



London Borough of Hammersmith & Fulham

AUDIT, PENSIONS AND STANDARDS COMMITTEE

17 June 2015

Head of Internal Audit Annual Report - 2014/15

Report of the Director for Finance

Open Report

For Information

Key Decision: No

Wards Affected: None

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1. EXECUTIVE SUMMARY

- 1.1. This Head of Internal Annual Assurance report is a summary of all audit work undertaken during the 2014/15 financial year and provides assurances on the overall System of Internal Control, the System of Internal Financial Control, Corporate Governance and Risk Management. In all cases a satisfactory or substantial assurance has been provided with the exception of the significant control weaknesses recorded in the report. The report is a key element of the evidence supporting the Annual Governance Statement (AGS).

2. RECOMMENDATIONS

- 2.1. To note the contents of this report

**LOCAL GOVERNMENT ACT 2000-
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	None	N/A	N/A

LIST OF APPENDICES:

Appendix A	Assurance Levels 01/04/2014 – 31/03/2015
Appendix B	Internal Audit Performance – 2014/15
Appendix C	Internal Audit work for which an assurance opinion was not provided
Appendix D	Follow up Audits



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA



City of Westminster

London Borough of Hammersmith and Fulham | The Royal Borough of Kensington and Chelsea | Westminster City Council

London Borough of Hammersmith and Fulham

2014/15 Head of Internal Audit Annual Assurance Report

April 2015



Contents

1.	Executive Summary	1
1.1.	Introduction	1
	Head of Internal Audit Opinion on the Effectiveness of Internal Control 2014/15	2
1.2.	Scope of Responsibility	2
1.3.	The Purpose of the System of Internal Control	2
1.4.	The Internal Control Environment	2
1.5.	Review of Effectiveness	2
1.6.	Head of Internal Audit Annual Opinion Statement	3
1.7.	Basis of Assurance	3
1.8.	2014/2015 Year Opinion	5
1.9.	The System of Internal Financial Control	5
1.10.	Corporate Governance	6
1.11.	Risk Management	6
2.	Detailed Report	8
2.1.	Introduction	8
2.2.	Significant Control Weaknesses	8
2.3.	Key Issues	9
2.4.	Qualifications to the opinion	10
2.5.	Other Assurance Bodies	10
2.6.	Risk Management Process	10
2.7.	Audit Plan	10
2.8.	Internal Audit Assurance Levels	11
2.9.	Internal Audit Performance	11
2.10.	Compliance with CIPFA Public Sector Internal Audit Standards	12
2.11.	Working with External Audit	12
2.12.	Internal Audit Provision Going Forward	12
	APPENDIX A - Assurance Levels 01/04/2014 – 31/03/2015	14
	APPENDIX B - Internal Audit Performance – 2014/15	21
	APPENDIX C: Internal Audit work for which an assurance opinion was not provided	22
	APPENDIX D - Follow up Audits	23

1. Executive Summary

1.1. Introduction

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

Head of Internal Audit Opinion on the Effectiveness of Internal Control 2014/15

1.1.7. This opinion statement is provided for the use of the London Borough of Hammersmith & Fulham and is used to support of its Annual Governance Statement.

1.2. Scope of Responsibility

1.2.1. The London Borough of Hammersmith & Fulham is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.2.2. In discharging this overall responsibility, the London Borough Hammersmith & Fulham is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

1.3. The Purpose of the System of Internal Control

1.3.1. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Hammersmith & Fulham's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

1.4. The Internal Control Environment

1.4.1. The CIPFA Public Sector Internal Audit Standards defines the control environment as providing the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

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

1.5. Review of Effectiveness

1.5.1. The London Borough of Hammersmith & Fulham has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the annual letter and other reports.

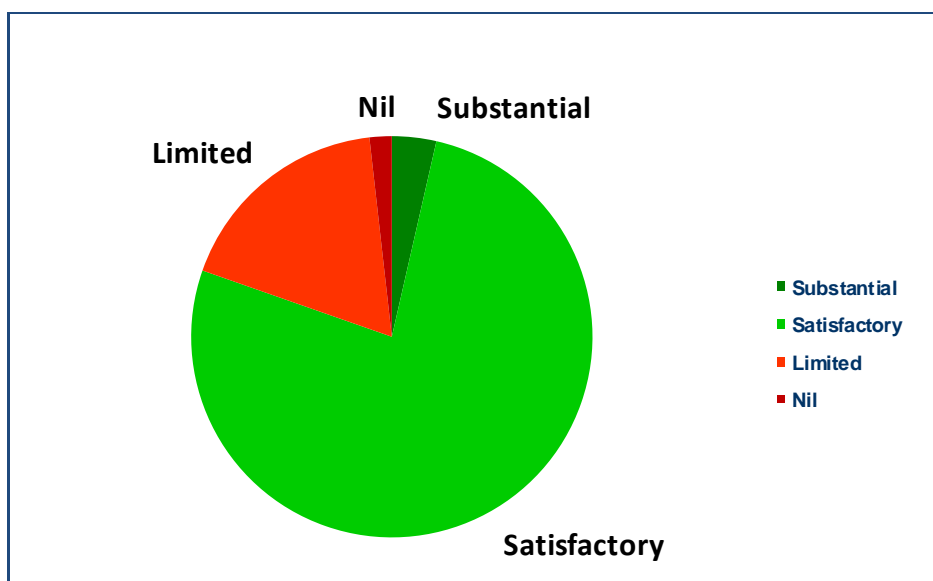
1.6. Head of Internal Audit Annual Opinion Statement

- 1.6.1. Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2014/15, including our assessment of the London Borough of Hammersmith & Fulham's corporate governance and risk management arrangements.
- 1.6.2. The internal audit plan for 2014/15 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

1.7. Basis of Assurance

- 1.7.1. We have conducted our audits both in accordance with the mandatory standards and good practice contained within the CIPFA Public Sector Internal Audit Standards and additionally from our own internal quality assurance systems.
- 1.7.2. Our opinion is limited to the work carried out by Internal Audit based upon the internal audit plan. Where possible we have considered the work of other assurance providers, including such as External Audit and the Internal Audit services of Royal Borough of Kensington and Chelsea and Westminster City Council as part of the tri borough arrangement.
- 1.7.3. The audit work that was completed for the 2014/15 financial year is listed in Appendices A, C and D. Appendix A lists all the audits where assurance opinions are provided.
- 1.7.4. The pie chart below shows the levels of audit assurance achieved for the 2014/15 year. 80% of the systems audited achieved an assurance level of Satisfactory or higher, of which two audits received Substantial Assurance. 17% received a Limited Assurance and one Nil Assurance report was issued in 2014/15. Three of the ten Limited Assurance reports were for schools and three related to the Managed Services Project.

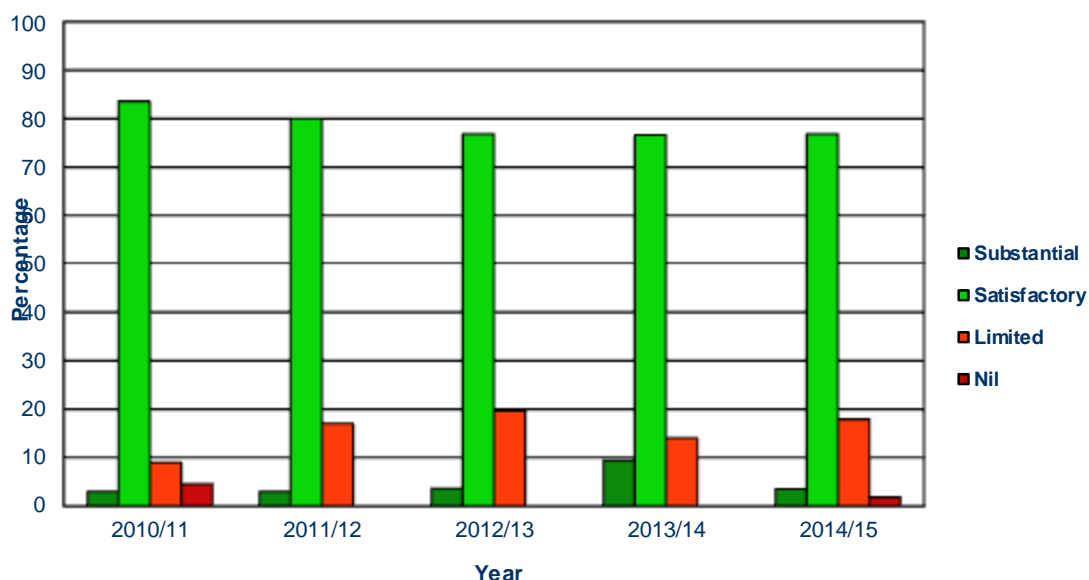
Assurance Levels for the year to 31 March 2015



- 1.7.5. The bar chart below shows the levels of assurance provided for all systems audited since the 2010/11 financial year. The distribution of assurance opinions shows a relatively stable

position in the number of Limited assurance and substantial assurance reports. Given the significant changes than continue to occur across the Council, which would usually be expected to increase levels of control weakness, this is considered a positive outcome. As stated above, three of the ten Limited Assurance reports were for schools and three related to the Managed Services Project leaving only 4 arising from mainstream council departments.

Assurance Levels of Reports from 2010/11 to 2014/15

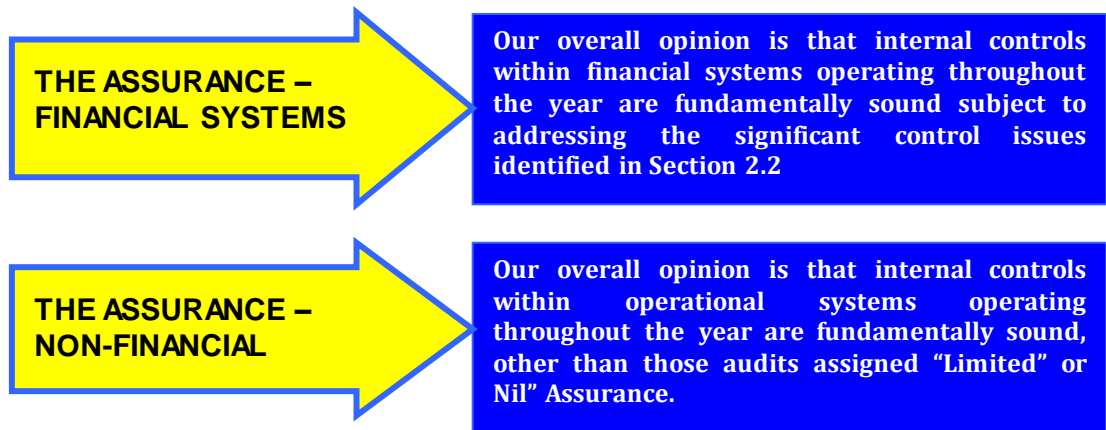


1.7.6. Recommendations to take corrective action were agreed with management and we will continue to undertake follow up work in 2015/16 to confirm that they have been implemented. The table below shows the number of recommendations past their implementation date reported as implemented. The volume of recommendations that have been implemented over the period help demonstrate the value of Internal Audit as an agent for change and improvement. The 2014/15 year naturally has fewer implemented recommendations because many have only recently been raised and are not yet timetabled for implementation. Recommendations that have not been implemented that have passed their implementation deadline will continue to be reported to Departmental Management Teams and the Audit, Pensions and Standards Committee.

Financial year	Recommendations Implemented as at 11 February 2015
2014/15	63
2013/14	227
2012/13	244

1.8. 2014/2015 Year Opinion

1.8.1. From the Internal Audit work undertaken in 2014/15, it is our opinion that we can provide reasonable assurance that the system of internal control that has been in place at the London Borough of Hammersmith & Fulham for the year ended 31 March 2015 accords with proper practice, except for any details of significant internal control issues as documented in the detailed report at section 2.2. The assurance can be further broken down between financial and non-financial systems, as follows:



1.8.2. In reaching this opinion, the following factors were taken into particular consideration:

- a) The whole programme of internal audit work undertaken by Mazars between 1 April 2014 and 31 March 2015. This included a review of the Council’s Corporate Governance and Risk Management arrangements;
- b) Internal Audit work undertaken by the Royal Borough of Kensington and Chelsea and Westminster City Council on shared services.
- c) Year-end review of Internal Audit against CIPFA’s Public Sector Internal Audit Standards as part of the Annual Governance Statement (AGS) process in May 2015 provided a positive result;
- d) The outcome of audit work for which no assurance level was provided. A summary of work undertaken and key findings can be found in Appendix C; and
- e) Follow up of audits undertaken in the previous years. A summary of the outcome of these follow up visits can be found in Appendix D.

1.9. The System of Internal Financial Control

1.9.1. The system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council, in particular the system includes:

- Codes of practice and Financial Regulations;
- Standing Orders, Standing Financial Instructions and Schemes of Delegation;
- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecast;

- Setting targets to measure financial and other performance;
 - Clearly defined capital expenditure guidelines; and
 - A formal programme and Project management discipline.
- 1.9.2. Our review of the effectiveness of systems of internal financial control is informed by:
- The work of internal audit as described in Appendices A, C and D; and
 - The external auditors in their management letter and other reports.
- 1.9.3. From the above, we are satisfied that the Council has in place a sound system of internal financial controls, with the exception of those significant control weaknesses identified within this report. Based on the management responses provided to our recommendations, we are also satisfied that mechanisms have been put in place which would identify and address any material areas of weakness.

1.10. Corporate Governance

1.10.1. In my opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE and updated in 2013. This opinion is based on the work of Internal Audit as described in Appendix A, which provided a 'satisfactory' level of assurance as to the Corporate Governance systems in place.

1.11. Risk Management

1.11.1. Three risk management audits were completed as part of the 2014/15 audit plan. Namely, Corporate Risk Management (including Information Risk Management) and audit of risk management within both the Transport and Technical Services and Children's Services Departments.

1.11.2. A Satisfactory assurance opinion was provided for Corporate Risk Management. Recommendations were raised that related to:

- Defining individuals rather than groups as risk owners
- Reviewing the format of the Strategic Tri Borough Risk Register to make a clearer distinction between existing controls, future controls and sources of assurance.
- Including any additional mitigating actions and their deadline for implementation in the Strategic IT Risk Register

1.11.3. A Satisfactory assurance opinion was provided for the audits of Transport and Technical Services and Children's Services. Recommendations raised related to:

- Defining individuals rather than groups as risk owners
- Considering whether specific change projects within each division are significant enough to be included in the risk registers.
- Putting in place a bottom-up risk identification process in Children's Services and separate risk registers put in place for each Division. These should be discussed regularly at the Divisional level, and risks escalated to the Departmental Risk Register where required.
- Including columns in the register for proposed action to remedy gaps in control and date of implementation and also including details of sources of assurance and evidence for the effectiveness of the existing controls.

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

- Our assessment of risk management through individual audits;
- The role of the Risk Manager who has Council wide responsibilities for co-ordinating and implementing the risk management policies across the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea; and
- The work of Internal Audit as described in Appendices A, C and D.

1.12. We would like to take this opportunity to formally record our thanks for the co-operation and support we have received from the management and staff during the year, and we look forward to this continuing over the coming years.

CHIEF INTERNAL AUDITOR

May 2015

2. Detailed Report

2.1. Introduction

2.1.1. This section outlines the following:

- Any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;
- Any qualifications to the Head of Audit opinion on the Authority's system of internal control, with the reasons for each qualification;
- The identification of work undertaken by other assurance bodies upon which Internal Audit has placed an assurance to help formulate its opinion;
- The management processes adopted to deliver risk management and governance requirements; and
- A brief summary of the audit service performance against agreed performance measures.

2.2. Significant Control Weaknesses

2.2.1. Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2014/15, the following significant issues were identified:

- Weaknesses were found in the application controls of the Council's Parking System, ICPS. A new system is in the process of being implemented and we have been advised that these weaknesses will be addressed.
- Four schools received Limited Assurance opinions (Langford Primary, Melcombe Primary, The Good Shepherd RC Primary and Jack Tizard School), which is a deterioration on the previous year where two schools received a Limited Assurance opinion;
- Weaknesses were found in administration of the Council's Cemeteries and Bereavement Service. These mainly related to Health and Safety Risk Management and income collection controls.
- Weaknesses were found in the service management arrangements for the Council's relationship with 3BM - an employee led mutual providing services to schools.
- All Three audit reports issued in relation to the Managed Services Programme were given limited assurance. These covered, System Testing, High Level IT Controls and Change Configuration and Release Management.
- In quarter 4 of 2014/15 we undertook key controls testing on Payroll and Recruitment. A number of controls tested were not operating effectively based on the information provided.

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

2014-15

2.2.3. While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the following issue was highlighted in the Annual Governance Statement.

2.2.4. Managed Services - The Managed Services Programme is intended to standardise operations and reduce costs across Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and Westminster City Councils. It provides a standard system irrespective of the Council or the Service. The system that was chosen provides a common transactional Human Resources, Payroll and Finance service. It is expected to provide a saving of over £6 million by 2015/16 across the three boroughs.

2.2.5. There were four audits of the programme undertaken during the year of which a limited assurance was determined of the control environment associated with systems readiness, change management and testing. This reflected the normal condition of a complex business cycle.

2.2.6. The majority of the system went live on 1 April 2015 and there are inevitable initial problems that had not been foreseen and which are currently being worked through. It is anticipated that the new system will be fully operational by the end of June 2015.

2.3. Key Issues

2.3.1. There are a range of key issues that are likely to be of significance for the 2015/16 year and beyond that Internal Audit need to be aware of. These include:

- The continued impact of the current economic climate on the Council's finances through reduced levels of income with councils facing further reductions in the amount of money they receive from Government. This is coupled with other factors such as likely increases in demand for services and the performance levels and financial stability of organisations the Council works with;
- The result of the May 2015 General Election;
- Transformation programme and projects continue to be undertaken to deliver savings, particularly within the Adult Social Care Department. This degree of change brings challenges in implementing a series of interconnected transformation projects successfully without impacting on service delivery. We would expect continued Internal Audit involvement in transformation projects and new initiatives, both to provide assurance and provide early support for new systems being 'right first time';
- Continued cross borough working with Westminster Council and the Royal Borough of Kensington and Chelsea during this period of change may give rise to additional risks related to governance, delegation of powers, performance management and financial management of shared services;
- Hammersmith & Fulham have entered into a managed services contract with BT that has effected a radical redesign of the Council's human resources and finance services. This went live in April 2015 and has led to significant changes to systems, process and ways of working across the Council. The full service

continues to be implemented, working towards its long term steady state. We will continue to undertake a series of audits in this area in 2015/16

2.4. Qualifications to the opinion

2.4.1. Internal Audit has had unrestricted access to all areas and systems across the Authority and has received appropriate co-operation from officers and members.

2.5. Other Assurance Bodies

2.5.1. In formulating the overall opinion on internal control, we took into account the work undertaken by the following organisation, and their resulting findings and conclusion:

- a) The annual letter from the Authority's external auditors; and
- b) Internal audit work undertaken by Royal Borough of Kensington and Chelsea and Westminster City Council as part of the internal audit shared service.

2.6. Risk Management Process

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

2.6.2. Risk Management Policy

The Authority has established a Risk Management Policy that sets out the Authority's attitude to risk and to the achievement of business objectives. The Policy:

- a) explains the Authority's underlying approach to risk management;
- b) documents the roles and responsibilities of the Authority and directorates;
- c) outlines key aspects of the risk management process; and
- d) identifies the main reporting procedures.

This Policy has been communicated to key employees and can be accessed on the Authority's intranet.

2.6.3. Risk Registers

The Authority has departmental and divisional risk registers in place, as well as registers for specialist areas including IT, finance and fraud. Procedures are in place for risk registers to be reviewed at least on a bi-annual basis. We adopt a risk based auditing approach.

2.7. Audit Plan

2.7.1. The Operational Plan for the 2015/16 year drew on corporate and departmental risk registers and other issues brought to the attention of Internal Audit, as well as the use of an audit universe that identifies all organisational activities that can be considered for audit coverage. We agreed and discussed the audit plan with Executive Directors, Directors and Heads of Service. We also consulted various other sources and coordinated the plan with those of the Royal Borough of Kensington and Chelsea and Westminster City Council.

2.7.2. Our operational planning is designed to provide an even flow of work throughout the year, and to allow us to monitor progress. As a result, this information can be used as a key benchmark against which progress on individual assignments can be measured.

2.7.3. The level of Internal Audit resources was considered adequate for the 2014/15 year. Also the Internal Audit service continued to maintain its independence from the day to day operations of the organisation, the chief mechanisms for this were the use of a contractor, Mazars, to deliver the core audit service plus the use of the audit services from RBKC and WCC to deliver parts of the audit programme.

2.8. Internal Audit Assurance Levels

- 2.8.1. Appendix A sets out the level of assurance achieved on each systems audit and the change in assurance opinion where the audit has been undertaken previously. Five areas audited this year have shown deterioration in control since the last time they were audited: Langford Primary, Melcombe Primary, The Good Shepherd RC Primary, Jack Tizard School and the ICPS Application. The remaining areas have either remained the same or improved.
- 2.8.2. Of the 10 audits that received a Limited or Nil Assurance opinion (nine final and one draft) four were schools, one related to Environment Leisure and Residents Services, one within Transport and Technical Services, one within Housing and Regeneration and the remaining three to the Managed Services Programme. In all cases, audit recommendations were agreed with management at the time of the audit along with an action plan to address the identified weaknesses. Follow up audits will be undertaken in each case to review the adequacy and effectiveness of the corrective action taken.
- 2.8.3. Ten follow up visits were undertaken in 2014/15 to determine if recommendations raised within previous audit visits have been implemented. A summary of our findings can be found in Appendix D.
- 2.8.4. In total, 91 recommendations have been followed up, of which 62 were either fully implemented or no longer relevant, representing 68% of all those tested. If partially implemented recommendations are added this totals 93% of all those tested. This is an improvement since 2014/15. The follow up regime will continue so that it can continue to provide assurance going forward and the result of all follow ups will continue to be reported to the Audit Pensions and Standards Committee.
- 2.8.5. We also undertook follow-ups on high priority recommendations raised in reports given 'Substantial' assurance and Management Letters where no assurance level was provided. Of the 9 high priority recommendations followed up, 6 were assessed as fully implemented and 2 as partly implemented with one no longer being applicable. The recommendations and results of our follow up work can be seen in appendix D.

2.9. Internal Audit Performance

- 2.9.1. Appendix B sets out pre-agreed performance criteria for the Internal Audit service. The table shows the actual performance achieved against targets. Overall performance of Internal Audit is broadly in line with 2013/14, with all targets being achieved or narrowly missed. Considering the impact of the ongoing transfer to a shared internal audit service, this is a good achievement. Focus will be given to maintaining or improving these performance standards in 2015/16.
- 2.9.2. The target of delivering 95% of the audit plan by the end of the 2014/15 financial year was achieved and this is the sixth year in a row in which this target has been achieved. It should be noted that 167 audit days were deferred into the 2015/16 audit plan due to project delays or reasonable management requests to defer. This compares to 155 in the previous year. The large proportion of the days carried forward relate to audits of

the Managed Services Programme that has been subject to delays.

2.10. Compliance with CIPFA Public Sector Internal Audit Standards

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

- a) Quality reviews carried out by both the Hammersmith and Fulham Internal Audit section and Deloitte / Mazars;
- b) A review in May 2015 against the new enhanced PSIA Standards.

2.11. Working with External Audit

2.11.1. The Council's external auditors do not intend to rely on the work of internal audit at this stage other than our work on the Managed Services Programme however they have asked for copies of a number of audit reports issued in 2014/15. We have been in liaison with External Audit and will continue to offer information and support where requested.

2.12. Internal Audit Provision Going Forward

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

- Shared working with Westminster and RBKC has led to increased coordination of the 2015/16 planning process across the three boroughs. This approach aims to increase the level of assurance received by each Council as well as better coordinating audit work across the three boroughs. Mazars has also been appointed as the sole outsourced internal audit provider for the three boroughs. Previously two outsourced providers were used.
- As transformation projects and changes to service delivery continue to be undertaken, there is likely to be increased requirement for Internal Audit involvement in transformation projects and new initiatives at an early stage to provide both assurance and support but with the minimum of disruption.

APPENDIX A - Assurance Levels 01/04/2014 – 31/03/2015

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

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
FINALISED						
Corporate / Finance	Procurement audit - Cash in Transit					31/03/2015
Corporate / Finance	Risk Management (including Information management)			↔		16/02/2015
Corporate / Finance	MFD Estate					06/03/2015
Corporate / Finance	Organisational Health and Safety			↔		06/03/2015
Corporate / Finance	Gas safety: corporate policy, governance and corporate estate			↔		01/10/2014
Corporate / Finance	HFBP Contract Management			↔		11/12/2014
Corporate / Finance (IT)	CapitalESourcing Application					30/06/2014
Corporate / Finance (IT)	MSP - System Testing					08/10/2014
Corporate / Finance (IT)	MSP - High Level review					18/07/2014
Corporate / Finance (IT)	MSP - Change, Release and Configuration Management					23/03/2015
Corporate / Finance (IT)	IT Asset Inventory / Disposals			→		21/10/2014
Corporate / Finance (IT)	Mobile devices Security Review					02/12/2014
Corporate / Finance (IT)	Cloud Management					15/10/2014
Adult Social Care	Reablement			↔		18/11/2014
Adult Social Care	Ellerslie Day Centre			↔		18/11/2014
Adult Social Care	Options Day Centre			↔		17/03/2015
Adult Social Care	Imperial Wharf Day Centre			↔		17/03/2015
Children's Services (School)	Randolph Beresford			↔		30/07/2014
Children's Services (School)	Addison			↔		06/03/2015

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
Children's Services (School)	Flora Gardens			↔		11/11/2014
Children's Services (School)	Langford		←			07/01/2015
Children's Services (School)	Melcombe		←			03/10/2014
Children's Services (School)	Normand Croft			↔		19/09/2014
Children's Services (School)	Queens Manor			↔		10/07/2014
Children's Services (School)	Wormholt Park			↔		09/12/2014
Children's Services (School)	The Good Shepherd RC		←			09/02/2015
Children's Services (School)	St. John's CE Walham Green			↔		21/11/2014
Children's Services (School)	St. Peter's CE			↔		30/07/2014
Children's Services (School)	Jack Tizard		←			17/07/2014
Children's Services	The Haven					26/11/2014
Transport and Technical Services	Departmental Risk Management					31/10/2014
Transport and Technical Services	Rechargeable Street Works			↔		26/11/2014
Transport and Technical Services	Highways Licensing			↔		14/01/2015
Transport and Technical Services (IT)	ICPS Application		←			29/10/2014
Environment Leisure and Residents Services	Cemeteries and Bereavement Service					16/12/2014
Environment Leisure and Residents Service	SERCO Contract Management			↔		22/08/2014
Housing and Regeneration	MITIE Repairs and Maintenance					20/02/2015
Housing and Regeneration	Pinnacle Housing Contract Management					01/10/2014
Housing and Regeneration	Adult Education					09/09/2014
Housing and Regeneration (IT)	MITIE (CRM system)					08/12/2014
Draft						

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
Corporate / Finance	Organisational Resilience / Business Continuity			↔		31/03/2015
Corporate / Finance	Corporate Governance			↔		17/04/2015
Corporate / Finance (IT)	Academy Application			↔		17/03/2015
Corporate / Finance	Election Expenses			↔		18/02/2015
Adult Social Care	Personalisation			↔		17/04/2015
Children's Services (School)	Holy Cross RC			↔		28/01/2015
Children's Services	3BM service management					07/04/2015
Children's Services	ELM Project Management					30/03/2015
Children's Services	Departmental Risk Management					24/02/2015
Children's Services (IT)	Frameworkki Application					30/03/2015
Children's Services	Schools Admissions					08/04/2015
Housing and Regeneration	Health and safety of housing service users					22/01/2015
Housing and Regeneration	OnePlace Project Management					10/03/2015
Transport and Technical Services	New Roads and Street Works Act					23/03/2015
Transport and Technical Services	Procurement Audit - Vehicle Removal and Car Pound					30/03/2015
Transport and Technical Services	Procurement Audit – Parking Management Information System					20/04/2015
In Progress						
Corporate / Finance	MSP - Data Migration					-
Corporate / Finance	MSP – Interfaces					-
Corporate / Finance	MSP - Benefits Management					-
Corporate / Finance	MSP - High Level Review of Controls					-
Corporate / Finance	MSP - Implementation Planning					-
Adult Social Care	CIS S75 agreement					-
Adult Social Care	NHS Pooled Budgets					-
Housing and Regeneration	Temporary Accommodation					-
Housing and Regeneration	Tenancy Management					-

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
Housing and Regeneration	Temporary Accommodation Procurement					-
Total		1	10	43	2	

Total Reports (including those not yet issued)	66
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In addition to the work detailed above, the table below provides a summary of the assurances assigned to each audit undertaken by the RBKC or WCC internal audit teams that relate to LBHF functions.

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
FINALISED						
Transport and Technical Services	Residents Parking Permits					11/09/2014
Corporate / Finance	CAFAM Amey FM System (IT)					11/02/2015
Children's Services	Youth Offending team					28/01/2015
Adult Social Care	Meals on Wheels					19/11/2014
Public Health	Procurement					14/11/2014
Transport and Technical Services	Abandoned Vehicles: Car Recovery and Pound					15/10/2014
Transport and Technical Services	Environmental Health – Noise and Nuisance					08/12/2014
Environment, Leisure and Residents Services	Markets					21/11/2014
Environment, Leisure and Residents Services	Commercial Vehicle Fleet, Lease Vehicles and Fuel Cards					28/10/2014
Children's Services	CHS Commissioning and Procurement					18/05/2015
Children's Services	CHS Budgetary Control and Financial Management					21/04/2015
Children's Services	Passenger Transport: Post Procurement contract management					24/04/2015
Adult Social Care	Carers Support					21/04/2015
Adult Social Care	Day Care					15/04/2015
DRAFT						
Adult Social Care	Information Governance					21/04/2015
Children's Services	2 Year Old Offer					18/03/2015
Corporate Services	Data Transparency 2014 Code Compliance					30/04/2015
NOT YET ISSUED						
Corporate Services	Multiple User Access Profiles					-

		Audit Opinion				
Department	Audit	None	Limited	Satisfactory	Substantial	Issued
Children's Services	School Meals Contract					-
Children's Services	Early Help					-
Total		0	3	12	1	

Assurance Levels

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

Substantial Assurance	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.
Satisfactory Assurance	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Direction of travel

→	Improved since the last audit visit. Position of the arrow indicates previous status.
←	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
↔	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

APPENDIX B - Internal Audit Performance – 2014/15

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Authority. The table below shows the actual and targets for each indicator for the period.

	Performance Indicators	Annual Target	Performance	Variance
1	% of deliverables completed (2014/15)	95%	95%	0
2	% of planned audit days delivered (2014/15)	95%	97%	+2%
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	100%	+5%
4	% of Draft reports issued within 10 working days of exit meeting	95%	90%	-5% *
5	% of Final reports issued within 5 working days of the management responses	100%	100%	0%

* Average time to issue draft report following exit meeting was 6.2 days against the target of 10 days

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

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

Department	Audit	Issued
Final		
Adult Social Care	Direct Payments	19/12/2014
Finance / Corporate	Payroll testing	20/04/2015
Finance / Corporate	HR Testing	20/04/2015
Finance / Corporate	Accounts Payable testing	03/02/2015
Finance / Corporate	Accounts Receivable Testing	03/02/2015
Finance / Corporate	General Ledger Testing	03/02/2015
Finance / Corporate	Invoice Processing	22/08/2014
Children's Services	Adoption Reform Grant	18/06/2014
Environment, Leisure and Resident Services	Report it App	09/12/2014
Finance / Corporate	ALSS MIS Contract	19/11/2015
Housing and Regeneration	HRD Development Appraisal Model	09/02/2015

APPENDIX D - Follow up Audits

Follow up visits were undertaken on the following audits that received a 'Limited' or 'Nil' assurance opinion in their 2013/14 or 2014/15 audit visit. The number of recommendations found to be implemented was as follows:

Department	Audit	Recommendations	Implemented	Partly Implemented	Not implemented	No longer applicable
Corporate / Finance	Health and Safety Risk Management	9	7	2	0	0
Housing and Regeneration	Housing Capital Programme	7	7	0	0	0
Children's Services (Schools)	St Pauls CE School	6	6	0	0	0
Housing and Regeneration	Regeneration Governance	5	1	3	0	1
Housing and Regeneration	HRD Performance Management	6	2	3	1	0
Children's Services (Schools)	Kenmont School	10	2	3	5	0
Transport and Technical Services	Parking Pay and Display	11	10	1	0	0
Corporate / Finance	Total Facilities Management *	11	10	1	0	0
Adult Social Care	Home Meals and Frozen Food Delivery Service *	11	9	2	0	0
Public Health	Public Health Governance **	13	8	5	0	0
	Total	91	61	23	6	1
	%		67	25	7	1

* Undertaken by Royal Borough of Kensington and Chelsea Internal Audit Team

** Undertaken by Westminster City Council Internal Audit Team

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

Priority 1 Recommendations	Implemented	Partly Implemented	Not implemented	No longer applicable
9	6	2	0	1
%	67	22	0%	11