



AUDIT AND PENSIONS COMMITTEE

9 December 2010

CONTRIBUTORS

Chief Internal Auditor
Internal Audit Manager
Deloitte & Touche LLP

**Internal Audit Quarterly report for the
period 1 July to 30 September 2010**

**WARDS
All**

This report summarises internal audit activity in respect of audit reports issued during the period to 30 September 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**

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1. Introduction

- 1.1 This report summarises internal audit activity in respect of audit reports issued during the period 1 July to 30 September 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 13 audit reports were finalised in the second quarter of 2010/2011 (see **Appendix A**). In addition 1 FMSIS Inspection letter was issued as well as 1 follow-up report and 7 other management letters.
- 2.3 3 audit reports issued in this period received limited assurance and one received nil assurance. .Of the 7 recommendations made in the iWorld Repairs Module report, 5 have been reported ads fully implemented whilst 2 are no longer applicable. All of the 16 recommendations relating to Fulham Primary School and the 20 relating to Wormholt Park Primary School have been reported as implemented. Follow-up reviews will now be undertaken for all 3 of these audits. The 1 recommendation for IT Disaster (priority 1) remains outstanding although it had not yet reached its target implementation date of 31 December 2010. In an update to the Committee in respect of the Annual Governance Statement, it has been noted that this target date has now slipped to 28 February 2011.
- 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. These are listed in **Appendix C** for information and total 5.

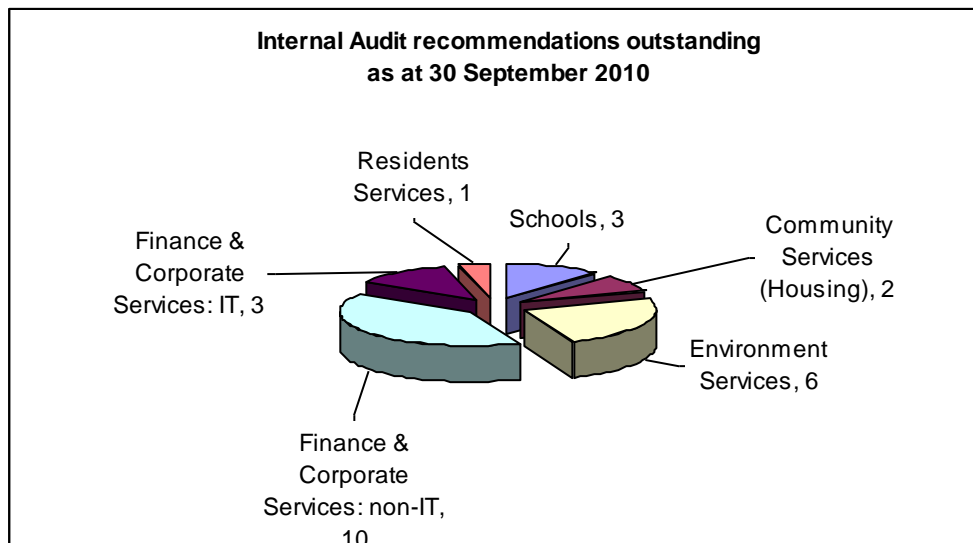
Environment Services and Finance & Corporate Services each have 2 reports outstanding while Residents Services has 1. None of these reports will be over 6 months old at the time of the Committee meeting. We are pleased to report that there are no reports outstanding for Schools, Children's Services (non-schools), Community Services, or Community Services (Housing).

2.5 The second report is a table, a copy of which has been provided at **Appendix D**, that shows there are now 25 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 14 reported as outstanding at the end of the previous quarter and represents a 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:



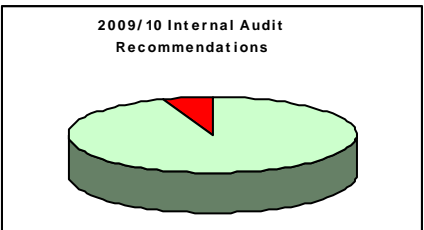
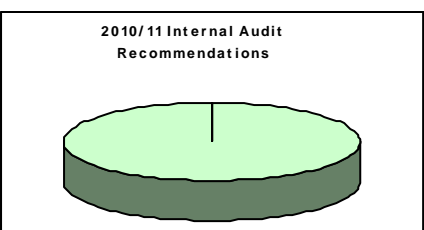
- Schools – 3
- Community Services (Housing) - 2
- Environment Services Dept – 6
- Finance & Corporate Services Dept – 13
- Residents Services - 1

Six of these outstanding recommendations relate to HFBP. We are pleased to note there are no recommendations outstanding in respect of Children’s Services (non-schools) or Community Services.



2.7 4 of the 25 recommendations listed are over six months past their target date for implementation as at the date of the Committee meeting. None are older than a year. These long-outstanding recommendations have been highlighted in Appendix D. Internal Audit are continuing to focus on clearing the longest outstanding recommendations and to that end will continue to meet with the specific managers responsible for all these recommendations and those overdue by more than 5 months as and when this occurs. The breakdown of recommendations implemented as a proportion of the total raised in each audit year can be seen below.

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

<p>Percentage of 2007/8 year audit recommendations past their implementation date that have been implemented.</p>	<p>99.49%</p>	<p>394 recommendations implemented out of a total of 396</p> <p>2 recommendations outstanding</p>	
<p>Percentage of 2008/9 year audit recommendations past their implementation date that have been implemented.</p>	<p>98.74%</p>	<p>391 recommendations implemented out of a total of 396</p> <p>5 recommendations outstanding</p>	
<p>Percentage of 2009/10 year audit recommendations past their implementation date that have been implemented.</p>	<p>94.44%</p>	<p>306 recommendations implemented out of a total of 324</p> <p>18 recommendations outstanding</p>	
<p>Percentage of 2010/11 year audit recommendations past their implementation date that have been implemented.</p>	<p>100%</p>	<p>2 recommendation implemented out of a total of 2</p> <p>0 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 September 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 Q2	Variance	Comments
2009/10						
1	% of deliverables completed (2009/10)	95%	100%	100%	-2%	127 reports delivered out of a total plan of 127
2	% of planned audit days delivered (2009/10)	95%	100%	99%	-1%	1128 days delivered out of a total plan of 1129 days
2010/11						
3	% of deliverables completed (2010/11)	95%	48%	33%	-15%	38 reports delivered out of a total plan of 116
4	% of planned audit days delivered (2010/11)	95%	48%	38%	-10%	416 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%	94%	-1%	33 audit briefs out of 35 issued within PI requirement
6	% of Draft reports issued within 10 working days of exit meeting	95%	95%	100%	+5%	15 draft reports out of 15 issued within PI requirement

3.3 For the 2009/10 year all draft reports have been issued.

3.4 Delivery of the 2010/11 audit plan is behind target due to difficulties with agreeing start dates and long lead times when planning audits. Audits have been brought forward from Quarters 3 and 4 wherever possible in order to help increase delivery.

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 September 2010

We have finalised a total of 23 audit reports for the period to 30 September 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	Watermeadow Court	Nick Johnson	Substantial
2	09/10	i-World Repairs Module Application Audit	Nick Johnson	Limited
3	09/10	IT Disaster Recovery	Jane West	Nil
4	09/10	SMART Working Project	Jane West	Substantial
5	09/10	Partnership and Corporate Governance	Jane West	Substantial
6	09/10	Fulham Palace Primary School	Andrew Christie	Limited
7	09/10	Cleaning Services Contract	Andrew Christie	Substantial
8	09/10	Wormholt Park Primary School	Andrew Christie	Limited
9	09/10	HF Homes Contract Management	Nick Johnson	Substantial
10	09/10	Vertical Contract – Installation of New Boilers	Nigel Pallace	Substantial
11	09/10	Highways Paving Service	Nigel Pallace	Substantial
12	10/11	SERCO Waste Management	Lyn Carpenter	Substantial
13	10/11	Complaints Project Management	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
14	2010/11	Wendell School	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
15	2010/11	Management of ALMOS	Jane West
16	2010/11	Accessible Housing Register - Project Management	Nick Johnson
17	2010/11	Safeguarding Children – Project Management	Andrew Christie
18	2010/11	Trent Self Service - Project Management	Jane West
19	2010/11	Fees and Charges income Diagnostic	Jane West
20	2010/11	Risk Management – BSI Gap Analysis	Jane West
21	2010/11	Smartworking – Project Management	Jane West

Follow ups

No.	Audit Plan	Audit Title	Director	Findings on recommendations				Total
				Fully Implemented	No longer Applicable	Partly Implemented	Not Implemented	
22	2010/11	Use of Consultants	Jane West	2	0	4	3	6

Limited and No Assurance Final Audit Reports

In quarter two of 2010/11 we issued one report which received Nil Assurance – IT Disaster Recovery - and three reports which were provided limited assurance – iWorld Repairs Module Application Audit, Fulham Palace Primary School and Wormholt Park Primary School.



**Final Internal Audit Report 2009/10
London Borough of Hammersmith &
Fulham**

**ICT Disaster Recovery Provisions
July 2010**

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Executive Summary

Introduction	<p>As part of the 2009/2010 Internal Audit Plan, agreed by the Audit Committee on 12 March 2008, we have undertaken an internal audit of the ICT Disaster Recovery Provisions.</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>
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Audit Assurance Opinion (defined at Appendix A)	None	Limited	Substantial	Full
				

Rationale Supporting Award of Opinion	<p>The audit work carried out by Internal Audit (the scope of which is detailed in appendix B) indicated that, 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.</p> <p>The Direction of Travel provides a comparison to the previous audit visit. In this case, we have indicated no change, as this area has not been improved since the last audit.</p>
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Priority 1 Recommendations	<p>We have raised one priority 1 recommendation regarding the implementation of ICT service resilience and the documentation of a Disaster Recovery Plan.</p>
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Detailed Findings

Background	<p>The Civil Contingencies Act 2004 requires that local authorities implement robust business continuity arrangements to enable them to continue to provide services and communicate with relevant stakeholders during an incident. Due to the reliance that is placed on ICT for the operation of services within the Council, ICT service resilience and disaster recovery provisions are critical components of business continuity.</p> <p>Currently, the Council does not have an ICT disaster recovery solution in place for the majority of its systems. An ICT Business Continuity paper has been submitted to Cabinet for the approval of the implementation of a hot site solution. This paper indicates that currently, if the Council were to lose its East London Data Centre or the Hammersmith Town Hall Computer Room, it would take between four and six months to recover its systems. During this time, the Council would be unable to access any of its electronic data, which would have a high impact on the ability of services to continue.</p> <p>In light of these identified weaknesses, the Hammersmith and Fulham Bridge Partnership have implemented improved ICT resilience within the Council's data centres. This improved resilience does not however, mitigate against a disaster situation.</p> <p>Based on feedback from the Cabinet after the last submission, the ICT Business Continuity paper has been updated and is due to be resubmitted for approval later this year. In the interim, the Council Departments have been asked to consider alternative methods of continuing operations in the event of a loss of ICT.</p>
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Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Adequacy of ICT disaster recovery provision			1		
	ICT disaster recovery testing			(See R1)		

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Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	ICT disaster recovery plans link to business continuity plans			(See R1)		
	ICT disaster recovery development for systems			(See R1)		
	ICT disaster recovery third parties			(See R1)		
	Ongoing improvements			(See R1)		

Summary of Findings

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.

Area 1: Adequacy of ICT Disaster Recovery Provision

Formal disaster recovery arrangements are not in place, although it was noted that the Hammersmith and Fulham Bridge Partnership would provide the Council with assistance during the recovery effort in the event of a disaster. This is a contractual requirement but only to the extent that HFBP are bound by the CCA through the council and could only be on a reasonable endeavours basis and would therefore be provided at the discretion of the H&F Bridge Partnership. Arrangements are in place only for the recovery of a limited service on the telephony network, for the Cedar financial application and the invocation of the Lynx remote access service in emergencies. Furthermore, resilience within the Hammersmith Town Hall Computer Room and the East London Data Centre has been improved. These improvements do not, however, mitigate against a disaster scenario. A paper has been documented for the implementation of a hot site and is to be re-submitted with the scope amended and scaled down later this year to Cabinet for approval. Due to these limitations, a Disaster Recovery Plan (DRP) has not been documented or communicated and staff members have not been formally tasked with disaster recovery responsibilities. It was identified that this paper has taken the financing of the hot site into consideration. A recommendation has been raised to implement ICT resilience and disaster recovery arrangements.

Appendix 1 indicates best practice guidance for the implementation and documentation of a disaster recovery plan and solution.

Area 2: ICT Disaster Recovery Testing

Annual testing takes place on the council and HFPB's service resilience plans. Each year changes are documented and made. Due to the lack of major formal disaster recovery arrangements, no other disaster recovery testing is performed. It was noted that the need to perform annual disaster recovery tests has been documented in the ICT Business Continuity paper which is to be submitted to Cabinet.

Recommendation 1 and Appendix 1 apply.

Area 3: ICT Disaster Recovery Plans Link to Business Continuity Plans

The Council Departments have been instructed by the Service Resilience Group to consider how they will continue processing in the event of a loss of ICT. The IT Strategy and Operations Group has identified thirty first order applications that would require recovery as soon as possible and these have been prioritised in order of restore. Recovery time objectives have also been identified and documented within the paper. It was noted that these objectives presently do not apply as a solution is not in place and system recovery would take 4 to 6 months to achieve.

Recommendation 1 and Appendix 1 apply.

Area 4: ICT Disaster Recovery Development for Systems

The Hammersmith Town Hall Computer Room and the East London Data Centre have had local resilience implemented within each environment through the implementation of server virtualisation. Regular backups are taken and stored off-site and appropriate environmental controls are in place for each data centre environment. It was noted that the UPS would enable the continuation of some processing for a very limited group of staff.

Recommendation 1 and Appendix 1 apply.

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Area 5: ICT Disaster Recovery Third Parties

It was noted that agreements are formally in place with 2e2 for the recovery of the Cedar Financial application and Siemens for the telephony network respectively and Lynx supplier for remote access. We were provided with the contracts for 2e2 and Siemens (together with an updated inventory schedule October 2008) after the audit however the contract for Lynx could not be provided therefore not inspected. Contact details for these third parties are maintained. As noted above, the Hammersmith and Fulham Bridge Partnership would provide assistance in the event of a disaster but this is based on goodwill and not contractual obligations.

Recommendation 1 and Appendix 1 apply.

Area 6: Ongoing Improvements

It was identified that the Cabinet Paper has been revised several times and processes are in place to optimise the solution that is to be implemented for ICT resilience and disaster recovery. The relocation of the majority of systems to the East London Data Centre and the implementation of improved resilience within the computer rooms has been implemented to improve existing arrangements. It was also noted that the accommodation and smart working programs will improve resilience for satellite Council offices.

Recommendation 1 and Appendix 1 apply.

Acknowledgement

We would like to thank the management and staff the ICT function and the Hammersmith and Fulham Bridge Partnership for their time and co-operation during the course of the internal audit. All staff consulted are included at Appendix C.

Recommendations

1. ICT Resilience and Disaster Recovery Arrangements

(Priority 1)

Recommendation	Rationale
<p>It is recommended that formal arrangements for the continuity of the Council's ICT operations (ICT infrastructure, systems and processes) are implemented for all systems. These arrangements should be formally documented in a Disaster Recovery Plan (DRP), approved by senior management and tested on an annual basis.</p> <p>The DRP should be aligned to, and support the Business Continuity Plans within the Council.</p> <p>Note: Please see Appendix 1 for good practice guidance on disaster recovery planning.</p>	<p>The implementation of ICT resilience and disaster recovery arrangements would help to ensure that the Council's network and critical systems and processes can be recovered within an acceptable and agreed timeframe in the event of a disaster. It would also help to ensure that there is minimum disruption and loss of service to ICT users and the Council's customers.</p> <p>It was identified that a formal ICT resilience and disaster recovery arrangement has not been implemented for the majority of the Council's systems to mitigate against a disaster. Currently, a disaster affecting the Council's data centres would result in the loss of several critical systems for a period of between four to six months. It was noted that arrangements are only in place for the continuity of the Council's telephony and Cedar application.</p> <p>The lack of adequate ICT resilience and disaster recovery arrangements increases the risk that the Council's critical systems and data would be unavailable for an extended period. The unavailability of business critical data would increase the possibility of the Council's key services being disrupted until such a time as the systems and data can be recovered. This could result in the Council incurring penalties and fines due to noncompliance with legislation such as the Civil Contingencies Act 2004 and loss of reputation.</p>

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1. ICT Resilience and Disaster Recovery Arrangements (Cont...)

(Priority 1)

Management Response			
Agreed: The ICT Business Continuity paper was approved in February 2010. Since then H&F Bridge Partnership have been negotiating with suppliers on data storage. Levels of usage are high and rising so a key aim is to contain the cost of storage and this has an impact on the BC proposal. Now these are reaching a conclusion, the project is starting with procurement taking place in August and implementation of the new BC service due to complete in December 2010.			
Responsibility	AD IT Strategy	Deadline	31 December 2010

Appendix 1 – Disaster Recovery Management and Planning

The term Disaster Recovery is used to describe the processes to be implemented from the occurrence of an event causing an interruption of services. Recovery may be required from a minor or short-term problem or from the complete destruction of the main processing facility (systems, IT hardware and software, premises or other resources). Recovery processes include short-term measures to provide a minimum level of service as well as the management of the processes of working from an alternative site until full recovery can be achieved.

Business Continuity is used to refer to the activities required to keep an Organisation running during a period of displacement or interruption of normal operation. A Business Continuity Plan is a collection of procedures and information which is developed, compiled and maintained in readiness for use in the event of an emergency or disaster.

At present there is no formally documented IT Disaster Recovery Plan in place for the Council.

The Disaster Recovery Plan should be a component of the Council's Business Continuity Plan.

In order to provide assurances that the Council is adequately protected by an effective Disaster Recovery Plan and associated Business Continuity Plan, the following Good Practice guidelines should be utilised for the planning, development, implementation and testing of such a plan. Although the detail below is based on good practice, it should not be treated as an exhaustive list.

1. Management Responsibility

An overall manager, with appropriate experience and seniority, should be appointed to oversee the project and report to the Board or similar body and to co-ordinate the activities of a Disaster Recovery Team that should include staff and management from key areas of the business and Computer Services. Clear definitions of the roles and responsibilities of the team members should be outlined at this stage along with the formation of a project plan, definition of project structure, timescales and budget.

2. Inventory Production

An inventory of each IT system should be created and a description should be included, detailing:

- what it does;
- how it fits into the business environment;
- how it interfaces with other systems, for example, by providing vital information required for more major systems;

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- whether it needs data provided by another system;
- what type of system it is, for example, on-line, real-time;
- who uses it and what for;
- how often it is run and whether timescales apply, for example, system must be run within 3 days of month end;
- what the timescales required for recovery are - how fast can it provide some limited facilities and how long could the Council survive without the system completely; and
- what specific minimum resources the system needs – hardware, software and network.

A list should also be made of all network resources held by the Council, from workstations to routers, that details as much information as possible, including:

- physical details – make, model, serial number for insurance purposes;
- configuration information – for designing redundancy into the network and to prepare for potential replacements;
- operating systems;
- applications; and
- contact information for users, vendors and service suppliers.

Inventories must be kept up to date and should be subject to review on a regular basis. Due to this, inventory documentation should be version controlled to ensure that the most current edition is in use superseding all previous versions.

Following the production of an up to date inventory, the Council will be in a position to examine risks and threats to the system brought about by various scenarios and evaluate them accordingly.

3. Risk Assessment

A risk assessment should take place to determine potential threats to the Council and its facilities, in the case of disruption as well as disaster. Many scenarios as possible should be investigated including the worst case scenario and the Council's vulnerability to loss potentials should be identified.

Controls that are used to safeguard the Council against loss potential should be identified and evaluated for effectiveness. These areas should include:

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- physical protection – restricted access to sensitive locations;
- logical protection – system based protection of stored data;
- location of assets – relative to sources of risk;
- security and access controls;
- personnel procedures;
- procedural controls;
- information back up, protection and restoration– including paper and electronic records;
- information security – hardware, data network;
- utilities, services; and
- staff.

Insurance cover should be examined to ensure that the Council is insured against any loss or damage of equipment or buildings, expenses incurred in restoring data, expenses incurred for running at a standby site, consequential losses and business interruption losses. Once a detailed and comprehensive risk assessment has taken place that identifies as many sources of risk as possible and the associated controls that are in place within the business to mitigate those risks, the impacts resulting from disruptions and disasters on the business can be used to quantify and qualify the effects felt by the Council.

4. System Prioritisation

Having identified as wide a range of risks as possible, management should undertake a Business Impact Analysis to identify the impact of disaster on each IT system. Information should be collected from users and management to obtain a balanced view of how the disaster would affect the business.

Information should be collected via:

- questionnaires;
- interviews; and
- workshops.

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Within each activity, clear objectives should be established at the outset and any ambiguity resolved by further investigation.

IT systems should then be categorised in relation to other systems and ranked according to their criticality to the business:

- critical system – systems outage or destruction that would cause extreme disruption to the Council and cause major legal or financial ramifications or threaten the health and safety of staff;
- important system – systems outage or destruction that would cause moderate disruption to the Council and cause minor legal or financial ramifications;
- minor system – systems outage or destruction that would cause minor disruption to the Council.

By identifying and prioritising the criticality of IT systems, the Council is in a position to identify the minimum resources required for recovery of the system given a range of scenarios and to provide a short term solution with minimal resources to provide a limited, but acceptable level of service.

Having identified the requirements of the Disaster Recovery Plan, the Council should consider alternatives available when developing a strategy and should select the method most suitable for the Council.

5. Production of a Formal Written Document

A formalised document, approved by top level management, should be produced that is an action plan which should be easy to understand and be concise, that details key actions and personnel based on the risk assessment, set around achievable recovery. A copy (ies) of the current version of the plan should be kept securely off site, such as another of the Council's sites, to ensure that the document is available to staff in the event of disaster.

The plan should identify:

- initial responses – alarms, evacuation, securing documents;
- criteria for assessing the incident;
- procedures for invoking full scale disaster recovery;
- details of off site facilities where operations could be continued;
- procedures for notifying the recovery site, transfer of resources and movement of staff;
- the inventory of the systems and facilities;
- the results of the risk assessment and business impact analysis process;
- the priorities for recovery, the timescale for recovery of the key systems and the minimum resources required to achieve this;

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- hardware configurations;
- escalation procedures;
- a step by step guide for the recovery of each system and the recovery of data associated with it;
- details of the location of resources;
- details of the location of back ups and back up policies and procedures;
- details of the location of copies of systems and applications software;
- key personnel and their contact details;
- responsibilities and functions of key personnel;
- details of third party suppliers of resources and equipment and their contact details;
- test procedures;
- details identifying the development, review and approval process of the plan; and
- copy of insurance certificates.

With the relevant procedures in place, the Council should be able to recover in the event of a disaster, but it is vital that the plan is implemented in a test environment to ensure that all processes and procedures are included and to highlight weaknesses in the plan.

6. Testing

A thorough testing strategy should be formulated that takes into account each component system that is to be recovered along with a clear definition of the objective of the test and the critical success factors for a successful test. The results of the test should be compared with, and evaluated against expected outcomes. Any shortcomings can be identified and used to initiate corrective measures to ensure that the processes of recovery are improved.

Tests that could be undertaken for the recovery of IT systems may include:

- ensuring that the version of the operating system used in recovery is the same as that used in normal operations, as some IT systems may be version sensitive;
- running of key control reports following recovery of the system and comparison with the same reports from the original system, to highlight any anomalies;

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- undertake a transaction following recovery and examine to see if the unique transaction number produced is sequentially the next number from the last transaction produced by the system under normal operations;
- examine file permissions and file sizes from reports from the recovered system and compare with those from the system under normal operations. Anomalies may lead to future system failures; and
- production of Risk and Issues Logs throughout Disaster Recovery Testing and timely resolution and follow up procedures.

Testing should take place on an annual basis to provide assurance that the plan is effective.

7. Alignment of Plans

Consideration should be given to aligning the Disaster Recovery Plan with the requirements within the Council's wider Business Continuity Plan.

In order for full recovery to be effective and for continuity to be adequate, it is imperative that there is an integrated approach between the Disaster Recovery and Business Continuity Plans.

8. Maintaining and Updating the Plan

The Disaster Recovery and Business Continuity Plans are not static documents as they are subject to changes in business processes and technologies, which in turn may affect working practices and subsequent risks to the Council. A forum for the assessment of new risks should be in place and an effective change control procedure implemented to ensure that the plan is current and version controlled.

The Disaster Recovery and Business Continuity Plans should always be looking to take into account developments and recommendations in order to improve disaster preparedness.

9. Reporting and Audit

Following testing and any subsequent updates of the plan, a reporting structure should be in place to allow feedback to be passed to the Disaster Recovery Manager and Team and ultimately to the Executive. By providing this, an iterative process for improvement is in place that can be monitored and reviewed at Senior level and progress and successes noted.

The plan should also be audited on a regular basis, taking into account key controls and risks that exist through each stage of the Disaster Recovery Plan, from initiation to implementation, and to provide assurance that the Council would be effectively protected from the risk of disaster.

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

July 2010

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



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Appendix A – Definition of Audit Opinions, 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.

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↔	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 our 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 Audit Objective and Scope

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:

Area 1 – Adequacy of ICT Disaster Recovery Provision

To ensure that procedures are in place for the effective recovery of business ICT systems for varying levels of disaster.

Area 2 – ICT Disaster Recovery Testing

To ensure that the ICT disaster recovery plans are effective and can be relied upon.

Area 3 – ICT Disaster Recovery Plans Link to Business Continuity Plans

To ensure that the ICT disaster recovery plans support the business objectives.

Area 4 – ICT Disaster Recovery Development for Systems

To ensure that procedures are in place for the continuity and recovery of new and existing ICT systems.

Area 5 – ICT Disaster Recovery Third Parties

To ensure that the ICT disaster recovery procedures cater for third party dependencies.

Area 6 – Ongoing Improvements

To ensure that procedures are in place for the maintenance and improvement of the ICT disaster recovery provisions.

Internal Audit Approach and Methodology

The internal audit approach is developed through an assessment of risks and management controls operating within the agreed scope.

The following procedures were adopted:



- 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.

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.

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.

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.

Appendix C – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
General Manager	Head of IT Strategy
Deputy Sector Manager	Server Infrastructure Manager (HFBP)
Sector Manager (CAS)	Technical Services Manager (HFBP)
Senior IT Auditor (CAS)	HR Business Manager
	Telecommunications Manager (HFBP)
	Team Leader Applications Services (HFBP)
Contact Details:	
 Ext 2550	
 Ext 2590	

Appendix D – Audit Timetable

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	DATES
Planning Meeting	11/05/09
Fieldwork Start	11/05/09
Exit Meeting	05/06/09
Draft report issued	03/07/09 & 06/05/10
Final report issued	28/07/10



**Final Internal Audit Report 2009/10
London Borough of Hammersmith &
Fulham
Iworld Repairs Module Application Audit
July 2010**

Final Report

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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 the Iworld repairs module application system.</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>
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Audit Opinion (defined at Appendix A)	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.</p> <p>Weaknesses in control were identified in relation to the lack of accountability over the use of the HOU account which has full access to the Iworld repairs system, password settings that do not comply with the Council's standards, the lack of an access violation log, inadequate procedures for the review of accounts and permissions on the system, lack of a standard approach to the works order requests and invoice process, inadequate procedures to review outstanding orders and inadequate mandatory checks.</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>
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Priority 1 Recommendations

We have raised two priority 1 recommendations as a result of this internal audit.

- A process should be put in place for the timely creation and approval of works orders for repairs works prior to the work being executed by the contractors. The process should be monitored for compliance; and
- A process should be established for the timely review and action of works orders with the Raised and Hold status. All longstanding orders should be cleared as a matter of urgency. The review should also seek to identify if works are being undertaken without authorisation.

Detailed Findings

Background

Iworld repairs is a module of the Housing Management System that has been designed to assist contractors and staff to perform the following operations:

- Create and cancel service requests;
- Raise, confirm, authorise and cancel works orders for contractors;
- Manage appointments; and
- Raise, complete and cancel inspections.

The IT/technical operations are handled by HFBP while the vast majority of repairs (including all repairs for the Council permanent housing stock - tenanted and void) are managed and processed by H&F Homes.

The Iworld repairs module went live in October 2005 and although LBHF have other additional systems in use for managing some repairs, this audit scope has focused on the Iworld module used by H & F Homes and LBHF.

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Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Access Control			0	4	0
	Input Control			2	0	1
	Data Processing Control			0	1	0
	Output Controls			0	0	0
	Interface Controls			0	0	0
	Management Trail			0	0	0
	Backup and Recovery			0	0	0
	Support Arrangements and Change Management			0	1 (see rec 7)	0

Summary of Findings

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.

Access Controls

There are controls in place for the security of the Iworld repairs system tables to prevent users amending their change or access settings. Users have also been restricted from having unlimited access attempts to the system. However, access control could be improved on the application, recommendations have been raised in relation to the need to allocate access to named individuals and review the HOU account activities; the need to review user accounts and roles; the need to report and review the log of access violations and the need to strengthen logical access settings on the system.

Data Input

There are controls over the authentication of requests for repairs before these are entered onto the Iworld application as only users with authorised access to the system are able to input data. In order to ensure data integrity and accuracy, the fields on the application have been configured to accept data in predetermined criteria and to reject wrongly formatted data. Controls are also in place to help ensure that errors are flagged and reported and source documents are securely retained. However, we have suggested an improvement to the process for raising and authorising orders for jobs done by contractors, mandatory controls to be improved and that outstanding requests with 'raised and 'hold' status be reviewed in a timely manner.

Data Processing

There are control procedures to help ensure that the Iworld repairs data is processed correctly and in a timely manner, including file identification controls for the transfer of files between systems to prevent duplicate transactions. However, we have suggested that the process be improved by ensuring that a formal procedure is established for requesting authorising, testing, sign off and implementing changes to master data on the system.

Output Controls

Controls exist over the production and secure distribution of sensitive output reports. This includes the storage of sensitive files containing contractor details on the secure 'Jail' directory and the use of the Secure Shell (SSH) for the transfer of interface files containing sensitive information. The layout to reports produced is also designed to produce quality information that is accurate, meaningful to the user and show sufficient detail. No recommendation has been raised as a result of our work in this area.

Interface Controls

The Iworld repairs system currently interfaces with two types of systems. The contractor system (for the transfer of works orders and variation requests) and the Cedar finance system (for the transfer of invoice payment details and the confirmation of payments). There are controls over the creation and secure transfer of files between Iworld and the related systems. No recommendation has been raised as a result of our work in this area.

Management Trail

The Iworld application contains an audit trail which logs user activity on the system and is able to report on the user id for users who have carried out changes, the reference number for the change, the before and after image of the change, the affected contractor, and the date and time of change. No recommendation has been raised as a result of our work in this area.

Back-up and Recovery

Controls exist over the integrity of backup data for the Iworld system and data is backed up on a daily basis by use of the Tivoli backup system. Business Continuity and Disaster Recovery plans have not been covered in this audit as this has been subject to a previous audit and management are already aware that improvements are required. No recommendation has been raised as a result of our work in this area.

Support Arrangements

First and second line support of the system is done by HFBP while third line support is by the supplier – Northgate. Procedures have been established for the security over third party access.

Third line support is covered by an SLA agreement between HFBP and the suppliers to escalate calls that cannot be resolved by HFBP. Hence contract management with the suppliers is by HFBP and is therefore out of scope for this audit. The support contract between the Council and HFBP has been audited before in previous audits and has not been revisited in this audit. No recommendation has been

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raised as a result of our work in this area.

Change Management

There are procedures in place to help ensure that changes to the system are tested in a test environment and sign off obtained before they can be implemented to live. However, we identified that some emergency changes can be verbally authorised and have suggested a change to the process. A recommendation has been raised under the area of Data Processing.

Acknowledgement

We would like to thank the management and staff of HFBP, H&F Homes and the BTS team for their time and co-operation during the course of the internal audit.

All staff consulted are included at Appendix C.

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Recommendations

Access Controls

1. The Shared HOU Account

(Priority 2)

Recommendation	Rationale
<p>The system support analyst should investigate with the suppliers Northgate, the possibility of allocating the HOU access permissions to named individuals instead of through a generic shared account.</p> <p>Should this not be possible, consideration should be given to establish a regular management review of support officers' activities and the use of the HOU account on the lworld repairs system.</p>	<p>Individual user accounts help to ensure changes made on the lworld repairs application are accountable to specific users. This assists in the identification of users who have made errors and can assist in identifying where further training is required. The independent review of changes with the use of the HOU account will help to ensure that all amendments to the access control structure and system-wide security restrictions and parameters (critical changes) are appropriate and authorised.</p> <p>There is a generic User account - HOU and password which is shared by three lworld support staff. This account has full access to the application and is used for running interfaces. The password to the account is not changed on a regular basis. There is currently no process in place to review activities on the system with the use of this account.</p> <p>Where use of a single generic account is shared by more than one user, there is limited accountability and the actions of that account cannot be determined. Any unauthorised activity cannot be directly attributed to an individual user. In the absence of an independent review, there is an increased risk that inappropriate or unauthorised changes may not be identified for timely action.</p>

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The Shared HOU Account (Continued)

(Priority 2)

Management Response			
Agreed: HFBP: We will investigate the possibility with the supplier - Northgate. We will also restrict use of the account to configuration changes only and will review to ensure authorised use; and Council: We will instruct HFBP to carry out the recommendation.			
Responsibility	HFBP System Support Analyst Council: AD Regeneration and Housing Strategy	Deadline	18th July 2010

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2. Logical Controls

(Priority 2)

Recommendation	Rationale		
<p>We recommend that the following password controls should be enforced on the Iworld Repairs application in line with the Council's Information Security Policy:</p> <ul style="list-style-type: none"> • Password length is of a minimum of 8 characters; • Password complexity is enabled to conform with the Council's requirement; and • Password history to be set to 10 so that the last 10 passwords cannot be reused. 	<p>Strong password controls help increase assurance that only authorised users can gain access to the system. Enforcement of the security policy by the system will help ensure that the use of weak passwords is rejected.</p> <p>Audit testing identified the following:</p> <ul style="list-style-type: none"> • Passwords are set to a minimum of 6 characters; • The complex password option has not been configured to require special password characters; and • Passwords can be recycled after 90 days. <p>Failure to enforce adequate logical access controls could lead to unauthorised users obtaining access to data and resources on the Iworld Repairs application.</p>		
Management Response			
<p>Agreed HFBP: We will look to change the password settings in line with the Council's policy; and Council: We will instruct HFBP to carry out the recommendation.</p>			
Responsibility	HFBP System Support Analyst Council: AD Regeneration and Housing Strategy	Deadline	30 th June 2010

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3. Review of Security Audit Logs

(Priority 2)

Recommendation		Rationale	
<p>Audit log reporting should be developed to identify if the Iworld application can report on unsuccessful attempts at user access and on changes to key system records.</p> <p>A process should then be established for the regular reporting and review of security violations.</p>		<p>The production and review of security logs helps to identify any unsuccessful attempts at logging into the application and on accessing key system data.</p> <p>Although the Iworld application has been configured to lock a user account after three unsuccessful login attempts, failed access attempts are not reported by the system and are consequently not reviewed.</p> <p>The absence of audit log reporting and review of attempts at accessing the system and data could mean unauthorised access attempts are not identified timely and subsequently investigated.</p>	
Management Response			
<p>Agreed: HFBP: We will investigate the possibility of reporting failed attempts with the suppliers; and Council: We will instruct HFBP to carry out the recommendation.</p>			
Responsibility	HFBP System Support Analyst Council: AD Regeneration and Housing Strategy	Deadline	18th July 2010

Final Report

4. Review of Accounts and Role Permissions

(Priority 2)

Recommendation		Rationale	
<p>A process should be established for the periodic reporting and review of user accounts and permissions (including authorisation limits) on the Iworld Repairs application to ensure that all users are active and that their access is allocated in line with their job role.</p> <p>A list of leavers should also be required from Human Resources (HR) to identify staff that have left the Council.</p>		<p>The periodic reporting and review of user accounts and permissions helps to ensure that user access to the system and data is in line with user's job roles and that user accounts are still required. HR involvement will help ensure the timely removal of leavers from the system.</p> <p>Review of users' last password change dates identified that some account passwords have not been changed since 2004. There is no process in place for the periodic review of user accounts to ensure that access is still required and that it is in line with users' job roles.</p> <p>Failure to review accounts and permissions on the system could result in excess permissions that may be used for unauthorised activities. If leavers are not removed in a timely manner, their access permissions may be used to obtain unauthorised access to the system.</p>	
Management Response			
<p>Agreed: HFBP: We will review and implement the authorisation limits immediately. We will review user's last password change dates every 3 months. We will run a report for users last password change dates and compare with the Trent (HR system) records to confirm that users are still current or have left the authority; and</p> <p>Council: We will instruct HFBP to carry out the recommendation.</p>			
Responsibility	HFBP System Support Analyst Council: AD Regeneration and Housing Strategy	Deadline	Immediate

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Data Input Controls

5. Review of the Works Order Process

(Priority 1)

Recommendation	Rationale		
<p>A process should be put in place for the timely creation and approval of works orders for repairs works prior to the work being executed by the contractors. The process should be monitored for compliance.</p>	<p>The creation and approval of works orders will help ensure that all repair works by contractors are adequately authorised.</p> <p>Review identified that jobs are completed by contractors and invoices raised for work ordered by field engineers before a retrospective order is raised to authorise the job. Our review identified a job that was verbally authorised on 31/08/09, the invoice was dated 10/09/09 and the retrospective order raised on 22/09/09.</p> <p>Failure to review the works order processes increases the risk that payments are made for works which have not been completed.</p>		
Management Response			
Agreed: We will send an email round to the other managers requiring that this recommendation should be implemented.			
Responsibility	Works Contracts Manager	Deadline	30 th November 2009

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6. Review of Outstanding Works Orders

(Priority 1)

Recommendation	Rationale
<p>A process should be established for the timely review and action of works orders with the Raised and Hold status.</p> <p>All longstanding orders should be cleared as a matter of urgency.</p> <p>The review should also seek to identify if works are being undertaken without authorisation.</p>	<p>Review and correction of works orders will help ensure that jobs are authorised and tenants' problems resolved in a timely manner.</p> <p>It identified that all works Order (WO) values above the requesting officer's authorisation limit are automatically queued for a manager's authorisation. A query report has been programmed for respective divisional heads to run, review and authorise such orders. Although there are nominated officers to monitor outstanding orders with RAISED and HOLD status on this list, the review identified that there are raised orders dating back to August 2008 pending authorisation by the respective divisional heads.</p> <p>Failure to review and authorise outstanding orders increases the risk that tenant's problems will not be resolved in a timely manner. This may result in repairs services not being delivered on a timely basis, customer dissatisfaction, complaints and loss of the Council's reputation, including impacts upon external inspections.</p>
Management Response	
<p>Agreed: - a daily report is sent to relevant managers within H&F Homes that identifies orders at status Raised and Hold. The distribution list for this has been reviewed and managers reminded of their responsibilities.</p> <p>It is not possible to issues orders on iworld without proper authorisation.</p> <p>Agreed; -BTS and CSD</p>	

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Responsibility	IT and Performance Manager (H&F Homes) Works Contracts Manager (LBHF)	Deadline	November 2009
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Data Processing

7. Segregation of the Master Data Change Function

(Priority 2)

Recommendation	Rationale
<p>A process should be put in place to separate the functions for those authorising and implementing changes to master data records on the Iworld repairs application.</p> <p>The process should ensure that all changes are put through the formal change control procedure of requesting, authorising, testing, sign off and implementation.</p>	<p>Suitable separation of functions will help ensure that duties do not overlap. A formal change control process will also ensure that changes are adequately authorised.</p> <p>Changes to reference data for instance, contractor details and contract prices (SOR) are done by the HFBP support team and the IT repairs officer (H&F Homes). We identified that, while changes by HFBP are logged on the service desk 'Magic' system and must be commissioned by authorised H&F Homes staff, those done by the IT repairs officer for H&F Homes could be authorised either via an e-mail or from discussions. There is no standard request process in place for changes done by H&F Homes. Changes authorised from a discussion are not documented.</p> <p>The lack of a suitable separation of functions and formal change procedure increase the risk of duties being overlapped and unauthorised changes being made on the system.</p>

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Management Response			
Agreed - The IT Section of H&F Homes have been instructed that they must receive written authorisation from an manager before they initiate any change to reference data on iworld, albeit this may simply be an email confirmation depending upon the nature and scope of the change.			
Responsibility	IT and Performance Manager (H&F Homes)	Deadline	Immediate

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Statement of Responsibility

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

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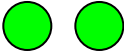



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Audit Opinions

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 Audit Objective and Scope

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:

Access controls

- Access authorisation
- Logical controls
- Separation of duties

Input Controls

- Input authorisation
- Accuracy controls
- Exception reporting

Data Processing Controls

- Timely planning
- Processing integrity and accuracy
- Change authorisation

Output Controls

- Accuracy of reporting
- Controlled stationery
- Secure distribution of sensitive reports

Interface Controls

- Controls over electronic and manual feeds
- Reconciliation of outputs.

Management Trails

- Tracing of data and data changes

System Backup and Recovery

- System backup
- Storage and destruction of backup tapes

Support Arrangements

- Application support and call monitoring
- Supplier access

Change Management

- Change control procedure
- Upgrades, releases and changes to the application and infrastructure.

Generic restrictions on the scope of our work are set out on the following page under ‘Audit Approach and Methodology’, however, Business Continuity and Disaster Recovery plans have not been covered in this audit as management are already aware that control improvements are required.

Internal Audit Approach and Methodology

The internal audit approach is developed through an assessment of risks and management controls operating within the agreed scope.

The following procedures were adopted:



- 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.

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.

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.

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.

Appendix C – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
General Manager	Systems Support Analyst
Deputy Sector Manager	Contracts Manager (Non Housing)
CAS Sector Manager	Repairs Manager
Auditor	IT Repairs Manager (H&F Homes)
	IT and Performance Manager (H&F Homes)
	Head of Application Services (HFBP)
<p>Contact Details:</p> <p> Ext 2550</p> <p> Ext 2590</p>	

Appendix D – Audit Timetable

	DATES
Planning Meeting	12/05/09
Fieldwork Start	16/09/09
Exit Meeting	09/10/09
Draft report issued	28/10/09, 10/05/10
Final report issued	09/07/10



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

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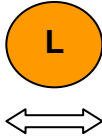
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This report and the work connected therewith are subject to the Terms and Conditions of the Supply Agreement dated 25 April 2008 between London Borough of Hammersmith & Fulham and Deloitte & Touche Public Sector Internal Audit Limited. The report is 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.

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 Fulham Primary 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>
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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 as follows:</p> <ul style="list-style-type: none"> • The School's Scheme of Delegation including the Committee Terms of Reference has not been reviewed, updated and approved by the Governing Body since Autumn 2005; • Policies, procedures and plans have not been reviewed, updated and approved by the Governing Body; • The budget as loaded on SIMS FMS differed from that as originally agreed due to re-profiling by the new Headteacher; • Contracts were found not to be appropriately managed; and • The inventory record was not being kept up to date. <p>The Direction of Travel provides a comparison to the previous audit visit. In this case, we have indicated that the Direction of Travel has remained unchanged since the previous internal audit report for which</p>
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limited assurance was given.

**Priority
Recommendations**

1

We have raised four priority 1 recommendations as a result of this internal audit. The recommendation is as follows:

- The Governing Body should formally approve all plans, policies and procedures in the School and evidence this in the minutes of the appropriate Governing Body meeting;
- The Chair of the Governing Body should formally approve the Scheme of Delegation. Evidence of the approval should be formally documented in the relevant minutes of meeting at which approval was given;
- The Governing Body should ensure that committees meet on a termly basis in line with the agreed Terms of Reference. The Governing Body should agree a schedule of meetings for the year in advance; and
- The School should ensure that at least a signed contract, evidence of CRB clearances, qualifications, appointment and termination letters are retained on personnel files for all staff.

Detailed Findings

Background	<p>This report details the Internal Audit of the procedures and controls in place over Fulham Primary School, and has been undertaken in accordance with the 2009/2010 Internal Audit Plan agreed with Hammersmith and Fulham Council.</p> <p>Fulham Primary School is a mixed School for pupils aged 3 to 11 years with 308 pupils on roll. The School has also undergone changes in leadership, in which the current Headteacher has only been appointed in post since September 2009.</p> <p>The School has balanced the 2009/10 income and expenditure budgets at £1,901,753 to include a contingency of £28,099.</p> <p>The School was inspected by OFSTED in November 2006. A new OFSTED inspection is due to take place soon.</p>
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Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Leadership and Governance			3	1	0
	School Improvement or Development Plan and OFSTED			0	*1	0
	Financial Planning, Budgetary Control and Monitoring			0	3	0
	Payroll			1	*1	0
	Procurement			0	3	0
	Bank Accounts			0	0	0
	Income			0	0	0
	Assets			0	*2	0
	School Journey			0	0	0

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

* A recommendation affecting this area is included in Area 1.

Summary Findings

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.

Leadership and Governance

It was confirmed that the Governing Body meets on a termly basis and that the minutes are signed off by the Chair at the next meeting.

The current Scheme of Delegation follows the format of the standard issued by the Council and is combined with the Committee Structure and Terms of Reference of all committees. However, it has not been reviewed, updated and approved by the full Governing Body since Autumn 2005. Also, it does not include all staff with financial management responsibilities with the exception of the Headteacher. The document does not reflect the current practice followed by school committees regarding their frequency of meetings. The document states that "Meetings of the committees will be held at least once per term"; however, committee meetings have not been held, and it was noted in the minutes of the Governing Body that a decision was taken that committees would only meet if specifically requested to do so.

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 therefore not including a recommendation but noted the following:

- Self-evaluation financial management competency matrix forms, R20 and R11 for Governors and all staff with financial management responsibilities had not been completed.
- The Statement of Internal Control (SIC) had not been completed, signed and submitted to the Local Authority.

Although the School did hold a Register of Pecuniary and Business Interests, this was completed at the time of the previous Headteacher, and an entry for the current Headteacher or senior staff with financial responsibilities had not been completed. ...Register of Pecuniary and Business Interests....entry for the current Headteacher or senior staff with financial responsibilities had not been completed.

This is the responsibility of the clerk to the governing body and was due to be updated and submitted to the governing body meeting, which was to take place after the audit.

The School holds a copy of the Whistle Blowing Policy in its policies folder, and it was stated that staff were briefed of its contents at staff meeting. However, we identified that the policy had not been reviewed and approved since July 2007 as a 3 year cycle for reviewing policies is in place.

The School holds a copy of the Hammersmith and Fulham (H&F) School Financial Procedures Manual and its own local Finance Policy; however, there was no evidence in Governing Body minutes to confirm that the procedures manual was formally adopted. Furthermore, the Finance Policy was last reviewed in February 2008 and there was no evidence that it was approved by the Governing Body.

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

School Development Plan and OFSTED Inspections

The School Development Plan (SDP), at the time of the audit, had not yet been submitted to the Governing Body for approval. Examination of the SDP identified that it was not set for the next three academic years. There was no evidence to confirm that a rolling plan was in place to supplement the 2009/10 Plan. It was also identified that the finance resources were not always stated in the SDP and linked to the 2009/10 budget plan.

The most recent Ofsted report was also examined and the issues raised within the report were addressed within the SDP.

We have raised one recommendation as a result of our work in this area.

Financial Planning, Budgetary Control and Monitoring

The 2009/10 budget plan was approved by the Governing Body in May 2009.

A comparison of the original agreed budget with that as loaded on SIMS FMS identified differences. In discussion with the Headteacher it was stated that the budget had been revised with the SMS Officer and a number of changes made.

While a record of budget virements was held by the School, we could not be provided with documents in order to confirm who had authorised them. In addition, while it was stated that SIMS FMS reports are employed for budget monitoring it could not be confirmed from the Governing Body minutes that they had received and reviewed the reports.

We were informed that performance management has been undertaken for staff with financial management responsibilities with targets set and training requirements sought. However, these are yet

to be fully agreed and evidence of this could not be provided.

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 therefore not including a recommendation but noted that:

- Under FMSiS Section 2 People Management 2.2G that "The process for determining Performance Management target for staff ensures targets include financial management issues, where appropriate."

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

Payroll

We were informed that the School buys into the HR & Payroll Services from the Borough. Although payments to staff are monitored by the Borough Finance Officer, there is no evidence of the review. Further, the latest payroll report held by the School was dated September 2009.

Examination of personnel files for five new starters and leavers during 2009/10 academic year confirmed that:

- Signed contracts were not held for any of the five starters;
- In four of the five cases, references were not located;
- Appointment letters were available to view in all cases examined;
- Evidence of qualifications were available to view in all cases where appropriate; and
- In none of the five cases could evidence of documentation supporting employees' leaving dates was available; and
- All five leavers were removed from the payroll in a timely manner.

The School's staffing structure had been reviewed for this current financial year but we could not locate evidence of formal approval from the Governing Body. Further, the School's Pay Policy had not been reviewed and updated since August 2006. The copy held at the School was for the academic year, September 2005 to August 2006.

We identified from examination of the Recruitment and Selection Policy held that it was last reviewed and agreed by the Chair of Governors during December 2007.

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

Procurement

Examination of a sample of 10 payments for 2009/10 identified the following:

- Official order forms were not completed and appropriately authorised for goods/ Services procured;
- VAT was accurately calculated and accounted for;
- In one of the ten cases, the invoice was paid 67 days from the invoice date; and
- In one of the ten cases the invoice did not sufficiently identify the supplier.

It was identified that for goods and services in excess of £1,000, quotes had not been obtained for all items of major expenditure and was therefore not compliant with the Schools Finance Policy.

We were informed that a benchmarking exercise has not been undertaken on behalf of the School and reported to the Governing Body.

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 therefore not including a recommendation but noted the following:

- We were informed that a benchmarking exercise has not been undertaken on behalf of the School and reported to the Governing Body in order to compare the School's performance with that of similar schools; and
- A Best Value Statement has not been completed and submitted to the Local Authority.

The School was unable to provide us with supporting documentation to confirm how contracts were procured in order to demonstrate value for money and the appropriate management of contracts within the School. Furthermore, the School did not maintain hard copies of contracts for two of the eight contracts examined, and one has not yet been signed.

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

Bank Accounts

The School retained a copy of the current bank mandate. Also, the School is required to submit monthly returns which include the bank reconciliation to the Local Authority. Examination of the last three months bank reconciliations identified that they had been completed and submitted to the Local Authority on a monthly basis. However, the reconciliations were only signed by the reviewer to confirm their accuracy

and completeness. We advised the School to ensure that all bank reconciliations are signed by both the preparer and the reviewer (in this case, the Headteacher) to evidence accuracy and completeness. We were informed that the reconciliation used is the standard model produced by Hammersmith which does not include a section for the reviewer to sign. Hence, we will not be raising a recommendation of the issue at this time.

Examination of the last unreconciled report for October 2009 did not identify any unreconciled items in excess of three months old.

We have not raised any recommendation as a result of our work in this area.

Income

The School received income from residential trips, breakfast club and from the sale of book bags and fruit tacks. We identified that receipts were not issued for any of the income received although these could be traced to the SIMS system. In addition, a register was maintained for all income.

Assets

We were informed that the inventory record was last updated in September 2008 and therefore was not up-to-date.

For this current year, quotations from RM have been used as the inventory record and have been signed by the Chair of Governing Body. The documents however did not include the serial number, location of the assets, date of purchase, purchase price and the items that had been disposed of. Also, we could not be provided with evidence of the last inventory check and who undertook the check. We identified that valuable items have not been security marked as belonging to the School.

The Write-off Policy was signed by the Chair of Governors on 13th February 2009. However, we could not locate in the minutes evidence of its approval.

The School was not able to provide evidence of a plan for the use, maintenance and development of the School and that the Governing Body had approved the plan. The School however was able to provide evidence of various inspections and certificates undertaken on maintenance, such as Fire Fighting Equipment and Fire Alarm inspections and Maintenance Certificate for the playground and quotations for supply of water and air services.

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

School Journey

The School had a School Visits Policy and a Charging Policy. The School is required to request a voluntary contribution from parents to cover the cost of the trip but should insufficient contributions be received then the trip may be cancelled.

The most recent school residential journey was examined. A contribution of £160 per pupil was requested based on the total cost of the trip divided by the number of pupils. A record was maintained of all contributions received. The School received additional funding which reduced the cost to £40 per pupil and refunds were made where necessary. While it was stated that approval was granted by the Headteacher, Chair of Governors and the Council no evidence of this could be found. As the trip has not yet been completed, an 'End of Journey' statement was not applicable.

We have not raised any recommendations as a result of our work in this area.

School Fund - Accounting

A record of the school fund was maintained and reconciled to bank statements by the Senior Administrative Officer. However, it was noted that the reconciliation had not been reviewed and agreed by the Headteacher since February 2008 and the accounts were not presented to the Governing Body. There was also no evidence that the account had been independently audited.

We have raised one recommendation as a result of our work in this area.

Petty Cash Account

The School set a maximum limit of £30 for reimbursement of petty cash expenses.

Staff are required to complete a petty cash voucher and provide a receipt for all reimbursement claims. Examination of a sample of five transactions selected from the transaction listing identified that in all five cases, there was sufficient supporting documentation and authorisation for the payments.

We have not raised any recommendation as a result of our work in this area.

Data Protection

The School had registered under the Data Protection Act in October 2006 and this was renewed during November 2009. The School buys into the Local Authority's IT procedures; hence, all data is backed up remotely by the SMS Support Team.

We have not raised any recommendations as a result of our work in this area.

Acknowledgement

We would like to thank the management and staff of Fulham Primary School for their time and co-operation during the course of the internal audit.
All staff consulted are included at Appendix C.

Recommendations

Leadership and Governance

5. Approval of Policies and Procedures

(Priority 1)

Recommendation	Rationale
<p>The Governing Body should formally approve all plans, policies and procedures in the School and that the approval should be recorded in the minutes of the relevant meeting.</p> <p>A review cycle should be introduced to cover all key documents required for the management of the School.</p> <p>The Governing Body approval should include, but not be limited to the following:</p> <ul style="list-style-type: none">• School Development Plan;• School Pay Policy;• Recruitment and Selection Policy;• Write-off and Disposal Policy;• Whistle Blowing Policy;• School Visits Policy;• Charging for School Activities;• School Finance Procedures Manual; and• Finance Policy.	<p>The formal approval of all policies and procedures by the Governing Body will help to ensure that the overall aims and objectives of the School are achieved and that activities at the School are undertaken in a consistent manner, in line with those objectives.</p> <p>While the School holds a policies file on which copies of the Pay Policy, Finance Policy, Write-off and Disposal Policy signed off by the Chair of Governors, it could not be confirmed that policies such as the School Development Plan, Pay Policy, Recruitment and Selection Policy, Write off and Disposal of Assets Policy, School Finance Procedure Manual and Finance Policy had been reviewed and approved by the Governing Body.</p> <p>Without Governing Body review of the relevant policies and procedures, there is an increased risk that they do not reflect the strategic requirements of the School and that policy and procedures may not cover all key aspect of the Schools operations or there may be duplication of effort in Committee or operational activities.</p>

Management Response			
Agreed			
Responsibility	Headteacher	Deadline	10 th December 2009

6. Scheme of Delegation

(Priority 1)

Recommendation		Rationale	
<p>The Governing Body should review and update the current Committee Structure Terms of Reference and Scheme of Delegation. This should be done annually, and include the financial authorisation limits for the Governing Body, Finance Committee, Headteacher, all budget holders and their respective delegated limits of authority.</p> <p>The Chair of the Governing Body should formally approve the Scheme of Delegation. Evidence of the approval should be formally documented in the relevant minutes of meeting at 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>Further, the annual review and update of the Scheme of Delegation of the School will help to ensure that levels of authority remain relevant to the needs of the School and the varying levels of experience of the Governors, Headteacher and other staff.</p> <p>The School had a signed and agreed Scheme of Delegation which is dated December 2005 and follows the standard form issued by the Council. There is however no evidence that it had been reviewed and updated by the Governing Body since then.</p> <p>Where the Scheme of Delegation is not subject to annual review and update, there is an increased risk that the levels of decision making may no longer reflect the requirements of the School and hence, inappropriate procurement decisions may be made. Further, where the Scheme of Delegation is not reviewed to include the Governing Body, Finance Committee, and all staff with authorised financial limits, there is an increased risk that commitments may be entered into which are outside the scope of authority.</p>	
Management Response			
Agreed			
Responsibility	Headteacher/ Chair of Governors	Deadline	10 th December 2009

7. Register of Pecuniary / Business Interests

(Priority 2)

Recommendation	Rationale
<p>The Register of Pecuniary Business Interests should be completed in full by all senior members of staff with financial management responsibility.</p> <p>The Governing Body should ensure that the Register is held at the School and available and accessible for review by the public. Further, Members should be given an opportunity to declare business interests at each meeting. Hence, declaration of interests should be a standing item on the Governing Body agenda.</p>	<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 Head Teacher), 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 best practice that the register includes all staff with financial management responsibilities.</p> <p>A Register of Pecuniary and Business Interests was held by the School. On examination, it was not completed by the current Headteacher and the Deputy Headteacher. In addition, it was found that the Register was kept in the School safe. Further, declaration of interests is not a standing item on the Governing Body agenda.</p> <p>Where the Register of Pecuniary and Business Interests is not kept up to date, and staff with financial management responsibilities do not declare any interests, there is an increased risk that conflicts of interests may not be managed appropriately, which 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. The audit file contained a sheet stating that the register was kept in the safe. This was deemed by the school as an appropriate and secure place to keep a document containing samples of signatures. The fact that the register is kept in a secure place does not preclude it from being accessible. An updated register was not available as a governing body meeting had not taken place prior to the audit. It is the responsibility of the clerk to the governing body to ensure that this register is completed and placed on the agenda as a standing item.</p>	

Responsibility	Headteacher	Deadline	Immediately
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4. Committee Meetings

(Priority 1)

Recommendation		Rationale	
<p>The Governing Body should ensure that committees meet on a termly basis in line with the agreed Terms of Reference. The Governing Body should agree a schedule of meetings for the year in advance.</p> <p>The Governing Body should require that all committee meetings are minuted, with the minutes agreed by the Chair of the committee and reported to the next full meeting of the Governing Body and retained on file.</p> <p>Further, the Governing Body should consider delegating some responsibilities to its sub committees. These could include policy reviews and assessment of the School Development Plan prior to formal approval by the Governing Body. The sub committees should report to the Governing Body at each meeting.</p>		<p>Establishing committees which meet on a regular (at least termly) basis will assist the Governing Body in the management of the School.</p> <p>It was found that while the Governing Body had established committees, the committees had not met since February 2008. Examination of the October 2008 Governing Body meeting identified that a decision was made for committees not to hold meetings unless specifically requested to do so by the Governing Body.</p> <p>Where committees do not meet in accordance with their agreed Terms of Reference, there is an increased risk of over reliance on the full Governing Body and as a result, may be inefficient and ineffective in discharging its duties.</p>	
Management Response			
The school will from the new year agree a programme of meetings to ensure that Committees meet in advance of the full Governing Body meeting.			
Responsibility	Headteacher	Deadline	Immediately

School Development Plan and OFSTED Inspections

5. Three Year Plan

(Priority 2)

Recommendation		Rationale	
<p>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.</p> <p>Further, the School should develop a multi-year budget covering the next three years and link this with the School Development Plan for the same period.</p>		<p>Formulating the School Development Plan (SDP) and linking this to the budget setting process helps to ensure that strategic aims and objectives of the school are formally agreed and adequately resourced. Formulating a rolling plan that covers two or more years defines the strategic aims and objectives of the School.</p> <p>While the School had a School Development Plan for the current academic year, there was no longer term plan.</p> <p>Where the SIP has not been produced for the longer term in line with the three year budget, there is an increased risk that strategic aims and objectives may not be delivered.</p>	
Management Response			
Agreed			
Responsibility	Headteacher/ Manager	School Business	Deadline
			Immediately

Financial Planning, Budgetary Control and Monitoring

6. *Approval of Revised Budget*

(Priority 2)

Recommendation		Rationale		
<p>The School should complete a full check of the budget uploaded onto the SIMS system against the approved budget plan.</p> <p>Further, the revised budget should be re-presented to the Governing Body, identifying the changes made from the original budget for re-approval.</p>		<p>Accurate input and review of budget allocations ensure that remaining balances (under and overspending) shown on budget monitoring reports are correct and can be relied upon for decision making purposes.</p> <p>Furthermore, the review and approval of the Budget by the Governing Body will help to ensure that it is in accordance with the overall aims and objectives of the School.</p> <p>A comparison of the original agreed budget with that loaded on SIMS FMS identified that while the overall total was the same, there were a large number of budget amounts re-allocated from the original budget. It was stated by the Headteacher that the budget had been reviewed and re-profiled.</p> <p>Where checks are not carried out to confirm the accuracy of the approved budget plan and the budget uploaded onto the SIMS system, there is an increased risk that financial decisions may not be made correctly where accurate budget monitoring reports are not maintained. There is a further risk that the Governors may not be aware of the current spending priorities.</p>		
Management Response				
<p>Agreed. The LA finance support officer regularly updates the Headteacher on the status of the budget and produces regular budget monitoring reports for the Headteacher and governing body. The clerk to the governing body should ensure that reviews are minuted.</p>				
Responsibility	Headteacher/ Manager	School Business	Deadline	Immediately

7. Virements

(Priority 2)

Recommendation		Rationale	
Budget virements should be signed off as 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.		Approval of budget virements will help to ensure that virements are not resulting from inefficiencies and that the revised budgets are in line with the School's priorities and objectives. While a record of budget virements was held by the School, we could not be provided with documents in order to confirm who had authorised them. Where budget virements are not properly authorised, there is an increased risk that budget amendments may not be in line with the School objectives and priorities or as a result of inefficiencies.	
Management Response			
Agreed			
Responsibility	Headteacher / School Business Manager	Deadline	Immediately

8. Budget Monitoring Reports

(Priority 2)

Recommendation		Rationale	
<p>Budget monitoring reports should be produced and presented for review by the Governing Body and appropriate delegated Committees.</p> <p>The minutes of the Governors meeting should formally record the report received and the results of any discussions as a result of the report.</p>		<p>Production of timely budget monitoring reports for review by the Governing Body and its delegated Committees, and the recording of any findings identified as a result of the review, will assist in the management of the School's finances.</p> <p>While it was stated that the School employs budget reports produced from SIMS FMS, and the Headteacher reviewed and signed off the monthly reconciliation, it could not be confirmed from the Governing Body minutes that Governors received and reviewed the financial reports.</p> <p>Where financial reports are not received and reviewed by the Governing Body, there is an increased risk that Governors may not be aware of the financial position of the School and as a result may take inappropriate decisions. Further, where the results of their deliberations are not recorded, there is a risk that Governors may not be able to demonstrate the proper discharge of their responsibilities.</p>	
Management Response			
<p>Agreed. The LA finance support officer regularly updates the Headteacher on the status of the budget and produces regular budget monitoring reports for the Headteacher and governing body. The clerk to the governing body should ensure that reviews are minuted.</p>			
Responsibility	Headteacher/ School Business Manager	Deadline	Immediately

Payroll

9. Retention of Recruitment Documents

(Priority 1)

Recommendation		Rationale	
<p>The School should ensure that at least a signed contract, evidence of CRB clearances, qualifications, appointment and termination letters are retained on personnel files for all staff.</p>		<p>Retaining relevant documents on staff personnel files will help to ensure compliance with the school's policy and statutory requirements.</p> <p>Examination of personnel files for five new starters for the period, 1 April 2009 to 16 November 2009 and leavers for the period, 1 April 2008 and 31 April 2009 noted the following:</p> <ul style="list-style-type: none"> • One leaver file was not provided; • Signed contracts were not held for all five starters'; • In four of the five starters, references were not located; • Evidence of qualifications were not held for one of the five starters; • Where leavers file were provided, there was no documentation supporting employees' termination of employment. <p>Where documents are not retained to evidence the appointment and termination of staff, there is an increased risk that the appointment of unsuitable persons may have an adverse impact on the performance of the School and staff morale, resulting in failure to achieve corporate objectives.</p>	
Management Response			
Agreed			
Responsibility	Headteacher	Deadline	Ongoing

10. Regular payroll checks

(Priority 2)

Recommendation		Rationale	
<p>The School should ensure that monthly payroll reports are obtained.</p> <p>Further, regular payroll checks should be conducted between the monthly reports and SIMS and signed by the officer undertaking them.</p>		<p>Obtaining monthly payroll reports and conducting checks will help ensure that any discrepancies are identified and resolved in a timely manner. Further, evidencing review of payroll statements increases accountability for exercising this control.</p> <p>We were informed that no regular payroll checks take place between monthly payroll reports and SIMS. In addition, the latest payroll report held by the School was dated September 2009.</p> <p>Where reviews of payroll are not carried out monthly, there is an increased risk that discrepancies may not be identified and resolved promptly. There is a further risk that where the review is not evidenced, accountability for exercising this control will become diminished.</p>	
Management Response			
Agreed. Regular Monthly Payroll data is received by the LA finance support officer who monitors the data and reports any discrepancies to the Headteacher.			
Responsibility	LA Finance Officer	Deadline	Immediately

Procurement

11. Compliance with the School's Finance Procedures Manual

(Priority 2)

Recommendation	Rationale
<p>All members of staff that undertake financial administration duties should be formally reminded of the need to comply with the School Financial Procedures Manual:</p> <ul style="list-style-type: none">• The School's official order forms should be completed before an order is processed;• Purchase orders should be raised for all expenditure on a timely basis;• Delivery notes should be retained on file and signed off by the person checking the goods;• Payment for invoices should be made within the 30 day threshold or when stated on the invoice; and• Invoices should only be paid when appropriately approved. <p>In addition, the School should maintain an up to date signatory list for all staff, stating their delegated financial limits for authorising orders, invoices and petty cash claims.</p>	<p>The School's Financial Procedures Manual sets out rules to be adhered to with regards to the financial processes within Schools.</p> <p>Examination of a sample of 10 purchases identified the following exceptions:</p> <ul style="list-style-type: none">• In two of the 10 cases, Official Purchase Orders were not raised or approved;• One of 10 payments was made 67 days from the invoice date; and• Of the 10 payments, one invoice did not adequately identify the supplier. <p>Without enforcing compliance with the School's Financial Procedures Manual, there is an increased risk that the School may not be able to demonstrate transparency and value for money in its purchasing processes, and that commitments are not raised on the system for all expenditure which could result in budgetary overspend.</p>

Management Response

Agreed. No goods are ordered without authorisation of the Headteacher and orders are placed on the FMS. Delivery notes are not always received, however, confirmation is obtained verbally that the goods have been received and the invoice annotated accordingly. Invoices are paid timely upon receipt by the school. Frequently invoices are received two weeks after the date printed on the invoice. No invoices are paid without authorisation from the Headteacher and the invoice annotated accordingly. Bank mandates are kept in the safe and this is deemed by the school as an appropriate and secure place to keep a document containing samples of signatures. Suppliers are always identified as without appropriate information and authorisation an invoice would not be raised.

Responsibility

Senior Admin Officer

Deadline

Immediately

**12. Value for Money
(Priority 2)**

Recommendation		Rationale	
<p>The School should obtain and retain on file at least three written quotations for payments in excess of £1,000. In the event that it is not possible to obtain three written quotations, this should be reported to the next meeting of the Governing Body with the reasons why this was not possible.</p>		<p>It is a requirement of the Fulham Primary School Finance Policy that three written quotations are obtained for orders in excess of £1,000. It was identified that quotations were not obtained for an order of soft furnishing and fittings of £9,200. Where the quotations are not obtained for payments over £1,000, the School is in breach of its own Finance Policy. There is a further risk that the School may not be obtaining value for money in procuring goods and services.</p>	
Management Response			
Agreed			
Responsibility	Headteacher	Deadline	Immediately.

13. Appropriate Management of Contracts

(Priority 2)

Recommendation		Rationale	
<p>Management should ensure that copies of all signed contract with its external contractors are obtained and retained.</p> <p>Also, a list of all contractors should be produced as a monitoring document for the contract.</p> <p>The School should retain records to to demonstrate how the contracts for services were procured and managed in order to demonstrate effective use of public funds.</p>		<p>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. Furthermore, where the School is able to demonstrate how contracts for services were procured this will help to ensure that best value has been achieved, and the procurement process was free from bias.</p> <p>For eight contracts examined the following exceptions were noted:</p> <ul style="list-style-type: none"> • In one out of eight cases a copy of the contract was not held by the school (School Management Support) and in a further case the contract was not signed (Eagle Automation Systems Ltd); and • In another case the contract was actually a customer order (Apogee). <p>In addition, we could not confirm how many contractors the School actually hold a contract with.</p> <p>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 School, the School may not have any legal recourse resulting in adverse publicity and financial loss. There is a further risk that where the School is unable to demonstrate that selection of contractors was fair and free from bias and that value for money has been achieved.</p>	
Management Response			
Agreed			
Responsibility	Headteacher/ Senior Admin Officer	Deadline	Immediately

Assets

14. Maintenance of inventory records

(Priority 2)

Recommendation		Rationale	
<p>The Governing Body should ensure that a comprehensive and detailed inventory record is maintained of assets for which the School is responsible in accordance with the Finance Policy. The inventory record should include the following:</p> <ul style="list-style-type: none"> • Description of asset; • Make and model; • Serial Number (where relevant); • Date of acquisition; • Cost; • Asset location; and • Disposal details if relevant e.g. disposal date, reason, funds received and receipt number. <p>Further, an annual inventory check should be undertaken by an officer not involved in the maintenance of the inventory, with the results certified as correct and 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".</p> <p>The school is only maintaining an inventory for IT equipment. Whilst in earlier years there had been a list of IT equipment with serial numbers and location the current years list we were presented with consists of the quotation for IT equipment supplied by RM Education Supply in February 2009. There is no record of updating of the inventory or of any annual check.</p> <p>Where up-to-date inventories are not maintained, 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>	
Management Response			
Agreed. An inventory (non-IT) was in the process of being compiled in readiness to be presented to the governing body.			
Responsibility	Head of Nursery/ Senior Admin Officer	Deadline	February 2010

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. 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>	
Agreed.			
Responsibility	Headteacher	Deadline	April 2010.

School Fund – Accounting

16. Review of the School Fund Account

(Priority 2)

Recommendation	Rationale
<p>On completion of the reconciliation of the School Fund Account to bank statements, the reconciliation should be reviewed and agreed by the Headteacher for accuracy and completeness.</p> <p>The School Fund accounts should be independently audited on an annual basis and the results presented to the Governing Body for approval. Evidence of the approval should be documented in the minutes of the relevant meeting.</p>	<p>The completion of regular reconciliation of School Fund records to bank statements with review and approval by the Headteacher will help ensure that any errors, omissions or misappropriation may be identified and actioned promptly.</p> <p>In order to provide independent assurance on the accuracy of the School Funds financial records an independent audit should be conducted. Audited accounts should be presented to the Governing Body for approval.</p> <p>While the School Fund was reconciled to the bank account by the Senior Administrative Officer, the reconciliation had not been reviewed and approved by the Headteacher since February 2008.</p> <p>The School Fund Account has not been independently audited and the results presented to the Governing Body for approval.</p> <p>Without review of the reconciliation and independent audit of the School Fund, there is an increased risk that the School may not be able to demonstrate satisfactory stewardship over the School Fund, and where the audited accounts are not presented to the Governing Body, the Governors may not be fully aware of the status of the funds for which they are responsible.</p>
Management Response	
Agreed. The reconciled School Fund Account was awaiting signatures in readiness to be presented to the Governing Body. The Clerk to the Governing Body should ensure all items are minuted.	

Responsibility	Headteacher	Deadline	Immediately
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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

August 2010

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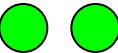



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Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

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

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 to make multi-year budgeting more accurate.</p>
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Payroll

In most schools, staff costs make up around 70% of the entire budget. From 1st 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.

Procurement

Payments are made in accordance with the Financial Regulations and the School's Scheme of Delegation and there is appropriate documentation which has been appropriately authorised, supporting all payments.

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.

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.

Assets

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.

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.

School Journey

To ensure that school journeys are carried out in accordance with an approved policy and Health and Safety legislation.

To ensure that a full end of journey accounting statement has been produced to support the overall income and expenses incurred for the journey.

School Fund

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.

Petty Cash Account

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.

Data Protection

To ensure that the School has registered under the Data Protection Act.

To ensure that ICT systems are appropriately safeguarded and that arrangements are in place to recover data in the event of a disaster.

Internal Audit Approach and Methodology

The internal audit approach is developed through an assessment of risks and management controls operating within the agreed scope.

The following procedures were adopted:



- 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.

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 grading 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.

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.

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.

Appendix C – Audit Team & Staff Consulted

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

Appendix D – Audit Timetable

	DATES
Fieldwork Start	16/11/09
Exit Meeting	17/11/09
Draft report issued	29/01/10
Final report issued	09/08/10

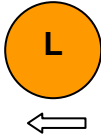
***Final* Internal Audit Report 2009/10**
**London Borough of Hammersmith &
Fulham**
Wormholt Park Primary School
August 2010

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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 Wormholt Park Primary 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>
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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 that the level of non-compliance puts the client's objectives at risk.</p> <p>Weaknesses in control were identified as follows:</p> <ul style="list-style-type: none"> • The current School's Committee Structure, Terms of Reference (TOR) and Schemes of Delegation have not been reviewed and approved by the Governing Body; • Finance Committee minutes have not been signed by the Chair of the Committee; • Contracts with external contractors were not held at the School; and • An annual independent review of the School Fund Account has not been undertaken. <p>The Direction of Travel provides a comparison to the previous audit visit. In this case, we have indicated that the Direction of Travel has deteriorated since the previous internal audit report for which substantial assurance was given.</p>
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**Priority
Recommendations**

1 We have not raised any priority 1 recommendations as a result of this internal audit.

Detailed Findings

Background	<p>This report details the Internal Audit of the procedures and controls in place over Wormholt Park Primary School, and has been undertaken in accordance with the 2009/2010 Internal Audit Plan agreed with Hammersmith and Fulham Council.</p> <p>Wormholt Park Primary School is a mixed School for pupils aged 3 to 11 years with 440 pupils on roll.</p> <p>The School has set a balanced budget of £2,504,415 for the 2009/10 financial year. This encompasses total income and expenditure budgets for the financial year, 2009/10 of £2,242,415 and £2,382,250 respectively, initially resulting in a projected budget overspend of £139,835. This has however been offset by a carry forward of £262,134 from 2008/09. The total funds committed for 2009/10 includes a contingency of £122,165.</p> <p>The School was inspected by OFSTED in November 2008. An OFSTED action plan was not produced as a result of the inspection since the School achieved satisfactory results.</p>
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Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Leadership and Governance			0	4	0
	School Improvement or Development Plan and OFSTED			0	1	0
	Financial Planning, Budgetary Control and Monitoring			0	2	0
	Payroll			0	3	0
	Procurement			0	2	0
	Bank Accounts			0	1	0
	Income			0	1	0

Assets			0	3	0
School Journey			0	1	0
School Fund			1	0	0
Petty Cash Account			0	1	0
Data Protection			0	0	0

<p>Summary Findings</p>	<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 current Scheme of Delegation (SoD) is combined with the Committee Structure and Terms of Reference of all committees; however, it does not include all staff with financial management responsibilities and only includes financial limits for the Headteacher. Finance Committee meetings were being held on a termly basis (with the exception of the Governing Body). There was no evidence in the Governing Body minutes to confirm that the SoD was approved. Furthermore, the front page of the document shows that it was adopted by the Governing Body in October 2008 but was deleted in ink and amended as September 2009.</p> <p>Examination of minutes of Finance Committee meetings identified that minutes were not signed by the Chair of the Finance Committee to evidence their correctness.</p> <p>The School maintains a Register of Pecuniary and Business Interests; however, two governors had not signed the Register. In addition, we identified that two staff with financial responsibilities had not completed declarations.</p> <p>The School does maintain a copy of the Whistle Blowing Policy but this has not been reviewed, updated and approved by the Governing Body since May 2002. The School has not developed their own finance policy; instead the Governing Body has adopted the Local Authority's Financial Procedures. Formal adoption was evidenced in Governing Body minutes dated October 2007.</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 recommendations but noted the following:</p> <ul style="list-style-type: none"> • Examination of the completed self-evaluation financial management competency matrix form, R20 found that these were only completed by two members of the Finance Committee. The staff self-evaluation financial management competency matrix form, R11 was completed by all staff with financial management responsibilities with the exception of the Deputy Headteacher; and
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- A Statement of Internal Control (SIC) has been produced and approved by the full Governing Body on 28th September 2009. However, the SIC was only signed and dated by the Chair of the Governing Body (also the Chair of the Finance Committee). There was no evidence in the Governing Body or Finance Committee minutes to confirm that issues raised in the preparation of the SIC were considered prior to its preparation.

We have raised four recommendations 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 and approved by the Governing Body on 28th September 2009. Examination of the SDP identified that it is for the current academic year (2009/10) and there was no evidence to confirm that a rolling plan is in place to supplement the 2009/10 Plan. It was also identified that the financial resource requirements stated in the SDP could not be explicitly linked to 2009/10 budget.

The most recent OFSTED report was examined and the issues raised within the report had been included within the SDP.

We have raised one recommendation as a result of our work in this area.

Financial Planning, Budgetary Control and Monitoring

Budgetary reports are produced by the School Finance Officer at least once a term. These are monitored by the Finance Committee and presented to Governing Body meetings. However, we noted a five month gap (from 10/12/08 to 19/05/09) where no reports were presented to the Finance Committee for review. The reports include the original budget, revised budget, commitments, commitment not on SIMS, comments and year end projections.

Examination of a sample of five allocations from the 'Chart of Accounts' and the budget plan identified that four did not agree to the amounts uploaded onto SIMS.

We obtained evidence that the budget plan for 2009/10 was approved by the Governing Body July 2009 and submitted to the Local Authority.

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:

- Under FMSiS Section 2 People Management 2.2G that “The process for determining Performance Management targets for staff ensures targets include financial management issues, where appropriate”. We were informed that financial performance management targets are not set for staff with financial management responsibilities.

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

Payroll

From a sample of four new starters’ personnel files examined:

- Signed contracts and appointment letters were not on file in all four cases;
- Evidence of CRB and qualification checks were held by the Council’s HR Department; and
- Evidence of references could not be located. Discussions at the School established that these would be held by the Council’s HR department; however, further testing and discussions within the HR department established that they expected that references are normally retained by the school.

In addition, examination of a sample of four leavers’ files found that evidence of documentation supporting employees’ termination of employment could not be located in all four cases. It is acknowledged that all four employees were removed from the payroll in a timely manner.

A copy of the most up to date School’s Pay Policy is not held at the School. The most recent copy held is dated July 2007. Also, the Schools staffing structure has not been reviewed in the last two years although a report on staffing changes was made at the Staffing Committee meeting held in July 2009.

We were informed that regular payroll checks take place; however, payroll reports were not certified as evidence of review.

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

Procurement

Examination of a sample of 10 payments for 2009/10 identified the following:

- Official purchase orders were not raised or approved for the 10 cases reviewed;
- Goods or services received checks were not evident;
- Three payments were not made within 30 days, and
- For three of the 16 payments made, the invoice and purchase order date were the same and in one

case the invoice was received prior to the purchase order being raised.

It was identified that for goods and services in excess of £1,000, quotes had been obtained for all items of major expenditure from a number of different companies, providing a record that the School had considered price when purchasing good and services.

The School did not retain copies of contracts with eight of its twelve external contractors and was unable to demonstrate how these contracts were procured.

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:

- We were informed that a benchmarking exercise had not been undertaken on behalf of the School and reported to the Governing Body in the past two years.

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

Bank Accounts

The School retains a copy of their current bank mandate. The School is required to submit monthly returns to the Local Authority which include bank reconciliations. The last three bank reconciliations were not signed by the preparer and reviewer to certify their accuracy and completeness. However, bank statements were signed. Examination of the last unreconciled items report found four items relating to October and November 2008 and January and March 2009 which still remain uncleared at the time of the audit. This totals approximately £6,800.

We have raised one recommendation as a result of our work in this area.

Income

The School receives income from school journeys, residential trips, the Breakfast Club, teaching practices and Cluster funding. We identified that receipts are not issued for any of the income received although these could be traced through to the SIMS system. A cash collection record is maintained for school journeys.

Examination of the lettings policy confirmed that it was last reviewed, updated and approved by the full Governing Body in September 2009. The School does not currently let its property.

We have raised one recommendation as a result of our work in this area.

Assets

Although we were informed that the inventory record was last updated during the Summer, examination of the record could not confirm when it was last updated or evidence of who completed the checks. Evidence that the results of the inventory check were reported to the Governing Body could not be located in minutes.

The inventory records do not include the purchase date, purchase price, location and assets disposed of. Discussions and physical inspection established that new items purchased by the School were appropriately security marked and recorded on the inventory before being put into general use.

The loans pro-forma maintained by the School only allows for the signatory of the staff member, and there is no evidence that loans were authorised. In addition, the period of the loan is not specified on the form.

The School maintain an Accessibility Plan; however, there was no evidence that this had been approved by the Governing Body.

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

School Journey

Details of a recent trip to Little Canada Park were examined and there was evidence in the Governing Body minutes to confirm that approval was obtained prior to the trip. However, there was no evidence of an agreed budget being confirmed before the trip and an end of journey statement was not produced, reviewed by the Headteacher and presented to the Governing Body for review.

Risk assessments and appropriate record of monies were retained by the School.

We have raised one recommendation as a result of our work in this area.

School Fund - Accounting

We were informed that the School Fund Account is not independently audited. However, we obtained the School Fund accounts for the last financial year, which were signed by the Chair of Governors and Headteacher.

We have raised one recommendation as a result of our work in this area.

Petty Cash Account

We were informed that the Governing Body has not agreed an appropriate level for the amount of petty cash to be held.

Staff are required to complete a petty cash voucher and provide a receipt for all reimbursement claims. Examination of a sample of five transactions selected from the transaction listing found that in all five cases, there was sufficient supporting documentation and authorisation for the payments.

We have raised one recommendation as a result of our work in this area.

Data Protection

We confirmed that the School has an up-to-date Data Protection certificate, The School buys into the Local Authority's IT procedures. Hence, all data is backed up remotely by the SMS Support Team.

We have not raised any recommendations as a result of our work in this area.

Acknowledgement

We would like to thank the management and staff of Wormholt Park Primary School for their time and co-operation during the course of the internal audit.

All staff consulted are included at Appendix C.

Recommendations

Leadership and Governance

1. Scheme of Delegation

(Priority 2)

Recommendation	Rationale
<p>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.</p> <p>The Chair of the Governing Body should formally approve the Scheme of Delegation. Evidence of the approval should be formally documented in the relevant minutes of meeting at 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 Scheme of Delegation (SoD) held at the School has not been revised since October 2008 and there was no evidence to confirm that it was formally approved by the Governing Body. Furthermore, from examination of the SoD, it was identified that it does not detail the financial authorisation limits of the Governing Body, Finance Committee and Budget Holders.</p> <p>Where formal approval of the SoD is not evidenced in Governing Body minutes and the SoD is not reviewed to include the financial limits of the Governing Body, Finance Committee, and all staff with delegated authority, there is an increased risk that commitments may be entered into which are outside the scope of authority, resulting in inappropriate purchases or virements being made.</p>
Management Response	
Agreed	

Responsibility	Headteacher/ Chair of Governors	Deadline	Next Governing Body meeting
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2. Register of Pecuniary / Business Interests

(Priority 2)

Recommendation	Rationale
<p>The Register of Business Interests should be completed in full by all members of the Finance & Resources Committee and members of staff with financial management responsibilities.</p>	<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 Head Teacher), 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 best practice that the register includes all staff with financial management responsibilities.</p> <p>Although the School does hold a Register of Pecuniary and Business Interests, on examination it was found that two Governors had not completed a declaration. In addition, we identified that the Senior Administration Officer and the Deputy Head have financial responsibilities but had not completed a declaration.</p> <p>Where the Register of Pecuniary and Business Interests is not kept up to date, and staff with financial management responsibilities do not declare any interests, there is an increased risk that conflicts of interests may not be managed appropriately, which 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>

Management Response			
Agreed			
Responsibility	Headteacher	Deadline	Immediately

3. Whistle Blowing Policy

(Priority 2)

Recommendation		Rationale	
<p>The Governing Body should regularly review and approve the Whistle Blowing Policy. Also, the Policy should be signed by the Chair of the Governing Body and the Headteacher to confirm their validation of the Policy. Any changes to the policy should be communicated to all staff.</p>		<p>Formally adopting and reviewing the whistle blowing procedures on a regular basis ensures that they reflect current best practice. This helps to provide a sound framework of management practice within which the School can provide protection for individuals who disclose malpractice and wrongdoing.</p> <p>The School has developed a Whistle Blowing Policy but this has not been updated since May 2002.</p> <p>Where governors have not reviewed the whistle blowing policy periodically, there is an increased risk that the policy may no longer reflect best practice and legislation. The school may not provide adequate protection for individuals who disclose malpractice and wrongdoing.</p>	
Management Response			
Agreed			
Responsibility	Headteacher/ Chair of Governors	Deadline	Next Governing Body meeting

4. Finance Committee Meetings

(Priority 2)

Recommendation		Rationale	
<p>The School should ensure that Finance Committee meetings take place at least once a term, in line with the agreed terms of reference. Further, the minutes should be documented, signed by the Chair 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>Examination of minutes of the Finance Committee meetings found that they were not signed by the relevant Chair and that meetings were occurring every five months rather than every three months as stated in the committee terms of reference.</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. Where committee meetings do not occur in line with the frequency stated in the terms of reference there is a risk that matters will not be discussed and decisions made in a timely manner.</p>	
Management Response			
Agreed			
Responsibility	Headteacher/ Chair of Governors	Deadline	Immediately

School Improvement Plan and OFSTED Inspections

5. School Improvement Plan

(Priority 2)

Recommendation		Rationale	
<p>The School Development Plan (SDP) 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.</p>		<p>Formulating the School Development Plan (SDP) and linking this to the budget setting process helps to ensure that strategic aims and objectives of the school are formally agreed and adequately resourced. Formulating a rolling plan that covers two or more years defines the strategic aims and objectives of the School.</p> <p>The SDP covers only the 2009/10 academic year. There was no evidence that a rolling plan has been produced and agreed by the Governing Body. In addition, there was no clear link between the SDP and the Budget Plan. Although the SDP was approved by the Governing Body in September 2009, the Budget Plan was not approved in July 2009.</p> <p>Where the SDP has not been produced for the longer term in line with the three year budget, there is an increased risk that strategic aims and objectives may not be delivered. Where the School Improvement Plan is not used in the budget setting process, there is a risk that the plan will not be adequately resourced.</p>	
Management Response			
Not agreed			
Responsibility	Headteacher/ Chair of Governors	Deadline	To be provided

Financial Planning, Budgetary Control and Monitoring

6. *Updating Budget on SIMS*

(Priority 2)

Recommendation		Rationale		
It is recommended that the School completes a full check of the budget uploaded onto the SIMS system against the approved budget plan from review of the report "Chart of Accounts".		<p>Accurate input and review of budget allocations ensure that remaining balances (under and overspending) shown on budget monitoring reports are correct and can be relied upon for decision making purposes.</p> <p>From a sample of five budget allocations examined, four allocations stated on the Chart of Accounts report differed from the approved budget.</p> <p>Where checks are not carried out to confirm the accuracy of the approved budget plan and the budget uploaded onto the SIMS system, there is an increased risk that financial decisions may not be made correctly due to incorrect information.</p>		
Management Response				
Agreed				
Responsibility	Headteacher/ Manager	School Business	Deadline	Immediately

7. Regular Budget Monitoring

(Priority 2)

Recommendation		Rationale	
<p>Management should ensure that budget monitoring reports are produced and presented to the Finance Committee at each meeting.</p>		<p>Producing regular monitoring reports for the Finance Committee will help to ensure that budgets are adequately monitored and any variances to the agreed budget are identified. Furthermore, this will help to ensure that commitments are not made beyond approved financial constraints.</p> <p>Although budget monitoring reports were confirmed to be produced quarterly and submitted to the Finance Committee for review, we identified a five month gap where reports were not produced and presented to the Finance Committee.</p> <p>Where regular budget monitoring reports are not produced and presented to the Finance Committee, there is an increased risk that budgets may not be managed effectively and efficiently. This could potentially lead to the School exceeding its agreed budget, and hence a deficit agreement would have to be entered into with the Local Authority.</p>	
Management Response			
Agreed			
Responsibility	Headteacher/ School Administration Officer	Deadline	Immediately

Payroll

8. Retention of Recruitment Documents

(Priority 2)

Recommendation	Rationale
<p>The School should also liaise with the Council's HR department to determine which documents should be retained by the School and which should be retained by the HR department.</p> <p>The guidance provided by the HR department should then be followed to ensure that all relevant documents are retained.</p>	<p>Retaining relevant documents on staff personnel files will help to ensure compliance with the School's policy and statutory requirements.</p> <p>From a sample of four new starters' personnel files examined:</p> <ul style="list-style-type: none">• Signed contracts and appointment letters were not on file in all four cases; and• Evidence of references could not be located. Discussions at the School established that these would be held by the Council's HR department; however, further testing and discussions within the HR department established that references are normally retained by the school. <p>In addition, examination of a sample of four leavers' files found that evidence of documentation supporting employees' termination of employment could not be located in all four cases. It is acknowledged that all four employees were removed from the payroll in a timely manner.</p> <p>Where documents are not retained to evidence the appointment and termination of staff, there is an increased risk that the appointment of unsuitable persons may have an adverse impact on the performance of the School and staff morale, resulting in failure to achieve corporate objectives.</p>

Management Response			
Not agreed			
Responsibility	Headteacher/ Senior Administration Officer	Deadline	To be provided

9. Regular Payroll Checks

(Priority 2)

Recommendation		Rationale	
The School should ensure that payroll statements are signed and dated as evidence of review by the officer undertaking the checks.		<p>Certifying payroll reports as part of the review process increases accountability when exercising this control.</p> <p>We were informed that regular payroll checks take place; however, payroll reports were not certified as evidence of review.</p> <p>Where review of payroll statements is not evidenced, there is an increased risk that accountability for exercising this control will become diminished and reduced assurance that these checks have been completed.</p>	
Management Response			
Agreed			
Responsibility	Headteacher/ School Administration Officer	Deadline	Immediately

10. School Pay Policy

(Priority 2)

Recommendation		Rationale	
<p>The School's Pay Policy should be regularly reviewed and approved by the Governing Body. Furthermore, the staffing structure should be reviewed every two years and updated to reflect all staff changes.</p>		<p>Regularly reviewing and updating of policies helps ensure their currency and continuing use in providing guidance to staff on desired activities and behaviours. Furthermore, regular review of the staffing structure helps to ensure that all changes are reflected in the annual budget.</p> <p>The School's Pay Policy was last reviewed in July 2007. In addition, the staffing structure has not been reviewed in the last two years although it was evident that staff changes had been reported at Staffing Committee.</p> <p>Where the School's Pay Policy is not regularly reviewed and updated, there is an increased risk that the basis upon which teachers' pay is determined may not be a true reflection of what is documented.</p>	
Management Response			
Agreed			
Responsibility	Headteacher/ School Administration Officer	Deadline	Next Governing Body meeting

Procurement

11. Compliance With the School's Finance Procedures Manual

(Priority 2)

Recommendation	Rationale
<p>All members of staff that undertake financial administration duties should be formally reminded of the need to comply with The School Financial Procedures Manual:</p> <ul style="list-style-type: none">• Official order forms should be completed before an order is processed;• Purchase orders should be raised for all expenditure at the time the order is placed with the supplier;• Delivery notes should be retained on file and signed off as received by the person checking the goods, and• Undisputed invoices should be paid within 30 days.	<p>The School's Financial Procedures Manual sets out guidance to be adhered to with regards to the financial processes within Schools.</p> <p>Examination of a sample of 10 purchases identified the following exceptions:</p> <ul style="list-style-type: none">• Official purchase orders were not raised or approved for the 10 cases reviewed;• Goods or services received checks were not evident;• Three payments were not made within 30 days, and• For three of the 16 payments made, the invoice and purchase order date were the same and in one case the invoice was received prior to the purchase order being raised. <p>Without enforcing compliance with the School's Financial Procedures Manual, there is an increased risk that the School may not be able to demonstrate transparency and value for money in its purchasing processes and that commitments are not raised on the system for all expenditure which could result in budgetary overspend. Where there is no evidence that goods and services received checks have been conducted, there is reduced assurance that goods and services have been received to the correct quantity and quality standards.</p>

Management Response			
Agreed			
Responsibility	Headteacher/ School Administration Officer	Deadline	Immediately

12. Appropriate Management of Contracts

(Priority 2)

Recommendation		Rationale	
<p>Management should ensure that copies of all signed contracts with its external contractors are obtained and retained.</p> <p>The School should retain records to demonstrate how the contracts for services were procured and managed in order to demonstrate effective use of public funds.</p>		<p>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. Furthermore, where the School are able to demonstrate how contracts for services were procured this will provide assurance that best value has been achieved, and the procurement process was free from bias.</p> <p>The School did not retain copies of contracts with eight of its twelve external contractors and was unable to demonstrate how these contracts were procured.</p> <p>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 School, the School may not have any legal recourse resulting in adverse publicity and financial loss. There is a further risk that where the School is unable to demonstrate that selection of contractors was fair and free from bias and that value for money has been achieved.</p>	
Management Response			
Agreed			
Responsibility	Headteacher/ Chair of Governors	Deadline	Immediately

Bank Accounts

13. Bank Reconciliations

(Priority 2)

Recommendation	Rationale
<p>The School should ensure that bank reconciliations are signed and dated by the preparer, and are reviewed and certified by a second officer as evidence of independent review.</p> <p>It is further recommended that all unreconciled items over three months old are investigated and that the unreconciled items report is annotated with any action taken.</p>	<p>A follow up of unreconciled items in excess of three months old helps to ensure that the bank reconciliation is serving as an effective control in terms of identifying any potential errors or anomalies which may exist on the SIMs system or the banking records. Where it is found that the items are correct but relate to either payments that have not been cashed by external parties or to income which has not been banked by the School, then this should be followed up in a timely manner.</p> <p>It was identified that bank reconciliations had not been signed by the preparer or reviewer.</p> <p>Unreconciled item listings are sent to the authority on a monthly basis; however, evidence of action taken in respect of items older than three months is not recorded. Four unreconciled items over three months old were identified on the unreconciled items listing.</p> <p>Where unreconciled items are not investigated on a regular basis, there is an increased risk that any errors or anomalies remain unidentified for an extended period of time, and/or that failure to bank monies received by the School in a timely manner may not be identified.</p>
Management Response	
Agreed	

Responsibility	Headteacher/ Manager	School	Business	Deadline	Immediately
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Income

14. Recording of Income

(Priority 2)

Recommendation		Rationale	
<p>Receipts should be issued for all cash income received on behalf of the School. Where it is not practical to issue individual receipts (where small amounts are collected from a large number of individuals, a cash collection record should be maintained.</p> <p>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 receipted the income.</p> <p>Wherever any money passes from one staff member to another, it must be evidenced by a signature of both parties. The recipient will then assume responsibility for the cash until it is either banked or transferred to another member of staff.</p>		<p>Issuing receipts and reconciling amounts receipted to amounts to be banked for all income collected on behalf of the School will help to ensure that all funds collected are recorded and banked completely and intact. Furthermore, recording and signing off of the transfers of cash between staff will help to ensure accountability and deter misappropriation of income.</p> <p>Examination of paying-in slips identified that income received on behalf of the School is not receipted or recorded on a summary sheet before being entered onto the finance system. The only cash collection record maintained was for school journeys. There are also no cash handling procedures in place for the transfer of cash between members of staff.</p> <p>Where income collected on behalf of the School is not adequately recorded, banked promptly and intact, and no procedures are in place to record the transfer of money between staff, there is an increased risk that income may be misappropriated or that errors in cash collection and banking may not be identified.</p>	
Management Response			
Agreed			
Responsibility	Headteacher/ School Administration Officer	Deadline	Immediately

Assets

15. Maintenance of Inventory Records

(Priority 2)

Recommendation		Rationale	
<p>Inventory records should be updated to record date of purchase, purchase price and location of assets. An annual inventory check should be undertaken, certified as correct and the 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". Examination of inventory records identified that acquisition dates, purchase price of the items and their location within the School have not been documented. In addition, inventory records do not identify when the inventory was last updated or who performed the check. There is also no evidence of the check being reported to the Governing Body Where up-comprehensive inventory records are not maintained, there is an increased risk that items of equipment may be lost or misappropriated and that the loss or misappropriation is not identified.</p>	
Management Response			
Agreed			
Responsibility	School Administration Officer	Deadline	Immediately

16. Equipment Loans

(Priority 2)

Recommendation		Rationale	
Equipment loans should be authorised by an appropriate member of staff and the loan period should be specified on the loan form.		<p>The 'Financial Procedures Manual', Section M Paragraph 6 requires that, "Whenever School property is taken off the School site, it should be signed for and a register noted accordingly".</p> <p>The loans pro-forma maintained by the School only allows for the signatory of the staff member, and there is no evidence that loans were authorised. In addition, the period of the loan is not specified on the form.</p> <p>Where responsibility for School equipment held off-site is not clear, there is an increased risk that the School may not be able to claim for the equipment in the event of loss or misappropriation. There is also a further increased risk that the School may not be able to identify where who has access of its equipment.</p>	
Management Response			
Agreed			
Responsibility	Headteacher	Deadline	Immediately

17. Approval of the Accessibility Plan

(Priority 2)

Recommendation		Rationale	
Approval of the School's Maintenance Plan should be documented in the minutes of the relevant Premises, Health & Safety Committee at which approval was given.		<p>'Keeping Your Balance – Standards for Financial Management in Schools' M7 requires that the governing body should have a plan for the use, maintenance and development of the School's buildings. The Maintenance Plan also helps to ensure that the School is demonstrating compliance with legislation such as Health and Safety Regulations and the Disability Discrimination Acts.</p> <p>There was no evidence to confirm that the Governing Body have approved the Accessiibility Plan maintained by the School.</p> <p>Where approval of the Accessibility Plan is not evident, there is an increased risk that the School may not be able to demonstrate compliance with legislation and that the plan is in line with the requirements of the Governing Body.</p>	
Agreed			
Responsibility	Headteacher/ Chair of Governors	Deadline	Immediate

School journey

18. End of Journey Statement

(Priority 2)

Recommendation		Rationale	
<p>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.</p>		<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 school journey to the Governing Body.</p> <p>An end of journey statement' for the trip to Little Canada Park was not produced and reported to the Governing Body for review.</p> <p>Where detailed costing of school journeys is not completed, there is an increased risk of financial loss to the School if it has to absorb any unidentified shortfall in income. Where the statement is not independently reviewed, there is an increased risk that any variances or anomalies may not be adequately scrutinised.</p>	
Management Response			
Not agreed			
Responsibility	Headteacher/ Senior Administration Officer	Deadline	To be provided

School Fund – Accounting

19. Annual Independent Review of the School Fund Account

(Priority 2)

Recommendation		Rationale	
The School Fund accounts should be independently audited on an annual basis and the results presented to the Governing Body for approval. Evidence of the approval should be documented in the minutes of the relevant meeting.		In order to provide independent assurance on the accuracy of the School Funds financial records an independent audit should be conducted. Audited accounts should be presented to the Governing Body for approval. The School Fund Account has not been independently audited and the results presented to the Governing Body for approval. Where the School Fund is not subject to an independent audit and the results submitted to the Governing Body, there is an increased risk that the School may not be able to demonstrate satisfactory stewardship over the School Fund.	
Management Response			
Agreed			
Responsibility	Headteacher	Deadline	Next Governing Body meeting

Petty Cash Account

20. Petty Cash Limit Approved by the Governing Body

(Priority 2)

Recommendation		Rationale	
The Governing Body should set out an appropriate limit of petty cash to be held on site. This amount should represent a balance between operating requirements and the risk of holding cash on the premises.		Formal Governing Body approval of an appropriate level of petty cash to be held at the School helps to ensure that an appropriate level of cash is held at the School. We were informed that the Governing Body has not formally agreed a formal petty cash limit. Where the Governing Body has not agreed a limit for petty cash, there is an increased risk of excessive levels of cash being held on site. This may lead to loss, theft or inappropriate use of the cash resulting in financial loss to the School.	
Management Response			
Agreed			
Responsibility	Headteacher/Governing Body	Deadline	Next Governing Body meeting

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

August 2010

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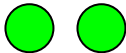



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Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

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

<p>Internal Objective Scope</p>	<p>Audit and</p> <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>
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to make multi-year budgeting more accurate.

Payroll

In most schools, staff costs make up around 70% of the entire budget. From 1st 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.

Procurement

Payments are made in accordance with the Financial Regulations and the School's Scheme of Delegation and there is appropriate documentation which has been appropriately authorised, supporting all payments.

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.

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.

Assets

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.

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.

School Journey

To ensure that school journeys are carried out in accordance with an approved policy and Health and Safety legislation.

To ensure that a full end of journey accounting statement has been produced to support the overall income and expenses incurred for the journey.

School Fund

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.

Petty Cash Account

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.

Data Protection

To ensure that the School has registered under the Data Protection Act.

To ensure that ICT systems are appropriately safeguarded and that arrangements are in place to recover data in the event of a disaster.

Internal Audit Approach and Methodology

The internal audit approach is developed through an assessment of risks and management controls operating within the agreed scope.

The following procedures were adopted:



- 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.

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 grading 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.

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.

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.

Appendix D – Audit Team & Staff Consulted

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

Appendix E – Audit Timetable

	DATES
Fieldwork Start	07/10/09
Exit Meeting	08/10/09
Draft report issued	10/12/09 (following central testing completed on 10/12/09)
Final report issued	06/08/10

APPENDIX C

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

	Audit Year	Department	Responsible Director	Audit Title	Assurance	Draft report issued on	Target date for responses	Awaiting Response From
1	2009/10	Environment	Nigel Pallace	Parking Pay and Display	Limited	20/07/2010	03/08/2010	Director
2	2010/11	Environment	Nigel Pallace	Smart Working Project - Gateway review and benefits realisation	Substantial	13/09/2010	27/09/2010	Director
3	2009/10	Finance & Corporate Services	Jane West	Laptop and Mobile Asset Management and Security Audit	Substantial	28/07/2010	11/08/2010	Auditee and Director
4	2009/10	Finance & Corporate Services (HFBP)	Jane West	Citrix and VM Ware	Substantial	16/08/2010	30/08/2010	Director
5	2010/11	Residents Services (HFBP)	Lyn Carpenter	Spydus Application Audit	Limited	27/07/2010	10/08/2010	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	Hurlingham & Chelsea Secondary School	Substantial	The School should ensure that there is adequate segregation of duties between the person raising purchase orders and the person authorising invoices for payment of those goods and services. This process should be documented in the Schools Scheme of Delegation	2	14/09/2010	Headteacher	Scheme of Delegation to be updated and presented for approval to GB on September 14th meeting
2	2009/10	School	Hurlingham & Chelsea Secondary School	Substantial	Each school journey should be approved by the Governing Body prior to the trip being agreed.	2	14/09/2010	Headteacher	Trip summary and account audit to be presented to GB on Sept 14th meeting
3	2009/10	School	Hurlingham & Chelsea Secondary School	Substantial	An annual Income and Expenditure and Fund Balance Statement for the School Fund account should be produced, independently audited and presented to the Governing Body for approval. Evidence of the approval should be documented in the minutes of the relevant meeting. Further, the Governing Body should consider closing the School Fund Accounts and transfer the funds to the main school account where the accounts are no longer required. Any decision to close the accounts should be documented in Governing Body minutes. Also, this should be included in the Statement of Internal Control for 2009/10.	2	14/09/2010	Headteacher	School fund account to be independently audited by end of August 2010. This report and summary proposal for account to be presented to GB on September 14th meeting

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
4	2007/08	Community Services (Housing)	LOCATA Application	Limited	It is recommended that Locata are instructed to undertake an investigation of the problem identified in the management trail of the system.	2	31/07/2010		<p>Form to be designed for Social Worker and Divisional Manager to sign off. The Form will show reason for closure e.g. "deceased". (27/10/08)</p> <p>Follow-up findings 26/10/09: There has been no progress with the supplier since June 2009 update. AD of Housing (Housing Options) to raise this formally with HFBP and Sector</p> <p>This report will be run by The Rehousing Options Team Manager in the first week of July 2010. Implementation date amended to 31/7/10 (IAM 10/8/10)</p>
5	2007/08	Community Services (Housing)	LOCATA Application	Limited	Management should ensure that as a member of the West London Allocations and Lettings Group (WLALG), the Service Level Agreement (SLA) between Locata and the Council should be located and monitored on a regular basis. Where underperformance is identified, corrective action should be undertaken.	1	30/09/2010		<p>Recommendations are now being implemented</p> <p>Follow-up findings 26/10/09: There has been no progress with the supplier since June 2009 update. AD of Housing (Housing Options) to raise this formally with HFBP, Sector and the strategic Lettings Group</p> <p>Significant and unforeseen issues relating to key personnel have caused unavoidable delays in the implementation of this recommendation in 2010. As a result, the implementation date has been amended to 30/9/10 (IAM 10/8/10)</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
6	2009/10	Environment	Energy Efficiency and Green Agenda	Substantial	The Council should develop a charging process by which the cost of emission allowances purchased under the carbon trading system are recharged to those individual services which are responsible for excessive CO2 emissions.	2	31/07/2010	Carbon Management Programme Board	Waiting for Carbon Reduction Manager to be in post 16th June. Implementation date will need agreeing with Manager once in post
7	2009/10	Environment	Energy Efficiency and Green Agenda	Substantial	The Carbon Management Team should prepare action plans to address the energy use and CO2 emissions of those buildings identified as being high emitters of CO2. Where action plans have been produced, they should be presented to the Carbon Management Programme Board for review and approval, with progress on the achievement of the plan monitored at subsequent meetings.	2	31/07/2010	Facilities Management	Waiting for Carbon Reduction Manager to be in post 16th June. Implementation date will need agreeing with Manager once in post.
8	2009/10	Environment	Vertical Contracts BTS - Auckland House External and Communal Refurbishment	Substantial	Performance monitoring of Consultants that are contracted with for periods greater than 12 months should be undertaken on a regular and timely basis.	2	30/09/2010	Quantity Surveyor Manager	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
9	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 & Construction/ HFBP Application Services Manager	<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> <p>23/08/10 These changes must be made by the third party supplier. On 14/07 they were proposed on the PBB1 (Pitney Bowes) 'Ideas Portal' for general development if sufficient customers want them. Request has also been escalated to the Account Manager for an estimated cost as bespoke work.</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
10	2008/09	Environment (HFBP)	Confirm Application	Substantial	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.	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>Specialism changed to "HFBP" and implementation date to 30/6/10 pending response from supplier (IAM 3/6/10)</p> <p>23/08/10 These changes must be made by the third party supplier. On 14/07 they were proposed on the PBBi (Pitney Bowes) 'Ideas Portal' for general development if sufficient customers want them. Request has also been escalated to the Account Manager for an estimated cost as bespoke work.</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
11	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 date extended to April 2010 by IAM to allow for testing to be completed.}</p>
12	2009/10	Finance & Corporate Services	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	<p>IA Comment 10/07/09: Recommendation in discussion. To be revised.</p> <p>09/08/10 - (HFBP) This is not HFBP responsibility - should be with h&f Council.</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
13	2009/10	Finance & Corporate Services	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	09/08/10 - (HFBP) This is not HFBP responsibility - should be with h&f Council.
14	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	30/09/2010	Service Desk Manager/ H & F CMO	26/08/2010 HFBP - A formal strategy has been defined but has not yet been documented. The Service Desk has formulated strategic goals aligned to the 2010/2011 business objectives related to growth, customer satisfaction, financial performance and people. Completion date expected to be end September 2010.
15	2009/10	Finance & Corporate Services (HFBP)	IT Service Desk	Substantial	A periodic review of the group membership for the users registered on the Magic application should be performed to ensure that all users are active and current and that user access is allocated in line with their job role. The group permissions should also be reviewed and any excess permissions removed. Users who have not used their accounts for a long time should also be reviewed and their accounts disabled.	2	30/09/2010	HFBP Application Services Manager/ H & F CMO	16/08/2010 HFBP - in hand, scheduled completion date by end Sept.
16	2009/10	Finance & Corporate Services (HFBP)	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	HFBP Project Manager/ H & F Project Manager'	

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
17	2009/10	Finance & Corporate Services	Lynx Remote Access	Substantial	The Smartworking programme should ensure that all staff who work under the new Smartworking arrangements, such as remote working, have formally accepted their responsibilities, including those relating to health and safety which may apply to them.	2	30/07/2010	Programme Manager	
18	2009/10	Finance & Corporate Services	Lynx Remote Access	Substantial	The Council should conduct a formal risk assessment for remote working, and implement the controls to mitigate risk in the area of confidentiality. The risk assessment should also consider whether unauthorised access attempts 'intrusion' and potential security breaches are a significant risk to the Council's networks.	2	30/07/2010	Programme Manager	
19	2009/10	Finance & Corporate Services	Corporate Information Management and Security	Substantial	A central register of information asset owners should be created.	2	30/09/2010	Information Manager	Progress has been made on all of these actions but they have encountered a 6 month delay due to extenuating circumstances. They are all key deliverables of the Information Management Strategy (Information Manager - 7 June 2010).
20	2009/10	Finance & Corporate Services	Corporate Information Management and Security	Substantial	Notification of non-respondents to the 'Staff Declaration Form and Personal Commitment Statement' should be notified to the remaining departments as soon as possible. The Information Manager should obtain assurances from each department that appropriate management corrective action has been taken in respect of non-respondents.	1	30/09/2010	Information Manager	Progress has been made on all of these actions but they have encountered a 6 month delay due to extenuating circumstances. They are all key deliverables of the Information Management Strategy (Information Manager - 7 June 2010).
21	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).

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
22	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 the Chief Internal Auditor but devising the actual questions has been delayed (Information Manager - 7 June 2010.)
23	2009/10	Finance & Corporate Services	Data Storage and Backup Recovery Audit	Substantial	A process should be established for carrying out periodic test restores for back up data across all Council systems.	2	31/07/2010	Server Infrastructure Manager	
24	2008/09	Finance & Corporate Services	Data Security	Substantial	The Council should consider issuing additional security measures for portable laptops when these are to be used away from the Council offices. These measures should include the issue of cable locks to secure portable equipment	2	01/07/2010	Smart Working Programme Manager	Progress has been made on all of these actions but they have encountered a 6 month delay due to extenuating circumstances. They are all key deliverables of the Information Management Strategy (Information Manager - 7 June 2010.) Update 25/08/2010: This will be considered for implementation as part of the Smart Working programme as cable locks are currently provided on request so this needs to be taken up with the Smart Working Programme Manager.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target date	Responsible Officer	Status/ Comments
25	2008/09	Residents Services	Libraries - cash and banking	Limited	Management should ensure that when the new management information system is implemented, income collected is reconciled daily to sales volumes.	1	30/09/2010	Head of Libraries	<p>FOLLOW-UP FINDING: Partly implemented. As per discussion with the Head of Libraries, the Management Information System is partly implemented. The complete implementation is still in progress</p> <p>UPDATE: This should be resolved at the next upgrade of the system due in July 2009.</p> <p>Additional overall controls involve the close monitoring of the financial take at each library by the Support Services Officer who receives and checks each entry and discusses verifies and signs each and any variation with the Head of Service.</p> <p>RSD reported 3/3/10 that implementation of this part of SPYDUS has been postponed to mid 2010/11. Target date amended from 31/10/2009 to 30/09/2010 at request of department.</p>

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 –Initial testing of key controls in preparation for External Audit testing	Added	Added following discussion with FSB
2	Finance & Corporate Services	Business Planning Cycle Audit	Deleted	Removed from plan following discussion with Organisational Development (OD)
3	Finance & Corporate Services	Business Planning consultancy work	Added	Added to plan following discussion with OD
4	Finance & Corporate Services	NHS Integration	Deleted	Removed from plan due to change in circumstances
5	Children's Services	Pre-booked taxis & accommodation	Added	Added following discussion with department