

	<p align="center"><b>London Borough of Hammersmith &amp; Fulham</b></p> <p align="center"><b>(AUDIT, PENSIONS AND STANDARDS COMMITTEE)</b></p> <p align="center"><b>(11 February 2015)</b></p>
<p><b>TITLE OF REPORT</b></p>	
<p><b>Internal Audit Quarterly report for the period 1 October to 31 December 2014</b></p>	
<p><b>Open Report</b></p>	
<p><b>For Information</b></p>	
<p><b>Key Decision: No</b></p>	
<p><b>Wards Affected: None</b></p>	
<p><b>Accountable Executive Director: Jane West – Executive Director of Finance and Corporate Governance</b></p>	
<p><b>Report Author: Geoff Drake – Senior Audit Manager</b></p>	<p><b>Contact Details:</b>  Tel: 0208 753 2529  E-mail:  <a href="mailto:geoff.drake@lbhf.gov.uk">geoff.drake@lbhf.gov.uk</a></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 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 October to 31 December 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 the full text of limited or nil assurance reports have not been appended to this report. However, this information has been made available to all members separately. A précis of all limited assurance reports is also provided at Appendix C for the information of members.

## **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 22 audit reports were finalised in the third quarter of 2014/2015 from 1 October to 31 December 2014. In addition, 3 management letters and 4 follow up audit reports were also issued.
- 5.1.3. A summary of each of the limited assurance reports is provided at Appendix C. Four limited assurance audit reports were issued in this period: Melcombe Primary School; Home Meal and Frozen Food Delivery Service Contract Management; ICPS Parking System Application, and Cemeteries and Bereavement Service.
  - 5.1.3.1. Melcombe Primary School made 2 high, 7 medium and 8 low priority recommendations. 5 recommendations have been reported and implemented, 1 remains outstanding and 11 are not due at the time of writing.
  - 5.1.3.2. Home Meal and Frozen Food Delivery Service contract management made 2 high, 10 medium and 4 low priority recommendations. A follow up audit is planned shortly to test whether the recommendations have been implemented.

- 5.1.3.3. ICPS Parking System Application made 8 medium priority recommendations. 1 recommendation has been reported as implemented at the time of writing. Management have advised that due to the age of the application a number of the recommendations raised cannot be implemented in the current system. The service is implementing a new Bi-Borough parking management information system which will be operational in 2015/16. Management have agreed that the recommendations raised in this report will be implemented in the new system.
- 5.1.3.4. Cemeteries and Bereavement Service (LBHF) made 2 high, 5 medium and six low priority recommendations. 1 recommendation has been reported as implemented, 2 remain outstanding and 10 are not due at the time of writing.
- 5.1.4. In addition to the Limited assurance reports above, audit work on Adult Social Care Direct Payments was undertaken for which a management letter was issued. A satisfactory assurance opinion was provided for our review of the project management arrangements and a Limited assurance opinion was provided for our sample testing of Direct Payments. With regards to our sample testing of Direct Payments, 2 high and 1 medium priority recommendations were raised for implementation by April 2015.
- 5.1.5. 4 Follow-ups were undertaken in the period: HRD Performance Management, Kenmont Primary School, Parking Pay and Display and Public Health Governance. 22 of the 40 recommendations were found to be implemented with 12 recommendations found to be partly implemented and 6 not implemented. The results of our follow ups can be found in Appendix A.
- 5.1.6. The Internal Audit department works with key departmental contacts to monitor the number of outstanding draft reports and the implementation of agreed recommendations.
- 5.1.7. 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 no reports outstanding at the time of writing.
- 5.1.8. There are now 16 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 8 outstanding as reported at the end of the previous quarter and represents a deterioration in position. We continue to work with departments and HFBP to reduce the number of outstanding issues.

5.1.9. The breakdown of the 16 outstanding recommendations between departments are as follows:

- Children's Services (Non Schools) – 3
- Children's Services (Schools) - 4
- Corporate Services – 7
- Environment Leisure and Resident's Services - 2

5.1.10. Three 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.

5.1.11. The table below shows the number of audit recommendations raised each year that have been reported as implemented. This helps to demonstrate the role of Internal Audit as an agent of change for the council.

2012/13 year audit recommendations past their implementation date that have been implemented.	245 recommendations implemented
2013/14 year audit recommendations past their implementation date that have been implemented.	239 recommendations implemented
2014/15 year audit recommendations past their implementation date that have been implemented.	85 recommendations implemented

## 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.

5.2.2. The delivery of audit plans is behind target as shown from the first two indicators. This is due to the cancellation of audits due to business changes and the introduction of replacement audits as demonstrated by Appendix B which adds 8 new audits for this quarter alone plus the deletion of a further audit. There have also been delays in starting audits at the request of departments which are accepted where there are reasonable grounds for doing so. We are continuing to work to deliver the audit plans this year.

### Performance Indicators 2014/15

Ref	Performance Indicator	Target	Pro rata target	At 31 December 2014	Variance	Comments
1	% of deliverables completed	95%	71%	51%	-20%	53 deliverables issued out of a total plan of 103
2	% of planned audit days delivered	95%	71%	60%	-11%	632 days delivered out of a total plan of 1051 days
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	100%	+5%	26 out of 26 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%	91%	-4%	32 out of 35 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%	29 out of 29 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 B.

## 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**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext. of Holder of File/Copy</b>	<b>Department/ Location</b>
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 2014
Appendix B	Amendments to 2014/15 Internal Audit Plan
Appendix C	Recommendations Not Implemented By Management
Appendix D	Summary of Limited Assurance Reports
Appendix E	Outstanding Recommendations

## APPENDIX A

### Audit reports Issued 1 October to 31 December 2014

We have finalised a total of 22 audit reports for the period to 1 October to 31 December 2014. In addition, we have issued a further 3 management letters and 4 follow ups were completed in the period.

#### 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	Executive Director	Audit Assurance
1	2014/15	Pinnacle Housing Contract Management	Mel Barrett	Substantial
2	2014/15	CRM Application (MITIE)	Mel Barrett	Satisfactory
3	2014/15	Ellerslie Day Centre	Liz Bruce	Satisfactory
4	2014/15	LBHF Reablement	Liz Bruce	Satisfactory
5	2014/15	RBKC Reablement	Liz Bruce	Satisfactory
6	2014/15	Public Health Procurement	Liz Bruce	Satisfactory
7	2014/15	Home Meal and Frozen Food Delivery Service – Contract Management	Liz Bruce	Limited
8	2014/15	Cemeteries and Bereavement Service	Lyn Carpenter	Limited
9	2014/15	Markets	Lyn Carpenter	Substantial
10	2014/15	Melcombe Primary School	Andrew Christie	Limited
11	2014/15	Flora Gardens School	Andrew Christie	Satisfactory
12	2014/15	St John's School	Andrew Christie	Satisfactory
13	2014/15	The Haven	Andrew Christie	Satisfactory
14	2014/15	Wormholt Park School	Andrew Christie	Satisfactory
15	2014/15	ICPS Application	Nigel Pallace	Limited
16	2014/15	TTS Risk Management	Nigel Pallace	Satisfactory
17	2014/15	Noise and Nuisance Team	Nigel Pallace	Satisfactory
18	2014/15	Tri Borough Mobile Device Security	Jane West	Satisfactory
19	2014/15	Corporate Gas Safety	Jane West	Satisfactory
20	2014/15	Cloud Computing	Jane West	Satisfactory
21	2014/15	IT Asset Inventory	Jane West	Satisfactory
22	2014/15	Hammersmith and Fulham Bridge Partnership	Jane West	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
23	2013/14	Direct Payments	Jane West
24	2014/15	ALSS MIS Contract	Mel Barrett
25	2014/15	H&F report It App	Lyn Carpenter

**Follow ups**

No.	Audit Plan	Audit Title	Implemented	Partly Implemented	Not Implemented	Not Applicable
26	2014/15	HRD Performance Management	2	3	1	0
27	2014/15	Kenmont Primary School	2	3	5	0
28	2014/15	Parking P&D	10	1	0	0
29	2014/15	Public Health Governance	8	5	0	0



## Amendments to 2014/15 Audit Plan

	Department	Audit Name	Nature of Amendment	Reason for amendment
1	Corporate	Corporate Procurement Including E-Procurement	Removed	Deferred to 2015/16
2	Adult Social Care	NHS Pooled Budgets	Added	Added to plan from reserve list
3	Children's Services	School Admissions	Added	Added to plan from reserve list
4	Transport and Technical Services	Planning Applications	Added	Added to plan from reserve list
5	Environment Leisure and Residents Services	Report IT App	Added	Added at request of department
6	Housing and Regeneration	ALSS MIS Contract	Added	Added at request of Audit Committee
7	Housing and Regeneration	Temporary Accommodation	Added	Added to plan from reserve list
8	Housing and Regeneration	Tenancy Management	Added	Added to plan from reserve list
9	Corporate	Software Licensing	Added	Added to plan from reserve list

Summary of Limited Assurance Reports

Ref	Audit and Scope	Details	Assurance Risk /
1	<p><b>Melcombe Primary School</b></p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> <li>• Governance and Leadership;</li> <li>• Financial Management;</li> <li>• Procurement;</li> <li>• Staff Expenses and Petty Cash;</li> <li>• Income;</li> <li>• Payroll;</li> <li>• Head Teacher's Pay;</li> <li>• Assets and Inventory;</li> <li>• Leasing; and</li> <li>• Unofficial Funds.</li> </ul>	<p>Hammersmith &amp; Fulham standard schools audits are carried out using an established probity audit programme. Audits are currently undertaken on a three year cycle unless issues dictate a more frequent review. The programme is designed to audit the main areas of governance and financial control. The programme's standards are based on legislation, the Scheme for Financing Schools and accepted best practice. The purpose of the audit is to help schools establish and maintain robust financial systems.</p> <p>Two High, seven medium and eight low priority recommendations were raised. The Principal recommendations were as follows:</p> <ul style="list-style-type: none"> <li>• The school should seek advice from the Council regarding whether expenditure is appropriate and also the potential tax implications of receiving gifts.</li> <li>• The number of quotes obtained for items purchased should be made in accordance with the schools ordering procedures.</li> <li>• The School should develop an expenses policy, defining acceptable expense claims, expense claim limits and the procedure for claiming expenses.</li> <li>• All petty cash claim forms should be checked for accuracy prior to reimbursement from the petty cash float.</li> <li>• Overtime claim forms should be independently checked at the output stage prior to the release of the payroll for payment to confirm that claims have been input accurately.</li> <li>• The Governing Body should formally approve the ISR of the Head Teacher.</li> <li>• The School should allocate ongoing responsibility for maintaining the asset register. The asset register should be updated to ensure that all assets in the school are included and their location accurately recorded.</li> <li>• The School should seek the advice and approval was from the Council's Director of Finance (via Children's Services Finance) prior to entering any leasing arrangements.</li> <li>• The School should ensure segregation of duties is fully observed between individuals administering and reviewing/reconciling the Voluntary Fund.</li> </ul> <p>All recommendations were accepted by management for implementation by July 2015.</p>	<p>Limited</p>

Ref	Audit and Scope	Details	Assurance Risk /
2	<p><b>Home Meal and Frozen Food Delivery Service – Contract Management (Tri-borough)</b></p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> <li>• Service Objectives;</li> <li>• Contract Formalities;</li> <li>• Service Delivery;</li> <li>• Contract Management</li> <li>• Complaints Management and Customer Feedback;</li> <li>• Payments;</li> <li>• Management Information, and</li> <li>• Budgetary Control.</li> </ul>	<p>The Home Meal and Frozen Food Delivery Service was jointly commissioned by a team of procurement specialists from the Tri-borough councils and the London Boroughs of Hounslow, Haringey and Richmond. Following a tendering exercise and an evaluation process, the Hammersmith and Fulham Cabinet Member for Community Care, awarded a five year Framework Agreement for the provision of the service to Sodexo Ltd. The Framework Agreement commenced in April 2013.</p> <p>All service users contribute to the cost of the meals provided. The contribution is set independently by each Tri-borough Council and currently stands as between £3.05 and £4.50. Sodexo invoice each Tri-borough council monthly for the cost of the meals provided less the service user contribution. A total of 130,000 meals were delivered in 2013/14 at a total net cost to the Councils in the region of £465,000.</p> <p>This audit considered the contract management arrangements in place for this contract.</p> <p>Two High and 10 medium priority recommendations were raised as a result of the audit. The principal recommendations were as follows:</p> <ul style="list-style-type: none"> <li>• Sharpe Pritchard should be asked to confirm that RBKC's inclusion in the Framework's Glossary but not being specifically named in the Framework is sufficient evidence of their entitlement to procure under the Framework;</li> <li>• Management should ensure that Call Off contracts or orders under the Framework have been formally drawn up and sealed for RBKC and WCC;</li> <li>• Due to the sensitivity of the data involved all orders placed with Sodexo should be via the Framework's web portal;</li> <li>• The original 2011 Business Plan associated with the original commissioning of services should be revised to reflect the revised costings as the number of Councils using the Framework has expanded;</li> <li>• Management should ensure that Sodexo has an appropriate Emergency Plan and Disaster Recovery Plan in place which is subject to resilience testing;</li> <li>• An appropriate and timely pro-active contract monitoring regime should be developed for the contract;</li> <li>• The contract management regime should ensure contract conditions are being complied with especially around areas such as confirming DBS status for all Sodexo employees engaged on the contract and their entitlement to work in the UK;</li> <li>• Management should periodically seek evidence that the contractor has the required insurance in place as specified in the Contract;</li> </ul>	Limited

Ref	Audit and Scope	Details	Assurance Risk /
		<ul style="list-style-type: none"> <li>• Management should ensure that the contractor led customer survey is undertaken in line with the contract and that the questions meet the Councils' needs; and</li> <li>• Management should ensure that appropriate reconciliations are made to agree the number of meals ordered to the number invoiced by Sodexo.</li> </ul> <p>All recommendations were accepted by management for implementation by December 2014.</p>	

Ref	Audit and Scope	Details	Assurance / Risk
3	<p><b>ICPS Parking System Application</b></p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> <li>• Application Management and Governance;</li> <li>• System Security;</li> <li>• Interface Controls and Processing;</li> <li>• Data Input;</li> <li>• Data Output;</li> <li>• Change Control;</li> <li>• System Resilience and Recovery; and</li> <li>• Support Arrangements</li> </ul>	<p>The Bi-Borough service is currently tendering for a new Bi-Borough parking management information system. The outcome of the tender exercise currently being undertaken should result in both services aligning their parking systems once a single parking management information system is procured and operational by 2015/16.</p> <p>Eight medium priority recommendations were raised. The Principal recommendations were as follows:</p> <ul style="list-style-type: none"> <li>• Management should work with Mouchel to enhance the application's password controls.</li> <li>• Management should investigate the feasibility of receiving regular notifications of starter's movers and leavers either from Human Resources or other sources.</li> <li>• Management should develop appropriate roles/groups that are comprised of the relevant permissions required for those roles. User accounts can then be made members of the relevant group to allow them to perform their duties, rather than being managed individually.</li> <li>• Management should conduct periodic, documented reviews of all user account permissions and ensure that access is only available on a 'need to have basis'.</li> <li>• Management should implement a process whereby formal confirmation of all data having been synchronised into ICPS is received and acknowledged.</li> <li>• Management should work with Hammersmith and Fulham Bridge Partnership to understand the processes for offsite tape storage and testing tape recoverability where such tapes are used for ICPS data.</li> <li>• Management should work with Hammersmith and Fulham Bridge Partnership to develop and test appropriate Disaster Recovery plans for the ICPS application according to the formally defined Business recovery priorities for the application.</li> <li>• Management should ensure that the Service Area Continuity Plan for Parking Services is updated to incorporate the required recovery time objectives for the ICPS application and other applications that the department uses to provide parking services as defined in the corporate plan dated September 2013.</li> </ul> <p>All recommendations were accepted by management for implementation in the new information system by September 2015.</p>	Limited

Ref	Audit and Scope	Details	Assurance / Risk
4	<p><b>Cemeteries and Bereavement Service</b></p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> <li>• Service Objectives and Procedures;</li> <li>• Health and Safety Risk Management;</li> <li>• Recording of Burials and Cremations and Security of Records;</li> <li>• Charging and Income Collection;</li> <li>• Debt Recovery; and</li> <li>• Performance Management and Budgetary Control</li> </ul>	<p>Following retirement of the in-house bereavement managers in 2012, Cabinet approved the decision to outsource the Bereavement Service on a temporary basis. The Council had an existing Grounds Maintenance contract with Quadron Service Limited which included maintenance of the borough's cemeteries. This contract was varied to include management and client function of the Cemeteries and this arrangement was made permanent in 2013.</p> <p>Two High, five medium and six low priority recommendations were raised. The Principal recommendations were as follows:</p> <ul style="list-style-type: none"> <li>• Procedures detailing operational duties and processes should be in place for each site in order to provide guidance to staff.</li> <li>• Where actions arise from health and safety inspections, these should be monitored to ensure that have been rectified promptly.</li> <li>• Memorial testing should be completed for each site on a three yearly basis, and documentation relating to this test should be retained.</li> <li>• There should be a segregation of duties in the income collection process to ensure that one officer is not responsible for all stages of the income collection process. Checks should be undertaken to confirm that all income received is banked. As a minimum, this should involve comparing income to be banked against receipts/cash collection records. Where practical, this check should also compare income received to services provided to confirm that income has been received, or an invoice raised, in all cases.</li> <li>• Reasons for not achieving budgeted income figures should be documented in income reports. Where necessary, the figures for budgeted income should be re-evaluated and reflect expected figures more closely.</li> <li>• Monthly contract meetings should be minuted to ensure that action points are raised and deadline are assigned. In addition, contract reports should be produced to aid these meetings.</li> <li>• Key Performance Indicators should be set which are in line with departmental aims and objectives and the Cemetery Strategy. Performance against these indicators should be monitored on an ongoing basis.</li> </ul> <p>All recommendations were accepted by management for implementation by August 2015. It should be noted that a number of recommendations have already been implemented.</p>	Limited

Ref	Audit and Scope	Details	Assurance / Risk
5	<p><b>Direct Payments</b> The scope of our audit work on Direct Payments was as follows:</p> <ul style="list-style-type: none"> <li>• Undertake testing of a sample of direct payments in each borough to: <ul style="list-style-type: none"> <li>○ Confirm payments have been made correctly</li> <li>○ Assess evidence of whether expenditure appears appropriate and that unusual and potentially inappropriate expenditure was followed up.</li> </ul> </li> <li>• Undertake an audit of the project management arrangements for setting up the new system; and</li> <li>• Provide risk and control advice on the new system for managing DPs and pre-paid cards.</li> </ul>	<p>Direct Payments are a key component of wider Government policy with a particular emphasis on the benefits of offering service users greater choice and control. A Direct Payment (DP) is a cash payment to the service user instead of providing services. Payment is made directly into a DP user's dedicated bank account or via a pre-paid card. DPs can be used to meet all support needs or mixed with services provided by community services. The benefits of a DP for a service user are increased independence, control over own support arrangements and more flexibility and choice in how and when support is provided.</p> <p>DPs are managed differently across the three boroughs by separate teams. RBKC and WCC both have pre-paid cards. However, the current product has been deemed not satisfactory and take up is limited as the full benefits of other products on the market are not currently available to the current product. Furthermore, the provider (RBS) confirmed that they will not be developing or improving the product and therefore RBKC and WCC need an alternative to the current product. LBHF does not have a pre-paid card at present. The Government Procurement Service responded by developing a framework agreement for pre-paid cards that all public sector bodies will be able to access. The anticipated date for first wave call-off from the framework was February 2014; however delays in implementation of the framework have led the three boroughs to seek an alternative provider.</p> <p>A satisfactory assurance opinion was provided for our review of the project management arrangements and a Limited assurance opinion was provided for our sample testing of DPs. With regards to our sample testing of DPs, two high and one medium priority recommendations were raised as follows:</p> <ul style="list-style-type: none"> <li>• Staff should be reminded that there should be a clear link between the support plan and the DP made. Where the DP changes, the Support Plan should be updated accordingly or a clear audit trail maintained on Frameworki. Spot checks should be undertaken on an ongoing basis to confirm that this requirement is being followed.</li> <li>• Consideration should be given to reintroducing the process of requesting bank statements from service users in LBHF. Regular checks of expenditure should be undertaken in each borough to confirm that expenditure is appropriate and the results of these checks should be documented.</li> <li>• The functionality of the Frameworki system should be investigated to establish why staff can input orders and authorise them on behalf of another officer. This should be disabled where possible. Where this functionality cannot be disabled, management should investigate whether reports of orders input and authorised by the same person acting on behalf of another user can be generated and reviewed.</li> </ul> <p>All recommendations were accepted by management for implementation by April 2015.</p>	Satisfactory / Limited

**APPENDIX D**

**Summary of Outstanding Recommendations**

This is a schedule of all recommendations where the target date for implementation has passed and either the recommendation has not been fully implemented, or the auditee has failed to provide information on whether it has been implemented.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
1	2012/13	Children's Services	Thematic Report - Leasing in Schools	N/A	All schools should be reminded of the requirement to seek approval from the Governing Body and the Council prior to entering into or renewing leasing agreements. As a result of this approval process, a record should be maintained of any providers that do not appear to provide value for money. Where practical, schools expenditure records should be examined to identify if these providers are being used.	1	30/10/2013	Tri Borough Director of Finance and Resources (Children's Services)	
2	2012/13	Children's Services	Thematic Report - Leasing in Schools	N/A	Schools should be reminded to retain copies of lease agreements in a readily accessible location.	2	30/10/2013	Tri Borough Director of Finance and Resources (Children's Services)	
3	2012/13	Children's Services	Thematic Report - Leasing in Schools	N/A	Consideration should be given to updating the School Finance Procedures Manual to require that an options appraisal is undertaken prior to entering into leasing arrangements to demonstrate that leasing offers better value for money when compared to outright purchase of goods and services.	2	30/10/2013	Tri Borough Director of Finance and Resources (Children's Services)	



Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
4	2013/14	Children's Services	Phoenix High School	Satisfactory	The Unofficial Fund should be audited by an independent auditor and the results of the audit presented to the Governing Body.	2	01/10/2014	Head Teacher	We have agreed to report details of the unofficial fund to the Finance Committee who are aware of its existence. However we will be reviewing the account before year end and ensure that it is independently audited.
5	2014/15	Children's Services	Flora Gardens Primary School	Satisfactory	The following key documents and policies should be presented to the Governing Body or Finance Committee for review and approval on an annual basis: <ul style="list-style-type: none"> <li>• Finance Policy;</li> <li>• Whistle Blowing Policy;</li> <li>• Pay Policy;</li> <li>• Lettings and Charging Policy; and</li> <li>• School Development Plan (SDP).</li> </ul> Approval should be recorded in the minutes of the relevant meeting.	2	31/12/2014	Headteacher / Governing Body	Part Implemented. All policies except the Finance Policy have been approved by the GB. The Finance Policy is set to go to GB in February 2015.
6	2014/15	Children's Services	Melcombe Primary School	Limited	The Governing Body should approve the ISR of the Head Teacher. This information may be incorporated in the School's pay policy.	2	31/10/2014	Head Teacher & Chair of the Governing Body	The Governing Body are currently reviewing the pay policy and the ISR for the Head Teacher will be incorporated.
7	2014/15	Children's Services	St Peter's CE Primary School	Satisfactory	The asset register should be updated to ensure that all assets in the School are included and their location accurately recorded. The results of the asset register check should be presented to the Governing Body and minuted.	2	31/12/2014	Head Teacher and School Business Manager	Delay due to staff absences. Will be conducted in the New Year.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
8	2013/14	Corporate Services	Information Management and Document Sharing	Satisfactory	Management should ensure adequate port controls and harmonise USB port controls and e-mail policies across the Tri-borough IT infrastructure (PC's and servers). In particular, the RBKC e-mail policy should be updated to reflect the definitions in the classification scheme and the use of 'Egress'.	2	31/12/2014	Director for Procurement and IT Strategy Finance and Corporate Services	H&F confirm that port controls are in place RBKC have yet to address this issue WCC are addressing as part of their Windows 7 roll out project which is due to complete in March 15
9	2013/14	Corporate Services	Supply Chain Resilience	Limited	<p>Supply chain resilience roles and responsibilities for both Council and HFBP led contracts should be documented. For example those relating to:</p> <ul style="list-style-type: none"> <li>• Requesting and undertaking appropriate financial checks;</li> <li>• Establishing the contract clauses required to protect the Council's interests,</li> <li>• Obtaining supplier business continuity plans;</li> <li>• Understanding where data will be held and accessibility of data;</li> <li>• Gaining on-going assurance that the supply chain as a whole will continue to operate for the foreseeable future. For example attending the supplier's business continuity test and/or preparing supply chain resilience strategies; and</li> <li>• The respective responsibilities of HFBP and Council Officers.</li> </ul> <p>Once documented, the roles and responsibilities should be communicated to relevant staff and stakeholders. This may be achieved through incorporating this into existing procurement or contract management guidance.</p>	2	31/10/2014	Deputy Head of Emergency Services	Although a range of actions and activities are ongoing, progress on the remaining actions is largely dependent on the progress and delivery of the tri-borough Strategic Supplier Relationship Management (SSRM) programme and the Tri-Borough Procurement Target Operating Model. These key dependencies, led by WCC, had not been fully appreciated at the point of agreeing the action plan to this audit.

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10	2013/14	Corporate Services	Supply Chain Resilience	Limited	<p>A resilience strategy should be developed for each critical supplier, which defines how statutory obligations will be fulfilled in the event that the supplier is unable to deliver the contracted service. This should include defining both how services will be delivered in the event of supplier failure and the transition process in the event of failure.</p> <p>The Business Continuity Team should be involved or consulted in the preparation of the strategies/plans. Strategies, where required, should be developed prior to the contract commencement.</p>	1	31/10/2014	<p>Deputy Head of Emergency Services responsible for process</p> <p>Directors will be responsible for resilience strategies for suppliers</p> <p>Business Continuity Manager will be responsible for audit and reporting strategies in H&amp;F</p>	<p>Although a range of actions and activities are ongoing, progress on the remaining actions is largely dependent on the progress and delivery of the tri-borough Strategic Supplier Relationship Management (SSRM) programme and the Tri-Borough Procurement Target Operating Model. These key dependencies, led by WCC, had not been fully appreciated at the point of agreeing the action plan to this audit.</p>

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11	2013/14	Corporate Services	Supply Chain Resilience	Limited	<p>Management should send a periodic communication to contract managers reminding them of their roles and responsibilities. This should include (as a minimum):</p> <ul style="list-style-type: none"> <li>• Details of any known supplier issues or developments (in addition to those detailed in Appendix 3);</li> <li>• Updates on TriBorough working relating to business continuity and supply chain resilience; and</li> <li>• Guidance and/or training material that may be useful to contract managers when assessing and monitoring supplier resilience.</li> </ul>	1	31/10/2014	Head of Procurement	Although a range of actions and activities are ongoing, progress on the remaining actions is largely dependent on the progress and delivery of the tri-borough Strategic Supplier Relationship Management (SSRM) programme and the Tri-Borough Procurement Target Operating Model. These key dependencies, led by WCC, had not been fully appreciated at the point of agreeing the action plan to this audit.
12	2014/15	Corporate Services	Managed Services - System Testing	Limited	<p>It is recommended that timescales to address IST, Service Now and any future issues are appropriately assessed ensuring that they are realistic and achievable.</p> <p>Consideration should also be given to producing a Critical Path Analysis where some critical activities are not delivered and the subsequent impact on Go-Live.</p>	1	30/09/2014	Angela Martin (Tri B UAT TM) & Edward Olugbile (BT IST TM)	
13	2014/15	Corporate Services	Managed Services - System Testing	Limited	<p>It is recommended that timescales for completion of IST sign off are provided so that UAT and other activities can be planned to achievable timelines.</p> <p>Additionally, where delivery of key functionality is delayed, additional regression testing, IST and UAT will need to be planned and performed.</p>	2	30/09/2014	Edward Olugbile (BT IST TM)	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
14	2014/15	Corporate Services	Managed Services Programme High Level Controls	Limited	<p>Cabinet should be updated for their approval of the new total MSP cost position.</p> <p>Accountability and transparency for reporting on the status and clarity of all issues that impact on the MSP financial management position should be improved by separating the responsibility for risk/issue ownership from the responsibility for risk/issue mitigation.</p> <p>The responsible risk or issue owner should assess the mitigation action activity reports to reassess the risk to either accept, reduce, transfer or avoid/close the record to assist in trend analysis reports.</p>	2	31/10/2014	Reporting Financial Position - Anna D'Alessandro and John Ogden Risk Owners - Zak Juma	
15	2014/15	Environment, Leisure & Residents Services	Cemeteries / Bereavement Service	Limited	<p>There should be a segregation of duties in the income collection process to ensure that one officer is not responsible for all stages of the income collection process.</p> <p>Checks should be undertaken to confirm that all income received is banked. As a minimum, this should involve comparing income to be banked against receipts/cash collection records.</p> <p>Where practical, this check should also compare income received to services provided to confirm that income has been received, or an invoice raised, in all cases. Evidence of these checks should be retained to demonstrate who undertook the check and when.</p>	1	31/12/2014	Bi-Borough Parks Manager	Procedure being developed, segregating duties has been difficult due to staff shortages. Service will be fully staffed in new year and this can then be fully implemented.

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16	2014/15	Environment, Leisure & Residents Services	Cemeteries / Bereavement Service	Limited	Reasons for not achieving budgeted income figures should be documented in income reports. Where necessary, the figures for budgeted income should be re-evaluated and reflect expected figures more closely.	2	31/12/2014	Bi-Borough Head of Leisure and Parks	Work being undertaken with Finance colleagues to examine market forces and number trends. Provisional deadline has been set for income report (Mid/End of February) - this will look into detail at general market data, with further comparisons to substitutes activity/income levels (Crematoriums), and will break down cemeteries income data further by looking at types of sale (Advance, at need, interment etc.) in order to reliably estimate future trends and explain shortfalls.