Havering
LONDON BOROUGH

AUDIT COMMITTEE
21 December 2011

Subject Heading:	Internal Audit Progress Report
Report Author and contact details:	Vanessa Bateman – Internal Audit & Corporate Risk Manager ext 3733
Policy context:	To inform the Committee of progress to deliver the approved audit plan in quarter two of 2011/12.
Financial summary:	N/a

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

This report advises the Committee on the work undertaken by the internal audit team during the period 1st July 2011 to 30th September 2011.

RECOMMENDATIONS

1.   To note the contents of the report.

2.   To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

This progress report contains an update to the Committee regarding Internal Audit activity presented in seven sections.

Section 1   Background and Resources

Some information about the resources is included for information.

Section 2   Audit Work 1st July to 30th September 2011

A summary of the work undertaken in quarter two is included in this section of the report.

Section 3   Management Summaries

Summaries of all final reports issued in the period.

Section 4   Schools Audit Work

A summary of schools final reports issued in the period.

Section 5   Key Performance Indicators

The actual performance against target for key indicators is included.

Section 6   Changes to the Approved Audit Plan

The changes made to the audit plan since the last meeting are detailed and explained in this section of the report.

Section 7   Outstanding Recommendations Summary Tables

The details regarding status, as at the end of September, of all outstanding recommendations are included within tables for information.

Section 1   Background and Resources

1.1 The Audit team currently consists of a Principal Auditor, Senior Auditor, Auditor and Audit Technician. All posts are filled by permanent staff members, however the Principal Auditor post is seconded from the Fraud team while the restructure is approved and implemented. An additional part time agency resource has been employed to assist in delivery of the audit plan as the Senior Auditor was on maternity leave for the first half of the financial year.

1.2 The consultation period for the restructure launched at the end of July has been extended. It is anticipated the new structure will be signed off by the end of December and fully implemented ready for the start of the next financial year. The new structure aims to increase the flexibility of the team to ensure that it can fully support the organisation going forward; income generation will assist in meeting the team's allocated saving target.

1.3 The Insurance Team now sits with the Audit Team to align the risk management functions of the organisation. The Budgets for the two areas have been combined under the audit cost centre. The forecast outturn for 2011/12 is currently within the allocated budget.

Section 2 Audit Work 1ˢᵗ July 2011 to 30ᵗʰ September 2011.

2.1 At the end of September 40% of the audit plan had been delivered. This was against a target for the period of 35%.

2.2 At the end of September six assignments had been completed and ten were in progress but had not reached the final report stage.

2.3 Schedule 1 details the work completed in quarter two. Details are listed in the table below and management summaries under Section 3 starting on page 6.

SCHEDULE 1: 2011/2012 – Systems Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
St Kilda's Children's Centres	Substantial	0	3	1	4	**2** (1)
NDR	Substantial	0	4	1	5	**2** (2)
BACS Application	Substantial	0	3	1	4	**2** (3)
Outsourced Server Support and Management	Substantial	0	7	3	10	**2** (4)
Microsoft Exchange Server and Outlook Email Audit	Substantial	0	4	2	6	**2** (5)
Complaints	Limited	1	1	1	3	**2** (6)

2.4 Work in progress includes:

- Computer Audits – Network Infrastructure, Remote Access & Off Site Working, Oracle Financials.
- Risk Based Systems Audits – Supply Chain Resilience, Registrars, Public Protection – Fees and Charges, Disabled Facilities Grants, Jacobs Contract, Education Computer Centre.
- School Audit – La Salette RC Primary, Rainham Village Primary, St. Patricks Catholic Primary and Suttons Primary.
- Substantive/Proactive Testing – Internal Shared Services.

Section 3   Management Summaries

St Kilda's Children's Centre	ref 3(1)

3.1   Background

3.1.1 A Children's Centre is a place in the community where families with children under the age of five can access a range of activities, services and information. The Centres work with parents and carers to ensure that services lead to better outcomes for children and their families, promote social inclusion and healthy and safer communities.

3.1.2 Since January 2010, Children's Centres have been subject to inspection by Ofsted, in a similar fashion to inspections currently carried out within schools.

3.1.3 Summary of Audit Findings

3.1.4 Previous audit work at another Children's centre identified issues which were relevant to the whole service. Where applicable action has been agreed with management that is being implemented across all centres. Although some of these recommendations are yet to be implemented the issues have not been raised again as part of this report.

3.1.5 At the time of the audit the budgets for children's centres were still held in a central code within the new Oracle 12 system, and had not been allocated out to the individual cost centre managers. As an interim measure last years budget is being used as a base and records of expenditure are being kept manually to inform budget monitoring. Action had been taken to raise this issue for resolution by the Internal Shared Service. Meetings with finance to discuss the budget were planned.

3.1.6 A payment made via Corporate Purchase Card (CPC) was found to be in breach of the Council's CPC policy. However it is noted that this was with the prior agreement of an authorised officer.

3.1.7 Access to the centres safe and therefore petty cash is restricted to the Deputy Manager. In the absence of the Deputy Manager, also the only CPC holder located on site, no other members of staff have access to funds. Some petty cash vouchers were found to be incomplete or missing.

3.1.8 The inventory of electrical equipment does not currently contain the make, model or serial number of the individual items. This was being rectified during the audit.

3.1.9 It was noted that in the absence of a corporate template, which is currently being drafted and approved, an on site multi agency working policy has been developed and implemented by the centre. To ensure consistency this will be superseded by the corporate version.

3.1.10 Audit Opinion

3.1.11 As a result of this audit we have raised three medium and one low priority recommendation.

3.1.12 Recommendations related to the need for:
- Corporate Purchase Card payments to adhere to the Council's policy (Medium);
- Access to petty cash to be extended to a second member of staff (Low);
- Petty cash payments to be completed in line with requirements (Medium); and
- The on site multi agency working policy to be replaced by the service wide partnership agreement once finalised (Medium).

3.1.13 **Substantial Assurance** has been given as while there is a basically sound system, there are limitations that may put some of the systems 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.

NDR (Non Domestic Rates)	ref 3(2)

3.2   Background

3.2.1 On the 1st April 2008, the London Borough of Havering (LBH) entered into a three year agreement for LBBD to discharge the Council's NDR function, with the option to extend the agreement annually. LBBD have since contracted the service to a company called Elevate.

3.2.2 Whilst the day to day administration of the NDR function has been transferred over to LBBD, responsibilities for a number of NDR processes remain with LBH.

3.2.3 Summary of Audit Findings

3.2.4 Evidence to support the provision of LBH procedures to LBBD in relation to NDR could not be provided. Some risks have been mitigated by the retention of approval responsibility and a LBH officer working on site at LBBD for the first 6 months, however, insufficient assurances are available to support that LBBD have been instructed to operate in line with LBH's procedural requirements.

3.2.5 Performance indicators relating to LBBD are collated by LBH as part of the periodic operational meetings, no assurances are available as to the quality of this data and there are no checks undertaken on accounts to verify the data is reasonable or to ensure that the level of activity on accounts is in line with expectations.

3.2.6 Since the introduction of ISS, limited work has been undertaken on the Council's suspense account due to work constraints. As work has now been carried out to clear transactions within the account, no recommendation has been raised.

3.2.7 When the agreement began in April 2008, any accounts in arrears where a liability order had been obtained prior to this date, remained the responsibility of LBH to recover. A report provided as part of the audit valued the debt on these accounts at approximately £3m across 572 accounts. By July 2011 £1.1m had been written off and with £400k being received in payments and/ or other account adjustments left the pre April 2008 debt with LBH at £1.5m. Recovery of these accounts has not been undertaken in line with Council requirements.

3.2.8 Delays in debt recovery could lead to debts being written off on the basis that the Council is statue barred from recovering them. No recommendation has been made regarding this issue as management have already implemented a team to review and resolve arrears on both Council Tax and NDR accounts.

3.2.9 Historically write off figures have not been reported to the Debt Management Board or the Governance Board. A corporate requirement has since been introduced to ensure that all write off information is reported to the Debt Management Board. Write off information should be used in conjunction with information relating to debt position to provide a clear picture of debt progress.

3.2.10 At the time of the audit a list of Business Improvement District (BID) properties was not available, resulting in an inability to carry out reconciliations to ensure that charges have been appropriately applied to all accounts. This list has since been generated.

3.2.11 The absence of a dedicated NDR resource, aside from the half post for the BID scheme, impacts on Lab's responsibility to deliver elements of the NDR function not designated to LBBD.

3.2.12 A review of the 114 individuals with access to the Academy NDR system identified 16 individuals who no longer work for LBH.

3.2.13 Audit Opinion

3.2.14 As a result of this audit we have raised four medium and one low priority recommendation.

3.2.15 Recommendations relate to the need for:
- Procedures to be reviewed and issued to the relevant provider (Medium);
- Sample checking of accounts to monitor performance (Medium);
- Amounts written off to be reported to the Governance Board (Medium);
- Reconciliations of charges raised against BID properties (Medium); and
- Users with access to Academy NDR to be reviewed (Low).

3.2.16 **Substantial Assurance** has been given as while there is a basically sound system, there are limitations that may put some of the systems 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.

BACS Application	ref 3(3)

3.3 Background

3.3.1 The BACS Application (BACKWAY IP Professional – called BACSTEL IP) is the mechanism and process adopted by BACS to enable a user of the BACS system to authenticate and sign payment messages submitted to the BACS system and to validate, confirm receipt and report on the processing of such payment messages.

3.3.2 The BACS file creation process is performed by the Internal Shared Services team via the e-business application hosted by Oracle while the loading and signing processes are performed by Business Systems.

3.3.3 The transmission process for the BACS files is performed by the operations team via the BACKWAY IP professional software. The BACS IP software has been installed on a dedicated machine and access is restricted to four admin staff.

3.3.4 Summary of Audit Findings

3.3.5 Audit testing identified the following:
- Leavers are not notified by line managers;
- There is no HR involvement in the leaver notification process;
- There is currently no facility in place to report and review inactive user accounts to assist in the timely identification of leavers;
- An account belonging to a leaver is still active on the system; and
- There are two accounts for users who no longer require access to the system.

3.3.6 The number of acceptable logon failure attempts has been configured to 10 and there is currently no log and report of security violations which means persistent attempts at accessing the system cannot be identified.

3.3.7 Although invoices should be paid within 30 days from the date that they are received, the targets are currently not being met and there is a delay of two weeks for payment.

3.3.8 The documentation for the recent upgrade of the BACKWAY IP application that was performed in August 2011 is not available for review.

3.3.9 Sample review of details logged on the Support Works system for a closed call for the transformation and implementation of an ERP solution identified that there is no evidence that the change had been tested or signed off.

3.3.10 Audit Opinion

3.3.11 As a result of this audit we have raised three medium priority and one low priority recommendations.

3.3.12 Recommendations related to the need for:

- The leaver management process to be reviewed (Medium).
- The Backway IP system to lock the account after 3 unsuccessful log ins and unsuccessful attempts should be recorded and logged (Medium).
- The back log of unpaid BACs invoices should be cleared and a process put in place for the timely payment of BACS invoices within the 30 day KPI requirement (Low).
- The Change log should be updated to reflect changes in the system and include evidence of test results (Medium).

3.3.13 A **Substantial** audit opinion has been given as while there is a basically sound system, there are limitations that may put some of the system objectives at risk, and there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Outsourced Server Support and Management	ref 3(4)

3.4   Background

3.4.1 The 2011/2012 Internal Audit plan includes an audit of the arrangements the Council has in place with ACS for the hosting and management of its hardware.

3.4.2 The current IT infrastructure at Havering is requiring upgrades and a refresh to continue to serve the Council's development of services. In 2008, the Council sought to outsource the hosting of its hardware to a specialist third party supplier. Initially an agreement was signed with Anix for the hosting of Havering servers in the London Docklands, however, following the takeover of Anix the new service provider, ACS (Affiliated Computer Services), has sought to relocate the Council servers at two data centres in Telford and Newport (Shropshire). As well as providing improved dedicated facilities for the hosting of servers, the move of the servers also provides the Council with improved Disaster Recovery the introduction of a robust disaster recovery capability and a technology refresh along the way.

3.4.3 The IT Infrastructure Programme is a programme within the ICT Transformation Programme and the data centre move (application migration) is a work stream contained within the IT Infrastructure Programme.

3.4.4 Through the application migration work stream, 30% of the applications have been migrated to date from the Town Hall data centre to the ACS data centres.

3.4.5 The takeover by ACS contributed to the delay of the migration as a period of redesign had to take place to ensure contractual obligations could be met.

3.4.6 Furthermore, issues were experienced with the SQL clusters and the Unix P Series not being available. Thus applications which were dependent on these could not be migrated. In addition to this, the work stream has also sometimes suffered from lack of resource availability as business systems resources need to be free from 'business as usual' activities to enable them to focus on Programme activities.

3.4.7 It is acknowledged that this has been noted by LBH and steps have been taken to employ additional project support and project managers.

3.4.8 Summary of Audit Findings

3.4.9 Review of the application migration work stream's risks and issues log, determined that it has not been populated.

3.4.10 It was confirmed that this list of systems to be migrated has not been formally agreed with the IT Infrastructure Programme Board as some additional systems are added to the Board.

3.4.11 A schedule of roles and responsibilities has been informally agreed with ACS. Furthermore, key personnel requiring back up staff and key technical personnel have not been formally identified.

3.4.12 Users outside of Business Systems who perform application testing in preparation for migration may not use test scripts and test plans to document the user acceptance tests carried out.

3.4.13 The sign-off to approve the migration into the live environment is informally received via e-mail and not formally recorded within the work stream documentation.

3.4.14 The original contract (between Havering and Insight) which referred to the services provided by Anix was not formally novated to ACS although it was indicated that ACS are working towards the original contract.

3.4.15 The service level agreement (SLA) with ACS states that service reports will include reporting on back-up information and environmental availability. However, this is not currently being reported on.

3.4.16 Review of the reports determined that between October 2010 and March 2011, LBH were subject to four major incidents and a formal complaint has been raised with ACS to produce a Service Improvement Plan.

3.4.17 An analysis has not been carried out to determine if it is feasible to meet the deadline of migrating all applications and whether sufficient resources are available to implement the migration. This date was driven from the need to realise benefits from the migration.

3.4.18 A specific visitor's procedure to access the data centre has not been documented.

3.4.19 CCTV cameras were not operational in the ACS data centres. Additionally, the cameras do not provide adequate coverage of the room or all the aisles.

3.4.20 Audit testing was unable to find any reference of insurance cover for Havering equipment at the ACS data centres within the contract.

3.4.21 Audit Opinion

3.4.22 As a result of this audit we have raised 7 medium priority and 3 low priority recommendations.   In order to further improve the control environment, management need to ensure that:

- The application migration work stream risk and issues log is fully populated (Medium);
- The list of systems to be migrated to the ACS data centres is finalised (Medium);
- The proposed application migration deadline is reviewed (Medium);
- Roles and responsibilities are defined for each key personnel within the implementation process (Low);
- A consistent user acceptance testing procedure is followed for all systems to be migrated (Medium);
- Legal advice is sought over the requirement to update the contract with ACS (Medium);
- ACS service review reports are enhanced to include reporting on backups and environmental availability as per the service level agreement (Medium);
- ACS develop written standards for visitor and contractor access to the Havering hardware in the data centres (Low);
- CCTV coverage at the data centres is made operational to cover Havering hardware (Low); and
- Insurance agreements are in place over Havering equipment in the ACS data centre (Medium).

3.4.23 A **Substantial** audit opinion has been given as while there is a basically sound system, there are limitations that may put some of the system

objectives at risk, and there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Microsoft Exchange Server and Outlook Email Audit	**ref 3**(5)

3.5 Background

3.5.1 It has been highlighted in the formal documented Havering ICT Roadmap 2010-2014 that the ICT infrastructure is in urgent need of a refresh and modernisation programme. The existing Novell GroupWise email system was identified, as outdated and unreliable and no longer fit-for-purpose in the ICT Roadmap and supported by independent reviews commissioned and undertaken by consultants AT Kearney and AMTEC.

3.5.2 At the time of this internal audit, the Novell GroupWise email system has been replaced and migrated to Microsoft Exchange Server 2003, with Outlook 2007 as the front-end client accessed by Council staff. Furthermore, the Exchange Server cluster, Storage Area Network (SAN) storage and Citrix environment has also been migrated to two geographically dispersed Data Centres in Telford and Newport, which is hosted and managed by Affiliated Computer Services (ACS).

3.5.3 There are design proposals and plans in place for the implementation of an Exchange Server and Outlook 2010 migration and upgrade project, as part of the strategic vision at the Council.

2.5.4 Summary of Audit Findings

3.5.5 Since the migration from Novell GroupWise to MS Exchange 2003, an appropriate and standardised mailbox size capacity management policy has yet to be formally agreed, documented, applied and monitored to better utilise the Microsoft Exchange Server data storage capacity.

3.5.6 There is currently no email archiving solution established and implemented at the Council and users have no limits applied to Exchange mailboxes.

3.5.7 Individual user Exchange mailbox restoration and recovery is the responsibility of in-house ICT Services at the Council. However, there are no defined and documented procedures available to cover the recovery of systems.

3.5.8 All inbound and outbound mail messages and attachments are scanned by the recently implemented Forefront Online Protection for Exchange (FOPE) solution. It was noted that for the new solution, there are various types of management reporting on email usage, viruses and spam generated from FOPE, which are yet to be formally defined and developed for the Council in conjunction with Internal Audit for monitoring and investigative purposes.

3.5.9 The Microsoft Exchange Best Practice Analyser was run on the Exchange 2003 Server which identified and reported seven Exchange critical issues which should be addressed and resolved. These are identified in the detailed findings of this report.

3.5.10 The ITIL Change Management Benchmark Assessment and Evaluation indicated that the existing email and Exchange Server Change Control and Management arrangements at the Council could be further aligned with the ITIL best practice framework.

3.5.11 Audit Opinion

3.5.12 As a result of this audit we have raised 4 medium priority and 2 low priority recommendations.

3.5.13 In order to further improve the control environment, management need to ensure that:

- Appropriate mailbox size policy settings are established and applied (Medium);
- An email archiving solution is fully evaluated, established and implemented at the Council (Medium);
- Operational procedures for the restoration and recovery of individual Exchange mailboxes are defined, documented and periodically tested (Low);
- Management reporting for email usage activities, top viruses, spam and content is fully evaluated, defined, documented and implemented at the Council (Low);
- The seven 'Critical Issues' identified and reported by the Microsoft Exchange Best Practice Analyser are addressed and resolved (Medium); and
- Effective Change Control and Management arrangements are established and implemented which are aligned with ITIL best practice standards (Medium).

3.5.14 A **Substantial** audit opinion has been given as the audit has found weaknesses in the system of internal control that may put the Council's objectives at risk.

Complaints	**ref 3**(6)

3.6   Background

3.6.1   The Council implemented a corporate complaints process in September 2008. This process works using a Customer Relation Management (CRM) system which allows complaints to be recorded and tracked.

3.6.2   In June 2011 the CRM system was replaced. Functionality of this system remains similar to the previous system.

3.6.3   Havering 2014 includes a programme on customer services of which complaints is a work stream. Therefore a light touch review to provide assurance regarding current arrangements was carried out.

3.6.4   In order to test compliance, a sample of complaints across a randomly selected sample of departments was selected for review. A sample of correspondences' received were also selected where possible to identify potential complaints. Any specific issues identified from this testing will be reported separately to the relevant services.

3.6.5   Summary of Audit Findings

3.6.6   A number of issues found during the audit of service areas, such as complaints not being entered onto CRM, inconsistencies and inaccuracies in the information being entered have raised concerns that complaint number / statistics may be distorted by the information being recorded within the system.

3.6.7   Given the above, management information being used to make decisions may not be a true reflection of actual complaints.

3.6.8   Guidance on complaints handling dated October 2008 is available on the intranet. This document is contradictory and requires review to ensure it's clear and fit for purpose.

3.6.9   No quality spot checks are currently being undertaken either centrally or at a local level.

3.6.10 Controls have been introduced within Streetcare and Customer Services which require independent approval to change complaints to service requests.

3.6.11 Six recommendations were raised as a result of the 2009/10 Complaints audit. All recommendations have either been fully or partly implemented, although all of these recommendations will require revisiting given the implementation of the new CRM system and the staffing changes resulting from the introduction of ISS and recent restructures.

3.6.12 Audit Opinion

3.6.13 As a result of this audit we have raised one high, one medium priority and one low priority recommendations.

3.6.14 Recommendations raised relate to the need for:
- Review and update of the guidance available on the intranet (Medium);
- Refresher training for staff (Low); and
- The introduction of quality management spot checks within service areas (High).

3.6.15 A **Limited Assurance** has been given as the audit has found that limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

Section 4 Schools Audit Work

Two Schools audits were finalised by the end of September. Results of the audits are included in Schedule 3 below.

Management summaries will only be included in the quarterly progress reports when we have given limited or no assurance.

Schedule 2: 2011/12 – School Audits Completed

| Report | Opinion | Recommendations | | | | Ref |
		High	Med	Low	Total	Below
Brady Primary School	Limited	1	12	4	17	**4** (1)
Nelmes Primary School	Substantial	0	6	4	10	N/A

Brady Primary School	**ref 4** (1)

4.1   Previous Recommendations

4.1.1 There was one Priority One and five Priority Two recommendations made at the Annual Audit Health Check undertaken in May 2010. Of these three have been fully implemented and the three remain outstanding.

4.1.2 Recommendations outstanding relate to obtaining best value for money by acquiring sufficient quotes for all contracts; the annual inventory check and discrepancies above £500 to be reported to the Governing Body and minuted; and all portable school equipment to be Smart Water security marked. These have been reiterated in this report under recommendations four and nine.

4.1.3 Summary of Audit Finding

4.1.4 Scheme of Delegation has not been reviewed since February 2010.

4.1.5 Copies held of Governing Body minutes were not signed or dated.

4.1.6 It was noted that the school does not have a high interest account. Due to the current reduced benefits there is no recommendation to made as a result of this finding.

4.1.7 Office Manager is taking income home, to bank at her local branch.

4.1.8 Quotes are not being sought for purchases between £1000 and £10,000.

4.1.9 The Head Teacher is authorising orders over £3000.

4.1.10 Cheque stubs are not being initialled by cheque signatories.

4.1.11 Finance Committee Terms of Reference do not include responsibilities for charge cards.

4.1.12 School Finance Policy does not state cash withdrawal is not permitted with the charge card and the facility to do this has not been disabled.

4.1.13 Charge card transaction log has not been signed by the cardholder or authorised by two cheque signatories.

4.1.14 Debit entry on bank statement has not been initialled by cardholder verifying agreement to transaction log.

4.1.15 Scheme of Delegation does not include members of staff authorised to use charge cards including expenditure limits and other limits imposed on the card.

4.1.16 The inventory is not being kept up to date. Recently purchased items are not on the inventory and disposed of items have not been removed. Items of equipment are not always Smart Water security marked.

4.1.17 An annual Inventory is not being undertaken and therefore the results of the check are not being reported to Governing Body.

4.1.18 Equipment on loan log is not updated and does not include insurance details.

4.1.19 There is no Write Off Policy.

4.1.20 Lettings agreements are not being signed by a representative from the school.

4.1.21 There is no Asset Management Plan.

4.1.22 All governors are not included on the Single Central Record.

4.1.23 Passwords are only being changed at the beginning of each year.

4.1.24 Staff using their own cars for school business have not been checked to ensure they are legally qualified to do so.

4.1.25 There is no profit and loss account kept for residential school journeys.

4.1.26 There is no Grants Policy and approval is not sought from Governors regarding a budget to subsidise residential school journeys

4.1.27 Audit Opinion

4.1.28 This audit report contains seventeen recommendations, one high, twelve medium and four low priority.

4.1.29 Recommendations relate to the need for:
- Scheme of Delegation to be reviewed;

- Copies of Governing Body minutes held to have date and signature of approval;
- Office Manager is not to take money home and is to be accompanied when banking income at the schools bank;
- Quotes to be sought for purchases;
- Headteacher to gain approval from Finance Committee to authorise orders over £3000;
- Cheque stubs to be initialled by cheque signatories;
- Terms of Reference for Finance Committee to include responsibilities for charge cards. A notation to be included in the Finance Policy stating the withdrawal of cash with the charge card is not permitted. Scheme of Delegation to include members of staff authorised to use charge cards including spending limits and other limits imposed on the card. Advice to be sought from the schools bank for disablement of the facility to withdraw cash with the charge card.
- A complete and up to date inventory to be maintained to include recently purchased items and the removal of disposals and all items of equipment to be Smart Water security marked;
- An annual inventory check to be undertaken and reported to the Governing Body for review;
- Equipment on loan register to be updated and include insurance liability;
- A Write Of Policy to be in place;
- Agreements for the hire of premises to be signed by a representative from the school;
- Asset Management Plan to be in place;
- Passwords for the schools IT systems to be changed termly;
- Members of staff using their own cars on school business to produce documents;
- A profit and loss account to be produced for all residential school journeys;
- A Grants Policy to be put in place and approval from Governors sought for the journey subsidy budget.

4.1.30 A **Limited Assurance** has been given as the audit has found that limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

Section 5 – Key Performance Indicators

The tables below detail the profiled targets for the year and the performance to date at the end of September and the targets for the rest of the financial year.

Audit Plan Delivered (%)	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	17	23	31	40						
Cumulative Target	13	20	27	35	45	55	63	74	85	95

At the end of September 2011 the team is ahead of target with 40% of the audit plan having been delivered.

KPI 01 - Briefs issued	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	12	12	19	20						
Cumulative Target	12	17	22	29	36	43	48	55	60	60

It is estimated the team will undertake 60 audit assignments. Outputs from Fraud cases and schools are not counted in the 60. Due to the allocation of audit resources on Internal Shared Services which is not a traditional audit and has only one overarching brief, the actual briefs issued is behind target at the end of September.

KPI 02 – Draft Reports	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	4	9	9	11							
Cumulative Target	5	8	10	14	19	26	35	40	48	55	60

At the end of September the team were three draft reports behind target.

KPI 03 – Final Reports	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	2	0	4	8							
Cumulative Target	3	5	7	10	16	23	30	37	45	50	60

At the end of September the team were two final reports behind target.

Section 6 – Changes to the Approved 2011/12 Audit Plan

In March 2011 the Audit Committee approved an Annual Audit Plan for the 2011/12 financial year totalling 1466 days.

The table below provides a summary of the audits removed from, and added to, the 2011/12 approved audit plan and the reason for the change. It also reflects where there has been a change in budget.

The impact on the total days in the plan has been managed by adjusting the contingency budget and other budgets for the year. The totalled planned days remains at 1466.

Audit Title	Days	Revised Days	Directorate	Reason
Partnership & Joint Working	20	15	Corporate	Reduced scope.
Contracts & Procurement	40	20	Corporate	Reduced scope.
Outcomes of Transformation Programme	70	20	Corporate	Reduced scope.
Expenses	0	10	Corporate	Added to 2011/12 plan.
Internal Shared Services Controls Stage 2	0	75	F&C	Added to 2011/12 plan
Disaster Recovery	10	0	F&C	Deleted from plan as this has been undertaken previously as part of the Computer Audit Pan
Flood Act 2010	15	0	F&C	Included as part of the Emergency Planning Audit
Emergency Plan & Business Cont. incl. Flood Act	0	15	F&C	Focus of audit changed away from Disaster Recovery (See above)
Facilities Management	15	0	F&C	Audit was briefed last year. Risks identified were not sufficient, therefore deleted from plan.
Child Protection	15	0	SC&L	External Inspection in 2011.
Learning & Physical Disability Day Services	15	0	SC&L	Audit was briefed last year. Risks identified were not sufficient, therefore deleted from

				plan.
Appointeeships & Receiverships	10	15	SC&L	Increased scope.
Follow Up's	25	5		Number of days has been reduced to reflect the actual number of follow ups to be undertaken.
Contingency	14	0		Remainder of Contingency budget reduced to accommodate overall increase in planned work.

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Section 7 – Outstanding Recommendations Summary Tables

Categorisation of recommendations

High: Fundamental control requirement needing implementation as soon as possible
Medium: Important Control that should be implemented
Low: Pertaining to Best Practice

Outstanding Internal Audit Recommendations – 2008/09

Review in 2008/09	HoS Responsible	Outstanding			Position as at end September 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
E Payments	Business Systems		1		1		
Commissioning of Works	Asset Management	1			1		
IT Security & Data Management	Business Systems	2			2		
Telecommunications	Business Systems	1			1		
Cemeteries & Crematorium	Housing & Public Protection		1		1		
	Total	**4**	**2**		**6**	**0**	**0**

Outstanding Internal Audit Recommendations – 2009/10

Review in 2009/10	HoS Responsible	Outstanding			Position as at end September 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Integrated Youth Services	Children's and Young people		1	1	2		
Climate Change	Culture & Community		1		1		
Government Connect GCSx	Business Systems	2	2		4		
Commensura	Shared Service		1		1		
Contract Completions	Asset Management			2	2		
Integrated Children's Systems	Children's and Young People		2		2		
	Total	2	7	3	12	0	0

Outstanding Internal Audit Recommendations – 2010/11

Review in 2010/11	HoS Responsible	Outstanding			Position as at end September 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Tranman	Asset Management	3	1		4		
Service Desk	Business Systems		2	1	3		
Corporate Support Team	Asset Management		1	1	2		
Section 106	Development & Building Control		1		1		
IT Change Management	Business Systems		1		1		
Payroll	Shared Services			1	1		
Pensions	Shared Services			1	1		
Child Protection	Children & Young People's Services		2		2		
Thistledene Children's Centre	Children & Young People's Services		1		1		
IT Security	Business Systems		1		1		
Total		**3**	**10**	**4**	**17**	**0**	**0**

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Outstanding Internal Audit Recommendations – 2010/11

Review in 2008/09	HoS Responsible	Outstanding			Position as at end September 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Complaints	Customer Services	1	1		2		
Total		**1**	**1**		**2**	**0**	**0**

IMPLICATIONS AND RISKS

Financial implications and risks:

By maintaining an adequate audit service to serve the Council, management are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. With regards Money Laundering criminal charges may result should employees not fulfil their personal responsibilities. Sanctions could also be imposed on the Council if it is considered not to be complying with legislation. There are no financial implications or risks arising directly from this report.

Legal implications and risks:

None arising directly from this report

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None.