilience Group to consider how they will continue processing in the event of a loss of ICT. The IT Strategy and Operations Group has identified thirty first order applications that would require recovery as soon as possible and these have been prioritised in order of restore. Recovery time objectives have also been identified and documented within the paper. It was noted that these objectives presently do not apply as a solution is not in place and system recovery would take 4 to 6 months to achieve.

Recommendation 1 and Appendix 1 apply.

Area 4: ICT Disaster Recovery Development for Systems

The Hammersmith Town Hall Computer Room and the East London Data Centre have had local resilience implemented within each environment through the implementation of server virtualisation. Regular backups are taken and stored off-site and appropriate environmental controls are in place for each data centre environment. It was noted that the UPS would enable the continuation of some processing for a very limited group of staff.

Recommendation 1 and Appendix 1 apply.

Area 5: ICT Disaster Recovery Third Parties

It was noted that agreements are formally in place with 2e2 for the recovery of the Cedar Financial application and Siemens for the telephony network respectively and Lynx supplier for remote access. We were provided with the contracts for 2e2 and Siemens (together with an updated inventory schedule October 2008) after the audit however the contract for Lynx could not be provided therefore not inspected. Contact details for these third parties are maintained. As noted above, the Hammersmith and Fulham Bridge Partnership would provide assistance in the event of a disaster but this is based on goodwill and not contractual obligations.

Recommendation 1 and Appendix 1 apply.

Area 6: Ongoing Improvements

It was identified that the Cabinet Paper has been revised several times and processes are in place to optimise the solution that is to be implemented for ICT resilience and disaster recovery. The relocation of the majority of systems to the East London Data Centre and the implementation of improved resilience within the computer rooms has been implemented to improve existing arrangements. It was also noted that the accommodation and smart working programs will improve resilience for satellite Council offices.

Recommendation 1 and Appendix 1 apply.

Acknowledgement	We would like to thank the management and staff the ICT function and the Hammersmith and Fulham Bridge Partnership for their time and co-operation during the course of the internal audit.
	All staff consulted are included at Appendix C.

Recommendations

1.   ICT Resilience and Disaster Recovery Arrangements   **(Priority 1)**

Recommendation	Rationale
It is recommended that formal arrangements for the continuity of the Council's ICT operations (ICT infrastructure, systems and processes) are implemented for all systems. These arrangements should be formally documented in a Disaster Recovery Plan (DRP), approved by senior management and tested on an annual basis. The DRP should be aligned to, and support the Business Continuity Plans within the Council. Note: Please see Appendix 1 for good practice guidance on disaster recovery planning.	The implementation of ICT resilience and disaster recovery arrangements would help to ensure that the Council's network and critical systems and processes can be recovered within an acceptable and agreed timeframe in the event of a disaster. It would also help to ensure that there is minimum disruption and loss of service to ICT users and the Council's customers. It was identified that a formal ICT resilience and disaster recovery arrangement has not been implemented for the majority of the Council's systems to mitigate against a disaster. Currently, a disaster affecting the Council's data centres would result in the loss of several critical systems for a period of between four to six months. It was noted that arrangements are only in place for the continuity of the Council's telephony and Cedar application. The lack of adequate ICT resilience and disaster recovery arrangements increases the risk that the Council's critical systems and data would be unavailable for an extended period. The unavailability of business critical data would increase the possibility of the Council's key services being disrupted until such a time as the systems and data can be recovered. This could result in the Council incurring penalties and fines due to noncompliance with legislation such as the Civil Contingencies Act 2004 and loss of reputation.

1.   ICT Resilience and Disaster Recovery Arrangements   (Cont…)   (Priority 1)

Management Response
Agreed: The ICT Business Continuity paper was approved in February 2010.   Since then H&F Bridge Partnership have been negotiating with suppliers on data storage. Levels of usage are high and rising so a key aim is to contain the cost of storage and this has an impact on the BC proposal. Now these are reaching a conclusion, the project is starting with procurement taking place in August and implementation of the new BC service due to complete in December 2010.

Responsibility	AD IT Strategy	**Deadline**	31 December 2010

Appendix 1 – Disaster Recovery Management and Planning

The term Disaster Recovery is used to describe the processes to be implemented from the occurrence of an event causing an interruption of services. Recovery may be required from a minor or short-term problem or from the complete destruction of the main processing facility (systems, IT hardware and software, premises or other resources). Recovery processes include short-term measures to provide a minimum level of service as well as the management of the processes of working from an alternative site until full recovery can be achieved.

Business Continuity is used to refer to the activities required to keep an Organisation running during a period of displacement or interruption of normal operation. A Business Continuity Plan is a collection of procedures and information which is developed, compiled and maintained in readiness for use in the event of an emergency or disaster.

At present there is no formally documented IT Disaster Recovery Plan in place for the Council.

The Disaster Recovery Plan should be a component of the Council's Business Continuity Plan.

In order to provide assurances that the Council is adequately protected by an effective Disaster Recovery Plan and associated Business Continuity Plan, the following Good Practice guidelines should be utilised for the planning, development, implementation and testing of such a plan. Although the detail below is based on good practice, it should not be treated as an exhaustive list.

1. Management Responsibility

An overall manager, with appropriate experience and seniority, should be appointed to oversee the project and report to the Board or similar body and to co-ordinate the activities of a Disaster Recovery Team that should include staff and management from key areas of the business and Computer Services. Clear definitions of the roles and responsibilities of the team members should be outlined at this stage along with the formation of a project plan, definition of project structure, timescales and budget.

2. Inventory Production

An inventory of each IT system should be created and a description should be included, detailing:

- what it does;
- how it fits into the business environment;
- how it interfaces with other systems, for example, by providing vital information required for more major systems;

- whether it needs data provided by another system;
- what type of system it is, for example, on-line, real-time;
- who uses it and what for;
- how often it is run and whether timescales apply, for example, system must be run within 3 days of month end;
- what the timescales required for recovery are - how fast can it provide some limited facilities and how long could the Council survive without the system completely; and
- what specific minimum resources the system needs – hardware, software and network.

A list should also be made of all network resources held by the Council, from workstations to routers, that details as much information as possible, including:

- physical details – make, model, serial number for insurance purposes;
- configuration information – for designing redundancy into the network and to prepare for potential replacements;
- operating systems;
- applications; and
- contact information for users, vendors and service suppliers.

Inventories must be kept up to date and should be subject to review on a regular basis. Due to this, inventory documentation should be version controlled to ensure that the most current edition is in use superseding all previous versions.

Following the production of an up to date inventory, the Council will be in a position to examine risks and threats to the system brought about by various scenarios and evaluate them accordingly.

3. Risk Assessment

A risk assessment should take place to determine potential threats to the Council and its facilities, in the case of disruption as well as disaster. Many scenarios as possible should be investigated including the worst case scenario and the Council's vulnerability to loss potentials should be identified.

Controls that are used to safeguard the Council against loss potential should be identified and evaluated for effectiveness. These areas should include:

- physical protection – restricted access to sensitive locations;
- logical protection – system based protection of stored data;
- location of assets – relative to sources of risk;
- security and access controls;
- personnel procedures;
- procedural controls;
- information back up, protection and restoration– including paper and electronic records;
- information security – hardware, data network;
- utilities, services; and
- staff.

Insurance cover should be examined to ensure that the Council is insured against any loss or damage of equipment or buildings, expenses incurred in restoring data, expenses incurred for running at a standby site, consequential losses and business interruption losses. Once a detailed and comprehensive risk assessment has taken place that identifies as many sources of risk as possible and the associated controls that are in place within the business to mitigate those risks, the impacts resulting from disruptions and disasters on the business can be used to quantify and qualify the effects felt by the Council.

4. System Prioritisation

Having identified as wide a range of risks as possible, management should undertake a Business Impact Analysis to identify the impact of disaster on each IT system. Information should be collected from users and management to obtain a balanced view of how the disaster would affect the business.

Information should be collected via:

- questionnaires;
- interviews; and
- workshops.

Final Report

Within each activity, clear objectives should be established at the outset and any ambiguity resolved by further investigation.

IT systems should then be categorised in relation to other systems and ranked according to their criticality to the business:

- critical system – systems outage or destruction that would cause extreme disruption to the Council and cause major legal or financial ramifications or threaten the health and safety of staff;
- important system – systems outage or destruction that would cause moderate disruption to the Council and cause minor legal or financial ramifications;
- minor system – systems outage or destruction that would cause minor disruption to the Council.

By identifying and prioritising the criticality of IT systems, the Council is in a position to identify the minimum resources required for recovery of the system given a range of scenarios and to provide a short term solution with minimal resources to provide a limited, but acceptable level of service.

Having identified the requirements of the Disaster Recovery Plan, the Council should consider alternatives available when developing a strategy and should select the method most suitable for the Council.

5. Production of a Formal Written Document

A formalised document, approved by top level management, should be produced that is an action plan which should be easy to understand and be concise, that details key actions and personnel based on the risk assessment, set around achievable recovery. A copy (ies) of the current version of the plan should be kept securely off site, such as another of the Council's sites, to ensure that the document is available to staff in the event of disaster.

The plan should identify:

- initial responses – alarms, evacuation, securing documents;
- criteria for assessing the incident;
- procedures for invoking full scale disaster recovery;
- details of off site facilities where operations could be continued;
- procedures for notifying the recovery site, transfer of resources and movement of staff;
- the inventory of the systems and facilities;
- the results of the risk assessment and business impact analysis process;
- the priorities for recovery, the timescale for recovery of the key systems and the minimum resources required to achieve this;

- hardware configurations;
- escalation procedures;
- a step by step guide for the recovery of each system and the recovery of data associated with it;
- details of the location of resources;
- details of the location of back ups and back up policies and procedures;
- details of the location of copies of systems and applications software;
- key personnel and their contact details;
- responsibilities and functions of key personnel;
- details of third party suppliers of resources and equipment and their contact details;
- test procedures;
- details identifying the development, review and approval process of the plan; and
- copy of insurance certificates.

With the relevant procedures in place, the Council should be able to recover in the event of a disaster, but it is vital that the plan is implemented in a test environment to ensure that all processes and procedures are included and to highlight weaknesses in the plan.

6. Testing

A thorough testing strategy should be formulated that takes into account each component system that is to be recovered along with a clear definition of the objective of the test and the critical success factors for a successful test. The results of the test should be compared with, and evaluated against expected outcomes. Any shortcomings can be identified and used to initiate corrective measures to ensure that the processes of recovery are improved.

Tests that could be undertaken for the recovery of IT systems may include:

- ensuring that the version of the operating system used in recovery is the same as that used in normal operations, as some IT systems may be version sensitive;
- running of key control reports following recovery of the system and comparison with the same reports from the original system, to highlight any anomalies;

- undertake a transaction following recovery and examine to see if the unique transaction number produced is sequentially the next number from the last transaction produced by the system under normal operations;
- examine file permissions and file sizes from reports from the recovered system and compare with those from the system under normal operations. Anomalies may lead to future system failures; and
- production of Risk and Issues Logs throughout Disaster Recovery Testing and timely resolution and follow up procedures.

Testing should take place on an annual basis to provide assurance that the plan is effective.

7. Alignment of Plans

Consideration should be given to aligning the Disaster Recovery Plan with the requirements within the Council's wider Business Continuity Plan.

In order for full recovery to be effective and for continuity to be adequate, it is imperative that there is an integrated approach between the Disaster Recovery and Business Continuity Plans.

8. Maintaining and Updating the Plan

The Disaster Recovery and Business Continuity Plans are not static documents as they are subject to changes in business processes and technologies, which in turn may affect working practices and subsequent risks to the Council. A forum for the assessment of new risks should be in place and an effective change control procedure implemented to ensure that the plan is current and version controlled.

The Disaster Recovery and Business Continuity Plans should always be looking to take into account developments and recommendations in order to improve disaster preparedness.

9. Reporting and Audit

Following testing and any subsequent updates of the plan, a reporting structure should be in place to allow feedback to be passed to the Disaster Recovery Manager and Team and ultimately to the Executive. By providing this, an iterative process for improvement is in place that can be monitored and reviewed at Senior level and progress and successes noted.

The plan should also be audited on a regular basis, taking into account key controls and risks that exist through each stage of the Disaster Recovery Plan, from initiation to implementation, and to provide assurance that the Council would be effectively protected from the risk of disaster.

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

July 2010

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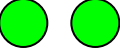
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Appendix A – Definition of Audit Opinions, Adequacy and Effectiveness Assessments, and Recommendation Priorities

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.

⟹	**Improved since the last audit visit. Position of the arrow indicates previous status.**
⟸	**Deteriorated since the last audit visit. Position of the arrow indicates previous status.**

⟺	**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 our 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:
	Area 1 – Adequacy of ICT Disaster Recovery Provision
	To ensure that procedures are in place for the effective recovery of business ICT systems for varying levels of disaster.
	Area 2 – ICT Disaster Recovery Testing
	To ensure that the ICT disaster recovery plans are effective and can be relied upon.
	Area 3 – ICT Disaster Recovery Plans Link to Business Continuity Plans
	To ensure that the ICT disaster recovery plans support the business objectives.
	Area 4 – ICT Disaster Recovery Development for Systems
	To ensure that procedures are in place for the continuity and recovery of new and existing ICT systems.
	Area 5 – ICT Disaster Recovery Third Parties
	To ensure that the ICT disaster recovery procedures cater for third party dependencies.
	Area 6 – Ongoing Improvements
	To ensure that procedures are in place for the maintenance and improvement of the ICT disaster recovery provisions.

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 C – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
General Manager	Head of IT Strategy
Deputy Sector Manager	Server Infrastructure Manager (HFBP)
Sector Manager (CAS)	Technical Services Manager (HFBP)
Senior IT Auditor (CAS)	HR Business Manager
	Telecommunications Manager (HFBP)
	Team Leader Applications Services (HFBP)
Contact Details: ☎ Ext 2550 ☎ Ext 2590	

Appendix D – Audit Timetable

Page 163

	DATES
Planning Meeting	11/05/09
Fieldwork Start	11/05/09
Exit Meeting	05/06/09
Draft report issued	03/07/09 & 06/05/10
Final report issued	28/07/10

Deloitte.

Final Internal Audit Report 2009/10
London Borough of Hammersmith & Fulham

Iworld Repairs Module Application Audit
July 2010

Contents   Page No

Page 166

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 the Iworld repairs module application system.
	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.

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 B) indicated that, weaknesses in the system of internal controls are such as to put the client's objectives at risk.
	Weaknesses in control were identified in relation to the lack of accountability over the use of the HOU account which has full access to the Iworld repairs system, password settings that do not comply with the Council's standards, the lack of an access violation log, inadequate procedures for the review of accounts and permissions on the system, lack of a standard approach to the works order requests and invoice process, inadequate procedures to review outstanding orders and inadequate mandatory checks.
	The Direction of Travel provides a comparison to the previous audit visit. In this case the absence of an arrow indicates that this area has not previously been visited by Internal Audit.

Page 167

Final Report

Priority 1 Recommendations	We have raised two priority 1 recommendations as a result of this internal audit.
	• A process should be put in place for the timely creation and approval of works orders for repairs works prior to the work being executed by the contractors. The process should be monitored for compliance; and
	• A process should be established for the timely review and action of works orders with the Raised and Hold status. All longstanding orders should be cleared as a matter of urgency. The review should also seek to identify if works are being undertaken without authorisation.

Detailed Findings

Background	Iworld repairs is a module of the Housing Management System that has been designed to assist contractors and staff to perform the following operations:
	• Create and cancel service requests;
	• Raise, confirm, authorise and cancel works orders for contractors;
	• Manage appointments; and
	• Raise, complete and cancel inspections.
	The IT/technical operations are handled by HFBP while the vast majority of repairs (including all repairs for the Council permanent housing stock - tenanted and void) are managed and processed by H&F Homes.
	The Iworld repairs module went live in October 2005 and although LBHF have other additional systems in use for managing some repairs, this audit scope has focused on the Iworld module used by H & F Homes and LBHF.

Final Report

Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Access Control	🟩	🟧	0	4	0
	Input Control	🟩	🟧	2	0	1
	Data Processing Control	🟩	🟩	0	1	0
	Output Controls	🟩	🟩	0	0	0
	Interface Controls	🟩	🟩	0	0	0
	Management Trail	🟩	🟩	0	0	0
	Backup and Recovery	🟩	🟩	0	0	0
	Support Arrangements and Change Management	🟩	🟧	0	1 (see rec 7)	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.
	Access Controls
	There are controls in place for the security of the Iworld repairs system tables to prevent users amending their change or access settings. Users have also been restricted from having unlimited access attempts to the system. However, access control could be improved on the application, recommendations have been raised in relation to the need to allocate access to named individuals and review the HOU account activities; the need to review user accounts and roles; the need to report and review the log of access violations and the need to strengthen logical access settings on the system.
	Data Input
	There are controls over the authentication of requests for repairs before these are entered onto the Iworld application as only users with authorised access to the system are able to input data. In order to ensure data integrity and accuracy, the fields on the application have been configured to accept data in predetermined criteria and to reject wrongly formatted data. Controls are also in place to help ensure that errors are flagged and reported and source documents are securely retained. However, we have suggested an improvement to the process for raising and authorising orders for jobs done by contractors, mandatory controls to be improved and that outstanding requests with 'raised and 'hold' status be reviewed in a timely manner.
	Data Processing
	There are control procedures to help ensure that the Iworld repairs data is processed correctly and in a timely manner, including file identification controls for the transfer of files between systems to prevent duplicate transactions. However, we have suggested that the process be improved by ensuring that a formal procedure is established for requesting authorising, testing, sign off and implementing changes to master data on the system.

Output Controls

Controls exist over the production and secure distribution of sensitive output reports. This includes the storage of sensitive files containing contractor details on the secure 'Jail' directory and the use of the Secure Shell (SSH) for the transfer of interface files containing sensitive information. The layout to reports produced is also designed to produce quality information that is accurate, meaningful to the user and show sufficient detail. No recommendation has been raised as a result of our work in this area.

Interface Controls

The Iworld repairs system currently interfaces with two types of systems. The contractor system (for the transfer of works orders and variation requests) and the Cedar finance system (for the transfer of invoice payment details and the confirmation of payments). There are controls over the creation and secure transfer of files between Iworld and the related systems. No recommendation has been raised as a result of our work in this area.

Management Trail

The Iworld application contains an audit trail which logs user activity on the system and is able to report on the user id for users who have carried out changes, the reference number for the change, the before and after image of the change, the affected contractor, and the date and time of change. No recommendation has been raised as a result of our work in this area.

Back-up and Recovery

Controls exist over the integrity of backup data for the Iworld system and data is backed up on a daily basis by use of the Tivoli backup system. Business Continuity and Disaster Recovery plans have not be covered in this audit as this has been subject to a previous audit and management are already aware that improvements are required. No recommendation has been raised as a result of our work in this area.

Support Arrangements

First and second line support of the system is done by HFBP while third line support is by the supplier – Northgate. Procedures have been established for the security over third party access.

Third line support is covered by an SLA agreement between HFBP and the suppliers to escalate calls that cannot be resolved by HFBP. Hence contract management with the suppliers is by HFBP and is therefore out of scope for this audit. The support contract between the Council and HFBP has been audited before in previous audits and has not been revisited in this audit. No recommendation has been

	raised as a result of our work in this area.
	Change Management
	There are procedures in place to help ensure that changes to the system are tested in a test environment and sign off obtained before they can be implemented to live. However, we identified that some emergency changes can be verbally authorised and have suggested a change to the process. A recommendation has been raised under the area of Data Processing.

Acknowledgement	We would like to thank the management and staff of HFBP, H&F Homes and the BTS team for their time and co-operation during the course of the internal audit.
	All staff consulted are included at Appendix C.

Recommendations

Access Controls

1.   The Shared HOU Account **(Priority 2)**

Recommendation	Rationale
The system support analyst should investigate with the suppliers Northgate, the possibility of allocating the HOU access permissions to named individuals instead of through a generic shared account. Should this not be possible, consideration should be given to establish a regular management review of support officers' activities and the use of the HOU account on the Iworld repairs system.	Individual user accounts help to ensure changes made on the Iworld repairs application are accountable to specific users. This assists in the identification of users who have made errors and can assist in identifying where further training is required. The independent review of changes with the use of the HOU account will help to ensure that all amendments to the access control structure and system-wide security restrictions and parameters (critical changes) are appropriate and authorised. There is a generic User account - HOU and password which is shared by three Iworld support staff. This account has full access to the application and is used for running interfaces. The password to the account is not changed on a regular basis. There is currently no process in place to review activities on the system with the use of this account. Where use of a single generic account is shared by more than one user, there is limited accountability and the actions of that account cannot be determined. Any unauthorised activity cannot be directly attributed to an individual user. In the absence of an independent review, there is an increased risk that inappropriate or unauthorised changes may not be identified for timely action.

The Shared HOU Account (Continued)   (Priority 2)

Management Response			
Agreed: HFBP: We will investigate the possibility with the supplier - Northgate. We will also restrict use of the account to configuration changes only and will review to ensure authorised use; and Council: We will instruct HFBP to carry out the recommendation.			
Responsibility	HFBP System Support Analyst Council: AD Regeneration and Housing Strategy	**Deadline**	**18th July 2010**

Final Report

2.   Logical Controls   (Priority 2)

Recommendation	Rationale
We recommend that the following password controls should be enforced on the Iworld Repairs application in line with the Council's Information Security Policy: • Password length is of a minimum of 8 characters; • Password complexity is enabled to conform with the Council's requirement; and • Password history to be set to 10 so that the last 10 passwords cannot be reused.	Strong password controls help increase assurance that only authorised users can gain access to the system. Enforcement of the security policy by the system will help ensure that the use of weak passwords is rejected. Audit testing identified the following: • Passwords are set to a minimum of 6 characters; • The complex password option has not been configured to require special password characters; and • Passwords can be recycled after 90 days. Failure to enforce adequate logical access controls could lead to unauthorised users obtaining access to data and resources on the Iworld Repairs application.
Management Response	
Agreed HFBP: We will look to change the password settings in line with the Council's policy; and Council: We will instruct HFBP to carry out the recommendation.	

Responsibility	HFBP System Support Analyst Council: AD Regeneration and Housing Strategy	**Deadline**	**30th June 2010**

Final Report

3. Review of Security Audit Logs (Priority 2)

Recommendation	Rationale
Audit log reporting should be developed to identify if the Iworld application can report on unsuccessful attempts at user access and on changes to key system records.	The production and review of security logs helps to identify any unsuccessful attempts at logging into the application and on accessing key system data.
A process should then be established for the regular reporting and review of security violations.	Although the Iworld application has been configured to lock a user account after three unsuccessful login attempts, failed access attempts are not reported by the system and are consequently not reviewed. The absence of audit log reporting and review of attempts at accessing the system and data could mean unauthorised access attempts are not identified timely and subsequently investigated.

Management Response			
Agreed: HFBP: We will investigate the possibility of reporting failed attempts with the suppliers; and Council: We will instruct HFBP to carry out the recommendation.			
Responsibility	HFBP System Support Analyst Council: AD Regeneration and Housing Strategy	**Deadline**	**18th July 2010**

4. Review of Accounts and Role Permissions (Priority 2)

Recommendation	Rationale
A process should be established for the periodic reporting and review of user accounts and permissions (including authorisation limits) on the Iworld Repairs application to ensure that all users are active and that their access is allocated in line with their job role. A list of leavers should also be required from Human Resources (HR) to identify staff that have left the Council.	The periodic reporting and review of user accounts and permissions helps to ensure that user access to the system and data is in line with user's job roles and that user accounts are still required. HR involvement will help ensure the timely removal of leavers from the system. Review of users' last password change dates identified that some account passwords have not been changed since 2004. There is no process in place for the periodic review of user accounts to ensure that access is still required and that it is in line with users' job roles. Failure to review accounts and permissions on the system could result in excess permissions that may be used for unauthorised activities. If leavers are not removed in a timely manner, their access permissions may be used to obtain unauthorised access to the system.

Management Response
Agreed: HFBP: We will review and implement the authorisation limits immediately. We will review user's last password change dates every 3 months. We will run a report for users last password change dates and compare with the Trent (HR system) records to confirm that users are still current or have left the authority; and Council: We will instruct HFBP to carry out the recommendation.

Responsibility	HFBP System Support Analyst Council: AD Regeneration and Housing Strategy	Deadline	Immediate

Final Report

Data Input Controls

5. Review of the Works Order Process **(Priority 1)**

Recommendation	Rationale
A process should be put in place for the timely creation and approval of works orders for repairs works prior to the work being executed by the contractors. The process should be monitored for compliance.	The creation and approval of works orders will help ensure that all repair works by contractors are adequately authorised. Review identified that jobs are completed by contractors and invoices raised for work ordered by field engineers before a retrospective order is raised to authorise the job. Our review identified a job that was verbally authorised on 31/08/09, the invoice was dated 10/09/09 and the retrospective order raised on 22/09/09. Failure to review the works order processes increases the risk that payments are made for works which have not been completed.
Management Response	
Agreed: We will send an email round to the other managers requiring that this recommendation should be implemented.	

Responsibility	Works Contracts Manager	**Deadline**	30th November 2009

6. Review of Outstanding Works Orders   (Priority 1)

Recommendation	Rationale
A process should be established for the timely review and action of works orders with the Raised and Hold status. All longstanding orders should be cleared as a matter of urgency. The review should also seek to identify if works are being undertaken without authorisation.	Review and correction of works orders will help ensure that jobs are authorised and tenants' problems resolved in a timely manner. It identified that all works Order (WO) values above the requesting officer's authorisation limit are automatically queued for a manager's authorisation. A query report has been programmed for respective divisional heads to run, review and authorise such orders. Although there are nominated officers to monitor outstanding orders with RAISED and HOLD status on this list, the review identified that there are raised orders dating back to August 2008 pending authorisation by the respective divisional heads. Failure to review and authorise outstanding orders increases the risk that tenant's problems will not be resolved in a timely manner. This may result in repairs services not being delivered on a timely basis, customer dissatisfaction, complaints and loss of the Council's reputation, including impacts upon external inspections.
Management Response	
Agreed: - a daily report is sent to relevant managers within H&F Homes that identifies orders at status Raised and Hold. The distribution list for this has been reviewed and managers reminded of their responsibilities. It is not possible to issues orders on iworld without proper authorisation. Agreed; -BTS and CSD	

Final Report

Responsibility	IT and Performance Manager (H&F Homes) Works Contracts Manager (LBHF)	Deadline	November 2009

Final Report

Data Processing

7. Segregation of the Master Data Change Function   **(Priority 2)**

Recommendation	Rationale
A process should be put in place to separate the functions for those authorising and implementing changes to master data records on the Iworld repairs application. The process should ensure that all changes are put through the formal change control procedure of requesting, authorising, testing, sign off and implementation.	Suitable separation of functions will help ensure that duties do not overlap. A formal change control process will also ensure that changes are adequately authorised. Changes to reference data for instance, contractor details and contract prices (SOR) are done by the HFBP support team and the IT repairs officer (H&F Homes). We identified that, while changes by HFBP are logged on the service desk 'Magic' system and must be commissioned by authorised H&F Homes staff, those done by the IT repairs officer for H&F Homes could be authorised either via an e-mail or from discussions. There is no standard request process in place for changes done by H&F Homes. Changes authorised from a discussion are not documented. The lack of a suitable separation of functions and formal change procedure increase the risk of duties being overlapped and unauthorised changes being made on the system.

Page 182

Final Report

Management Response			
Agreed - The IT Section of H&F Homes have been instructed that they must receive written authorisation from an manager before they initiate any change to reference data on iworld, albeit this may simply be an email confirmation depending upon the nature and scope of the change.			
Responsibility	IT and Performance Manager (H&F Homes	**Deadline**	**Immediate**

Final Report

Statement of Responsibility

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Deloitte & Touche Public Sector Internal Audit Ltd

July 2010

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
🟢 🟢	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.

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Page 185

Final Report

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.**

Final Report

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
(green)	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
(orange)	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
(red)	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: **Access controls** - Access authorisation - Logical controls - Separation of duties **Input Controls** - Input authorisation - Accuracy controls - Exception reporting **Data Processing Controls** - Timely planning - Processing integrity and accuracy - Change authorisation **Output Controls** - Accuracy of reporting - Controlled stationery - Secure distribution of sensitive reports **Interface Controls** - Controls over electronic and manual feeds - Reconciliation of outputs.

Management Trails

- Tracing of data and data changes

System Backup and Recovery

- System backup
- Storage and destruction of backup tapes

Support Arrangements

- Application support and call monitoring
- Supplier access

Change Management

- Change control procedure
- Upgrades, releases and changes to the application and infrastructure.

Generic restrictions on the scope of our work are set out on the following page under 'Audit Approach and Methodology', however, Business Continuity and Disaster Recovery plans have not been covered in this audit as management are already aware that control improvements are required.

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.

Final Report

Appendix C – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
General Manager	Systems Support Analyst
Deputy Sector Manager	Contracts Manager (Non Housing)
CAS Sector Manager	Repairs Manager
Auditor	IT Repairs Manager (H&F Homes)
	IT and Performance Manager (H&F Homes)
	Head of Application Services (HFBP)
Contact Details: ☎ Ext 2550 ☎ Ext 2590	

Final Report

Appendix D – Audit Timetable

	DATES
Planning Meeting	12/05/09
Fieldwork Start	16/09/09
Exit Meeting	09/10/09
Draft report issued	28/10/09, 10/05/10
Final report issued	09/07/10

Deloitte.

Final **Internal Audit Report 2009/10**

London Borough of Hammersmith & Fulham

Fulham Primary School

August 2010

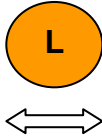# Contents   **Page No**

Internal Audit Report – London Borough of Hammersmith & Fulham – Fulham Primary School 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 Fulham 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.

	None	**Limited**	**Substantial**	**Full**
Audit Opinion		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 B) indicated that, weaknesses in the system of internal controls are such as to put the client's objectives at risk and the level of non-compliance puts the client's objectives at risk.
	Weaknesses in control were identified as follows:
	• The School's Scheme of Delegation including the Committee Terms of Reference has not been reviewed, updated and approved by the Governing Body since Autumn 2005;
	• Policies, procedures and plans have not been reviewed, updated and approved by the Governing Body;
	• The budget as loaded on SIMS FMS differed from that as originally agreed due to re-profiling by the new Headteacher;
	• Contracts were found not to be appropriately managed; and
	• The inventory record was not being kept up to date.
	The Direction of Travel provides a comparison to the previous audit visit. In this case, we have indicated that the Direction of Travel has remained unchanged since the previous internal audit report for which

	limited assurance was given.
Priority 1 Recommendations	We have raised four priority 1 recommendations as a result of this internal audit. The recommendation is as follows: • The Governing Body should formally approve all plans, policies and procedures in the School and evidence this in the minutes of the appropriate Governing Body meeting; • The Chair of the Governing Body should formally approve the Scheme of Delegation. Evidence of the approval should be formally documented in the relevant minutes of meeting at which approval was given; • The Governing Body should ensure that committees meet on a termly basis in line with the agreed Terms of Reference. The Governing Body should agree a schedule of meetings for the year in advance; and • The School should ensure that at least a signed contract, evidence of CRB clearances, qualifications, appointment and termination letters are retained on personnel files for all staff.

Page 196

Internal Audit Report – London Borough of Hammersmith & Fulham –Fulham Primary School 2009/10   60

Detailed Findings

Background	This report details the Internal Audit of the procedures and controls in place over Fulham Primary School, and has been undertaken in accordance with the 2009/2010 Internal Audit Plan agreed with Hammersmith and Fulham Council.
	Fulham Primary School is a mixed School for pupils aged 3 to 11 years with 308 pupils on roll. The School has also undergone changes in leadership, in which the current Headteacher has only been appointed in post since September 2009.
	The School has balanced the 2009/10 income and expenditure budgets at £1,901,753 to include a contingency of £28,099.
	The School was inspected by OFSTED in November 2006. A new OFSTED inspection is due to take place soon.

Area Summary						
	Area of Scope	**Adequacy of Controls**	**Effectiveness of Controls**	**Recommendations Raised**		
				Priority 1	**Priority 2**	**Priority 3**
	Leadership and Governance			3	1	0
	School Improvement or Development Plan and OFSTED			0	*1	0
	Financial Planning, Budgetary Control and Monitoring			0	3	0
	Payroll			1	*1	0
	Procurement			0	3	0
	Bank Accounts			0	0	0
	Income			0	0	0
	Assets			0	*2	0
	School Journey			0	0	0

Internal Audit Report – London Borough of Hammersmith & Fulham –Fulham Primary School 2009/10   61

	School Fund	■■■	■■■	0	1	0
	Petty Cash Account	■■■	■■■	0	0	0
	Data Protection	■■■	■■■	0	0	0

* A recommendation affecting this area is included in Area 1.

Internal Audit Report – London Borough of Hammersmith & Fulham –Fulham Primary School 2009/10   62

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
	It was confirmed that the Governing Body meets on a termly basis and that the minutes are signed off by the Chair at the next meeting.
	The current Scheme of Delegation follows the format of the standard issued by the Council and is combined with the Committee Structure and Terms of Reference of all committees. However, it has not been reviewed, updated and approved by the full Governing Body since Autumn 2005. Also, it does not include all staff with financial management responsibilities with the exception of the Headteacher. The document does not reflect the current practice followed by school committees regarding their frequency of meetings. The document states that "Meetings of the committees will be held at least once per term"; however,committee meetings have not been held, and it was noted in the minutes of the Governing Body that a decision was taken that committees would only meet if specifically requested to do so.
	We are aware that the School will receive help from the Council's School Management Support Team to prepare for the FMSiS assessment, which is due to be undertaken approximately three months after the issue of this internal audit report and we are therefore not including a recommendation but noted the following:
	• Self-evaluation financial management competency matrix forms, R20 and R11 for Governors and all staff with financial management responsibilities had not been completed.
	• The Statement of Internal Control (SIC) had not been completed, signed and submitted to the Local Authority.
	Although the School did hold a Register of Pecuniary and Business Interests, this was completed at the time of the previous Headteacher, and an entry for the current Headteacher or senior staff with financial responsibilities had not been completed. …Register of Pecuniary and Business Interests….entry for the current Headteacher or senior staff with financial responsibilities had not been completed.
	This is the responsibility of the clerk to the governing body and was due to be updated and submitted to the governing body meeting, which was to take place after the audit.

The School holds a copy of the Whistle Blowing Policy in its policies folder, and it was stated that staff were briefed of its contents at staff meeting. However, we identified that the policy had not been reviewed and approved since July 2007 as a 3 year cycle for reviewing policies is in place.

The School holds a copy of the Hammersmith and Fulham (H&F) School Financial Procedures Manual and its own local Finance Policy; however, there was no evidence in Governing Body minutes to confirm that the procedures manual was formally adopted. Furthermore, the Finance Policy was last reviewed in February 2008 and there was no evidence that it was approved by the Governing Body.

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

School Development Plan and OFSTED Inspections

The School Development Plan (SDP), at the time of the audit, had not yet been submitted to the Governing Body for approval. Examination of the SDP identified that it was not set for the next three academic years. There was no evidence to confirm that a rolling plan was in place to supplement the 2009/10 Plan. It was also identified that the finance resources were not always stated in the SDP and linked to the 2009/10 budget plan.

The most recent Ofsted report was also examined and the issues raised within the report were addressed within the SDP.

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

Financial Planning, Budgetary Control and Monitoring

The 2009/10 budget plan was approved by the Governing Body in May 2009.

A comparison of the original agreed budget with that as loaded on SIMS FMS identified differences. In discussion with the Headteacher it was stated that the budget had been revised with the SMS Officer and a number of changes made.

While a record of budget virements was held by the School, we could not be provided with documents in order to confirm who had authorised them. In addition, while it was stated that SIMS FMS reports are employed for budget monitoring it could not be confirmed from the Governing Body minutes that they had received and reviewed the reports.

We were informed that performance management has been undertaken for staff with financial management responsibilities with targets set and training requirements sought. However, these are yet

to be fully agreed and evidence of this could not be provided.

We are aware that the School will receive help from the Council's School Management Support Team to prepare for the FMSiS assessment which is due to be undertaken approximately three months after the issue of this internal audit report and we are therefore not including a recommendation but noted that:

- Under FMSiS Section 2 People Management 2.2G that "The process for determining Performance Management target for staff ensures targets include financial management issues, where appropriate."

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

Payroll

We were informed that the School buys into the HR & Payroll Services from the Borough. Although payments to staff are monitored by the Borough Finance Officer, there is no evidence of the review. Further, the latest payroll report held by the School was dated September 2009.

Examination of personnel files for five new starters and leavers during 2009/10 academic year confirmed that:

- Signed contracts were not held for any of the five starters;

- In four of the five cases, references were not located;

- Appointment letters were available to view in all cases examined;

- Evidence of qualifications were available to view in all cases where appropriate; and

- In none of the five cases could evidence of documentation supporting employees' leaving dates was available; and

- All five leavers were removed from the payroll in a timely manner.

The School's staffing structure had been reviewed for this current financial year but we could not locate evidence of formal approval from the Governing Body. Further, the School's Pay Policy had not been reviewed and updated since August 2006. The copy held at the School was for the academic year, September 2005 to August 2006.

We identified from examination of the Recruitment and Selection Policy held that it was last reviewed and agreed by the Chair of Governors during December 2007.

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

Procurement

Examination of a sample of 10 payments for 2009/10 identified the following:

- Official order forms were not completed and appropriately authorised for goods/ Services procured;

- VAT was accurately calculated and accounted for;

- In one of the ten cases, the invoice was paid 67 days from the invoice date; and

- In one of the ten cases the invoice did not sufficiently identify the supplier.

It was identified that for goods and services in excess of £1,000, quotes had not been obtained for all items of major expenditure and was therefore not compliant with the Schools Finance Policy.

We were informed that a benchmarking exercise has not been undertaken on behalf of the School and reported to the Governing Body.

We are aware that the School will receive help from the Council's School Management Support Team to prepare for the FMSiS assessment which is due to be undertaken approximately three months after the issue of this internal audit report and we are therefore not including a recommendation but noted the following:

- We were informed that a benchmarking exercise has not been undertaken on behalf of the School and reported to the Governing Body in order to compare the School's performance with that of similar schools; and

- A Best Value Statement has not been completed and submitted to the Local Authority.

The School was unable to provide us with supporting documentation to confirm how contracts were procured in order to demonstrate value for money and the appropriate management of contracts within the School. Furthermore, the School did not maintain hard copies of contracts for two of the eight contracts examined, and one has not yet been signed.

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

Bank Accounts

The School retained a copy of the current bank mandate. Also, the School is required to submit monthly returns which include the bank reconciliation to the Local Authority. Examination of the last three months bank reconciliations identified that they had been completed and submitted to the Local Authority on a monthly basis. However, the reconciliations were only signed by the reviewer to confirm their accuracy

and completeness. We advised the School to ensure that all bank reconciliations are signed by both the preparer and the reviewer (in this case, the Headteacher) to evidence accuracy and completeness. We were informed that the reconciliation used is the standard model produced by Hammersmith which does not include a section for the reviewer to sign. Hence, we will not be raising a recommendation of the issue at this time.

Examination of the last unreconciled report for October 2009 did not identify any unreconciled items in excess of three months old.

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

Income

The School received income from residential trips, breakfast club and from the sale of book bags and fruit tacks. We identified that receipts were not issued for any of the income received although these could be traced to the SIMS system. In addition, a register was maintained for all income.

Assets

We were informed that the inventory record was last updated in September 2008 and therefore was not up-to-date.

For this current year, quotations from RM have been used as the inventory record and have been signed by the Chair of Governing Body. The documents however did not include the serial number, location of the assets, date of purchase, purchase price and the items that had been disposed of. Also, we could not be provided with evidence of the last inventory check and who undertook the check. We identified that valuable items have not been security marked as belonging to the School.

The Write-off Policy was signed by the Chair of Governors on 13th February 2009. However, we could not locate in the minutes evidence of its approval.

The School was not able to provide evidence of a plan for the use, maintenance and development of the School and that the Governing Body had approved the plan. The School however was able to provide evidence of various inspections and certificates undertaken on maintenance, such as Fire Fighting Equipment and Fire Alarm inspections and Maintenance Certificate for the playground and quotations for supply of water and air services.

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

School Journey

The School had a School Visits Policy and a Charging Policy. The School is required to request a voluntary contribution from parents to cover the cost of the trip but should insufficient contributions be received then the trip may be cancelled.

The most recent school residential journey was examined. A contribution of £160 per pupil was requested based on the total cost of the trip divided by the number of pupils. A record was maintained of all contributions received. The School received additional funding which reduced the cost to £40 per pupil and refunds were made where necessary. While it was stated that approval was granted by the Headteacher, Chair of Governors and the Council no evidence of this could be found. Asthe trip has not yet been completed, an 'End of Journey' statement was not applicable.

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

School Fund - Accounting

A record of the school fund was maintained and reconciled to bank statements by the Senior Administrative Officer. However, it was noted that the reconciliation had not been reviewed and agreed by the Headteacher since February 2008 and the accounts were not presented to the Governing Body. There was also no evidence that the account had been independently audited.

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

Petty Cash Account

The School set a maximum limit of £30 for reimbursement of petty cash expenses.

Staff are required to complete a petty cash voucher and provide a receipt for all reimbursement claims. Examination of a sample of five transactions selected from the transaction listing identified that in all five cases, there was sufficient supporting documentation and authorisation for the payments.

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

Data Protection

The School had registered under the Data Protection Act in October 2006 and this was renewed during November 2009. The School buys into the Local Authority's IT procedures; 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.

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

Recommendations

<u>Leadership and Governance</u>

5.   **Approval of Policies and Procedures**   **(Priority 1)**

Recommendation	Rationale
The Governing Body should formally approve all plans, policies and procedures in the School and that the approval should be recorded in the minutes of the relevant meeting. A review cycle should be introduced to cover all key documents required for the management of the School. The Governing Body approval should include, but not be limited to the following: • School Development Plan; • School Pay Policy; • Recruitment and Selection Policy; • Write-off and Disposal Policy; • Whistle Blowing Policy; • School Visits Policy; • Charging for School Activities; • School Finance Procedures Manual; and • Finance Policy.	The formal approval of all policies and procedures by the Governing Body will help to ensure that the overall aims and objectives of the School are achieved and that activities at the School are undertaken in a consistent manner, in line with those objectives. While the School holds a policies file on which copies of the Pay Policy, Finance Policy, Write-off and Disposal Policy signed off by the Chair of Governors, it could not be confirmed that policies such as the School Development Plan, Pay Policy, Recruitment and Selection Policy, Write off and Disposal of Assets Policy, School Finance Procedure Manual and Finance Policy had been reviewed and approved by the Governing Body. Without Governing Body review of the relevant policies and procedures, there is an increased risk that they do not reflect the strategic requirements of the School and that policy and procedures may not cover all key aspect of the Schools operations or there may be duplication of effort in Committee or operational activities.

Management Response			
Agreed			
Responsibility	Headteacher	**Deadline**	10th December 2009

6.   Scheme of Delegation   **(Priority 1)**

Recommendation	Rationale
The Governing Body should review and update the current Committee Structure Terms of Reference and Scheme of Delegation. This should be done annually, and include the financial authorisation limits for the Governing Body, Finance Committee, Headteacher, all budget holders and their respective delegated limits of authority. The Chair of the Governing Body should formally approve the Scheme of Delegation. Evidence of the approval should be formally documented in the relevant minutes of meeting at which approval was given.	Standard A3 of 'Keeping Your Balance - Standards for Financial Management in Schools' states, "The Governing Body should establish the financial limits of delegated authority". Further, the annual review and update of the Scheme of Delegation of the School will help to ensure that levels of authority remain relevant to the needs of the School and the varying levels of experience of the Governors, Headteacher and other staff. The School had a signed and agreed Scheme of Delegation which is dated December 2005 and follows the standard form issued by the Council. There is however no evidence that it had been reviewed and updated by the Governing Body since then. Where the Scheme of Delegation is not subject to annual review and update, there is an increased risk that the levels of decision making may no longer reflect the requirements of the School and hence, inappropriate procurement decisions may be made. Further, where the Scheme of Delegation is not reviewed to include the Governing Body, Finance Committee, and all staff with authorised financial limits, there is an increased risk that commitments may be entered into which are outside the scope of authority.
Management Response	
Agreed	

Responsibility	Headteacher/ Chair of Governors	Deadline	10th December 2009

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

Recommendation	Rationale
The Register of Pecuniary Business Interests should be completed in full by all senior members of staff with financial management responsibility. The Governing Body should ensure that the Register is held at the School and available and accessible for review by the public. Further, Members should be given an opportunity to declare business interests at each meeting. Hence, declaration of interests should be a standing item on the Governing Body agenda.	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 Head Teacher), 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 review. The Register must be available for inspection by the Authority, Governors, staff and parents". It is also best practice that the register includes all staff with financial management responsibilities. A Register of Pecuniary and Business Interests was held by the School. On examination, it was not completed by the current Headteacher and the Deputy Headteacher. In addition, it was found that the Register was kept in the School safe. Further, declaration of interests is not a standing item on the Governing Body agenda. Where the Register of Pecuniary and Business Interests is not kept up to date, and staff with financial management responsibilities do not declare any interests, 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. This 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. The audit file contained a sheet stating that the register was kept in the safe. This was deemed by the school as an appropriate and secure place the keep a document containing samples of signatures. The fact that the register is kept in a secure place does not preclude it from being accessible. An updated register was not available as a governing body meeting had not taken place prior to the audit. It is the responsibility of the clerk to the governing body to ensure that this register is completed and placed on the agenda as a standing item.	

Page 209

Internal Audit Report – London Borough of Hammersmith & Fulham –Fulham Primary School 2009/10   73

Responsibility	Headteacher	Deadline	Immediately

4. Committee Meetings **(Priority 1)**

Recommendation	Rationale
The Governing Body should ensure that committees meet on a termly basis in line with the agreed Terms of Reference. The Governing Body should agree a schedule of meetings for the year in advance. The Governing Body should require that all committee meetings are minuted, with the minutes agreed by the Chair of the committee and reported to the next full meeting of the Governing Body and retained on file. Further, the Governing Body should consider delegating some responsibilities to its sub committees. These could include policy reviews and assessment of the School Development Plan prior to formal approval by the Governing Body. The sub committees should report to the Governing Body at each meeting.	Establishing committees which meet on a regular (at least termly) basis will assist the Governing Body in the management of the School. It was found that while the Governing Body had established committees, the committees had not met since February 2008. Examination of the October 2008 Governing Body meeting identified that a decision was made for committees not to hold meetings unless specifically requested to do so by the Governing Body. Where committees do not meet in accordance with their agreed Terms of Reference, there is an increased risk of over reliance on the full Governing Body and as a result, may be inefficient and ineffective in discharging its duties.

Management Response			
The school will from the new year agree a programme of meetings to ensure that Committees meet in advance of the full Governing Body meeting.			
Responsibility	Headteacher	**Deadline**	Immediately

School Development Plan and OFSTED Inspections

5. Three Year Plan *(Priority 2)*

Recommendation	Rationale
The School Development 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. Further, the School should develop a multi-year budget covering the next three years and link this n with the School Development Plan for the same period.	Formulating the School Development Plan (SDP) 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. While the School had a School Development Plan for the current academic year, there was no longer term plan. 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.

Management Response			
Agreed			
Responsibility	Headteacher/ School Business Manager	**Deadline**	Immediately

Financial Planning, Budgetary Control and Monitoring

6.   Approval of Revised Budget   *(Priority 2)*

Recommendation	Rationale
The School should complete a full check of the budget uploaded onto the SIMS system against the approved budget plan. Further, the revised budget should be re-presented to the Governing Body, identifying the changes made from the original budget for re-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. Furthermore, the review and approval of the Budget by the Governing Body will help to ensure that it is in accordance with the overall aims and objectives of the School. A comparison of the original agreed budget with that loaded on SIMS FMS identified that while the overall total was the same, there were a large number of budget amounts re-allocated from the original budget. It was stated by the Headteacher that the budget had been reviewed and re-profiled. 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 where accurate budget monitoring reports are not maintained. There is a further risk that the Governors may not be aware of the current spending priorities.

Management Response			
Agreed. The LA finance support officer regularly updates the Headteacher on the status of the budget and produces regular budget monitoring reports for the Headteacher and governing body. The clerk to the governing body should ensure that reviews are minuted.			
Responsibility	Headteacher/ School Business Manager	**Deadline**	Immediately

7. Virements **(Priority 2)**

Recommendation	Rationale
Budget virements should be signed off as authorised by the Headteacher and Chair of Governors, where necessary. Furthermore, documented evidence should be retained to confirm that virements have been authorised in compliance with the requirements of the approved Scheme of Delegation.	Approval of budget virements will help to ensure that virements are not resulting from inefficiencies and that the revised budgets are in line with the School's priorities and objectives. While a record of budget virements was held by the School, we could not be provided with documents in order to confirm who had authorised them. Where budget virements are not properly 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			
Responsibility	Headteacher / School Business Manager	**Deadline**	Immediately

8.   Budget Monitoring Reports **(Priority 2)**

Recommendation	Rationale
Budget monitoring reports should be produced and presented for review by the Governing Body and appropriate delegated Committees. The minutes of the Governors meeting should formally record the report received and the results of any discussions as a result of the report.	Production of timely budget monitoring reports for review by the Governing Body and its delegated Committees, and the recording of any findings identified as a result of the review, will assist in the management of the School's finances. While it was stated that the School employs budget reports produced from SIMS FMS, and the Headteacher reviewed and signed off the monthly reconciliation, it could not be confirmed from the Governing Body minutes that Governors received and reviewed the financial reports. Where financial reports are not received and reviewed by the Governing Body, there is an increased risk that Governors may not be aware of the financial position of the School and as a result may take inappropriate decisions. Further, where the results of their deliberations are not recorded, there is a risk that Governors may not be able to demonstrate the proper discharge of their responsibilities.

Management Response			
Agreed. The LA finance support officer regularly updates the Headteacher on the status of the budget and produces regular budget monitoring reports for the Headteacher and governing body. The clerk to the governing body should ensure that reviews are minuted.			
Responsibility	Headteacher/ School Business Manager	**Deadline**	Immediately

Payroll

9.   Retention of Recruitment Documents   (Priority 1)

Recommendation	Rationale
The School should ensure that at least a signed contract, evidence of CRB clearances, qualifications, appointment and termination 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. Examination of personnel files for five new starters for the period, 1 April 2009 to 16 November 2009 and leavers for the period, 1 April 2008 and 31 April 2009 noted the following: • One leaver file was not provided; • Signed contracts were not held for all five starters'; • In four of the five starters, references were not located; • Evidence of qualifications were not held for one of the five starters; • Where leavers file were provided, there was no documentation supporting employees' termination of employment. Where documents are not retained to evidence the appointment and termination 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	

Responsibility	Headteacher	**Deadline**	Ongoing

10.   Regular payroll checks   **(Priority 2)**

Recommendation	Rationale
The School should ensure that monthly payroll reports are obtained. Further, regular payroll checks should be conducted between the monthly reports and SIMS and signed by the officer undertaking them.	Obtaining monthly payroll reports and conducting checks will help ensure that any discrepancies are identified and resolved in a timely manner. Further, evidencing review of payroll statements increases accountability for exercising this control. We were informed that no regular payroll checks take place between monthly payroll reports and SIMS. In addition, the latest payroll report held by the School was dated September 2009. Where reviews of payroll are not carried out monthly, there is an increased risk that discrepancies may not be identified and resolved promptly. There is a further risk that where the review is not evidenced, accountability for exercising this control will become diminished.

Management Response
Agreed. Regular Monthly Payroll data is received by the LA finance support officer who monitors the data and reports any discrepancies to the Headteacher.

Responsibility	LA Finance Officer	Deadline	Immediately

Procurement

11.   Compliance with the School's Finance Procedures Manual   **(Priority 2)**

Recommendation	Rationale
All members of staff that undertake financial administration duties should be formally reminded of the need to comply with the School Financial Procedures Manual: • The School's official order forms should be completed before an order is processed; • Purchase orders should be raised for all expenditure on a timely basis; • Delivery notes should be retained on file and signed off by the person checking the goods; • Payment for invoices should be made within the 30 day threshold or when stated on the invoice; and • Invoices should only be paid when appropriately approved. 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 rules to be adhered to with regards to the financial processes within Schools. Examination of a sample of 10 purchases identified the following exceptions: • In two of the 10 cases, Official Purchase Orders were not raised or approved; • One of 10 payments was made 67 days from the invoice date; and • Of the 10 payments, one invoice did not adequately identify the supplier. 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.

Management Response			
Agreed. No goods are ordered without authorisation of the Headteacher and orders are placed on the FMS. Delivery notes are not always received, however, confirmation is obtained verbally that the goods have been received and the invoice annotated accordingly. Invoices are paid timely upon receipt by the school. Frequently invoices are received two weeks after the date printed on the invoice. No invoices are paid without authorisation from the Headteacher and the invoice annotated accordingly. Bank mandates are kept in the safe and this is deemed by the school as an appropriate and secure place to keep a document containing samples of signatures. Suppliers are always identified as without appropriate information and authorisation an invoice would not be raised.			
Responsibility	Senior Admin Officer	**Deadline**	Immediately

12. Value for Money
(Priority 2)

Recommendation	Rationale
The School should obtain and retain on file at least three written quotations for payments in excess of £1,000. In the event that it is not possible to obtain three written quotations, this should be reported to the next meeting of the Governing Body with the reasons why this was not possible.	It is a requirement of the Fulham Primary School Finance Policy that three written quotations are obtained for orders in excess of £1,000. It was identified that quotations were not obtained for an order of soft furnishing and fittings of £9,200. Where the quotations are not obtained for payments over £1,000, the School is in breach of its own Finance Policy. There is a further risk that the School may not be obtaining value for money in procuring goods and services.
Management Response	
Agreed	

Responsibility	Headteacher	**Deadline**	Immediately.

13. Appropriate Management of Contracts   (Priority 2)

Recommendation	Rationale
Management should ensure that copies of all signed contract with its external contractors are obtained and retained. Also, a list of all contractors should be produced as a monitoring document for the contract. The School should retain records to to demonstrate how the contracts for services were procured and managed in order to demonstrate effective use of public funds.	Retaining copies of the signed and sealed agreement between both parties to a contract will help to ensure that both parties have a legal recourse in the event of any legal action. Furthermore, where the School is able to demonstrate how contracts for services were procured this will help to ensure that best value has been achieved, and the procurement process was free from bias. For eight contracts examined the following exceptions were noted: • In one out of eight cases a copy of the contract was not held by the school (School Management Support) and in a further case the contract was not signed (Eagle Automation Systems Ltd); and • In another case the contract was actually a customer order (Apogee). In addition, we could not confirm how many contractors the School actually hold a contract with. Where contractual terms and conditions are not formally agreed or retained, there is an increased risk that in the event of any legal action being brought against the School, the School may not have any legal recourse resulting in adverse publicity and financial loss. There is a further risk that where the School is unable to demonstrate that selection of contractors was fair and free from bias and that value for money has been achieved.

Management Response			
Agreed			
Responsibility	Headteacher/ Senior Admin Officer	**Deadline**	Immediately

Assets

14.   Maintainance of inventory records   (Priority 2)

Recommendation	Rationale
The Governing Body should ensure that a comprehensive and detailed inventory record is maintained of assets for which the School is responsible in accordance with the Finance Policy. The inventory record should include the following: • Description of asset; • Make and model; • Serial Number (where relevant); • Date of acquisition; • Cost; • Asset location; and • Disposal details if relevant e.g. disposal date, reason, funds received and receipt number. Further, an annual inventory check should be undertaken by an officer not involved in the maintenance of the inventory, with the results certified as correct and 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". The school is only maintaining an inventory for IT equipment. Whilst in earlier years there had been a list if IT equipment with serial numbers and location the current years list we were presented with consists of the quotation for IT equipment supplied by RM Education Supply in February 2009. There is no record of updating of the inventory or of any annual check. Where up-to-date inventories 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 for insurance purposes.
Management Response	
Agreed. An inventory (non-IT) was in the process of being compiled in readiness to be presented to the governing body.	

Responsibility	Head of Nursery/ Senior Admin Officer	Deadline	February 2010

15.   Building Maintenance Plan   (Priority 2)

Recommendation	Rationale
A building maintenance plan should be produced and approved by the Governing Body.	Section M7 of 'Keeping Your Balance – Standards for Financial Management in Schools' states "The governing body should have a plan for the use, maintenance and development of the school's buildings".
	The school does not have a building maintenance plan in place.
	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.			
Responsibility	Headteacher	**Deadline**	April 2010.

School Fund – Accounting

16. Review of the School Fund Account *(Priority 2)*

Recommendation	Rationale
On completion of the reconciliation of the School Fund Account to bank statements, the reconciliation should be reviewed and agreed by the Headteacher for accuracy and completeness. The School Fund accounts 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.	The completion of regular reconciliation of School Fund records to bank statements with review and approval by the Headteacher will help ensure that any errors, omissions or misappropriation may be identified and actioned promptly. In order to provide independent assurance on the accuracy of the School Funds financial records an independent audit should be conducted. Audited accounts should be presented to the Governing Body for approval. While the School Fund was reconciled to the bank account by the Senior Administrative Officer, the reconciliation had not been reviewed and approved by the Headteacher since February 2008. The School Fund Account has not been independently audited and the results presented to the Governing Body for approval. Without review of the reconciliation and independent audit of the School Fund, there is an increased risk that the School may not be able to demonstrate satisfactory stewardship over the School Fund, and where the audited accounts are not presented to the Governing Body, the Governors may not be fully aware of the status of the funds for which they are responsible.
Management Response	
Agreed. The reconciled School Fund Account was awaiting signatures in readiness to be presented to the Governing Body. The Clerk to the Governing Body should ensure all items are minuted.	

| **Responsibility** | Headteacher | **Deadline** | Immediately |

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.
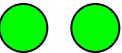
Deloitte & Touche Public Sector Internal Audit Limited

St Albans

August 2010

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.

⟹	**Improved since the last audit visit. Position of the arrow indicates previous status.**
⟸	**Deteriorated since the last audit visit. Position of the arrow indicates previous status.**
⟺	**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
General Manager	Headteacher
Deputy Sector Manager	Senior Admin Officer
Senior Internal Auditor	
Senior Internal Auditor	
Contact Details: ☏ Ext 2550 ☏ Ext 2590	

Appendix D – Audit Timetable

	DATES
Fieldwork Start	16/11/09
Exit Meeting	17/11/09
Draft report issued	29/01/10
Final report issued	09/08/10

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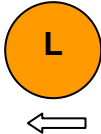
Final Internal Audit Report 2009/10

London Borough of Hammersmith & Fulham

Wormholt Park Primary School

August 2010

Contents   Page No

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 Wormholt Park 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.

Audit Opinion	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 B) indicated that, weaknesses in the system of internal controls are such as to put the client's objectives at risk and that the level of non-compliance puts the client's objectives at risk.
	Weaknesses in control were identified as follows:
	• The current School's Committee Structure, Terms of Reference (TOR) and Schemes of Delegation have not been reviewed and approved by the Governing Body;
	• Finance Committee minutes have not been signed by the Chair of the Committee;
	• Contracts with external contractors were not held at the School; and
	• An annual independent review of the School Fund Account has not been undertaken.
	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 internal audit report for which substantial assurance was given.

Priority 1 Recommendations	We have not raised any priority 1 recommendations as a result of this internal audit.

Detailed Findings

Background	This report details the Internal Audit of the procedures and controls in place over Wormholt Park Primary School, and has been undertaken in accordance with the 2009/2010 Internal Audit Plan agreed with Hammersmith and Fulham Council.
	Wormholt Park Primary School is a mixed School for pupils aged 3 to 11 years with 440 pupils on roll.
	The School has set a balanced budget of £2,504,415 for the 2009/10 financial year. This encompasses total income and expenditure budgets for the financial year, 2009/10 of £2,242,415 and £2,382,250 respectively, initially resulting in a projected budget overspend of £139,835. This has however been offset by a carry forward of £262,134 from 2008/09. The total funds committed for 2009/10 includes a contingency of £122,165.
	The School was inspected by OFSTED in November 2008. An OFSTED action plan was not produced as a result of the inspection since the School achieved satisfactory results.

Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Leadership and Governance	🟩	🟧	0	4	0
	School Improvement or Development Plan and OFSTED	🟩	🟧	0	1	0
	Financial Planning, Budgetary Control and Monitoring	🟩	🟧	0	2	0
	Payroll	🟩	🟧	0	3	0
	Procurement	🟩	🟧	0	2	0
	Bank Accounts	🟩	🟧	0	1	0
	Income	🟩	🟧	0	1	0

	Assets			0	3	0
	School Journey			0	1	0
	School Fund			1	0	0
	Petty Cash Account			0	1	0
	Data Protection			0	0	0

Internal Audit Report – London Borough of Hammersmith & Fulham – Wormholt Park Primary School 2009/10   104

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 committees; however, it does not include all staff with financial management responsibilities and only includes financial limits for the Headteacher. Finance Committee meetings were being held on a termly basis (with the exception of the Governing Body). There was no evidence in the Governing Body minutes to confirm that the SoD was approved. Furthermore, the front page of the document shows that it was adopted by the Governing Body in October 2008 but was deleted in ink and amended as September 2009.
	Examination of minutes of Finance Committee meetings identified that minutes were not signed by the Chair of the Finance Committee to evidence their correctness.
	The School maintains a Register of Pecuniary and Business Interests; however, two governors had not signed the Register. In addition, we identified that two staff with financial responsibilities had not completed declarations.
	The School does maintain a copy of the Whistle Blowing Policy but this has not been reviewed, updated and approved by the Governing Body since May 2002. 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 October 2007.
	We are aware that the school will receive help from the Council's School Management Support Team to prepare for the FMSiS assessment which is due to be undertaken approximately three months after the issue of this internal audit report and we are not therefore not including recommendations but noted the following:
	• Examination of the completed self-evaluation financial management competency matrix form, R20 found that these were only completed by two members of the Finance Committee. The staff self-evaluation financial management competency matrix form, R11 was completed by all staff with financial management responsibilities with the exception of the Deputy Headteacher; and

- A Statement of Internal Control (SIC) has been produced and approved by the full Governing Body on 28th September 2009. However, the SIC was only signed and dated by the Chair of the Governing Body (also the Chair of the Finance Committee). There was no evidence in the Governing Body or Finance Committee minutes to confirm that issues raised in the preparation of the SIC were considered prior to its preparation.

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

School Improvement or Development Plan and OFSTED Inspections

A School Development Plan (SDP) for 2009/10 has been developed and approved by the Governing Body on 28th September 2009. Examination of the SDP identified that it is for the current academic year (200910) and there was no evidence to confirm that a rolling plan is in place to supplement the 2009/10 Plan. It was also identified that the financial resource requirements stated in the SDP could not be explicitly linked to 2009/10 budget.

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

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

Financial Planning, Budgetary Control and Monitoring

Budgetary reports are produced by the School Finance Officer at least once a term. These are monitored by the Finance Committee and presented to Governing Body meetings. However, we noted a five month gap (from 10/12/08 to 19/05/09) where no reports were presented to the Finance Committee for review. The reports include the original budget, revised budget, commitments, commitment not on SIMS, comments and year end projections.

Examination of a sample of five allocations from the 'Chart of Accounts' and the budget plan identified that four did not agree to the amounts uploaded onto SIMS.

We obtained evidence that the budget plan for 2009/10 was approved by the Governing Body July 2009 and submitted to the Local Authority.

We are aware that the school will receive help from the Council's School Management Support Team to prepare for the FMSiS assessment which is due to be undertaken approximately three months after the issue of this internal audit report and we are not therefore not including a recommendation but noted the following:

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

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

Payroll

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

- Signed contracts and appointment letters were not on file in all four cases;
- Evidence of CRB and qualification checks were held by the Council's HR Department; and
- Evidence of references could not be located. Discussions at the School established that these would be held by the Council's HR department; however, further testing and discussions within the HR department established that they expected that references are normally retained by the school.

In addition, examination of a sample of four leavers' files found that evidence of documentation supporting employees' termination of employment could not be located in all four cases. It is acknowledged that all four employees were removed from the payroll in a timely manner.

A copy of the most up to date School's Pay Policy is not held at the School. The most recent copy held is dated July 2007. Also, the Schools staffing structure has not been reviewed in the last two years although a report on staffing changes was made at the Staffing Committee meeting held in July 2009.

We were informed that regular payroll checks take place; however, payroll reports were not certified as evidence of review.

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

Procurement

Examination of a sample of 10 payments for 2009/10 identified the following:

- Official purchase orders were not raised or approved for the 10 cases reviewed;
- Goods or services received checks were not evident;
- Three payments were not made within 30 days, and
- For three of the 16 payments made, the invoice and purchase order date were the same and in one

case the invoice was received prior to the purchase order being raised.

It was identified that for goods and services in excess of £1,000, quotes had been obtained for all items of major expenditure from a number of different companies, providing a record that the School had considered price when purchasing good and services.

The School did not retain copies of contracts with eight of its twelve external contractors and was unable to demonstrate how these contracts were procured.

We are aware that the school will receive help from the Council's School Management Support Team to prepare for the FMSiS assessment which is due to be undertaken approximately three months after the issue of this internal audit report and we are not therefore not including a recommendation but noted the following:

- We were informed that a benchmarking exercise had not been undertaken on behalf of the School and reported to the Governing Body in the past two years.

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

Bank Accounts

The School retains a copy of their current bank mandate. The School is required to submit monthly returns to the Local Authority which include bank reconciliations. The last three bank reconciliations were not signed by the preparer and reviewer to certify their accuracy and completeness. However, bank statements were signed. Examination of the last unreconciled items report found four items relating to October and November 2008 and January and March 2009 which still remain uncleared at the time of the audit. This totals approximately £6,800.

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

Income

The School receives income from school journeys, residential trips, the Breakfast Club, teaching practices and Cluster funding. We identified that receipts are not issued for any of the income received although these could be traced through to the SIMS system. A cash collection record is maintained for school journeys.

Examination of the lettings policy confirmed that it was last reviewed, updated and approved by the full Governing Body in September 2009. The School does not currently let its property.

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

Assets

Although we were informed that the inventory record was last updated during the Summer, examination of the record could not confirm when it was last updated or evidence of who completed the checks. 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 date, purchase price, location and assets disposed of. Discussions and physical inspection established that new items purchased by the School were appropriately security marked and recorded on the inventory before being put into general use.

The loans pro-forma maintained by the School only allows for the signatory of the staff member, and there is no evidence that loans were authorised. In addition, the period of the loan is not specified on the form.

The School maintain an Accessibility Plan; however, there was no evidence that this had been approved by the Governing Body.

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

School Journey

Details of a recent trip to Little Canada Park were examined and there was evidence in the Governing Body minutes to confirm that approval was obtained prior to the trip. However, 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.

Risk assessments and appropriate record of monies were retained by the School.

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

School Fund - Accounting

We were informed that the School Fund Account is not independently audited. However, we obtained the School Fund accounts for the last financial year, which were signed by the Chair of Governors and Headteacher.

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

	Petty Cash Account
	We were informed that the Governing Body has not agreed an appropriate level for the amount of petty cash to be held.
	Staff are required to complete a petty cash voucher and provide a receipt for all reimbursement claims. Examination of a sample of five transactions selected from the transaction listing found that in all five cases, there was sufficient supporting documentation and authorisation for the payments.
	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. 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.

Acknowledgement	We would like to thank the management and staff of Wormholt Park 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 review and update the current Committee Structure Terms of Reference and Scheme of Delegation to include the financial authorisation limits for the Governing Body, Finance Committee, Headteacher and all staff with delegated authority. The Chair of the Governing Body should formally approve the Scheme of Delegation. Evidence of the approval should be formally documented in the relevant minutes of meeting at which approval was given.	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 has not been revised since October 2008 and there was no evidence to confirm that it was formally approved by the Governing Body. Furthermore, from examination of the SoD, it was identified that it does not detail the financial authorisation limits of the Governing Body, Finance Committee and Budget Holders. Where formal approval of the SoD is not evidenced in Governing Body minutes and the SoD is not reviewed to include the financial limits of the Governing Body, Finance Committee, and 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	

Responsibility	Headteacher/ Chair of Governors	Deadline	Next Governing Body meeting

2. Register of Pecuniary / Business Interests

(Priority 2)

Recommendation	Rationale
The Register of Business Interests should be completed in full by all members of the Finance & Resources Committee 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 Head Teacher), 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 review. The Register must be available for inspection by the Authority, Governors, staff and parents". It is also best practice that the register includes all staff with financial management responsibilities.

Although the School does hold a Register of Pecuniary and Business Interests, on examination it was found that two Governors had not completed a declaration. In addition, we identified that the Senior Administration Officer and the Deputy Head have financial responsibilities but had not completed a declaration.

Where the Register of Pecuniary and Business Interests is not kept up to date, and staff with financial management responsibilities do not declare any interests, 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. This 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			
Responsibility	Headteacher	**Deadline**	Immediately

3. 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. Any changes to the policy should be communicated to all staff.	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 developed a Whistle Blowing Policy but this has not been updated since May 2002. 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. The school may not provide adequate protection for individuals who disclose malpractice and wrongdoing.

Management Response			
Agreed			
Responsibility	Headteacher/ Chair of Governors	**Deadline**	Next Governing Body meeting

4. Finance Committee Meetings

(Priority 2)

Recommendation	Rationale
The School should ensure that Finance Committee meetings take place at least once a term, in line with the agreed terms of reference. Further, the minutes should be documented, 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. Examination of minutes of the Finance Committee meetings found that they were not signed by the relevant Chair and that meetings were occurring every five months rather than every three months as stated in the committee terms of reference. 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. Where committee meetings do not occur in line with the frequency stated in the terms of reference there is a risk that matters will not be discussed and decisions made in a timely manner.

Management Response
Agreed

Responsibility	Headteacher/ Chair of Governors	**Deadline**	Immediately

School Improvement Plan and OFSTED Inspections

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

Recommendation	Rationale
The School Development 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 School Development Plan (SDP) 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 SDP and the Budget Plan. Although the SIP was approved by the Governing Body in September 2009, the Budget Plan was not approved in July 2009.
	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. Where the School Improvement Plan is not used in the budget setting process, there is a risk that the plan will not be adequately resourced.

Management Response			
Not agreed			
Responsibility	Headteacher/ Chair of Governors	**Deadline**	To be provided

Financial Planning, Budgetary Control and Monitoring

6. 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".	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, four allocations stated on the Chart of Accounts report differed from the approved budget. 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			
Responsibility	Headteacher/ School Business Manager	**Deadline**	Immediately

7. Regular Budget Monitoring **(Priority 2)**

Recommendation	Rationale
Management should ensure that budget monitoring reports are produced and presented to the Finance Committee at each meeting.	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. Although budget monitoring reports were confirmed to be produced quarterly and submitted to the Finance Committee for review, we identified a five month gap where reports were not produced and presented to the Finance Committee. 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	

Responsibility	Headteacher/ School Administration Officer	Deadline	Immediately

Payroll

8. Retention of Recruitment Documents **(Priority 2)**

Recommendation	Rationale
The School should also liaise with the Council's HR department to determine which documents should be retained by the School and which should be retained by the HR department. The guidance provided by the HR department should then be followed to ensure that all relevant documents are retained.	Retaining relevant documents on staff personnel files will help to ensure compliance with the School's policy and statutory requirements. From a sample of four new starters' personnel files examined: • Signed contracts and appointment letters were not on file in all four cases; and • Evidence of references could not be located. Discussions at the School established that these would be held by the Council's HR department; however, further testing and discussions within the HR department established that references are normally retained by the school. In addition, examination of a sample of four leavers' files found that evidence of documentation supporting employees' termination of employment could not be located in all four cases. It is acknowledged that all four employees were removed from the payroll in a timely manner. Where documents are not retained to evidence the appointment and termination 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			
Not agreed			
Responsibility	Headteacher/ Senior Administration Officer	**Deadline**	To be provided

9. Regular Payroll Checks   (Priority 2)

Recommendation	Rationale
The School should ensure that payroll statements are signed and dated as evidence of review by the officer undertaking the checks.	Certifying payroll reports as part of the review process increases accountability when exercising this control. We were informed that regular payroll checks take place; however, payroll reports were not certified as evidence of review. Where review of payroll statements is not evidenced, there is an increased risk that accountability for exercising this control will become diminished and reduced assurance that these checks have been completed.

Management Response			
Agreed			
Responsibility	Headteacher/ School Administration Officer	**Deadline**	Immediately

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

Recommendation	Rationale
The School's Pay Policy should be regularly reviewed and approved by the Governing Body. Furthermore, the staffing structure should be reviewed every two years and updated to reflect all staff changes.	Regularly reviewing and updating of policies helps ensure their currency and continuing use in providing guidance to staff on desired activities and behaviours. Furthermore, regular review of the staffing structure helps to ensure that all changes are reflected in the annual budget. The School's Pay Policy was last reviewed in July 2007. In addition, the staffing structure has not been reviewed in the last two years although it was evident that staff changes had been reported at Staffing Committee. 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

Responsibility	Headteacher/ School Administration Officer	**Deadline**	Next Governing Body meeting

Procurement

11. Compliance With the School's Finance Procedures Manual (Priority 2)

Recommendation	Rationale
All members of staff that undertake financial administration duties should be formally reminded of the need to comply with The School Financial Procedures Manual: • Official order forms should be completed before an order is processed; • Purchase orders should be raised for all expenditure at the time the order is placed with the supplier; • Delivery notes should be retained on file and signed off as received by the person checking the goods, and • Undisputed invoices should be paid within 30 days.	The School's Financial Procedures Manual sets out guidance to be adhered to with regards to the financial processes within Schools. Examination of a sample of 10 purchases identified the following exceptions: • Official purchase orders were not raised or approved for the 10 cases reviewed; • Goods or services received checks were not evident; • Three payments were not made within 30 days, and • For three of the 16 payments made, the invoice and purchase order date were the same and in one case the invoice was received prior to the purchase order being raised. 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			
Responsibility	Headteacher/ School Administration Officer	**Deadline**	Immediately

Internal Audit Report – London Borough of Hammersmith & Fulham – Wormholt Park Primary School 2009/10   125

12. Appropriate Management of Contracts   (Priority 2)

Recommendation	Rationale
Management should ensure that copies of all signed contracts with its external contractors are obtained and retained. The School should retain records to to demonstrate how the contracts for services were procured and managed in order to demonstrate effective use of public funds.	Retaining copies of the signed and sealed agreement between both parties to a contract will help to ensure that both parties have a legal recourse in the event of any legal action. Furthermore, where the School are able to demonstrate how contracts for services were procured this will provide assurance that best value has been achieved, and the procurement process was free from bias. The School did not retain copies of contracts with eight of its twelve external contractors and was unable to demonstrate how these contracts were procured. Where contractual terms and conditions are not formally agreed or retained, there is an increased risk that in the event of any legal action being brought against the School, the School may not have any legal recourse resulting in adverse publicity and financial loss. There is a further risk that where the School is unable to demonstrate that selection of contractors was fair and free from bias and that value for money has been achieved.
Management Response	
Agreed	

Responsibility	Headteacher/ Chair of Governors	Deadline	Immediately

Bank Accounts

13.   Bank Reconciliations   (Priority 2)

Recommendation	Rationale
The School should ensure that bank reconciliations are signed and dated by the preparer, and are reviewed and certified by a second officer as evidence of independent review. It is further recommended that all unreconciled items over three months old are investigated and that the unreconciled items report is annotated with any action taken.	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. It was identified that bank reconciliations had not been signed by the preparer or reviewer. Unreconciled item listings are sent to the authority on a monthly basis; however, evidence of action taken in respect of items older than three months is not recorded. Four unreconciled items over three months old were identified on the unreconciled items listing. Where unreconciled items are not 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	

Page 263 appears in left margin as rotated text.

Page 263

| Responsibility | Headteacher/ School Business Manager | Deadline | Immediately |

Income

14. 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 collecte form a large number of individuals, a cash collectoin 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. The only cash collection record maintained was for school journeys. 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 no procedures are in place to record the transfer of money between staff, there is an increased risk that income may be misappropriated or that errors in cash collection and banking may not be identified.

Management Response			
Agreed			
Responsibility	Headteacher/ School Administration Officer	**Deadline**	Immediately

Assets

15. Maintainance of Inventory Records   (Priority 2)

Recommendation	Rationale
Inventory records should be updated to record date of purchase, purchase price and location of assets. 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, purchase price of the items and their location within the School 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 Where up-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	

Responsibility	School Administration Officer	**Deadline**	Immediately

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

Recommendation	Rationale
Equipment loans should be authorised by an appropriate member of staff and the loan period should be specified on theloan 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".
	The loans pro-forma maintained by the School only allows for the signatory of the staff member, and there is no evidence that loans were authorised. In addition, the period of the loan is not specified on the form.
	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 where who has access of its equipment.

Management Response			
Agreed			
Responsibility	Headteacher	**Deadline**	Immediately

17.   Approval of the Accessibility Plan   **(Priority 2)**

Recommendation	Rationale
Approval of the School's Maintenance Plan should be documented in the minutes of the relevant Premises, Health & Safety 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 the Governing Body have approved the Accessiibility Plan maintained by the School. Where approval of the Accessibility Plan is not evident, there is an increased risk that the School may not be able to demonstrate compliance with legislation and that the plan is in line with the requirements of the Governing Body.
Agreed			
Responsibility	Headteacher/ Chair of Governors	**Deadline**	Immediate

School journey

18. 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.	'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' for the trip to Little Canada Park was not produced and reported to the Governing Body for review.
	Where detailed costing of school journeys is not completed, there is an increased risk of financial loss to the School if it has to absorb any unidentified shortfall in income. Where the statement is not independently reviewed, there is an increased risk that any variances or anomalies may not be adequately scrutinised.

Management Response			
Not agreed			
Responsibility	**Headteacher/ Senior Administration Officer**	**Deadline**	**To be provided**

School Fund – Accounting

19. Annual Independent Review of the School Fund Account   *(Priority 2)*

Recommendation	Rationale
The School Fund accounts 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.	In order to provide independent assurance on the accuracy of the School Funs financial records an indepedent audit should be conducted. Audited accounts should be presented to the Governing Body for approval.
	The School Fund Account has not been independently audited and the results presented to the Governing Body for approval.
	Where the School Fund is not subject to an independent audit and and th results submitted to the Governing Body, there is an increased risk that the School may not be able to demonstrate satisfactory stewardship over the School Fund.

Management Response			
Agreed			
Responsibility	Headteacher	**Deadline**	Next Governing Body meeting

Petty Cash Account

20. Petty Cash Limit Approved by the Governing Body   (Priority 2)

Recommendation	Rationale
The Governing Body should set out an appropriate limit of petty cash to be held on site. This amount should represent a balance between operating requirements and the risk of holding cash on the premises.	Formal Governing Body approval of an appropriate level of petty cash to be held at the School helps to ensure that an appropriate level of cash is held at the School. We were informed that the Governing Body has not formally agreed a formal petty cash limit. Where the Governing Body has not agreed a limit for petty cash, there is an increased risk of excessive levels of cash being held on site. This may lead to loss, theft or inappropriate use of the cash resulting in financial loss to the School.

Management Response			
Agreed			
Responsibility	Headteacher/Governing Body	**Deadline**	Next Governing Body meeting

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

August 2010

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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.

⟹	**Improved since the last audit visit. Position of the arrow indicates previous status.**
⟸	**Deteriorated since the last audit visit. Position of the arrow indicates previous status.**
⟺	**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 D – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
General Manager	Headteacher
Deputy Sector Manager	Senior Admin Officer
Senior Internal Auditor	
Contact Details: ☎ Ext 2550 ☎ Ext 2590	

Appendix E – Audit Timetable

	DATES
Fieldwork Start	07/10/09
Exit Meeting	08/10/09
Draft report issued	10/12/09 (following central testing completed on 10/12/09)
Final report issued	06/08/10

Internal Audit reports in issue more than two weeks as at 30 September 2010

	Audit Year	Department	Responsible Director	Audit Title	Assurance	Draft report issued on	Target date for responses	Awaiting Response From
1	2009/10	Environment	Nigel Pallace	Parking Pay and Display	Limited	20/07/2010	03/08/2010	Director
2	2010/11	Environment	Nigel Pallace	Smart Working Project - Gateway review and benefits realisation	Substantial	13/09/2010	27/09/2010	Director
3	2009/10	Finance & Corporate Services	Jane West	Laptop and Mobile Asset Management and Security Audit	Substantial	28/07/2010	11/08/2010	Auditee and Director
4	2009/10	Finance & Corporate Services (HFBP)	Jane West	Citrix and VM Ware	Substantial	16/08/2010	30/08/2010	Director
5	2010/11	Residents Services (HFBP)	Lyn Carpenter	Spydus Application Audit	Limited	27/07/2010	10/08/2010	Auditee and Director

Audit Recommendations Outstanding

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	2009/10	School	Hurlingham & Chelsea Secondary School	Substantial	The School should ensure that there is adequate segregation of duties between the person raising purchase orders and the person authorising invoices for payment of those goods and services. This process should be documented in the Schools Scheme of Delegation	2	14/09/2010	Headteacher	Scheme of Delegation to be updated and presented for approval to GB on September 14th meeting
2	2009/10	School	Hurlingham & Chelsea Secondary School	Substantial	Each school journey should be approved by the Governing Body prior to the trip being agreed.	2	14/09/2010	Headteacher	Trip summary and account audit to be presented to GB on Sept 14th meeting
3	2009/10	School	Hurlingham & Chelsea Secondary 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. Further, the Governing Body should consider closing the School Fund Accounts and transfer the funds to the main school account where the accounts are no longer required. Any decision to close the accounts should be documented in Governing Body minutes. Also, this should be included in the Statement of Internal Control for 2009/10.	2	14/09/2010	Headteacher	School fund account to be independently audited by end of August 2010. This report and summary proposal for account to be presented to GB on September 14th meeting

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
4	2007/08	Community Services (Housing)	LOCATA Application	Limited	It is recommended that Locata are instructed to undertake an investigation of the problem identified in the management trail of the system.	2	31/07/2010		Form to be designed for Social Worker and Divisional Manager to sign off. The Form will show reason for closure e.g. "deceased". (27/10/08) Follow-up findings 26/10/09: There has been no progress with the supplier since June 2009 update. AD of Housing (Housing Options) to raise this formally with HFBP and Sector

This report will be run by The Rehousing Options Team Manager in the first week of July 2010. Implementation date amended to 31/7/10 (IAM 10/8/10) |
| 5 | 2007/08 | Community Services (Housing) | LOCATA Application | Limited | Management should ensure that as a member of the West London Allocations and Lettings Group (WLALG), the Service Level Agreement (SLA) between Locata and the Council should be located and monitored on a regular basis. Where underperformance is identified, corrective action should be undertaken. | 1 | 30/09/2010 | | Recommendations are now being implemented Follow-up findings 26/10/09: There has been no progress with the supplier since June 2009 update. AD of Housing (Housing Options) to raise this formally with HFBP, Sector and the strategic Lettings Group

Significant and unforeseen issues relating to key personnel have caused unavoidable delays in the implementation of this recommendation in 2010. As a result, the implementation date has been amended to 30/9/10 (IAM 10/8/10) |

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
6	2009/10	Environment	Energy Efficiency and Green Agenda	Substantial	The Council should develop a charging process by which the cost of emission allowances purchased under the carbon trading system are recharged to those individual services which are responsible for excessive CO2 emissions.	2	31/07/2010	Carbon Management Programme Board	Waiting for Carbon Reduction Manager to be in post 16th June. Implementation date will need agreeing with Manager once in post
7	2009/10	Environment	Energy Efficiency and Green Agenda	Substantial	The Carbon Management Team should prepare action plans to address the energy use and CO2 emissions of those buildings identified as being high emitters of CO2. Where action plans have been produced, they should be presented to the Carbon Management Programme Board for review and approval, with progress on the achievement of the plan monitored at subsequent meetings.	2	31/07/2010	Facilities Management	Waiting for Carbon Reduction Manager to be in post 16th June. Implementation date will need agreeing with Manager once in post.
8	2009/10	Environment	Vertical Contracts BTS - Auckland House External and Communal Refurbishment	Substantial	Performance monitoring of Consultants that are contracted with for periods greater than 12 months should be undertaken on a regular and timely basis.	2	30/09/2010	Quantity Surveyor Manager	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
9	2008/09	Environment (HFBP)	Confirm Application	Substantial	It is recommended that management review the configuration of input data formatting and consider establishing the following specific controls on the Confirm application system to help improve data quality: • Make the 'Location' field mandatory and introduce a drop down for the title field for the input screen on the Graffiti module; and • Make the 'Location', 'description' and 'SOR item quantity' fields' mandatory on the Highways and Plan Maintenance modules.	2	30/06/2010	Head of highways & Construction/ HFBP Application Services Manager	Contacting the bridge to go to supplier and request software change. Awaiting quotes etc. Implementation date will need agreeing once supplier replies. (ENV dept rep) Specialism changed to "HFBP" and implementation date to 30/6/10 pending response from supplier (IAM 3/6/10) 23/08/10 These changes must be made by the third party supplier. On 14/07 they were proposed on the PBBI (Pitney Bowes) 'Ideas Portal' for general development if sufficient customers want them. Request has also been escalated to the Account Manager for an estimated cost as bespoke work.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
10	2008/09	Environment (HFBP)	Confirm Application	Substantial	It is recommended that HFBP should investigate with the supplier the ability to enable the auditing function on the Confirm system to be able to report changes to user details and to master data. A process should then be established to periodically report and review any changes to user profiles and master data.	2	30/06/2010	Application Services Manager/ Head of Highways and Construction	Contacting the bridge to go to supplier and request software change. Awaiting quotes etc. Implementation date will need agreeing once supplier replies. (ENV dept rep) Specialism changed to "HFBP" and implementation date to 30/6/10 pending response from supplier (IAM 3/6/10) 23/08/10 These changes must be made by the third party supplier. On 14/07 they were proposed on the PBBI (Pitney Bowes) 'Ideas Portal' for general development if sufficient customers want them. Request has also been escalated to the Account Manager for an estimated cost as bespoke work.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
11	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.}*
12	2009/10	Finance & Corporate Services	EDMS Application Audit	Substantial	Management should ensure record retention and disposal procedures are created for all document types that are scanned into the EDMS system. The procedures should meet relevant legal and regulatory requirements regarding retention and disposal.	2	30/06/2010	Head of IT Strategy	IA Comment 10/07/09: Recommendation in discussion. To be revised. 09/08/10 - (HFBP) This is not HFBP responsibility - should be with h&f Council.

Page 287

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
13	2009/10	Finance & Corporate Services	EDMS Application Audit	Substantial	A data classification exercise should be undertaken at department level by all departments using the EDMS system. The following may be taken into consideration when undertaking the exercise: • the type of data to be scanned into the system; • the use of the data; • the location of hard copies (if applicable); and • the regulatory or statutory implications surrounding the data.	2	30/06/2010	Head of IT Strategy	09/08/10 - (HFBP) This is not HFBP responsibility - should be with h&f Council.
14	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.
15	2009/10	Finance & Corporate Services (HFBP)	IT Service Desk	Substantial	A periodic review of the group membership for the users registered on the Magic application should be performed to ensure that all users are active and current and that user access is allocated in line with their job role. The group permissions should also be reviewed and any excess permissions removed. Users who have not used their accounts for a long time should also be reviewed and their accounts disabled.	2	30/09/2010	HFBP Application Services Manager/ H & F CMO	16/08/2010 HFBP - in hand, scheduled completion date by end Sept.
16	2009/10	Finance & Corporate Services (HFBP)	Camsys	Substantial	It is recommended that system review surveys are issued to all system users upon completion of the CAMSYS project.	2	31/03/2010	HFBP Project Manager/ H & F Project Manager'	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
17	2009/10	Finance & Corporate Services	Lynx Remote Access	Substantial	The Smartworking programme should ensure that all staff who work under the new Smartworking arrangements, such as remote working, have formally accepted their responsibilities, including those relating to health and safety which may apply to them.	2	30/07/2010	Programme Manager	
18	2009/10	Finance & Corporate Services	Lynx Remote Access	Substantial	The Council should conduct a formal risk assessment for remote working, and implement the controls to mitigate risk in the area of confidentiality. The risk assessment should also consider whether unauthorised access attempts 'intrusion' and potential security breaches are a significant risk to the Council's networks.	2	30/07/2010	Programme Manager	
19	2009/10	Finance & Corporate Services	Corporate Information Management and Security	Substantial	A central register of information asset owners should be created.	2	30/09/2010	Information Manager	Progress has been made on all of these actions but they have encountered a 6 month delay due to extenuating circumstances. They are all key deliverables of the Information Management Strategy (Information Manager - 7 June 2010).
20	2009/10	Finance & Corporate Services	Corporate Information Management and Security	Substantial	Notification of non-respondents to the 'Staff Declaration Form and Personal Commitment Statement' should be notified to the remaining departments as soon as possible. The Information Manager should obtain assurances from each department that appropriate management corrective action has been taken in respect of non-respondents.	1	30/09/2010	Information Manager	Progress has been made on all of these actions but they have encountered a 6 month delay due to extenuating circumstances. They are all key deliverables of the Information Management Strategy (Information Manager - 7 June 2010).
21	2009/10	Finance & Corporate Services	Data Storage and Backup Recovery Audit	Substantial	Retention schedules should be implemented comprehensively by the Council's departments in line with the retention guidelines for local authorities.	2	30/04/2010	Information Manager	Initial work has been carried out and will be picked up as the IM Strategy is rolled out. (Information Manager - 7 June 2010).

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
22	2009/10	Finance & Corporate Services	Data Storage and Backup Recovery Audit	Substantial	A formal procedure should be established to monitor the retention and destruction of data records (paper and electronic files) within the Council's departments to ensure that these are done in line with the guidelines for local authorities. Once established, responsibility for monitoring compliance should be assigned to relevant persons within the various departments.	2	30/04/2010	Information Manager	In principle support has been provided by the Chief Internal Auditor but devising the actual questions has been delayed (Information Manager - 7 June 2010.)
23	2009/10	Finance & Corporate Services	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	
24	2008/09	Finance & Corporate Services	Data Security	Substantial	The Council should consider issuing additional security measures for portable laptops when these are to be used away from the Council offices. These measures should include the issue of cable locks to secure portable equipment	2	01/07/2010	Smart Working Programme Manager	Progress has been made on all of these actions but they have encountered a 6 month delay due to extenuating circumstances. They are all key deliverables of the Information Management Strategy (Information Manager - 7 June 2010.) Update 25/08/2010: This will be considered for implementation as part of the Smart Working programme as cable locks are currently provided on request so this needs to be taken up with the Smart Working Programme Manager.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
25	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. |

Amendments to 2010/11 Audit Plan

	Department	Audit Name	Nature of amendment (e.g. added/ deleted/ deferred)	Reason for amendment
1	Finance & Corporate Services	Core Financials –Initial testing of key controls in preparation for External Audit testing	Added	Added following discussion with FSB
2	Finance & Corporate Services	Business Planning Cycle Audit	Deleted	Removed from plan following discussion with Organisational Development (OD)
3	Finance & Corporate Services	Business Planning consultancy work	Added	Added to plan following discussion with OD
4	Finance & Corporate Services	NHS Integration	Deleted	Removed from plan due to change in circumstances
	Children's Services	Pre-booked taxis & accommodation	Added	Added following discussion with department

AUDIT AND PENSIONS COMMITTEE

9 December 2010

CONTRIBUTORS	**Proposals for Reporting to the Audit and Pensions Committee**	WARDS All
Chief Internal Auditor		

This report sets out proposals for reporting to the Audit and Pensions Committee

RECOMMENDATION:

To approve the reporting changes proposed in the attached report.

1. Introduction

1.1 This report covers only the reports provided to the Audit and Pensions Committee (APC) in respect of the audit committee element of its scope. These are principally the reports on Internal Audit, Risk Management, and Corporate Anti-Fraud.

2. Background

2.1 The existing reporting arrangements currently provide for reports to be submitted for audit, risk and fraud at every meeting. Each of these reports includes a significant amount of information resulting in bulky reports that require members to trawl through a large amount of data. As a result members can easily miss key points and issues. This also reduces the ability of the Committee to introduce and explore new issues and concerns as there is less available time to address those issues.

2.2 As an example, the Internal Audit report being presented to this Committee meeting is over 150 pages. The report itself is only 4 pages long with rest being made up of appendices that include the full text of limited assurance reports, and tables of all outstanding reports and recommendations. The Risk Management report is only 5 pages long but includes in appendices a copy of the corporate risk register plus a programmes and projects list.

2.3 The information currently provided is based on information requests made by the previous Audit Committee members over time. While this appeared to be reasonable when this was only an Audit Committee, its integration with the Pensions Committee means that there is more pressure on providing focus on what is reported and keeping the level of information under control.

3. Proposals

3.1 The proposals provided below are designed to provide greater focus on key areas for Committee meetings. At the same time they aim to at least maintain the current level of information provided to Members, and potentially increase it through additional reporting arrangements.

3.2 It is proposed that the Internal Audit and Risk Management reports should continue to be provided to every meeting, while fraud reporting should in future occur every 6 months. To maintain the information you receive on fraud Members can be provided with a more regular 'newsletter' that can be circulated via email and any questions/queries can be sent to the Head of Internal Audit for response. Any significant issues arising from the newsletters and Member queries can be incorporated into the next report to Committee.

3.3 It is proposed that the Internal Audit report and the Risk Management report continue to be provided to every Committee meeting. To help manage the level of information provided the main reports will continue to be included in the agenda papers, and appendices will be provided separately to members. Any

questions/issues on these can be raised directly with the Head of Internal Audit outside of the meeting or can still be raised at the Committee meeting. An additional option is that any questions/issues raised by committee members outside of the meeting are reported at the meeting along with any responses provided.

3.4 If these proposals are approved they can implemented starting from the February 2011 APC meeting.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/ Copy	Department/ Location
1.	Previous reports to Committee	Chief Internal Auditor Ext. 2529	Finance and corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU