


<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">AUDIT, PENSIONS AND STANDARDS COMMITTEE</p> <p align="center">22 March 2016</p>		
INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 OCTOBER TO 31 DECEMBER 2015		
Open Report		
Classification: For Information Key Decision: No		
Wards Affected: None		
Accountable Director: Moyra McGarvey, Director for Audit, Fraud, Risk and Insurance		
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1. EXECUTIVE SUMMARY

- 1.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 October to 31 December 2015 as well as reporting on the performance of the Internal Audit service.

2. RECOMMENDATIONS

- 2.1. To note the contents of this report

3. REASONS FOR DECISION

- 3.1. Not applicable. No decision required.

4. INTRODUCTION AND BACKGROUND

- 4.1. This report summarises internal audit activity in respect of audit reports issued during the period 1 October to 31 December 2015.

5. PROPOSAL AND ISSUES

5.1. Internal Audit Coverage

5.1.1. The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found internal audit will propose solutions to management to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner.

5.1.2. A total of 13 audit reports were finalised in the third quarter of 2015/2016 from 1 October 2015 to 31 December 2015. This includes 2 shared services audits. No management letters or follow up reports were issued in the period.

5.1.3. A summary of each of the limited and nil assurance reports is provided at Appendix D. Three limited reports were issued in this period:

5.1.3.1. The review of Kenmont Primary School identified 3 high, 11 medium and 3 low priority recommendations. Fourteen of the 17 recommendations have passed their due date for implementation and have been implemented.

5.1.3.2. The review of Premises Licensing identified 2 high, 2 medium and 1 low priority recommendations. None of these were due for implementation at the time of writing.

5.1.3.3. The review of Carriage and Footway Maintenance was given a split assurance opinion of Satisfactory for operations and Limited for payments. The audit identified 2 high, 1 medium and 1 low priority recommendations. One recommendation was due for implementation at the time of writing but had not yet been confirmed as implemented.

5.1.4. The Internal Audit department works with key departmental contacts to monitor the number of outstanding draft reports and the implementation of agreed recommendations.

5.1.5. Departments are given 10 working days for management agreement to be given to each report and for the responsible

Director to sign it off so that it can then be finalised. There are no outstanding draft reports for the current period.

5.1.6. There are now 11 audit recommendations where the target date for the implementation of the recommendation has passed and they have either not been fully implemented or the auditee has not provided any information on their progress in implementing the recommendation. This compares to 15 outstanding as reported at the end of the previous quarter and represents an improvement in the position. We continue to work with departments and HFBP to reduce the number of outstanding issues.

5.1.7. The breakdown of the 11 outstanding recommendations between departments are as follows:

- Adult Social Care - 1
- Children's Services (Non Schools) – 1
- Schools - 2
- Corporate Services – 5
- Transport and Technical Services - 2

5.1.8. Five of the recommendations listed are over 6 months past the target date for implementation as at the date of the Committee meeting. Internal Audit are continuing to focus on clearing the longest outstanding recommendations and to that end will be arranging meetings with the relevant departmental managers responsible for all recommendations overdue by more than 3 months as and when this occurs.

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

Year	Number of recommendations due	<i>Number of recommendations implemented</i>
2013/14	248	247
2014/15	200	193
2015/16	51	47

5.2. Internal Audit Service

5.2.1. Part of the CIA's function is to monitor the quality of Mazars' work. Formal monthly meetings are held with the Mazars Contract Manager and one of the agenda items is an update on progress and a review of performance against key performance indicators. The performance figures are provided for quarter 3 of the 2015/16 financial year.

Performance Indicators 2015/16

Ref	Performance Indicator	Target	Pro rata target	At 31 December 2015	Variance	Comments
1	% of deliverables completed	95%	71.3%	63%	-8.3%	55 deliverables issued out of a total plan of 87
2	% of planned audit days delivered	95%	71.3%	69%	-2.3%	698 days delivered out of a total plan of 1016 days
3	% of audit briefs issued no less than 10 working days before the start of the audit	95%	95%	97%	+2%	31 out of 32 briefs issued more than ten working days before the start of the audit.
4	% of Draft reports issued within 10 working days of exit meeting	95%	95%	96%	+1%	27 out of 28 draft reports issued within 10 working days of exit meeting.
5	% of Final reports issued within 5 working days of the management responses	95%	95%	100%	+5%	17 out of 17 final reports issued within 5 working days.

5.3. Audit Planning

5.4. Amendments to the 2015/16 year Internal Audit plan agreed by the Committee are shown at Appendix C.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. Not applicable

7. CONSULTATION

7.1. Not applicable

8. EQUALITY IMPLICATIONS

8.1. Not applicable

9. LEGAL IMPLICATIONS

9.1. Not applicable

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Not applicable

11. RISK MANAGEMENT

11.1. Not applicable

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable

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

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Full audit reports from October 2004 to date	Geoff Drake Ext. 2529	Corporate Services, Internal Audit Town Hall King Street Hammersmith W6 9JU

LIST OF APPENDICES:

Appendix A	Audit reports issued 1 October to 31 December 2015
Appendix B	Summary of Outstanding Audit Reports
Appendix C	Amendments to 2015/16 audit plan
Appendix D	Summary of Limited Assurance Reports
Appendix E	Outstanding Recommendations

APPENDIX A

Audit reports Issued 1 October to 31 December 2015

We have finalised a total of 13 audit reports for the period of 1 October to 31 December 2015. This includes 2 Shared Services audits. No follow ups were completed in the period and no management letters were issued.

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	2015/16	Food Safety	Nick Austin	Satisfactory
2	2015/16	All Saints Church of England Primary School	Andrew Christie	Satisfactory
3	2015/16	Registrars	David Page	Satisfactory
4	2015/16	Corporate Procurement	Nigel Pallace	Satisfactory
5	2015/16	Grounds Maintenance	David Page	Satisfactory
6	2015/16	Kenmont Primary School	Andrew Christie	Limited
7	2015/16	IT Disaster Recovery	Ed Garcez	Satisfactory
8	2015/16	Premises Licensing	Nick Austin	Limited
9	2015/16	Prevent	David Page	Satisfactory
10	2015/16	Strategic Housing Stock Options Appraisal Programme Management	Mike England	Substantial
11	2015/16	Sullivan Primary School	Andrew Christie	Satisfactory
12	2015/16	Business Intelligence *	Nigel Pallace	Satisfactory
13	2015/16	Highways Maintenance and Footpaths *	Mahmood Siddiqi	Satisfactory (operations) Limited (Payments to contractors and claims to TFL relating to Agresso)

* Undertaken by the in house internal audit team at RBKC/WCC

Substantial Assurance

There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.

Satisfactory Assurance

While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Limited Assurance

Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

No Assurance

Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

APPENDIX B

Internal Audit reports in issue more than two weeks as at 31 December 2015

There are no outstanding reports for the period ended 31 December 2015

APPENDIX C

Amendments to 2015/16 Audit Plan

There have been no amendments to the 2015/16 plan during this period.

APPENDIX D

Summary of Limited Assurance Reports

Ref	Audit and Scope	Details	Assurance Risk /
1	<p>Kenmont Primary School</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Governance and Leadership • Financial Management • Procurement • Staff Expenses & Petty Cash • Income • Payroll • Head Teachers Pay • Assets & Inventory • Leasing • Unofficial Funds 	<p>The London Borough of Hammersmith and Fulham's standard schools audits are carried out using an established probity audit programme. Audits are currently undertaken on a three year cycle unless issues dictate a more frequent review. The programme is designed to audit the main areas of governance and financial control. The programme's standards are based on legislation, the Scheme for Financing Schools and accepted best practice.</p> <p>Three High priority and 11 Medium priority recommendations have been made. The key recommendations were as follows:</p> <ul style="list-style-type: none"> • The Governing Body should review and update the School Finance Policy to include details of staff members who will cover the finance and administrative functions of the School. The Governing Body should review and update the Committee Structure, Terms of Reference and Schemes of Delegation document and the School's Finance Policy document to ensure enough members of SLT have authority to approve transactions. • The School Financial Value Standard (SFVS) self assessment should be reassessed in light of the audit findings and, where appropriate, appropriate remedial action taken. • Where costs relating to transactions can be identified in advance a purchase order should be raised and authorised prior to placing the order with the supplier. Management should remind staff that all undisputed invoices should be paid within 30 days from receipt. • The School should terminate any credit card agreements. • The School should ensure that adequate records are maintained for all income collected. The School's local income records should be independently checked by a more senior officer on a regular basis. Stock records for school uniforms should also be maintained. • The School should formulate an action plan regarding collection of the school meal income arrears in order to reduce the level of arrears. The debt recovery procedure should be finalised and documented within the Charging Policy and evidence of all debt recovery actions should be retained. • Overtime Claim Forms should be submitted by staff members for any additional hours worked. These should only be paid when signed and dated by the claimant and signed as approved by a senior officer. 	Limited

Ref	Audit and Scope	Details	Assurance Risk /
		<ul style="list-style-type: none"> Quotations and Tenders should be obtained and retained for contracts and leases entered into in accordance with the requirements of the School's Finance Policy. The award of any contract or lease, and reasons for supplier selection, should be documented in the meeting minutes of the Governing Body or other delegated Committee. The School's asset register should be updated to include all desirable items located within the School. Annual asset checks should be undertaken and signed and dated by the person(s) performing this check. There should be a separation of duties between the Officer maintaining the asset register and conducting the asset check. <p>All recommendations were accepted by management for implementation by 31 December 2015</p>	

Ref	Audit and Scope	Details	Assurance / Risk
2	<p>Premises Licensing</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Policy & Procedures • Application Processing • Income Collection • Debt Recovery & Write Offs • Enforcement • Performance Management • Budgetary Control 	<p>The Licensing Act 2003 requires local authorities to publish a licensing policy. The legislation provides a clear focus on the promotion of four statutory licensing objectives which must be addressed when licensing functions are undertaken, these are:</p> <ol style="list-style-type: none"> 1. The prevention of crime and disorder; 2. Public safety; 3. The prevention of public nuisance; and 4. The protection of children from harm. <p>The Licensing Authority operates an inspection regime that is based on risk; this is in compliance with the Regulators Code, which is a statutory requirement. This ensures that only high risk premises and premises that have had compliance issues and/or complaints are targeted for inspection. Any enforcement action taken is taken in accordance with the divisional Enforcement Policy.</p> <p>Two High priority and Two Medium priority recommendations have been made as follows:</p> <ul style="list-style-type: none"> • Management should continue with current efforts to work with the Finance and IT functions in order to ensure that: Invoicing of annual fees is conducted following the agreed debt cycle; New customer accounts are created in Agresso on a timely basis; Licensing and accounts receivable records are adequately maintained and are duly reconciled; and Invoices approved for write off/ cancellation are cancelled in Agresso on a timely basis. The possibility of obtaining the support of a professional with Uniform application expertise should be explored in order to ensure the license records in Uniform are refreshed to include the Agresso customer numbers. • Management should ensure that all overdue annual fees for LBHF continue to be investigated and all records in the Uniform database are cleansed. • An interface and reconciliation should be implemented between the Agresso and Uniform systems. This process should be automated to reduce the risk of human error and ongoing resource requirements of a manual reconciliation. • Management should ensure that LBHF procedures are updated, and that all RBKC and LBHF procedures related to the Agresso finance system are updated appropriately for both boroughs once the functioning of this system is fully established and understood. <p>All recommendations were accepted by management for implementation by 31 May 2016.</p>	<p>Operations –Satisfactory / Agresso related activity - Limited</p>

Ref	Audit and Scope	Details	Assurance / Risk
3	<p>Carriage and Footway Maintenance</p> <p>The objectives of this review were to assess and evaluate the controls in the following areas:</p> <ul style="list-style-type: none"> • Service Objectives • Planned Maintenance • Reactive Maintenance • Payments to Contractors • Contractor Performance Monitoring • Management Information 	<p>Under section 41 of the Highways Act 1980, local authorities have a statutory duty to maintain the public roads including major and minor works. The Transport and Highways Group deals with all aspects of maintaining the public highway and footway, kerbside spaces and coordinating all highways work as a Shared Services service between the Royal Borough [RBKC] and Hammersmith and Fulham [H&F].</p> <p>Highways maintenance comprises a mixture of planned works and reactive maintenance. In Hammersmith and Fulham, The split between the two works streams are 65%:35% respectively. The work is undertaken through the use of an external contractor, FM Conway. H&F has committed to a new call off contract from WCC Framework Agreement with Conway which started in April 2015. As the firm already provided footway services to the Council the transition to the new call off arrangements did not impact on operational procedures.</p> <p>Two High priority recommendations (both related to Agresso) and one Medium priority recommendation have been made as follows:</p> <ul style="list-style-type: none"> • Arrangements should be made between the Senior Highways Engineer [RBKC], the Planned Maintenance Engineer [H&F] and the Finance Manager to identify which schemes have been completed allowing the submission of the grant claims to the TfL. A method for identifying LIP schemes from other completed works should be devised allowing a timely claim to be made as each LIP scheme is completed. • Arrangements should be made to settle all overdue invoices as soon as possible. In addition, a review of the payment process with ELRS finance team should be conducted to establish a process for improving the payment on contractor invoices. • A single IT system supporting the highways maintenance process should be introduced across both teams enabling a common set of processes to be adopted and facilitating efficient electronic communication storage of information <p>All recommendations were accepted by management for implementation by 30 June 2017.</p>	<p>Operations –Satisfactory / Agresso related activity - Limited</p>

APPENDIX E

Summary of Outstanding Recommendations

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

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
1	2013/14	Adult Social Care	Home Care	Satisfactory	<p>Initial reviews should take place within six weeks of the care first being provided and annual reviews should be undertaken thereafter.</p> <p>Management should identify the reasons for not undertaking the initial reviews promptly and take corrective action where necessary. Where reviews cannot be undertaken at the required time as this is not convenient for the service user, this should be documented.</p>	1	01/07/2015	Head of Assessment and Care Management	<p>In progress. People are in the process of being reviewed. The work has not gone as planned due to various issues with the Home Care Transfer and dates for mobilisation being changed regularly. This has been compounded by the problem of recruiting locum staff of the right calibre to carry out this work. Nevertheless we are still aiming for everyone to have had a Care Act compliant assessment or review before the end of the financial year.</p> <p>This recommendation is being taken up by the ASC Performance Board, but won't be achieved in time for 31 March due to the problems mentioned, in particular the new Home Care contract changes.</p>

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
2	2014/15	Children's Services	School Admissions	Satisfactory	The reasons and evidence used in determining which applications received after the deadline can be accepted and processed, should be logged and retained.	2	31/10/2015	Head of Admissions	No update received.
3	2015/16	Children's Services	All Saints CE Primary School	Satisfactory	The School Development Plan and Staffing Structure should be subject to review and approval by the Governing Body on an annual basis.	2	31/12/2015	Governing Body/ Head Teacher	No update received.
4	2015/16	Children's Services	All Saints CE Primary School	Satisfactory	The Governing Body should discuss the options available to the School before entering contracts. The School should obtain quotes and tenders as per the Schools financial policy before entering a contract with a supplier or document the justification for not doing so.	2	31/12/2015	Governing Body / Head Teacher/ School Business Manager	No update received.
5	2014/15	Corporate Services	Mobile Device Security	Satisfactory	Management should draft, agree and communicate a specific IT security policy that covers mobile device usage for Tri-Borough work. All users using mobile devices, whether issued by the Tri-Borough or not, should be required to formally sign off their acceptance of relevant policies before being issued with a Tri-Borough issued mobile device or before having their own device configured for Tri-Borough use. The development of relevant policies should also be supported by appropriate user training.	2	30/04/2015	Information and Systems Strategist	Update Sep 2015: This is currently being finalised as part of the Mobile Working project prior to deployment of the shared ICT service mobility platform

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
6	2014/15	Corporate Services	Tri borough Cloud Computing	Satisfactory	A central Tri-Borough inventory of all services and solutions provided through the cloud should be created and maintained, regardless of which borough is responsible for managing the service contract. The Tri-Borough Information Security Assurance Authority Group should be responsible for the inventory.	2	30/06/2015	Tri-Borough CIO will have oversight of this task but Tri-Borough Contract management will manage this service catalogue.	No update received.
7	2014/15	Corporate Services	Tri borough Cloud Computing	Satisfactory	<p>Regular reporting on performance and security incidents (or any agreed schedule) should be requested from the cloud service providers for the Frameworki, Library Management System and Bravo Solutions application.</p> <p>Furthermore, such reporting requirements should be extended to all Tri-Borough based cloud agreements.</p>	2	31/03/2015	Tri-Borough CIO will have oversight of this task but Tri-Borough Contract management will manage this service catalogue.	Response from Tri-borough Director of Libraries and Archives 14/5/2015 - With regard to performance reporting, I can confirm that SirsiDynix is able to supply uptime reports and we will be exploring further what performance information they can supply, such as response times. However this is complicated by the network and other factors bearing on responsiveness so it is not clear how the service would establish whose responsibility any poor responsiveness was.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
8	2014/15	Corporate Services	Tri borough Cloud Computing	Satisfactory	The Tri-Borough should ensure continuous compliance of their vendors and Cloud Service Providers with applicable regulations such as: PCI DSS, ISO 27001, EU Data Protection Regulations, Cloud Security Alliance Control Matrix, ISAE 3402, SSAE 16, and SAS 70 Type II.	2	31/03/2015	Tri-Borough CIO	No update received.
9	2015/16	Corporate Services	IT Disaster Recovery	Satisfactory	LBHF management should implement the following: <ul style="list-style-type: none"> • Review the current test plan and include a schedule that identifies and prioritises systems and ensuring that critical systems are tested at least on an annual basis; • Agree the relevant test plan in advance; and • Establish a process to communicate test results to senior H&F and HFBP management. Where it is not considered practical or cost effective to test all critical systems annually, an alternative approach may be to test one service from each methodology each year. However, the risks associated with adopting this approach should be evaluated.	1	31/12/2015	Contract Management Officer (H&F) & Head of Applications (HFBP)	No update received.

Ref	Audit year	Department	Audit Name	Assurance	Recommendation	Priority (1/2/3)	Agreed Target Date	Responsible Officer	Status
10	2014/15	Transport & Technical Services	Organisational Health and Safety	Satisfactory	<p>Service lines should be instructed, via the Corporate Health and Safety Committee to provide a copy of their risk assessments to Corporate Health and Safety so they can be uploaded onto Tri-B Net.</p> <p>These risk assessments should be reviewed and updated on an annual basis. Monitoring of activity should be undertaken by the Corporate Safety Team.</p>	2	30/06/2015	Bi Borough Corporate Health and Safety Manager	Update 18/2/2016 – Reasonable progress has been made. Departmental and team audits have been undertaken. Risk assessments for ELRS, TTS, Libraries and the majority of ASC are now collated centrally. Generic risk assessments for CHS and the remainder of ASC are being prepared and will be sent to managers for sign off. Completion tabled for end of April 2016; this remains a priority for the team.
11	2014/15	Transport & Technical Services	Rechargeable Street Works	Satisfactory	<p>Performance indicators for the service should be agreed and monitored against. This could include:</p> <ul style="list-style-type: none"> • % of assessments that have been undertaken, within set timeframe, after an application has been received; • % of estimates provided to customer, within set timeframe, after assessment has been completed; • % of proactive Inspections undertaken within timeframe; • % of additional works required as a result of quality inspections; and • % deviation of estimate to actual invoice amount. <p>Results should be reported to Senior Management on a periodic basis.</p>	2	01/06/2015	Project Engineer/ Finance Officer	We have gathered all the details and will be compiling and format shortly to produce KPI stats.