	<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p style="text-align: center;">14 February 2013</p>
<p>Internal Audit Quarterly report for the period 1 October to 31 December 2012</p>	
<p>Open Report</p>	
<p>For Information</p>	
<p>Key Decision: No</p>	
<p>Wards Affected: None</p>	
<p>Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance</p>	
<p>Report Author: Geoff Drake – Chief Internal Auditor</p>	<p>Contact Details: Tel: 020 753 2529 E-mail: geoff.drake@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 October to 31 December 2012 as well as reporting on the performance of the Internal Audit service.

2. RECOMMENDATIONS

- 2.1. To note the contents of this report

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. INTRODUCTION AND BACKGROUND

- 4.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 October to 31 December 2012 as well as reporting on the performance of the Internal Audit service.
- 4.2. 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.

5. PROPOSAL AND ISSUES

5.1. Internal Audit Coverage

- 5.1.1. 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
- 5.1.2. A total of 17 audit reports were finalised in the second quarter of 2012/2013 (see Appendix A). In addition 12 management letters were issued.
- 5.1.3. Three audit reports issued in this period received limited assurance:
 - 5.1.3.1. The *Theft of Metals* audit made 5 recommendations of which 3 have been reported as implemented. A further 2 (Both P1) are due to be implemented by 30 April;
 - 5.1.3.2. The Greenside Primary School Audit made 9 recommendations of which 2 have been reported as implemented. The remaining 7 (1 P1, 3 P2 and 3 P3) were due to have been implemented by September 2012;
 - 5.1.3.3. The Cambridge School Audit made 9 recommendations of which none have been reported as implemented. The remaining 9 (2 P1, 6 P2 and 1 P3) were due to have been implemented by September 2012.
- 5.1.4. The Internal Audit department works with key departmental contacts to monitor the numbers of outstanding draft reports and the implementation of agreed recommendations.
- 5.1.5. 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 8 reports still outstanding that were due to be signed off on or before 31 December are listed in Appendix B for information.

5.1.6. Of these 8 outstanding reports the breakdown by department is as follows:

- Transport and Technical Services - 4
- Schools - 3
- Children's Services - 1

5.1.7. 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 2 outstanding as reported at the end of the previous quarter and represents no change in the overall position. We continue to work with departments and HFBP to further reduce the numbers outstanding.

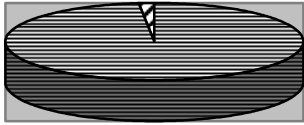

5.1.8. The breakdown between departments is as follows:

- Schools – 1
- Corporate Services – 1

5.1.9. We are very pleased to note that there are no recommendations outstanding for Adult Social Care, Environment, Leisure and Resident Services, Housing and Regeneration or Transport and Technical Services.

5.1.10. One of the recommendations listed is over six months past the target date for implementation as at the date of the Committee meeting. This relates to St John's CE Primary School. 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.

5.1.11. 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>99.4%</p>	<p>313 recommendations implemented out of a total of 315</p> <p>2 recommendations outstanding</p>	 <div data-bbox="1326 342 1489 465"> <input type="checkbox"/> Implemented <input checked="" type="checkbox"/> Not Implemented </div>
<p>Percentage of 2012/13 year audit recommendations past their implementation date that have been implemented.</p>	<p>100%</p>	<p>193 recommendations implemented out of a total of 193</p> <p>No recommendations outstanding</p>	 <div data-bbox="1326 784 1489 907"> <input type="checkbox"/> Implemented <input checked="" type="checkbox"/> Not Implemented </div>

5.2. Internal Audit Service

5.2.1. 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 October to 31 December 2012 are shown below.

Performance Indicators 2012/13

Ref	Performance Indicator	Target	Pro rata target	At end of Sep	Variance	Comments
1	% of deliverables completed (2011/12)	95%	75%	69%	Not achieved (-6%)	74 deliverables issued out of a total plan of 108 (accounting for audits carried forward)
2	% of planned audit days delivered (2011/12)	95%	75%	66%	Not achieved (-9%)	654 days delivered out of a total plan of 994 days (accounting for audits carried forward)
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	-	100%	Achieved +5%	30 out of 30 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%	-	93%	Not achieved (-2%)	39 out of 42 draft reports issued within 10 working days of exit meeting.

5.2.2. While this shows that progress against target is behind for delivery of audit days and the audit plan, in fact given the slow start

imposed on Deloitte due to the need to coordinate tri- and bi-borough audit plans earlier this year Deloitte have done a very good job in attaining this position.

5.3. Audit Planning

5.3.1. 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 with regards to the tri and bi-borough environment. Amendments that have been made to the 2012/13 Internal Audit Plan have been shown in Appendix C.

5.3.2. We are also working with our tri-borough colleagues on the way in which Internal Audit, anti-Fraud and Risk Management services might be delivered in the future.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. Not applicable

7. CONSULTATION

7.1. Not applicable

8. EQUALITY IMPLICATIONS

8.1. Not applicable

9. LEGAL IMPLICATIONS

9.1. Not applicable

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Not applicable

11. RISK MANAGEMENT

11.1. Not applicable

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable

**LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

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

LIST OF APPENDICES:

Appendix A	Audit reports issued 1 October to 31 December 2012
Appendix B	Internal Audit reports in issue more than two weeks as at 31 December 2012
Appendix C	Amendments to 2012/13 Internal Audit Plan

APPENDIX A

Audit reports Issued 1 October to 31 December 2012

We have finalised a total of 17 audit reports for the period to 1 October to 31 December 2012. In addition, we have issued a further 12 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	2011/12	CAMSYS	Nigel Pallace	Satisfactory
2	2011/12	Wormholt Park School	Andrew Christie	Satisfactory
3	2012/13	St Mary's Catholic Primary School	Andrew Christie	Satisfactory
4	2012/13	St Stephen's Primary	Andrew Christie	Satisfactory
5	2012/13	Pope John School	Andrew Christie	Satisfactory
6	2012/13	Avonmore Primary School	Andrew Christie	Satisfactory
7	2012/13	Brackenbury School	Andrew Christie	Satisfactory
8	2012/13	New Kings School	Andrew Christie	Satisfactory
9	2012/13	Greenside Primary School	Andrew Christie	Limited
10	2012/13	Cambridge School	Andrew Christie	Limited
11	2012/13	Theft of Metals	Mel Barrett	Limited
12	2012/13	Cedar Unix Operating System	Jane West	Satisfactory
13	2012/13	Cash and Bank	Jane West	Satisfactory
14	2012/13	Cost Reduction Contract Management	Jane West / Lyn Carpenter	Satisfactory
15	2012/13	CCTV	Lyn Carpenter	Satisfactory
16	2012/13	Footways Contract Management	Nigel Pallace	Satisfactory
17	2012/13	Road Resurfacing and Road Marking Contract Management	Nigel Pallace	Satisfactory

Substantial Assurance

There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.

Satisfactory Assurance

While there is a basically sound system, there are weaknesses and/or omissions 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 and / or omissions 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
18	2012/13	Extended Contracts - Summary Report	Jane West
19	2012/13	Recently Tendered Contracts - face to Face Customer Transactions	Jane West
20	2012/13	National Fraud Initiative – Assessment of Controls	Jane West
21	2012/13	Finance Controls in the ITT for Housing Repairs	Mel Barrett
22	2012/13	Financial Actions in Housing ITT - updated actions	Mel Barrett
23	2012/13	Extended Contracts - Pay and Display Maintenance	Nigel Pallace
24	2012/13	Recently Tendered Contract - Framework for Innovative Housing	Mel Barrett
25	2012/13	Recently Tendered Contracts - Planned Maintenance to Existing Door Entry Systems	Nigel Pallace
26	2012/13	Extended Contracts - Broadway The Coninghams	Andrew Webster
27	2012/13	Safeguarding Adults Summary Report	Andrew Webster
28	2012/13	Thematic Report - Leasing Schools	Andrew Christie
29	2012/13	Schools Financial Value Standard	Andrew Christie

APPENDIX B

Internal Audit reports in issue more than two weeks as at 31 December 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	Hurlingham and Chelsea School	Substantial	14/11/2012	Headteacher	28/11/2012	Executive Director
2	2012/13	Children's Services	Andrew Christie	Fulham Primary School	Limited	28/09/2012	Headteacher	12/10/2012	Executive Director
3	2012/13	Children's Services	Andrew Christie	Bridge Academy	Satisfactory	23/10/2012	Headteacher	06/11/2012	Executive Director
4	2012/13	Children's Services	Andrew Christie	Central Financial Management of Schools	Satisfactory	29/10/2012	Principal Accountant - Children Social Care	12/11/2012	Executive Director
5	2012/13	Transport & Technical Services	Nigel Pallace	Health and Safety Risk Management and Assurance	Limited	14/12/2012	Bi Borough Director of Environmental Health	28/12/2012	Executive Director
6	2012/13	Transport & Technical Services	Nigel Pallace	Total Facilities Management	Substantial	28/09/2012	Assistant Director Building and Property Management	12/10/2012	Auditee and Executive Director
7	2012/13	Transport & Technical Services	Nigel Pallace	Common Contract Issues	Satisfactory	23/10/2012	Head of Professional Services and Facilities Management	06/11/2012	Auditee and Executive Director
8	2012/13	Transport & Technical Services	Nigel Pallace	LBHF Parking Software Contract Management	Satisfactory	29/10/2012	Head of Parking Services	12/11/2012	Executive Director

Amendments to 2012/13 Audit Plan

	Department	Audit Name	Nature of Amendment	Reason for amendment
1	Corporate Services	Cash and Bank	Added	To align with three year cycle of audit for key financial systems
2	Children's Services	ICT In Schools	Removed	Transferred to RBKC Internal Audit plan
3	Children's Services	Social Enterprise	Removed	Transferred to RBKC Internal Audit plan
4	Housing and Regeneration	Housing Voids Performance Management	Added	Added at request of HRD Director of Finance and Resources
5	Housing and Regeneration	Leaseholder Service Charges Income Collection	Added	Added at request of HRD Director of Finance and Resources
6	Housing and Regeneration	Financial Controls of the ITT	Added	Added at request of HRD Director of Finance and Resources
7	Housing and Regeneration	Earl's Court Programme Management	Removed	Deferred to 2013/14
8	Transport and Technical Services	EC Harris Contract Management	Removed	Notice Served on EC Harris as part of Total Facilities Management Project
9	Corporate Services	NFI Assessment of Controls	Added	Added at request of Chief Internal Auditor
10	Children's Services	Schools Financial Value Standard	Added	Added at request of Director of Finance