



London Borough of Hammersmith & Fulham

(AUDIT, PENSIONS AND STANDARDS COMMITTEE)

(30 June 2014)

TITLE OF REPORT

Head of Internal Audit Annual Report 2013/14 Year

Open Report

For Information

Key Decision: No

Wards Affected: None

Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance

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1. EXECUTIVE SUMMARY

1.1. This Head of Internal Annual Assurance report is a summary of all audit work undertaken during the 2013/14 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).

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. See report below

5. PROPOSAL AND ISSUES

5.1. See report below

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

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**London Borough of Hammersmith and Fulham
Head of Internal Audit Report
For The Year Ended 31 March 2014**

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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 Public Sector Internal Audit Standards.
- 1.1.2. The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- 1.1.3. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.1.4. The annual report must incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.
- 1.1.5. When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.
- 1.1.6. The standards require the report to identify:
 - The scope including the time period to which the opinion pertains;
 - Scope limitations;
 - Consideration of all related projects including the reliance on other assurance providers;
 - The risk or control framework or other criteria used as a basis for the overall opinion; and
 - The overall opinion, judgment or conclusion reached.
 - The reasons for an unfavourable overall opinion if provided.
- 1.1.7. 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 2013/14

1.1.8. This opinion statement is provided for the use of the London Borough of Hammersmith & Fulham and is used to 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 CIPFA Public Sector Internal Audit Standards defines the control environment as providing the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

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.

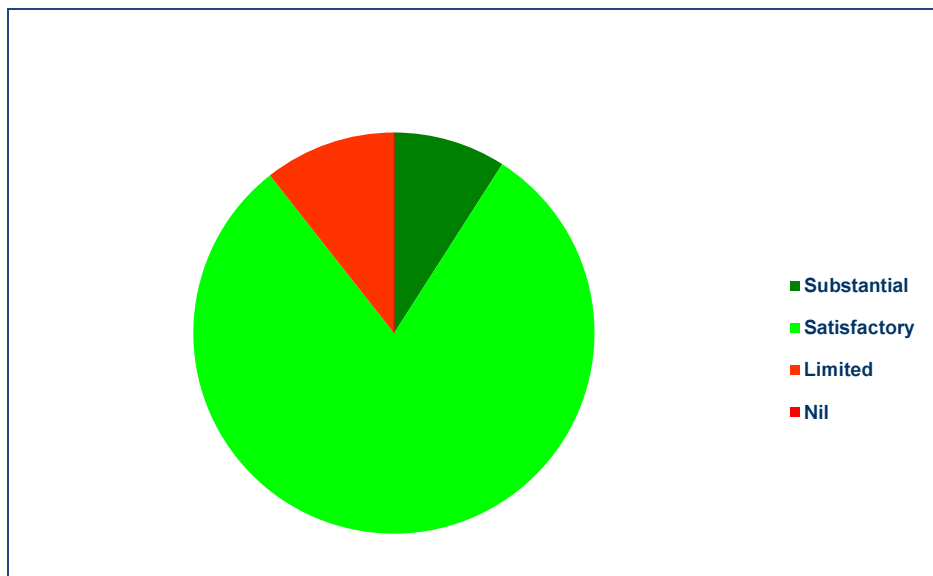
1.6. Head of Internal Audit Annual Opinion Statement

- 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 2013/14, including our assessment of the London Borough of Hammersmith & Fulham's corporate governance and risk management arrangements.
- 1.6.2. The internal audit plan for 2013/14 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 Public Sector Internal Audit Standards 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 internal audit plan. Where possible we have considered the work of other assurance providers, including such as External Audit and the Internal Audit services of Royal Borough of Kensington and Chelsea and Westminster City Council as part of the tri borough arrangement.
- 1.7.3. The audit work that was completed for the 2013/14 financial year is listed in Appendices A, C and D. Appendix A lists all the audits where assurance opinions are provided.
- 1.7.4. The pie chart below shows the levels of audit assurance achieved for the 2013/14 year. 89% of the systems audited achieved an assurance level of Satisfactory or higher, of which six audits received Substantial Assurance. 11% received a Limited Assurance and no Nil Assurance reports were issued in 2013/14. . Two of the seven Limited Assurance reports were for schools and a further three were audits undertaken at the request of management who had already identified weaknesses or concerns.

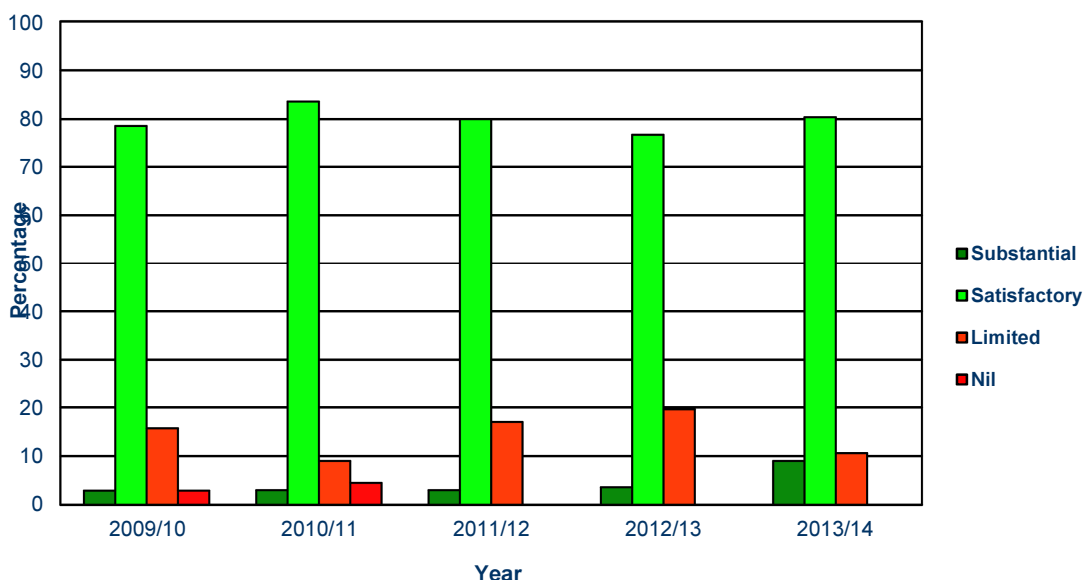
Assurance Levels for the year to 31 March 2014



- 1.7.5. The bar chart below shows the levels of assurance provided for all systems audited

since the 2009/10 financial year. The distribution of assurance opinions shows a decrease in Limited assurance reports and an increase in Substantial assurance reports. Given the significant changes that continue to occur across the Council, which would usually be expected to increase levels of control weakness, this is considered a positive outcome.

Assurance Levels of Reports from 2009/10 to 2013/14



1.7.6. Recommendations to take corrective action were agreed with management and we will continue to undertake follow up work in 2014/15 to confirm that they have been implemented. The table below shows the percentage of recommendations past their implementation date reported as implemented. The volume of recommendations that have been implemented over the period help demonstrate the value of Internal Audit as an agent for change and improvement. Recommendations that have not been implemented that have passed their implementation deadline will continue to be reported to Departmental Management Teams and the Audit, Pensions and Standards Committee.

Financial year	Recommendations Raised	Recommendations Implemented	% Implemented as at 11 June 2014
2013/14	118	117	99.2%
2012/13	238	235	98.7%

1.8. 2013/2014 Year Opinion

1.8.1. From the Internal Audit work undertaken in 2013/14, 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 2014 accords with proper practice, except for any details of significant internal control issues as documented in the detailed report at section 2.2. 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 / Mazars between 1 April 2013 and 31 March 2014. This included a review of the Council's Corporate Governance and Risk Management arrangements;
- b) Internal Audit work undertaken by the Royal Borough of Kensington and Chelsea and Westminster City Council on LBHF functions;
- c) Year-end review of Internal Audit against CIPFA's Public Sector Internal Audit Standards as part of the Annual Governance Statement (AGS) process in March 2014 provided a positive result;
- d) 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
- e) Follow up of audits undertaken in the previous years. 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 indicate financial performance against the forecast;

- Setting targets to measure financial and other performance;
- Clearly defined capital expenditure guidelines; and
- A formal programme and 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 have been put in place which would identify and address any material areas of weakness.

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 and updated in 2013. This opinion is based on the work of Internal Audit as described in Appendix A, which provided a 'satisfactory' level of assurance as to the Corporate Governance systems in place.

1.11. Risk Management

1.11.1. Two risk management audits were completed as part of the 2013/14 audit plan. Namely, financial risk management and an audit of risk management within the Housing and Regeneration department.

1.11.2. A Substantial assurance opinion was provided for Financial Risk Management with no recommendations being raised.

1.11.3. A Satisfactory assurance opinion was provided for the audit of Housing and Regeneration Departmental Risk Management. Two recommendations were raised that related to:

- Classifying risks in relation to PESTLEcc categories, and
- Keeping action plans within the risk register up to date and assigning risks to responsible officers.

1.11.4. An audit of the risk management arrangements within the Adult Social Care department was deferred from the 2012/13 audit plan. As such this audit has not been included in the table of audits completed in Appendix A. A Limited assurance opinion has been provided with the following key recommendations being raised:

- A risk management policy and procedure should be established for the Tri Borough Adult Social Care Service.
- The risk register should be amended to include existing controls; proposed controls; inherent and residual risk; and actions taken and assurance that they have been successfully completed.
- The risk register should include detail on independent assurance and controls relied on from third parties and other Council service lines.

- An approach to communicating relevant risks and controls across the department and the three boroughs should be agreed and the management reporting requirements for the department should be defined.
- The frequency of review of the Adult Social Care risk register should be agreed.

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

- Our assessment of risk management through individual audits;
- The role of the Bi Borough Risk Manager who has Council wide responsibilities for co-ordinating and implementing the risk management policies across the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea; 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.

CHIEF INTERNAL AUDITOR

June 2014

2. Detailed Report

2.1. Introduction

2.1.1. This section outlines the following:

- 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; 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 2013/14, the following significant issues were identified:

- A Limited Assurance opinion was provided for our audit of the Use of Consultants and Interims. This followed a Nil assurance opinion being provided in 2010/11. Although the design of the control system was found to be satisfactory, a large amount of non-compliance was identified;
- Weaknesses were identified in the Council's supply chain resilience arrangements;
- The corporate contracts register was found to be incomplete; however, a new system, CapitaleSourcing, has since been implemented and it is envisaged that this will improve the maintenance of the contracts register;
- Public Health, financial accounting and charging was audited and is the basis for the Annual Governance entry on the subject included at paragraph 2.2.2 of this report;
- Two schools received Limited Assurance opinions (St Pauls CE Primary School and St Thomas of Canterbury Catholic Primary School), which is an improvement on the previous year where four schools received a Limited Assurance opinion.

2.2.2. Significant control weaknesses stated in the Council's Annual Governance statement include:

- Whilst the Council remains resilient to its main contractors it remains at risk of service interruption in responding to the failure of a critical subcontractor and business continuity plans do not always allow for this risk. The Bi-borough Procurement Strategy Board are reviewing the systems and processes associated with resilience of the supply chain and a Tri-borough solution is in development.
- The council is required under its contract standing orders to record its contracts through a register as a basis for the planning, preparation and oversight of contracts. Furthermore it is required to keep proper records of all contracts awarded (using the London Councils Contracts Database where these have a total value of £50,000 and over). It is apparent that the register was incomplete. A review of contracts was being undertaken by Corporate Procurement.
- Health and Safety Management: There has been substantial progress in delivering a reasonable Health & Safety environment throughout 2012- 2013 and into 2013-2014. This issue was raised following a prosecution by the Health and Safety Executive. Improvements have included enhanced training, support, resource and guidance. A map of Health and Safety risks has also been compiled and is reviewed quarterly. This matter is therefore considered closed.
- Public Health, financial accounting and charging: As of the 1st April 2013 local authorities have a key role in improving the health and wellbeing of their local population and working in partnership with clinical commissioning groups and other health institutions. This involves commissioning and collaborating on a range of public health services. A review of the financial accounting and charging arrangements set out by the Department of Health (DoH) established a limited assurance on expenditure made in accordance with the DoH grant conditions. The conditions cover how the grant may be spent and the activities on which it may be spent. The current Business Partners, with the assistance of the Business Support Team, have been making significant progress with addressing these issues.
- Adult Social Care risk management: Management of risk is intrinsically important to the successful delivery of objectives. The department recognises the importance of a risk management process that are embedded and integrated into business processes. Many elements of operational risk management are considered to be effective however these are not managed within a structure that is consistent with the Tri-borough risk management strategy. These include consideration of a departmental risk register comprising strategic, business as usual and change risks that are measured, allocated, categorised and reviewed. Departmental procedures have been reviewed and an action plan implemented to improve the issues identified.

2.3. Key Issues

2.3.1. There are a range of key issues that are likely to be of significance for the 2014/15 year and beyond that Internal Audit need to be aware of. These include:

- The continued impact of the current economic climate on the Council's finances through reduced levels of income with councils facing further reductions in the amount of money they receive from Government. This is coupled with other factors such as likely increases in demand for services and the performance

levels and financial stability of organisations the Council works with;

- The transformation programme and projects continue to be undertaken to deliver savings. This degree of change brings challenges in implementing a series of interconnected transformation projects successfully without impacting on service delivery. We would expect Internal Audit involvement in transformation projects and new initiatives to continue, both to provide assurance and provide support for new systems being 'right first time';
- Continued cross borough working with Westminster Council and the Royal Borough of Kensington and Chelsea during this period of change may give rise to additional risks related to governance, delegation of powers, performance management and financial management of shared services;
- On 11 February 2013 Hammersmith & Fulham signed up to a managed services contract with BT that began a radical redesign of the Council's human resources and finance services. This project will lead to significant changes to systems, process and ways of working across the Council. Progress in implementation of the programme has been subject to delays is now scheduled to go live in by September 2014 at the latest. Effective programme management arrangements are critical for the successful and timely implementation of this project,

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 the 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; and
- b) Internal audit work undertaken by Royal Borough of Kensington and Chelsea and Westminster City Council as part of the Tri Borough arrangement.

2.6. Risk Management Process

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

2.6.2. Risk Management Strategy

The Authority has established a joint Risk Management Strategy with its Tri-borough partners that sets out its policy and attitude to risk. The Strategy:

- 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 Strategy has been communicated to key employees and can be accessed on the Tri-borough Intranet site, TriBnet.

2.6.3. Risk Registers

The Authority has departmental and divisional risk registers in place, as well as registers for specialist areas including IT, finance and fraud. 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 2014/15 year drew on corporate and departmental risk registers and other issues brought to the attention of Internal Audit, as well as the use of an audit universe that identifies all organisational activities that can be considered for audit coverage. We agreed and discussed the audit plan with Executive Directors and Directors. We also consulted various other sources and coordinated the plan with those of the Royal Borough of Kensington and Chelsea and Westminster City Council.
- 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.
- 2.7.3. The level of Internal Audit resources was considered adequate for the 2013/14 year. Also The Internal Audit service continued to maintain its independence from the day to day operations of the organisation, the chief mechanisms for this were the use of a contractor, Deloitte and then Mazars, to deliver the core audit service plus the use of the audit services from RBKC and WCC to deliver parts of the audit programme where the audits related to tri- and bi-borough services.

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. Two audited this year have shown deterioration in control since the last time they were audited: St Pauls CE Primary School and St Thomas of Canterbury Primary School. The remaining areas have either remained the same or improved. Use of Consultants and Interims has increased from the previous Nil Assurance opinion but still received a Limited Assurance opinion this year for compliance with procedures. There is an ongoing programme of follow up work for all reports receiving a "Limited" or "Nil" assurance opinion to ensure that recommendations are implemented.
- 2.8.2. Of the seven audits that received a Limited Assurance opinion (six final and one draft reports) three were Council wide audits, two were schools and two fell within Environment Leisure and Residents 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 be undertaken in each case to review the adequacy and effectiveness of the corrective action taken.
- 2.8.3. Nine follow up visits were undertaken in 2013/14 to determine if recommendations raised within the 2012/13 audit visits have been implemented including one follow up undertaken by the Royal Borough of Kensington and Chelsea. A summary of our findings can be found in Appendix D.
- 2.8.4. In total, 87 recommendations have been followed up, of which 51 were either fully

implemented or no longer relevant, representing 59% of all those tested. If partially implemented recommendations are added this totals 78% of all those tested. This is a deterioration since 2012/13. The follow up regime will continue so that it can continue to provide assurance going forward and the result of all follow ups will continue to be reported to the Audit Pensions and Standards Committee.

2.8.5. We also undertook follow-ups on priority 1 recommendations raised in reports given 'Substantial' assurance and Management Letters where no assurance level was provided. Of the 4 priority 1 recommendations followed up, 2 were assessed as fully implemented and 2 as partly implemented. The recommendations and results of our follow up work can be seen 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 is broadly in line with 2012/13, with all targets being achieved or narrowly missed exceeded with one exception. Considering the impact of Tri-Borough working on delivery in 2013/14 and the impact of the Public Sector Internal Audit team transferring from Deloitte to Mazars in February 2014, this is a good achievement. Focus will be given to maintaining or improving these performance standards in 2014/15.

2.9.2. The target of delivering 95% of the audit plan by the end of the 2013/14 financial year was achieved and this is the fifth year in a row in which this target has been achieved. It should be noted that 155 audit days were deferred into the 2013/14 year audit plan due to project delays or reasonable management requests to defer. This compares to 148 in the previous year. The majority of the days carried forward relate to audits of the Managed Services Programme that has been subject to delays.

2.9.3. While Deloitte/Mazars undertake their own quality reviews of their audit work, Hammersmith and Fulham also undertake quality reviews of a sample of their files to gain an assurance on the quality of audit work undertaken on behalf of the council. A total of 8 reviews were undertaken on 2013/14 year audit files, covering 3 generalist and 5 IT audits. None of these found any significant issues.

2.10. Compliance with CIPFA Public Sector Internal Audit Standards

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

- a) Quality reviews carried out by both the Hammersmith and Fulham Internal Audit section and Deloitte / Mazars;
- b) A review under way in 2014 against the new enhanced PSIA Standards.

2.11. Working with External Audit

2.11.1. The Council's new external auditors were appointed in October 2012 and do not intend to rely on the work on internal audit at this stage other than our work on the Managed Services Programme. We have been in liaison with External Audit and will continue to offer information and support where requested.

2.12. Internal Audit Provision Going Forward

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

- Tri Borough working with Westminster and RBKC, including the establishment of a Tri Borough Director for Audit, Fraud, Risk and Insurance, has led to increased coordination of the 2014/15 planning process across the three boroughs. This approach aims to increase the level of assurance received by each Council as well as better coordinating audit work across the three boroughs; and
- As more transformation projects and changes to service delivery are being undertaken, there is likely to be increased requirement for Internal Audit involvement in transformation projects and new initiatives at an early stage to provide both assurance and support but with the minimum of disruption. An example is the contract in Housing and Regeneration Dept with MITIE for the delivery of a range of key council housing systems, to which Internal Audit provided support in the 2013/14 year with the new systems due to be audited for the first time in the 2014/15 year.
- There is increasing development of tri-borough services. This will increase the level of coordination of audit planning for the three councils, it will also result in new processes and procedures developing that will need audit input and early audit coverage to ensure their adequacy and effectiveness. The developments include the proposals for a tri-borough corporate services within which the Internal Audit Division sits, which should affect the placing of the service within the overall organisation.
- As already mentioned earlier in this report at paragraph 2.3.1, the three councils have all signed up to a managed services contract with BT for the delivery of all their financial and HR systems. We will continue to monitor this major project with the go live date now planned to be 1 September 2014, and will need to provide early audit coverage of the new systems.

APPENDIX A - Assurance Levels 01/04/2013 – 31/03/2014

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

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
FINALISED						
Corporate/ Cross departmental	Local Support Payments					31/07/2013
Corporate/ Cross departmental	Supply Chain Resilience					25/01/2014
Corporate/ Cross departmental	Financial Risk Management					12/05/2014
Corporate/ Cross departmental	Contracts Register					26/03.2014
Adult Social Care	Homecare					11/06/2014
Adult Social Care	Housing Related Support Contract Management					17/10/2013
Children's Services	Bayonne Nursery School			↔		04/11/2013
Children's Services	Vanessa Nursery School			↔		20/08/2013
Children's Services	John Betts Primary School			↔		12/03/2014
Children's Services	Larmenier and Sacred Heart Catholic Primary School			↔		04/02/2014
Children's Services	Lena Gardens Primary School			↔		05/11/2013
Children's Services	Miles Coverdale Primary School			↔		20/08/2013
Children's Services	Old Oak Primary School			↔		04/02/2014
Children's Services	Sir John Lillie Primary School			↔		04/11/2013
Children's Services	St Augustine's Catholic Primary School			↔		08/10/2013
Children's Services	St Pauls Primary School		←			04/02/2014
Children's Services	Wendell Park Primary School			↔		04/11/2013
Children's Services	St Thomas of Canterbury Catholic Primary School		←			16/04/2014
Children's Services	William Morris Sixth Form			←		16/04/2014

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
Children's Services	Phoenix High School			↔		04/02/2014
Children's Services	Queensmill School			↔		27/11/2013
Children's Services	Canberra Primary School			↔		19/08/2013
Children's Services	Early Help Project					03/06/2014
Children's Services	Project Management - MASH (Multi Agency Safeguarding Hub)					03/06/2014
Children's Services (IT)	Frameworki Social Care System- Application					20/05/2014
Corporate Services	Budgetary Control					31/07/2013
Corporate Services	Housing Benefit			↔		04/02/2014
Corporate Services	Concessionary fares					17/03/2014
Corporate Services	Debtors			→		03/06/2014
Corporate Services (IT)	IT Procurement					04/02/2014
Corporate Services	Pensions Administration				→	14/04/2014
Corporate Services (IT)	BACS					17/03/2014
Corporate/ Cross departmental (IT)	IT Project Management Standards					09/06/2014
Corporate Services (IT)	Telecommunications					30/01/2014
Corporate Services (IT)	MyAccount and eServices					18/09/2013
Corporate Services	Agilisys - Enhanced Revenue Collection Contract Management					14/11/2013
Corporate Services	NNDR			→		15/05/2014
Housing and Regeneration	Regeneration Programmes and Projects - Shepherds Bush					24/01/2014
Housing and Regeneration	Regeneration Programmes and Projects - Earls Court					13/02/2014
Housing and Regeneration	Sale of Council Housing Properties					14/02/2014
Housing and Regeneration	Housing Applications and Allocations					26/03/2014
Housing and Regeneration	Fixed Term Tenancies					26/03/2014
Environment, Leisure and	Register Office					20/08/2013

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
Resident Services						
Environment, Leisure and Resident Services	Street Enforcement					20/11/2013
Environment, Leisure and Resident Services	Sports Centre Contracts					03/12/2013
Environment, Leisure and Resident Services	Linford Christie Outdoor Sports Centre					03/12/2013
Environment, Leisure and Resident Services	North End Road Market					16/05/2014
Transport and Technical Services	Regeneration Programmes and Projects - King Street and Civic Offices					18/03/2014
Transport and Technical Services	Utilities Procurement					21/02/2014
Transport & Technical Services	TTS programme Management					23/05/2014
Transport & Technical Services	Parking Suspensions					24/01/2014
DRAFT ISSUED						
Corporate/ Cross departmental	Corporate and Partnership Governance			↔		04/04/2014
Corporate/ Cross departmental	Use of Consultants and Interims *		→	→		14/02/2014
Corporate/ Cross departmental	Information Management and Data Sharing					03/06/2014
Adult Social Care	Commissioning; Procurement and Contract Management in Adult Social Care					02/04/2014
Adult Social Care	ASC programme Management					14/04/2014
Corporate Services	Project Management - Timebase by Tricostar (case management system)					05/06/2014
Environment, Leisure and	Waste Disposal					17/04/2014

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
Resident Services						
Environment, Leisure and Resident Services	ELRS programme Management					17/04/2014
Environment, Leisure and Resident Services	SERCO Contract Management					03/06/2014
Housing and Regeneration	Departmental Risk Register - HRD			↔		27/03/2014
Housing and Regeneration (IT)	iWorld application					28/08/2013
Housing and Regeneration	Leasehold Service Charges					31/03/2014
Transport and Technical Services	Section 106 Funding					02/04/2014
Transport and Technical Services	Property Disposals					31/03/2014
NOT YET ISSUED						
Adult Social Care	Direct Payments					
Children's Services	Schools Employee Led Mutual					
Corporate Services	Project Management - One Place online services					
Total		0	7	53	6	

Total Reports (including those not yet issued)	68
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* As part of the Use of Consultants and Interims audit we found the design of the control framework to be satisfactory; however, there was a significant degree of non-compliance across the Council with the procedure for recruitment of additional resources. As such we have provided a split assurance opinion with Satisfactory Assurance being provided on the adequacy of the system of controls and Limited Assurance on the application of these controls.

In addition to the work detailed above, the table below provides a summary of the assurances assigned to each audit undertaken by the RBKC or WCC internal audit teams that relate to LBHF functions.

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
FINALISED						
Corporate / Cross Departmental	Tri Borough IT Strategy and Governance					21/03/2014
Children's Services	Troubled Families – Part 1					26/07/2014
Corporate Services	Insurance					14/5/2014
Transport and Technical Services	Street Lighting					11/12/2013
Public Health	Information Governance Toolkit					16/04/2014
Corporate / Cross Departmental	Tri Borough Network Security					27/01/2014
Public Health	Financial Accounting and Charging (part 1)					09/04/2014
NOT YET ISSUED						
Corporate Services	Pensions Investment					
Corporate / Cross Departmental	Total Facilities Management: Contract Management/ICF					
Public Health	Governance					
Transport and Technical Services	Traffic Management					
Children's Services	Troubled Families – Part 2					
Total		0	1	6	0	

Assurance Levels

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

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.

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 – 2013/14

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 deliverables completed (2013/14)	95%	95%	0
2	% of planned audit days delivered (2013/14)	95%	98%	+3%
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	0
4	% of Draft reports issued within 10 working days of exit meeting	95%	93%	-2%
5	% of Final reports issued within 5 working days of the management responses	100%	91%	-9%*

*Average time to issue final reports in 2013/14 was 3.4 days

APPENDIX C: Internal Audit work for which an assurance opinion was not provided

The table below provides a summary of the audit work for which no overall assurance opinion was provided.

Department	Audit	Issued
Final		
Corporate Services	Bribery Act	05/06/2013
Corporate Services	Duplicate Payments	28/06/2013
Corporate Services	Continuous Assurance	28/10/2014
Corporate Services	Contracts Register Summary Report	30/01/2014
Children Services	Children's Services Procurement	10/12/2013
Housing and Regeneration	Housing Repairs Contract ITT	04/02/2014
Public Health	Information Governance Toolkit*	16/04/2014
Transport & Technical Services	General Development Control Return	21/08/2013
Corporate Services	Corporate Gas Safety: tenancies	15/01/2014

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
Adult Social Care	Safeguarding	9	7	2	0	0
Children's Services	Cambridge School	9	4	4	1	0
Children's Services	Greenside School	9	5	2	1	1
Children's Services	Fostering	16	8	4	4	0
Corporate Services (IT)	HFBP Inventory Management	8	6	2	0	0
Corporate Services (IT)	ICT Programme Management	11	10	1	0	0
Corporate Services (IT)	Mobile Phones	7	7	0	0	0
Housing and Regeneration	Theft of Valuable Metals	5	2	3	0	0
Transport and Technical Services	Parking Pay and Display	13	2	9	2	0
Total		87	51	27	8	1
%		100%	59%	31%	9%	1%

*Undertaken by Royal Borough of Kensington and Chelsea Internal Audit team.

In addition to the follow up visits undertaken seven priority 1 recommendations raised in substantial assurance reports and management letters where no assurance opinion was provided were followed up to confirm implementation. The results were as follows:

Priority 1 Recommendations	Implemented	Partly Implemented	Not implemented	No longer applicable
4	2	2	0	-
%	50%	-	50%	-