



AUDIT, PENSIONS AND STANDARDS COMMITTEE

27 September 2012

CONTRIBUTORS

Chief Internal Auditor
Internal Audit Manager
Deloitte & Touche LLP

Subject

**Internal Audit Quarterly report for the
period 1 April to 30 June 2012**

**WARDS
All**

RECOMMENDATION:

To note the contents of this report

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1 Introduction

- 1.1 This report summarises internal audit activity in respect of audit reports issued during the period 1 April to 30 June 2012 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 16 audit reports were finalised in the first quarter of 2012/2013 (see **Appendix A**). In addition 3 management letters were issued.
- 2.3 In addition to follow-up audits of limited and nil assurance reports, Internal Audit also seeks to verify the implementation of all other priority 1 recommendations. No follow ups were completed in this period but a number of follow ups are underway and will be reported to in the next Committee meeting.
- 2.4 Five audit reports issued in this period received limited assurance. The Creditors audit raised 6 recommendations all of which have been reported as implemented. The Mobile Phones audit made seven recommendations (3 P1 and 4 P2), 4 of which have been reported as implemented leaving 3 P2 recommendations to be implemented. The Cedar Application audit raised 8 recommendations, all of which have been reported as implemented. The application of the Equality Act audit, made 4 recommendations, all of which have been reported as implemented. Full copies of these reports have been made available to members. The NNDR report made fifteen recommendations (3 P1, 10 P2 and 2 P3) none of which have yet been reported as implemented, although this report was only agreed very recently.
- 2.5 The Internal Audit department works with key departmental contacts to monitor the numbers of outstanding draft reports and the implementation of agreed recommendations.

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 30 June and these are listed in **Appendix B** for information.

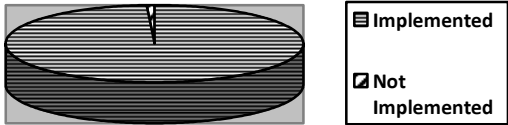
All these five outstanding reports relate to Schools. We are very pleased to report that there are no reports outstanding for the other departments.

2.6 There are now 2 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 none outstanding as reported 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. Both recommendations relate to Corporate Services. We are very pleased to note that there are no recommendations outstanding for Children’s Services, Adult Social Care, Transport and Technical Services, Environment, Leisure and Resident Services or Housing and Regeneration.

2.7 None of the 2 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 relevant departmental managers responsible for all recommendations overdue by more than 3 months as and when this occurs.

2.8 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 and in 2010/11 have been implemented

<p>Percentage of 2011/12 year audit recommendations past their implementation date that have been implemented.</p>	<p>99.26%</p>	<p>269 recommendations implemented out of a total of 271</p> <p>2 recommendations outstanding</p>	
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3 Internal Audit Service

- 3.1 Since the last report to the Audit Committee, there has been a structural change to the operation of the internal audit service with the departure of the Audit Manager in September. The in-house team now consists of the Chief Internal Auditor (CIA), along with Deloitte Public Sector Internal Audit Ltd who carry 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 April to 30 June 2012 are shown below.

Performance Indicators 2012/13

Ref	Performance Indicator	Target	Pro rata target	At end of June	Variance	Comments
1	% of deliverables completed (2011/12)	95%	23.75%	12%	Not achieved (-11.75%)	12 reports delivered out of a total plan of 97 (accounting for audits carried forward)
2	% of planned audit days delivered (2011/12)	95%	23.75%	21%	Not achieved (-2.75%)	195 days delivered out of a total plan of 934 days (accounting for audits carried forward)
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	25.75%	100%	Achieved +5%	6 out of 6 briefs issued more than ten working days before the start of the audit.
4	% of Draft reports issued within 10 working days of exit meeting	95%	25.75%	100%	Achieved +5%	9 out of 9 draft reports issued within 10 working days of exit meeting.

- 3.3 We can confirm that 99% of the 2011/12 plan has been completed, we had in our last report expected 100% however one report from the plan is currently outstanding (Council Website).

4 Audit Planning

- 4.1 Further to the plan agreed by the Committee at its last meeting, we have continued to liaise with our internal audit colleagues in the Royal Borough of Kensington and Chelsea and Westminster City Council and have revised the audit plan to incorporate coverage within the developing tri and bi-borough environment. Amendments that have been made to the 2012/13 Internal Audit Plan have been shown in Appendix C.
- 4.2 We are also working with our tri-borough colleagues on the way in which Internal Audit, anti-Fraud and Risk Management services will be delivered in the future as single tri-borough services.

**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	Corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU

APPENDIX A

Audit reports Issued 1 April to 30 June 2012

We have finalised a total of 16 audit reports for the period to 1 April to 30 June 2012. In addition, we have issued a further 3 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	2010/11	iTrent Application Audit	Jane West	Substantial
2	2011/12	Henry Compton School	Andrew Christie	Substantial
3	2011/12	Fulham Cross Girls School	Andrew Christie	Substantial
4	2011/12	Early Years	Andrew Christie	Substantial
5	2011/12	Creditors	Jane West	Limited
6	2011/12	ITIL Gap Analysis	Jane West	N/A
7	2011/12	Mobile Phones	Jane West	Limited
8	2011/12	Cedar Application Audit	Jane West	Limited
9	2011/12	Risk Management - Departmental Review	Jane West	Substantial
10	2011/12	Application of the Equality Act	Jane West	Limited
11	2011/12	Vertical - Linford Christie Stadium	Nigel Pallace	Substantial
12	2011/12	Vertical - Melcome Primary School	Nigel Pallace	Substantial
13	2011/12	Vertical - Miles Coverdale Primary School	Nigel Pallace	Substantial
14	2012/12	Out of Hours Service Contract Management	Jane West	Substantial
15	2012/13	Accommodation Services Gas Safety	Melbourne Barrett	Substantial
16	2012/13	NNDR	Jane West	Limited

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.

Other Reports

Management Letters

No.	Audit Plan	Audit Title	Director
17	2012/13	Schools Year End Summary Report	Andrew Christie
18	2011/12	Information Sharing in Partnerships	Jane West
19	2011/12	Maintenance Orders	Melbourne Barrett

APPENDIX B**Internal Audit reports in issue more than two weeks as at 30 June 2012**

No	Audit Year	Department	Responsible Director	Audit Title	Assurance	Draft report issued on	Responsible Officer	Target date for responses	Awaiting Response From
1	2012/13	Children's Services	Andrew Christie	Pope John Catholic Primary School	Substantial	30/05/2012	Headteacher	13/06/2012	Auditee and Director
2	2012/13	Children's Services	Andrew Christie	New Kings Primary School	Substantial	01/06/2012	Headteacher	15/06/2012	Auditee and Director
3	2012/13	Children's Services	Andrew Christie	Brackenbury Primary School	Substantial	01/06/2012	Headteacher	15/06/2012	Auditee and Director
4	2011/12	Children's Services	Andrew Christie	Wormholt Park Primary School	Substantial	01/06/2012	Headteacher	15/06/2012	Auditee and Director
5	2012/13	Children's Services	Andrew Christie	Avonmore Primary School	Substantial	07/06/2012	Headteacher	21/06/2012	Auditee and Director

Amendments to 2012/13 Audit Plan

	Department	Audit Name	Nature of Amendment	Reason for amendment
1	Corporate Services	Key Financial Preliminary Testing	Removed	No longer required by External Auditors
2	Corporate Services	Key Financial – Other Systems	Removed	No longer required by External Auditors
3	Children's Services	Third Sector Contracts	Removed	RSM Tenon
4	Children's Services	Leaving Care Service	Removed	RSM Tenon
5	Housing and Regeneration	Edward Woods Project	Added	Previously listed under "Regeneration Projects"
6	Housing and Regeneration	Earls Court Project	Added	Previously listed under "Regeneration Projects"
7	Housing and Regeneration	S106 Economic Regeneration	Added	Previously listed under "Regeneration Projects"