

	<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;">16 September 2014</p>
<p>INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 APRIL TO 30 JUNE 2014</p>	
<p>Open Report</p>	
<p>For Information</p>	
<p>Key Decision: No</p>	
<p>Wards Affected: All</p>	
<p>Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance</p>	
<p>Report Author: Geoff Drake – Senior Audit Manager</p>	<p>Contact Details: Tel: 0208 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 April to 30 June 2014 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 April to 30 June 2014 as well as reporting on the performance of the Internal Audit service for the 2014/15 financial year.
- 4.2. In order to minimise the volume of paperwork being sent to Committee members, documents detailing outstanding recommendations, as well as the full text of any 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 19 audit reports were finalised in the first quarter of 2014/2015 from 1 April to 30 June. In addition 6 management letters were issued.
- 5.1.3. Three audit reports issued in this period received limited assurance: Adult Social Care Risk Management, North End Road Market and St Thomas of Canterbury School.
 - 5.1.3.1. Adult Social Care Risk Management made 7 recommendations of which 6 have been reported as implemented and 1 is not yet due.
 - 5.1.3.2. North End Road Market made 8 recommendations, all of which have been reported as implemented.
 - 5.1.3.3. St Thomas of Canterbury School made 19 recommendations of which 12 have been reported as implemented and 7 are not yet due at the time of writing.
- 5.1.4. In addition to the above, for our audit of Use of Consultants and Interims we 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. 8 recommendations have been reported as implemented and 2 are not yet due.
- 5.1.5. A high level review of the Managed Services Programme was undertaken in the period with the final report being issued in July 2014. In order to provide timely information to Committee members we have included information in this report.
- 5.1.6. A Limited assurance opinion report was issued with three high priority and four low priority recommendations being raised. While a total of seven recommendations for potential improvement were identified and agreed with management in the course of this audit, the Limited Assurance status of the control environment reflects the normal condition of a complex business transformation change

programme and system implementation at this stage of its development and delivery cycle. Four of the recommendations raised have been reported as implemented and one is not yet due.

- 5.1.7. The Internal Audit department works with key departmental contacts to monitor the number of outstanding draft reports and the implementation of agreed recommendations.
- 5.1.8. 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 one report outstanding that was due to be signed off on or before 30 June 2014. This is detailed in Appendix B.
- 5.1.9. There are now 5 audit recommendations made since 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 4 outstanding as reported at the end of the previous quarter and represents no significant change in position. We continue to work with departments and HFBP to reduce the number of outstanding issues.
- 5.1.10. The breakdown of the 5 outstanding recommendations between departments are as follows:
 - Adult Social Care - 1
 - Children's Services (Non Schools) - 3
 - Housing and Regeneration - 1
- 5.1.11. 3 of the recommendations listed are over 6 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.
- 5.1.12. Management have confirmed that one of the recommendations raised in the Parking Pay and Display Follow up will not be fully implemented. The risk of not implementing this recommendation is accepted by management. The recommendation can be found in appendix D.

5.1.13. The breakdown of recommendations implemented as a proportion of the total raised in each audit year can be seen below. For all years prior to 2011/12 100% of all the audit recommendations made have been implemented.

Percentage of 2012/13 year audit recommendations past their implementation date that have been implemented.	98.4%	247 recommendations implemented out of a total of 251 4 recommendations outstanding
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Percentage of 2013/14 year audit recommendations past their implementation date that have been implemented.	99.5%	186 recommendations implemented out of a total of 187 1 recommendation outstanding
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5.2. Internal Audit Service

5.2.1. Part of the CIA's function is to monitor the quality of Mazars' work. Formal monthly meetings are held with the Mazars 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 2014/15 financial year.

Performance Indicators 2014/15

Ref	Performance Indicator	Target	Pro rata target	At 30 June 2014	Variance	Comments
1	% of deliverables completed	95%	24%	19%	-5%	15 deliverables issued out of a total plan of 79
2	% of planned audit days delivered	95%	24%	23%	-1%	223 days delivered out of a total plan of 957 days
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	100%	+5%	4 out of 4 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%	100%	+5%	8 out of 8 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%	+5%	1 out of 1 final reports issued within 5 working days.

5.3. Audit Planning

5.3.1. Amendments to the 2014/15 year Internal Audit plan agreed by the Committee are shown at Appendix C.

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 April to 30 June 2014
Appendix B	Internal Audit reports in issue more than two weeks
Appendix C	Amendments to 2014/15 Internal Audit Plan
Appendix D	Recommendations Not Implemented By Management

APPENDIX A

Audit reports Issued 1 April to 30 June 2014

We have finalised a total of 19 audit reports for the period to 1 April to 31 June 2014. In addition, we have issued a further 6 management letters. No follow ups were completed in the period.

In order to provide timely information for the Committee our high level review of the Managed Services programme issued in July 2014 has also been included in this quarterly report (No. 20).

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	2013/14	iWorld Application	Mel Barrett	Satisfactory
2	2013/14	M.A.S.H. Project Management	Liz Bruce	Satisfactory
3	2013/14	Adult Social Care Departmental Risk Management	Liz Bruce	Limited
4	2013/14	Home Care	Liz Bruce	Satisfactory
5	2013/14	ASC Programme Management	Liz Bruce	Satisfactory
6	2013/14	North End Road Market	Lyn Carpenter	Limited
7	2013/14	William Morris Sixth Form	Andrew Christie	Satisfactory
8	2013/14	St Thomas of Canterbury School	Andrew Christie	Limited
9	2013/14	Frameworki Application	Andrew Christie	Substantial
10	2013/14	Early Help Project Management	Andrew Christie	Substantial
11	2013/14	TTS Programme Management	Nigel Pallace	Satisfactory
12	2013/14	Pensions Administration	Jane West	Substantial
13	2013/14	Financial Risk Management	Jane West	Substantial
14	2013/14	NNDR	Jane West	Satisfactory
15	2013/14	Debtors	Jane West	Satisfactory
16	2013/14	IT Project Management Standards	Jane West	Satisfactory
17	2013/14	Use of Consultants	Jane West	Limited / Satisfactory
18	2013/14	Timebase Project Management	Jane West	Satisfactory
19	2014/15	Capitalesourcing Application	Jane West	Satisfactory
20	2014/15	Managed Services High Level Review	Jane West	Limited

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
20	2014/15	2013/14 Year End Report - Schools	Andrew Christie
21	2014/15	Head of Internal 2013/14 Audit Year End Assurance Report	Jane West
22	2014/15	2013/14 ICT Year End Report	Jane West
23	2014/15	2013/14 Finance Year End Report	Jane West
24	2014/15	2013/14 Project Management Year End Report	Jane West
25	2014/15	2013/14 Procurement Year End Report	Jane West

Follow ups

No Follow ups were completed in the period.

APPENDIX B**Internal Audit reports in issue more than two weeks as at 28 August 2014**

No.	Audit Year	Department	Responsible Director	Audit Title	Assurance	Draft report issued on	Responsible Officer	Target date for responses	Awaiting Response From
1	2014/15	Children's Services	Andrew Christie	Normand Croft Community School	Satisfactory	04/06/2014	Head Teacher / Governing Body	18/06/2014	Auditee*

*Partial response received before the end of Summer Term

Amendments to 2014/15 Audit Plan

	Department	Audit Name	Nature of Amendment	Reason for amendment
1	Children's Services	Sullivan Primary School	Removed	Removed due to uncertainty over future of school. To monitor and add back into plan if required.
2	Children's Services	Adoption Reform Grant	Added	Added into plan at request of department.

APPENDIX D

Recommendations Not Implemented By Management

Management have advised that they will not be fully implementing the recommendation listed below and that they accept the risk of not doing so.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Responsible Officer	Reason for non-implementation
1	2013/14	Transport & Technical Services	Parking Pay and Display Follow Up	N/A	<p>Parking Services should request updated route information.</p> <p>The foreign coins spread sheet should be amended to automatically calculate the difference between cash amount expected and cash amount received.</p> <p>Consideration should be given to identifying other ways to establish the level of foreign coins, rather than the difference between amount of income expected and the amount collected.</p> <p>Discussions regarding foreign coins and monitoring should be documented in minutes from Metric contract meetings.</p>	2	Bi Borough Head of Parking Services	<p>It is not possible to upgrade the 1100 plus very old P&D machines in the borough so as not to accept foreign coins especially as these are often coins produced by the Royal Mint with similar characteristics to UK coins.</p> <p>Parking Services already receive daily route information from the cash collection which highlights foreign coins</p> <p>There are no resources available to develop the foreign coin monitoring process further.</p>