REPORT TO:	DATE	CLASSIFICATION	REPORT NO.	AGENDA NO.
Audit Committee	**12 December 2011**	**Unrestricted**		**5.1**
REPORT OF: **Corporate Director, Resources** ORIGINATING OFFICER(S): *Minesh Jani, Head of Risk Management and Audit*		Quarterly Internal Audit Assurance Report **Ward(s) Affected: N/A**		

1. SUMMARY

1.1. This report summarises the work of Internal Audit for the period September to November 2011.

1.2. The report sets out the assurance rating of each audit finalised in the period and gives an overall assurance rating. The quarterly assurance report feeds into the annual internal audit opinion which will be produced at the end of the financial year.

2. RECOMMENDATION

2.1. The Audit Committee is asked to note the contents of this report and to take account of the assurance opinion assigned to the systems reviewed during the period.

3. Background

3.1.   From April 2005, we have assigned each review one of four ratings, depending upon the level of our findings. The ratings we use are: -

Assurance	Definition
Full	There is a sound system of control designed to achieve the system objectives, and the controls are being consistently applied;
Substantial	While there is a basically sound system there are weaknesses which put some of the control objectives at risk 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	Weakness in the system of controls are such as to put the system objectives at risk or the level of non-compliance puts the system objectives at risk;
Nil	Control is generally weak leaving the system open to significant error or abuse, or significant non-compliance with basic controls leaves the system open to error or abuse.

3.2.   In addition, each review is also considered in terms of its significance to the authority in line with the previously agreed methodology. The significance of each auditable area is assigned, based on the following factors: -

Significance	Definition
Extensive	High Risk, High Impact area including Fundamental Financial Systems, Major Service activity, Scale of Service in excess of £5m.
Moderate	Medium impact, key systems and / or Scale of Service £1m- £5m.
Low	Low impact service area, Scale of Service below £1m.

4. Overall Audit Opinion

4.1.   Overall, based on work performed in the year to date, I am able to give a substantial level of assurance over the systems and controls in place within the authority.

5. Overview of finalised audits

5.1.   Since the last Assurance Report that was presented to the Audit Committee in September 2011, 22 final reports have been issued. The findings of these audits are presented as follows:

The chart below summarises the assurance rating assigned by the level of significance of each report.

Appendix 1 provides a list of the audits organised by assurance rating and significance.

Appendix 2 provides a brief summary of each audit.

5.2.   **Members are invited to consider the following:**

The overall level of assurance provided (para 5.3-5.5).

The findings of individual reports. The Audit Committee may wish to focus on those with a higher level of significance and those assigned Nil or Limited assurance. These are clearly set out in Appendix 1.

5.3.   The chart ranks the overall adequacy and effectiveness of the controls in place. This assurance rating will feed into Internal Audit's overall assessment of the adequacy of governance arrangements that is required as part of the Accounts and Audit Regulations 2003 and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

(Please refer to the table on the next page).

Chart 1 Analysis of Assurance Levels

SUMMARY		Assurance				
		Full	Substantial	Limited	Nil	Total
Significance	Extensive	-	13	-	-	13
	Moderate	-	6	3	-	9
	Low	-	-	-	-	-
Total Numbers		*-*	*19*	*3*	*-*	*22*
Total %		*-*	*86%*	*14%*	*-*	*100%*

5.4. From the table above it can be seen that all thirteen finalised audits focused on high risk or high value areas and all were assigned Substantial Assurance. A further nine audits were of moderate significance and of these; six were assigned Substantial Assurance and three, Limited Assurance.

5.5. Overall, 86% of audits resulted in an adequate assurance (substantial or full). The remaining 14% of audits have an inadequate assurance rating (limited or nil).

6. Performance Indicators

6.1.   At the start of the year, three performance indicators were formulated to monitor the delivery of the Internal Audit service as part of the Chief Executive's Monitoring process. The table below shows the actual and targets for each indicator for the period:-.

Performance measure	Target	Actual
Percentage of Audit Plan completed up to October 2011	47%	45%
Percentage of Priority 1 Audit Recommendations implemented by Auditees at six monthly follow up audit stage	100%	86% (6 out of 7)
Percentage of Priority 2 Audit Recommendations implemented by Auditees at six monthly follow up audit stage	95%	64% (29 out of 45)

6.2.   The table above shows that the proportion of internal audit work completed to October 2011 is 45% against the target of 47%. This is principally due to a long term sickness absence to which the Audit committee was alerted during the last meeting in September 2011. The target for the year is to complete 100% of the plan and remedial action has already been taken to bring the delivery of audit plan up to date.

6.3.   The percentage of priority 1 recommendations implemented at the follow up stage was 86%, whereas the percentage of priority 2 recommendations was 67%. Relevant Corporate Directors were sent copies of the final Follow Up audit reports. Details of recommendations not implemented are set out in Appendix 3. The percentage of recommendations not implemented is significantly lower than previous quarters, thus further to the usual actions, meetings are being convened with key officers to seek assurances agreed recommendations will be implemented promptly. For ICT, a meeting has already taken place and management have confirmed following the issue of audit follow up reports, eight of the 11 recommendations have since been implemented.

7. Comments of the Chief Financial Officer

7.1.   These are contained within the body of this report.

8. Concurrent Report of the Assistant Chief Executive (Legal Services)

8.1 The Council is required to ensure that it has a sound system of internal control that facilitates effective exercise of the Council's functions and includes arrangements for the management of risk. The Council is also required to maintain an effective system of internal audit of its system of internal control in accordance with proper practices. One of the functions of the Audit Committee under the Council's Constitution is to review internal audit findings. The consideration by the Audit Committee of this report is consistent with the Council's obligations and is within the Committee's functions.

9. One Tower Hamlets

9.1. There are no specific one Tower Hamlets considerations.

9.2. There are no specific Anti-Poverty issues arising from this report.

10. Risk Management Implications

10.1. This report highlights risks arising from weaknesses in controls that may expose the Council to unnecessary risk. The risks highlighted in this report require management responsible for the systems of control to take steps so that effective governance can be put in place to manage the authority's exposure to risk.

11. Sustainable Action for a Greener Environment (SAGE)

11.1. There are no specific SAGE implications.

Local Government Act, 1972 SECTION 100D (AS AMENDED)
List of "Background Papers" used in the preparation of this report

Brief description of "background papers"	**Contact** :
N/A	*Minesh Jani, 0207 364 0738*

Summary of Audits Undertaken   <u>APPENDIX 1</u>

Assurance level	Significance	Directorate	Audit title
LIMITED	Moderate	Adult, Health and Wellbeing	Out of Hours Service – Systems Audit
	Moderate	Children, Schools and Families	Management and control S 17 payments – Systems Audit
	Moderate	Children, Schools and Families	Stebon Primary School
SUBSTANTIAL	Extensive	Corporate	Management of Climate Change – Follow up audit
	Extensive	Development and Renewal	Management of Right to Buy property Buy Back Programme – Systems Audit
	Extensive	Assistance Chief Executive	Management of Members' Enquiries – Systems Audit
	Extensive	Resources	Medium Term Financial Plan – Systems Audit
	Extensive	Resources	Network Follow Up audit
	Extensive	Resources	Change Management
	Extensive	Resources	ICT Service Desk
	Extensive	Resources	Payroll – Systems Audit
	Extensive	Children, Schools and Families	Contractors' Final Accounts - Systems Audit
	Extensive	Children, Schools and Families	Independent School Fees - Systems Audit

Summary of Audits Undertaken

Assurance level	Significance	Directorate	Audit title
SUBSTANTIAL	Extensive	Communities, Localities and Culture	Procurement of Goods, Services and Supplies above EU Threshold – Systems Audit
	Extensive	Communities, Locality and Culture	Civica System– Authority Public Protection – Follow Up
	Extensive	Communities, Locality and Culture	Business Continuity – Follow Up Audit
	Moderate	Communities, Locality and Culture	Environmental Protection and Pollution Control Systems Audit
	Moderate	Children, Schools and Families	Purchases of Provisions for Central Kitchen at Toby Lane Follow up audit
	Moderate	Children, Schools and Families	Culloden Primary School – Probity audit
	Moderate	Children, Schools and Families Children	Globe Primary School – Probity audit
	Moderate	Children, Schools and Families Children	St Agnes Primary School – Probity audit
	Moderate	Children, Schools and Families Children	Old Palace Primary School

Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Out of Hours Social Care Service Systems Audit	Nov. 2011	The objective of this audit was to assure management that systems for service provision, performance monitoring and reporting were sound. There is a legal requirement under the Mental Health Act 2007 to provide a 24 hour Approved Mental Health Professional service. This is being achieved by the Out of Hours Social Care team. Our review highlighted the following issues:- Management information system to measure and monitor the performance of the service was not in place. A spreadsheet was maintained which showed monthly referral numbers, area of referral and failed visits. However, this information was not reported to senior management team for monitoring purposes. Some clarity needed to be establishment on the team's links with the overall AHW service or business plans. There was no team plan in place. There were procedures in place, but these needed to be reviewed and updated to reflect current requirements. Although there was a risk register in place, the risks around the service planning and delivery needed to be identified and assessed. With no written procedures or monitoring standards, audit were unable to see any evidence of performance monitoring which increased the risk that resources were not being used efficiently and effectively. Moreover, the team did not have access to the main computer system and some of the processes were not as efficient as they could be. Staffing budget was not aligned to the establishment level, and hence there was risk of budget deficit on staffing budget. All findings and recommendations were agreed with the Interim Service Head Adult Social Care and final report was issued to the Interim Corporate Director – Adult Health Wellbeing.	Moderate	Limited

Management Comments

A review of the Out of Hours (OOH) provision across AHWB is scheduled to start this month. This will pick up issues of efficiency, performance and any areas of duplication across the OOH provision specifically including the team audited. The senior manager responsible for the team is currently based within the Mental health Trust and this does raise the risk of some dislocation. This is being considered as part of our overall approach to working with the Mental Health Trust. A review of the OOH services has been planned for some time but diversion of resources to achieving the Transforming Adult Social care programme has delayed it. The team have regular communication with other operational teams in AHWB and the East London Foundation Trust about individual cases and now have access to both the Trust database system, (RIO) and AHWB framework-i system. Monitoring of the team's performance will now be included as part of the developing DMT scorecard. The team budget will be properly established as part of budget setting for 12/13. The staffing budget was placed under considerable pressure because of the implementation of Single Status which was not funded. All AHWB operational procedures are currently being reviewed to reflect new ways of working and this includes those of relevance to OOH.

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of S.17 Payments	Nov. 2011	This audit reviewed the systems for governing payments made under S. 17 of the Children's Act 1989 which are made up of a) to safeguard the welfare of children who are in need and, b) to promote the upbringing of such children by their families by providing a range of services appropriate to those children's requirements, including giving assistance in kind or in exceptional circumstances, cash. Our testing showed that specific and general cost centres were set up to code expenditure. However, the appropriateness of charging expenditure to some cost centres needed to be scrutinised by an accountable officer. Specific management report on all S.17 payments across the Directorate needed to be run and taken to the responsible officer on a regular basis. There was risk that payments not falling within S.17 may be coded to cost centres. We found significant payments made to a company providing short-term accommodation for families assessed as having 'no recourse to public funds'. It was not clear how this company was sourced to meet the Council's procurement procedures. Corporate Director's Approval was completed to approve the waiver of procurement procedures for 2010/11, however the actual expenditure exceeded the approved amount significantly. For 2011/12, approval was not obtained to use this company for accommodation. The policy on the use of S.17 was established in January 2011. However, we found a few examples of non-compliance with the policy. Payments made by cash should only occur in exceptional circumstances, but this type of payments appeared to be frequently used. Payments were also made outside R2P by using AP Vouchers. Recurring payments were made to the same creditor for long period of time without a review process. All findings and recommendations were agreed with the Acting Service Head – Children's Social Care and final report was issued to the Acting Corporate Director – CSF.	Moderate	Limited

Management Comments

All cost centres are scrutinised by the relevant Service Manager at a minimum within the CMBM reporting framework. CMBM reports are approved by the Service Head and reported at DMT. Service Managers and the relevant Finance Officers report detailed spend against cost centres to the Service Head at quarterly Financial Review Meetings. Whilst this provides a high level of monitoring it has now been agreed, following this audit, that a quarterly report specifically on Section 17 spend in all cost centres will be provided to the Service Head, which will provide an additional level of scrutiny. This is to commence from November '11. Following identification of the possible overuse of miscellaneous coding for Section 17 cost centres a scrutiny of the use of miscellaneous coding is currently underway, with a view to ceasing use of this code. This needs to be approached with caution, to avoid a possible consequence of an alternative code being used inappropriately.

As the Auditors were advised, the company providing short-term accommodation was sourced by the No Recourse to Public Funds worker within the Private Fostering Team. This was undertaken in order to stop families being housed in a range of often unsuitable accommodation. Enquiries have been made of the relevant local authority where the properties are situated and that local authority has given a positive response to this company. An SLA has now been drawn up as have licence agreements and are with our legal department for approval. It is acknowledged that an additional Director's Waiver should have been drawn up for 10/11 and this was an oversight. This is now being rectified and a new Director's Waiver is being drawn up for this current year. Timescale 30.11.11.

It is accepted that the Section 17 policy requires review, given its status as a new policy and this audit provides an opportune time to do that. An anomaly was identified during the audit whereby the policy excludes the use of Section 17 for bed and breakfast when in fact it is permissible and indeed necessary on occasion to use Section 17 for this purpose. This and other examples of non-compliance are being addressed within the review of the policy, with a timescale of 30.11.11. Leaving aside the anomaly in the policy as noted above the description of spend accords with the potential use of section 17 under the Children Act 1989 (which is extremely broad). The use of section 17 payments has declined considerably over the past year, due to determined and judicious application by managers and this explains the high proportion spent on families with no recourse to public funds, where there is a duty to support under certain circumstances, compared to other clients where there is more discretion.

It is accepted that R2P is the preferred method of payment for council spend. The use of R2P has risen over the past year and as noted by the auditors the use of AP vouchers has fallen. It is anticipated that this trend will continue, however given our client base cash and AP1 vouchers will continue to be required. The specific payment to one creditor is being investigated

Limited Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Stebon Primary School	Aug. 2011	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The main weaknesses were as follows:- • The Governing Body has not approved a Terms of Reference for the Standards Committee. Furthermore the Personnel and Pay Committee had not met since 14/11/09 and the Standards Committee formed by the Governing Body in autumn 2009 have not had a meeting as of yet. • The minutes produced for the following meetings were not signed by the respective chair: 18/3/10 Governing Body meeting; 10/12/09 Governing Body meeting; 18/1/10 Finance and Premises Committee meeting; 14/11/09 Personnel and Pay Committee meeting. This was as a result of the Committee not meeting since then. • The school does not have up to date business declaration forms from four governors from two budget holders. • Although the bank mandate dating back to 09/10/2002 contained existing signatories, the school had not obtained confirmation that mandate changes requested by the school in December 2009 had been changed. The school was unable to provide a recent mandate. • There was no evidence that alternative written quotations had been obtained for the school's photocopying contract. The existing contact was formed on the 1st June 2010 and has a total value over its 5 year contract period of £12,148. • Whilst the Head Teacher maintains a list of staff with up to date salaries, regular spot checks are not undertaken to ensure payments on payroll reports reconcile with those on signed salary assessment forms. There were control weaknesses on schools funds, school journeys and inventory All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.	Moderate	Limited

Management Comments

The Children, Schools and Families (CSF) Directorate have put the following systems and processes in place:-

- Internal audit reports on schools are now a regular item on the DMT agenda for discussion.

- Internal audit reports are used by CSF schools Finance team to feed into systems to determine schools requiring priority support.

- Internal Audit assurance rating is used to target specific support to schools.

In addition, necessary intervention is put in place by CSF Finance to assist and support schools in improving governance, financial management and control in specific areas of business activities.   .

Comments:

The school have acted immediately and agreed to complete all actions with a defined timeframe.

The school and the governing body are fully commit to the recommendations made in the Audit report by:

- by tracking all actions within the timeframe provided in the report, including evidence of actions taken where appropriate

- confirming additional steps that the school are planning to take in light of the audit findings

- to take immediate action in mitigating exposure to risks arising from weaknesses in the control environment

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Climate change

Follow Up audit | Oct. 2011 | This audit was a follow up review of a systems audit on Management of Climate Change finalised in September 2010. There were a total of eight recommendations in the original report, out of which seven were categorised as Priority 1 recommendations. Our follow-up review showed that good progress had been made in implementing some of the key corporate recommendations. However, 3 of the original priority 1 recommendations were not implemented in full.

We reported that the Climate Change Strategy for the Council needed to be approved by the Mayor and his Cabinet as soon as possible.

An official Carbon Reduction Impact Assessment guide needed to be developed and finalised to ensure that all new funding applications and capital schemes reported to the Cabinet for approval consider and maximise the potential to reduce the carbon footprint.

Carbon reduction risk which includes CRC is currently monitored as D&R risk. However, team and service planning guidance needed to be issued to include carbon reduction and CRC risk to be included in all Directorate plans as this is cross cutting issue.

All findings and recommendations were agreed with the Acting Corporate Director – Development and Renewal. | Extensive | Substantial |

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Property Buy Back programme	Sept. 2011	This audit examined the Housing Property Buyback scheme. This audit was undertaken as part of 2010/11 audit plan, but it was finalised in Sept. 2011. Although a two year capital programme, the scheme was completed in one financial year. The capital estimate amounting to £19.4M was approved by Cabinet on 6th May 2009 who authorised officers to commence preparatory work. The programme involved the buy back of larger 3 and 4 bedroom dwellings previously sold under right to buy scheme. Weekly progress reports and costs of the programme were regularly provided to management and the Lead Member. An interim Valuer carried out valuations, including - making initial offers, negotiating the offers, revising offers and agreeing the final price. We were advised that the Valuer was appropriately qualified and was best placed to negotiate own valuations using professional judgment. We have recommended that a post completion review be undertaken to ensure that lessons learnt are clearly recorded and reported to the DMT. All findings and recommendations were agreed with the then Service Head , Asset Management and final report was issued to Corporate Director, Development and Renewal	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Management of Members' Enquiries	Sept. 2011	The objective of this audit was to assure management that controls in place for managing members' enquiries within the Members' Support team are sound and secure. This audit only covered systems and procedures within Members' Support team. We were informed by the Service Head – Democratic Services that the processes for dealing with Members' Enquiries were subject to a fundamental review and hence we did not test systems and procedures within individual Directorates of the Council. We made three recommendations to assist in the service review:- • In fundamentally reviewing the processes for dealing with Members' Enquires, the Service Head should consider key risks in the service area to ensure that the management of Members' Enquiries is efficient and effective across the Council. • In accordance with the current Policy and Protocols document, Members' Support team should have a clear system for undertaking random checks of responses received from Directorates. These checks should include the quality checking process. The findings of the random checks should be documented and reported to Directorates. • Since procedures for handling non-Council related enquiries are recognised in the Members' Enquiries Guide, such enquiries, once received should be logged and work flow managed to preserve an audit trail. It should also be ensured that responses to such enquiries are quality controlled and monitored. All findings and recommendations were agreed with Service Head – Democratic Services. Final report was issued to Assistant Chief Executive (Legal Services).	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Medium Term Financial Plan Systems Audit	Oct. 2011	This audit was designed to provide assurance that the systems of control for formulating, reviewing and monitoring the Medium term financial plan (MTFP) were sound and secure. The MTFP is an important component of the Council's strategic planning framework. The Council's MTFP is a three year financial plan which is balanced over the three years in view of the financial settlements for the three years. Financial decisions have to be made within the context of the planning horizon which looks beyond the current financial year and the impact of the commitments and decisions made on the future level of Council Tax is factored into the planning process. For the period 2011/12 to 2014/15, achievement of financial savings is one the most important factors affecting the Council's MTFP. Our review showed that the MTFP is revised on an on-going basis in light of new financial information, Cabinet decisions and government announcements. A clear timetable for the overall budget setting process is in place. This includes the points in time when the MTFP should be reviewed and revised. The MTFP identifies key strategic risks and also financial mechanisms for funding those risks should they materialise. The MTFP is regularly reported to the Cabinet and the Overview and Scrutiny Committee. However, we found that the MTFP needed to be adequately referenced to ensure that a full audit trail of the figures contained within the MTFP was available. Our testing showed that the current MTFP did not incorporate the Council's three year Capital Strategy, Capital Programme and future levels of borrowing to ensure that the strategic priorities for capital investment and asset management are considered in the MTFP. We recommended that the resiliency of the planning process should be tested in a formalised way to ensure that lessons learnt are documented, reported and factored into future planning process. All findings and recommendations were agreed with the Chief Financial Strategy Officer and final report was issued to the Corporate Director, Resources and Service Head , Financial Services, Risk and Accountability.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Network Extended Follow up	June 2011	The objective of this audit was to undertake an extended follow up report of the report previously completed as part of the 2009/10 Internal Audit Plan with regards to the Council's Network Infrastructure. Our audit identified that of the 23 recommendations raised, eight were found to be implemented, six were partially implemented and five recommendations were not implemented. We also identified that four recommendations were no longer applicable. Recommendations still requiring implementation related to: • Full Audit Logging for All Login events and Object Auditing was not set for auditing. • A process to monitor audit logs had not been developed. • The ability to restrict devices from connecting to the Tower Hamlets network had been partially implemented (Network Access Protection/Network Admission Control). • Monthly Security Patch activity reports had been partially implemented. • Standard devices configurations for Network devices e.g. routers had been partially implemented. • Information Classification Scheme had been partly implemented • The implementation of a Intruder Detection System (IDS) had been partly implemented The recommendations were agreed with the Business Support Manager and the Final Report was issued to the IT Security Manager, Business Support Manager, Head of ICT and the Corporate Director, Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Change Management	March 2011	The objective of this audit was to undertake a follow up of the report previously completed as part of the 2009/10 Internal Audit Plan. Our audit identified that of the seven recommendations raised, one was found to be implemented, four were found to be partly implemented and two required implementation. Recommendations still requiring implementation related to the need to develop a standard pro-forma for changes to all systems, a post change review to be carried out, all changes to have their evidence of approval recorded on the change, the need to update processes to include testing and review standards. The remaining recommendation was the need to develop Configuration Management and forward disposal of assets to the Asset Management team. All recommendations were accepted by management who identified forward actions for the implementation of recommendations except one regarding testing standards where management have accepted the risk. The recommendations were agreed with the Business Support Manager and the Final Report was issued to the IT Security Manager, Business Support Manager, Head of ICT and the Corporate Director, Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
ICT Service Desk	March 2011	The objective of this audit was to undertake a follow up of the report previously completed as part of the 2009/10 Internal Audit Plan. Our audit identified that of the nine recommendations raised, six was found to be implemented and three were found to be partly implemented. Recommendations partially implemented related to the need to establish Service Level Agreements with the relevant departments to which the Service Desk provides service to, performance of the trend analysis to identify performance issues and to review all steps until the call has been closed. Management is continuing to implement the recommendations and some have been included for consideration in the future sourcing of ICT. The recommendations were agreed with the Business Support Manager and the Final Report was issued to the IT Security Manager, Business Support Manager, Head of ICT and the Corporate Director, Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Payroll Systems Audit	Nov. 2011	The objective of the Payroll system is to ensure that the correct salaries and other monies due are paid to the correct employees promptly, and in accordance with Council policies and procedures. The Payroll Section is responsible for making payments to individuals employed by the Council. From our review, there was substantial assurance that systems objectives were met. However, during our testing, we found that out of a sample of 20 leavers, 'leavers form' and 'notification of cessation of employment' documents were in file for 16 cases, with no evidence of the completed forms being available in the four other cases. In relation to control around change of bank account details, there was an instance where the Payroll Section did not obtain formal notification directly from the employee requesting the change before amending bank details on the system. We have also reported that the Payroll Section has not set any key performance indicators to assess the efficiency and effectiveness of the service provided. All findings and recommendations were agreed with the Service Head – Human Resources and Workforce Development and final report will be issued to the Corporate Director Resources.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Contractors' Final Accounts - CSF Systems Audit	Sept. 2011	This audit sought to provide assurance that there were adequate systems in place for auditing contractors' final accounts. The function of auditing of Final Accounts has been devolved to individual Directorates. Upon the devolution of this function, guidance notes were prepared for Directorates to follow in ensuring that Final Accounts were audited in accordance with the then Council Financial Regulations. However, the current version of the Financial Regulations does not contain such requirement and we have recommended that the Council's procedures should require the Final Accounts to be formally checked and audited independently. Our review showed that a database was maintained by the Building and Technical Services (BATS) team, which recorded all key contractual dates for current and past projects. This allowed officers to identify key dates in order to assess compliance with the contract conditions. However, although Final Accounts had been produced by the Contract Administrator or Quantity Surveyor, they had not been independently checked and audited. Arithmetic checks were said to be carried out on the statement of Final Accounts, but these were done by officers who were involved with the project as either Contract Administrator or the Quantity Surveyor and had not been substantiated. BATS who act as an in-house technical resource within CS&F and has no role or responsibility for auditing of Final Accounts. However, in previous years, BATS engaged an Auditor to undertake the auditing of Final Accounts. Due to falling income and trading position, the section is unable to continue with this function. Hence, contractors' Final Accounts are not subject to independent audit and scrutiny, not only within CSF, but across the Council. We have recommended that the Asset and Capital Management Board should consider a policy on auditing of final accounts across all the Directorates of the Council. All findings and recommendations were agreed with the Head of School Development and final report was issued to Corporate Director, CSF and Service Heads Resources (CSF) and Service Head Financial Services, Risk and Accountability.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Independent Schools Fees\n\nSystems Audit	Sept. 2011	The objective of this audit was to provide assurance that system of control for checking, verifying and paying fees for pupils' placements in independent special schools were sound and adequate.\n\nWe found that on receipt of a fee letter from each school, a Requisition Record was completed that showed the supplier details, requisition number, order number, name of pupil and amount. Orders were raised on the R2P system and payments made were reconciled with the Council's General Ledger system.\n\nAn examination of fee increase letters for 2011/12 showed that a few schools had decided not to increase fees or give reduction on 2010/11 fees. In other cases, schools had offered the Council further discussion of their proposed fee increases. However, we noted that these opportunities were not taken up. We have recommended that opportunities for using the Council's buying power and to negotiate lower fees should be explored. In addition some audit trails and filing needed to be improved.\n\nAll recommendations were agreed with the Service Head - Learning and Achievement and Final report was issued to the Corporate Director, CSF.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Procurement of Goods, Services and Supplies above EU Threshold CLC	Nov. 2011	The Council's procurement policy requires individual Directorates to have local procedures for securing the necessary level of competition by means of prices and quotations for those goods, services and works costing below EU thresholds - viz. £139,893 for goods and services and £3,497,313 for capital works. Our review showed that at CLC Directorate level, standard local procedures needed to be developed. These should be supported by standard pre-contract documents and templates for selection of contractors, tender invitation, tender receipt, tender opening, tender evaluation and award of contracts. Division of duties needed to be strengthened, and particularly checking by the approving officer that competition requirements have been complied with needed to be reinforced. Although there are clear corporate processes in place covering Declaration of Interests, officers at the operational level were not always aware of this requirement. We also found instances of non-compliance with financial and procurement procedures, where competitive quotes were not obtained, evidence of tender evaluation was not in place and order was not signed off by service head. We recommended that there should be system for monitoring compliance with procedures. All findings and recommendations were agreed with the Head of Finance and Resources and final report was issued to the Corporate Director – Communities, Localities and Culture.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Civica Authority Public Protection (Formally Flare)	March 2011	The objective of this audit was to undertake a follow up report of the report previously completed as part of the 2009/10 Internal Audit Plan with regards to the Authority Public Protection Application (formally called Flare). Our audit identified that of the three recommendations raised, one was found to be implemented, one is partially implemented and one recommendation was not implemented. Recommendations to be fully implemented related to the need to improve password controls and to review users. Both recommendations were not due to be implemented until November 2011 when a new release of the system is provided.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Business Continuity	March 2011	The objective of this audit was to undertake a follow up report of the report previously completed as part of the 2009/10 Internal Audit Plan with regards to Business Continuity Planning Our audit identified that the one recommendation raised, one was found not to be fully implemented however this included the need to ensure that third party contact details were included in the Business Continuity Plans. We are now led to believe this recommendation is now in place.	Extensive	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Environmental Protection and Pollution Control

Systems Audit | Oct. 2011 | The objective of this audit was to provide assurance that the Council's procedures for identification and assessment of installations, and the issuing of permits for specified polluting industrial processes at installations were being complied with.

The main findings are summarised below:

- The Council closely follows official DEFRA guidance. All permit processes in place could clearly be traced back to DEFRA documents and the use of DEFRA "Best Available Techniques" was clearly evidenced throughout the assessment of new installations (polluting processes).

- The main weaknesses were:

  - There were no pro-active processes in place to identify polluting activities within the borough. Currently the Council relies upon businesses contacting the Council themselves to obtain a permit or on members of the public complaining about pollution.

  - Testing identified that four out of 10 permits were not present on the public register. Furthermore, there were no instructions on the Council's website detailing the procedure to follow for members of the public to access the register.

  - Councils are allowed to produce their own permitting processes or they may choose to follow official DEFRA guidance. Currently the Council follows the official DEFRA guidance when processing permits; however these procedures have not been officially adopted.

The findings and recommendations were agreed with the Interim Head of Environment Health, Environment Protection and the final report was issued to the Corporate Director, Communities, Localities and Culture. | Moderate | Substantial |

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Purchases of Provisions for Central Kitchen Follow Up audit	Sept. 2011	This follow up audit assessed the progress made in implementing the recommendations agreed in a report finalised in October 2010. Our audit showed that out of four priority 2 recommendations, one was outstanding. This related to our recommendation the a supplier be requested to submit a product line report on those items that had been identified by us as overcharged so that officers could assess the level and frequency of overcharge across all production kitchens borough wide and instruct the supplier to refund this overcharge. We understand that although the supplier was requested to submit a product line report on all items that had been overcharged, paper work to support this could not be located at the time of audit. Hence we were unclear as to how much was recovered from the supplier. The Head of Contract Services undertook to ensure that a credit was received. All findings and recommendations were agreed with the Head of Contract Services and final report was issued to Service Head – Resources , and Corporate Director, CSF.	Moderate	Substantial

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Culloden Primary School	Oct. 2011	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review showed that controls were adequate in updating the Code of Practice and Scheme of Delegation; School Development Plan; control and monitoring of school bank accounts; procuring goods; accounting for income and expenditure; collecting and recording of income; personnel and payment management; inventory records; disaster recovery; risk management and insurance. The main weaknesses were as follows:- • The school does not complete authorised write-off forms for assets; instead the ICT Coordinator records these and disposes of them, informing the Executive Head Teacher of the situation. This responsibility is not delegated in the Code of Financial Practice. • Passwords to the school's IT systems are not changed on a regular basis. All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.	Moderate	Substantial

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
Globe Primary School	June 2011	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. Our review showed that controls were adequate in updating the Code of Practice and Scheme of Delegation; School Development Plan; control and monitoring of school bank accounts; procuring goods; accounting for income and expenditure; collecting and recording of income; personnel and payment management; inventory records; disaster recovery; risk management and insurance. The main weaknesses were as follows:- • Whilst the school has a Code of Financial Practice, including delegated responsibilities and authorisation levels, and Terms of Reference for sub-committees, our examination of the minutes identified that the documents had not been approved by the Governors in the past 12 months. • Transfer of school trip money from the teacher (collecting monies from pupils) to the Office Manager is not being signed for by both parties. • Testing identified that school meal income is not reconciled against the total amount collected before the money is banked. • Testing identified that three out of nine purchases where delivery notes were required had not been checked and signed off by the receiving officer. All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.	Moderate	Substantial

Substantial Assurance

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level
St Agnes' Catholic Primary School	Oct. 2011	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The main weaknesses were as follows:- • The school currently has three separate five year photocopier contracts with a supplier. The values of the three individual contracts over their five year life are £6,400, £9,500 and £35,000 respectively. The school's cumulative value of photocopying contracts is £50,900. The school did not carry out a competitive tendering exercise required by their policy. Furthermore, we were unable to confirm whether the Governing Body had approved the contract award. • The Governing Body have not drawn up and approved a Terms of Reference for the Curriculum Committee. There were no business interests' declarations from three Governors and four staff budget holders at the school. • Review of the minutes identified that although the SDP and its priorities are regularly discussed, there was no evidence of annual approval of the SDP by the Governing Body. • Review of the July 2011 monthly reconciliation found that there was an unreconciled item from September 2010. The Bursar stated that this had been followed up, however no response has been received from the supplier. • There was no evidence of the school having performed a full inventory check within the last 12 months on all ICT and non ICT assets owned by the school. All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.	Moderate	Substantial

Title	Date of Report	Comments / Findings	Scale of Service	Assurance Level

Old Palace Primary School	Nov. 2011	The audit was designed to ensure that there were adequate and effective controls over the administration and financial management of the school. The main weaknesses were as follows:-
		
		• Review of the minutes for the Governing Body and sub committee meetings identified that the following documents had not been clearly minuted and approved by the appropriate body in the past twelve months:
		
		  − Scheme of Delegation (by Governing Body);
		  − Terms of Reference (by Governing Body);
		  − Health and Safety Policy;
		  − Performance Management Policy;
		  − Charging Policy; and
		  − Pay Policy.
		
		• Control of inventory required to be strengthened. There was no formal policy / procedure for the write-off of assets. Currently, the Head Teacher initials the disposal column in the paper inventory, as evidence that the item can be disposed of.
		
		• Whilst is acknowledged that cash held in the safe was due to be banked the following morning, at the time of our cash check, a total of £2,914.70 was held in the School safe against the maximum insurance limit of £1,000.
		
		All findings and recommendations were agreed with the Head Teacher and reported to the Chair of Governors and the Corporate Director - Children, Schools and Families.
			Moderate	Substantial

APPENDIX 3

Follow Up Audits – List of Priority 1 Recommendation still to be Implemented

Audit Subject	Recommendation	Service Head	Officer
Management of Climate Change	An official Carbon Reduction Impact Assessment guide needs to be developed and finalised to ensure that all new capital schemes funding applications and Capital Schemes reported to the Cabinet for approval consider and maximise the potential to reduce the carbon footprint.	Jackie Odunoye	Abdul Khan

Follow Up Audits – List of Priority 2 Recommendation still to be Implemented

Audit Subject	Recommendation	Service Head	Officer
Management of Climate Change	The Climate Change Strategy for the Council needs to be approved by the Mayor and his Cabinet as soon as possible.	Jackie Odunoye	Abdul Khan
Management of Climate Change	A corporate guidance document on CRC risk should to be finalised to ensure that all directorate risk registers identify the risk of not achieving the carbon reduction commitment. It needs to be ensured that revised versions of the directorate service and business plans reflect carbon reduction as a key priority for the Council.	Jackie Odunoye	Abdul Khan
Purchases of Provisions for Central Kitchen	The Head of Contract Services should locate the paper work supporting the credit received from Brakes for all the overcharges made. This paper work should be submitted to audit for examination.	Kate Bingham	Michael Hales (Head of Contract Services).
Business Continuity Planning	Management should ensure that adequate third party arrangements are in place to support the Council in the event of an incident affecting either the Council or the third party contractor/supplier. These third parties, their contact details and the location of these arrangements should be documented within the Business Continuity plans and procedures and regularly reviewed and updated to help ensure that they continue to meet the needs of the Council.	Andy Bamber	Colin Perrins
CIVICA Authority Public Protection	Management should ensure that adequate logical access controls are implemented over the Civica APP application to lock users' accounts after 3 unsuccessful attempts and to implement a minimum length of 8 characters.	Andy Bamber	Ann Horwood
Authority Public Protection	Management should ensure that, on a periodic basis, user access reviews are performed for all users of the Civica APP application	Andy Bamber	Ann Horwood
Service Desk	Management should ensure that appropriate SLAs are defined and agreed with each business area for the performance of the	Claire Symonds	Khaled Hussein

	Service Desk		
Service Desk	Management should ensure that longer-term trend analysis is performed to identify performance issues and that the required corrective action is taken	Claire Symonds	Theo Langlais

Follow Up Audits – List of Priority 2 Recommendation still to be Implemented

Audit Subject	Recommendation	Service Head	Officer
Change Management	Management should define a single process for changes to individual applications, such as master data and application developments. The process should include areas such as user involvement, testing, training and system documentation as a minimum.	Claire Symonds	Manjit Saroya
Change Management	Management should ensure that change requests are reviewed and potential impact assessed by Security, Technical Architect and Applications Managers. The approval flags on change request forms should be used to indicate that this review has taken place and the change is approved as it has either no impact on the area or the impact has been assessed and approved for this area. Flags should only be left blank if the requested change is rejected	Claire Symonds	Craig Huckle,
Change Management	Management should implement configuration management tools to enhance configuration management knowledge within ICT and manage changes effectively	Claire Symonds	Craig Huckle,
Change Management	Requests to dispose of hardware should be forwarded to Asset Management to ensure that these assets are marked as disposed of in the Asset Register	Claire Symonds	Craig Huckle,
Network Follow up	As required by the documented ICT security policy (ver1.11), auditing logon events should be set to record "Details of all logon attempts, whether successful or not".	Manjit Saroya	ICT Operations Manager
Network Follow up	The object access auditing by "Success and Failure" for specific objects. E.g. Reg Edit or should be enabled to meet the ICT security policy requirements.	Manjit Saroya	ICT Security Officer
Network Follow up	A process or tool to facilitate regular audit log review and alerts should be established.	Manjit Saroya	ICT Operations Manager

Audit Subject	Recommendation	Service Head	Officer
Network Follow up	An appropriate event log size and use of a process or tool that facilitates the regular monitoring and review of the audit and event logs before they are overwritten should be established.	Manjit Saroya	ICT Operations Manager
Network Follow up	The insecurities identified in the audit tests should be addressed as a matter of priority. Consideration should also be given to establishing an effective solution to prevent and monitor objects for insecure access permissions.	Manjit Saroya	ICT Operations Manager Information Governance Manager