

**AGENDA ITEM: 8**

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Meeting	Audit Committee
Date	29 September 2009
Subject	<b>Internal Audit Annual Report 2008-9 – Update on Selected Follow-ups from Directors</b>
Report of	Acting Head of Internal Audit and Ethical Governance
Summary	The Committee is asked to note the update from respective Directors on the progress made on the implementation of the outstanding agreed management actions on selected follow-up audits previously reported on 29 <sup>th</sup> June 2009.

Officer Contributors	Hem Savla, Acting Head of Internal Audit and Ethical Governance and Directors.
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A: Customer Billing Follow-up Appendix B: Housing Revenue Account Monitoring Follow-up Appendix C: Central Contract Monitoring Follow-up Appendix D: Capital Expenditure Follow-up
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, 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 taken to address previously reported 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 29<sup>th</sup> June 2009, resolved that ‘the latest information from the respective Directors with regards to audits concerning Central Contract Monitoring, Housing Revenue Accounts Monitoring, Customer Billing and Capital Expenditure be presented at the next meeting and that the respective Directors attend in order to address the Committee’.

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

- 3.1 Our corporate services, including finance, human resources and corporate governance, play a significant part in helping us achieve our vision for:

“We will deliver value for money for our residents.”

- 3.2 We will continue to build on the solid foundations of the last few years, developing the core assets of people, finance, technology and information, to ensure that we are a modern, customer-focused organisation. (Corporate Plan 2009/10)

## **4 RISK MANAGEMENT ISSUES**

- 4.1 Without effective implementation of agreed actions to mitigate reported risks in the respective audit reports, relevant service objectives may not be met efficiently, effectively or economically.
- 4.2 The internal audit work contributes toward increasing awareness and understanding of risks 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 USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 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 relevant Directors were requested to provide an update on the progress made to implement agreed actions that were outstanding at the conclusion of the last follow-up work of the respective internal audits. The Directors were asked, in relation to each outstanding action, to provide
- their latest assessment as to whether the reported risk has now been mitigated, or partly mitigated or not mitigated
  - comments as to what action has been undertaken since the last follow-up to support the above assessment
  - detail of action that still needs to be taken and the date when the outstanding action will be implemented.

### Customer Billing

- 9.2 Internal Audit provided ‘no’ assurance at the time of the original audit on Customer Billing in 2008/9. At the conclusion of the follow-up audit in 2008/9 we were unable to improve the assurance beyond ‘limited’ as only one (priority 2) of the original 13 risks had been fully mitigated. No progress was made on two risks (one priority 1 and one priority 2) whilst the remaining 8 (four priority 1 and four priority 2) were at various stages of mitigation.

### Housing Revenue Account Monitoring

- 9.3 The original audit on Housing Revenue Account in 2008/9 received a ‘limited’ assurance from Internal Audit. At the follow-up audit in 2008/9 the assurance remained unchanged as none of the original five risks had been fully

mitigated. No progress was made on one risks (priority 2) whilst the remaining four (one priority 1 and three priority 2) were at various stages of mitigation.

#### Central Contract Monitoring

- 9.4 We provided 'limited' assurance at the time of the original audit on Central Contract Monitoring in 2007/8. At the conclusion of the follow-up audit in 2008/9 we were unable to improve the assurance beyond 'limited' as none of the original 7 risks had been fully mitigated. No progress was made on one risk (priority 2) whilst the remaining six (all priority 2) were at various stages of mitigation.

#### Capital Expenditure

- 9.5 The original audit on Capital Expenditure in 2007/8 received a 'limited' assurance from Internal Audit. At the follow-up audit in 2008/9 the assurance remained unchanged as only one of the original three risks had been fully mitigated. No progress was made on the remaining two risks (one priority 1 and one priority 2).

#### Executive Summary

- 9.6 The attached Appendices A, B, C and D provide the updated position from the respective Directors on their progress in mitigating the risks outstanding, since the last follow-up audits. The reported position will be validated by Internal Audit when second follow-up audits of these four areas are carried out in due course in 2009/10.
- 9.7 The relevant Directors or their nominated officers will attend the meeting to address any questions.

### **10. LIST OF BACKGROUND PAPERS**

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

Legal: JEL/SF  
CFO: PS

Risk	Agreed Action	Implem. Date	Responsible Officer	Action Taken	Assessment and Update on Current Position from Director of Adult Social Services
<p><b>Risk 1 Timely Assessments Priority 1</b></p> <p>There is a risk that the council may not recover, or timely recover, the full billable income for services delivered where assessments and reviews have not been completed in time.</p>	<p>We will complete all outstanding initial assessments by the end of September 2008 and thereafter process new applications within 4 weeks.</p> <p>Also refer to risk 4.</p>	<p>End of Sept 2008</p>	<p>Assessment Team Manager</p>	<p><b>Risk Partly Mitigated</b></p> <p>A weekly report is produced listing all new Homecare clients (new meals clients have been included as from Feb 09) who have been assessed as requiring the service and who have been entered onto SWIFT the previous week.</p> <p>This list is forwarded to the 'Joint visiting team' who visit the clients, complete the assessment and notify the clients of the contributions. Completion of assessments is monitored to ensure they are done within the set timeframe.</p> <p>Meals contributions (flat rate) are entered on SWIFT by Financial Assessment team.</p>	<p>Weekly report from SWIFT identifies new provisions and start dates. New assessments and completion dates are monitored.</p> <p>There are monthly reports on clients with provisions and no contributions. First report was run in July 2009.</p> <p>The Assessment team has PI's which monitors the processing of applications. For example, 83% of all completed applications forms for a homecare financial assessment are processed within 4 weeks (September 2009). Action is being taken to reduce the delay in processing of applications.</p>

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				<p>However, our testing showed that assessments are still not being done within 4 weeks.</p> <p>There are plans to run quarterly reports to identify all clients with no contributions- this first report is expected to be run in June 09.</p> <p><b>Further Action:</b> As per agreed action plan</p> <p><b>Implementation Date:</b> June 2009</p>	
<p><b>Risk 2 Accurate and Timely Billing Priority 1</b></p> <p>In the absence of an identified officer to routinely authorise customer billing there is a risk that the council may not</p>	<p>The Assistant Director, Performance &amp; Supply Management has line management for the Service Managers</p>	<p>Immediate</p>	<p>Assistant Director Performance and Supply Management</p>	<p><b>Risk Partly Mitigated</b></p> <p><b>Meals:</b> The process for agreeing the actual volume of meals delivered is not robust and billing is therefore inaccurate and not timely.</p> <p><b>Homecare:</b></p>	<p>Accuracy is being addressed with a new "lock down" process effective for meals delivered from 13/07/09 which should ensure that the number of meals we pay Sodexo for, is equivalent to that we also charge out to</p>

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<p>recover, or timely recover, its income from customers due to lack of an accurate or prompt bill.</p>	<p>who manage each of three interdependent functions that contribute to prompt customer billing. She receives and will continue to receive exception reports from Service Managers when the delays are arising in the processes that contribute to timely customer billing.</p>			<p>Monthly reports are produced and reported to SMT showing status of arrears of providers' invoices. However as at 27<sup>th</sup> March 2009, approximately £100K worth of Homecare services delivered up until 13<sup>th</sup> February 2009 (and therefore outstanding for more than 6 weeks) had not been agreed with the providers and therefore had not been invoiced to clients yet.</p> <p><b>Audit comment:</b> As LBB has the accurate record of the volume of Homecare service provided, it is not clear why provider invoices are being paid prior to billing clients.</p> <p><b>Further Action:</b> Realign business process to improve customer billing</p>	<p>clients.</p> <p>Timeliness is affected by the current 3-way process between Enfield, Sodexo and Barnet which requires the 3 parties to sign off pre invoice "proformas" before invoices are submitted.</p> <p>We are in discussions with Enfield to streamline this process by 31.10.09 to reduce the sign off time.</p> <p>A small group of staff are currently specifically working with our providers to agree and correct outstanding invoices and reduce the arrears.</p> <p>See also Risk 8 below. The new brokerage procedures are being implemented from the 14.09.09. This will increase the accuracy of the information being entered on SWIFT and will speed invoice reconciliation process.</p>

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				<b>Implementation Date:</b> December 2009	Provider invoices are agreed prior to billing of clients. This prevents overcharging of clients for those clients who are full cost payers and those whose assessed contribution is more than the actual care provided.
<b>Risk 3 Accurate Data Capture Priority 1</b>  In the absence of an effective process to ensure accurate data input into SWIFT, there is a risk of income and cash flow not being maximised as time is required to rectify errors, thus delaying billing.	We will establish a programme of work to address the problems arising from delayed and inaccurate data capture on the SWIFT system alongside the implementation of regular management review of the levels of data error, especially those contributing to any delays in customer	Sept 2008	Assistant Director Performance and Supply Management	<b>Risk Not Mitigated</b>  Data inputters enter clients information onto Swift and although it has been identified that data input is not always accurate, an appropriate control has not been put in place (e.g. authorisation from senior staff who check accuracy and validity of data input)  <b>Further Action:</b> Establish appropriate control to ensure data input is accurate to avoid delays in customer billing	<u>Entering Provisions on Swift</u> The implementation of new Brokerage procedures will go live from 14th September. The first stage of implementation is for Older Adults Residential, Nursing, Homecare or Enablement. From this date Brokerage will take full control of sourcing and procurement. They will receive approved care plans, source care, send care plans to Providers and to data input staff who will enter the provision on Swift. First stage to be reviewed 25/9/09 and evaluation to be undertaken by



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	billing.			<b>Implementation Date:</b> December 2009	<p>28/9/09. Data input of provisions to Swift will become an integral part of the Brokerage team's role, which will improve the accuracy and timeliness of data input to Swift.</p> <p><u>Swift authorisation of Provisions</u> A working group is reviewing Swift authorisation of provisions/care packages. Authorising provisions in Swift should fulfil three purposes:</p> <ul style="list-style-type: none"> <li>• Completing the record in Swift so that it can be progressed.</li> <li>• Allowing teams to check and monitor individual client costs and wider financial commitments.</li> <li>• Provide an audit trail.</li> </ul> <p>Work is being undertaken to test automatic Swift authorisation of provisions; to develop a new business process; and reports which will enable budget holders to check that the provision</p>

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					entered on Swift is correct.
<b>Risk 4 Performance Management &amp; Reporting Priority 1</b>  In the absence of clearly defined performance standards for invoicing and billing and accurate data, there is a risk that prompt billing may not be achieved effectively.	We will develop and implement new PIs, based on best practice guidelines identified by approved benchmarking bodies, to reflect the new processes being redeveloped within the Income and Assessments Team and will be introduced to staff within the ongoing appraisal process.  Previously set performance targets within Supply Management will be reviewed as part of	Nov 08  Nov 08  Immediate	Assessment Team Leader  Head of Supply Management  As above	<b>Risk Partly Mitigated</b>  There are no PIs to assess the performance of the Meals or Homecare Service.  <u>Supply Management team:</u> There are no performance targets for the Supply Management team with regards to Homecare or Meals invoice processing.  <u>Financial Assessment:</u> Further PIs will be developed once the CIPFA benchmarking club has provided further guidance although monitoring is already taking place to ensure clients are	LB Enfield collects PIs and a revised draft of the SLA has been drawn up and contains reporting requirements for PIs including time scales for agreeing invoices.  Performance targets are being monitored regularly.  <u>Finance Assessment:</u> Performance on customer billing is reported to SMT every month.  CIPFA benchmarking club have just provided guidance (August 2009) and this will be used to develop a range of new

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	<p>the ongoing appraisal process.</p> <p>We will ensure that performance is monitored against targets. Data reported within the monitoring reports will be quality assured before circulation to all stakeholders involved in the process.</p>			<p>assessed within the required timeframe (4 weeks)</p> <p><b>Further Action:</b> Establish clear and realistic performance targets and monitor these regularly</p> <p><b>Implementation Date:</b> December 2009</p>	performance indicators.
<p><b>Risk 5 Formal Contract Priority 2</b></p> <p>Without a formal agreement there is a risk that the contractor may not deliver the services required by the council leading to disputes and losses to the council.</p>	<p>The London Borough of Enfield has been working to the spirit of the unsigned SLA. The SLA will be updated and signed by both Councils</p>	<p>End of September 2008</p>	<p>Head of Supply Management</p>	<p><b>Risk Partly Mitigated</b></p> <p>The SLA has not been signed.</p> <p><b>Audit comment:</b> SLA has been found to be incomplete as there is a lack of KPIs and reporting requirements that LBE are expected to comply with.</p> <p><b>Further Action:</b></p>	<p>Barnet and Enfield have now reached an agreement and the new SLA is due to be signed by 31.10.09</p> <p>The revised version of the SLA contains reporting requirements for PIs including time scales for agreeing invoices.</p>

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				As per agreed action plan  <b>Implementation Date:</b> December 2009	
<b>Risk 6 Access Priority 2</b>  In the absence of effective data security arrangements such as routine review of access rights, and exception reporting, there is a risk of errors or unauthorised amendments.	To mitigate the risk of unauthorised access, a monitoring report will be developed to identify Home Care changes made on SWIFT.	December 08	Head of Supply Management through Business Systems Team Manager	<b>Risk Mitigated</b>  A monthly report is run listing amendments, if any, made to Home care provisions of clients also receiving meals by LB Enfield staff. No issues have been noted by the officer reviewing the reports.	<b>N/A</b>
<b>Risk 7 Effective Contract Monitoring Priority 2</b>  In the absence of clearly defined performance standards expected from providers and	We will ensure that the SLA with LB Enfield is updated to include agreed performance standards.	End of September 2008	Head of Supply Management	<b>Risk Partly Mitigated</b>  <u>Meals:</u> The contract with the meal provider defines the invoicing timeframes however these have not been adhered to. The SLA is not being monitored effectively as the issue of	The contract with the meals provider is as follows. Following 4 weeks of provision, 2 weeks is allowed for agreement between Enfield and Sodexo, followed by 4 weeks for processing by Barnet.

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effective monitoring of the delivery of those standards, there is a risk that the council may not achieve best value for money in its purchases.	Performance standards will also be implemented for all external providers. Achievement of the standards will be monitored routinely.			<p>inaccurate and untimely invoices from the meals provider has not been identified or remedied.</p> <p><u>Homecare:</u> Contracts with Homecare providers set out invoicing timeframes (including financial penalties for late submission of invoices) however these contract conditions have been superseded by a 'CM2000 Call Confirm Homecare Monitoring' policy which is still in draft form.</p> <p><b>Further Action:</b> As per agreed action plan</p> <p><b>Implementation Date:</b> December 2009</p>	<p>We are in discussions with Enfield to streamline this process by 31.10.09 to reduce the sign-off time.</p> <p>The Supply Management team is reviewing CM2000 management. We are mapping processes around CM2000 invoicing management and aim to complete this by 30.11.09. Then CM2000 procedures and programme will be incorporated into the new homecare contract with clear timescales and penalties for non-compliance. The new homecare contract will be issued following the homecare re-tender due to be completed in August 2010.</p>
<b>Risk 8 Timely Processing of Supplier Invoices Priority 1</b>	(a) Following a risk	Immediate	Head of	<b>Risk Partly Mitigated</b>  Providers who have not been paid are contacted to seek agreement to the	<u>Finance Assessment</u> We cannot directly bill customers from CM2000 data

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<p>Without ensuring that invoices are cleared and paid promptly there is a risk that customers may not be billed timely for services provided.</p>	<p>assessment, we will implement a revised process for CM2000 invoices where invoices for 80% of service users are on a fast track process.</p> <p>We will establish routine monitoring of non-aura logged visits to ensure invoices are monitored effectively.</p> <p>(b) We will institute a new process for Housing 21 invoices to ensure that invoices are processed more speedily.</p>	<p>Nov 08</p> <p>Immediate</p>	<p>Supply Management through Category Manager Community Services</p>	<p>invoices. Our testing of 2 provider invoices showed that the invoices had been outstanding for more than 3 weeks although remedial actions were being taken by management at the time of audit.</p> <p><b><u>Audit comment:</u></b> Management could not provide reasonable explanation why clients are not billed based on CM2000 data. Provider invoices can then be cleared separately.</p> <p><b>Further Action:</b> Revise business process</p> <p><b>Implementation Date:</b> December 09</p>	<p>without a reconciliation process with the provider. Where provider invoices are disputed then clients cannot be billed until this is reconciled, in order to prevent client overpaying, particularly full cost payers and where the assessed contribution is more than actual care provided. There is a fast track procedure for 80% of client invoices.</p> <p>A small group of staff are currently specifically working with our providers to agree and correct outstanding invoices.</p> <p>New procedures are now being implemented, and from 14.09.09 the brokerage team will be responsible for sourcing and procurement of care. The data in-putting process will become an integral role of the brokerage team who will be responsible for updating SWIFT on changes to any care package (increase,</p>

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					reduction or cessation etc.). This will increase the accuracy of the information being entered on SWIFT and will speed up the invoice reconciliation process.
<p><b>Risk 9 Prioritising outstanding Supplier Invoices Priority 2</b></p> <p>Without effective processes for prioritisation of unpaid invoices, and formal analysis of the reason for delays, there is a risk that arrears in customer billing may build up to an unsustainable level.</p>	<p>Refer to risk 8 above.</p> <p>We will institute processes for prioritisation of unpaid invoices, and delay analysis to ensure that processing/payment of outstanding invoices is completed.</p>	Immediate	Head of Supply Management through Category Manager Community Services	<p><b>Risk Partly Mitigated</b></p> <p>Weekly meetings are held to agree remedial actions as to how to chase up providers for their agreement. However these meetings are not minuted. See risk 8 for issue re waiting for provider invoices to bill clients.</p> <p><b>Further Action:</b> See Risk 8</p> <p><b>Implementation Date:</b> December 09</p>	The meetings are now minuted and actions recorded.

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<p><b>Risk 10 Separation of Duties Priority 2</b></p> <p>Without robust arrangements for vetting of amendments to client records there is risk there may be errors or unauthorised amendments.</p>	<p>We will investigate and propose an effective process to ensure separation of duties for correction of SWIFT errors and processing of data for payment of invoices We will seek HIA&amp;EG approval of the proposal before implementation.</p>	<p>September 2008</p>	<p>Head of Supply Management</p>	<p><b>Risk Not Mitigated</b></p> <p>A current exercise is being undertaken to review access rights.</p> <p><b>Further Action:</b> As per agreed action plan</p> <p><b>Implementation Date:</b> December 09</p>	<p><u>Entering Provisions on Swift</u> See also Risk 8 above. The implementation of new Brokerage procedures will go live from 14th September.</p> <p><u>Swift authorisation of Provisions</u> A working group is reviewing Swift authorisation of provisions/care packages.</p> <p>Authorising provisions in Swift should fulfil three purposes:</p> <ul style="list-style-type: none"> <li>• Completing the record in Swift so that it can be progressed.</li> <li>• Allowing teams to check and monitor individual client costs and wider financial commitments.</li> <li>• Provide an audit trail.</li> </ul> <p>Work is being undertaken to test on-line Swift authorisation of provisions; to develop a new business process; and reports</p>



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					which will enable budget holders to check that the provision entered on Swift is correct.
<b>Risk 11 Documented Procedures Priority 2</b>  In the absence of formal procedure notes staff may be unaware of the tasks they have to undertake and may not carry out their tasks consistently and correctly within the new structure.	We will develop and implement new procedures and ensure these reflect the developing systems as new processes are engineered and embedded.  We will review and update the current procedures for the restructured Supply Management Team.	Nov 08          Nov 08	Assessment Team Leader          Head of Supply Management	<b>Risk Partly Mitigated</b>  <u>Supply Management team:</u> 1 Procedure note is in place however this is out of date and will be superseded by process maps which are currently being produced.	We have completed a process map of the brokerage procedures. The new brokerage procedures will be implemented on the 14.09.09.  Process mapping of invoice and SWIFT authorisation of care packages has started and is due to be completed by the end of October 2009. Completion of this process mapping will help ensure timely and accurate invoice reconciliation.

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				<u>Financial Assessment:</u> Procedure notes have been written.  <b>Further Action:</b> As per agreed action plan  <b>Implementation date:</b> December 2009	<u>Finance Assessment:</u> New procedure notes have been produced in draft format will be implemented November 2009. These new procedures will follow national good practice guidance (due September 2009).

Assurance Before Follow-up:

No assurance

Assurance After Follow-up:

Limited assurance

Current audit opinion:

The assurance should improve to satisfactory once we verify, in quarter 4, the management update reported above.

**Management Update for Audit Committee 29 September 2009**

Risk	Agreed Action	Implem. Date	Responsible Officer	Action Taken	Assessment and Update on Current Position from Director of Planning Housing & Regeneration
<p><b>Risk 1:</b>  <b>Formal framework</b>  <b>Priority 1</b>            Without formalising the framework for monitoring the HRA, including assignment of responsibilities to appropriate officers, there is a risk that monitoring may be inconsistent and ineffective and the objectives may not be achieved efficiently.</p>	<p>We will incorporate a formal framework for monitoring the HRA into the updated Management Agreement with Barnet Homes. This will be implemented within the overall arrangements for the F&amp;PR, Capital Monitoring, Partnership meeting.</p>	<p>October 2008</p>	<p>Head of Housing through Head of Housing Finance</p>	<p><b>Risk Partly Mitigated</b></p> <p>Although the HRA is monitored in some form through budget monitoring and management agreement meetings, there remains no formal framework for monitoring the HRA.</p> <p>The process of creating a formal framework is underway and is at the stage where the criteria on which to monitor the HRA have been defined.</p> <p>The Strategy and Performance Manager confirmed that the framework is to be completed and in place in April 2009.</p> <p><b>Further Action:</b>            As per agreed action.</p>	<p>The framework is now in place and has been incorporated into the updated management agreement.</p> <p>There has been some delay in formally adopting the management agreement but this is now in hand and will be completed by the end of September 2009.</p>

**Management Update for Audit Committee 29 September 2009**

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				<b>Implementation Date:</b> May 2009.	
<b>Risk 2: Management agreement Priority 2</b> Without specifying the terms relating to the service level required from Barnet Homes for maintaining and monitoring the HRA activity, there is a risk that the council's priorities may not be met effectively and efficiently.	We will implement a review to update the management agreement with Barnet Homes.	October 2008	Head of Housing through Head of Housing Finance	<b>Risk Partly Mitigated</b>  The Council has set up a table of criteria to document the service level they require from Barnet Homes in relation to the HRA. This table has been compiled in conjunction with the Director of Finance for Barnet Homes. Whilst, the criteria, service expectations and monitoring criteria are known by both parties to the agreement, the updated management agreement has not been approved and formalised yet.  <b>Further Action:</b> Formalise and approve the updated management agreement.	See above management response for risk 1.

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				<b>Implementation Date:</b> June 2009.	
<b>Risk 3:</b> <b>Assurances</b> <b>Priority 2</b> Without obtaining independent assurances, there is a risk that information obtained from BH for the purpose of monitoring HRA activity and accounting may not be prompt, reliable or accurate.	This risk will be considered within the review of our arrangements with Barnet Homes.	October 2008	Head of Housing through Head of Housing Finance	<b>Risk Partly Mitigated</b>  Although the criteria to be monitored have been established, there has not been any formal process set up to give independent assurance as to the information obtained from BH to carry out monitoring of their services.  <b>Further Action:</b>  The Council must gain independent assurance as to the reliability, accuracy and promptness of the data used to monitor the services received from BH regarding the HRA.  <b>Implementation Date:</b> May 2009.	HRA is audited by external auditors each year which provides required assurance.

**Management Update for Audit Committee 29 September 2009**

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<b>Risk 4:</b> <b>Creditors outstanding invoices</b> <b>Priority 2</b> There is a risk that a sustainable HRA balance may not be achieved without arrangements to identify and monitor creditors for outstanding invoices of BH promptly and accurately.	We have implemented arrangements for accounting and clearing outstanding invoices from BH.  We will produce formalised procedures for these arrangements.	Immediate  July 08	Head of Housing through Head of Housing Finance	<b>Risk Partly Mitigated</b>  Although there are arrangements in place so that invoices are passed to the Planning and Housing Policy Team so that the HRA balance can be maintained, this process has not yet been documented as a formally adopted procedure.  <b>Further Action:</b>  The Council needs to implement documented procedures to help ensure that the HRA maintains a sustainable balance.  <b>Implementation Date:</b> May 2009.	Procedure in place.
<b>Risk 5:</b> <b>Regeneration Debtors</b> <b>Priority 2</b> There is a risk that a	Management accept that costs recovery from regeneration partners may not be		Head of Housing through	<b>Risk Not Mitigated.</b>  There has been no action taken to address the risk that Regeneration debtors	The Regeneration Service is scheduling the cash flows for each of its projects as part of an

**Management Update for Audit Committee 29 September 2009**

<b>Risk</b>	<b>Agreed Action</b>	<b>Implem. Date</b>	<b>Responsible Officer</b>	<b>Action Taken</b>	<b>Assessment and Update on Current Position from Director of Planning Housing &amp; Regeneration</b>
sustainable HRA balance may not be achieved without arrangements to identify Regeneration debtors and charges promptly and accurately.	<p>achieved in all instances because of the current difficulties in the housing and financial markets and the likelihood of schemes being deferred.</p> <p>Recoverable costs will be monitored and the matter will be kept under review.</p>	Ongoing	Strategic Property Advisor	<p>and charges may not be identified accurately and promptly so as to maintain a sustainable HRA balance.</p> <p><b>Further Action:</b></p> <p>A formal process is to be implemented to identify Regeneration debtors and charges promptly and accurately.</p> <p><b>Implementation Date:</b> May 2009.</p>	<p>improved approach to project governance. Where deferments are made these will be noted and agreed specifically.</p> <p>The Regeneration Service is now using a timesheet system to ensure that its internal costs can be recorded and justified to development partners to help ensure full recovery.</p> <p>Internal costs prior to this are far less demonstrable and, as such, there is some risk with regard to recovery. Cost recovery is a standard item on Project Team agendas.</p>

Assurance Before Follow-up:  
 Assurance After Follow-up:  
 Current audit opinion:

Limited assurance  
 Limited assurance  
 The assurance should improve to satisfactory once we verify, in quarter 3, the management update reported above.

Risk	Agreed Action	Implem. Date	Responsible Officer	Action Taken	Assessment and Update on Current Position from Director of Major Projects
<p><b>Risk 1: Communication of Agreed Service Objectives Priority 2</b></p> <p>Without the adequate distribution of formally approved service objectives and key performance criteria, there is a risk that staff may not undertake contract monitoring effectively.</p>	<p>Agreed.</p> <p>Revised Contract Procedure Rules to be posted on the Intranet. The SAPO Forum is be organised to communicate new objectives and Terms of Reference. The Contact list of SAPOs to be posted and maintained on the Intranet.</p>	<p>December 2007</p>	<p>Procurement &amp; Contract Manager</p>	<p><b>Risk Partly Mitigated</b></p> <p>The objective of the Corporate Procurement team (previously Strategic Procurement team) will be included in the Corporate Procurement strategy which will be drafted and finalised by December 2009 following consultation with all relevant stakeholders. The Corporate Procurement Team (CPT) has moved from the Resources Directorate to 'Major Projects' Directorate in November 2008 and this has resulted in a different set of objectives and parameters for the Corporate Procurement team to work within.</p> <p><b><u>Audit comment:</u></b></p> <p>No evidence provided to support the change of</p>	<p>The drive for increased commercial awareness and the intended creation of a Commercial Directorate will influence the direction of the Council Procurement Strategy. The revised procurement strategy will still be targeted for completion in December 09. The structure of procurement and the role of SAPOs and service level procurement expertise will also be subject to review under the new arrangements.</p> <p>The movement of the Directorates was formalised in</p>



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				<p>directorate.</p> <p><b>Further Action:</b> Finalise strategy (service objectives/performance criteria)</p> <p><b>Implementation Date:</b> December 2009</p>	DPR 756.
<p><b>Risk 2:</b> <b>Communication of New Monitoring Responsibilities</b> <b>Priority 2</b></p> <p>Without clear communication of responsibilities and procedures for contract monitoring, there is a risk that staff will not undertake or apply the new monitoring process effectively and that the performance of contracts will not be monitored or</p>	<p>Agreed. Actions as above. Best Practice guidance around conducting effective Contract Monitoring is to be developed and made available.</p>	December 2007	Procurement & Contract Manager	<p><b>Risk Partly Mitigated</b></p> <p>Work on identifying Service Areas officers responsible for procurement activities is still ongoing. Once the list of Service Area Procurement officers (SAPOs) is finalised, training needs are identified and there is adequate participation in the Procurement forum and Contracts Group (communication channel between the service areas and CPT), further promotion of best practice</p>	<p>The drive for increased commercial awareness and the intended creation of a Commercial Directorate will influence this action.</p> <p>Corporate Procurement Team (CPT) along with representatives from Legal Services and Democratic Services have started the delivery of a series of workshops on Procurement and adherence which covers areas such as contract monitoring and Contract Procedure Rules (CPR) adherence, clarifying roles and responsibilities. PHR has been</p>

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measured adequately.				<p>and training will be facilitated. Contract monitoring training is also dependent on the outcome of the review of the Contract Procedure Rules which is currently ongoing.</p> <p><b>Further Action:</b> Procedures and training on contract monitoring to be completed.</p> <p><b>Implementation Date:</b> December 2009</p>	delivered, Resources has been programmed for end of September and Children's and E&T are being arranged. With new starters in Major Projects a workshop will also be delivered to Major Projects.
<p><b>Risk 3: Contract Logging on SAP Priority 2</b> Without an adequate process to ensure SAP is correctly updated for completed contracts, there is a risk that monitoring compliance and value</p>	<p>Agreed. Exercise has started to reconcile the Tender Toolkit to SAP.</p>	<p>December 2007</p>	<p>Procurement &amp; Contract Manager</p>	<p><b>Risk Partly Mitigated</b></p> <p>The process of updating SAP with all contracts is still ongoing. Options appraisal on whether the Tender Toolkit and SAP can be integrated is currently being looked into.</p> <p><b>Further Action:</b> Action as per agreed</p>	<p>A project has been initiated to carry out an extensive review of SAP procurement systems and processes. This will include procurement coding, release strategies, schemes of delegation e-tendering, catalogue sourcing and procurement within Works Order Management (WOM) are all</p>

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for money may be ineffective.				action.  <b>Implementation Date:</b> December 2009	included in the project brief. The review is designed to strengthen controls around contract management  It is envisaged that there will be quick wins, and changes will be made to elements by December 09. However some of the significant change work may extend beyond this date.
<b>Risk 4: Identification and Monitoring of Key Contracts</b> <b>Priority 2</b> Where key contracts are not appropriately identified, documented and made apparent to SAPOs, there is a risk that they will not be monitored effectively and problems and concerns with these contracts will not be	Agreed. Gaps in the key contact list will be completed. As new contracts are let out this will be updated using the tender timetable control spreadsheet and incorporation of a separate check on Gateway 2.	December 2007	Procurement & Contract Manager	<b>Risk Partly Mitigated</b>  The Procurement Forum and Contracts Groups (once participation is adequate) will meet on at least 4 occasions per annum. This network will be used to complete an accurate key contract list.  <b>Further Action:</b> Action as per agreed action.  <b>Implementation Date:</b> December 2009	All aspects of the contract register are being considered as part of the SAP review. It will also be influenced by the route the new Commercial Director wishes to take.  It is envisaged that there will be quick wins, and changes will be made to elements by December 09. However some of the significant change work may extend beyond this date. The workshops currently in train also highlight to services what

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<p>properly addressed or managed.</p> <p>This may lead to poor contracts being renewed and a reduction in the overall value added by these key contracts.</p>					<p>responsibilities they have and instil good practice.</p>
<p><b>Risk 5: Spend analysis Priority 2</b></p> <p>In the absence of an effective monitoring and analysis process there is a risk of non compliance with the Council's procurement policies which may then prevent the Council from achieving value for money.</p>	<p>Agreed. Spend analysis information is now available through Business Warehouse. A process is now in place to review supplier consolidation, maverick spend etc. Vendors can be blocked through vendor rationalisation exercises.</p>	<p>Immediate</p>	<p>Procurement &amp; Contract Manager</p>	<p><b>Risk Partly Mitigated</b></p> <p>SAP management information reporting is still being refined further however the ability to carry meaningful analysis is also dependent on the accuracy and completeness of data input by Service Areas. Once the SAP Management Information/Reporting requirements have been met, CPT will be able to carry out the analysis more regularly and accurately.</p>	<p>Spend analysis for all Directorates have been completed and have been provided to Directors. Further discussions are continuing with relevant senior management teams on matters arising from the spend analysis.</p> <p>Monthly vendor spend reports (top 250) are being provided to Director of Major Projects on a monthly basis.</p> <p>The SAP procurement review</p>

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				<b>Further Action:</b> Action as per agreed action  <b>Implementation Date:</b> December 2009	project will enhance the information held within SAP and therefore lead to improved reporting.
<b>Risk 6: Performance Against Objectives and Performance Criteria for Agreed Contracts Priority 2</b> Without agreed key performance criteria and an established frequency for monitoring against these, there is a risk that service objectives are not achieved.  Without clearly defined performance criteria and targets for each contract	Agreed. Savings targets are now in place, and service standards and key performance indicators are being formulated. Team objectives are in the process of being completed.	December 2007	Procurement & Contract Manager	<b>Risk Partly Mitigated</b>  There is 1 corporate indicator in place (savings target) however this is currently under review. Performance indicators for the SPT and SAPOs (subject to line management agreement) will be discussed via the forum, agreed and established by December 2009.  <b>Further Action:</b> Clear performance indicators to be established, monitored and reported regularly.	Two new corporate indicators have been established: <ol style="list-style-type: none"> <li>1. % of the value of contracts awarded in accordance with Contract Procedure Rules.</li> <li>2. Number of levels improved on the Sustainable Procurement Task Force flexible framework score for 2009/10.</li> </ol>

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there is a risk that weaknesses in contract delivery are not identified for action.				<b>Implementation Date:</b> December 2009	
<p><b>Risk 7: Frequency of Contract Monitoring Reviews Priority 2</b></p> <p>Without regular and documented contract monitoring there is a risk that monitoring may be too late to enable appropriate action to be taken or for lessons to be learnt from poorly constructed contracts. There is a risk that mistakes and risk exposures to the Council may be repeated. There is a risk that high risk aspects of identified</p>	<p>Agreed. This will be captured as part of the extension of the Gateway process and part of the post Gateway 2 process, as part of contract closure.</p>	March 2008	Procurement & Contract Manager	<p><b>Risk Not Mitigated</b></p> <p>The Gateway 1 process will be instigated by the CPT for contracts where they have been involved in. The Gateway 2 process has not been happening so far but will be re launched via the Procurement forum by February 2009. This will be facilitated by the re-staffing of CPT which will ensure contract monitoring reviews are carried out more regularly and effectively.</p> <p><b>Further Action:</b> As per agreed action plan</p> <p><b>Implementation Date:</b></p>	<p>For all procurements that CPT have involvement, Gateway 1 documentation has been issued since February 2009.</p> <p>In the last quarter two Gateway 2 reviews have been undertaken by CPT on:</p> <ol style="list-style-type: none"> <li>1. Recycling</li> <li>2. Fleet &amp; Maint.</li> </ol> <p>The programme of workshops highlighting requirements and responsibilities should increase awareness and engagement with CPT.</p>

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contracts are not closely scrutinised early enough.				February 2009	

Assurance Before Follow-up:

Limited assurance

Assurance After Follow-up:

Limited assurance

Current audit opinion:

The assurance should improve to satisfactory once we verify, in quarter 4, the management update reported above.

## Management Update for Audit Committee 29 September 2009

Risk	Agreed Action	Implem. Date	Responsible Officer	Action Taken	Assessment and Update on Current Position from respective Directors
<p><b>Risk 1: Evidence of Budget Scrutiny Priority 2</b></p> <p>Without adequate budget scrutiny prior to approval being given, there is a risk that budgeted costs will not be realistic, either being over or understated. This may have a resulting effect on funding other capital projects, and the project being able to achieve its own objectives. Without sufficient documentation there is reduced assurance that the process is being undertaken as expected.</p>	<p>Agreed. A process is to be put into place to ensure approval by Head of Finance before submission to the CAG.</p>	<p>September 2008</p>	<p>Head of Strategic Finance</p>	<p><b>Risk Mitigated</b></p> <p>The Capital Asset Group scrutinises budgeted costs prior to approval. Where budget estimates are found to be incomplete or insufficiently evidenced, the business cases are sent back to the service area.</p>	<p>N/A</p>



## Management Update for Audit Committee 29 September 2009

Risk	Agreed Action	Implem. Date	Responsible Officer	Action Taken	Assessment and Update on Current Position from respective Directors
<b>Risk 2: Central Monitoring and Scrutiny of Projects Priority 1</b> Where processes for the central monitoring of capital projects in place are not robust and consistently applied, corrective action will not be taken resulting in the risk that capital projects fail to be delivered on time and within budget.	Agreed. Exception reports of project managers not making returns will be captured and escalated to Management Team for action.	September 2008	Head of Finance Support Services	<b>Risk Not Mitigated</b>  Evidence not provided.  <b>Further Action:</b> As per agreed action plan.  <b>Implementation Date:</b> April 2009.	<b>Director of Resources</b>  Work has been commissioned by the interim Director of Finance to review all aspects of the corporate capital process, including planning, monitoring and reporting. This review will have a first draft report to Management Team by the end of October 2009. A key outcome of the review will to improve the central monitoring of scheme overspends, slippage and impact on funding. The report will be delivered by the interim Assistant Director – Strategic Finance.
<b>Risk 3: Final Evaluation of Capital Projects Priority 2</b> There is a risk that Capital projects do not deliver the expected outcomes. Where Capital	Agreed. Definitions of projects will be strengthened in Business Cases in terms of deliverable outcomes, timescales and costings, so that effective final	September 2008	CAG & Project Consultancy Manager (Claire Johnston)	<b>Risk Not Mitigated</b>  Evidence not provided.  <b>Further Action:</b> As per agreed action plan.  <b>Implementation Date:</b> April 2009	<b>Director of Resources</b>  The review referred to above will deliver options to focus on the delivery of key deliverables in terms of business benefits, efficiencies and alignment with corporate priorities. Lessons learned and improvement plans

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projects are not subject to consistent post completion evaluations, there is a risk that anomalies and mistakes will not be identified, and that ultimately lessons will not be learnt.	Evaluations can be completed.				will be recognised as a fundamental part of the post-implementation review process.

Assurance Before Follow-up:

Limited assurance

Assurance After Follow-up:

Limited assurance

Current audit opinion:

The assurance may improve to satisfactory once we assess the outcome, in quarter 3, of the management action reported above.