	<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">(AUDIT, PENSIONS AND STANDARDS COMMITTEE)</p> <p align="center">(27 June 2013)</p>
<p>Internal Audit Quarterly report for the period 1 January to 31 March 2013</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 January to 31 March 2013 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 January to 31 March 2013 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, documents 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 has been made available to all members separately.

5. PROPOSAL AND ISSUES

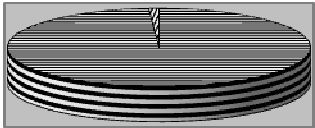
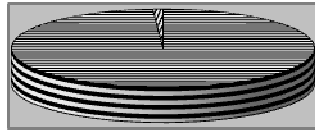
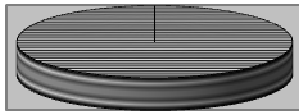
5.1. Internal Audit Coverage

- 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 12 audit reports were finalised in the fourth quarter of 2012/2013 (see Appendix A) from 1 January – 31 March. In addition 7 management letters were issued.
- 5.1.3. Three audit reports issued in this period received limited assurance:
 - 5.1.3.1. The Housing Voids Performance Management audit made 6 recommendations of which 5 have been reported as implemented. The remaining P2 recommendation is due to be implemented by 31 July 2013;
 - 5.1.3.2. The ICT Programme Management audit made 11 recommendations of which all have been reported as implemented;
 - 5.1.3.3. The Housing Capital Programme Management audit made 7 recommendations of which 5 have been reported as implemented. The remaining 2 (1 P1 and 1 P3) are due to be implemented by September and October 2013.
- 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 is

currently 1 report outstanding that was due to be signed off on or before 31 March 2013. This report, Kenmont Primary School, is included in Appendix B for information.

- 5.1.6. 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 2 outstanding as reported at the end of the previous quarter and represents a consistent position. We continue to work with departments and HFBP to reduce the numbers of outstanding issues.
- 5.1.7. The breakdown of the 2 outstanding recommendations between departments are as follows:
- Corporate Services – 1
 - Children’s Services (Non Schools) – 1
- 5.1.8. None of the recommendations listed are over six months past the 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.

5.1.9. 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 2009/10 have been implemented)

<p>Percentage of 2010/11 year audit recommendations past their implementation date that have been implemented.</p>	<p>99.6%</p>	<p>272 recommendations implemented out of a total of 273</p> <p>1 recommendation outstanding</p>	 <div data-bbox="1345 517 1522 651"> <p><input checked="" type="checkbox"/> Implemented</p> <p><input type="checkbox"/> Not Implemented</p> </div>
<p>Percentage of 2011/12 year audit recommendations past their implementation date that have been implemented.</p>	<p>99.7%</p>	<p>324 recommendations implemented out of a total of 325</p> <p>1 recommendation outstanding</p>	 <div data-bbox="1345 999 1522 1133"> <p><input checked="" type="checkbox"/> Implemented</p> <p><input type="checkbox"/> Not Implemented</p> </div>
<p>Percentage of 2012/13 year audit recommendations past their implementation date that have been implemented.</p>	<p>100%</p>	<p>323 recommendations implemented out of a total of 323</p> <p>No recommendations outstanding</p>	 <div data-bbox="1345 1464 1522 1599"> <p><input checked="" type="checkbox"/> Implemented</p> <p><input type="checkbox"/> Not Implemented</p> </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 January to 31 March 2013 are shown below.

Performance Indicators 2012/13

Ref	Performance Indicator	Target	Pro rata target	At end of March 2013	Variance	Comments
1	% of deliverables completed (2012/13)	95%	95%	96%	Achieved +1%	106 deliverables issued out of a total plan of 111 (accounting for audits carried forward)
2	% of planned audit days delivered (2012/13)	95%	95%	95%	Achieved	839 days delivered out of a total plan of 881 days (accounting for audits carried forward)
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	100%	Achieved	34 out of 34 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%	95%	93%	Not achieved (-3%)	57 out of 62 draft reports issued within 10 working days of exit meeting
5	% of Final reports issued within 5 working days of the management responses	95%	95%	100%	Achieved +5%	36 out of 36 final reports issued within 5 working days of agreement of management responses

5.2.2. The delivery target for 2012/13 was achieved and all but one target of the other targets was achieved or exceeded.

5.3. Audit Planning

5.3.1. Further to the plan agreed by the Committee, 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 were made to the 2012/13 Internal Audit Plan have been shown in Appendix C.

5.3.2. The new bi-borough Internal Audit service combining the services for Hammersmith and Fulham plus Kensington and Chelsea will formally start from 1 July 2013. The service will be hosted from Kensington and Chelsea and the new Director of Audit is Moyra McGarvey. The service will continue to work closely with the Westminster council internal audit service to provide a co-ordinated and cost-effective service.

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 January to 31 March 2012
Appendix B	Internal Audit reports in issue more than two weeks as at 31 March 2012
Appendix C	Amendments to 2012/13 Internal Audit Plan

APPENDIX A

Audit reports Issued 1 January to 31 March 2012

We have finalised a total of 16 audit reports for the period to 1 January to 31 March 2013. In addition, we have issued a further 11 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	2012/13	WLA Home Support Contract Management	Sue Redmond	Satisfactory
2	2012/13	Safeguarding Adults	Sue Redmond	Satisfactory
3	2012/13	Lynx Tokens	Jane West	Satisfactory
4	2012/13	Recently Tended Contracts - Summary Report	Jane West	Satisfactory
5	2012/13	FBPB Invoice Production and Billing	Jane West	Satisfactory
6	2012/13	ICT Programme Management	Jane West	Limited
7	2012/13	Housing Voids Performance Management	Mel Barrett	Limited
8	2012/13	S106 Economic Development and Regeneration	Mel Barrett	Satisfactory
9	2012/13	Housing Capital Management Programme	Mel Barrett	Limited
10	2012/13	Housing Rents Income Collection	Mel Barrett	Satisfactory
11	2012/13	Parking Software Contract management	Nigel Pallace	Satisfactory
12	2012/13	Total Facilities Management Procurement - Stage 1	Nigel Pallace	Substantial

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
13	2012/13	Personal Budgets Income Recovery - Summary Report	Sue Redmond
14	2012/13	GLA Grants	Jane West
15	2012/13	Council Bank Details	Jane West
16	2012/13	SML Board Attendance - Summary Report	Jane West
17	2012/13	Risk Management BSI Gap Analysis	Jane West
18	2012/13	Highways Maintenance Summary Report	Nigel Pallace
19	2012/13	Parking Enforcement - Summary Report	Nigel Pallace

Follow ups

No.	Audit Plan	Audit Title	Implemented	Partly Implemented	Not Implemented	Not Applicable
24	2012/13	Personal Service Companies	7	0	0	0
26	2012/13	Cedar Application	5	3	0	0
27	2012/13	Spydus Application	1	0	0	3
25	2012/13	Follow up Priority 1 recommendations	3	0	1	0

APPENDIX B

Internal Audit reports in issue more than two weeks as at 31 March 2013

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	Kenmont Primary School	Satisfactory	6/3/2013	Head teacher	20/3/2013	Auditee and Executive Director

Amendments to 2012/13 Audit Plan

	Department	Audit Name	Nature of Amendment	Reason for amendment
1	Corporate Services	Lynx Tokens	Added	
2	Corporate Services	HFBP Billing	Added	
3	Corporate Services	GLA Grants	Added	
4	Children's Services	Kenmont Primary, All-Saints Primary & Woodlane Primary	Added	Addition of 3 schools to even out three year rolling programme.
5	Environment, Leisure & Residential Services	ELRS Programme management	Added	
6	Transport and Technical Services	TTS Programme management	Added	
7	Environment, Leisure & Residential Services	Commercial Waste Management	Added	Bi-Borough audit transferred from RBKC audit plan.
8	Adult Social Care	TCES Prepaid System	Added	
9	Corporate Services	Council Bank Details	Added	
10	Children's Services	CHS Procurement	Added	
11	Corporate Services	PCI DSS IT audit (part 2)	Added	