

**AGENDA ITEM: 6 Page nos. 1-30**

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Meeting Audit Committee  
 Date 19 March 2008  
**Subject 2008/9 Internal Audit Annual Plan**  
 Report of Director of Corporate Governance  
 Summary The Committee is asked to consider the Internal Audit annual plan for 2008/9.

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Officer Contributors Hem Savla, Audit Manager, Internal Audit and Ethical Governance  
 Status (public or exempt) Public  
 Wards affected N/A  
 Enclosures Appendix A: 2008/9 Internal Audit Draft Annual Plan  
 For decision by Audit Committee  
 Function of Council  
 Reason for urgency/ exemption from call-in (if appropriate) Not applicable

Contact for further information: Hem Savla, Audit Manager, Internal Audit and Ethical Governance, Tel No 0208 359 7154

## **1 RECOMMENDATIONS**

- 1.1 **That the Audit Committee approve the Draft 2008/9 Internal Audit Annual Plan.**

## **2 RELEVANT PREVIOUS DECISIONS**

- 2.1 None

## **3 CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Council is 'committed to managing the Council efficiently, getting the best value for money and investing in services that matter most to our residents.' (Corporate Plan).
- 3.2 Each audit project has been mapped to the corporate priority it supports.
- 3.3 The cross-cutting priority of a 'More Choice Better Value' sets out how the council will continuously improve the way it works to deliver its priorities and become an excellent organisation. A key element of this is the need for a 'strong and supporting governance framework'. Delivery of this plan will contribute to this aim

## **4 RISK MANAGEMENT ISSUES**

- 4.1 The purpose of this report is to seek approval for the annual Internal Audit plan for 2008/9. This plan should focus audit resources on the highest risk areas facing the organisation.

## **5 EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The Audit Plan will support the council in meeting its corporate priorities and promoting community choice.

## **6 FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 6.1 None directly as a result of this report but addressing the risks identified by internal audit reports may require additional resources.

## **7 LEGAL ISSUES**

- 7.1 None

## **8 CONSTITUTIONAL POWERS**

- 8.1 Constitution Part 3, Section 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".

## **9 BACKGROUND INFORMATION**

### 2008/9 Draft Annual Audit plan

- 9.1 Attached as an Appendix A to this report is a draft annual audit plan for 2008/9 prepared by the Audit Manager after a detailed risk assessment of the Council's systems and consultation with key stakeholders. The audit plan for 2008/9 is presented to the Committee for comment and approval.
- 9.2 The Committee should be satisfied that it can make an appropriate assessment of the internal control environment based on the programme of work outlined in Appendix A.

## **10 LIST OF BACKGROUND PAPERS**

- 10.1 Any person wishing to view any of the background papers should telephone 020 8359 7154.

Legal: JEL

CFO: CM

# **Appendix A**

**London Borough of Barnet**

**Internal Audit Service**

**Audit Plan 2008 - 2009**

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## **Internal Audit Services 2008-2009 Audit Plan**

### Introduction

#### **Background**

The Council has a statutory duty to maintain an adequate and effective internal audit function. The Internal Audit and Ethical Governance service provides this function.

Our primary objective is to offer the Council (via the Audit Committee), Chief Executive and senior managers an independent and objective appraisal of whether objectives are being met efficiently, effectively and economically. We also provide advice and guidance to management on risk and control issues within individual systems. We aim to achieve this through a planned programme of work based on an annual assessment of the major risks facing the authority.

#### **External Audit**

The council's External Auditors, Grant Thornton, verify the accuracy of the Council's annual financial statements and review the systems in place to support their production. In order to work towards a managed audit approach, we meet regularly with the external auditors to ensure that we plan our work effectively, minimise any duplication of work and ensure that we satisfy the statutory audit requirements.

#### **Internal Audit Performance Standards**

Although there are no national performance indicators for Internal Audit, we are continuing our efforts to improve our service to managers. We have local performance indicators which are approved and monitored by the Audit Committee.

#### **Internal Audit Resources**

The annual plan has been drawn up to address the statutory requirements and key risks for the Council, taking into account the available resources within the section. We will be working jointly with our audit partners to deliver the annual plan.

#### **Follow-up audits**

All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. The timing of each follow up review is agreed with the client for the original audit. We report to the Audit Committee summary findings of all internal audit work as well as levels of implementation of agreed actions and the impact that this has on our risk assessment of that area.

## **Assurance Levels**

All internal audit projects result in a statement of assurance of either 'satisfactory', 'limited' or 'no' assurance. These conclusions are based on the number of 'priority 1' risks identified in the report - this indicates that, in the auditor's opinion, there is significant risk that either objectives will not be met efficiently and effectively or that fraud or irregularity will not be prevented or detected.

## **Deferrals**

Occasionally it is necessary to defer (or sometimes delete) audits which have been included in the agreed plan. During the normal reporting cycle the Audit Committee will be informed of the reasons for the cancelled audits or audits that are deferred to the following financial year.

# The 2008-2009 Internal Audit plan

Key denoting the Corporate Priorities:

*BFCYP = A Bright Future for Children and Young People*

*CGS = Clean, Green and Safe*

*SV = Supporting the Vulnerable*

*SH = Strong and Healthy*

*SS = A Successful Suburb*

*MCBV = More Choice, better value*

## COMMUNITIES

### Children's' Service

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Looked After Children	Deferred from 2007/8. A systems review will assess the effectiveness of budgetary control arrangements and its link to assessment, care package decisions and case reviews.	DCS DD-S&SC DM for LAC	3	BFCYP SV
Cleaning Contract	A systems review of the framework to secure safer recruitment by contractors deploying cleaning staff in schools. Review will include testing compliance with the framework and the contract monitoring arrangements.	DCS DR	3	BFCYP SV
Individual Budgets	<b>Project</b> - Project work to provide advice and guidance for the setting up of individual budgets for children with disabilities.	DCS AD-I	1	BFCYP SV



<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Connexions	A systems review to assess the mitigation of risks on the risk register for the transfer of Connexions staff into Barnet Youth and Connexions Service.	DCS AHYC	2	BFCYP
Children's Act Complaints	Follow-up of the 2007-08 systems review.	DCS	3	BFCYP
SEN Budget and Contract	Deferred from 2007/8. Follow-up of the 2006-07 systems review.	DCS	1	BFCYP STV
Management Information arrangements in Youth Service	Deferred from 2007/8. Follow-up of the 2006-07 systems review.	DCS	1	BFCYP STV
Child Protection	Follow-up of the 2007-08 systems review.	DCS	4	BFCYP

## Adult Social Services

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Choice & Independence Programme Governance	<b>Project</b> – Review the robustness of the programme governance design and implementation to deliver the objectives established in the PID.	DASS	1	STV
Choice & Independence - Strategic Commissioning Workstream	<b>Project</b> – Review the outcomes of the workstream in relation to the objectives established in the PID.	DASS	4	STV
Choice & Independence - Supply Management	<b>Project</b> – Review the outcomes of the workstream in relation to the objectives established in the PID.	DASS	2	STV
Choice & Independence - Care Model Development	<b>Project</b> – Review the outcomes of the workstream in relation to the objectives established in the PID.	DASS	4	STV
Customer billing	A systems review the accuracy and timeliness of customer billing in relation to meals, home care, residential care and respite care. The review will include examination of the effectiveness, timeliness and quality of data capture for client invoicing.	DASS	1	STV
Business Continuity	Follow-up of the 2007-08 systems review.	DASS	4	

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Fairer Pricing Tool.	<b>Project</b> – Review the implementation of the Fairer Pricing Tool in LD disability services and the savings achieved in relation to the MTFP targets.	DASS	2	STV
Integrated Community Equipment Service (ICES) and Telecare Services	A systems review of the key controls in relation to new equipment contract, and the arrangements for telecare in particular arrangements for commissioning, contract monitoring, performance management and payment for equipment and telecare services. The review will incorporate a follow up of the recommendations made by internal audit in previous audits.	DASS	4	STV
DASS Laundry Service 07/08 f-up	Follow-up of the 2007-08 systems review.	DASS	3	STV
Data Quality BVPI (KC) 07/08 follow-up	Follow-up of the 2007-08 systems review.	DASS	4	STV
Respite Care 07/08 follow-up	Follow-up of the 2007-08 systems review.	DASS	4	STV
Respite Care	<b>Project</b> –Input into a review of respite care options and delivery – to be timetabled after the publication of the government’s national carer’s strategy and to incorporate follow up to the 07/08 audit.	DASS	4	STV

**Local Partnerships and Policy**

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Partnership Arrangements	Follow-up of the 2007-08 systems review.	EDC	2	All

## ENVIRONMENT AND REGENERATION

### Environment and Transport

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Cleansing Service 2007/8 follow-up	Follow-up of the 2007-08 systems review.	DET	4	CGS
Recycling	<b>Project</b> – Internal Audit will provide input during the implementation of the new contract by way of challenge and risk and control advice.	DET	1	CGS
Transport	<b>Project</b> – Internal Audit will provide input during the implementation of the new contract by way of challenge and risk and control advice.	DET	1	CGS
Public Transportation and Traffic Management	Follow-up of the 2007-08 systems review.	DET	4	All
Final Accounts	Follow-up of the 2007-08 systems review.	DET	4	All

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Administration of Term Contracts	Follow-up of the 2007-08 systems review.	DET	4	All
Parking Control	Follow-up of the 2007-08 systems review.	DET	4	All
Transport VOSA	Follow-up of the 2006-07 responsive work concluded in 2007-08.	DET	1	CGS
Waste Management	Follow-up of 2006-7 systems review concluded in 2007-08.	DET	1	CGS

## Planning and Environmental Protection

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Service Restructure	<b>Project</b> – Internal Audit will provide input (focusing on risk and control) on the restructure of key business processes to ensure that the corporate objectives and outcomes will be delivered efficiently, effectively and economically.	DPEP	1	SV
Strategic Planning	A systems review will be undertaken to review the governance arrangements for timely delivery of Local Development Framework which is supported by Supplementary Planning Documents and Statement of Community Involvement.	DPEP	1	SV
Grants	A systems audit will be carried out reviewing the processes for identifying and maximising income from external grants for the service.	DPEP	3	SV
Environmental Health	A review will be undertaken to challenge the Best Value Action Plan and assess the effectiveness of the processes put in place to implement the action plan.	DPEP	2	SV
Licences	Follow-up of the 2007-08 systems review.	DPEP	4	SV
Local Land Charges	Follow-up of the 2007-08 systems review.	DPEP	2	All

## Housing

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Housing Audits	Time will be set aside to identify and agree Housing audits following the completion of risk scoping by the Interim Head of Housing and Environmental Health.	DPEP	1	SV
Barnet Homes Monitoring	A systems audit will be carried out reviewing the arrangements for monitoring the management agreement.	DPEP	1	SV
Homelessness 07/8 follow-up	Follow-up of the 2007-08 systems review.	DPEP	4	SV
Housing Revenue Account 07/08 follow-up	Follow-up of the 2007-08 systems review.	DPEP	4	SV
Housing Strategy and Performance	Follow-up of the 2007-08 systems review.	DPEP	4	SV
Temporary Accommodation 07/08 follow-up	Follow-up of the 2007-08 systems review.	DPEP	4	SV



## Strategic Development

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Regeneration	A systems review will be carried out to assess the processes and systems in place within the Strategic Delivery Unit and test their operational robustness in the areas of project management, risk planning and mitigation and contractual compliance where delivery is taking place.	DPEP	2	All

## CORPORATE GOVERNANCE DIRECTORATE

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Corporate Governance	Follow-up of the 2007-08 systems review.	DCG	3	All
ICC & Mini SIC	This audit will seek to provide assurance on the effectiveness of the ICC process within the Directorate.	DCG	3	All

## Community Protection Group

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Anti Crime Agenda (including Crime Data)	Deferred from 2007/8. A systems review to assess the effectiveness of the delivery of anti crime agenda, including targets agreed though LAA framework.	DDCG	1	CGS
Graffiti (Anti – Social Behaviour)	Follow-up of the 2007-08 systems review.	DDCG	2	CGS
Trading Standards and Licensing	A systems review of the risk assessment and plan to integrate Trading Standards and Licensing and assess the effectiveness of the role out of the plan.	DDCG	2	CGS

## Democratic Services

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Decisions Under Delegated Powers	Follow-up of the 2007-08 review.	DSM	2	All

## Head of Internal Audit and Ethical Governance

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Governance	A review to assess the success of the Directorate objective to improve internal and external awareness of governance arrangements.	DCG & HIAandEG	4	All

## RESOURCES

### RESOURCES: STRATEGIC SERVICES

#### Strategic Finance

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Primary Schools Capital Investment Programme (PSCIP)	<b>Project</b> - Internal Audit will provide challenge, advice and guidance during the delivery phase of the project on risk management and control aspects, including the delivery of Underhill School.	DR DDR&CFI and DCS	2	BFCYP
Procurement, Contracts and Accounts Receivable	A end to end key systems review.	HSF	3	All

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Stock Management and Control	A end to end key systems review.	HSF	3	All
LG Pension Administration and Pension Fund	A end to end key systems review.	HSF	3	All
Capital Expenditure	Follow-up of the 2007-08 systems review.	HSF	4	All
Sales Invoice Income and Debt Management	Follow-up of the 2007-08 systems review.	HSF	4	All
Cash collection and Treasury Management	Follow-up of the 2007-08 systems review.	HSF	4	All

## Strategic IT

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Electronic Document Record Management System 2008/9 (Phase 1)	<b>Project</b> – Internal Audit will provide input to ensure that the objectives of the completed Phase 1 project are delivered effectively. To include a follow-up of work carried out in 2007-8.	HSIT	Ongoing	STV
EDRMS 2008/9 (Phase 2)	<b>Project</b> – Internal Audit will provide input to ensure that the objectives of the Phase 2 project are delivered effectively.	HSIT	Ongoing	STV
EDRMS 2008/9 Follow-up	Follow-up of reported risks following Phase 2 review.	HSIT	Ongoing	STV
Modernising Ways of Working Programme 2008-9	<b>Project</b> – Internal Audit will provide input to ensure that the objectives of the project are delivered effectively in line with agreed scope	HSIT	Ongoing	STV
MWW Programme 2008-9 Follow-up	Follow-up of reported risks following the 2007-8 and 2008-9 reviews.	HSIT	Ongoing	STV

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Working with Partners	Deferred from 2007-8. Review framework with partners such as PCT, NHS and DWP to mitigate technical risks, including issues around connecting and linking to partner systems. The scope for this review will be formally agreed at the end of quarter 1.	HSIT	2	All

### **Property and Valuations Service**

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Property Asset Management follow-up	Follow-up of the 2007-08 systems review.	HofPS/ HofAM	1	All

## Business Improvement

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Data Quality (KLOEs)	Deferred from 2007-8. Internal Audit will advise on the risk/ control aspects during the planned formulation of corporate policy on data quality. Sample testing will be undertaken in services to evidence that policies and procedures are followed by staff and applied consistently throughout the Council.	BIM	1	All
Shared Service Centre follow-up	Follow-up of the 2007-08 systems review, which will include a review of the SAP Change Control process.	AD SSR HofSSC	1	All

## Infrastructure and IS Operations

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Infrastructure follow-up	Follow-up of the 2007-08 systems review, which will include a review of the change control process for Infrastructure RFC's (Requests for Change).	AD SSR HofI&ISO	2	All

## Revenues

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Housing Benefit	A full systems review will be undertaken of the Housing Benefit system.	AD SSR HofR	1	SV
Cashiers Systems follow-up	Follow-up of the 2007-08 systems review.	AD SSR HofR	4	All
Cash Security Collection follow-up	Follow-up of the 2007-08 systems review.	AD SSR HofR	4	All

## Finance Support Services

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Milly Apthorp (2008/9)	Annual audit of accounts.	HCS	2	SV



<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Imprest Accounts Follow-up	Follow-up of the 2007-08 systems review.	AD SSR	4	All

### **Corporate Services**

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Mini Statement of Internal Control follow-up	Follow-up of the 2007-08 review.	HofSSR	1	All
Central Contract Monitoring	Follow-up of the 2007-08 systems review.	HCS	3	All
Risk Management	Follow-up of the 2007-08 systems review.	HCS	4	All

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Business Continuity	Follow-up of the 2007-08 systems review.	HCS	4	All

### Shared HR Services

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
LG Pensions Follow-up	Follow-up of the 2007-08 systems review.	ADSSR	4	All

## RESOURCES: ORGANISATIONAL DEVELOPMENT and CUSTOMER SERVICES

### Information Observatory

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
Change Management Support	A systems audit to provide assurance on the effectiveness of controls mitigating actions for the risks identified on the service risk register. A details scoping will be carried out at the time of the audit.	HODCS	2	All

### Customer Services

Audit Title	Scope	Client	Quarter	Contribution to the Corporate Priorities
West of Borough 2008/9 (Project within Customer Access Programme)	<b>Project</b> - Provide input to ensure that the objectives of the project are delivered effectively.	AD,OD&CC	Ongoing	All

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
West of Borough Project Follow-up	Follow-up of the 2007-8 and 2008-9 reviews.	A/D,OD&CC	Ongoing	All
Web Content Management	Deferred from 2007/8. Follow-up of the 2006-07 systems review.	A/D,OD&CC	1	All

## **Registrars**

<b>Audit Title</b>	<b>Scope</b>	<b>Client</b>	<b>Quarter</b>	<b>Contribution to the Corporate Priorities</b>
Registrars Follow-up	Follow-up of the 2007-08 review.	A/D,OD&CC	1	All

## **KEY SYSTEMS AUDITS**

### **Purpose**

The council's external auditors minimise the work they do by placing reliance on the work of internal audit on certain key systems. These key systems, as agreed with the external auditors and the Chief Finance Officer, are listed below. Our approach to auditing key systems has been discussed and agreed with the external auditor and the Chief Finance Officer with regard to timing, scope and participants.

### **Approach and Regularity**

With the introduction of SAP which integrated many of the previous stand alone financial and non financial systems, it is now necessary to review the key 'end to end' processes/systems. These end to end 'full systems' reviews, which will include review of key controls, will be undertaken at least once every three years to satisfy the duty placed on the external auditors by International Auditing Standards. Each full systems review will be subject to a follow-up within 12 months and where significant improvement has not been confirmed further review may be necessary before the scheduled cycle.

### **Protocol**

The extent of internal audit review will affect the depth of external audit work necessary and hence impact upon the budget for audit fees managed and controlled by the Chief Finance Officer. To enable effective control over the audit fees the Chief Finance Officer will be the main client for all key systems audits identified below, unless stated otherwise, and will therefore participate in scoping and timing of each audit. The Chief Finance Officer will decide on the involvement of officers from other services for scoping and will specify service areas for testing. Where necessary the main client will organise responses for management actions to speed up concluding each audit. The Chief Finance Officer will also be the main client for any follow-up review, unless stated otherwise.

### **Reporting**

All audit reports will be issued to the main client and copies circulated to all those officers identified by the main client.

We have agreed that these key systems should be subject to regular review and have therefore put together a programme, which will ensure that each system is regularly audited. The following table summarises our plans. Key systems audits for 2008/9 are included in the above list.

<b>Key Systems</b>	<b>Main Client</b>	<b>2007/8</b>	<b>2008/9</b>	<b>2009/10</b>	<b>20010/11</b>
Sales, Invoicing, Income and Debt Management	CFO	Full Review	Follow-up	None	Full Review
Procurement, Contracts and Accounts Payable	CFO	Follow-up	Full Review	Follow-up	None
Stock Management and Control	CFO	None	Full Review	Follow-up	None
LG Pension Administration and Pension Fund	CFO	Follow-up	Full Review	Follow-up	None
Fixed Assets (Capital Expenditure and Property Asset Management)	CFO	Reviews	Follow-up*	Full Review	Follow-up
Cash Collection, Banking, Reconciliation and Treasury Management	CFO	Full Review	Follow-up	None	Full Review
Recruitment, HR and Payroll	HoSS	Full Review	Follow-up	None	Full Review
Council tax (Income and Expenditure)	HoSS	Follow-up	None	Full Review	Follow-up
NNDR	HoSS	Follow-up	None	Full Review	Follow-up
Housing Benefits	HoH	Follow-up	Full Review	Follow-up	None

\* Follow-up planned in 2008/9 for separate audits on Property Asset Management and Capital Expenditure