

AGENDA ITEM: 7 Page nos. 18-23

Meeting	Audit Committee
Date	15 February 2006
Subject	Internal Audit 2004-5 Annual Report Update
Report of	Chief Internal Auditor
Summary	The Committee is asked to note the updates on incomplete follow-ups reported in the 2004-5 Annual Internal Audit Report

Officer Contributors	Chief Internal Auditor
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	None
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Michael Bradley, Chief Internal Auditor Tel No 0208 359 7151

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the report.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee on 31 August 2005 directed that the Chief Internal Auditor be instructed to require all Heads of Service who have not recorded reasons for not complying with Audit recommendations to attend the Committee to give such explanations and that, where lack of resources is given as the reason for non-compliance with an Audit recommendation, the Cabinet Member concerned be also requested to attend the Committee to discuss the issue.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council is committed to Best Value and to show that services represent value for money and that there is a continuous drive to improve quality, efficiency and effectiveness of the service (Corporate Plan).

4. RISK MANAGEMENT ISSUES

- 4.1 The purpose of the Internal Audit Annual Report 2004/5 was to highlight to the Chief Executive, Audit Committee, lead member, Corporate Management Team and External Audit the findings of Internal Audit work conducted.
- 4.2 The report identifies those areas which are of significant risk in the work undertaken by Internal Audit during this period.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 None

6. LEGAL ISSUES

- 6.1 None

7. CONSTITUTIONAL POWERS

- 7.1 Constitution Part 3 Paragraph 2 details the functions of the Audit Committee including 'Satisfying the Council that the internal auditor carries out sufficient systematic reviews of the internal control arrangements, both operational (relating to effectiveness, efficiency and economy) and financial'.

8. BACKGROUND INFORMATION

Introduction

8.1 Following the direction from the Committee on 31 August 2005, all relevant managers were contacted on 3rd November 2005 requesting a response by 31st November 2005 for the update report. A further e-mail was sent to any managers who had not responded asking whether or not they would be providing a response on 1st December 2005. The following are the areas where risk had not reduced to low at follow-up audit stage.

- Freedom of Information Act
- Credit & Debit Cards
- Branch Libraries
- Museums
- Data Capture
- SWIFT/Performance Management
- Temporary Accommodation Income
- Trade Waste
- Arboriculture

The information below summarises the response and current audit opinion on the level of risk.

We are satisfied with the responses given by management further to the Audit Committee instruction detailed in paragraph 2.1. However, we consider the follow up of Data Capture to represent the highest risk area and also the area with least implementation of recommendations (although the Head of Service has outlined a way forward below to address the issues).

While the report states that we do not intend to pursue further the outstanding issues from the Trade Waste audit, we may need to revisit depending on the outcome of any service reorganisation.

Freedom of Information Act

(Previously high risk reduced to medium risk in the interim annual report 2004/5 – now low)

Action has been taken to implement the two further recommendations on the logging system and service leads. Based on the service response, we are satisfied that the seriousness over the management of risks would reduce to low if implemented as stated. This area is currently being further reviewed as part of the 2005/6 audit plan.

Credit & Debit Cards

(medium, still medium, now low)

Response from Head of Service: Progress is being made to address the risks associated with outstanding recommendations.

Post Audit Comment: We are satisfied that once these risks have been addressed based on business needs, the seriousness will reduce to low.

Branch Libraries

(medium, still medium, now low)

Response from Head of Service: Of the 12 recommendations not or partially implemented, five have now been implemented. Of the remaining seven, two will be implemented in 2006, another by IS in 2006, three are dependent on the Geac Plus (software replacement) replacement and one was not agreed by Management. The only recommendation that is dependent on resources being made available is the Geac Plus replacement but we have explored (and continue to explore) every possible avenue.

Post Audit Comment: While there are some recommendations still to be implemented, we consider that the risk in this area has reduced to low if implemented as stated by management. We will consider whether this area needs to be added to the audit plan for 2006/7 as part of audit's annual risk assessment.

Museums

(High, reduced to medium, now medium)

Response from Head of Service:

Further recommendations have been completed since the follow up review of November 2004 and all recommendations have been fully implemented where it is within the control of this department to do so. The main purpose of our request to Audit that they review the Barnet Museum has been achieved - i.e. that a spending plan against the grant money is submitted, approved and then expenditure is evidenced through receipts, etc. This is now happening.

Post Audit Comment: We are satisfied that attention is being maintained on the outstanding issues. Although there are some outstanding recommendations, we do not consider this to warrant further follow-up.

Data Capture

(Previously High, still High, now High)

Response from Head of Service: At the time of the audit (February 2005), the existing Project Manager who had been employed by previous management was off sick. Ultimately he did not return to the project due to the serious nature of his condition. (The CM2000 project had been poorly

managed. There was no formal documentation to inform our knowledge of the status of the project.) As a result, new staff in Performance and Strategy were unable to provide audit with any relevant information, status reports or project plan. Since the audit, we have interviewed and employed a new Project Manager. We are now operating in a very controlled environment (PRINCE2) where we have status reports, a cost benefit analysis and an established project board addressing the key issues. A project plan is also being finalised and all the recommendations from the audit are being addressed as part of this plan. CM2000 is recognised as an important way forward in improving efficiency and quality in the service and the Management Team are giving high priority to ensuring it functions at the highest standard.

Post Audit Comment: This remains high risk and will be included again in the audit plan for 2006/7.

SWIFT/Performance Management

(High, reduced to medium, still medium)

A follow-up of the previous audit report on SWIFT/Performance management (Adult Services) was reported as part of the report to the Audit Committee on 21 December 2005 and reported that out of the four recommendations made, one has been implemented, one has been partially implemented and two not implemented. Management have agreed revised implementation dates to address the above outstanding recommendations.

This remains medium risk and will be included again in the audit plan for 2006/7.

Temporary Accommodation Income

(High, reduced to medium, now low)

The follow-up (of the last follow-up) currently being completed is expected to confirm seriousness reducing to low.

Trade Waste

(Medium, remained medium, still medium)

Response from Head of Service: Cabinet is shortly to receive a report on the future of the Trade Waste service.

Post Audit Comment: Given this response we will monitor the necessity for implementation of these recommendations.

Arboriculture

(Medium, remained medium, now low)

Response from Head of Service:

The remaining recommendations will now be implemented by April 2006

Post Audit Comment: When the outstanding recommendations have been implemented, we are satisfied that the seriousness of the risks in this area will reduce to low.

9. LIST OF BACKGROUND PAPERS

9.1 None

Legal: JEL

CFO: CM