

AGENDA ITEM: 6 Page nos. 1-8

Meeting	Audit Committee
Date	28 September 2006
Subject	Internal Audit Annual Report 2005-6 - Follow Up Action
Report of	Chief Internal Auditor
Summary	The Committee is asked to note the action taken on outstanding issues from the 2005-6 Internal Audit Annual Report and consider whether any further action is required.

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

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1 RECOMMENDATIONS

- 1.1 That the Committee note the contents of the report and the actions being carried out by the respective management teams to implement action agreed in Internal Audit reports.**
- 1.2 That the Committee consider whether there are any areas on which they require additional information or action.**

2 RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee on 20 June 2006 reviewed the Internal Audit Annual Report for 2005-06. They made the following direction:

‘That the Chief Internal Auditor be instructed:

on all cases detailed in the annual report where a follow up audit showed that assurance levels had not reached a satisfactory level, to write to the relevant Head of Service expressing the Committee’s disappointment at the audit’s findings and asking them to explain the reason for failure to implement agreed actions arising from the initial audit and when the actions would be implemented, or alternatively to attend the next meeting of the Audit Committee to give an explanation.’

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 2005-6 is to highlight to the Chief Executive, Audit Committee, relevant Cabinet Member, Corporate Management Team and External Auditors, the findings of Internal Audit work conducted in 2005-6 (for work that has not previously been reported in the 2005-6 Interim Annual Report).
- 4.2 This report provides an update on those areas which remained at significant risk due to non-implementation of agreed actions.

5 FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 None directly as a result of this report but it is for management to determine whether addressing any of the risks identified by internal audit reports will require additional resources.

6 LEGAL ISSUES

6.1 None

7. CONSTITUTIONAL POWERS

7.1 Constitution Part 3 Paragraph 2 details the functions of the Audit Committee including "To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements".

8. BACKGROUND INFORMATION

Introduction

8.1 This report provides summary details of all Internal Audit follow-up reports where implementation had not been sufficient to increase the assurance level to satisfactory in the 2005-6 annual Internal Audit report.

Executive Summary

8.2 The audit areas in question are:

Local Government pensions service;

Housing Strategy;

Fees and Income;

Domestic Refuse, and

Street Cleansing.

8.3 Heads of Service have now provided us with further updates on implementation since the Audit Committee on 20 June 2006.

8.4 The latest responses are included below along with the audit opinion on progress, the impact on the assurance level and whether any action is required by the Audit Committee.

8.5 Local Government Pensions Service – management update:

8.5.1 Payroll have developed an Overseas Pensioners Procedure that addresses the concerns raised in the last LG Pensions audit. The procedure requires annual life certificates to be sent to all overseas pensioners. Failure to return a completed certificate results in Payroll notification to both the Pension Office (to suspend payments) and the Corporate Anti-Fraud Team (CAFT). A letter is also sent to the pensioner concerned notifying them that their pension has been stopped and explaining what action they need to take to get their pension reinstated.

- 8.5.2 100% of Life certificates will be checked by a Payroll Officer who will initial and date all correctly completed forms or return those that are incomplete to the pensioners . These pensioners will have one additional month to return a correctly completed form or have their money stopped.
- 8.5.3 The Pension Manager will undertake a 10% check to ensure that the payroll officer is complying with the Procedure.
- 8.5.4 The new procedure document also includes a section for payroll officers to record that they have read and understood the procedure.
- 8.5.5 Audit Opinion – This response addresses the weaknesses identified in the original report. We have reviewed the revised procedure, life certificate and standard letters and will confirm whether the actions taken are operating consistently and effectively during the next audit of this area

8.6 **Housing Strategy – management update:**

- 8.6.1 Recommendation 1 (re the formal delegation of authority within the Housing Department): Fully implemented. A Scheme of Delegation is now in place and is published on the service web site.
- 8.6.2 Recommendation 2: (re Amendments to Approved Procedures): Fully implemented. A new electronic procedures manual has been developed, and is due to be made available to staff via the intranet by the end of October.
- 8.6.3 Recommendation 3: (re Update of Service Manuals): No longer applicable. Paper copies of the new Housing Services manual are not considered necessary and will not be retained; therefore the risk in this area has been removed.
- 8.6.4 Recommendation 4: (re Timeliness of Information): Not implemented. However, the need to formulate reporting methods to improve the delivery of real time information necessary for monitoring and measuring the key targets in the Delivery Plan has been included in the draft Housing IT strategy.
- 8.6.5 Recommendation 5: (re Resourcing of the Housing Strategy and Business Support team): Fully implemented - all vacancies filled.
- 8.6.6 Audit Opinion – Four of the five recommendations have been implemented and the assurance level in this area can move to ‘satisfactory’. With regards to the unimplemented recommendation on management reporting arrangements, we will review the risk in this area during our next audit of the service.

8.7 **Planning: Fees and Income** – management update;

8.7.1 The review of Fees and Income from Section 106 (S106) agreements by Internal Audit and also the Cleaner, Greener, Transport and Development Overview and Scrutiny Committee has coincided with the adoption of a new overarching strategy and guidance for the operation of Section 106 planning obligations in Barnet. The Planning and Environmental Protection Service has embarked upon new initiatives for improving the S.106 system including:

- the appointment of a dedicated Section 106 officer – to monitor and maximise benefits to the Council for new developments in the Borough;
- the establishment of a Section 106 Corporate Group (comprising officers across various services in the Council) serviced by the Planning Major Projects team. This group is regularly informed of S.106 government guidance and new planning policy approaches, negotiations around S.106 contributions and strategies to improve communication and cooperation between Council services through cross cutting work, and the delivery of physical, environmental and community infrastructure including affordable housing;
- the improvement of the management of S.106 functions, working with other services and the Borough Solicitor corporately to provide effective monitoring systems on a single database. S.106 contributions are regularly monitored to ensure they are implemented in accordance with their legal obligations, with effective enforcement against non-compliance or non-payments where necessary.

8.7.2 On an operational level, the service has provided the first Supplementary Planning Documents (SPD) approved by the Cabinet on S.106 Planning Contributions, which introduced the concept of S.106 tariffs for achieving sustainable development and appropriate infrastructure provision for new developments, including monitoring.

8.7.3 The Council's approved Local Development Scheme (LDS) already establishes a programme for the production of a set of SPDs that take forward the tariff concept in detail. The areas covered by planning contributions based on tariffs are programmed in accordance with the Council's corporate priorities, the Three Strands Approach (PEG) and Unitary Development Plan (UDP) policies, and include:

- Contributions to life-long learning (education / libraries / skills, training and employment initiatives for all ages) – *(This is currently being revised and updated)*
- Affordable housing – *(the draft of which is currently subject to public consultation)*
- Contributions to transport and physical infrastructure
- Contributions to culture / recreation and open spaces

- Contributions to health facilities – *(The draft version has jointly been produced with Barnet Primary Care Trust. This will soon be subject to internal consultation)*

8.7.4 The adoption of the new strategy will assist in the widening of the range of development proposals for which Section 106 contributions are appropriate for the items listed above. This new approach will assist in the provision of appropriate levels of infrastructure and the development of first class suburbs, as set out in the UDP, LDS and Barnet Sustainable Community Strategy. The Council Section 106 SPD is in accordance with the recently published government guidance in the Department for Communities and Local Government DCLG Circular 05/2005.

8.7.5 Audit Opinion – The Head of Service's response appears to have addressed the risks identified in the original report. Although we have not had time to verify the details, we will consider this area for further review in the risk assessment process in developing the 2007/8 audit plan.

8.8 Domestic Refuse – management update;

8.8.1 The Best Value Review that has been undertaken has set out an operational strategy that will be used as the basis for future service delivery model and the coordination of corporate objectives, including the Council's Waste Minimisation Strategy, and the review of the North London Waste Authority. The Council is currently in the process of determining future direction across the service with both in-house providers and external contractors and decisions on the direction of the service for the next 15 plus years will be made by early 2007. The activities carried out to date have been to prepare a detailed operational action plan with time lines for delivery.

8.8.2 In addition, an internal 'Waste Going Forward' paper has been prepared which highlights all the actions and options that are available and key decisions that have to be made for the service going forward, e.g. service delivery mechanism, depot requirement, waste collection-residual waste disposal-recycling, location of waste management facility, etc. In order to find the right service delivery model and operational strategy for Barnet, the Council is undertaking a waste composition analysis that will analyse residents' buying patterns, and this will, in conjunction with the above, inform future service planning in order to choose the best collection-disposal-recycling method for Barnet. The action plan and operational strategy will ensure that the waste team is consulted and proactively involved at all stages of the regeneration processes and that it takes advantage of opportunities to discuss and progress future activities for waste integration.

8.8.3 In order to co-ordinate whole service activity a detailed and focused publicity plan for the whole waste service (encompassing refuse, recycling and prevention) has been prepared that clearly targets service delivery improvement and includes a system of measuring success.

8.8.4 All the above issues form the basis of the operational strategy going forward and evidence how both the service and the Council are programmed to achieve not only the audit objectives but the wider strategic performance and service improvements associated with the total future waste service.

8.8.5 Audit Opinion – We are satisfied that the risks identified in the original report and follow up are being addressed in service plans. We will continue to provide audit input to the developing systems and procedures in this area. We are also satisfied that the Service have addressed the remaining outstanding items around debt management and financial procedures.

8.9 **Street Cleansing** – management update:

8.9.1 Litter minimisation strategy

The first draft Clean Borough Strategy and Strategy for the implementation of the Clean Neighbourhoods and Environment Act 2005 has been written (which is broader than a Litter Minimisation Strategy). A second draft including comments from our Cabinet Member, Director of Environment and other Environment and Transport Management Team. Strategies will now progress through the system for Council approval.

8.9.2 Mission statement

A service portrait document has been prepared in conjunction with a Service Wide Performance Management System including a range of Local Performance Indicators (PIs) over and above those that already exist in the service. They are currently being embedded in the general Street Cleansing Service. The document-PI's will be approved by the Cabinet Member at the Environmental Theme Meeting in due course. The Street Cleansing Service is also under review as the new Administration, through the Leader of the Council and the Cabinet Member for Environment and Transport have requested that the Street Cleansing Service be considered for resource review to provide a signature service for the Council. This review is currently in process and will influence performance management, service design and output management.

8.9.3 Stable Workforce

No further comments can be added to this item. The workforce status is generally the same as reported previously. The review of Street Cleansing referred to above may assist in the retention of certain staff in the service, but service managers view the current workforce arrangements as stable as no service breakdown - failure is/or has been reported. It should also be noted, as is the case with all operational services-budgets and no doubt other parts of the Council, that the street cleansing budget is managed on a vacancy factor and as such 100% staff retention is not financially possible nor, as discussed above, required.

8.9.4 Audit Opinion – We are satisfied that action being taken by the service will address the issues raised in the in initial report. We are also content that the risk identified around the workforce in this area is no longer material.

9. LIST OF BACKGROUND PAPERS

9.1 None

Legal: MM

CFO: JB