



AUDIT AND PENSIONS COMMITTEE

22 September 2010

CONTRIBUTORS

Chief Internal Auditor
Internal Audit Manager
Deloitte & Touche LLP

Subject

**Internal Audit Quarterly report for the
period 1 April to 30 June 2010**

**WARDS
All**

This report summarises internal audit activity in respect of audit reports issued during the period to 30 June 2010, as well as reporting on the performance of the Internal Audit service.

RECOMMENDATION:

- a) To note the contents of this report
- b) To approve the amendments to the audit plan as outlined in Appendix E

CONTENTS

1. Introduction	1
2. Internal Audit Coverage	1
3. Internal Audit Service	3
Appendix A Audit reports issued 1 January to 31 March 2010	5
Appendix B Limited and No Assurance Final Audit Reports	7
Appendix C Internal Audit reports in issue more than two weeks	76
Appendix D Audit Recommendations outstanding	77
Appendix E Amendments to 2010/11 Audit Plan	91

1. Introduction

- 1.1 This report summarises internal audit activity in respect of audit reports issued during the period 1 April to 30 June 2010 as well as reporting on the performance of the Internal Audit service.

2. Internal Audit Coverage

- 2.1 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.
- 2.2 A total of 23 reports were finalised in the first quarter of 2010/2011 (see **Appendix A**). In addition 1 FMSIS Inspection letter was issued as well as 1 follow-up report and 12 other management letters. 2 audit reports issued in this period received limited assurance. All 6 of the recommendations raised in the report on Leisure Centre Contract management have been reported as implemented and a follow-up audit will now be scheduled. None of the 21 recommendations made in the report on Brackenbury School have been reported as implemented. A follow-up audit will be carried out to verify implementation once all recommendations in each report have been reported as implemented.
- 2.3 At its last meeting the Committee requested a further update on the implementation of the recommendations made in the *Use of Consultants* report. A follow-up audit has now been carried out which will be formally reported as part of the quarterly report to the next meeting. This found that 2 priority 1 recommendations had been fully implemented. The remaining 1 priority 1 recommendation and 3 priority 2 recommendations were found to be only partly implemented. The partly implemented recommendations relate to controls that should exist within departments. As a result of this additional centralised controls are being introduced in the relevant areas.
- 2.4 Two reports are maintained on an ongoing basis to which departments (including directors and FSB reps) have access and which departmental Internal Audit reps help to maintain. The first of these is a schedule of draft audit reports that have been issued for which responses have not been received for more than two weeks. There is only 1 report outstanding at this time and this is shown in **Appendix C**.

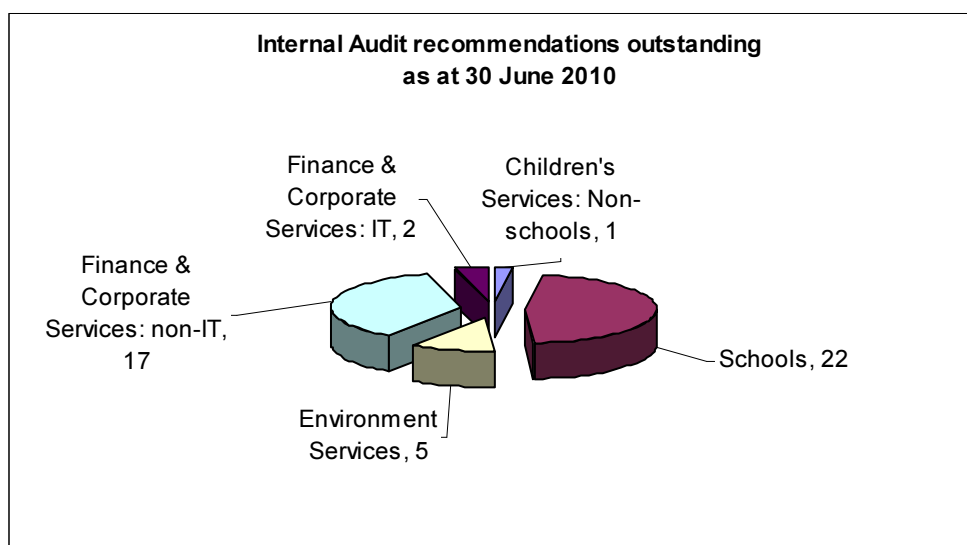
This report relates to Environment Services and will not be over 6 months old at the time of the Committee meeting. We are very pleased

to report that there are no reports outstanding for any other department.

2.5 The second report is a table, a copy of which has been provided at **Appendix D**, that shows there are now 47 audit recommendations made since Deloitte commenced their contract in October 2004 where the target date for the implementation of the recommendation has passed and they have either not been fully implemented or where the auditee has not provided any information on their progress in implementing the recommendation. This compares to the 18 reported as outstanding at the end of the previous quarter and represents a significant deterioration in the overall position. We continue to work with departments and HFBP to further reduce the numbers outstanding.

2.6 The breakdown between departments is as follows:

- Schools – 22
- Children’s Services (non-schools) – 1
- Environment Services Dept – 5
- Finance & Corporate Services Dept – 19
(of which 2 relate to HFBP)




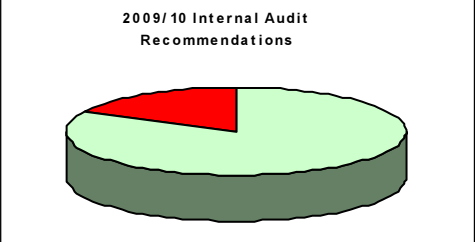
We are very pleased to report that there are no outstanding recommendations to report in respect of Community Services, Community Services (Housing) or Residents Services.

2.7 Of the 47 recommendations listed 1 is at over six months past its target date for implementation as at the date of the Committee meeting. There are no outstanding recommendations over a year past their target date. Internal Audit are currently focussing on clearing the longest outstanding recommendations and to that end will continue to meet with the specific managers responsible for all recommendations overdue by more than 5 months at the time of the meeting. The

breakdown of recommendations implemented compared as a proportion of the total in each year can be seen below.

100% of recommendations made in 2004/5, 2005/6 and 2006/7 have been implemented

There are no recommendations currently outstanding from the 2007/8 year which were beyond their target date at 30 June 2010

<p>Percentage of 2008/9 year audit recommendations past their implementation date that have been implemented.</p>	<p>98.71%</p>	<p>384 recommendations implemented out of a total of 389</p> <p>5 recommendations outstanding</p>	
<p>Percentage of 2009/10 year audit recommendations past their implementation date that have been implemented.</p>	<p>82.57%</p>	<p>199 recommendations implemented out of a total of 241</p> <p>42 recommendations outstanding</p>	

3. Internal Audit Service

- 3.1 Since the last report to the Audit Committee, there has been no structural change to the operation of the internal audit service. The in-house team consists of the Chief Internal Auditor (CIA) and Audit Manager. Deloitte Public Sector Internal Audit Ltd supply the resources for carrying out individual audits and also periodically provide management information to support the reporting requirements of the in-house team
- 3.2 As part of the CIA's function he is required to monitor the quality of Deloitte work. Formal monthly meetings are held with the Deloitte Contract Manager and one of the agenda items is an update on progress and a review of performance against key performance indicators. The performance figures are provided for the period from 1 April 2010 to 30 June 2010 and also include an update on the completion of the 2009/10 audit plan.

Performance Indicators 2009/2010 & 2010/11

Ref	Performance Indicator	Target	Pro rata target	At end of Q1	Variance	Comments
2009/10						
1	% of deliverables completed (2009/10)	95%	100%	98%	-2%	124 reports delivered out of a total plan of 127
2	% of planned audit days delivered (2009/10)	95%	100%	99%	-1%	1119 days delivered out of a total plan of 1129 days
2010/11						
3	% of deliverables completed (2010/11)	95%	24%	10%	-14%	12 reports delivered out of a total plan of 120 Target achieved.
4	% of planned audit days delivered (2010/11)	95%	24%	12%	-12%	137 days delivered out of a total plan of 1096 days
5	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	100%	+5%	12 audit briefs out of 12 issued within PI requirement
6	% of Draft reports issued within 10 working days of exit meeting	95%	95%	100%	+5%	1 draft report out of 1 issued within PI requirement

3.3 For the 2009/10 year the target of delivering 95% of the audit plan by 31 March 2010 was achieved. Three reports remained to be issued at the end of Quarter 1.

3.4 Delivery of the 2010/11 audit plan is behind target due to difficulties in scheduling in audits in quarter 1 - particularly schools audits which account for 9 out of the 30 planned audits in quarter 1. Work has begun on bringing audits forward into Q2 wherever possible in order to increase delivery.

3.5 A re-tender for the Internal Audit Service is currently in progress as the contract is due to be renewed from 1 April 2011. We have potential re-tender partners in the local PCT and possibly the London North West Region group of PCTs. Legal advice on options is currently awaited before the formal re-tender commences. It is expected that formal invitations to tender will be issued on 6 September 2010.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS**

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	Finance and corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU

APPENDIX A

Audit reports Issued 1 April to 30 June 2010

We have finalised a total of 23 audit reports for the period to 30 June 2010, all relate to the 2009/10 programme. In addition, we have issued a further one FMSIS reports, 12 management letters and 1 follow-up report.

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	09/10	Building Schools for the Future	Andrew Christie	Full
2	09/10	Health and Safety	Nigel Pallace	Substantial
3	09/10	Print Services	Jane West	Substantial
4	09/10	Hurlingham and Chelsea School	Andrew Christie	Substantial
5	09/10	Corporate Workforce Planning	Jane West	Substantial
6	09/10	Council Tax	Jane West	Substantial
7	09/10	Cambridge School	Andrew Christie	Substantial
8	09/10	Addison School	Andrew Christie	Substantial
9	09/10	Register of Officers Interests	Jane West	Substantial
10	09/10	Employment of Foreign Nationals	Jane West	Substantial
11	09/10	Leisure Centre Contract Management	Lyn Carpenter	Limited
12	09/10	Trade Waste - Financial Aspects and Debt Recovery	Lyn Carpenter	Substantial
13	09/10	Debtors	Jane West	Substantial
14	09/10	Register of Members Interests	Jane West	Substantial
15	09/10	Risk Management Service Review	Jane West	Substantial
16	09/10	Budget Management	Jane West	Substantial
17	09/10	Children's Services Transfer to HFBP	Jane West	Substantial
18	09/10	Lynx Remote Access	Jane West	Substantial
19	09/10	Register of Gifts and Hospitality	Jane West	Substantial
20	09/10	Brackenbury Primary School	Andrew Christie	Limited
21	09/10	Framework Financial Aspects	Andrew Christie	Substantial
22	09/10	Holy Cross Catholic School	Andrew Christie	Substantial
23	09/10	Business Transformation Team	Jane West	Substantial

Audit Reports

Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	While there is a basically sound system, there are weaknesses, 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 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.

FMSIS Inspection Reports

No.	Audit Plan	Audit Title	Director	Result
24	2010/11	Fulham Primary FMSIS	Andrew Christie	Conditional Pass

Financial Management Standard in Schools (FMSIS) inspections are categorised as Pass, Fail or Conditional Pass in line with the guidance issued by the DCSF.

Other Reports

Management Letters

No.	Audit Plan	Audit Title	Director
25	2009/10	Data Quality	Jane West
26	2009/10	CHS Framework	Andrew Christie
27	2009/10	Cross Borough Contract Management Thematic Paper	Jane West
28	2010/11	Building Schools for the Future Year End Report	Andrew Christie
29	2010/11	Project Management Year End Report	Jane West
30	2010/11	Schools Year End Report	Andrew Christie
31	2010/11	Finance Year End Reports	Jane West
32	2010/11	HolA Year End Report	Jane West
33	2010/11	Risk Management Assurance Framework	Jane West
34	2010/11	IT Year End Report	Jane West
35	2010/11	Risk Management Year End Report	Jane West
36	2010/11	Contact Point	Andrew Christie

Follow ups

No.	Audit Plan	Audit Title	Director	Findings on recommendations				Total
				Fully Implemented	No longer Applicable	Partly Implemented	Not Implemented	
37	2010/11	Macbeth and Bryony Centre	Lyn Garner	9	0	2	3	14

Limited and No Assurance Final Audit Reports

In quarter one of 2010/11 we issued three reports which were provided limited assurance –
Leisure Centre Contract Management, Brackenbury Primary School and CRB Checks



**Final Internal Audit Report 2009/10
London Borough of Hammersmith &
Fulham
Leisure Centres Contract Management
May 2010**

This report has been prepared on the basis of the limitations set out on page 26.

Final Report

Contents

Page No


Executive Summary	9
Detailed Findings	11
Recommendations	16
Statement of Responsibility	26
Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities	24
Appendix B – Audit Objectives & Scope	27
Appendix C – Audit Team & Staff Consulted	30
Appendix D – Audit Timetable	30

This report and the work connected therewith are subject to the Terms and Conditions of the Supply Agreement dated 25 April 2008 between London Borough of Hammersmith & Fulham and Deloitte & Touche Public Sector Internal Audit Limited. The report is produced solely for the use of London Borough of Hammersmith & Fulham. Its contents should not be quoted or referred to in whole or in part without our prior written consent except as required by law. Deloitte & Touche Public Sector Internal Audit Limited will accept no responsibility to any third party, as the report has not been prepared, and is not intended for any other purpose.

Final Report

Executive Summary

Introduction	<p>As part of the 2009/10 Internal Audit Plan, agreed by the Audit Committee on 11 March 2009, we have undertaken an internal audit of Leisure Centres Contract Management.</p> <p>This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.</p> <p>The agreed objective and scope of our work is set out at Appendix B.</p>
---------------------	---

Audit Opinion	None	Limited	Substantial	Full
				

Rationale Supporting Award of Opinion and Direction of Travel	<p>The audit work carried out by Internal Audit (the scope of which is detailed in Appendix B) indicated that, weaknesses in the system of internal controls are such as to put the client's objectives at risk, and the level of non-compliance puts the client's objectives at risk.</p> <p>Weaknesses in control were identified in relation to agreed contracts that could not be provided for examination, the contract for Hammersmith Fitness & Squash Centre and Lillie Road Fitness Centre not including specific income terms, the Business Plan 2010 not being reviewed and updated, and the Health and Safety Policy not obtained for one of the two contractors under examination.</p> <p>The Direction of Travel provides a comparison to the previous audit visit. In this case, the absence of an arrow indicates that this area has not previously been visited by Internal Audit.</p>
--	---

Final Report

Priority Recommendations	1 We have raised three priority 1 recommendations as a result of this internal audit. These are as follows: <ul style="list-style-type: none">• A copy of the signed and sealed copy contract between the Council and Greenwich Leisure Limited for the management of Phoenix Fitness Centre should be retained and made accessible to all relevant staff. Where the contract is not held by the service, a copy should be obtained from the Legal Department;• Management should ensure that regular monitoring of contracts takes place in line with the agreed contractual terms and conditions. Evidence of any monitoring undertaken should be documented and retained; and• Formal agreement should be made between the Council and Greenwich Leisure Limited on the frequency and amount of income to be paid for the Hammersmith Fitness and Squash Centre and Lillie Road Fitness Centre.
---------------------------------	--

Detailed Findings

Background

The Council operates five sports and leisure centres within the Borough. These are:

- The Linford Christie Stadium;
- Fulham Pools;
- Hammersmith Fitness & Squash Centre;
- Lillie Road Fitness Centre; and
- The Phoenix Sports & Fitness Centre and Janet Adegoke Swimming Pool.

The Council has appointed two contractors on long-term contracts to manage the leisure centres. The Linford Christie Stadium is not covered by these arrangements and has not been considered as part of the audit scope.

A Lifestyle Plus membership scheme is operated by the Council for all borough residents who qualify, including those who are pensioners, unemployed, full time students, disabled or are on income support or housing benefit are eligible to join. Residents who do not qualify for Lifestyle Plus can become a member of a centre and can use the facilities at a reduced rate.

The joining fee is £20.50 for a year or £10.25 for six months. The Council retains the joining fee. Members can use any of the sports and leisure facilities for 50p per session. The contractor keeps the reduced rate session fee. Members can also obtain discounts in respect of other services, including some library charges, theatre tickets and museum admission.

Fulham Pools also operate a Fulham Pools Card. This offers a reduced rate for holders of the card. The card is available to both residents of the borough and non-residents. The cost of the Fulham Pools Card is detailed in the following table:

	Adult	Junior
Residents	£33.00	£16.50
Non Residents	£54.00	£27.00

The Fulham Pools Card is operated by the contractor and they retain all membership fees.

Final Report

Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Contract Standards			1	0	0
	Performance Monitoring and Reporting			1	2	0
	Contract Payments/Fee sharing			1	0	0
	Risk Management and Risk Continuity Management			0	1	0

Final Report

Summary Findings	<p>of In this section we set out a summary of our findings under each area of scope. This is a balanced summary where possible. Where weaknesses are identified, full details of these are included in the recommendations raised.</p> <p>Contract Standards</p> <p>Signed and sealed agreements for the provision of leisure services were requested.</p> <p>We were informed that the contract for Phoenix Fitness Centre and Janet Adegoke Swimming Pool with commenced in January 2006 and expires in January 2012, a copy of the contract could not be located at the time of our audit. We were however able to obtain a letter detailing the Financial Arrangements. The contract for Hammersmith Fitness and Squash Centre and Lillie Road Fitness Centre commenced on February 2004 and expires on 31st January 2014. We identified through examination that the contract for Hammersmith Fitness and Squash Centre and Lillie Road Fitness Centre did not however detail the income arrangements.</p> <p>The contract for managing Fulham pools commenced on 30th November 2001 and expires on 1st January 2051. The total value of the contract is approximately £2m, which was paid at the beginning of the contract.</p> <p>We have raised one recommendation as a result of our work in this area.</p> <p>Performance Monitoring and Reporting</p> <p>A scheduled calendar of meetings between Council representatives and both contractors from September 2009 to March 2010 was provided for observation.</p> <p>However, minutes of meeting were only available for September 2009 and January 2010. There was no evidence that other meetings had been held with one of the contractors. Six monthly meetings are also held with the Steering Group. In these meetings, health and safety and security are discussed. This was confirmed from examination of the two most recent meeting minutes dated 4th June 2009 and 10th December 2009.</p> <p>Examination of the contract identified that as part of the contract review, one contractor is required to carry out surveys and opinion polls of users or targeted potential users to highlight the facilities strengths, weaknesses and areas for development. We obtained the Client Report Quarter 1 (April 2009) and Quarter 2 (June 2009). Performance statistics for Quarters 3 and 4 were not available for examination at</p>
-------------------------	---

Final Report

the time of the audit. Further, a summary performance report, April 2009 – September 2009 was obtained for Phoenix Fitness Centre. There was no performance data available for Hammersmith Fitness & Squash Centre and Lillie Road Fitness Centre. Also, we could not determine what contractual arrangements were made for producing and submitting performance data as there was no contract available for examination.

We obtained performance data for the period, April to December 2009 for the one of the contracts. The data is required to be prepared and produced for the Performance Review Board quarterly. Examination of minutes from the Performance Review Board meeting held in July and November 2009 confirmed that the data was produced and reported. However, there are no set performance indicators for assessing both contractors.

The Council's Business Plans for 2009 and 2010 covering the contract were obtained and examined. We identified that Business Plan 2010 was incomplete as it made reference to the same targets and objectives as in 2009. There was also no evidence to confirm that the Business Plan was formally approved.

We have raised three recommendations as a result of our work in this area.

Contract Payments/Fee sharing

We confirmed from examination of the letter detailing financial arrangements between the Council and one contractor that the frequency of payment as outlined in the contract is on a quarterly basis within 30 days of presentation of a valid invoice. This relates to a quarterly management fee for Phoenix Fitness Centre and Janet Adegoke Swimming Pool. We confirmed that quarterly payments were made and payments were in line with the agreed charges. The Council does not receive any income from this contract. Where the contractor fails to perform the service as per the agreed contract, 'Default Points' may be awarded. In addition, a 'Warning Notice' may be served on the contractor in the event that the contractor is awarded 200 or more default points in any 12 week period.

From the Resident Services Director briefing on 11th August 2009, we identified that one contractor is required to make annual payments to the Council for Hammersmith Fitness and Squash Centre and Lillie Road Fitness Centre. However, we could not confirm details of the frequency of payment, amount, or the agreed terms.

For the one contract, a lump sum payment was made to the contractor at the beginning of the contract.

Final Report

	<p>We have raised one recommendation as a result of our work in this area.</p> <p>Risk Management and Risk Continuity Management</p> <p>A Risk Register had been developed and approved by the service head, which is reviewed on a quarterly basis. A Business Continuity Plan (BCP) had also been developed and approved. We were informed that the BCP had been tested by Emergency Services in December 2009. This was confirmed through examination of supporting documentation obtained.</p> <p>We obtained copies of the Health & Safety Policies for Greenwich Leisure Limited and Virgin Active. Examination identified that both policies have not been reviewed.</p> <p>We have raised one recommendation as a result of our work in this area.</p>
Acknowledgement	<p>We would like to thank the management and staff of Community Sports for their time and co-operation during the course of the internal audit.</p> <p>All staff consulted are included at Appendix C.</p>

Final Report

Recommendations

Contract Standards

1. Signed and Sealed Contracts

(Priority 1)

Recommendation		Rationale	
A copy of the contract between the Council and the contractor for the management of Phoenix Fitness Centre and Janet Adegoke Swimming Pool should be retained and made accessible to all relevant staff. Where the contract is not held, a copy should be obtained from the Legal Department.		Retaining copies of the signed and sealed agreement between both parties to a contract will help to ensure that both parties have a legal recourse in the event of any legal action. Although a letter from the Council to the contractor detailing Financial Arrangements was provided, a copy of the contract between the Council and the contractor for provision of leisure services at Phoenix Sports Centre and Janet Adegoke Swimming Pool could not be obtained. Where contractual terms and conditions are not formally agreed or retained, there is an increased risk that in the event of any legal action being brought against the Council, the Council may not have any legal recourse resulting in adverse publicity and financial loss.	
Management Response			
Agreed.			
Responsibility	Community Sports Manager	Deadline	30 April 2010

Final Report

Performance Monitoring and Reporting

2. Monthly Contractors Meetings

(Priority 2)

Recommendation		Rationale	
<p>The Council should ensure that contractor meetings take place monthly, in line with the agreed terms of the contract and agreed schedule of dates.</p> <p>Matters discussed and action points arising from these meetings should be minuted.</p>		<p>Maintaining a record of meetings with contractors will help to ensure that all decisions, discussions and agreed actions are undertaken.</p> <p>We were only provided with monthly contract meeting minutes for September 2009 for one contractor and January 2010 for another. We were informed that meetings were held but not minuted.</p> <p>Where a formal record of meetings is not held, there is an increased risk that actions, decisions and assigned responsibilities arising from meetings may not be fulfilled.</p>	
Management Response			
Agreed.			
Responsibility	Community Sports Manager and Sports Operations Manager	Deadline	Immediate

Final Report

3. Business Plans

(Priority 2)

Recommendation		Rationale	
<p>The Business Plan should be updated to contain current objectives and targets for the service in line with the overall Council targets for leisure facilities.</p> <p>Evidence of formal approval of the Business Plan should be maintained.</p>		<p>Ensuring Business Plans contain the latest available information helps to enhance its knowledge on external contractors' vision and future objectives.</p> <p>Examination of the 2010 Business Plan identified that it made reference to the same targets and objectives as in 2009, and did not include 2009 results. In addition, some of the objectives stated make reference to 2008, and there was also no evidence to confirm that the Plan was formally approved.</p> <p>Where Business Plans do not include up-to-date data and has not been formally approved, there is an increased risk of lack of consistency and clarity. There is a further risk that the objectives and actions as stated in the plan may not be fit for purpose; thus resulting in objectives not being achieved.</p>	
Management Response			
Agreed			
Responsibility	Community Sports Manager and AD Parks and Culture	Deadline	30 March 2010

Final Report

4. Performance Reports

(Priority 1)

Recommendation	Rationale
<p>Management should ensure that regular monitoring of contracts takes place in line with the agreed contractual terms and conditions, including agreement of appropriate performance targets to assess performance against the objectives of the Council in respect of leisure facilities.</p> <p>Evidence of any monitoring undertaken should be documented and retained.</p>	<p>Establishing performance targets and regularly monitoring against them will help to ensure that corrective action is taken to identify and address any poor performance.</p> <p>During the audit we noted the following exceptions:</p> <ul style="list-style-type: none">• We were unable to determine what contractual arrangements were made for the Phoenix Centre and Janet Adegoke Swimming Pool for producing and submitting performance data as there was no contract available for examination;• The Council have not set any performance targets for either contractor; performance targets reported are determined by the contractor; and• We could only obtain the Phoenix Annual Report (April 2008 to March 2009); Phoenix Summary (April 2009 to Sep 2009); LBHF Client Report Quarter 1 (April 2009); and LBHF Client Report Quarter 2 (June 2009). <p>Where key performance targets are not set and regularly monitored against, there is an increased risk that sub standard services provided by contractors may not be identified and rectified in a timely manner.</p>
Management Response	
Agreed	

Final Report

Responsibility	Community Sports Manager and AD Parks and Culture	Deadline	30 April 2010
-----------------------	--	-----------------	----------------------

Final Report

Contract Payments/Fee Sharing

5. Income Received

(Priority 1)

Recommendation		Rationale	
<p>Formal agreement should be made on the frequency and amount of income to be paid for the Hammersmith Fitness and Squash Centre and Lillie Road Fitness Centre.</p> <p>Where an agreement is currently in place, a copy should be obtained.</p>		<p>Establishing and implementing formal agreements with contractors will help to ensure that the Council has a clear means to identify and verify the income due.</p> <p>Examination of the Resident Services Director briefing on 11th August 2009 identified that one contractor is required to make annual payments to the Council for Hammersmith Fitness and Squash Centre and Lillie Road Fitness Centre. However, we could not confirm details of the agreed terms for setting the payment.</p> <p>Where levels of income to be received by the Council are not formally agreed, there is an increased risk that income due may not be received.</p>	
Management Response			
Agreed			
Responsibility	Community Sports Manager	Deadline	28 February 2010

Risk Management and Business Continuity Management

6. Contractors Health & Safety Policy

(Priority 2)

Recommendation		Rationale	
Up to date Health & Safety policies should be requested from each contractor and retained as part of the contract monitoring process.		<p>S17 - Health and Safety of the contract between Greenwich Leisure Limited and the Council states that "The Contractor shall maintain a written safety policy and shall ensure that the Council and the Contractor's Staff are notified of any changes to the policy".</p> <p>We were provided with the Policy Statement & Organisation Safety Arrangements for one contractor; however this was dated June 2007. We also obtained a Health and Safety policy for another, but this was dated 2002.</p> <p>Where no Health and Safety policy is obtained from external contractors, or this is not up-to-date, there is an increased risk of legal claims against the Council in the event of injury to members of the public.</p>	
Management Response			
Agreed			
Responsibility	Community Sports Manager	Deadline	28 February 2010

Final Report

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

London

May 2010

In this document references to Deloitte are references to Deloitte & Touche Public Sector Internal Audit Limited.

Deloitte & Touche Public Sector Internal Audit Limited is a subsidiary of Deloitte LLP, which is the United Kingdom member firm of Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu is a Swiss Verein (association), and, as such, neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte", "Deloitte Touche Tohmatsu", or other related names. Services are provided by the member firms or their subsidiaries or affiliates and not by the Deloitte Touche Tohmatsu Verein.

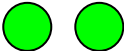



©2010 Deloitte & Touche Public Sector Internal Audit Limited. All rights reserved.

Deloitte & Touche Public Sector Internal Audit Limited is registered in England and Wales with registered number 4585162. Registered office: Hill House, 1 Little New Street, London EC4A 3TR

Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

Audit Opinions

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:




	Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
	Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
	Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
	None	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Final Report

Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

	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.

Final Report

Adequacy and Effectiveness Assessments

Please note that adequacy and effectiveness are not connected. The adequacy assessment is made prior to the control effectiveness being tested.

The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively, i.e. control gaps are a bigger issue than controls not being fully complied with.

	Adequacy	Effectiveness
	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

Recommendation Priorities

In order to assist management in using out internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management and the audit committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

Appendix B – Audit Objectives & Scope

Internal Objective and Scope	Audit and <p>The overall objective of this internal audit was to provide the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to the following management objectives:</p> <p>Contract Standards</p> <p>The contract has identified within it agreed standards of performance against which the contractors’ actual performance can be compared and assessed.</p> <p>That a contract diary is maintained detailing key dates including meeting dates, renewal dates and re-tender dates.</p> <p>A copy of the signed contract is held and readily available to relevant staff involved in the management of the contract.</p> <p>Performance Monitoring and Reporting</p> <p>The actual performance of the contractor against each of the agreed standards is identified and reported to the Council on a regular and periodic basis, with the frequency of reporting laid down in the contract.</p> <p>Where variations from agreed standards are identified they are investigated and explained and where appropriate, reported to senior management of the Council.</p> <p>Contract Payments / Fee Sharing</p> <p>The contract sets out the terms and conditions under which payments will be made to contractors, including frequency of payment and definition of work to be performed to receive payment, and that all actual payments made are in accordance with these terms and conditions.</p> <p>That any income due to the Council under the terms of Contract A with Greenwich Leisure Ltd is accurately, completely and timely made.</p> <p>Risk Management and Business Continuity Management</p> <p>A current risk register is in place that has been approved by the service head. A current business continuity plan is in place that has been approved by the service head.</p>
-------------------------------------	--



Final Report

	The business continuity plan has been tested within the last 12 months; Regular Health and Safety Checks and site visits are undertaken; and Action plans developed to monitor the progress of identified actions.
--	--

Final Report

Internal Approach and Methodology	<p>The internal audit approach is developed through an assessment of risks and management controls operating within the agreed scope.</p> <p>The following procedures were adopted:</p> <ul style="list-style-type: none">• Identification of the role and objectives of each area;• Identification of risks within each area which threaten the achievement of objectives;• Identification of controls in existence within each area to manage the risks identified;• Assessment of the adequacy of controls in existence to manage the risks and identification of additional proposed controls where appropriate; and• Testing of the effectiveness of key controls in existence within each area. <p>Management should be aware that our internal audit work was performed in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 standards which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.</p> <p>Our internal audit testing was performed on a judgemental sample basis and focused on the key controls mitigating risks. Internal audit testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.</p> <p>Please note that, in relation to the agreed scope, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it was not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.</p>
--	---

Appendix C – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
General Manager	Community Sports Manager
Deputy Sector Manager	AD Parks and Culture
Field Manager	
Senior Auditor	
Contact Details:	
 Ext 2550	
 Ext 2590	

Appendix D – Audit Timetable

	DATES
Planning Meeting	26/02/09
Fieldwork Start	11/01/10
Exit Meeting	29/01/10
Draft report issued	02/03/10
Final report issued	15/05/10

**Final Internal Audit Report 2009/10
London Borough of Hammersmith &
Fulham
Brackenbury School
June 2010**

This report has been prepared on the basis of the limitations set out on page 67.

Final Report

Contents

Page No

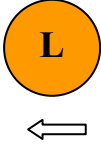
Executive Summary	33
Detailed Findings	35
Recommendations	42
Statement of Responsibility	67
Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities	68
Appendix B – Audit Objectives & Scope	70
Appendix C – Audit Team & Staff Consulted	74
Appendix D – Audit Timetable	74

This report and the work connected therewith are subject to the Terms and Conditions of the Supply Agreement dated 25 April 2008 between London Borough of Hammersmith & Fulham and Deloitte & Touche Public Sector Internal Audit Limited. The report is produced solely for the use of London Borough of Hammersmith & Fulham. Its contents should not be quoted or referred to in whole or in part without our prior written consent except as required by law. Deloitte & Touche Public Sector Internal Audit Limited will accept no responsibility to any third party, as the report has not been prepared, and is not intended for any other purpose.

Final Report

Executive Summary

Introduction	<p>As part of the 2009/10 Internal Audit Plan, agreed by the Audit Committee on 11 March 2009, we have undertaken an internal audit of Brackenbury School.</p> <p>This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.</p> <p>The agreed objective and scope of our work is set out at Appendix B.</p>
---------------------	--

Audit Opinion	None	Limited	Substantial	Full
				

Rationale Supporting Award of Opinion and Direction of Travel	<p>The audit work carried out by Internal Audit (the scope of which is detailed in Appendix B) indicated that, a Limited level of assurance could be given. Weaknesses in the system of internal controls are such as to put the client's objectives at risk and the level of non-compliance puts the client's objectives at risk.</p> <p>Weaknesses in control were identified in relation to a number of areas. These include the register of business interests for governors not including the Senior Administration Officer and listing two governors that are not part of the Governing Body anymore. The School Development Plan only covers the financial year 2009/10 and does not look further forward. None of the approved amounts from five subjective headings selected for testing from the approved budget 2008-09 matched the amount stated on the 2008 SIMS report. We were informed that no virements have been approved by the Headteacher or Chair of Governors. We were not provided with evidence that a pay policy has been approved by the Governing Body. Income in respect of school uniforms, trips and the breakfast club has not been accurately and completed recorded to provide a sufficient management trail. Results of inventory checks have not been reported to the Governing Body. The school does not have a building maintenance plan in place. Some pupils had received discounts for the most recent school journey to Knapp House Activity Centre in North Devon. However, no school journey grant policy has been developed and approved by the Governing</p>
--	--

Final Report

	Body. The Direction of Travel provides a comparison to the previous audit visit. In this case, the school last had an internal audit visit in 2006/2007.
Priority Recommendations	1 We have raised one priority 1 recommendation as a result of this internal audit. This is as follows: The school should ensure that it complies with the data protection act and keeps its registration up-to-date.

Final Report

Detailed Findings

Background	<p>This report details the Internal Audit of the procedures and controls in place over Brackenbury Primary School and has been undertaken in accordance with the 2009/2010 Internal Audit Plan agreed with Hammersmith and Fulham Council.</p> <p>Brackenbury Primary School has 449 pupils on roll.</p> <p>The School has total income and expenditure budgets for the financial year, 2008/09 of £1,750,706 and £1,801,960 respectively, resulting in budget overspent of £51,254. This is offset by a carry forward of £111,000 from the 2007/08 financial year.</p> <p>The School was inspected by OFSTED in January 2009. The School informed us that the OFSTED recommendations have been taken into account on the School Development Plan 2009/10.</p>
-------------------	--

Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Leadership and Governance			0	5	1
	School Improvement or Development Plan and OFSTED			0	1	0
	Financial Planning, Budgetary Control and Monitoring			0	2	0
	Payroll			0	2	0
	Procurement			0	1	0
	Bank Accounts			0	0	0
	Income			0	1	0
	Assets			0	2	0
	School Journey			0	2	0

Final Report

	School Fund			0	1	0
	Petty Cash Account			0	1	1
	Data Protection			1	0	0

Final Report

Summary Findings	<p>of In this section we set out a summary of our findings under each area of scope. This is a balanced summary where possible. Where weaknesses are identified, full details of these are included in the recommendations raised.</p> <p>Leadership and Governance</p> <p>The Committee Structure, Terms of Reference and Schemes of Delegation held at the School are dated 29/03/07. These documents have not been reviewed by the Governing Body since March 2007.</p> <p>The school holds a register of business interests for governors which lists any business interests they have. The register does not include the Senior Administration Officer who has financial responsibilities. In addition, the register is not up to date and lists two governors that are not part of the Governing Body anymore.</p> <p>The School does not currently require that declarations of conflicts of interest be a standing agenda item for meetings of the Governing Body and its Committees.</p> <p>For one out of seven cases of Committee meeting minutes examined, it had not been signed as an accurate record of the previous meeting by the Committee Chair.</p> <p>We were informed that the school does not have access to the 'Scheme for Financing Schools'.</p> <p>The School has a detailed policy document covering financial systems and procedures. However, we found no evidence of the document being regularly reviewed and formally approved by the Governing Body.</p> <p>We are aware that the school will receive help from the Council's School Management Support Team to prepare for the FMSiS assessment which is due to be undertaken approximately three months after the issue of this internal audit report and we are not therefore not including a recommendation but noted the following</p> <ul style="list-style-type: none">• The staff self-evaluation financial management competency matrix form, R11 has not been completed by staff with financial management responsibilities.• No Statement of Internal Control (SIC) has been produced and approved by the full Governing Body.• No Best Value Statement has been prepared
-------------------------	---

Six recommendations have been raised as a result of our work in this area.

School Improvement or Development Plan and OFSTED Inspections

A School Development Plan (SDP) for 2009/10 has been developed. This has not been approved yet, but we were informed the document was to be approved at the Governing Body meeting to be held on 18th of June 2009. Examination of the Plan found that it has been developed only for the academic year 2009/10, and there is no evidence that a longer term overview of the SDP has been developed.

One recommendation has been raised as a result of our work in this area.

Financial Planning, Budgetary Control and Monitoring

The budget is regularly monitored at Finance Committee meetings of which the latest were held on 14th May 2009, 9th February 2009 and 20th January 2009. However, we were not provided with the budget monitoring reports discussed at the above meetings.

Previous years budget monitoring reports showed an overall picture of the budget, original budget, revised budget, commitment, invoice, actual, budget left, commitments not on SIMS, comment and year end prediction. They also show detailed statements by cost centres on expenditure and income. There is no evidence of frequent monitoring at a local level by the School Administration Officer and the Headteacher. We have been informed that fortnightly meetings are held with a School Management Team officer and that the budget is discussed. There is however no formal record of the budget monitoring and no evidence that the actions resulting are made available to the Administration Officer.

None of the approved amounts from the five subjective headings selected for testing from the approved budget 2008-09 matched the amount stated on the 2008 SIMS report. We were informed that no virements have been approved by the Headteacher or Chair of Governors.

Two recommendations have been raised as a result of our work in this area.

Payroll

Examination of personnel files identified the following:

- In two out of four cases no contract of employment could be located; and
- In all cases sampled no CRB checks, references and academic documents could be located.

Examination of personnel files for three out of five leavers confirmed the following:

Final Report

- In 1 of the 3 cases no leaving date could be ascertained from the documentation on file.

We were informed that this weakness has already been noted by the new Headteacher and a checklist of required documentation has been produced.

The School has a Pay Policy in place. We were not provided with evidence that the document has been approved by the Governing Body.

The Service Level Agreement between the School and the Council for the provision of Human Resources and Payroll services could not be provided. We have been informed that the School Management Team is looking into the agreements on behalf of the schools and we have therefore not raised a recommendation.

Two recommendations have been raised as a result of our work in this area.

Procurement

In two out of four cases a copy purchase order could not be located (Invoice no. 70607 & 010708). In one further case, there was no evidence of the purchase order having been authorised (Purchase Order no BRA001292)

We were unable to obtain evidence of Governing Body authorisation required in one relevant case tested (Invoice no:TLC201466)

The school maintains a list of authorised signatories. However, this does not document their respective financial limits. No financial limit could be located for the School Administration Officer who certifies purchases.

One recommendation has been raised as a result of our work in this area.

Bank Accounts

Examination of the last six bank statements found that the School accounts had not been overdrawn for the instances tested.

No recommendations have been raised as a result of our work in this area.

Income

The school lettings policy was under review at the time of the audit.

The School receives income from different sources. It was noted that records of income received for the school uniform are not retained. Income received from the breakfast club is not recorded clearly, being

Final Report

difficult to match daily income and total amounts. Examination of records maintained for income received from trips found that teachers do not date or sum up total amounts. There is no cash handling procedures in place.

One recommendation has been raised as a result of our work in this area.

Assets

Examination of the inventory records could not locate any date of when the inventory and equipment was last checked. In addition, the results of any such check have not been reported to the Governing Body.

For a random sample of five assets, three out of five were not security marked; one out of five could not be located.

The school does not have a building maintenance plan in place; however, we understand that one is to be created.

Two recommendations have been raised as a result of our work in this area.

School Journey

We identified that some pupils had received discounts for the most recent school journey to Knapp House Activity Centre in North Devon. However, no school journey grant policy has been developed and approved by the Governing Body.

We were not provided with an end of journey statement for the last school trip.

Two recommendations have been raised as a result of our work in this area.

School Fund Accounting

We were informed that the School Fund is not independently audited / reviewed.

One recommendation has been raised as a result of our work in this area.

Petty Cash Account

We were informed that the petty cash float limit of £150 set by the Headteacher has not been approved by the Governing Body.

Examination of a sample of 10 petty cash transactions noted the following exceptions:

- In one out of 10 cases, the claimant did not sign for the cash re-imburement received; and
- In one out 10 cases the 'School Based Staff Expenses Claim Form' was not appropriately authorised

Final Report

	<p>for re-imbusement.</p> <p>Two recommendations have been raised as a result of our work in this area.</p> <p>Data Protection</p> <p>Evidence of current registration with the Information Commissioner was not held by the School. An on-line search of the Information Commissioner's website confirmed that the School is not currently registered.</p> <p>One recommendation has been raised as a result of our work in this area.</p>
Acknowledgement	<p>We would like to thank the management and staff of Brackenbury School for their time and co-operation during the course of the internal audit.</p> <p>All staff consulted are included at Appendix C.</p>

Final Report

Recommendations

Leadership and Governance

1. Approval of the Scheme of Delegation

(Priority 2)

Recommendation		Rationale	
<p>The Committee Structure, Terms of Reference and Schemes of Delegation should be revised and submitted to the Governing Body for formal approval. The Chair of the Governing Body should formally sign off the document to evidence its approval. Evidence of the approval should be formally documented in the relevant minutes of the meeting to which approval was given.</p>		<p>Standard A3 of 'Keeping Your Balance - Standards for Financial Management in Schools' states, "The Governing Body should establish the financial limits of delegated authority".</p> <p>The Committee Structure, Terms of Reference and Schemes of Delegation held at the School are dated 29/03/07. These documents have not been reviewed by the Governing Body since March 2007.</p> <p>Where formal approval of the scheme of delegation is not regularly reviewed and the approval is not reflected in the Governing Body minutes, there is an increased risk that officers could act outside the scope of their authority, resulting in unauthorised procurement.</p>	
Management Response			
Agreed			
We will review and approve the document at the next Governor's Body meeting.			
Responsibility	Headteacher	Deadline	31/12/2009

Final Report

2. Register of Pecuniary / Business Interests

(Priority 2)

Recommendation		Rationale	
<p>Procedures should be put in place to enable the Register of Pecuniary/Business Interests form to be completed by all staff with financial responsibilities upon:</p> <ul style="list-style-type: none"> • Taking on financial responsibilities; • Any changes in interests; and • At least on an annual review basis. 		<p>Paragraph 14 of the Scheme for Financing Schools states, "The Governing Body of the School must establish a register which lists, for each member of the Governing Body (including the Headteacher), any business interests they or any member of their immediate family have and to keep the register up to date on at least an annual review. The Register must be available for inspection by the Authority, Governors, staff and parents". It is also recommended practice that the register includes all staff with financial management responsibilities.</p> <p>The school holds a register of business interests for governors which lists any business interests they have. It was found however that the register had not completed by the Senior Administration Officer who has financial responsibilities. In addition, we identified that the register is not up to date; as it lists two governors that are not part of the Governing Body anymore.</p> <p>Where the Register of Pecuniary and Business Interests is not fully completed by staff with financial management responsibilities and all governors, there is an increased risk that conflicts of interests may not be managed appropriately and that the transparency with which individual governors and staff exercise their fiduciary duties may not be demonstrated. This may have consequences for the reputation of the School, Governing Body and Staff.</p>	
Management Response			
Agreed Register of interests will be updated on next Governors Body meeting.			
Responsibility	Headteacher	Deadline	31/12/2009

Final Report

3. Declarations of conflicts of interests at meetings

(Priority 2)

Recommendation		Rationale	
<p>Governors should be provided an opportunity to declare their interest at each Governing Body meeting. The agenda/minutes of the Full Governing Body and its sub committees should include a standing item where governors have an opportunity to declare their interests.</p>		<p>Where governors are given an opportunity to declare their interests at each meeting, this will help to ensure that governors are demonstrating transparency in exercising their fiduciary duties.</p> <p>Examination of the Full Governing Body and its sub committees confirmed that governors have not been given an opportunity to declare any business or pecuniary interests at each meeting.</p> <p>Where governors are not provided an opportunity to declare their interest at each Governing Body meeting, there is an increased risk that conflicts of interests may not be managed appropriately that could lead to poor decisions with financial and curriculum based implications. Also individual governors and staff may exercise their fiduciary duties without sufficient transparency. This could lead to an increased risk of undetected fraud or mis-management and potentially a consequential loss of reputation for the school.</p>	
<p>Management Response</p>			
<p>Agreed. Clerk is from the Council and will seek to re-iterate this point to the Clerk at future meetings.</p>			
<p>Responsibility</p>	<p>Headteacher</p>	<p>Deadline</p>	<p>31/12/2009</p>

Final Report

4. Committe Minutes to be signed

(Priority 3)

Recommendation		Rationale	
<p>Governing Body and its sub-committee minutes should be documented, signed by the Chair of the relevant committees respectively after their acceptance as being correct at the next meeting and retained for review at the School.</p>		<p>Section A6 of the School Procedures Manual requires that minutes should be taken of all meetings of the governing body and its committees to include all decisions and by whom action is to be taken. Minutes should be signed off by the Chair at the following meeting.</p> <p>For one out of seven cases of Committee meeting minutes examined, it had not been signed as an accurate record of the previous meeting by the Committee Chair.</p> <p>Without a formal record of the meetings, there is an increased risk that actions, decisions and assigned responsibilities arising from meetings may not be fulfilled. There is a further risk that the School may not be complying with the law and decisions made by the Governing Body may not be perceived to be open and transparent.</p>	
Management Response			
<p>Agreed</p> <p>Minutes will be signed and approved at Committees meetings.</p>			
Responsibility	Headteacher	Deadline	31/12/2009

Final Report

5. Scheme for Financing Schools

(Priority 2)

Recommendation		Rationale	
The School should be aware of the need to access 'Scheme for Financing Schools' and should access it as soon as it is available on the HAFED website. The document should then be made easily available to all relevant staff members.		Ensuring the school has access to the 'Scheme for Financing Schools' helps ensure compliance with the LEAs requirements. We were informed that the school did not appear to be aware of 'Scheme for Financing Schools' and did not know where to access it. We understand that the document should be held on the HAFED website but there have been some recent problems with not all the relevant documents being available. Where the school does not have access to the 'Scheme for Financing Schools', there is an increased risk that unauthorised or inconsistent working practices may develop.	
Management Response			
Agreed			
The School will have access the 'Scheme for Financing Schools'.			
Responsibility	Headteacher	Deadline	30/11/2009

Final Report

6. Finance Policy to be periodically reviewed

(Priority 2)

Recommendation		Rationale	
The Finance Policy should be periodically reviewed and approved by the Governing Body.		Periodically reviewing financial policies helps ensure that they are up to date and reflect the organisations desired processes and methods of operating. The School has a detailed policy document covering financial systems and procedures. However, we found no evidence of the document being regularly reviewed and formally approved by the Governing Body. Where the Finance Policy is not periodically reviewed and approved by the Governing Body, there is an increased risk that unauthorised or inconsistent working practices may develop.	
Management Response			
Agreed The Finance Policy will be periodically reviewed.			
Responsibility	Headteacher	Deadline	31/12/2009

Final Report

School Improvement or Development Plan and OFSTED Inspections

7. School Development Plan to be forward looking

(Priority 2)

Recommendation		Rationale	
The School Development Plan (SDP) should be forward looking for a minimum of three to five years ahead.		Best practice guidance from the Department for Children, Schools and Families suggests that the School Development Plan is forward looking for a minimum of three to five years ahead to help the school in its long term corporate and strategic planning. We were provided with the 2009/10 SDP. The school has not created a forward looking SDP. Where the school does not have a forward looking SDP, there is an increased risk that the organisation might not incorporate relevant long term issues on its development plan.	
Management Response			
Agreed The school will produce a forward looking SDP.			
Responsibility	Headteacher	Deadline	31/03/2010

Final Report

Financial Planning, Budgetary Control and Monitoring

8. Regular Budget Monitoring

(Priority 2)

Recommendation	Rationale
<p>Management should ensure that outcomes of the budget monitoring undertaken with the School Management Support Officer is evidenced by both reviewers. The actions resulting from this review should be discussed and monitored with the Administration officer as appropriate.</p> <p>Management should also ensure that Finance reports presented at termly meetings are held with the corresponding meeting minutes.</p>	<p>Regular monitoring of the budget will help to ensure that budgets are adequately managed and any under/overspends are identified promptly and actions can be taken. Furthermore, this will help to ensure that commitments are not made beyond the approved financial constraints. Where the officer responsible for day to day financial matters is not involved in the budget monitoring review with the School Management Support Team they should be given an budget action plan and progress against this monitored.</p> <p>The budget is regularly monitored at Finance Committee meetings of which the latest were held on 14th May 2009, 9th February 2009 and 20th January 2009. However, we were not provided with the budget monitoring reports discussed at the above meetings.</p> <p>We have been informed that the School Management Support Team (SMS) do go through the budgets with the Headteacher. Each school has a named SMS officer who visits the school on a fortnightly basis and as part of this visit is a meeting with the Headteacher to monitor the budget and identify any areas causing concern and to discuss and actions required.</p> <p>Where regular budget monitoring is not undertaken at local level, there is an increased risk that budgets may not be managed effectively and efficiently. Where the budget monitoring reports presented to Governors are not retained there is an increased risk that discussions surrounding the budget cannot be followed through and appropriately managed.</p>

Final Report

Management Response			
Agreed Budgets will be reviewed at Finance Committee meetings and evidence kept on file			
Responsibility	Headteacher and Business Manager	Deadline	31/12/2009

Final Report

9. Clear documentation of virements approval

(Priority 2)

Recommendation		Rationale	
<p>Budget virements should be authorised by the Headteacher and Chair of Governors, where necessary. Furthermore, documented evidence should be retained to confirm that virements have been authorised in compliance with the requirements of the approved Scheme of Delegation.</p>		<p>Authorising the transfer of funds between cost centre codes ensures that ownership has been taken for the transfer, and demonstrates that the virement has been confirmed as appropriate.</p> <p>None of the approved amounts from five subjective headings selected for testing from the approved budget 2008-09 matched the amount stated on the 2008 SIMS report. We were informed that no virements have been approved by the Headteacher or Chair of Governors.</p> <p>Where virements are not authorised or evidence of authorisation not retained, there is an increased risk that they may be inappropriate or unnecessary.</p>	
Management Response			
<p>Agreed</p> <p>Virements reports will be created and appropriately authorised.</p>			
Responsibility	Headteacher	Deadline	Immediate

Final Report

Payroll

10. Retention of recruitment documentation

(Priority 2)

Recommendation	Rationale
<p>The School should ensure that a signed contract, evidence of CRB clearances, qualifications and appointment letters are retained on personnel files for all staff. For leavers, copies of resignation / acknowledgement letters should be retained on file.</p>	<p>Retaining relevant documents on staff personnel files helps ensure compliance with the school's policy and statutory requirements.</p> <p>For a sample of five starters and five leavers between 2007 and 2009 the following was noted:</p> <p>Starters:</p> <ul style="list-style-type: none">• In two out of four cases no contract of employment could be located.• In two out of four cases no CRB checks, references and academic documents could be located. <p>Leavers:</p> <ul style="list-style-type: none">• In one of the three cases no leaving date could be ascertained from the documentation on file. <p>We were informed that this weakness had already been noted by the Headteacher and a checklist has subsequently been designed. On acknowledgement of the steps taken we have lowered the priority level of this recommendation.</p> <p>Where documents are not retained to evidence the appointment of staff, there is an increased risk that the inappropriate staff are appointed. Where the leaving dates can not be determined through the documentation held on file, there is an increased risk that employees are continued to be paid following termination of contract.</p>

Final Report

Management Response			
Agreed. We are already aware of this weakness and we have started to deal with it.			
Responsibility	Headteacher and Business Manager	Deadline	Immediate

Final Report

11. School Pay Policy

(Priority 2)

Recommendation		Rationale	
The School should include the Pay Policy on the policy review schedule. The Policy should be reviewed and approved by the Governing Body on an annual basis.		Formal approval of all policies by the Governing Body will help to ensure that all policies are updated in accordance with the overall aim and objectives of the School. The School has a pay policy in place. We were not provided with evidence that the document has been approved by the Governing Body. Where the School does not formally approve a copy of the current Pay Policy, there is an increased risk that the current basis upon which teachers' pay is determined, and the current appeals procedures may not be a true reflection of what is documented in the outdated pay policy.	
Management Response			
Agreed Pay Policy will be reviewed by the Governing Body.			
Responsibility	Headteacher	Deadline	31/12/2009

Final Report

Procurement

12. Purchase orders raised for all purchased goods

(Priority 2)

Recommendation		Rationale	
Purchase orders should be raised for all purchased goods, and kept on file.		<p>Standard D8 of 'Keeping Your Balance – Standards for Financial Management in Schools' states, "Official, pre-numbered orders should be used for all goods and services except utilities, rents, rates and petty cash payments. Where urgency requires an oral order, this should be confirmed by a written order".</p> <p>For a sample of invoices selected:</p> <ul style="list-style-type: none"> • In two out of four cases a copy purchase order could not be located (Invoice no. 70607 & 010708). In one case, there was no evidence of the purchase order having been authorised (Purchase Order no BRA001292) • We were unable to obtain evidence of Governing Body authorisation required in 1 relevant case tested (Invoice no:TLC201466) <p>There is a risk that inappropriate purchase orders may be placed with suppliers leading to direct financial loss.</p>	
Management Response			
<p>Agreed</p> <p>Orders will be raised for relevant purchased goods.</p>			
Responsibility	School Administration Officer	Deadline	Immediate

Final Report

Income

13. Recording of income

(Priority 2)

Recommendation	Rationale
<p>Receipts should be issued for all cash income received on behalf of the School. As soon as the income has been received, it should be recorded on the financial system. It should be coded to an income code, even if it is planned to offset specific expenditure items. A reconciliation between the amounts collected and the amounts to be paid into the bank should be undertaken by someone other than the person who receipts the income. Further, all income should be banked promptly and in full.</p>	<p>Issuing receipts and reconciling amounts to be banked for all income collected helps ensure that all funds received are recorded and banked intact.</p> <p>Examination of income records noted the following exceptions:</p> <ul style="list-style-type: none">• No income records for the selling of school uniforms are kept;• Trips income records are inaccurate. Lists are kept displaying different activities and the names of the students who took part in them; however, the total income collected has not been recorded on the list. Although the lists detail the name of the trips, the date they took place was not recorded; and• Breakfast club income records are unclear. Income cannot be matched weekly, since larger amounts are set on the weekly record for payments on longer periods. <p>Where income collected on behalf of the School is not adequately recorded, there is an increased risk that it may be misappropriated.</p>

Final Report

Management Response			
Agreed			
Responsibility	School Admin Officer	Deadline	31/12/2009

Final Report

Assets

14. Maintenance of inventory records and security marking of assets

(Priority 2)

Recommendation	Rationale
<p>Inventory records should be promptly updated to record all acquisitions and disposals of valuable and portable assets prior to the inventory being circulated for use.</p> <p>All assets should be indelibly and visibly security marked with the name of the school.</p> <p>Further, an annual inventory check should be undertaken and recorded, certified as correct and its results reported to the Governing Body.</p>	<p>Section M2 of 'Keeping Your Balance – Standards for Financial Management in Schools' states, "Up-to-date inventories should be maintained of all items of equipment" and it requires items to, "be identified as School property with a security marking".</p> <p>Examination of equipment recorded within the inventory identified 1 out of 5 not to be located in the documented room.</p> <p>In three out of five cases tested, items were not visibly security marked.</p> <p>We were informed that the inventory records are being maintained. Examination of the records could not locate any date of when the inventory and equipment was last checked. In addition, there was no evidence that the results of the inventory check was reported to the Governing Body.</p> <p>Where up-to-date inventories are not maintained, assets are not indelibly and visibly marked, and new purchase of equipment not recorded on the inventory, there is an increased risk that items of equipment may be lost or misappropriated and that the loss or misappropriation is not identified for insurance purposes.</p>

Final Report

Management Response			
Agreed			
The school is currently reviewing the inventory records.			
Responsibility	School Admin Officer	Deadline	30/11/2009

Final Report

15. Building maintenance plan

(Priority 2)

Recommendation		Rationale	
A building maintenance plan should be produced and approved by the Governing Body.		<p>Section M7 of 'Keeping Your Balance – Standards for Financial Management in Schools' states "The governing body should have a plan for the use, maintenance and development of the school's buildings".</p> <p>The school does not have a building maintenance plan in place.</p> <p>Where a building maintenance plan is not produced and approved by the Governing Body, there is an increased risk that the school's premises and assets may not be maintained or modernised in accordance with statutory regulations and / or guidance or with the school's priorities for service delivery.</p> <p>There is a further risk in that the premises and assets may deteriorate to an extent that requires additional expenditure to re-instate the asset to proper working order / fitness for purpose.</p>	
Management Response			
<p>Agreed</p> <p>A Maintenance Plan will be created before summer, since then major renewals will take place.</p>			
Responsibility	Headteacher	Deadline	31/03/2010

Final Report

School Journey

16. School Journey Grant Policy

(Priority 2)

Recommendation		Rationale	
The Governing Body should develop and formally approve a school journey grant policy.		Approval of a school journeys grants policy helps ensure that any discounts are only given in accordance with the Governing Body's direction. We identified that some pupils had received discounts for the most recent school journey to Knapp House Activity Centre in North Devon. However, no school journey grant policy has been developed and approved by the Governing Body. Where a school journey grant policy is not developed there is an increased risk that discounts may be given that do not accord with the School's ethos and objectives.	
Management Response			
Agreed			
Responsibility	School Admin Officer	Deadline	31/12/2009

Final Report

17. End of Journey Statements to be prepared

(Priority 2)

Recommendation		Rationale	
For each school journey an end of Journey Statement should be produced.		<p>'Keeping Your Balance – Standards for Financial Management in Schools' states that parents, pupils and other benefactors are entitled to receive the same standards of stewardship for the funds to which they have contributed. Therefore, it is important to report the income and expenses of each journey to the Governing Body.</p> <p>Evidence of the last end of journey statement could not be provided.</p> <p>Where an end of journey statement is not produced there is an increased risk that the School may not be able to evidence the satisfactory financial planning of each trip by demonstrating that expenditure and income were closely aligned and that best value had been achieved for parents' contributions.</p>	
Management Response			
<p>Agreed</p> <p>End of Journey Statement will be produced.</p>			
Responsibility	School Admin Officer	Deadline	31/07/2010

Final Report

School Fund – Accounting

18. Audit and Governing Body review of an annual School Fund Statement

(Priority 2)

Recommendation		Rationale	
The annual School Fund Statement should be independently audited and presented to the Governing Body for approval. Evidence of the approval should be documented in the minutes of the relevant meeting.		To facilitate the effective monitoring and management of the School Fund account it is necessary to present the annual statement to the Governing Body for approval. We were informed that the School Fund is not independently audited / reviewed. Where the school fund accounts are not independently reviewed, there is an increased risk that errors or omissions may not be identified for corrective management action to be taken. Where the audited unofficial fund account is not reviewed and approved by the Governing Body, there is an increased risk that appropriate stewardship may not be exercised over the fund and that inaccurate management decisions may be made by the School's Governing Body.	
Management Response			
Agreed			
Responsibility	Headteacher	Deadline	31/12/2009

Final Report

Petty Cash Account

19. Petty cash limit to be approved by Governors Body

(Priority 3)

Recommendation		Rationale	
The Governing Body should set out an appropriate level for the amount of petty cash to be held. The amount should represent a balance between operational requirements and the risk of holding cash on the premises.		By agreeing an appropriate level for the amount of petty cash to be held helps the School to formalise a secure monetary amount to be kept on its premises. We were informed that the petty cash float limit of £150 set by the Headteacher has not been approved by the Governing Body. Where the Governing Body has not approved the petty cash float limit, there is an increased risk of inappropriate amounts of cash being held on the School's premises.	
Management Response			
Agreed			
Responsibility	Headteacher	Deadline	31/12/2009

Final Report

20. Petty cash vouchers to be appropriately completed

(Priority 2)

Recommendation		Rationale	
<p>Petty cash claims should be signed by the claimant and authorised for re-imburement by a designated signatory.</p>		<p>Section J4 of 'Keeping Your Balance – Standards for Financial Management in Schools' states, "all expenditure must be signed for by the recipient and countersigned by an authorised member of staff".</p> <p>Examination of a sample of ten petty cash transactions noted the following exceptions:</p> <ul style="list-style-type: none"> • In one out of ten cases, the claimant did not sign for the cash re-imburement received; and • In one out ten cases the 'School Based Staff Expenses Claim Form' was not appropriately authorised for re-imburement. <p>Where petty cash transactions are not adequately authorised there is an increased risk that petty cash could be used for unauthorised purposes.</p>	
Management Response			
Agreed			
Responsibility	Headteacher	Deadline	Immediate

Final Report

Data Protection

21. Data Protection Registrar in place

(Priority 1)

Recommendation		Rationale	
The School should register the computer data with the Data Protection Registrar. Once registration is complete, the School should retain a copy of the certificate on site so as to demonstrate compliance with the Data Protection Act 1998.		The Data Protection Act 1998 requires that the School maintains a current registration in the Public Register of Data Controllers which is managed and maintained by the Information Commissioner. Evidence of current registration with the Information Commissioner was not held by the School. An on-line search of the Information Commissioner's website indicated that the School is not currently registered. Where the School does not hold a current registration in the Public Register of Data Controllers, it is not complying with the Data Protection Act 1998.	
Management Response			
Agreed			
Responsibility	Headteacher	Deadline	31/12/2009

Final Report

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

St Albans

June 2010

In this document references to Deloitte are references to Deloitte & Touche Public Sector Internal Audit Limited.

Deloitte & Touche Public Sector Internal Audit Limited is a subsidiary of Deloitte LLP, which is the United Kingdom member firm of Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu is a Swiss Verein (association), and, as such, neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte", "Deloitte Touche Tohmatsu", or other related names. Services are provided by the member firms or their subsidiaries or affiliates and not by the Deloitte Touche Tohmatsu Verein.

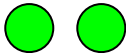



©2010 Deloitte & Touche Public Sector Internal Audit Limited. All rights reserved.

Deloitte & Touche Public Sector Internal Audit Limited is registered in England and Wales with registered number 4585162. Registered office: Hill House, 1 Little New Street, London EC4A 3TR.

Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

Audit Opinions




We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

	Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
	Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
	Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
	None	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

	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.

Adequacy and Effectiveness Assessments

Please note that adequacy and effectiveness are not connected. The adequacy assessment is made prior to the control effectiveness being tested.

The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively, i.e. control gaps are a bigger issue than controls not being fully complied with.

	Adequacy	Effectiveness
	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

Recommendation Priorities

In order to assist management in using out internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority 1	Major issues for the attention of senior management and the audit committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

Appendix B – Audit Objectives & Scope



Internal Objective Scope	Audit and	<p>The overall objective of this internal audit was to provide the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to the following management objectives:</p> <p>Leadership and Governance</p> <p>The Governing Body is collectively responsible for the overall decision of the school and its strategic management. This involves determining guiding principles within which the school operates and then making decisions about, for example, how to spend the school's budget. Effective governance stems from making corporate decision-making based on comprehensive and accurate information about the school. Effective governance also results in clear public accountability for the performance of the school.</p> <p>School Improvement or Development Plan and OFSTED Inspections</p> <p>To ensure that clear statements of key tasks and targets exist which reflect the obligations and strategy of the school and that key objectives arising from OFSTED/Council Inspections are incorporated within the School's Improvement Plan so as to ensure the school will meet its educational aims, objectives and goals.</p> <p>Financial planning , Budgetary control and Monitoring</p> <p>The school should have a School Development Plan (SDP) which includes a statement of its educational goals to guide the planning process. The SDP should cover in outline the school's educational priorities and budget plans for at least three years, showing how the resources are linked to the achievement of the school's goals. The SDP should state the school's educational priorities in sufficient detail to provide the basis for constructing budget plans for the financial year.</p> <p>There should be annual and multi-year budgets. An annual budget is an absolute requirement as part of the LA's own budgeting arrangements. Ideally these annual budgets for the school will be prepared in the context of a longer term financial plan covering at least three years that takes account of issues in the SDP such as:</p> <ul style="list-style-type: none"> - Forecast pupil numbers, likely staffing profile etc; and - Longer-term improvement and development aspirations. <p>In this way the longer term financial plan or budget can help to demonstrate the sustainability of the SDP. From 2006, every school will receive a guaranteed minimum increase in funding per pupil each year help</p>
---------------------------------	------------------	---

	to make multi-year budgeting more accurate.
--	---

<p>Internal Objective Scope</p>	<p>Audit and</p> <p>Payroll In most schools, staff costs make up around 70% of the entire budget. From 1 April schools have been able to buy their payroll, personnel and other services from an external provider. However, contracting another organisation to administer payroll and personnel does not relieve the governing body and the headteacher of the responsibility for ensuring that proper controls are in place. Schools need to be aware of a number of areas where Inland Revenue regulations may affect or determine the way payments are made. For example, there are strict rules about payments to individuals who are self-employed. Schools are advised to seek advice from their LEA in such cases.</p> <p>Procurement Payments are made in accordance with Financial Regulations and the School's Scheme of Delegation and there is appropriate documentation which has been appropriately authorised, supporting all payments.</p> <p>Bank Accounts The proper administration of bank accounts is at the heart of the financial control. In particular bank reconciliations are essential. These prove that balances shown in the accounting records are correct and provide assurance that the underlying accounts are accurate.</p> <p>Income Income is a valuable asset and is therefore vulnerable to fraud and theft. It is imperative that proper controls are in place to minimise those risks. It is also important to ensure that schools do not exceed their insurance limits on holdings of cash on school premises. Schools generate income from a variety of sources, including grant funding, school meals income and lettings. The governing body should establish a charging policy and review it every year. The headteacher is responsible to the governing body for accounting for all income due and cash collected, and the maintenance of up to date and accurate accounting records. To ensure that where income is generated, there is a clearly defined policy in place to support the arrangements and that the policy has been approved by the Governing Body.</p>
--	--

Internal Objective Scope	Audit and	<p>Assets</p> <p>Schools have a considerable number of attractive and portable items of equipment and materials ranging from library books to computers video recorders and television. These assets need to be kept securely and recorded in an inventory.</p> <p>The delegation of funding for structural maintenance since April 1999 and for some capital projects from April 2000 has given most schools much more responsibility for their buildings and other parts of the premises than was previously the case. It is important therefore that schools plan how they intend to use, maintain and develop their buildings.</p> <p>School Journey</p> <p>To ensure that school journeys are carried out in accordance with an approved policy and Health and Safety legislation.</p> <p>To ensure that a full end of journey accounting statement has been produced to support the overall income and expenses incurred for the journey.</p> <p>School Fund</p> <p>To ensure that all private funds held by the school have been subject to proper accounting procedures and independent audit review and that the funds have been used for the sole benefit of the school.</p> <p>Petty Cash Account</p> <p>Petty cash is useful for making small purchases occasionally with a minimum of fuss. However, as cash presents a significant risk to theft and fraud, proper controls need to be in place to minimise these risks. Controls should encompass authorisation, documentation and secure storage of cash.</p> <p>Data Protection</p> <p>To ensure that the School has registered under the Data Protection Act.</p> <p>To ensure that ICT systems are appropriately safeguarded and that arrangements are in place to recover data in the event of a disaster.</p>
---------------------------------	------------------	---

Appendix C – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
General Manager	Headteacher
Deputy Sector Manager	Senior Administration Officer
Internal Auditor	
Contact Details:	
 Ext 2550	
 Ext 2590	

Appendix D – Audit Timetable

	DATES
Fieldwork Start	08/06/09
Exit Meeting	10/06/09 and 15/09/2009
Draft report issued	27/10/2009 and 14/01/2010
Final report issued	14/06/2010

APPENDIX C

Internal Audit reports in issue more than two weeks as at 30 June 2010

	Audit Year	Department	Responsible Director	Audit Title	Assurance	Draft report issued on	Responsible Officer (to be deleted before distribution to Audit Committee)	Target date for responses	Awaiting Response From
1	2009/10	Environment	Nigel Pallace	Parking Pay and Display	Limited	12/04/2010	Trainee Accountant; Principal Parking Control Officer; Head of Parking Services; Assistant Director of Finance;	26/04/2010	Auditee and Director

APPENDIX D

Audit Recommendations Outstanding

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/ Comments
1	2009/10	School	Brackenburg School	Limited	The Committee Structure, Terms of Reference and Schemes of Delegation should be revised and submitted to the Governing Body for formal approval. The Chair of the Governing Body should formally sign off the document to evidence its approval. Evidence of the approval should be formally documented in the relevant minutes of the meeting to which approval was given.	2	14/06/2010	Headteacher	
2	2009/10	School	Brackenburg School	Limited	Procedures should be put in place to enable the Register of Pecuniary/Business Interests form to be completed by all staff with financial responsibilities upon: <ul style="list-style-type: none"> • Taking on financial responsibilities; • Any changes in interests; and • At least on an annual review basis. 	2	14/06/2010	Headteacher	
3	2009/10	School	Brackenburg School	Limited	Governors should be provided an opportunity to declare their interest at each Governing Body meeting. The agenda/minutes of the Full Governing Body and its sub committees should include a standing item where governors have an opportunity to declare their interests.	2	14/06/2010	Headteacher	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
4	2009/10	School	Brackenbury School	Limited	The School should be aware of the need to access 'Scheme for Financing Schools' and should access it as soon as it is available on the HAFED website. The document should then be made easily available to all relevant staff members.	2	14/06/2010	Headteacher	
5	2009/10	School	Brackenbury School	Limited	The Finance Policy should be periodically reviewed and approved by the Governing Body.	2	14/06/2010	Headteacher	
6	2009/10	School	Brackenbury School	Limited	The School Development Plan (SDP) should be forward looking for a minimum of three to five years ahead.	2	14/06/2010	Headteacher	
7	2009/10	School	Brackenbury School	Limited	Management should ensure that outcomes of the budget monitoring undertaken with the School Management Support Officer is evidenced by both reviewers. The actions resulting from this review should be discussed and monitored with the Administration officer as appropriate. Management should also ensure that Finance reports presented at termly meetings are held with the corresponding meeting minutes.	2	14/06/2010	Headteacher and Business Manager	
8	2009/10	School	Brackenbury School	Limited	Budget virements should be authorised by the Headteacher and Chair of Governors, where necessary. Furthermore, documented evidence should be retained to confirm that virements have been authorised in compliance with the requirements of the approved Scheme of Delegation.	2	14/06/2010	Headteacher	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
9	2009/10	School	Brackenbury School	Limited	The School should ensure that a signed contract, evidence of CRB clearances, qualifications and appointment letters are retained on personnel files for all staff. For leavers, copies of resignation / acknowledgement letters should be retained on file.	2	14/06/2010	Headteacher and Business Manager	
10	2009/10	School	Brackenbury School	Limited	The School should include the Pay Policy on the policy review schedule. The Policy should be reviewed and approved by the Governing Body on an annual basis.	2	14/06/2010	Headteacher	
11	2009/10	School	Brackenbury School	Limited	Purchase orders should be raised for all purchased goods, and kept on file.	2	14/06/2010	School Administration Officer	
12	2009/10	School	Brackenbury School	Limited	Receipts should be issued for all cash income received on behalf of the School. As soon as the income has been received, it should be recorded on the financial system. It should be coded to an income code, even if it is planned to offset specific expenditure items. A reconciliation between the amounts collected and the amounts to be paid into the bank should be undertaken by someone other than the person who receipts the income. Further, all income should be banked promptly and in full.	2	14/06/2010	School Administration Officer	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
13	2009/10	School	Brackenburg School	Limited	Inventory records should be promptly updated to record all acquisitions and disposals of valuable and portable assets prior to the inventory being circulated for use. All assets should be indelibly and visibly security marked with the name of the school. Further, an annual inventory check should be undertaken and recorded, certified as correct and its results reported to the Governing Body.	2	14/06/2010	School Administration Officer	
14	2009/10	School	Brackenburg School	Limited	A building maintenance plan should be produced and approved by the Governing Body.	2	14/06/2010	Headteacher	
15	2009/10	School	Brackenburg School	Limited	The Governing Body should develop and formally approve a school journey grant policy.	2	14/06/2010	Headteacher	
16	2009/10	School	Brackenburg School	Limited	The annual School Fund Statement should be independently audited and presented to the Governing Body for approval. Evidence of the approval should be documented in the minutes of the relevant meeting.	2	14/06/2010	Headteacher	
17	2009/10	School	Brackenburg School	Limited	Petty cash claims should be signed by the claimant and authorised for re-imburement by a designated signatory.	2	14/06/2010	Headteacher	
18	2009/10	School	Brackenburg School	Limited	The School should register the computer data with the Data Protection Registrar. Once registration is complete, the School should retain a copy of the certificate on site so as to demonstrate compliance with the Data Protection Act 1998.	1	14/06/2010	Headteacher	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
19	2009/10	School	Addison Primary School	Substantial	The Governing Body should review and update the current Committee Structure Terms of Reference and Scheme of Delegation to include the financial authorisation limits for the Governing Body, Finance Committee, Headteacher and all staff with delegated authority Evidence of the approval should be formally documented in the relevant minutes of meeting at which approval was given	2	24/05/2010	Headteacher/Chair of Governors	
20	2009/10	School	Addison Primary School	Substantial	The School Development Plan (SIP) should be forward looking (ideally three years) and be produced sufficiently in advance of the budget to ensure financial allocations can be included within the budget. It should outline estimated financial commitments and clearly link to the annual budget setting process	2	24/05/2010	Headteacher/Chair of Governors	
21	2009/10	School	Addison Primary School	Substantial	The current lettings policy should be reviewed and approved by the Governing Body. This should include any update to the Schedule of Charges. Further, the School should ensure that contractual arrangements are put in place with all hirers of the School's premises. The fees charged should be agreed by the full Governing Body.	1	24/05/2010	Headteacher/Chair of Governors	
	2009/10	School	Addison Primary School	Substantial	Whenever any money passes from one staff member to another, it should be evidenced by a signature of the recipient who will then assume responsibility for the cash until it is either banked or handed over to another member of staff.	2	24/05/2010	Headteacher/School Business Manager	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
	2009/10	School	Addison Primary School	Substantial	Inventory records should be promptly updated to record all acquisitions and disposals of valuable and portable assets. The record should include the date of purchase, purchase price and location of the assets. Further, an annual inventory check should be undertaken, recorded, certified as correct and the results reported to the Governing Body.	2	24/05/2010	Headteacher/School Business Manager	
22	2009/10	School	Addison Primary School	Substantial	An 'End of Journey' statement detailing all school journey income and expenditure should be produced, certified as correct by the Headteacher and reported to the Governing Body.	2	24/05/2010	Headteacher/School Business Manager	
23	2009/10	Children's Services (non-school)	Framework-I Financial Aspects	Substantial	A risk register that includes strategic and operational level risks should be developed for the Framework-I system. This should be reviewed and updated on a regular basis. Also, risk owners should be identified and given responsibility for monitoring actions against the risks.	2	14/06/2010	Head of Children's Services Accountancy and Project Manager – CHS Resources	
24	2008/09	Environment (HFBP)	Confirm Application	Substantial	It is recommended that a process should be investigated with the suppliers for the timely maintenance of handheld devices. User login and authentication options should also be investigated and implemented on the handhelds used for uploading data onto the Confirm system.	2	30/06/2010	Head of highways & Construction	Contacting the bridge to go to supplier and request software change. Awaiting quotes etc. Implementation date will need agreeing once supplier replies. (ENV dept rep) Specialism changed to "HFBP" and implementation date to 30/6/10 pending response from supplier (IAM 3/6/10)

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
25	2008/09	Environment (HFBP)	Confirm Application	Substantial	<p>It is recommended that management review the configuration of input data formatting and consider establishing the following specific controls on the Confirm application system to help improve data quality:</p> <ul style="list-style-type: none"> • Make the 'Location' field mandatory and introduce a drop down for the title field for the input screen on the Graffiti module; and • Make the 'Location', 'description' and 'SOR item quantity' fields' mandatory on the Highways and Plan Maintenance modules. 	2	30/06/2010	Head Of Highways And Construction	<p>Contacting the bridge to go to supplier and request software change. Awaiting quotes etc. Implementation date will need agreeing once supplier replies. (ENV dept rep)</p> <p>Specialism changed to "HFBP" and implementation date to 30/6/10 pending response from supplier (IAM 3/6/10)</p>
26	2008/09	Environment (HFBP)	Confirm Application	Substantial	<p>It is recommended that HFBP should investigate with the supplier the ability to enable the auditing function on the Confirm system to be able to report changes to user details and to master data. A process should then be established to periodically report and review any changes to user profiles and master data.</p>	2	30/06/2010	Application Services Manager/ Head of Highways and Construction	<p>Contacting the bridge to go to supplier and request software change. Awaiting quotes etc. Implementation date will need agreeing once supplier replies. (ENV dept rep)</p> <p>Implementation date to 30/6/10 pending response from supplier (IAM 3/6/10)</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
27	2008/09	Environment	ICPS Application	Substantial	It is recommended that a periodic review of the user accounts and permissions on the ICPS application be performed to ensure that all users are active and current and that their access is allocated in line with their job role. A process should also be established for the authorisation of changes to user permissions.	2	30/04/2010	Parking Control Group Officer and Principal Parking Control Officer	<p>Agreed: Will investigate with MTS for the possibility of reporting users and their current permission levels and to review thereafter. Other Councils might have reported this to MTS before. In the absence of a solution by MTS, it will take long for individual users to be reviewed manually. To investigate by the end of July 2008 to be followed up with responsible officers</p> <p>Update - January 2010. A range of "Dummy User" accounts have been set up which have the necessary permissions for each group of users. This needs to be tested and, once this is done, we can clone existing users to those accounts {Target ate extended to April 2010 by IAM to allow for testing to be completed.}</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
28	2008/09	Environment (HFBP)	ICPS Application	Substantial	It is recommended that a unique user-id and password should be used for the 2 supervisors who are able to switch from admin mode to user mode on the ICPS handheld device.	2	30/04/2010	Parking Control Group Officer	<p>Agreed, however, the ICPS handheld system runs on Windows C which only supports one admin account that is used to change the mode. We are limited in the level of sophistication built into the handheld to perform this change. The only possibility will be to reset the admin passwords on all 80 handhelds every 90 days. The handhelds are about to be individually refurbished on a rolling basis, where a password change will be made.</p> <p>Update - January 2010. The systematic refurbishment of the Dap handhelds has still not commenced due to HFBP resourcing issues. . {Target date extended to April 2010 by IAM}</p>
29	2009/10	Finance & Corporate Services (HFBP)	EDMS Application Audit	Substantial	Management should ensure record retention and disposal procedures are created for all document types that are scanned into the EDMS system. The procedures should meet relevant legal and regulatory requirements regarding retention and disposal.	2	30/06/2010	Head of IT Strategy	IA Comment 10/07/09: Recommendation in discussion. To be revised.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
30	2009/10	Finance & Corporate Services (HFBP)	EDMS Application Audit	Substantial	A data classification exercise should be undertaken at department level by all departments using the EDMS system. The following may be taken into consideration when undertaking the exercise: <ul style="list-style-type: none"> • the type of data to be scanned into the system; • the use of the data; • the location of hard copies (if applicable); and • the regulatory or statutory implications surrounding the data. 	2	30/06/2010	Head of IT Strategy	
31	2009/10	Finance & Corporate Services (HFBP)	IT Service Desk	Substantial	A formal strategy should be developed which clearly defines the service desk's medium to long term objectives and how these will be achieved. This could be included in the overall IT strategy and should outline the plan to achieve the service desk objectives. In addition, the strategy should be monitored and reviewed periodically to ensure that the plan is achieving its objectives and goals.	2	01/02/2010	Service Desk Manager	
32	2009/10	Finance & Corporate Services	Camsys	Substantial	It is recommended that system review surveys are issued to all system users upon completion of the CAMSYS project.	2	31/03/2010	Project Manager	This rec is the responsibility of HFBP.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
33	2009/10	Finance & Corporate Services	Register of Gifts and Hospitality	Substantial	All Departmental Registers of Gifts and Hospitality should be reviewed at least on a six-monthly basis by the Departmental Nominated Officer, to identify any inappropriate items and potential areas for concern (such as individual officers repeatedly receiving benefits, gifts and hospitality or areas of potential conflict of interest). The 'Corporate Guidance on the Maintenance of Registers of Interest and Registers of Offers of Gifts and Hospitality for Employees' produced by LBHF CAFS should be reviewed, updated where necessary and formally approved.	1	13/06/2010	Director of Finance and Corporate Services	
34	2009/10	Finance & Corporate Services	Data Storage and Backup Recovery Audit	Substantial	Retention schedules should be implemented comprehensively by the Council's departments in line with the retention guidelines for local authorities.	2	30/04/2010	Information Manager	Initial work has been carried out and will be picked up as the IM Strategy is rolled out. (Information Manager - 7 June 2010).
35	2009/10	Finance & Corporate Services	Data Storage and Backup Recovery Audit	Substantial	A formal procedure should be established to monitor the retention and destruction of data records (paper and electronic files) within the Council's departments to ensure that these are done in line with the guidelines for local authorities. Once established, responsibility for monitoring compliance should be assigned to relevant persons within the various departments.	2	30/04/2010	Information Manager	In principle support has been provided by Geoff Drake but devising the actual questions has been delayed (Information Manager - 7 June 2010.)
36	2009/10	Finance & Corporate Services	Council Tax	Substantial	A risk register for the FCS Revenues and Benefits business unit should be produced and reviewed on an annual basis.	2	24/05/2010	Head of Assessments	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
37	2009/10	Finance & Corporate Services	Council Tax	Substantial	Reconciliations should be undertaken between Academy and Cedar Financials on a monthly basis. The reconciliations should be certified for correctness by the preparer and an independent reviewer.	1	24/05/2010	Corporate Accountancy Services Manager	
38	2009/10	Finance & Corporate Services	Council Tax	Substantial	Annual data matching reconciliations should be undertaken between properties listed in Academy and those in the VO.	2	24/05/2010	Head of Assessments	
39	2009/10	Finance & Corporate Services	Council Tax	Substantial	All Inspector's Worksheets should be retained on file or the results of void visits recorded on the system.	2	24/05/2010	Specialist Teams Manager	
40	2009/10	Finance & Corporate Services	Council Tax	Substantial	The Head of Assessments should liaise with the Corporate Anti Fraud Service (CAFS) to determine if additional pro active fraud work can be undertaken in respect of Single Persons Discounts. Where scope for additional pro active fraud work is identified, this should be incorporated into the operational plans of the Council Tax Service.	2	30/06/2010	Head of Assessments	Implementation date to be agreed.
41	2009/10	Finance & Corporate Services	Budget Management	Substantial	Records of financial delegation within each department should be produced detailing financial limits for responsible officers including those for authorising virements. These records of delegation should be approved and communicated to all relevant staff. A copy of an up to date signatory list for Finance and Corporate Services should be obtained.	2	07/06/2010	Assistant Director Finance & Corporate Services	
42	2009/10	Finance & Corporate Services	Budget Management	Substantial	A consistent format for recording the matters discussed, decisions made and action points arising as a result of budget monitoring meetings should be introduced.	2	30/06/2010	Assistant Director Finance & Corporate Services	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
43	2009/10	Finance & Corporate Services	Budget Management	Substantial	All staff should have a personal development plan as part of the individual performance management process. Where an individual has identified budget management responsibilities, training needs should be discussed and agreed with the individual as part of the personal development plan. The personal development plan should identify a variety of mechanisms to meet the skill gap, for example attending a briefing, training course, shadowing an experienced colleague etc. It is further recommended that a formal induction process is developed for all new staff with budget management responsibilities	2	30/06/2010	Assistant Director Finance & Corporate Services	
44	2009/10	Finance & Corporate Services	Debtors	Substantial	Staff should be reminded that services should not be provided to organisations which have been rated as 'Unapproved Debtors' unless payment is received in advance Consideration should be given to implementing a system whereby senior management approval is required to raise an invoice against an 'Unapproved Debtor'	2	31/05/2010	AD of Finance	
45	2009/10	Finance & Corporate Services	Debtors	Substantial	Staff should be reminded that invoices should only be raised on the OLAS system upon receipt of an authorised invoice request form and that these forms should be retained	2	31/05/2010	AD of Finance	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
46	2009/10	Finance & Corporate Services	Debtors	Substantial	Management should determine a time period after which items should be removed from the Sundry Debtors Suspense Account and placed in a miscellaneous income account. Items older than this should then be moved from the suspense account into the miscellaneous income account and actions determined to resolve the outstanding amounts.	2	31/05/2010	Corporate Accountancy Services Manager	
47	2009/10	Finance & Corporate Services	Debtors	Substantial	A senior member of staff should review the Sundry Debtors Suspense Account on a periodic basis.	2	31/05/2010	Corporate Accountancy Services Manager	

Amendments to 2010/11 Audit Plan

	Department	Audit Name	Nature of amendment (e.g. added/ deleted/ deferred)	Reason for amendment
1	Finance & Corporate Services	Core Financials - NNDR (testing for external audit only)	Deleted	Supplementary testing not carried out at request of External Audit
2	Finance & Corporate Services	Core Financial - Payroll	Deleted	Supplementary testing not carried out at request of External Audit
3	Finance & Corporate Services	Core Financials - Council Tax	Deleted	Supplementary testing not carried out at request of External Audit
4	Finance & Corporate Services	Core Financials - Parking (PCN's)	Deleted	Supplementary testing not carried out at request of External Audit
5	Finance & Corporate Services	Core Financials - Parking (Pay & Display)	Deleted	Supplementary testing not carried out at request of External Audit
6	Finance & Corporate Services	Cultural Change Management	Deleted	Removed from plan at the request of the responsible AD
7	Finance & Corporate Services	CAA Use of Resources	Deleted	Removed from plan. CAA Use of Resources has now been discontinued and significant areas in last year's report are already covered elsewhere in the audit plan
8	Finance & Corporate Services	Local/ National Election Accounts	Added	Added to plan
9	Finance & Corporate Services	Budget Variances	Added	Added to plan
10	Community Services	Personalisation Agenda	Added	Added to plan
11	Finance & Corporate Services	World Class Financial Management	Added	Added to plan