

AGENDA ITEM: 8 Page nos.

Meeting	Audit Committee
Date	18 June 2008
Subject	Internal Audit Annual Report 2007-8
Report of	Acting Head of Internal Audit and Ethical Governance
Summary	The Committee is asked to note the 2007-8 Internal Audit Annual Report and appendices.

Officer Contributors	Acting Head of Internal Audit and Ethical Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	<p>Appendix A: 2007/8 Internal Audit Annual Report</p> <p>Appendix B: 2007/8 Internal Audit Annual Audit Plan Update</p> <p>Appendix C: 2007/8 Internal Audit Performance Indicators</p> <p>Appendix D: 2007/8 Internal Audit Detailed Risk Analysis Summary</p>
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A

Contact for further information: Hem Savla, Acting Head of Internal Audit and Ethical Governance 020 8359 7154

1 RECOMMENDATIONS

- 1.1 That the Committee note the contents of the report and the actions being carried out to address deficiencies.
- 1.2 That the Committee consider whether there are any areas on which they require additional action.

2 RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee on 19th March 2008 included in the work programme for 2008/9, the Internal Audit Annual Report for 2007/8.
- 2.2 The Audit Committee on 15th February 2006, having noted the Internal Audit 2004/5 Annual Report Update, instructed the Chief Internal Auditor (as was), in future, to provide progress reports to the Committee on any areas where, in his professional opinion, no significant progress has been made by management in addressing audit findings, and that, in such circumstances, the Chief Internal Auditor be required to bring forward recommendations to the Committee (which it might accept or reject) on possible courses of action to achieve the required progress, which could include in exceptional circumstances calling the relevant Head of Service and, or Cabinet Member to attend and explain the situation to the Committee.

3 CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Continuous improvement is necessary for us to deliver our priorities. We must improve how we work and the infrastructure we work with. Our corporate services, including finance, human resources and corporate governance, play a significant part in helping us achieve our vision for:

“A smaller entity with a smaller but more efficient corporate support function and a greater concentration of resources on outcomes.”

- 3.2 The information contained in this report relates to the Council’s Corporate Plan 2008/09 – 2011/12 priority ‘More Choice, Better Value’ and supports objectives within the priority including, ‘Support and challenge for better use of resources across the organisation’ and ‘Enhance and further develop corporate governance’.

4 RISK MANAGEMENT ISSUES

- 4.1 The purpose of the Internal Audit Annual Report 2007/8 is to highlight to the Chief Executive, Audit Committee, Lead Member, Council Directors Group and External Auditor, the findings of Internal Audit work conducted in 2007/8 (for work that has not previously been reported in the 2007/8 Interim Annual Report).

- 4.2 The report identifies those areas which are of significant risk in the work undertaken by Internal Audit during this period.
- 4.3 The internal audit work contributes toward increasing awareness and understanding of risk and controls amongst managers and improving management processes for securing effective risk management.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is an overriding principle that services provided to the whole community represent value for money in terms of quality, efficiency and effectiveness. This supports the Council's obligations in meeting its public duties under Equalities legislation.

6 FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 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.

7 LEGAL ISSUES

- 7.1 None

8. CONSTITUTIONAL POWERS

- 8.1 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".

9. BACKGROUND INFORMATION

Introduction

- 9.1 The report provides summary details in Appendix A of all Internal Audit reports which have been agreed and finalised with clients as at 20th May 2008. The report also identifies and gives more detail on those areas which are of significant risk. This is a planned report within the 2007/8 work programme for this Committee.

Executive Summary

- 9.2 Although it is impractical to give an overall opinion on the control environment, generic control weaknesses are identified in the analysis document at Appendix D. As can be seen, the most recurring areas of weakness are:

- Objectives/goals not achieved (**31** instances out of a total **80** reported risks).

Findings here reflect risks that may impact on the likelihood of objectives being met efficiently, effectively and economically.

- The integrity of information/data is unreliable (**19** instances out of a total **80** reported risks).

Finding in this area reflect risk that impact on the quality of informed decisions and actions.

- Non compliance with policies and procedures (**15** instances out of a total **80** reported risks).

Findings in this area do not necessarily mean that policies and/or procedures do not exist but that improvements or additions to existing policies and/or procedures may be required. The generic risks that result from these omissions include potentially: lack of consistency; standards not being set, understood or complied with; loss of knowledge due to staff changes; increased training time for new staff.

For the above areas of weaknesses occurrences reported in the Internal Audit Annual Report for 2006-7 were:

- 27 out of 162 for objectives/goals not achieved.
- 25 out of 162 for the integrity of information/data is unreliable.
- 38 out of 162 for non compliance with policies and procedures.

It is important to recognise that as different systems and processes are audited each year the mix of recurring weaknesses will undoubtedly vary from one year to the next.

- 9.3 We have agreed management action to address weaknesses recorded in the respective reports, which, if implemented, will improve the overall control environment.
- 9.4 26% of risks were assessed by internal audit as 'Priority 1', signifying that there was a 'significant risk that either objectives will not be met efficiently and effectively or that fraud or irregularity is unlikely to be prevented or detected'.
- 9.5 74% of risks were 'Priority 2', signifying 'only limited assurance that objectives will be met efficiently and effectively or that fraud or irregularity will be prevented or detected'.

Follow-ups

- 9.6 All Internal Audit work is followed up as a matter of course. The annual report provides summaries of the assurances at follow-up audits. Follow-ups

indicate how the level of audit assurance has changed as a result of management implementation of agreed actions. Details of the assurance revisions on the 35 follow-ups conducted in the report period are detailed below. Whilst it is encouraging that 26 of the areas are now at a 'full' or 'satisfactory' level of assurance, it needs to be noted that 2 remain at 'no' and 7 at 'limited' indicating that further management action is required to fully implement agreed actions or mitigate identified risks.

Analysis of Assurance Levels on Follow-up	No.
No assurance still no assurance	2
No or limited assurance to limited assurance	6
No or limited assurance to satisfactory	9
Satisfactory assurance still satisfactory assurance	16
Full or Satisfactory assurance to full assurance	2
Total	35

Corporate Governance and Risk Management

Corporate Governance

- 9.7 We completed a full review of corporate governance arrangements and provided a 'satisfactory' level of assurance. The audit compared the Council's corporate governance arrangements against the revised CIPFA Solace framework, Delivering Good Governance in Local Government: Framework that was issued in July 2007. The follow-up audit is planned in 2008-9 (quarter three).

Risk Management

- 9.8 An audit of the risk management function provided a 'satisfactory' level of assurance that the development of corporate risk management is progressing adequately. As there was some non-compliance and poor practice in services, we intend to undertake audit of the Internal Control Checklist process, which is designed to enable managers to assess and improve the risk and control environment within their areas of control, in services across the Council.

In 2007-8, we completed a review of the ICC process within the Resources Directorate. We provided a 'no' level of assurance on this review and improved the assurance to satisfactory level on the follow-up audit just completed.

During 2008-9, the ICC process within Corporate Governance Directorate will be reviewed (in quarter three).

Customer Evaluation Questionnaires

- 9.9 The Audit Committee at the meeting on 20 March 2007 asked that Internal Audit reinstate the performance indicator on Customer Evaluation Questionnaires to comply with the CIPFA Code of Best Practice for Internal Audit. Performance for the past three years is summarised below:

2005/06

42 questionnaires sent; 26 questionnaires returned. An average score of 2.6 was achieved where 2 is 'highly effective' and 3 is 'perfectly satisfactory'.

2006/07

47 questionnaires sent to date; 38 questionnaires returned to date. An average score of 2.5 was achieved.

2007/08 (ongoing)

13 questionnaires sent to date; 6 questionnaires returned to date. An average score of 2.2 was achieved.

When last monitored by the Committee, our target was 3 or better (i.e. lower).

Internal Audit performance Management

- 9.10 Appendix B describes the changes the original audit plan. The report shows reviews that are deferred, cancelled or newly commissioned with relevant reasons for the changes.
- 9.11 Appendix C gives the position against the Internal Audit unit's performance indicators (PIs). The PI regarding percentage of audit plan completed refers to the achievable plan i.e. after any reviews have been deferred or cancelled and taking newly commissioned reviews into account.

10. LIST OF BACKGROUND PAPERS

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

Legal: JL
CFO: JB

Internal Audit Annual Report 2007-08

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INTERNAL AUDIT ACTIVITY SUMMARIES BY DIRECTORATE

- 1 **Resources**
- 2 **Communities**
- 3 **Environment and Regeneration**
- 4 **Communications and Consultation**
- 5 **Corporate Governance**

AUDIT REPORT SUMMARIES FOR HIGH RISK AREAS (No Assurance)

Resources

- A1 Review of Resources Internal Control Checklist for 06-07

Communities

- A2 Laundry Service

Environment and Regeneration

- A3 Local Land Charges
- A4 Private Sector Leasing (Follow-up)

Corporate Governance

- A5 Street Enforcement (Follow-up)

Internal Audit Activity Summary: Resources

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Assurance
ST SERV	Capital Expenditure 06/07	1	2	Limited
ST SERV	Review of Resources Internal Control Checklist for 2006-07	5	1	No Assurance
SH SERV	LG Pensions Service 06/07 (KS/KC)	0	2	Limited
SH SERV	Infrastructure	2	2	Limited
SH SERV	Cashiers Systems	1	6	Limited
SH SERV	Shared Services Centre	0	5	Satisfactory
OD & CSER	Modernising Ways of Working (P) 07/08	0	3	Limited
OD & CSER	Customer Services (P) 07/08	0	1	Satisfactory

Follow-up Reports: Risks Mitigated

Service	System	Priority 1			Priority 2			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N		
ST SERV	Electronic Document Management System 07/08 fw-up	0	1	0	1	1	1	Limited	Limited
ST SERV	Attendance Management 06/07 fw-up	0	0	0	1	2	0	Satisfactory	Satisfactory
ST SERV	Budgetary Control 06/07 fw-up	0	0	1	0	0	5	Limited	Limited
SH SERV	School Balances 06/07 fw-up	1	0	0	0	0	0	Satisfactory	Satisfactory
SH SERV	Council Tax 06/07 fw-up	0	0	0	0	1	1	Satisfactory	Satisfactory
SH SERV	NNDR / Business Rate 06/07 fw-up	0	0	0	2	1	0	Satisfactory	Satisfactory
SH SERV	Cashbook Reconciliation fw-up	1	1	0	2	1	1	No Assurance	Satisfactory
SH SERV	Creditors - Balance Sheet 06/07 fw-up	1	1	0	0	0	2	Satisfactory	Satisfactory
SH SERV	Debtors - Balance Sheet 06/07 fw-up	0	0	0	2	1	1	Satisfactory	Satisfactory
SH SERV	Accounts Payable - Payments (KS/KC) fw-up	0	0	0	1	0	0	Satisfactory	Satisfactory
SH SERV	Physical & Environmental Security 05/06 fw-up	0	0	0	0	1	3	Limited	Limited
SH SERV	Computer Misuse & Law 07/08 fw-up	0	0	0	0	3	1	Limited	Limited
SH SERV	Pericles Project 07/08 fw-up	3	1	0	5	0	0	Limited	Satisfactory
SH SERV	Service & Patch Management 06/07 fw-up	0	0	0	0	1	1	Satisfactory	Satisfactory

Other Audit Work:

Service	System	Type of Work	Assurance
SH SERV	Safer Stronger Communities Fund Grant	Grant Work	Limited
SH SERV	IS Review of fw-ups - pre 06/07 Audits	Follow-ups	Limited

Service Area Description

ST SERV - Strategic Services

SH SERV - Shared Services

OD & CSER - Organisational Development & Customer Services

Key

<p>Y Mitigated P Partially Mitigated N Not Mitigated</p>
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Internal Audit Activity Summary: Communities

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Assurance
CS	Children Act Complaints	2	8	Limited
ASSD	Laundry Service	4	3	No Assurance
PPG	Partnership Arrangement (P) 07/08	1	5	Limited

Follow-up Reports: Risks Mitigated

Service	System	Priority 1			Priority 2			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N		
CS	Nursery Education Funding fw-up	1	0	0	0	0	0	No Assurance given previously	Satisfactory
CS	Library Stock Management 06/07	0	0	0	2	0	0	Satisfactory	Full
CS	School Asset Management Plan 06/07 fw-up	0	0	0	0	1	1	Satisfactory	Satisfactory
CS	Catering Services 06/07 fw-up	0	0	0	2	1	0	Satisfactory	Satisfactory
ASSD	Information Management SWIFT 05/06 fw-up	1	1	0	1	2	0	Limited	Limited
ASSD	Direct Payment 05/06 fw-up	11	2	1	7	1	1	No Assurance	Satisfactory
ASSD	Community Care Grants Systems (Received) 07/08 fw-up	0	0	0	2	0	0	Satisfactory	Satisfactory
ASSD	Income from Barnet PCT 06/07 fw-up	2	0	0	4	0	0	Limited	Satisfactory
ASSD	Strategic Planning and Health Partnership 07/08 fw-up	1	1	1	2	3	2	No Assurance	Limited
ASSD	Integrated Community Equipment 06/07	11	0	0	8	0	0	No Assurance given previously	Satisfactory
PPG	Community Strategy 06/07 fw-up	0	0	0	1	1	3	Satisfactory	Satisfactory

Other Audit Work:

Service	System	Type of Work	Assurance
ASSD	Supporting People	Review of Audit Commission Recommendations	Satisfactory

Service Area Description

CS - Children Services

ASSD - Adult Social Services

PPG - Policy and Partnership Group

Key

Y Mitigated
P Partially Mitigated
N Not Mitigated

Internal Audit Activity Summary: Environment and Regeneration

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Assurance
P&EP	Local Land Charges	2	10	No Assurance
HGS	Housing Strategy & Performance	0	2	Satisfactory
SD	Principal Development Agreement 06/07	1	3	Limited

Follow-up Reports: Risks Mitigated

Service	System	Priority 1			Priority 2			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N		
E&T	Income for Works & Services fw-up	0	0	0	3	6	1	Limited	Satisfactory
E&T	Commercial Waste Service 06/07 fw-up	0	0	0	1	0	0	Satisfactory	Satisfactory
HGS	Private Sector Leasing 06/07 fw-up	0	1	4	0	5	2	No Assurance	No Assurance
HGS	Decent Homes Investment Programme 06/07 fw-up	0	0	0	6	1	0	Limited	Satisfactory
HGS	Housing Benefits	0	1	0	3	0	0	Limited	Satisfactory
HGS	Home Ownership 06/07 fw-up	1	0	0	2	0	0	Limited	Satisfactory
P&EP	Works in Default 06/07 fw-up	0	0	0	6	2	0	Satisfactory	Satisfactory
P&EP	Building Control 06/07 fw-up	0	0	0	6	0	0	Satisfactory	Satisfactory
P&EP	Hendon Cemetery & Crematorium 07/08 fw-up	0	0	0	2	0	0	Satisfactory	Satisfactory

Service Area Description

E&T - Environment & Transport

HGS - Housing Services

P&EP - Planning & Environmental Protection

SD - Strategic Development

Key

<p>Y Mitigated</p> <p>P Partially Mitigated</p> <p>N Not Mitigated</p>

Internal Audit Activity Summary: Communications and Consultation

Note: Follow-up audit of Consultation deferred from quarter 4 2007/08 to quarter 4 in 2008/09 at client request due to Service re-organisation as at the end of 2007/08.
No other audit work planned in this service area.

Internal Audit Activity Summary: Corporate Governance

Audit Reports: Risks Identified

Service	System	Priority 1	Priority 2	Assurance
DS	Delegated Powers Report	0	4	Limited

Follow-up Reports: Risks Mitigated

Service	System	Priority 1			Priority 2			Assurance of Original Audit	Assurance on Follow-up
		Y	P	N	Y	P	N		
CPG	Street Enforcement Service 06/07 fw-up	0	2	2	0	0	2	No Assurance	No Assurance
CPG	Money Laundering 06/07 fw-up	0	3	1	0	0	1	No Assurance	Limited
CPG	Municipal Elections 06/07 fw-up	0	0	0	0	1	0	Full	Full

Service Area Description

CPG - Community Protection Group

DS - Democratic Services

Key

<p>Y Mitigated P Partially Mitigated N Not Mitigated</p>

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Service Area	Issue Date	Assurance of Original Audit	Assurance on Follow-up
Shared Services	01/03/2008	No Assurance	Q1 2008-2009

Report Title

Review of Resources Internal Control Checklist for 2006-07

1 Objective of System

1.1 The objective of the Mini-SIC process within the Directorate of Resources is to provide a continuous process of review on the effectiveness of the Directorate's internal control and risk management systems, so as to give assurance on their effectiveness and to ensure management action is taken to address identified weaknesses.

2 Scope of Audit

2.1 The review consisted of:

- interviews with the following Heads of Service:
 - Shared Service Centre;
 - Strategic HR, and
 - Customer Services
- assessing the risks discussed and agreed with the Executive Director of Resources and the Head of Insurance at the planning meeting;
- examining the arrangements for the 2006/07 internal control checklist (ICC) process;
- ensuring that the ICCs have been completed in full, responses are supported by documentary evidence, actions have been established to address areas of control weaknesses and that any actions state responsibilities together with timescales for completion, and
- identifying areas for improvements.

3 Executive Summary

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- 3.1
- Internal Audit can give no assurance, at the time of this management letter, that the service objectives will be achieved. There are areas where processes need further improvement or yet to be established, and
 - There is some doubt as to how robust and accurate the 2006/07 control environment is within the service areas reviewed.

To ensure that there is an effective and transparent ICC process at service level for 2007/08, management action is required to address the following emerging findings:

- There are no documented procedure notes to cover the ICC process. These would help to avoid inconsistencies in ICC completion and confusion over ownership of the ICC process at service level.
- There is no clear documented framework of the roles and responsibilities for the management of the ICC process.
- Variable completion of actions plans to capture any significant absence of, or weakness in, the control and record process update.
- Internal Control Checklist are not always completed in full by designated officers - in particular the "details" i.e. 'describe the control in place', where the assessment is scored as either 'red' or 'amber', detailing the proposed action, date and officer responsible.
- The ICC questions, were not always clear as to what was required and were open to misinterpretation.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	5	1
4.2 Number of actions agreed	5	1

4.3 Priority 1 risks

- **Risk: Internal Control Checklist Procedure / Guidance Notes**
In the absence of departmental procedure notes, there is a risk that staff / services may not be aware of the department's expectations for completing and monitoring the ICCs. Poor working practices may develop in the absence of protocols and procedures.
Management Action: Corporate procedures on the completion of the ICC have been written in advance of the current 07/08 process and have been made available to staff in advance of workshops. These will be formally recorded in a protocol document.
- **Risk: Roles and Responsibilities**
By not assigning the task for controlling and monitoring the ICC process at key stages, there is a risk that management's assurance on the control environment is inadequate.
Management Action: Roles and responsibilities will be included in the protocol document.
RMT to identify a performance lead for Resources with documented terms of reference.

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- **Risk: Recording of Internal Control Issues**

Weaknesses identified in the system of internal controls are not actioned (e.g. there are no action plans in place to address any significant internal control issues). There is a risk that significant internal control issues will not be addressed and that the SIC will not give a balanced reflection of the actual control environment.

Management Action: *Resource Performance Lead will work with managers to ensure the completeness of the ICC and that follow up actions are undertaken.*

- **Risk: ICC completion and review framework**

An inadequate/ inaccurate assessment of the control environment could impact on the:

- effectiveness of the system of internal control, and
- governance and risk management arrangements, and therefore the likelihood of achieving objectives efficiently and economically.

Management Action: *Resource Performance Lead will work with managers to ensure the completeness of the ICC and that follow up actions are undertaken.*

- **Risk: ICC completion and review framework**

Misunderstanding of the questions could lead to inaccurate completion of the ICC and assessment of current standards of internal control.

Management Action: *Questions are revised after each process is complete in consultation with performance and management leads. Continued completion of the ICC in a workshop environment encourages discussion and clarity.*

5 Response to the Audit from Director and/or Head of Service

5.1 The follow-up audit of the ICC process in Resources has been completed in quarter 1 of 2008-09 and the assurance level has moved from 'no' previously to 'satisfactory'

Appendix A - Internal Audit Annual Report 2007-08

Service Area	Issue Date	Assurance	Planned Follow-up Date
Adult Social Services	01/03/2008	No Assurance	Q3 2008-2009

Report Title

Laundry Service

1 Objective of System

1.1 The objective is to provide laundry service to those clients who otherwise will be at risk of not remaining in the community and therefore likely to come into Council's care by ensuring that clients using the laundry service are eligible and that assessment of eligibility complies with Council's procedures.

2 Scope of Audit

- 2.1 Service Objectives, Policy and Procedure
- 2.2 Eligibility Criteria and Assessment
- 2.3 Periodic Review of Eligibility
- 2.4 Management Information

3 Executive Summary

3.1 We can provide no assurance that the existing system objectives will be achieved. Control is generally weak leaving the system open to significant error or abuse.

3.2 Service Objectives Policies and Procedures

No formal policy and procedure exists specific to the administration of the laundry service. There is a risk that if officers are unaware of policies and procedures for the laundry service they cannot be expected to comply with them.

There is a risk that officers may introduce unofficial and unauthorised working practices to administer the laundry service.

There is no service level agreement between Older Adult Services and Environmental Services Transport setting out the terms and conditions by which the laundry service will be delivered to the clients of Older Adult Services.

There is a risk that roles, responsibilities and accountabilities may become obscured in the arrangement between the two departments.

There is a risk that Older Adult Services have no accurate assessment or calculation to give assurance that the cost of the laundry service, recharged from Environmental Services at £72.5K per year, accurately reflects the true cost of the service or is value for money.

3.3 Eligibility Criteria and Assessment

There is no effective process in place to terminate laundry service to clients who are no longer eligible. Two way communication between Older Adults and Environmental Services Transport Division is weak with no formal feedback mechanisms in place. The Older Adults Service relies on Environmental Services Transport to inform them of clients who are no longer receiving or want the service.

There is a risk that ineligible persons may be receiving the laundry service.

There is a risk that Older Adult Services could be charged for laundry services which clients may no longer be receiving.

3.4 Management Information

Testing of client lists provided by both Older Adult Services and Environmental Services Transport revealed anomalies between the two. When both these lists were reconciled against the most current pick up and drop off lists for client's laundry used by drivers a number of inconsistencies were observed. Audit's conclusion is that no reliance can be placed on the information currently being provided to management on clients receiving laundry services.

There is a risk that use of this information may result in wrong or incorrect assumptions being made which could impair the decision making process.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	4	3
4.2 Number of actions agreed	4	3
4.3 Priority 1 risks		
<ul style="list-style-type: none"> Risk: Policy and Procedures There is a risk that if officers are unaware of policies and procedures for the laundry service they cannot be expected to comply with them. There is a risk that officers may introduce unofficial and unauthorised working practices to administer the laundry service. Management Response: Agreed. <i>Clear policies and procedures will be formulated for the laundry service including assessment, recording and review.</i> 		

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- **Risk:** Service Level Agreement

There is a risk that roles, responsibilities and accountabilities may become obscured in the arrangement between the two departments.

There is a risk that Older Adult Services may have no accurate assessment or calculation to give assurance that the cost of the laundry service, recharged from Environmental Services at £72.5K per year, accurately reflects the true cost of the service or is value for money.

Management Response: Agreed.

Alternative options for securing laundry procurement will be investigated and the current arrangements will be reviewed in terms of the possibility of early termination if appropriate, and an SLA will be agreed.

- **Risk:** Eligibility Feedback

There is a risk that ineligible persons may be receiving the laundry service.

There is a risk that the laundry service could be delivered to people who are deceased or no longer require it.

There is a risk that Older Adult Services could be charged for laundry services which clients may no longer be receiving.

Management Response: Agreed.

Effective communication will be instigated immediately to identify service users no longer existing. Letters will be sent to the address to notify of termination of service.

- **Risk:** Complete, Accurate and Timely Management Information

There is a risk that Older Adult Services management can place no reliance on the information on the laundry service presently being provided, use of this information may result in wrong or incorrect assumptions and impair the decision making process.

Management Response: Agreed.

Management information requirements will be identified.

5 Response to the Audit from Director and/or Head of Service

- 5.1 Agreed management actions are being taken forward. Progress is monitored regularly at Assistant Director level. All management actions will be completed before the follow up audit in quarter 3 of 2008-09.

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Service Area	Issue Date	Assurance	Planned Follow-up Date
Planning & Environmental Protection	February 2008	No Assurance	Q2 2008-2009

Report Title

Local Land Charges

1 Objective of System

- 1.1 A local land charge is a restriction or prohibition on land, or a financial charge which is binding on successive owners or occupiers of land. A local land charge search is carried out when a property or piece of land is being sold, purchased, leased or valued. This service is provided by Local Authorities and private firms. The objective of the Local Land Charges (LLC) system is to provide a timely, effective and efficient service of local land charge searches to applicants.
- 1.2 Effective land charging contributes to achieving of the corporate priorities of 'A Successful Suburb' and 'More Choice, Better Value'. The reputation of a successful suburb rests on the Council's 'Three Strands' approach of 'Protect, Enhance and Grow'. The Council want to protect and enhance the best of the borough while growing through successful regeneration and sustainable development. This includes absolute protection of the Green Belt and enhancing our town centres.

2 Scope of Audit

- 2.1 Policies and procedures
- 2.2 Management training and roles and responsibilities
- 2.3 Applications Assessment
- 2.4 Land Charge Searches
- 2.5 LLC Register
- 2.6 Fees and Income
- 2.7 Access Controls
- 2.8 Online Service
- 2.9 Performance Management
- 2.10 Use of IT Systems

3 Executive Summary

- 3.1 Internal Audit can provide no assurance that the existing system objectives will be achieved.

3.2 Online Information

The current website does not provide adequate customer friendly and customer focused information:

- Land charges legislation and updates specifying the key legislation and updates for customers;
- Links to key sites, for example HM Land Registry and NLIS;
- Explanation of types of searches available i.e. standard, online, personal;
- Forms required for search applications, and
- Land Charges FAQs.

Use of IT Systems: Plantech

Effective use is not being made of the Plantech system. Plantech is capable of holding an electronic register of charges. However, this facility is currently not in use. The service maintains a paper based LLC register.

Crystal reporting is linked to Plantech, enabling performance reports to be generated. However, the service does not use this functionality at present.

4 Risks

	Priority 1:	Priority 2:
4.1	2	10
4.2	2	10
4.3 Priority 1 risks		
<ul style="list-style-type: none"> <p>Risk: Information on web page Without adequate information provision to enable customers to make informed decisions there is a risk that the Council may fail to provide good quality customer service and fail to utilise its time effectively.</p> <p>Management Action: Agreed. <i>Responsibility has been assigned for maintained and reviewing web pages.</i></p> <p>Risk: Efficiency Without the full functional use being made of the system there is a risk that the Service is not making efficient use of available resources in order to operate optimally.</p> <p>Management Action: Agreed. <i>This will be used more effectively.</i></p> 		

5 Response to the Audit from Director and/or Head of Service

5.1 The situation has improved considerably in the last 12 months since Land Charges was reformed and taken over by PEPs. The Planning, Housing and Regeneration Directorate has just been formed and is taking forward the implementation and integration of a new Plantech IT system which incorporates Local Land Charges and other regulatory planning and environmental areas. The integration of the Plantech system will considerably improve controls, customer service and access for land charge users. The final go live on Plantech will be in the Autumn 2008.

Appendix A - Internal Audit Annual Report 2007-08

Service Area	Issue Date	Assurance of Original Audit	Assurance on Follow-up
Housing	01/01/2008	No	No

Report Title

Private Sector Leasing - Follow-up

1 Objective of System

1.1 The objective of the area is to ensure that sufficient and suitable quality accommodation (particularly in line with safety requirements and client needs) is secured/acquired, economically, under the Private Sector Leasing (PSL) arrangements to meet the Council's housing needs effectively.

2 Scope of Audit

2.1 Follow-up of review completed in 2006-07.

3 Executive Summary

- 3.1 Audit reviewed this area in 2006-07 and concluded that no assurance could be provided that the service would achieve its objectives.
- 3.2 The follow-up audit review in 2007-08 concluded that the control environmental had not improved and therefore the assurance level remains still at **'No'**.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	5	7
4.2 Number of actions agreed	5	7
4.3 Priority 1 risks		
<ul style="list-style-type: none"> Risk: Business Continuity - Not Mitigated Business continuity: Where the long-term stability of staffing for the PSL section is not ensured, there is a risk that the future successful operation of the scheme may be compromised in the event of temporary staff leaving at short notice. There is also a risk that key knowledge for the operation of the PSL scheme may be lost to the Council if all temporary staff leave. Management Action: <i>The proposal for the Temporary Accommodation Section restructure, including proposal for allocation of permanent staff for PSL will be undertaken. A contingency plan will be put in place for the interim period for the PSL team whilst permanent staffs are being recruited.</i> Risk: Lack of division of duties for setting up and authorisation of purchase orders and invoices: - Not Mitigated In the absence of appropriate segregation of duties and authorisation controls there is a risk of unauthorised and incorrect payments being processed. Management Action: <i>Agreed.</i> Risk: Lack of reliable financial recording and budget monitoring - Partly Mitigated There is a risk that Management are unable to ensure the accuracy and reliability of financial records or confirm the scheme is self financing. Management Action: <i>Agreed.</i> Risk: Netting of commitments on SAP - Not Mitigated There is a risk of incorrect commitment data being posted on SAP as a result of incorrect accounting for recoveries. Management Action: <i>Agreed.</i> Risk: Agreed protocol with Barnet Homes - Not Mitigated Incorrect, inappropriate, incomplete accounting adjustments for recovery of repair costs and incomes. 		

Management Action:

We will formulate a plan for implementing formal protocols with Barnet Homes for administration of repair charges and recovery with a view to ensure that accounts on SAP are up-to-date and are reconciled with records received from the sub-system and from Barnet Homes routinely each month.

Response to the Audit from Director and/or Head of Service

5.1 The Interim Head of Housing recognises the need accept ownership of the issues and to deliver the required solutions. Rigorous project management of the audit recommendations has been put in place to ensure that agreed actions are implemented. The Interim Head of Housing receives regular project updates, and discusses progress with the Head of Internal Audit when required. When the actions have been completed a follow-up audit will be requested .

Appendix A - Internal Audit Annual Report 2007-08

Service Area	Issue Date	Assurance of Original Audit	Assurance on Follow-up
Corporate Governance	January 2008	No	No

Report Title

Street Enforcement - Follow-up

1 Objective of System

1.1 The objective of the Street Enforcement Service is to manage enviro-crime effectively e.g. abandoned vehicles, fly-tipping, fly-posting and thereby contribute to the achievement of the Council's key priorities of tackling crime, and creating a cleaner, greener Barnet.

2 Scope of Audit

2.1 Follow-up of review completed in 2006-07.

3 Executive Summary

3.1 From March 2007, the Street Enforcement service as it was no longer and previous functions have been either deleted or split between Environment & Transport (E&T) and Corporate Governance. The focus for the Priority Intervention Team since the move to Corporate Governance – has been on the crime agenda. As a result of the split in services, the PIT is now responsible for the strategic direction of enforcement and commissioning the operational aspects of cleaning up graffiti and fly tip etc. The complete responsibility for nuisance vehicles lies with the PIT. E&T undertake mainly a contractor role for cleaning graffiti and fly tip, and all other enforcement relating highways legislation including e.g. weed clearing, waste, and littering.

3.2 The follow-up audit review in 2007-08 concluded that the control environmental had not improved and therefore the assurance level remains still at **'No'**.

4 Risks

	Priority 1:	Priority 2:
4.1 Number of risks identified	4	2
4.2 Number of actions agreed	4	2

4.3 Priority 1 risks

- **Risk: Strategy, Policy and Procedures - Partly Mitigated**

In the absence of a documented strategy for the Street Enforcement Service, there is a risk that the management have not planned for the future direction of the service and this could impact performance in the long term. Also, resources may be wasted pursuing goals that are not of high priority to the Service.

Management Action:

The Service delivery plan will be finalised, and a programme of activities will stem from this.

- **Risk: Strategy, Policy and Procedures - Not Mitigated**

In the absence of comprehensive, management approved procedure notes, there is a risk that the staff may not be aware of their responsibilities. Also staff may follow inappropriate procedures resulting in the poor delivery of service and failure to achieve the Council's objective to be cleaner and greener.

Management Action:

Procedures will be finalised, and the appraisal process will identify the whether these are applied correctly.

- **Risk: Service Objectives - Partly Mitigated**

In the absence of management approved service objectives that have been clearly communicated to staff, there is risk that staff resources may be wasted pursuing objectives that are not in line with management's future plans for the Service. Also, the performance of the service cannot be monitored effectively without comparing performance against documented service objectives.

Management Action:

Clear objectives will be formalised.

- **Risk: Enforcement - Not Mitigated**

In the absence of adequate arrangements to ensure that resources are efficiently and effectively utilised, there is a risk that the Council's objective to be cleaner and greener may not be achieved which may negatively impact the Council's reputation and increase the number of complaints by residents.

Management Action:

A process of organising and reviewing staff utilisation will follow on from the formulation of new service objectives.

5 Response to the Audit from Director and/or Head of Service

5.1 Since the cessation of the Street Enforcement function and the split from E&T, a new structure has been put in place and there has been a 12 month stabilisation period. Subject to agreement of the scope some of the new business processes will be reviewed during the forthcoming Anti Crime Agenda Audit planned in quarter 3 of 2008/09.

2007/08 Internal Audit - Audit Plan Update
Since 31st October 2007

2007/08 Internal Audit - Audit Plan Update

Since 31st October 2007

Resources

- Page 1** Accommodation Strategy (Deferred)
Page 2 Shared Info & Business Intelligence (Deferred)
Page 3 IT Asset Management & Disposal 06/07 follow-up (Deferred)
Page 4 Banking follow-up (Deferred)
Page 5 SAP Compliance Calibration 07/08 (New)

Communities

- Page 6** Free School Meals (New)
Page 7 Consultation 06/07 follow-up (Deferred)
Page 8 Respite Care 07/08 (Deferred)

Environment and Regeneration

- Page 9** Hendon Cemetery & Crematorium 07/08 follow-up (New)
Page 10 Non HRA Subsidy (New)
Page 11 Traffic Management Act 2004 06/07 follow-up (Deferred)
Page 12 Public Transportation & Traffic Management (Deferred)
Page 13 Green Spaces and Ground Maintenance 2nd follow-up (Deferred)

Page 14 Various Follow-ups (Deferred)

Note: The deferrals noted above are those that are not included in the 2008-2009 Internal Audit Annual Plan

Deferred from 2007/08 to 2008/09 Resources**SERVICE AREA:** Strategic Services - Property and Valuations Service**TITLE OF ORIGINAL AUDIT:** Accommodation Strategy**ORIGINAL PLANNED DATE FOR AUDIT:** 2007/08 Quarter 1**REVISED PLANNED DATE FOR AUDIT:** 2008/09 Quarter 3**CHANGE REQUESTED BY:** Interim Head of Property Services**Reason(s) for the change**

Further review of the Accommodation Strategy taking place and there is no added value in the audit taking place until the strategy has been agreed.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred from 2007/08 to 2008/09 Resources

SERVICE AREA: Organisational Development and Customer Services

TITLE OF ORIGINAL AUDIT: Shared Information and Business Intelligence

ORIGINAL PLANNED DATE FOR AUDIT: 2007/08 Quarter 3

REVISED PLANNED DATE FOR AUDIT: 2008/09 Quarter 3

CHANGE REQUESTED BY: Business Improvement Manager

Reason(s) for the change

Deferred to Q3 08/09 due to Service re-structure.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred from 2007/08 to 2008/09 Resources**SERVICE AREA:** Shared Services - Infrastructure and IS Operations**TITLE OF ORIGINAL AUDIT:** IT Assets Management and Disposals - Follow-up**ORIGINAL PLANNED DATE FOR AUDIT:** 2007/08 Quarter 3**REVISED PLANNED DATE FOR AUDIT:** 2008/09 Quarter 1**CHANGE REQUESTED BY:** Head of Information Systems**Reason(s) for the change**

The audit will give better value following recent restructuring within the service and current upgrade to LANDesk.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred from 2007/08 to 2008/09 Resources**SERVICE AREA:** Shared Services - Finance Support**TITLE OF ORIGINAL AUDIT:** Banking - Follow-up**ORIGINAL PLANNED DATE FOR AUDIT:** 2007/08 Quarter 4**REVISED PLANNED DATE FOR AUDIT:** 2008/09 Quarter 2**CHANGE REQUESTED BY:** Deputy Director of Resources and Chief Finance Officer**Reason(s) for the change**

The banking contract is being retendered and a restructure for managing this contract, the audit will add value once the roles and responsibilities are determined.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Resources

SERVICE AREA: Strategic Services - Finance

TITLE OF ORIGINAL AUDIT: SAP Compliance Calibration

DATE AUDIT REQUESTED FOR: Quarter 4

REQUESTED BY: Deputy Director of Resources and Chief Finance Officer

Reason(s) for the new work
To provide assurance over the control and management of SAP Compliance Calibration.

Risk to the Corporate Plan
None

Client Comment
None

Audit Comment
None

New 2007/08 Communities

SERVICE AREA: Children's Service

TITLE OF ORIGINAL AUDIT: Free School Meals

DATE AUDIT REQUESTED FOR: Quarter 4

REQUESTED BY: Director of Children's Service

Reason(s) for the new work

To provide assurance over the control and management of the free meals framework.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred from 2007/08 to 2008/09 Communities

SERVICE AREA: Communications

TITLE OF ORIGINAL AUDIT: Consultation - Follow-up

ORIGINAL PLANNED DATE FOR AUDIT: 2007/08 Quarter 4

REVISED PLANNED DATE FOR AUDIT: 2008/09 Quarter 4

CHANGE REQUESTED BY: Corporate Consultation Officer

Reason(s) for the change

Deferred to Q4 08/09 due to Service re-organisation at the end of 2007/08.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred from 2007/08 to 2008/09 Communities

SERVICE AREA: Adult Social Services

TITLE OF ORIGINAL AUDIT: Respite Care

ORIGINAL PLANNED DATE FOR AUDIT: 2007/08 Quarter 3

REVISED PLANNED DATE FOR AUDIT: 2008/09 Quarter 1

CHANGE REQUESTED BY: Head of Internal Audit and Ethical Governance

Reason(s) for the change

Secondment of Auditor and therefore unable to commence audit as scheduled in quarter 3 07/08.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Environment & Regeneration

SERVICE AREA: Planning & Environmental Protection

TITLE OF ORIGINAL AUDIT: Hendon Cemetery and Crematorium 07/08 Follow-up

DATE AUDIT REQUESTED FOR: Quarter 4

REQUESTED BY: Head of Planning and Environment Protection

Reason(s) for the new work

The follow-up audit could be undertaken promptly.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

New 2007/08 Environment & Regeneration

SERVICE AREA: Housing

TITLE OF ORIGINAL AUDIT: Non HRA Subsidy

DATE AUDIT REQUESTED FOR: Quarter 4

REQUESTED BY: Head of Housing

Reason(s) for the new work

To provide assurance that claim for licensed accommodation complies with subsidy regulations.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred from 2007/08 to 2008/09 Environment & Regeneration**SERVICE AREA:** Environment and Transport**TITLE OF ORIGINAL AUDIT:** Traffic Management Act 2004 - Follow-up**ORIGINAL PLANNED DATE FOR AUDIT:** 2007/08 Quarter 4**REVISED PLANNED DATE FOR AUDIT:** 2008/09 Quarter 2**CHANGE REQUESTED BY:** Chief Engineer - Street Lighting**Reason(s) for the new work**

Due to significant changes in the TMA which are being introduced from April 2008 with a transitional period of 3 months, the introduction of FPN's from June 2008 and the changes required to enable the introduction of Permitting from early 2009, there will be major changes and review at present and therefore conducting the follow-up at this time will not be beneficial.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred from 2007/08 to 2008/09 Environment & Regeneration

SERVICE AREA: Environment and Transport

TITLE OF ORIGINAL AUDIT: Public Transportation and Traffic Management

ORIGINAL PLANNED DATE FOR AUDIT: 2007/08 Quarter 3

REVISED PLANNED DATE FOR AUDIT: 2008/09 Quarter 1

CHANGE REQUESTED BY: Director of Environment and Transport

Reason(s) for the change

Client request to defer to quarter 1 08/09 as the Local Implementation Plan has not been approved by TFL and therefore no added value for the audit to commence.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred from 2007/08 to 2008/09 Environment & Regeneration**SERVICE AREA:** Environment and Transport**TITLE OF ORIGINAL AUDIT:** Green Spaces and Ground Maintenance - 2nd Follow-up**ORIGINAL PLANNED DATE FOR AUDIT:** 2007/08 Quarter 3**REVISED PLANNED DATE FOR AUDIT:** 2008/09 Quarter 1**CHANGE REQUESTED BY:** Environmental Services Manager**Reason(s) for the change**

The Service was completing a process review following the appointment of the Service Manager.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Deferred Follow-ups from 2007/08 to 2008/09
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SERVICE AREA: Various

TITLE OF ORIGINAL AUDIT:

LG Pensions 06/07 - Follow-up

Capital Expenditure 06/07 - Follow-up

Principal Development Agreement 06/07 - Follow-up

ORIGINAL PLANNED DATE FOR AUDIT: 2007/08 Various Quarters

REVISED PLANNED DATE FOR AUDIT: 2008/09

LG Pensions 06/07 - Follow-up (quarter 1)

Capital Expenditure 06/07 - Follow-up (quarter 3)

Principal Development Agreement 06/07 - Follow-up (quarter 1)

CHANGE REQUESTED BY: Head of Internal Audit and Ethical Governance

Reason(s) for the change

Completion of audit reports issued as final in quarter 4 2007/08.
Follow-ups deferred to take account of implementation dates of agreed actions.

Risk to the Corporate Plan

None

Client Comment

None

Audit Comment

None

Internal Audit Performance Indicators 2007- 08 @ 06.06.2008

PI Ref	PERFORMANCE INDICATOR	TARGET 2007/08 (annual & cumulative)	2007/2008 Position at end of:			
			Q1	Q2	Q3	Q4
1	Percentage of 2007/08 audit plan completed compared to what was planned.	87.5% This is the combined figure for systems, follow-ups and projects.	11% complete or at draft report 25% at various stages of work in progress	21% complete or at draft report plus 40% at various stages of work in progress	36% complete or at draft report plus 39% at various stages of work in progress	90% complete or at draft report plus 10% at various stages of work in progress
2	Percentage of Audit reports followed up within 12 months of issue of final report	100%	13% complete or at draft report 11% at various stages of work in progress	25% complete or at draft report plus 24% at various stages of work in progress	43% complete or at draft report plus 26% at various stages of work in progress	100% complete or at draft report

