

# AUDIT AND PENSIONS COMMITTEE

30 June 2011

## CONTRIBUTORS

Chief Internal Auditor

**TITLE: Head of Internal Audit Annual Report  
2010/11 year**

**WARDS  
All**

This Head of Internal Annual Assurance report is a summary of all audit work undertaken during the 2010/11 financial year and provides assurances on the overall System of Internal Control, the System of Internal Financial Control, Corporate Governance and Risk Management. In all cases a satisfactory assurance has been provided with the exception of the significant control weaknesses recorded in the report. The report is a key element of the evidence supporting the Annual Governance Statement (AGS).

### **RECOMMENDATION:**

**To agree the contents of the report.**

### **LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext. of Holder of File/Copy</b>	<b>Department/ Location</b>
1.	Internal Audit plans, documents, audit files and supporting papers	Geoff Drake Ext. 2529	Finance Dept, 4 <sup>th</sup> Floor Town Hall

# London Borough of Hammersmith and Fulham Head of Internal Audit Report For The Year Ended 31 March 2011

This management letter has been prepared on the basis of the limitations set out on page 22

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

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## **1. Executive Summary**

### **1.1. Introduction**

1.1.1. The purpose of this report is to meet the Head of Internal Audit annual reporting requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Code advises at paragraph 10.4 that the report should:

- a) Include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- b) Disclose any qualifications to that opinion, together with the reasons for the qualification;
- c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the statement on internal control;
- e) Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria; and
- f) Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

1.1.2. The Code of Practice also states at Paragraph 10.4.1 that:

1.1.3. "The Head of Internal Audit should provide a written report to those charged with governance timed to support the Statement on Internal Control."

1.1.4. Therefore in setting out how it meets the reporting requirements, this report also outlines how the Internal Audit function has supported the Authority in meeting the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 and amending regulations. These state that:

"The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

## **Head of Internal Audit Opinion on the Effectiveness of Internal Control 2010/11**

1.1.5. This opinion statement is provided for the use of the London Borough of Hammersmith & Fulham in support of its Annual Governance Statement.

### **1.2. Scope of Responsibility**

1.2.1. The London Borough of Hammersmith & Fulham is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.2.2. In discharging this overall responsibility, the London Borough Hammersmith & Fulham is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

### **1.3. The Purpose of the System of Internal Control**

1.3.1. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Hammersmith & Fulham's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### **1.4. The Internal Control Environment**

1.4.1. The Internal Audit Code of Practice states that the internal control environment comprises three key areas, internal control, governance and risk management processes. Our opinion on the effectiveness of the internal control environment is based on an assessment of each of these key areas.

### **1.5. Review of Effectiveness**

1.5.1. The London Borough of Hammersmith & Fulham has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the annual letter and other reports.

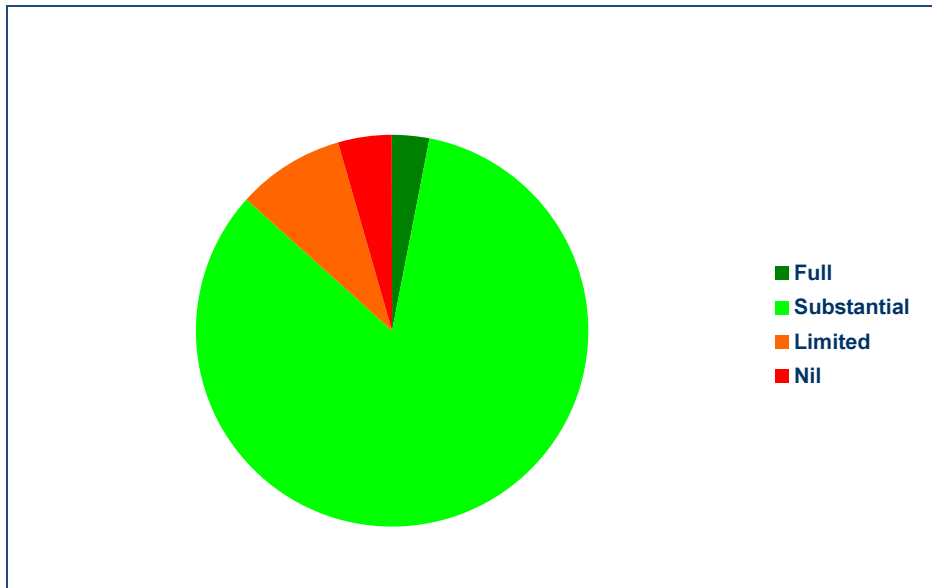
## **1.6. Head of Internal Audit Annual Opinion Statement**

- 1.6.1. Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2010/11 including our assessment of the London Borough of Hammersmith & Fulham's corporate governance and risk management processes.
- 1.6.2. The internal audit plan for 2010/11 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

## **1.7. Basis of Assurance**

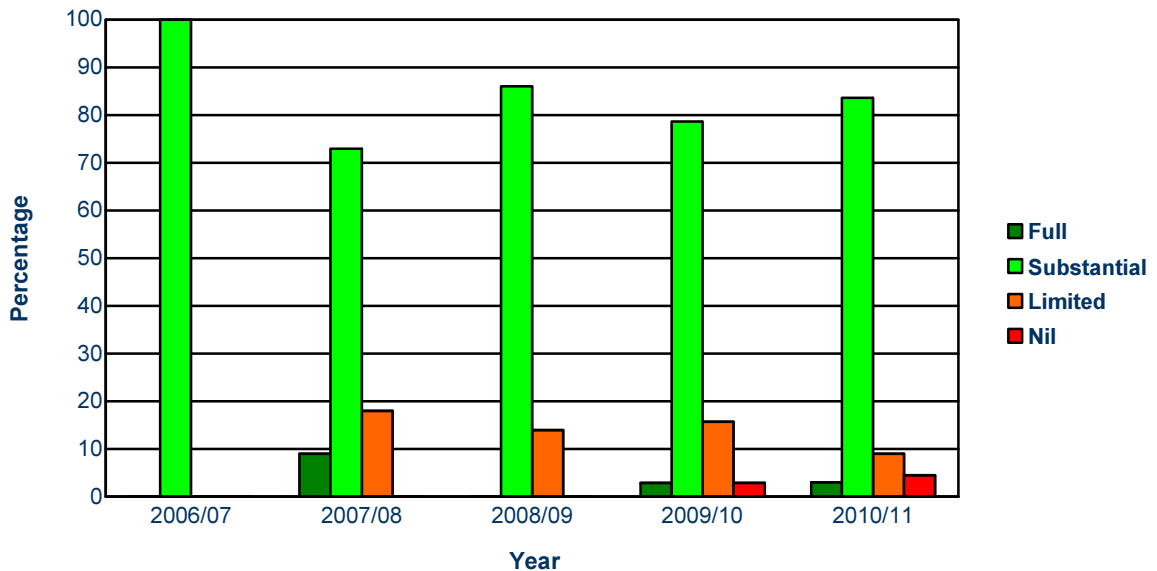
- 1.7.1. We have conducted our audits both in accordance with the mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 and additionally from our own internal quality assurance systems.
- 1.7.2. Our opinion is limited to the work carried out by Internal Audit based upon the strategic internal audit plan. Where possible we have considered the work of other assurance providers, such as External Audit.
- 1.7.3. The audit work that was completed for the year to 31 March 2011 is listed in Appendices A, C and D. Appendix A lists all the audits where assurance opinions are provided.
- 1.7.4. Three Nil assurance reports were issued, of which, one (St Mary's Catholic Primary School) has been finalised at the time of writing. The St Mary's Catholic Primary School report contained seven priority 1 recommendations and 24 priority 2 recommendations. Of these, five priority 1 and 18 priority 2 recommendations have been reported by management as having been implemented.
- 1.7.5. It should be noted that External Audit will not be requiring any further testing from Internal Audit for this financial year. Failures in certain key controls highlighted through our mid-year testing mean that no further testing was required. However, given the status of the control environment as a whole and the results of our three full key financial systems audits undertaken in 2010/11, we believe the financial system to be sound.
- 1.7.6. The pie chart below shows the levels of audit assurance achieved for the 2010/11 year. 87% of the systems audited achieved an assurance level of substantial or higher of which two audits were full assurance ('William Morris Sixth Form' and 'Trent Self-Service'). 13% received an assurance level of limited or lower.

### Assurance Levels for the year to 31 March 2011



1.7.7. The bar chart below shows the levels of assurance provided for all systems audited since the 2006/07 financial year. The distribution of assurance opinions has remained stable in comparison to the previous year. Over a longer period there has been a small reduction in the number of Nil and Limited assurance reports despite better targeting of areas of high risk and control weakness. This suggests an improvement in the overall system of internal control over time.

### Assurance Levels of Reports from 2006/07 to 2010/11



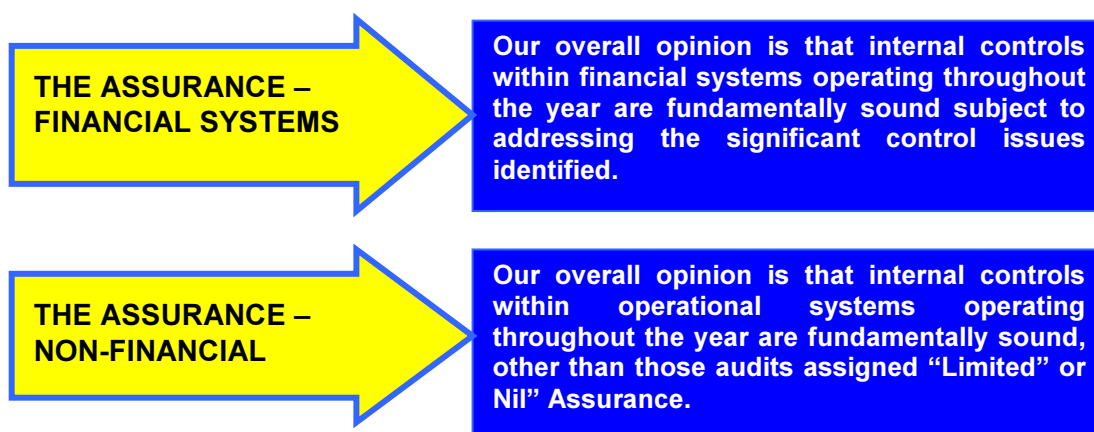
1.7.8. Recommendations to take corrective action were agreed with management and we will continue to undertake follow up work in 2011/12 to confirm that they have been implemented. The table below shows the percentage of recommendations past their implementation date reported as implemented for the last four years. Recommendations that have not been implemented that have passed their implementation deadline will continue to be reported to Departmental Management Teams and the Audit and Pensions Committee.

1.7.9.

Financial year	Recommendations Raised	Recommendations Implemented	% Implemented
2010/11	145	77	53%
2009/10	395	344	87%
2008/09	504	492	98%
2007/08	485	485	100%

## 1.8. 2010/2011 Year Opinion

1.8.1. From the Internal Audit work undertaken in 2010/11 it is our opinion that we can provide reasonable assurance that the system of internal control that has been in place at the London Borough of Hammersmith & Fulham for the year ended 31 March 2011 accords with proper practice, except for any details of significant internal control issues as documented in the detailed report. The assurance can be further broken down between financial and non-financial systems, as follows:



1.8.2. In reaching this opinion, the following factors were taken into particular consideration:

- a) The whole programme of internal audit work undertaken by Deloitte between the 1st April 2010 and the 31st March 2011. This included a review of the Council's Corporate Governance and Risk Management arrangements;
- b) Year end review of Internal Audit as part of the Annual Governance Statement (AGS) process in April 2011 provided a positive result;
- c) The outcome of audit work for which no assurance level was provided. A summary



of work undertaken and key findings can be found in Appendix C; and

- d) Follow up of audits undertaken in the 2009/10 financial year. A summary of the outcome of these follow up visits can be found in Appendix D.

## **1.9. The System of Internal Financial Control**

1.9.1. The system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council, in particular the system includes:

- Codes of practice and Financial Regulations;
- Standing Orders, Standing Financial Instructions and Schemes of Delegation;
- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports which indicates financial performance against the forecast;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts;
- Clearly defined capital expenditure guidelines; and
- Appropriate, formal project management discipline.

1.9.2. Our review of the effectiveness of systems of internal financial control is informed by:

- The work of internal audit as described in Appendices A, C and D; and
- The external auditors in their management letter and other reports.

1.9.3. From the above, we are satisfied that the Council has in place a sound system of internal financial controls, with the exception of those significant control weaknesses identified within this report. Based on the management responses provided to our recommendations, we are also satisfied that mechanisms are in place which would identify and address any material areas of weakness on a timely basis.

## **1.10. Corporate Governance**

1.10.1. In my opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on the work of Internal Audit as described in Appendix A, which provided a 'substantial' level of assurance as to the Corporate Governance systems in place.

## **1.11. Risk Management**

1.11.1. A number of risk management audits were included in the 2010/11 plan, including the following:

- Departmental and Divisional Risk Management;
- Annual Assurance Statements / Directors Assurance Statements; BSI

Standard Gap Analysis; and

- Risk Register Controls Testing (fieldwork in progress at the time of writing).

1.11.2. Substantial assurance was provided for Departmental and Divisional Risk Management audit with no significant issues identified.

1.11.3. With regards to Annual Assurance Statements / Director's Assurance Statements audits, significant areas for improvement were identified in the 2009/10 year exercise. As a result of this, the process has been developed further for the 2010/11 year exercise.

1.11.4. We also undertook a gap analysis against the BSI Standard for Risk Management (BS31100). No significant areas of non compliance were identified.

1.11.5. In drawing together our opinion we have relied upon:

- Our assessment of risk management through individual audits;
- The role of the Risk Manager who has Council wide responsibilities for co-ordinating and implementing the risk management policies across the Council; and
- The work of Internal Audit as described in Appendices A, C and D.

1.12. We would like to take this opportunity to formally record our thanks for the co-operation and support we have received from the management and staff during the year, and we look forward to this continuing over the coming years.

## **HEAD OF INTERNAL AUDIT**

**May 2011**

## **2. Detailed Report**

### **2.1. Introduction**

2.1.1. This section is a report from Internal Audit detailing:

- Any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;
- Any qualifications to the Head of Audit opinion on the Authority's system of internal control, with the reasons for each qualification;
- The identification of work undertaken by other assurance bodies upon which Internal Audit has placed an assurance to help formulate its opinion;
- The management processes adopted to deliver risk management and governance requirements;
- Comparison of the work undertaken during the 2010/11 year against the original Internal Audit plans; and
- A brief summary of the audit service performance against agreed performance measures.

### **2.2. Significant Control Weaknesses**

2.2.1. Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2010/11 the following were noted:

- The appointment of consultants continues to be an issue, including those employed through Personal Service Companies. The Personal Service Companies audit follows on from a nil assurance opinion given in 2009/10 for the Use of Consultants audit. This suggests that the Council remains exposed to risk;
- One school, St Mary's Catholic Primary, received a 'Nil' assurance opinion. Significant control weaknesses were found in all aspects of administration of the schools finances;
- Formal ICT resilience and disaster recovery arrangements have not been implemented for the majority of the Council's systems to mitigate against a disaster. In 2009/10, IT Business Continuity was identified as a weakness in the Council's Annual Assurance Statement; and
- External Audit will not be requiring any further testing from Internal Audit for this financial year. This was due to failures in a number of key controls highlighted through our mid-year testing. These were mainly related to reconciliations and suspense accounts, an issue that had been identified in previous years and were understood to have been resolved.

2.2.2. Other significant control weaknesses identified and included in the Council's Annual Governance statement include:

- The provision of information in compliance with the Freedom of Information Act has been the subject of a review from the Office of the Information Commissioner who has sought a written undertaking from the Council to improve the responsiveness to information requests; and
- Issues remain in relation to the management and control of gas safety certification for temporary accommodation and that of departmental wide risk assessment as a counter-balance to newly emerging areas of risk.

### **2.3. Key Issues**

2.3.1. There are a range of key issues that are likely to be of significance for the 2011/12 year and beyond, that Internal Audit need to be aware of. These include:

- The change in Government in May 2010 continues to give rise to a significant number of issues affecting the Council and delivery of services;
- Impact of the current economic climate on the Council's finances through reduced levels of income. Local government will have to cover a funding shortfall of around £6.5bn in the next financial year, with some councils facing more than 16 per cent reductions in the amount of money they receive from Government;
- The potential for more transformation projects being undertaken to deliver MTFs savings. This brings challenges in implementing a series of interconnected transformation projects successfully without impacting on current service delivery. There is likely to be increased Internal Audit involvement in transformation projects and new initiatives at an early stage both to provide assurance and provide support for new systems being 'right first time';
- Hammersmith & Fulham Council, the Royal Borough of Kensington & Chelsea and Westminster City Council intend to merge services in many areas. The integration of the three boroughs may give rise to additional risks related to governance, delegation of powers; performance management; and financial management of shared services; and
- On 15 November 2010 the Secretary of State announced the decision to immediately abolish FMSiS. Consultation for a new standard went live on 10 March 2011 and ended on 30 April 2011. Based on the limited information provided on the DfE website, it appears that the audit work currently undertaken at schools will be sufficient to provide assurance on compliance with the new standard without significant additions or amendments to the current coverage.

### **2.4. Qualifications to the opinion**

2.4.1. Internal Audit has had unrestricted access to all areas and systems across the Authority and has received appropriate co-operation from officers and members.

## **2.5. Other Assurance Bodies**

2.5.1. In formulating their overall opinion on internal control, we took into account the work undertaken by the following organisation, and their resulting findings and conclusion:

- a) The annual letter from the Authority's external auditors.

## **2.6. Risk Management Process**

2.6.1. The principle features of the risk management process are described below:

### **2.6.2. Risk Management Policy**

The Authority has established a Risk Management Policy that sets out the Authority's attitude to risk and to the achievement of business objectives. The Policy:

- a) explains the Authority's underlying approach to risk management;
- b) documents the roles and responsibilities of the Authority and directorates;
- c) outlines key aspects of the risk management process; and
- d) identifies the main reporting procedures.

This Policy has been communicated to key employees and can be accessed on the Authority's intranet.

### **2.6.3. Risk Registers**

The Authority has departmental and divisional risk registers in place. Procedures are in place for risk registers to be reviewed at least on a bi-annual basis. We adopt a risk based auditing approach.

## **2.7. Audit Plan**

2.7.1. The Operational Plan for the 2010/11 year flowed from corporate and departmental risk registers and other issues brought to the attention of Internal Audit. We agreed and discussed the audit plan with Directors, Assistant Directors and Heads of Service. We also consulted various other sources.

2.7.2. Our operational planning is designed to provide an even flow of work throughout the year, and to allow us to monitor progress. As a result this information can be used as a key benchmark against which progress on individual assignments can be measured.

## **2.8. Internal Audit Assurance Levels**

2.8.1. Appendix A sets out the level of assurance achieved on each systems audit and the change in assurance opinion where the audit has been undertaken previously. This shows that no areas audited this year have shown deterioration in control since the last time they were audited. There is an ongoing programme of follow up work for all reports receiving a "Limited" or "Nil" audit assurance opinion to ensure that recommendations are implemented.

2.8.2. Of the 6 audits that received a limited audit assurance (three final and three draft) two fell within the Finance and Corporate Services Department, one within the Housing and Regeneration Department, one within Environment Services and two within Resident

Services. Of the three nil assurance reports (one final and two draft) one fell within Children's Services, one draft report fell within Environmental Services and the other fell within Finance and Corporate Services. In all cases, audit recommendations were agreed with management at the time of the audit along with an action plan to address the identified weaknesses. Follow up audits will, or have already been, undertaken in each case to review the adequacy and effectiveness of the corrective action taken.

- 2.8.3. Ten follow up visits were undertaken in 2010/11 to determine if recommendations raised within the 2009/10 audit visits have been implemented. A summary of our findings can be found in Appendix D.

## **2.9. Internal Audit Performance**

2.9.1. Appendix B sets out pre-agreed performance criteria for the Internal Audit service. The table shows the actual performance achieved against targets. Overall performance of Internal Audit has improved with all targets (with the exception of issuing audit briefs) being achieved or exceeded. Focus will be given to maintaining these performance standards in 2011/12.

2.9.2. The target of delivering 95% of the audit plan by 31 March 2011 was exceeded by 2 percentage points. It should be noted that 104 audit days were deferred into the 2011/2012 audit plan at the request of auditees compared to 36 in the previous year. This increase in days carried forward is mainly due to changes or delays in the projects or initiatives being audited.

## **2.10. Compliance with CIPFA Code of Internal Audit Practice**

2.10.1. Internal Audit has comprehensive quality control and assurance processes in place and we can confirm that we comply with the CIPFA standards. Our assurance is drawn from:

- a) The work of external audit;
- b) Quality reviews carried out by both the Hammersmith and Fulham Internal Audit section and Deloitte; and
- c) Annual review of Internal Audit introduced as part of CIPFA guidance on the Annual Governance Statement. This reports that the Internal Audit service is fully compliant with the CIPFA standards on Internal Audit.

## **2.11. Working with External Audit**

2.11.1. The Audit Commission was consulted regarding the audit plan for the 2010/2011 year, and a number of audits in the internal audit plan were identified by them as being key to the external audit programme of work.

2.11.2. In 2009/10, failures in key financial controls highlighted through our mid-year testing meant that no further testing was required for the 2009/10 financial year.

2.11.3. A meeting between Internal Audit, Corporate Finance and the Audit Commission was held to discuss the results of our audit work and determine how this situation could be avoided in 2010/11. As a result of this meeting, Internal Audit prepared a schedule of all key controls that would be tested and guidance on what evidence would be required to demonstrate that the control was operating effectively.

- 2.11.4. Despite an increased level of internal audit support, 16 out of the 34 controls tested were not operating effectively. As a result of the failure of these controls, the Council was unable to secure a saving in the Audit Commission fee as they were unable to rely on the controls tested.
- 2.11.5. It should be noted that, although the Audit Commission judged the controls tested to have failed, substantial assurance was provided for the three full key financial systems audits undertaken in 2010/11. The Audit Commission require 100% compliance with their specified controls to consider the controls effective. An internal audit will test significantly more controls and does not require 100% compliance to provide a substantial assurance opinion.
- 2.11.6. Internal Audit will develop proposals with the aim of improving the effectiveness of these controls in the 2011/12 financial year.

## **2.12. Internal Audit Provision Going Forward**

2.12.1. The following aspects will impact on the future delivery of the Internal Audit service:

- With the reduction in size of the new contract with Deloitte, there is a need to maximise the assurance provided and seek opportunities to add value. This may involve sharing assurance with partners, placing more reliance on other sources of assurance and an increase in the reliance on self assessment;
- The integration of the Council with Westminster and RBKC is likely to increase the likelihood of cross borough audit work where assurances are required over shared operations; and
- The potential for more transformation projects being undertaken to deliver MTFS savings. This brings challenges in implementing a series of interconnected transformation projects successfully without impacting on current service delivery. There is likely to be increased Internal Audit involvement in transformation projects and new initiatives at an early stage both to provide assurance and provide support for new systems being 'right first time'.

## APPENDIX A - Assurance Levels 01/04/2010 – 31/03/2011

The table below provides a summary of the assurances assigned to each of our audits. Where the direction of travel column is blank, no audit has previously been conducted.

		Audit Opinion				
Department	Audit	Nil	Limited	Substantial	Full	Issued
<b>FINALISED</b>						
Children's Services	CHS Facilities Management					09/02/2011
Children's Services	School Management Support Team					28/10/2010
Children's Services	Schools Centralised Banking & Financial Management					29/10/2010
Children's Services	Pre Booked Transport and Accommodation					09/02/2011
Children's Services	Safeguarding Children (Part 1)					09/02/2011
Children's Services	John Betts Primary School			↔		31/03/2011
Children's Services	Kenmont Primary School			↔		24/02/2011
Children's Services	Larmenier & Sacred Heart Catholic Primary School			↔		12/01/2011
Children's Services	Lena Gardens Primary School			↔		12/01/2011
Children's Services	Miles Coverdale Primary School			↔		20/01/2011
Children's Services	Old Oak Primary School			↔		21/03/2011
Children's Services	Sir John Lillie Primary School			↔		09/11/2010
Children's Services	St Paul's Primary School			↔		10/11/2010
Children's Services	St Thomas of Canterbury Catholic Primary School			↔		08/03/2011
Children's Services	Wendell Park Primary School			↔		29/10/2010
Children's Services	St Mary's Catholic Primary School					12/11/2010
Children's Services	Phoenix High School			↔		12/01/2011
Children's Services	William Morris Sixth Form			→		18/02/2011
Children's Services	Woodlane High School			↔		05/01/2011
Children's Services	Queensmill School			↔		24/03/2011
Community Services	New Complaints System					28/07/2010
Corporate	Management and Monitoring of Contractors					03/02/2011
Environment Services	CAMSYS Application Audit					03/02/2011



		Audit Opinion				
Department	Audit	Nil	Limited	Substantial	Full	Issued
Environment Services	EC Harris Contract Management					22/10/2010
Environment Services	Asset Management					03/02/2011
Finance and Corporate Services	Departmental and Divisional Risk Management			↔		03/03/2011
Finance and Corporate Services	CRB Checks*					10/06/2011
Finance and Corporate Services	HFBP Billing					25/10/2010
Finance and Corporate Services	IT Work requests					29/03/2011
Finance and Corporate Services	Single Equality Scheme					10/02/2011
Finance and Corporate Services	Trent Self Service					01/10/2010
Finance and Corporate Services	Smart Working Programme					03/02/2011
H&F Homes	Fire Safety					28/09/2010
H&F Homes	Gas Safety			↔		22/10/2010
H&F Homes	Business Planning					28/09/2010
H&F Homes	Reconfiguration of Customer Facing Services					12/11/2010
Housing and Regeneration	Accessible Housing Register (Housing Options)					01/12/2010
Resident Services	SERCO Waste Management					05/08/2010
Resident Services	Government Procurement Cards					09/02/2011
Resident Services	Anti-Social Behaviour Unit			↔		03/11/2010
Residents Services	Bishops Park / Fulham Palace Regeneration					03/03/2011
<b>DRAFT</b>						
Children's Services	School Meals					07/04/2011
Children's Services	Family Assist					23/03/2011
Children's Services	Family Support Programme					10/03/2011
Children's Services	All Saints Primary School			↔		16/03/2011

		Audit Opinion				
Department	Audit	Nil	Limited	Substantial	Full	Issued
Children's Services	Sacred Heart High School			↔		17/02/2011
Community Services	Personal Budgets					21/03/2011
Environment Services	Carbon Reduction Commitment					22/12/2010
Environment Services	Vertical Contract Audit - 145 King Street					25/03/2011
Environment Services	Vertical Contract Audit - Cobbs Hall					25/03/2011
Environment Services	Vertical Contract Audit - Normand Park					11/04/2011
Environment Services	Market Testing - BTS					26/01/2011
Finance and Corporate Services	Housing Benefits					4/03/2011
Finance and Corporate Services	Pension Administration					17/03/2011
Finance and Corporate Services	Partnership and Corporate Governance			↔		29/03/2011
Finance and Corporate Services	IT Performance					23/02/2011
Finance and Corporate Services	Trent Application Audit					01/04/2011
Finance and Corporate Services	Market Testing - Legal Services					26/01/2011
Finance and Corporate Services	Personal Service Companies					31/03/2011
H&F Homes	Core Financials - Housing Rents			↔		16/02/2011
H&F Homes	Core Financials - Housing Repairs			↔		21/03/2011
H&F Homes	Integration of H&F Homes in to the Council					07/04/2011
H&F Homes	Ending of Tenancies					13/04/2011
Resident Services	Spydus Application Audit					27/07/2010
Resident Services	Powersuite Application Audit					31/03/2011
Resident Services	Financial Management in Libraries					01/04/2011
<b>NOT YET ISSUED</b>						
Community Services	Preventions					

		Audit Opinion				
Department	Audit	Nil	Limited	Substantial	Full	Issued
Housing and Regeneration	Accommodation Services					
<b>Total</b>		3	6	56	2	

<b>Total Reports</b>	67
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\* Substantial Assurance opinion provided on adequacy of controls; however due to the number of outstanding CRB checks, limited assurance has been provided on the effectiveness of controls.

### Assurance Levels

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

- 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.

### Direction of travel

- 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.

## APPENDIX B - Internal Audit Performance – 2010/11

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Authority. The table below shows the actual and targets for each indicator for the period.

Performance Indicators		Annual Target	Performance	Variance
1	% of draft reports issued within 10 working days of exit meeting or end of fieldwork (whichever is later).	95	98	+3
2	% of final reports issued within 5 working days after agreement of management responses (this does not include reports which do not require director approval, e.g. FMSiS reports or follow up or other special deliverables).	100	100	0
3	% of plan complete based on deliverables (draft reports, FMSiS and Mgmt letters). This does include FMSiS Reports.	95	97	+2
4	% of plan complete based on days delivered.	95	95	0
5	% of audit briefs issued 10 days before start of audit (Accounting for Exceptions)	95	94	-1
6	% of audit follow ups completed	100	100	0
7	% of Satisfaction survey satisfactory	98	75	-23
8	% of 2010/11 recommendations past their implementation date that have been implemented	N/A	56%	N/A
9	% of 2009/10 recommendations past their implementation date that have been implemented	N/A	94%	N/A
10	% of 2008/09 recommendations past their implementation date that have been implemented	N/A	99%	N/A
11	% of 2007/08 recommendations past their implementation date that have been implemented	N/A	100%	N/A

## APPENDIX C: Internal Audit Work for Which No Assurance Opinion was provided

The table below provides a summary of the scope and key findings of audit work for which no overall assurance level was provided.

Department	Audit	Issued
<b>Final</b>		
Children's Services	Risk and Control Advice - Introduction of BACS and Direct Debits in Schools	03/11/2010
Children's Services	Contact Point Gap Analysis	08/06/2010
Children's Services	YPLA funding - Lady Margaret	31/03/2011
Children's Services	YPLA funding - London Oratory	07/04/2011
Corporate	Tendering Self Assessment	28/02/2011
Corporate	Market testing - Summary Report	28/01/2011
Corporate	Fees and Charges	28/09/2010
Environment Services	Utilisation of Accommodation	23/11/2010
Environment Services	Planning Applications - Risk and Control Advice	14/03/2011
Finance and Corporate Services	Key Financial Control Testing - Framework	08/11/2010
Finance and Corporate Services	Risk Management - Assurance Frameworks	20/05/2010
Finance and Corporate Services	Internal Recharges & Resource Demand Management	04/11/2010
Finance and Corporate Services	Risk Management - Directors Assurance Statements	26/01/2011
Finance and Corporate Services	Risk Management - BSI Standard Gap Analysis	12/10/2010
Finance and Corporate Services	Preliminary Testing of Key Financial Controls	26/11/2010
Finance and Corporate Services	BOIP Board Attendance - Summary Report	07/04/2011
Finance and Corporate Services	Key Financial Controls Testing - Debtors	08/03/2011
Finance and Corporate Services	WCFM - Payments - Risk and Control Advice	18/03/2011
Finance and Corporate Services	WCFM - Salaries Monitoring - Risk and Control Advice	01/04/2011
Finance and Corporate Services	WCFM - Internal Recharges - Risk and Control Advice	04/11/2010
Finance and Corporate Services	Business Planning Cycle	14/10/2010
Finance and Corporate Services	Budget Variances	27/01/2011
Finance and Corporate Services	PCI Compliance – Gap Analysis	24/01/2011
H&F Homes	Reconfiguration of Customer Facing Services (Project)	01/09/2010

<b>Draft</b>		
Finance and Corporate Services	GCSX - Government Connect Secure Extranet - Code of Connection (CoCo) – Gap Analysis	10/3/2011
<b>Not Yet Issued</b>		
Children's Services	Early Years – Compliance with Statutory Duties Gap Analysis	-
Children's Services	School Finance Manual benchmarking	-
Community Services	Preventions Gap Analysis	-
Environment Services	Vertical Contract Audit - Summary Report	-
Finance and Corporate Services	Data Quality	-
Finance and Corporate Services	Risk Register Controls Testing	-
Finance and Corporate Services	ITIL	-

## APPENDIX D - Follow up Audits

Follow visits were undertaken on the following audits that received a 'Limited' or 'Nil' assurance opinion in their 2008/09 or 2009/10 audit visit. The number of recommendations found to be implemented was as follows:

Department	Audit	Recommendations	Implemented	Partly Implemented	Not implemented	No longer applicable
<b>Final</b>						
Children's Services (School)	Brackenbury School	21	13	5	3	0
Community Services	McBeth and Briony Centre	14	9	2	3	0
Finance and Corporate Services	Use of Consultants	6	2	4	0	0
H&F Homes	Tenancy Verification	6	3	3	0	0
Resident Services	Leisure Centre Contract Management	6	3	2	1	0
Resident Services	Business Continuity Follow Up	9	6	3	0	0
Housing and Regeneration	Accessible Housing Register	9	5	1	0	3
<b>Draft</b>						
Children's Services (School)	Fulham Primary School	16	4	7	5	0
Children's Services (School)	St Mary's Catholic Primary School	32	15	12	4	1
Environment Services	Parking PCNs	7	1	6	0	0
Total		126	61	45	16	4
%			48.4%	35.7%	12.7%	3.2%

<p><b>Statement of Responsibility</b></p>	<p>We take responsibility for this report which is prepared on the basis of the limitations set out below.</p> <p>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.</p> <p><b>Deloitte &amp; Touche Public Sector Internal Audit Limited</b>  <b>London</b>  <b>May 2011</b></p> <p>In this document references to Deloitte are references to Deloitte &amp; Touche Public Sector Internal Audit Limited.</p> <p>Registered office: Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom. Registered in England and Wales No 4585162.</p> <p>Deloitte &amp; Touche Public Sector Internal Audit Limited is a subsidiary of Deloitte LLP, the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see <a href="http://www.deloitte.co.uk/about">www.deloitte.co.uk/about</a> for a detailed description of the legal structure of DTTL and its member firms.</p> <p>Member of Deloitte Touche Tohmatsu Limited</p>
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