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Meeting	Audit Committee
Date	21 September 2010
Subject	Internal Audit Progress Report
Report of	Interim Assistant Director Audit and Risk Management
Summary	Members are asked to note the Progress Report and Appendix.

Officer Contributors	Interim Assistant Director Audit and Risk Management
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A Internal Audit Progress Report Appendix B list of Audit Opinions
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Report and the actions being taken to address the deficiencies.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 At the Audit Committee meeting on 11 March 2010m members accepted that there would be progress reports to all future meetings of the Committee and, that for all “limited” or “no assurance” audits, there should be a brief explanation of the issues identified.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 All internal audit planned activity is aligned with the Council’s objectives, particularly the “Better Services with Less Money” priority, and, thus, supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

4. RISK MANAGEMENT ISSUES

- 4.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council’s objectives. Internal Audit does this by identifying areas for improvement.
- 4.2 Internal Audit work contributes significantly to increasing awareness and understanding of risk and controls amongst managers and thus, leads to improving management processes for securing more effective risk management.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess as appropriate the differential aspects on different groups as found in the recent NNDR and Council Tax audits.

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 any resources should be used to enhance the management of risks in the identified deficient areas.

7. LEGAL ISSUES

- 7.1 None directly. Advice and assistance is readily available to Directorates to ensure the Council properly complies with the Public Contracts Regulations 2006.

8. CONSTITUTIONAL POWERS

- 8.1 The Constitution Part 2 Paragraph 3.3 recognises that the annual audit opinion plays an essential part in advising the Council that risk management procedures and processes are in place and operating properly.

9 BACKGROUND INFORMATION

- 9.1 This report provides details of the audits carried out during April to July 2010 and also gives the assurance level for each audit. These will ultimately lead to the overall assurance opinion for the year.

10. LIST OF BACKGROUND PAPERS

- 10.1 Any person wishing to view any of the background papers should telephone 020 8359 3167.

Legal: HP
Finance: AT

Appendix A

Internal Audit Progress Report for the period ending 31 July 2010

Introduction

In approving the Internal Audit Annual Plan for 2010/11 at the Audit Committee on 11 March 2010, members accepted my proposal that future progress reports for each “limited” or “no assurance” audit results should be in the following format:

- the subject of the audit;
- the assurance level;
- when the audit was carried out;
- brief details of the subject area, including quantitative detail; and
- the principal findings of the audit.

This report includes some audits that were finalised in the period but were started in the 2009/10 financial year. There are inevitably some outstanding audits to be finalised at each year end just because of the timing of work throughout the year.

It is my ambition to keep these rolled over audits to an absolute minimum but to some extent, the resolution is beyond my control. I anticipate, that through the revised clearance of audit reports processes that have been agreed with directors, the number of such audits should reduce in future years.

Progress

In the period since my last report to the Committee, 29 further pieces of work have been completed. The full list of completed Audits is given at Appendix A. This comprises of 9 system audits, 1 project audit, 4 follow up audits and 15 schools audits. Of the 29, all but 5 were graded at either satisfactory or substantial assurance. The 5, for which more detail follows, were all given limited assurance. These are:

Environment & Operations: Cashless Parking (2010/11)

Date of Audit: 21 June 2010

Opinion: Limited Assurance

The objective of the Cashless Parking service is to provide parking within the Borough at the lowest possible overheads. The option of paying for parking in a cashless manner offers new payment options for parking, encouraging different communities to maintain their independence, and increase the opportunities for them to receive services that best meet their needs. (Cabinet Resources Committee – Waiver of Contract Procedure Rules report dated 5 March 2009) The service is contracted out to Verrus to administer and collect parking charges in Council owned off-street car parks. All transactions should comply with the financial regulations and basic principles of accounting.

There was a lack of compliance with basic financial controls for income collection and supplier payment, though the amounts involved at this stage are less than

£100K (net) collected annually (representing under 13% of aggregate Parking Income), leaving the council exposed to the risks of not realising the business return of the service.

Management have agreed to implement actions to mitigate the identified risk deficiencies by 30 September 2010.

Adult Social Services: Procurement (2009-10)

Date of Audit: 7 July 2010

Opinion: Limited Assurance

The objective of the procurement function is to obtain value for money and best outcomes for service users from outsourced providers. The procurement framework should support personalised and individualised services as well as existing “traditional” social care services, responsible, accountable, and legal procurement and improved services delivery outcomes for social care service users in Barnet. All procurement should comply with The Public Contracts Regulations 2006 and the Council's Contract Procedure Rules. There are currently 540 external providers involving a total spend of £79M with 7672 clients.

Audit found that though procurement practices have developed since the team was established in 2008-09, there still remain a number of areas where improvements are required to attain the value for money objective. A procurement strategy has not been formalised to address key aspects of purchasing social care and a sufficiently comprehensive, and complete, database to obtain a fuller overview of contracts has not been implemented. Systematic value for money and benchmarking tests could not be confirmed in all instances. Clear, sufficient, and appropriate local performance indicators have not been identified to assess the effectiveness of the procurement activity. Formal contract and service specifications have not been implemented for all providers.

Senior management have agreed to implement actions to mitigate the identified risk exposures by 31 December 2010.

Adult Social Services: Internal Control Checklist (2009/10)

Date of Audit: 15 June 10

Opinion: Limited Assurance

The objective of the Internal Control Checklist (ICC) process within the Adult Social Services Directorate is to provide a continuous process of review of the effectiveness of the Directorate's internal control and risk management systems, so as to give assurance on their effectiveness and to produce a management action plan to address any identified weaknesses.

Four risks were highlighted, including one priority 1 issue. The audit found that although the Performance Team review each individual checklist, actions are not always being taken to address errors and omissions and to ensure that service managers are re-visiting areas where assessments showed an unsatisfactory

standard. There is, therefore, a risk that the consolidated ICC summary may reflect an inaccurate or incomplete assessment of the risks and weaknesses across the Directorate.

The other main issue was that for areas assessed as medium and high risk, a well-defined mitigation plan including agreed action, implementation date and responsible officer was not always designed and documented. Where no specific action plans are formulated, there is a risk that weaknesses identified in the system of internal controls may not be addressed in an appropriate and timely manner.

Management has instituted revised arrangements for the ICC process which should significantly reduce the identified risks to an acceptable level.

Children's Service: St. Mary's and St. John's C.E. Primary School (2010/11)
Date of Audit: 18 June 2010
Opinion: Limited Assurance

St Mary's & St John's Primary is a two-form entry Voluntary Aided School with places for 465 children aged between 3 and 11 years of age. The School budget for 2010-11 is £1,824,207 with employee costs of £1,462,232 (80% of the delegated budget). The audit was carried out as part of the planned School audits for 2010-11 and the audit review covered the period April 2008 to March 2010.

The School was assessed as 'Good' by OFSTED in May 2007 and was awarded the Financial Management Standards in Schools (FMSiS) certification in March 2008.

The aim of the audit was to provide assurance on key areas of financial management as prescribed by the Financial Management Standards in Schools, (a set of standards developed by the Department for Children Schools & Families), the "Keeping your Balance" document (developed jointly by the Office for Standards in Education and the Audit Commission) and Barnet's Scheme for Financing Schools and related Financial Guide for Schools.

The following represent the key findings of the audit.

- The current Financial Management and Procedures Policy document did not reflect current working practices
- There was no visible evidence to confirm that checks had been carried out to ensure that goods were received correctly for 19 orders.
- A total of 11 orders had not been signed by an authorised signatory, in accordance with the School's Authorised Signatories mandate. These had been signed by the caretaker and the secretary;
- A review of procedures and controls over the income system found no separation of duties in the collection, recording and banking of all income received by the School. The same officer carried out all these duties.

- The reimbursement of costs paid from the School's delegated budget relating to lettings had not been made on a half-termly basis, as required by section 11 of the School's Financial Management Policy document.
- Entries recorded within the School's electronic inventory register were found to be incomplete. Not all entries included references to order numbers; dates of acquisition; suppliers; price etc. (the last dated entry was 15th March 2007).
- An annual physical stock check of sample inventory had been not carried out.

The audit confirmed satisfactory results for Financial Planning, Budget monitoring, Banking, Payroll, Tax and Vat, Insurance and Data Security.

The Headteacher has agreed to implement actions to mitigate the identified control weaknesses with immediate effect.

APPENDIX B

Audit Opinions on 2010-11 Completed Audits up to 31 July 2010

Systems Audits	Assurance
1 2010-11 Cashless Parking	Limited
2 2009-10 Council Tax (Key System)	Satisfactory
3 2009-10 NNDR/ Business Rates (Key System)	Satisfactory
4 2009-10 Data Quality (Planning, Housing & Regeneration)	Satisfactory
5 2009-10 Day Care	Satisfactory
6 2009-10 Postal Voting	Satisfactory
7 2009-10 Exclusion	Satisfactory
8 2009-10 Internal Control & Risk Management Adult Social Services	Limited
9 2009-10 Procurement Adult Social Services	Limited

Audit of Projects	Assurance
1 2010-11 Contact Point	Satisfactory

Follow-up Audits	Assurance
1 Choice and Independence Supply Management	Sat from Sat
2 SEN Budget and Control 2nd follow-up	Sat from Ltd
3 Registrars 2nd follow-up	Sat from Ltd
4 Capital Expenditure 2nd follow-up	Substantial from Ltd

School Audits	Assurance
1 Oak Lodge	Substantial
2 Claremont	Satisfactory
3 Livingstone	Satisfactory
4 Menorah	Satisfactory
5 Oakleigh	Satisfactory
6 <u>Osidge</u>	Satisfactory
7 Queenswell Jun	Satisfactory
8 Rosh Pinah	Satisfactory
9 Sacred Heart	Satisfactory
10 Holy Trinity	Satisfactory
11 Coppetts Wood	Satisfactory
12 Beis Yaakov	Satisfactory
13 St Paul's N11	Satisfactory
14 Parkfield	Satisfactory
15 St Mary's & St John's	Limited