Havering
LONDON BOROUGH

AUDIT COMMITTEE
25 June 2012

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 four 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 to complete the 2011/12 Approved Internal Audit Plan.

RECOMMENDATIONS

1. To note the contents of the report.

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

$$\boxed{\textbf{REPORT DETAIL}}$$

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

Section 1   Service Update

Some information regarding the service and future developments.

Section 2   Audit Work to complete plan

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

Section 3   Management Summaries

Summaries of all final reports issued.

Section 4   Schools Audit Work

A summary of schools final reports issued.

Section 5   Key Performance Indicators

The actual performance against target for key indicators is included.

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.

Audit Committee 25 June 2012

Section 1   Service Update

1.1   The new structure has been implemented for the Internal Audit Team. The last vacancy has been filled with a start date of June 2012.   There are no agency workers in the team currently.

1.2   The vacancy impacted on the delivery of the plan so some 2011/12 work has been completed in the first quarter of 20012/13.

1.3   The budget outturn for 2011/12 was within the allocated budget.

1.4   An exercise to complete a detailed review of all audit recommendations has commenced, there is therefore no update as at the end of March however a full report of all outstanding audit recommendations will be presented to the September Committee.

1.5   Three audits were deferred into the 2012/13 audit plan: Telecommunication, Performance Indicators and Information Governance.

Section 2 Audit Work 1st January 2012 to 31st March 2012.

2.1   At the end of March 90% of the audit plan had been delivered. This was against a target for the period of 95%. The remaining days have been delivered in April and May.

2.2   Schedule 1 details the work completed. Details are listed in the table below and management summaries under Section 3 starting on the next page.

SCHEDULE 1: 2011/2012 – Systems Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	**Med**	**Low**	**Total**	
Housing Benefits	Full	0	0	0	0	**3** (1)
Emergency Planning & Business continuity	Limited	2	2	0	4	**3** (2)
Pensions	Limited	0	1	0	1	**3** (3)
Council Tax	Substantial	0	0	0	0	**3** (4)
Budgetary Control	Substantial	0	0	0	0	**3** (5)
i-Expenses & Purchase Cards	Limited	5	3	1	9	**3** (6)
Adult Integrated Management System (AIS)	Substantial	0	7	2	9	**3** (7)
Main Accounting	Substantial	0	0	0	0	**3** (8)
Contract Monitoring	Substantial	0	0	0	0	**3** (9)
Contracts & Procurement	Substantial	0	3	0	3	**3 (**10**)**

The following non systems assurance work was also carried out, the outcomes of which are not included in this report:
- Internal Shared Service Controls (Stage 2); and
- Agency Expenses.

Section 3   Management Summaries

| Housing Benefits | ref 3 (1) |

3.1   Background

3.1.1   Housing Benefit is governed by the guidelines issued from the Department of Work and Pensions (DWP) and subject to review from external audit.

3.1.2   Havering's Housing Benefit Service, aims to help residents of the Borough on low incomes by providing means tested funding to assist residents in paying their rent.

3.1.3 Summary of Audit Findings

3.1.4   Signed staff declarations covering confidentiality and access and sharing of information obtained from the operating systems were found to be more than two years old and in one case inaccurate. A review of all declarations is planned for 2012.

3.1.5   Payments to claimants are not always made by BACS. Cheque payments are a less secure and efficient mechanism of payment. This is also an issue Management aim to address in 2012.

3.1.6   Audit Opinion

3.1.7   As a result of this audit no recommendations have been raised.

3.1.8   A **Full Assurance** has been given as the audit has found that there is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

Emergency Planning & Business continuity	**ref 3** (2)

3.2   Background

3.2.1   EP plans, set out actions, resources and tasks to be undertaken in order to prevent, reduce, control or mitigate the effects of an emergency in addition to action to take and people to contact in the event of an emergency.

3.2.2   The BC Plan sets out how the organisation aims to continue to offer critical services in the event of an emergency / disaster, and that business continuity is a responsibility of services across the organisation.

3.2.3   Summary of Audit Findings

3.2.4   Business Continuity planning is the responsibility of everyone in the Council. Corporately a sufficient framework is in place to deal with an emergency situation. Only limited assurance can be placed at a service level due to the absence of plans available.

3.2.5   Testing of our technology to see if the Remote Access Portal (RAP) worked, highlighted a systems failure preventing access to information required in the event of an emergency. This included accessibility to critical social care data to safeguard vulnerable adults and children within the borough.

3.2.6   Work is being undertaken by ICT to plan for emergency situations; however, this does not consider the needs of critical services across the Council.

3.2.7   Controls in place to access the Council's systems remotely failed during a recent exercise. No recommendation has been raised as this has since been resolved, although this was only picked up during a planned exercise and would've had significant consequences had this not been resolved in the event of an emergency.

3.2.8   Regular work stream meetings are held between the Group Director Finance & Commerce, the Emergency Planning Manager and the Head of Service to discuss BC arrangements and EP. This is not attended by Business Systems to link in with ICT arrangements. There needs to be a proper mechanism for integrating Business Systems through the Council's risk management procedures.

3.2.9   The role of the Risk Management Group has declined and meetings no longer occur. The Council lacks an appropriate platform to be reactive to BC and EP threats within the Council. A CLT Sub-Group has been tasked with recommending a new risk management framework for the Council, next being considered by CLT in May 2012.

3.2.10 Audit Opinion

3.2.11 As a result of this audit we have raised two high and two medium priority recommendations.

3.2.12 Recommendations related to the need for:
- Reminder to Heads of Services regarding the importance of Business Continuity & Emergency Planning (High);
- Joint working across the Council to ensure arrangements are sufficient (High);
- Business Systems to attend meetings between the Group Director Finance & Commerce and the Emergency Planning Manager (Medium); and
- The Risk Management Group to reform (Medium).

3.2.13 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.

Pensions	ref 3 (3)

3.3 Background

3.3.1 The Council's Pension Fund is operated under the Local Government Pension Scheme Regulations 2007. The fund is financed from contributions from employees, employers and from profits, interest and dividends on its investments.

3.3.2 As at the 31st March 2012 there were 5525 active members of the LGPS. The Pension Fund is currently being reconciled, it is expected to be valued at approximately £402m.

3.3.3 Summary of Audit Findings

3.3.4 The Council's financial system Oracle and the Pensions system Axise do not interface.

3.3.5 At the time of the audit reports identifying information such as changes in staff hours, which in the past would be used by the team to gain assurance that system data is accurate, were not available.

3.3.6 Legislative changes to the auto enrolment process will increase the workload of the Pensions team.

3.3.7 Starters and leavers reports forwarded to Pensions do not identify pension members. All entries must therefore be cross matched against Oracle.

3.3.8 Testing found differences between the starters report provided to Internal Audit and the reports previously provided to the Pension Team.

3.3.9 Historically pensions information has been distributed to members alongside pay slips. The introduction of electronic pay slips has removed this facility. New methods for delivering legislative requirements are being implemented.

3.3.10 PDPAs have not been undertaken due to the restructures. Informal one to ones are held, but not documented. Management will address this as part of implementing the new PDR process.

3.3.11 During the audit instances of incorrect filing of scanned documents were noted. This may result in an inability to locate documents in the future. It was further noted that confidential documents, such as Criminal Record Bureau Checks, had not been given an accurate documents type and were therefore accessible to general users. Further audit work is planned to review controls in this area.

3.3.12 There is a risk that changes to staff details will not be made in the Axise system as, in the absence of reports or an interface with Oracle, the team is currently reliant on relevant information being forwarded on.

3.3.13 The team has increased the manual checks within their processes to ensure accuracy, of data; this increases the workload on resources and may not be sustainable.

3.3.14 When an interface is developed, there will be a need to retrospectively amend accounts from the beginning of the financial year. This will have a resource implication.

3.3.15 Audit Opinion

3.3.16 As a result of this audit we have raised one medium priority recommendation relating to the need for starters and leavers report to clearly indicate which employees are LGPS members.

3.3.17 Other control weaknesses already identified through the Payroll and the Oracle on Demand audits are currently being dealt with by other audit work or by the service, although, until resolved, these issues have impacted on the assurance that can be given to the current system of internal control.

3.3.18 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.

Council Tax	**ref 3** (4)

3.4   Background

3.4.1   All domestic properties are subject to Council Tax. The amount payable is based on their banding, A to H, which was determined by their market value as at 1st April 1991.

3.4.2   As at the end of September 2011, a total of £69.2 million has been collected compared to £68.5 million at the same time last year. The collection rate as at the end of September was 58.4%. The actual collection rate achieved by the end of March 2012 was 96.62% compared to a target of 97.5%.

3.4.3   **Summary of Audit Findings**

3.4.4   Debt Management Board meetings had not been held for over six months.

3.4.5   A reimbursement to a customer who had paid by credit card was made by cheque.

3.4.6   An agency worker no longer working as a member of the Council Tax team was still listed as an authorised user of the Academy system.

3.4.7   Audit Opinion

3.4.8   As a result of the audit no recommendations have been raised.

3.4.9   A **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.

Budgetary Control	**ref 3** (5)

3.5 Background

3.5.1 It is the responsibility of the Cost Centre Manager (CCM) to ensure effective budget management takes place. The Oracle System now provides more detailed and timely information to CCMs but central resources which traditionally supported the processes have been reduced with the implementation of the Internal Shared Service and the shift to self service.

3.5.2 Support for CCMs is provided based on a risk rating system of High, Medium and Low which was agreed by Corporate Management Team.

3.5.3 Summary of Audit Findings

3.5.4 Profiling of budgets was found to be inappropriate for some cost centres. However, budget profiles are likely to be removed in the Collaborative Planning (CP) system to be used for submitting budget forecasts.

3.5.5 There is high reliance on CCMs and the controls they implement over their budgets within this system. It is expected that the CP system will strengthen the management information that Senior Management and Finance resources can use to gain assurance that robust budgetary control arrangements are in place.

3.5.6 Audit Opinion

3.5.7 As a result of this audit no recommendations have been raised.

3.5.8 A **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.

i-Expenses & Purchase Cards	**ref 3** (6)

3.6 Background

3.6.1 On the 4th April 2011 the Council's new Oracle 12 system went live, allowing staff to claim expenses using the system. The accounting for purchase card transactions was also built into the Oracle system.

3.6.2 Summary of Audit Findings

3.6.3 Procedures do not fully reflect the working processes in place and do not contain clear guidance on policy or responsibilities.

3.6.4 Non compliant claims identified by the system can be investigated and rejected where necessary, but are currently being paid if confirmed by the approving manager due to a lack of clarity around the role of ISS.

3.6.5 It is noted that as the approval hierarchy is based on chain of line management any variation from the default cost centre or approver means that the budget holder may not be aware of the transaction in advance of budget monitoring activity.

3.6.6 Expense claims are being entered onto the system for as little as £0.41, far below the cost of processing the claim itself.

3.6.7 Some errors in transactions indicate that some users have additional training needs. In addition there may be system enhancements that reduce the risk of human error.

3.6.8 System controls are in place to flag to user's incidence of non compliance. Reliance is placed on the approving manager ensuring full compliance with policy; currently the organisation does not receive any assurance as to the effectiveness of this control mechanism.

3.6.9 A data matching exercise completed during the course of the audit has identified a number of duplicate transactions which are being investigated.

3.6.10 Issues with the implementation of I-Procurement has resulted in an increase in spending limits placed on purchase cards, in turn increasing the risk to budgetary control.

3.6.11 Audit Opinion

3.6.12 As a result of this audit five high, three medium and one low priority recommendation have been raised.

3.6.13 Recommendations relate to the need for:
- Procedures to reflect the current processes in operation and expectations (Medium);
- Reminder to staff and Managers regarding expectations (High);

- Clarification as to the role of the Audit Manager function within Oracle (High);
- Controls to be applied to the use of other cost centres for claiming expenses (High);
- A minimum claim threshold to be considered for claims (Medium);
- Action to be taken to minimise the likelihood of purchase card transactions being inadvertently claimed as a personal expense (High);
- Checks to be undertaken to identify potential non compliance / fraud and for the findings to be appropriately reported (High);
- A review of purchase card limits as usage drops in the new financial year (Low); and
- Management information to be developed to aid in monitoring the process (Medium).

3.6.14 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.

Adult Integrated Management System (AIS)	**ref 3** (7)

3.7 Background

3.7.1 The 2011/2012 Internal Audit Plan includes an audit of the Adult Integrated Services application that facilitates the management of the Adult Social Care client records for the Council's Adult Services.

3.7.2 In order to manage the client records held by the Council and to provide an efficient service, Havering have implemented an electronic database for Adult Services called SWIFTPRD. The Council has purchased and licensed the Adult Integrated Services application from Northgate to provide social workers with a graphical user interface to create and manage client records, replacing the Swift application as a means for entering data.

3.7.3 The main users of the AIS application are the Council's social workers, with approximately 200 active users responsible for the 11,000 active client records that are managed by the application. The AIS application is owned by Havering's Adult Services Directorate, who are responsible for the quality of the data input, processed and stored within the Application. The Council's ICT department is responsible for performing system administration functions such as the management of users and for configuring the system processing tasks.

3.7.4 Summary of Audit Findings

3.7.5 The Council's Business Systems Policy and Data Centre – Disaster Recovery policies were not formally reviewed in the last year to help ensure that they are up to date and reflect any changes in the environment.

3.7.6 The password controls for the SWIFTPRD Database have not been configured to meet the Council's existing requirements for password length or complexity as outlined in the Business Systems Policy.

3.7.7 The password controls for the AIS application have not been configured to meet the Council's existing requirements for length or complexity as outlined in the Business Systems Policy. The system log for the AIS application has not been configured to record and report on attempted and unsuccessful access attempts.

3.7.8 There is currently no formal procedure in place to review the user access list for the AIS system on a regular basis to help ensure that leavers are removed in a timely manner, although testing identified that some users are removed.

3.7.9 The AIS application has not been configured with some format checks on the data being entered by a user. Audit testing of the new client creation process identified that it was possible to create a record for a client that contained numeric and special characters.

3.7.10 A formally defined process has not been put in place to conduct record and review the testing of system changes made to the AIS application although evidence was noted of testing that had taken place.

3.7.11 Whilst a Disaster Recovery Plan is in place for the Council's Data Centre, there is no evidence that this has been tested or reviewed to identify potential gaps in the plan in order to provide assurance that the system can be recovered in a timely manner and in line with service expectations.

3.7.12 The actions to be taken by Council staff to continue to provide its services in the event of a disaster or emergency has not been outlined within a formally defined Business Continuity Plan.

3.7.13 Whilst the expected service levels provided by the AIS application supplier, Northgate, have been outlined in the existing Service Level Agreement, Northgate are not required to provide the Council with information relating to their performance against these levels.

3.7.14 Audit Opinion

3.7.15 As a result of this audit, we have raised 7 medium priority and 2 low priority recommendations.

3.7.16 Recommendations related to the need for:

- The password controls for the SWIFTPRD Database should be brought in to line with the Council's existing Business Systems Policy. *(Medium Priority)*
- The password controls for the AIS application should be brought in to line with the Council's existing Business Systems Policy and the application configured to record and report on security violations. *(Medium Priority)*
- The user accounts for staff that have left the Council should be removed from the application in a timely manner and a procedure put in place to review user access and activity on a regular basis. *(Medium Priority)*
- A formally defined procedure should be in place for testing any changes made to the AIS application before being applied to the live environment. *(Medium Priority)*
- A formally defined process should be in place for testing and reviewing the Data Centre Disaster Recovery Plan. *(Medium Priority)*
- A Business Continuity Plan should be formally defined, in line with the existing IT recovery plans, which outline how the Council will continue to provide services in the event of an emergency. *(Medium Priority)*
- The AIS supplier, Northgate, should be required to provide information to the Council regarding their performance against the standards outlined in the Service Level Agreement. *(Medium Priority)*
- Review the existing Council policies to help ensure that the information contained within is up to date and that the policy is fit for purpose. *(Low Priority)*
- Format checks should be enabled to prevent users creating client records that contain inaccurate of incomplete data. *(Low Priority)*

3.7.17 A **Substantial** audit opinion has been given as the audit has found that whilst there is basically a sound system of control; weaknesses in the system of internal control may put some of the Council's objectives at risk.

Main Accounting	**Ref 3** (8)

3.8   Background

3.8.1   The audit reviewed the operation of the council's main accounting system. Although the risks remain the same in this audit area, the system of internal control has been altered as a result of the implementation of the Internal Shared Service and an update to the main financial information system, Oracle 12.

3.8.2   Summary of Audit Findings

3.8.3   At the time of the audit it was noted that there had been a delay in completing monthly reconciliations at the beginning of the year.   This was due to the system implementation and not expected to be an issue in future years. In some instances the reconciliation had not been completed until year end. Audit were advised this was being monitored closely as part of the Council's accounts close down timetable, however management indicate that a number of reconciliations were completed well after year end and this has impacted on the closedown timetable.

3.8.4   At the time of the fieldwork audit were advised that Suspense/ sink accounts no longer exist within the system, so previous costs which would have sunk can now be miscoded which need to be corrected via a journal. After completion of the field work an incident has arisen whereby some costs have been allocated to a suspense account. This issue indicates a lack of understanding on the system; however this has been identified via prior audit work and by management themselves therefore no recommendation is raised in this report.

3.8.5   Audit Opinion

3.8.6   As a result of this audit one medium priority recommendation relating to reconciliation completion has been raised.

3.8.7   **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.

| **Contract Monitoring** | **Ref 3** (9) |

3.9   Background

3.9.1   The Council is reliant on its suppliers to assist in the delivery of services and the overall achievement of the organisations objectives; this is acknowledged within the Corporate Risk Register and a number of Service Risk Registers. The management of relationships with contractors has been identified as an area for improvement in the past.

3.9.2   The contracts were selected at random, from a list detailing highest expenditure. The two contracts selected were Business Systems (Insight Direct UK) and Careers Provider, Havering Connexions (Prospects Services).

3.9.3   Summary of Audit Findings

3.9.4   The arrangements in place to monitor these contracts were found to be in accordance with corporate procedures.

3.9.5   A change in contract monitoring officer occurred at the time of the audit, due to absence through long term sickness of previous monitoring officer. (Prospects Services)

3.9.6   Other audit work relating to contracts and procurement has identified that risk awareness is an area where contract monitoring officers could generally be given more support, however this has been included the relevant audit report.

3.9.7   Audit Opinion

3.9.8   As a result of this audit no recommendations have been raised.

3.9.9   A **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.

Contracts & Procurement	**Ref 3** (10)

3.10 Background

3.10.1 Prior to April 2011 the Council's Business Development Team reported to the Assistant Director Business Efficiency. As part of the creation of the Internal Shared Service Centre a restructure took place and the Council's strategic resources (1FTE) are located in Finance & Procurement; the operational resources (5 FTE) are within the Internal Shared Service.

3.10.2 The Council seeks to increase the efficiencies it achieves when letting new contracts by partnering with other organisations, usually within the East London Solutions area. Although the rewards are greater it is often a more lengthy and complex procurement process.

3.10.3 At the time of the audit a review of the Contract Procedure Rules was being completed. As a result of this review the rules have been amended so that the threshold where the involvement of the operational procurement team is required has been increased from £60k to £100k. The organisation has therefore increased its tolerance for risk and relies on Management to fulfil their responsibilities in always operating in the Council's best interests.

3.10.4 Prior audit work has raised recommendations to strengthen controls corporately and although agreed by management the erosion of resources has made it difficult for these additional monitoring activities to occur.

3.10.5 To support the team in evaluating risk and allocating the resources of the team most efficiently a provision for audit work, both proactive and systems based, has been included in the 2012/13 audit plan.

3.10.6 Summary of Audit Findings

3.10.7 Contracts procured that do not adhere to procurement guidelines could only be picked up through random checks, or if notified to Procurement at a later date.

3.10.8 The minimum threshold for procurement being involved in a tender process is to be raised from £60k to £100k. This will allow the reduced resources to be focused on higher value, higher risk procurements.

3.10.9 Procurement training is available for iProcurement through a UPK E-Learning course. The link to the training is on the iProcurement intranet page.

3.10.10 Some collaborative contracts leave the authority open to some level of inherent risk due to control being with another authority or partner.

3.10.11 CMT are no longer provided with a quarterly report on current procurement developments and issues.

3.10.12 Audit Opinion

3.10.11 As a result of this audit three medium priority recommendations have been raised.

3.10.12 Recommendations relate to the need for:
- Spot checks to ensure compliance;
- Information on supplier spend to be reviewed by CLT;
- Risk awareness communication for contract monitoring officers to be increased.

3.10.13 A **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.

Section 4 Schools Audit Work

Eleven Schools audits were finalised by the end of April 2012. Results of the audits are included in Schedule 2 below.

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

At the request of the Head Teacher Parklands Infant School was deferred into the 2012/2013 Audit Plan.

SCHEDULE 2: 2011/12 – School Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
La Salette RC Primary	Limited	2	9	3	14	**4** (1)
St. Josephs RC Primary	Substantial			2	2	N/A
Brookside Junior	Substantial	1	7	3	11	N/A
Hilldene Primary	Substantial	2	6	1	9	N/A
St. Peters Catholic Primary	Substantial	2	5		7	N/A
St. Ursulas RC Infant	Substantial	2	4		6	N/A
The James Oglethorpe Primary	Substantial	1	9	1	11	N/A
Ardleigh Green Infant	Substantial		5	5	10	N/A
Hylands Primary	Substantial		2	3	5	N/A
Crowlands Primary	Substantial	1	8	2	11	N/A
Scargill Junior	Substantial	1	9	2	12	N/A

| **La Salette RC Primary** | **ref 4** (1) |

4.1 Previous Recommendations

4.1.1   There were two priority one and five priority two recommendations made at the Annual Audit Health Check undertaken in May 2010. Of these four have been fully implemented, two partially implemented and one remains outstanding.

4.1.2   The two partially implemented recommendations relate to the reporting of virements to the Governing Body and updating the inventory from the equipment register onto SIMS to include the date and estimated value of items. The outstanding recommendation relates to segregation of duties between authorisation of orders and certification of invoices. These have been reiterated in the report.

4.1.3 Summary of Audit Finding

4.1.4   Virements are not formally reported to the Governing Body and approval is not gained for the Head approving virements over the limit stated in the Scheme of Delegation.

4.1.5   The Head Teacher is taking income to the bank unaccompanied.

4.1.6   The school does not have a high interest account.

4.1.7   Orders are being raised retrospectively.

4.1.8   There was no clear segregation of duties between authorisation of orders and certification of invoices.

4.1.9   Cheque stubs are not being initialled by cheque signatories;

4.1.10 There was no petty cash imprest in place

4.1.11 The inventory had not been updated since completion of building work and new items purchased.

4.1.12 Small items of equipment had not been security marked.

4.1.13 The equipment on loan log did not include insurance details.

4.1.14 Income collected is being reconciled and banked by the Head Teacher.

4.1.15 Timesheets had not always been authorised and in some instances timecards were missing.

4.1.16 Not all Governors were included on the Single Central Record.

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

4.1.18 Income collected for residential school journeys is banked into the school fund and expenditure for coach travel is being paid from the delegated budget.

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

4.1.20 Audit Opinion

4.1.21 This audit report contains fourteen recommendations, two high priority, nine medium priority and three low priority.

4.1.22 Recommendations relate to the need for:
- Virements to be formally reported to full Governing Body (Low);
- Income banked to be taken to the schools local branch by two members of staff (Medium);
- Purchase orders to be raised before the invoice is received (Medium);
- There should be a clear segregation of duties between authorisation of orders and certification of invoices (Medium);
- Cheque stubs to be initialled by cheque signatories (Low);
- A petty cash imprest system to be put in place (Medium);
- The schools inventory to be updated and small items security marked (Medium);
- Insurance liability to be included on the loan of equipment log (Medium);
- Income collected to be signed for when passed to the Head Teacher and independent checks to be carried out to reconcile to the days banking (Medium).
- Timesheets to be authorised in accordance with the Scheme of Delegation (High);
- Timesheets to be supported by staff timecards (Medium) ;
- Members of staff using their own cars on school business to produce documents (High);
- Monies paid from the delegated budget for school journeys to be reimbursed from the school fund (Medium); and
- A profit and loss account to be produced for all residential school journeys (Low).

4.1.23 A **Limited Assurance** has been given as the audit has found that while there is a basically sound system, there are limitations that may 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.

Section 5 – Key Performance Indicators

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

Audit Plan Delivered (%)	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	17	23	31	40	50	57	63	72	82	90
Cumulative Target	13	20	27	35	45	55	63	74	85	95

KPI 01 - Briefs issued	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	12	12	19	20	31	38	47	51	51	52
Cumulative Target	12	17	22	29	36	43	48	52	52	52

Due to changes in the audit plan throughout the year the total number of audit assignments the team undertook was 52.

KPI 02 – Draft Reports	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	May
Actual	4	9	9	11	15	23	23	28	32	38	49
Cumulative Target	5	8	10	14	19	26	35	37	45	52	52

Forty nine draft reports had been issued at the end of May. This includes assignments in Homes in Havering and non systems assurance work the outcomes of which are not included in this report. The reduction in days delivered were caused by a vacancy in the team and resources being redirected to cover.

KPI 03 – Final Reports	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Jun
Actual	2	0	4	8	9	28	22	25	30	36	49
Cumulative Target	3	5	7	10	16	23	30	34	42	47	52

All 49 Final Reports have now been issued.