



# AUDIT AND PENSIONS COMMITTEE

8 December 2011

## CONTRIBUTORS

Chief Internal Auditor  
Internal Audit Manager  
Deloitte & Touche LLP

**Internal Audit Quarterly report for the  
period 1 April to 31 September 2011**

**WARDS  
All**

This report summarises internal audit activity in respect of audit reports issued during the period to 31 September 2011, as well as reporting on the performance of the Internal Audit service.

## RECOMMENDATION:

**That the report be noted.**

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## 1 Introduction

- 1.1 This report summarises internal audit activity in respect of audit reports issued during the period 1 July to 31 September 2011 as well as reporting on the performance of the Internal Audit service.
- 1.2 In order to minimise the volume of paperwork being sent to Committee members, the appendices detailing outstanding recommendations and reports, as well as the full text of all limited or nil assurance reports have not been appended to this report. However, the information which would have been contained in these appendices has been made available to all members separately.

## 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 14 audit reports were finalised in the second quarter of 2011/12 (see **Appendix A**). In addition 9 other management letters were issued.
- 2.3 One audit report issued in this period received limited assurance. HFBP has investigated the practicality of the 6 recommendations made in the report on the *Powersuite Application* with the software supplier who have informed the Council that it will not be possible at this time to fully implement any of them. We are now discussing with senior officers whether they will accept accountability for the risks remaining as a consequence of this, or whether they will look to introduce alternative compensating controls.
- 2.4 The Internal Audit department works with key departmental contacts to monitor the numbers of outstanding draft reports and the implementation of agreed recommendations.
- 2.5 Departments are given 10 working days for management agreement to be given to each report and for the responsible director to sign it off so that it can then be finalised. There are currently 5 reports still outstanding that were due to be signed off on or before 31 September and these are listed in **Appendix B** for information.

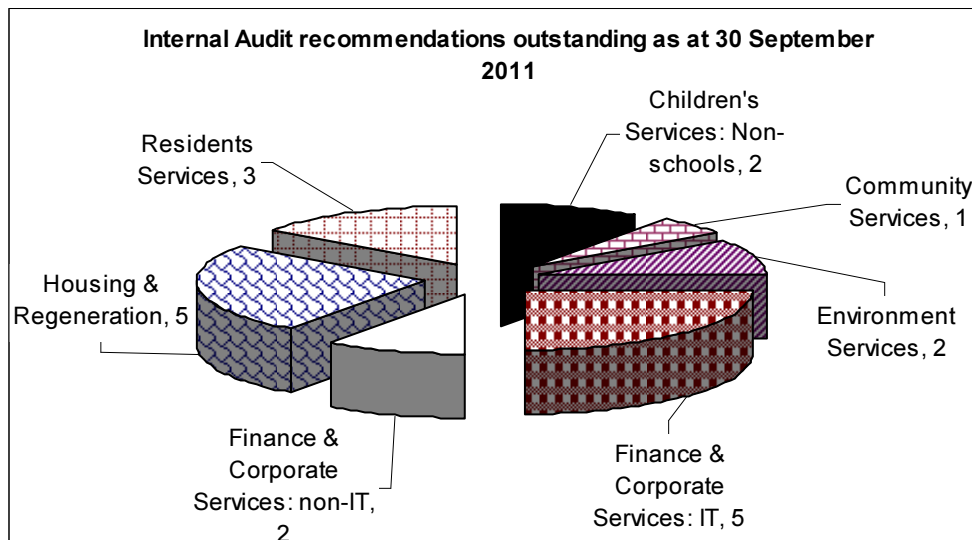
Three of these outstanding reports relate to Schools and 2 to Finance & Corporate Services. None of these reports will be over 6 months old at the time of the Committee meeting. We are very pleased to report

that there are no reports outstanding for Children's Services (non-schools), Community Services, Environment Services, Housing and Regeneration or Residents Services.

2.6 There are now 20 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 17 reported as outstanding at the end of the previous quarter and represents a slight deterioration in the overall position. We continue to work with departments and HFBP to further reduce the numbers outstanding.

2.7 The breakdown between departments is as follows:

- ◆ Children's Services (non-schools) – 2
- ◆ Community Services - 1
- ◆ Environment Services Dept – 2
- ◆ Finance & Corporate Services Dept – 7
- ◆ Housing & Regeneration - 5
- ◆ Residents Services – 3



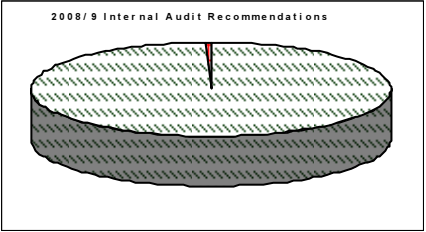
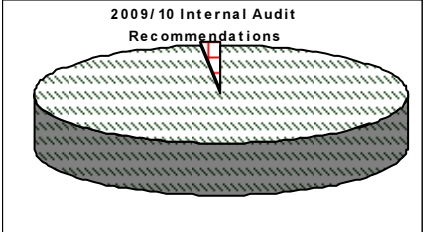
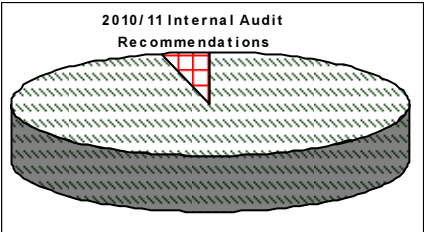
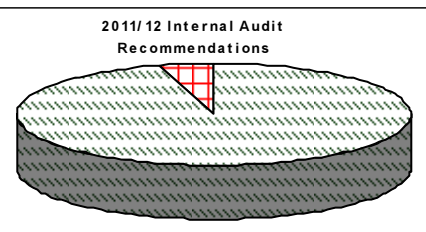
6 of these outstanding recommendations relate to HFBP. We are very pleased to note that there are no recommendations outstanding for Schools.

2.8 9 of the 20 recommendations listed are over six months past their target date for implementation as at the date of the Committee meeting. Internal Audit are continuing to focus on clearing the longest outstanding recommendations and to that end will be arranging meetings with the specific managers and Assistant Directors

responsible for all recommendations overdue by more than 3 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.

*100% of recommendations made prior to 2008/09 have been implemented*

<p>Percentage of 2008/9 year audit recommendations past their implementation date that have been implemented.</p>	<p>99.35%</p>	<p>460 recommendations implemented out of a total of 463</p> <p><b>3 recommendation outstanding</b></p>	
<p>Percentage of 2009/10 year audit recommendations past their implementation date that have been implemented.</p>	<p>98.28%</p>	<p>399 recommendations implemented out of a total of 406</p> <p><b>7 recommendations outstanding</b></p>	
<p>Percentage of 2010/11 year audit recommendations past their implementation date that have been implemented.</p>	<p>96.1%</p>	<p>197 recommendations implemented out of a total of 205</p> <p><b>8 recommendations outstanding</b></p>	
<p>Percentage of 2011/12 year audit recommendations past their implementation date that have been implemented.</p>	<p>95.65%</p>	<p>44 recommendations implemented out of a total of 46</p> <p><b>2 recommendations outstanding</b></p>	

### 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 carries out individual

audits and also periodically provides management information to support the reporting requirements of the in-house team

- 3.2 Part of the CIA's function is 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 July to 31 September 2011 are shown below.

#### Performance Indicators 2010/2011 & 2011/12

Ref	Performance Indicator	Target	Pro rata target	At end of March	Variance	Comments
<b>2010/11</b>						
1	% of deliverables completed (2010/11)	95%	95%	99%	+4%	114 reports delivered out of a total plan of 115
2	% of planned audit days delivered (2010/11)	95%	95%	100%	+5%	944 days delivered out of a total plan of 947 days
<b>2011/12</b>						
3	% of deliverables completed (2011/12)	95%	50%	47%	-3%	52 reports delivered out of a total plan of 110
4	% of planned audit days delivered (2011/12)	95%	50%	43%	-7%	412 days delivered out of a total plan of 949 days
5	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	93%	-2%	25 out of 27 briefs issued more than ten working days before the start of the audit.
6	% of Draft reports issued within 10 working days of exit meeting	95%	95%	87%	-8%	26 out of 30 draft reports issued within 10 working days of exit meeting.

## 4 Audit Planning

- 4.1 The Internal Audit plan for 2012/13 is currently being drafted in discussion with departments and senior management. The Committee is invited to suggest any areas where audit work may be particularly useful. The draft plan will be presented to the February meeting of the Committee for approval.

#### 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

## APPENDIX A

### Audit reports Issued 1 July to 30 September 2011

We have finalised a total of 14 audit reports for the period to 30 September 2011. In addition, we have issued a further 9 management letters.

#### 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	10/11	Carbon Reduction Commitment	Nigel Pallace	Substantial
2	10/11	Ending of Tenancies	Mel Barrett	Substantial
3	10/11	Powersuite Application	Lyn Carpenter	Limited
4	10/11	Financial Management in Libraries	Lyn Carpenter	Substantial
5	11/12	St Augustine's Primary School	Andrew Christie	Substantial
6	11/12	Vanessa Primary School	Andrew Christie	Substantial
7	11/12	Bayonne Nursery	Andrew Christie	Substantial
8	11/12	The Good Shepherd Primary School	Andrew Christie	Substantial
9	11/12	Licensing Income	Nigel Pallace	Substantial
10	11/12	Langford Primary	Andrew Christie	Substantial
11	11/12	Jack Tizard School	Andrew Christie	Substantial
12	11/12	Market Testing – HF News	Jane West	Full
13	11/12	Cedar - Pre Implementation	Jane West	Substantial
14	11/12	Emergency Planning	Lyn Carpenter	Substantial

#### Audit Reports

<b>Full Assurance</b>	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
<b>Substantial Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

#### Other Reports

##### Management Letters

No.	Audit Plan	Audit Title	Director
15	11/12	Register of Officers' Interests	Jane West
16	11/12	MTFS Savings	Jane West
17	11/12	Benchmarking of IT Security Policies	Jane West
18	11/12	WCFM Balance Sheet Monitoring	Jane West
19	11/12	Demand Forecasting	Heather Schroeder
20	11/12	School Funding Criteria	Andrew Christie
21	11/12	Play Capital Grant	Andrew Christie/Jane West
22	11/12	Preliminary Testing of Key Controls	Jane West
23	11/12	Market Testing - Summary Report	Jane West

**Follow ups**

No follow up reports were issued in quarter 2 of the 2011/12 financial year.



**APPENDIX B**

**Internal Audit reports in issue more than two weeks as at 31 September 2011**

	<b>Audit Year</b>	<b>Department</b>	<b>Responsible Director</b>	<b>Audit Title</b>	<b>Assurance</b>	<b>Draft report issued on</b>	<b>Responsible Officer</b>	<b>Target date for responses</b>	<b>Awaiting Response From</b>
1	2011/12	School	Andrew Christie	Bentwoth Primary School	Substantial	07/07/2011	Headteacher	21/07/2011	Auditee and Director
2	2011/12	School	Andrew Christie	Randolph Beresford Early Years Centre	Substantial	30/06/2011	Headteacher	14/07/2011	Auditee and Director
3	2011/12	School	Andrew Christie	Canberra Primary School	Substantial	30/06/2011	Headteacher	14/07/2011	Auditee and Director
4	2011/12	Finance & Corporate Services (HFBP)	Jane West	Source Code	Substantial	02/09/2011	Contract Monitoring Officer / Project Delivery Manager	16/09/2011	Auditee and Director
5	2011/12	Finance & Corporate Services (HFBP)	Jane West	Remote Working	Substantial	11/08/2011	HFBP Service Manager	25/08/2011	Auditee and Director