

AGENDA ITEM: 7

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Meeting	Audit Committee
Date	16 June 2011
Subject	Internal Audit Annual Opinion
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	The Committee is asked to note the 2010-11 Annual Report and Opinion

Officer Contributors	Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A: Internal Audit Annual Opinion
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 Annual Opinion/Report.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee Work Programme which was approved at the Meeting on 24th March 2011 included the Internal Audit Annual opinion for inclusion at this meeting.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 All internal audit planned activity is aligned with the Council's objectives 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.
- 3.2 The Annual Assurance Opinion forms part of the Annual Governance Statement that is presented to this Committee.

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.

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 in the context of this report.

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 all of the audits carried out during 2010-11 and the strengths and weaknesses of each area we have reviewed. This report also provides the statistics on what level of assurance was given in each service.
- 9.2 The Committee has been provided with detail of all reports issued as either 'no' or 'limited' assurance with progress reports from internal audit throughout the year and as such the detail has not been replicated in this document.
- 9.3 The Committee should note a slight decline in the amount of satisfactory reports issued and this has led to a 'limited' assurance on the Council's internal control environment.
- 9.4 In order to improve the individual services will need to make improvements against those high priority areas and this will be reported back to the Committee on a quarterly basis.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MAM
CFO: JH

Appendix

London Borough of Barnet
Internal Audit Annual Opinion 2010-11 - Draft

Maryellen Salter, Assistant Director of Finance, Audit and Risk Management

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1. Introduction and Overview

Purpose of this report

This report summarises the work that Internal Audit has undertaken during 2010-11 and the key internal control environment strengths and weaknesses identified within each directorate during the year.

Overview of our approach

In line with CIPFA Best Practice, the 2010 Internal Audit plan was risk based, which has been formulated by:

- Linking with the Directorates' plans;
- Risk Management meetings with officers from all Directorates;
- Building on the Risk Management Audit carried out in February/March 2010; and
- Internal Audit's 'Cumulative Audit Knowledge and Experience'

As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Council's governance processes, risk management and control environment – the 'system of internal control'.

In broad terms our Internal Audit approach takes into account the following (according to 2009/10 accounts):

- **Annual revenues of approximately £702m** - There has been a move in the past few years by the Council to ensure that the majority of revenue is collected by an electronic payment system so that there is minimal 'cash' collection. Internal Audit perform key fundamental audits of all major income systems each year (for example council tax, NNDR, parking, Housing Benefits). Our work is focused on the system controls (including interfaces) and manual controls such as performance of reconciliations and clearing of suspense accounts.
- **Annual expenditure of approximately £1.008bn** – Each we year we perform key financial system audits around the Councils devolved accounts payable system. We also conduct reviews into the effectiveness of controls over other significant areas of spend e.g. payroll, grants, corporate procurement.

- **Fixed assets of approximately £2.08bn** - The majority of assets are property and so pose less risk to the Council. We generally undertake one review in this area each year.
- **Other assets of approximately £269.8m** - We annually review treasury controls and the Council's administration of investments.

Overview of our work

The Annual Internal Audit Plan for 2010-11 highlighted that a total of 44 systems based audits and 38 school audits were planned. We have communicated closely with senior management throughout the year to ensure that the audit reviews actually undertaken continue to represent a focus on high risk areas, in the light of new and ongoing developments in the Authority to ensure the most appropriate use of our resources.

As a result of this liaison, some changes were agreed to the plan during the year. Some projects have been added to or deleted from the Plan, others have been consolidated or split into separate elements, and the timing of a number of others has been changed. Consequently, the total number of audit undertaken in 2010/11 was actually 45 systems based audits and 34 school based audits compared with the 51 and 38 respectively in the prior year. See Section Overall Summary.

We generally undertake individual audits with one of two objectives in mind. The majority of audits are geared towards providing assurance to management on the operation of the Council's internal control environment. Other audits are geared towards the provision of specific advice and support to management to enhance the efficiency, effectiveness and economy of the services and functions for which they are responsible.

All audit reports include our recommendations and actions agreed with management that will, if implemented, further enhance the control environment and the operation of the controls in practice.

This report sets out the results of the work performed as follows:

- **Overall summary** of work performed by Internal Audit including an analysis of report ratings and priority of recommendations
- **Key themes identified** during our work in 2010-11

- **Service Summaries** providing an overview of audit work done in each department and key findings.

In this report, we have drawn on the findings and assessments included in all of the reports issued, including those that, at this time, remain in draft. It should, therefore, be noted that the comments made in respect of any draft reports are still subject to management response.

2. Overall Summary

Overall, as illustrated in the tables below, we have noted a slight decline in the percentage of satisfactory assurance reports issued during the year, however it is pleasing to note that there were only 2 'no' assurance reports issued in the year compared to 11 in the previous year. 72% of audit reports were rated as limited or no assurance in 2010-11, compared with 67% of report in the prior year.

The two 'No' assurance reports were in relation to parking and environmental health compliance, of these parking is of concern given the issues we have encountered historically in implementing agreed actions within the service.

Based on the internal audit work completed in 2010/11 I can give limited assurance on the Council's overall internal control environment.

Report ratings

Assurance opinions	No of Projects/Audits			
	2010-11		2009-10*	
	No.	%	No.	%
Substantial	1	2	1	2
Satisfactory	11	26	16	31
Limited	29	67	23	45
No	2	5	11	22
Sub-total	43		51	
Schools audits**	34		38	
Merged audits/no opinions	2		-	
Total Audits	79		89	
Deferred/Cancelled	3		-	
Total	82	100	89**	100

* For the purposes of this table we have excluded follow-up audits from the total from the 2009-10 year due to a change in the way in which follow-up audits are completed.

** During 2009-10 schools audits did not have an assurance given, for the purposes of this analysis they have been excluded from the systems based audits to allow for comparison year on year

Analysis of School audit assurances

The Scheme for Financing Schools states that “the Chief Finance Officer shall arrange an adequate and effective internal audit, under his/her independent control, to examine the schools’ accounting, financial and other operations.” The table below outlines the assurances given for those 34 schools reviewed. There is no comparable data available as schools were not given an assurance rating in subsequent accounting periods. The results highlight that there is consistent degree of financial management capability within Schools.

Assurance opinions	2010-11	
	No.	%
Substantial	-	
Satisfactory	31	91
Limited	2	6
No	1	3
Total	34	100

Based on the school audits carried out during 2010-11 I am able to give satisfactory assurance that there is an adequate system for financial management processes and controls among the Council’s schools.

3. Key themes

There are a small number of areas that are cross-cutting included within our Internal Audit Plan. By pulling together all summaries for all the directorates for the year it enables us to draw out key themes that require attention by the Council.

Internal Control and Governance

Contract Management/Procurement – there is an absence of signed contracts and sound contract management generally across the Council. In addition to individual service areas we reviewed corporate procurement and found that the devolved process has not been successful due to the lack of monitoring of compliance with contract procedural rules and a lack of a complete and accurate contracts register.

Data Quality - arrangements to have reliable, accurate, timely, complete, relevant and valid data vary across the Council. In the absence of good quality data it can weaken senior management's ability to make well informed decisions. There is a need for services to consider their quality assurance processes.

Oversight of devolved processes – a number of functions across the Council are devolved, these include (but not limited to) Finance, HR, procurement, and Business continuity. There are responsibility and accountability issues within a number of services who assume that internal controls are being carried out at a corporate level, which they are not. It is important that there remains an oversight at a corporate level to ensure policy and procedures are being adopted at a service level as expected.

Measuring success of strategies – across the Council there are a number of strategies that require review, updating and assessment as to their success and relevance.

Data protection – the Council has completed a large scale review to address concerns raised by the Information Commissioner in respects of personal data which has largely addressed major concerns, however the messages cascaded by management in respect of paper documentation has not been addressed in some key areas where data protection is crucial.

IT functionality – a number of reviews revealed that services are relying on IT solutions to transform some of their business processes and thereby address areas of internal control weakness. A way of systematically addressing service priorities needs to be developed within the IT department, for example adequate project management arrangements to ensure internal control improvement is not inhibited.

Partnerships – there is some work to do to make the best use of partnerships by agreeing mutual responsibilities, accountabilities and expectations.

Risk Management

Following an internal audit in the 2009/10 audit plan that was reported in October 2010 an action plan was developed to improve and embed risk management arrangements. There have been improvements in the documentation of Risk Management Strategy and Policy which have set out key criteria for rating and assessing risks, there has also been an improvement in reporting of risks internally and externally. We will review arrangements in 2010-11 to assess progress against the improvement plans and report back to the Audit Committee.

From our internal work carried out within services it is clear that a risk management framework is in place, however our findings suggest that there is an ability to articulate strategic risks and mitigating actions but less so on an operational level.

Fundamental and Key Financial Systems

Fundamental and key financial systems	2010/11		2009/10*	
	No.	%	No.	%
Substantial	1	9	-	-
Satisfactory	4	33	1	25
Limited	7	58	2	50
No	-	-	1	25
Total Assurance ratings	12	100	4	100

* 2009/10 fundamental audits are included on full systems based audits only, the IA service operated on a different basis in that not all fundamental systems had a full audit, some were follow-ups. All fundamental systems were subject to a full audit in 2010/11 hence the dramatic change in numbers and therefore limited comparison can be made to the previous year.

Positively there were no 'No' assurance reports issued in the period for fundamental and key financial systems. The majority of the key financial systems however were issued limited assurance ratings (58%). Some common themes were in relation to the clearance of suspense accounts, timely reconciliations, updating procedures to reflect current practices, oversight of devolved functions, and access rights in line with roles and responsibilities.

Performance of Internal Audit

Of the 82 reviews carried out in the year 94% of these were completed in time with only four reports in draft stage at the time of drafting this report. During the year the Internal Audit service has made some improvements to its performance including:

- Appointing a permanent Head of Internal Audit to lead the service;
- Ensuring that the 2011-12 Audit Plan is based on the organisational risks;
- Assessing risk management arrangements to ensure they can be relied upon;
- Starting a joint procurement process with London Borough Enfield for a strategic partner for implementation of IA Strategy;
- Determining training needs of the current in-house team;
- Improving reporting formats both internally and to Member's;
- Implementing a follow-up procedure on all priority 1 'high' recommendations for updating the Audit Committee on a timely basis;
- An overall assurance on the internal control environment;
- Monitoring of performance of the Internal Audit service quarterly; and
- Establishing better relationships with Directors and Assistant Directors.

We continually request feedback from senior management and service managers to ensure we address any perceived or actual weaknesses. This year we received 25 performance questionnaires back following completion of audits. These questionnaires gave a rating from 1 (Excellent) to 5 (Unacceptable), we set a target for the Internal Audit Service to achieve 90% of those to be rated over 3. This year the service achieved 88% rated satisfactory or above. Some of the negative feedback included:

- The level of communication through-out the audit could be improved

- The reporting style (prior to improvements made) did not enable management to understand the significant issues
- Some reports were not received in a timely basis
- There was some evidence that the auditor did not understand the service they were auditing

There continues to be a need to review the Internal Audit Service and seek to improve the arrangements further. This year we will focus on the audit approach and seek to make efficiencies as to how these audits are carried out and carry out more work around the key risks to the organisation. We also expect to see changes following our joint procurement exercise with Enfield.

4. Service Summaries

The number of audits completed by department and the overall report ratings given is summarised in the table below:

Directorate	Substantial	Satisfactory	Limited	No	No opinion	Total
Fundamental and key financial systems	1	4	7			12
Cross cutting			2			2
Corporate Governance			3			3
Planning, Housing and Regeneration		2		1		3
Environment and Operations		1	2	1		4
Commercial Services		1	2		1	4
Adults Social Services			2		1	3
Children's Services		1	5			6
Chief Executive Service			2			2
Deputy Chief Executive Service		2	4			6
Total	1	11	29	2	2	45

The number of recommendations raised by directorate is noted below and the number of recommendations accepted:

Directorate	High (Priority 1)	Medium (Priority 2)	Low (Priority 3)	Total	Total Priority Accepted (No.)
Fundamental and key financial systems	9	38	10	57	9
Cross Cutting	3	6	0	9	3
Corporate Governance	4	11	7	22	4
Planning, Housing and Regeneration	3	9	1	13	3
Environment and Operations	5	21	0	26	5
Commercial Services	5	14	0	19	5
Adults Social Services	2	15	0	17	2
Children's Service	7	19	1	27	7
Chief Executive Service	2	4	1	7	2
Deputy Chief Executive Service	5	29	3	37	5
Total	45	166	23	234	45

As at the end of April the priority 1 recommendations were 83% implemented, the only area of concern with implementing our recommendations were within the Parking Service.

Fundamental and key financial systems

Each year Internal Audit carries out reviews of the council's fundamental financial systems, to provide the council with the necessary assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust internal control environment.

The reviews undertaken during the year are listed below along with a summary of key strengths or weaknesses noted:

- Housing Benefits
- Council tax
- NNDR
- Capital programme
- Treasury Management
- Accounts payable
- Recruitment/HR payroll
- LG Pension Administration
- Cash book control
- Income and debt management
- Debit and credit cards
- Compliance with Financial Regulations

Key themes identified from an overview of our findings arising from fundamental and key financial systems.

Strengths	Areas for development
<ul style="list-style-type: none">✓ Comprehensive policies and procedures have been developed for Housing Benefits✓ Staff structure, roles and responsibilities have been defined, which has facilitated adequate segregation of duties✓ Service Level Agreements are in place to govern arrangements between the Council's HB section and key partners	

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ Appropriate reconciliations between the Housing Benefit system to key financial systems are performed on a monthly basis by independent officers ✓ Back up and disaster recovery arrangements are in place ✓ There is monthly, quarterly and annual performance/management information reporting where appropriate 	
<ul style="list-style-type: none"> ✓ Procedure notes exist for some of the key collection procedures within the Council Tax system ✓ Training is provided to new and existing staff to ensure guidelines are followed ✓ There is periodic reconciliation of the Council Tax systems to SAP (main accounting system) ✓ Appropriate access rights are in place for staff ✓ Collection rate is monitored on a regular basis and performance information produced 	<ul style="list-style-type: none"> ✗ The Council Tax suspense account is not always promptly cleared if unallocated payments ✗ Arrears analysis does not always include debt broken down into main recovery stages to assist in approving the recovery process
<ul style="list-style-type: none"> ✓ Procedure notes for many of the key procedures for the NNDR system have been developed and are available to staff ✓ Training is available to new and existing staff ✓ The collection rate is monitored on a regular basis and performance information is produced ✓ There are appropriate access rights to the NNDR system for staff ✓ There are effective back up and recovery processes in place 	<ul style="list-style-type: none"> ✗ For some suspense items there was no indication of what actions were being taken to investigate and clear them ✗ Some reconciliations were not evidenced on who completed them and who independently checked them

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ There are clear and allocated roles and responsibilities for co-ordinating the preparation of annual Capital Programme and validating and evaluating proposed capital funding streams ✓ There are clear roles and responsibilities for evaluating the revenue impact of additional borrowing requirements stemming from the capital programme ✓ There are clear roles and responsibilities for effective arrangements for capturing, quality reviewing and approving variations to the capital programme during the year ✓ There is evidence of risk documentation associated with various capital funding streams ✓ There are year-end reconciliation processes to confirm receipt of capital funding streams included in the Capital Programme 	<ul style="list-style-type: none"> ✗ The Capital, Assets and Property Strategy requires updating to reflect current structures ✗ The Investment Appraisal Board (IAB), responsible for the scrutiny of capital scheme budgets, assessing how schemes support corporate priorities and assessing project governance arrangements, had not operated since late 2010 ✗ There could be some improvement in identifying operational risks and recording those within the risk management system (JCAD)
<ul style="list-style-type: none"> ✓ The Council has adopted within its Financial Regulations the Chartered Institute of Public Finance and Accountancy's (CIPFA) Public Services: Code of Practice and Cross Sectoral Guidance Notes 2009 (The Code) for its Treasury Management Practices ✓ The Council has formalised its annual Treasury Management Strategy and Annual Investment Plan for 2010-11; these were formalised prior to the commencement of the year, in March 2010 ✓ Roles and responsibilities for the Chief Finance Officer are clearly identified ✓ Arrangements for separation of duties exist. ✓ Monitoring reports are provided routinely to the Cabinet Resources Committee, and compliance reports are provided to senior officers on a weekly basis. 	<ul style="list-style-type: none"> ✗ There are two unencrypted laptops currently being used within the Treasury Management department which is in contravention of the Information Commissioner's requirements ✗ Action is required to formalise governance arrangements for scrutinising the Treasury Management functions and approving the Treasury Management Practices ✗ Processes should be improved and implemented to obtain an effective control environment in the following areas: <ul style="list-style-type: none"> • produce timely reconciliations between the SAP financial system and Logotech (investment system); • ensure reporting to Members contains information for monitoring the security and liquidity benchmarks of the investment portfolio.

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ Roles and responsibilities within the Accounts payable team have been clearly defined ✓ There is adequate segregation of duties in place ✓ Additional approval processes exist for payments over £35k ✓ Access rights to the SAP (main accounting system) by the Accounts Payable team is commensurate with their roles and responsibilities 	<ul style="list-style-type: none"> ✗ Procedure notes require revision for changes in working practices ✗ Independent checks should be undertaken to confirm the validity of amendments to Vendor Master Data records within SAP (main accounting system) ✗ Some weaknesses in the process exist at a service/directorate level for review of purchase orders late and invoices not processed promptly, within the due date recorded on SAP
<ul style="list-style-type: none"> ✓ There is a clear allocation of roles and responsibilities according to experience and knowledge for HR, payroll and Recruitment processes ✓ There is independent checking of input of HR and pay information ✓ There was good attendance by officers at the Data Protection Act training to ensure awareness of data security for confidential information ✓ There is prompt processing of related HR and Payroll data 	<ul style="list-style-type: none"> ✗ There is a need to review SAP access to ensure that officers only had access in line with their role requirements ✗ Procedures should be updated to include new processes ✗ Key documentation should be retained in line with procedures ✗ There are ineffective processes in place to ensure that P45 certificates for leavers are sent to Inland Revenue ✗ Ineffective processes to prevent unauthorised access to HR data through ongoing enforcement of a clear desk policy, and a policy to keep cabinets with related information locked
<ul style="list-style-type: none"> ✓ Pension Fund administration procedural notes have been developed ✓ Transfer processes are in place and effective ✓ Pension payments are checked independently and there is appropriate segregation of duties ✓ There are effective reconciliation of scheme members between the AXIS system and the payroll system 	<ul style="list-style-type: none"> ✗ A robust performance management/management information framework is not currently in place which allows all parties/officers/committee's to assess the performance of the Council as administrating authority of the Pension Scheme and take remedial actions where issues are identified ✗ Payments are not suspended if life certificates are returned after the stated deadline by the Pensions Administration Team ✗ Processes for new starters to the pension scheme need to be

Strengths	Areas for development
	<p>improved, along with payroll identifying members who are ineligible to join</p> <ul style="list-style-type: none"> ✗ Roles and responsibilities for payroll officers have not been clearly defined in relation to setting up of new starters ✗ Transfers into the scheme are not always recorded accurately ✗ Contribution rates are not always applied in accordance to statutory requirements
<ul style="list-style-type: none"> ✓ Systematic reconciliations are performed for all the Council's main bank accounts ✓ Reconciliations for the general account and expenditure accounts are subject to independent review from a senior officer ✓ Roles and responsibilities have been clearly defined ✓ There is adequate segregation of duties in place 	<ul style="list-style-type: none"> ✗ Cashbook reconciliations have not been performed on a timely basis ✗ A number of procedure notes have not been compiled ✗ Independent reviews of reconciliations have not always been carried out on a timely basis ✗ Bank statements/files are not stored securely ✗ Suspense accounts are not always promptly cleared of unallocated payments
<ul style="list-style-type: none"> ✓ Persons responsible for raising the invoice is independent of the income receipting function ✓ A debt collection agent has been appointed to chase outstanding debts to maximise the likelihood of recovery ✓ Access to Accounts Receivable functions on SAP is restricted to only officers who require access to perform their operational duties ✓ Corporate performance indicators/targets in respect of debt management are reported to the Cabinet Resources Committee on a quarterly basis in accordance to the Council's Constitution 	<ul style="list-style-type: none"> ✗ Credit notes and refunds were being signed off by staff who were not on the authorised signatories list ✗ Policies and procedures for income and debt management need to be reviewed and revised ✗ Sample testing found that invoices were often being raised after the goods or services had been rendered ✗ Suspense accounts were not being cleared on a timely basis ✗ There are a number of old disputed items dating back to 1999

Strengths	Areas for development
	<ul style="list-style-type: none"> ✖ The Debit/credit card policy needs to be developed to distinguish between a control environment for staff handling debit/credit card transactions where the cardholder is present, as well as, where the cardholder is not present ✖ Contracts/Agreements between the Council and debit/credit card services and equipment could not be found ✖ There was no evidence of monitoring of debit/credit card machines to identify redundant machines. Some machines were incurring charges but were not in use ✖ The policy statement on usage of credit and debit cards requires review ✖ Roles and responsibilities for the administration of debit and credit cards are not up to date and do not reflect current practice
<ul style="list-style-type: none"> ✓ The Council's Financial Regulations are generally consistent with the model promoted by CIPFA ✓ Reporting is undertaken in line with the policy, no non-compliance was identified and reported in the period ✓ There are effective processes for the review and update of the Financial Regulations 	<ul style="list-style-type: none"> ✖ There are some best practice clauses within CIPFA guidance that could be updated within the current Financial Regulations, in addition some changes in the Financial Regulations have not been updated in the Accounts procedure Manual ✖ The delegated authority assigned to the Manager for Accounts Payable and Accounts Receivable were not identified by the Scheme of Delegation ✖ Some access rights need to be reviewed

Cross Cutting

The reviews undertaken during the year as listed below are cross cutting in that they cross over more than one service. These two cross cutting audits cover both Planning, Housing and Regeneration and Environment and Operations priorities and objectives. The strengths and weaknesses identified from these reviews are noted below:

- Waste Prevention
- Sustainability

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ There are robust monitoring and performance management framework in place, and there are mechanisms for collecting and reporting performance data ✓ Timely, accurate and complete management reports are produced and reviewed 	<ul style="list-style-type: none"> ✗ The Waste Prevention Strategy has been ineffective in delivery of outcomes ✗ The Waste Prevention Strategy has not been reviewed since 2005 to ensure that it remains fit for purpose or current ✗ There are no governance arrangements in place to scrutinise, oversee and challenge the Waste Prevention Strategy ✗ The Waste Project Board does not have a terms of reference and focuses mainly on project management issues not strategic issues ✗ Partnership arrangements have not been established and documented which clearly identify responsibility and liability of each party
<ul style="list-style-type: none"> ✓ Significant activity undertaken to address carbon emission reduction delivered by various teams in Planning, Environment, Housing and Asset Management ✓ Corporate review of related delivery for the Carbon Emission Reduction agenda as part of FirstStat Corporate Performance arrangements 	<ul style="list-style-type: none"> ✗ A lack of agreement as to future approach and the lack of overall co-ordination of the various activities undertaken in the Council to maximise impact ✗ A lack of formal comprehensive risk management specifically related to carbon emission reduction operational delivery and engagement with Strategic partners to address energy consumption levels ✗ A lack of robust performance management arrangements and performance measures for the various activities to monitor progress and effectiveness of carbon emission reduction delivery.

Corporate Governance

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Business Continuity
- Freedom of Information
- Member allowances

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ The existence of, and accessibility to, a Business Continuity Strategy for the Council ✓ Effective arrangements, structures, support and available guidance to support the development of Business Continuity Plans in services ✓ Existence of a Council Business Impact Analysis (BIA) identifying all critical activities 	<ul style="list-style-type: none"> ✗ The Business Continuity Strategy was approved in 2008 and needs to be re-assessed for priorities ✗ There were no support Business Continuity Plans for IT provision and Accommodation (facilities) as required by the Strategy ✗ Formal testing of Business Continuity Plans for BIA critical activities had not been undertaken as required by the Strategy ✗ The feedback from all service Business Continuity leads for confirmation of accuracy of BIA critical activities was outstanding as at March 2011
<ul style="list-style-type: none"> ✓ The Council's publication scheme has been revised to meet the requirements of Section 19 of the Freedom of Information (FOI) Act, the scheme is also available to members of the public ✓ Link Officers have been established in each service area and are responsible for ensuring the request is compliant with legislation ✓ A disclosures log has been launched on the internet which lists requests made under the FOI Act 2000 and the Environmental Information Regulations (EIR) 2004 which are of a wider public interest 	<ul style="list-style-type: none"> ✗ There are instances whereby the FOI requests have been completed outside of the statutory 20 day target, in addition some requests are logged on the day the officer receives the request rather than when the Council receives it ✗ There is a need to review the FOI policy and staff guidance, which has not been updated from November 2004 ✗ There is no formal mechanism in place to ensure that council staff have been made aware of the FOI Act ✗ There is no formal framework developed to report on an agreed suite of performance indicators relating to FOI and EIR requests ✗ The database used to log and maintain a history of FOI requests has limited functionality and flexibility to allow for

Strengths	Areas for development
	sufficient monitoring of response times and outstanding FOI requests
<ul style="list-style-type: none"> ✓ The Council publishes details of it's Member Allowances Scheme as required by the Local Authorities (Members' Allowances) Regulations 2003 and the amounts paid to each member under the Scheme ✓ The Council's Constitution incorporates the current Members' Allowance Scheme 	<ul style="list-style-type: none"> ✗ There is no in year check to ensure payment of allowances are fully compliant with all necessary allowance requirements ✗ Members' role descriptions have not been developed since the approval of the Scheme in July 2010 ✗ There is no dedicated central file for staff to save documentation pertaining to members allowances and changes to their committee responsibilities ✗ Established processes are not in place to confirm some requirements of the Scheme

Planning, Housing and Regeneration

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Environmental Health – income process
- Fire Safety
- Environment Health – compliance

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ Managers have a good overview of the service ✓ There is good use of the Acolaid system ✓ Staff understand their roles and responsibilities 	
<ul style="list-style-type: none"> ✓ An effective strategy/approach exists to address fire safety concerns in Council Homes and hostels ✓ Arrangements exist to identify and address risks/issues relating to fire safety through the undertaking of fire risk assessments on blocks with communal areas and hostels ✓ The Council and Barnet Homes have undertaken activities which demonstrate the lessons from the Southwark fire have been learnt ✓ Arrangements exist to undertake gas, electrical, Portable Appliance Testing (PAT) testing and smoke detector testing 	<ul style="list-style-type: none"> ✗ Some improvement required to contract monitoring to ensure the ongoing quality of fire risk assessments and to enhance other processes supporting fire safety ✗ Progress should be monitored as part of the monitoring arrangements between Barnet Council and Barnet Homes under the Arms Length Management Organisation (ALMO) agreement ✗ There is scope to improve the communications between Barnet Homes and the Council's insurance section to ensure the Council's ability to make a successful insurance claim
	<ul style="list-style-type: none"> ✗ Environmental Health Management have not carried out a full risk assessment as required under Section 18 Standard of the Health and Safety at Work Act (1974). Management do not consider that they have capacity to achieve full compliance will by the March 2011 deadline ✗ The web based licence application and payment process is not yet fully functional for the Special Treatment Licences, hence the service is not fully compliant with the Provisions of Services Regulations (2009) ✗ As required by Regulation 18 of the Provisions of Services

Strengths	Areas for development
	<p>Regulations 2009, the service has made a simple assessment of the level of fee charged for licences to confirm the fees are proportionate to the cost of the process; however the analysis is not comprehensive, and would need refinement, for setting the level of fees realistically</p>

Environment and Operations

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Cashless Parking
- Street Lighting - PFI
- Parking Service
- Project Governance of the Pothole Elimination scheme

Strengths	Areas for development
	<ul style="list-style-type: none"> ✗ The service did not have a signed contract in place with the provider of cashless parking ✗ There were incorrect accounting for and depositing of VAT monies and there is not sufficient checks in place to identify shortcomings in the VAT collection and reconciliation process ✗ The parking service did not properly understand or document how the contractor was following up on fraudulent credit cards used in cashless parking transactions ✗ Adequate processes do not exist to ensure routine reconciliations of amounts collected with amounts banked ✗ Arrangements with the contractor were not reviewed ✗ Management did not have a process for checking the accuracy of charges applied by the contractor on individual transactions ✗ Staff did not have the necessary training to review data provided against the contractor's website for monitoring purposes
<ul style="list-style-type: none"> ✓ Evidence of monthly provision of monitoring reports of service delivery by the contractor and monthly discussions between these parties in relation to the PFI contract ✓ Available management information showing the level of 	<ul style="list-style-type: none"> ✗ There was a lack of evidence of formal proactive arrangements to routinely monitor contractor delivery against each of the contract performance standards to assess whether the contractor representations about delivery are correct

Strengths	Areas for development
<p>adjustments, the level of relief and the level of adjustment which would have been applicable without relief to assess whether the approach for providing relief results in improvement to service delivery</p> <p>✓ Evidence of the identification of strategic risks associated with the contractor and the implementation of arrangements to mitigate risks</p>	<ul style="list-style-type: none"> ✗ There were delays (in excess of target times) between when street light service requests were received by the Council (including through Fix-My-Street route) and when they were submitted to the contractor ✗ The contractor failed to undertake a significant number of customer satisfaction surveys resulted in under performance, and the analysis of responses by residents to these surveys ceased in April 2010. Officers did not seek adjustment relief from the contractor in light of this. ✗ There is not a formal business continuity plan in place in the event of the contractor unexpectedly withdrawing from the contract
	<ul style="list-style-type: none"> ✗ The Parking Service has had limited success at implementing its overall Strategy ✗ Significant issues within financial planning arrangements due to the lack of forward planning, and robust recovery plans to resolve the current shortfalls in income levels ✗ Establishment costs are not currently aligned with the budget, a number of restructures have failed to realise efficiencies noted within committee papers ✗ Arrangements with outsourced providers have lacked effective controls, due to a lack of formal contracts and effective monitoring to attain value for money ✗ There is work to be done to understand key drivers of costs within the service ✗ The service has not developed an asset management strategy that supports the delivery of objectives ✗ The service needs to develop more effective risk management arrangements and action recommendations from prior internal

Strengths	Areas for development
	<p>audit reports</p> <ul style="list-style-type: none"> ✗ There is a lack of fraud awareness by staff ✗ Officers had not been thorough in documenting their communications with members ✗ The service does not currently have a productive workforce which has a significant financial impact ✗ Staff morale is low and an effective communication plan needs to be implemented
<ul style="list-style-type: none"> ✓ The PRINCE2 methodology for project management was adopted for the Pothole Elimination Project ✓ A resource plan was developed and the completion of the project was achieved within tight timescales ✓ Financial controls around the project were adequate ✓ Negotiations with the two term contractors undertaking the pothole elimination programme resulted in agreeing composite rates instead of current term contract schedule of rates resulting in savings ✓ A communications plan was put in place to deal with enquiries and complaints from residents, Members and staff. 	<ul style="list-style-type: none"> ✗ Key projects were put on hold to ensure that the Pothole Elimination Project went forward, the risks of these scheme's not going forward within Footway Maintenance and Traffic Management were not assessed or measured for impact ✗ A quality Control plan was not developed on how the Monitoring team would undertake and document the 'random selection equating to 10-15% of completed works'

Commercial

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- DRS Project
- Corporate Procurement
- IS Business Continuity
- Estates Strategy

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ The strategic context around the Development and Regulatory Services (DRS) One Barnet Project has been strongly developed ✓ Options have been identified and explained through-out the Business case 	<ul style="list-style-type: none"> ✗ The Business case needs to include all relevant information pertinent to the approval decision, at the moment all aspects of the Business Case are not completely signposted and some information is contained in separate documents ✗ The approach taken, i.e. project methodology, for the Business Case needs to be clearly documented
	<ul style="list-style-type: none"> ✗ With the exception of Adults, the role and responsibilities of devolved procurement teams/officers are unclear ✗ There is no process in place to ascertain the performance of devolved procurement teams and if/where these teams add value to the Council's procurement objectives ✗ There are not effective oversight arrangements in place to ensure that monitoring complies with Contract Procedure Rules ✗ The Procurement Code of Practice (PCOP) has not been reviewed since June 2009 and there is evidence of out of date information within the document ✗ A complete and accurate contracts register is not in place corporately
	<ul style="list-style-type: none"> ✗ There is currently no overarching Information Services (IS) level plan in place. Furthermore, in most cases, the service level business continuity /disaster recovery plans are incomplete or

Strengths	Areas for development
	<p>out-of-date</p> <ul style="list-style-type: none"> ✖ There are at least three single points of failure located within the IT network that, if realised, may have a severe impact on the continued availability of the network ✖ Although the Council has identified 51 key business activities across the Council, the requirements for IT support for these activities have not yet been formally identified and documented ✖ There is no formal process defined for the regular testing of the IS business continuity / disaster recovery arrangements. Furthermore, the IS service area business continuity / disaster recovery plans have not been tested
<ul style="list-style-type: none"> ✓ The Estates Strategy has appropriate links to both the Corporate Plan 2010-13 and the core principles of One Barnet ✓ The Strategy met good practice requirements of CIPFA ✓ Evidence of identification of related strategic risks at a Corporate and Directorate level ✓ Reference to a performance management framework and performance measures 	<ul style="list-style-type: none"> ✖ The Estates Strategy did not specifically refer to the Sustainable Community Strategy and the Capital Assets and Property Strategy and other Service Strategies ✖ The CIPFA framework referred to having clear objectives and options for each asset. This detail was not referred to as a deliverable ✖ Operational risks relating to the delivery of the Estates Strategy Action Plan had not been documented for review and monitoring ✖ There is a suggested suite of performance indicators for Strategic Asset Management however currently only four had been determined

Adults Social Services

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Reviewing in Learning Disabilities
- Data Quality for self directed support and safeguarding indicators
- Residential Nursing Care

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ The 'Move on Project' has secured move-on from residential care for 19 Learning Disability and 18 Mental Health clients, which provided in year savings of approx £372,000 ✓ The Service works closely with MyCareCosts to understand the cost breakdown of placements to ensure the service is maximising value for money ✓ Information is compiled on a monthly basis by the Performance and Information Team for review and evaluation by Senior Leadership Team 	<ul style="list-style-type: none"> ✗ The Care Funding Calculator (CFC) is not being used consistently to: capture the changing needs of service users and improve their outcomes/promote independent living; and obtain value for money ✗ Where CFCs had been completed, there is limited process for these to be followed up for negotiating with providers ✗ Quality Assurance processes are not robust to ensure that annual reviews are undertaken in a timely manner ✗ The processing and recording on annual reviews in SWIFT and WISDOM is not consistent with service guidelines and local procedures
<ul style="list-style-type: none"> ✓ There is a range of policies for recording and saving information in key systems and these have been made available to staff ✓ Senior Management Team receives quarterly performance reports containing a variety of performance indicators, with a short narrative to explain current position for review and evaluation ✓ Service Teams receive weekly progress performance reports and these are followed up by meetings with the Information Team to discuss any data quality issues, which then flows to the Monthly Leadership Team meetings 	<ul style="list-style-type: none"> ✗ There are significant gaps in the completeness and accuracy of information held in key systems for the generation of National Indicator (NI) 130: Self Directed Support and Safeguarding local indicator ✗ There are some weaknesses in validation procedures for the safeguarding indicator, where management checks are not in place to identify any possible errors in the data ✗ There is some awareness raising that needs to be carried out with staff to ensure they understand that the data will be used in key decision making across the Council ✗ There are no operational data quality guides for the generation of specific national and local indicators

Strengths	Areas for development
	<ul style="list-style-type: none"> ✖ There was a lack of local controls over the input of data to ensure data is entered directly at source ✖ Local procedures developed for recording personal budgets in SWIFT and saving relevant information in WISDOM are not being followed
<ul style="list-style-type: none"> ✓ Focus on value for money within key strategic and planning documents ✓ Fair knowledge (baseline and comparators) of demand drivers across all care groups ✓ Budget savings are aimed at preventative measures, and increasing choice in line with their business plan and overall vision for the service ✓ Improvement in timeliness of customer billing , and debt monitoring arrangements 	<ul style="list-style-type: none"> ✖ Some improvement required to performance monitoring arrangements in terms of developing targets for brokerage procurement ✖ Some improvement required to invoice payments for contracts as some invoices were paid in advance of receipt of service ✖ There are some inefficiencies in processes noted such as high degree of manual intervention in invoice processing ✖ SWIFT is not fit for purpose ✖ Some detailed action plans were not developed to confirm how budget savings would be achieved (however these were achieved by end of March) ✖ Business plans should have a stronger focus on outcomes as a key method of assessing value for money ✖ There should be a streamlining of the requirement for multiple referrals and requests

Children's Service

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Independent Provider Performance – BRSI
- Independent Provider Performance – SEN
- Budgetary Control
- Special Education Needs Placements
- Data Quality
- Risk Management
- Schools audits – see section 2

Strengths	Areas for development
	<ul style="list-style-type: none"> ✗ There is scope for improving contract monitoring processes for confirming and monitoring arrangements for data security at and CRB checking by external contractors (BRSI) as part of the Strategy ✗ Scope to improve arrangements for linking contractor delivery to performance measures and targets related to desired outcomes for children and for validating the information, submitted by contractors as part of the contract monitoring process, as evidence of their performance ✗ The Council's contract procedure rules were not complied with for contracts in excess of £25k ✗ The existence of sub-contractor arrangements were not included within grant funding applications
✓ Satisfactory arrangements were in place to ensure that payments are made for valid invoices	<ul style="list-style-type: none"> ✗ There were no formal contracts in place for all contractors of SEN meaning monitoring against identifiable and specified contractual obligations was not possible. This practice was outside of the Contract Procedure Rules. ✗ A spreadsheet of SEN contracts existed but was not complete

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ Some procedure notes were in place for budgetary control processes ✓ Overspends have been reported to the Chief Finance Officer, Cabinet Resources Committee, and monitored through the Statutory Officer Group on a monthly basis ✓ There is a clear timetable in place for budget setting 	<ul style="list-style-type: none"> ✗ Appropriate budget estimates were not produced in all areas ✗ The scheme of delegation is in draft and not yet in place ✗ Responsibilities for budget management are not well understood by some budget holders ✗ Variances have not always been identified promptly ✗ A recovery plan was drafted initially without key actions to reduce the overspend
	<ul style="list-style-type: none"> ✗ Non compliance with the Data Protection Act in relation to personal data held in hard copy in relation to SEN placements ✗ Current procedures are not robust enough to ensure that annual reviews are undertaken on a timely basis ✗ There are gaps in the completeness and accuracy of information held in service users' files and data recorded on the 'tribal' database ✗ Information is currently being kept both in paper format and electronically
<ul style="list-style-type: none"> ✓ Senior managers have an overview of performance management arrangements ✓ Responsibility for data quality is assigned, and everyone understands their role ✓ Staff recognise why data quality is important and it is seen as 'part of the day job' 	

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ Identification of key strategic risks and mitigating action ✓ Evidence of implementation of actions to mitigate the risks ✓ Escalation and reporting of risks from the Service to the Corporate Risk Register 	<ul style="list-style-type: none"> ✗ The risk analysis process did not include a comprehensive identification of all risks which could compromise operational delivery ✗ The mechanism for the evaluation of risks for their significance was not undertaken against standard evaluation criteria ✗ The lack of availability of all necessary information for decisions on the treatment of risks ✗ A need for risk management training to improve understanding and implementation of sound risk management practice

Chief Executive's Service

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Equalities
- LAA grant

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ A corporate forum to steer the equalities agenda is in operation ✓ Senior officers provide leadership in the corporate forum for equality ✓ Directorate equalities groups are in place to coordinate/develop the equalities agenda locally ✓ There is some scrutiny of performance by key stakeholders and collaboration with stakeholders, for example the equalities 'First Stat' workshop in October 2009 	<ul style="list-style-type: none"> ✗ The Equalities Scheme should be reviewed on a regular basis ✗ The process for scrutinising and challenging the Delegated Powers Reports (DPR's) could be better evidenced ✗ A equalities competency/skills framework for Members and officers should be developed ✗ The equality delivery plan should be monitored and reviewed for performance on an annual basis ✗ An appropriate Committee had not been given the opportunity to discuss or scrutinise progress in respect of the Council's equalities agenda within the last year
	<ul style="list-style-type: none"> ✗ Data sharing protocols in relation to indicators for the Local Area Agreement (LAA) grant not being put in place to ensure that all data collected, especially through partners, is of good quality as well as being accurate, complete and in line with the reward definitions document. ✗ Action plans not being put in place to monitor the targets throughout the three year period, and therefore financial opportunities may have been lost.

Deputy Chief Executive's Service

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

- Council Tax, NNDR and Housing Benefit system replacement – Pericles
- Grants
- Safer Recruitment
- CRB checks
- Value for money data quality
- Stroke grant

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ A risk and issues register existed for the delivery of the Council Tax, NNDR and Housing Tax project (Pericles replacement) ✓ Training was undertaken on the new Open Revenues System 	<ul style="list-style-type: none"> ✗ Concerns and issues with the overall quality of the conversion outputs should be resolved, including agreeing the required percentage matching that needs to be achieved ✗ Conversion reconciliation exercises between agreed key OpenRevenues and Pericles data should be formally undertaken and signed off ✗ Incompatible access group functions should be separated or should only be allocated to staff for limited periods
<ul style="list-style-type: none"> ✓ A grants procedure note has been developed and made available to staff ✓ Grants training has been provided in the year ✓ A 'grants co-ordinator' role has been established as a dedicated role for managing the grant claim process ✓ Working papers are generated to support grant claims 	<ul style="list-style-type: none"> ✗ The grants database/register was found not to be complete, accurate and up-to-date ✗ The grant conditions have not always been recorded and updated in the grants register ✗ There could be further development of performance information to determine the success of the grants process ✗ Some directorates did not display a good understanding of their responsibilities in relation to compiling grants

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ Job evaluations are carried out to determine the level of security checks for each post ✓ HR produces a list of staff whose CRB checks are due for renewal/expiry 	<ul style="list-style-type: none"> ✗ There were gaps in the scope and content of existing policies and procedures at the time of the audit and there was no robust monitoring process to assess compliance with these procedures ✗ There is a lack of clarity in terms of application/interview questions that recruitment officers should adopt for safer recruitment purposes ✗ There is a lack of an audit trail to substantiate pre-employment checks
<ul style="list-style-type: none"> ✓ Guidance notes for some of the key CRB processes are available to staff on the intranet ✓ There is a dedicated CRB Team in place within HR which has resulted in better accountability for the CRB process ✓ Within HR there was compliance with data retention and destruction of all personal information and documentation ✓ The Social Care Placement Team as part of their contracting monitoring visits, confirm provider CRB arrangements (Children's Service) ✓ Contract documentation contain relevant clauses for contractors to undertake CRB checks for their staff (Adults Social Care) ✓ Procedures exists at an Agency worker level for posts which involve contact with children and/or young people and vulnerable adults 	<ul style="list-style-type: none"> ✗ There is no common process at a corporate level to confirm compliance to the CRB requirements across all service areas ✗ Some CRB procedural processes have not been fully complied with ✗ Only limited site inspections are being carried out to confirm CRB arrangements within supply management in Adults Social Care and Children's Services, no policy exists setting out the approach to those contractors not visited ✗ There are differing approaches to CRB checks within HR, Adults Social Care and Children's Services and as inefficiencies exist ✗ Within Children's Services disclosure notes in relation to CRB's are being retained for more than 6 months, this is in contravention with the Data Protection Act ✗ For agency staff who start employment before their CRB clearance is received there has been no evidence of a risk assessment being completed as required by the HR protocol

Strengths	Areas for development
<ul style="list-style-type: none"> ✓ Planned efficiency savings are tied directly to the budget setting process to evidence value for money ✓ Commentary in terms of progress on savings are documented in quarterly monitoring reports to the Cabinet Resources Committee ✓ Section 151 officer signs off the NI179 return before submission ✓ NI179 is submitted securely 	<ul style="list-style-type: none"> ✗ Policies and procedures for identifying, calculating, certifying, scrutinising and monitoring efficiency gains had not been developed ✗ Roles and responsibilities had not been formally documented ✗ The audit trail could be improved for the generation of the National indicator
<ul style="list-style-type: none"> ✓ Sufficient processes exist around the generation of the Stroke grant ✓ Eligibility criteria of the Stroke grant had been complied with ✓ An expenditure plan exists for the carry forward of surplus grant monies ✓ There is appropriate administration and management of the grant 	

Appendix A: Audits with No Assurance or Limited Assurance 2010/11





Audit Opinions on Completed Audits for the year 2010/11

Systems Audits	Assurance
1. Cashless Parking	Limited
2. Debit/Credit cards	Limited
3. Council Tax, NNDR and Housing Benefit replacement	Limited
4. Independent Provider Performance – BRSI	Limited
5. Independent Provider Performance – SEN	Limited
6. Business Continuity (Council wide)	Limited
7. Reviewing (learning disabilities)	Limited
8. Safer Recruitment	Limited
9. Special Education Needs Placements	Limited
10. Cash book control and reconciliation	Limited
11. Equalities	Limited
12. Grant arrangements	Limited
13. LG Pension Administration	Limited
14. Budgetary Control (Children's Service)	Limited
15. Capital Programme/funding	Limited
16. Freedom of Information	Limited
17. Corporate Procurement	Limited
18. Data Quality (Adults Social Services)	Limited
19. Recruitment, HR, Payroll	Limited
20. Sustainability	Limited
21. Treasury Management	Limited
22. Waste Prevention	Limited
23. Income and Debt management	Limited
24. Business Continuity/Disaster Recovery (Information Services)	Limited
25. Member Allowances	Limited
26. Street Lighting – PFI	Limited
27. CRB checks	Limited
28. LAA Grant	Limited
29. Risk Management – Children's Services	Limited
30. Parking Service	No
31. Environmental Health – compliance	No

School Audits	Assurance
1. Goldbeaters	No
2. St Mary's and St John's	Limited
3. Holickwood	Limited

Appendix B: Guide to assurance and priority

For each audit, we arrive at a conclusion that assesses the audit assurance in one of four categories. These arise from our assessment of the system of controls, which are in place to achieve the system objectives, and our testing opinion: we check whether the controls said to be in place are being consistently applied.

	Substantial Assurance	There is a sound system of internal control designed to achieve the system objectives. The control processes tested are being consistently applied.
	Satisfactory Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the system objectives at risk.
	Limited Assurance	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the system objectives at risk.
	No Assurance	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Priorities assigned to recommendations are based on the following criteria:

High (1) – Fundamental issue where action is considered imperative to ensure that the Council is not exposed to high risks; also covers breaches of legislation and policies and procedures. Action to be effected within 1 month.

Medium (2) – Significant issue where action is considered necessary to avoid exposure to significant risk. Action to be effected within 3 months.

Low (3) – Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 months to 1 year.

Appendix C: Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. This report is a summarisation of the 2010-11 and individual reports for each area should be reviewed in detail. Recommendations for improvements should be assessed by management for their full impact before they are implemented.

The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Appendix D: List of Satisfactory or Substantial Audit Opinions

Audit Opinions on Completed Audits for the year 2010/11

Systems Audits	Assurance
1. Housing Benefits	Substantial
2. Performance Management – Children’s Services	Satisfactory
3. National Indicator (NI) 179 – Value for money	Satisfactory
4. Stroke Grant	Satisfactory
5. Project Governance – Pothole Elimination Scheme	Satisfactory
6. Council Tax	Satisfactory
7. NNDR Business Rates	Satisfactory
8. Compliance with Financial Regulations	Satisfactory
9. Environmental Health	Satisfactory
10. Fire Safety	Satisfactory

School Audits	Assurance
1. Claremont	Satisfactory
2. Livingstone	Satisfactory
3. Menorah	Satisfactory
4. Oak Lodge	Satisfactory
5. Oakleigh	Satisfactory
6. Osidge	Satisfactory
7. Queenswell Junction	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 Agnes	Satisfactory
16. Courtyard	Satisfactory
17. Deansbrook Infant	Satisfactory
18. Garden Suburb	Satisfactory
19. Tudor	Satisfactory
20. Northside	Satisfactory
21. Moss Hall Infant	Satisfactory
22. Our Lady of Lourdes	Satisfactory
23. St Vincent’s	Satisfactory
24. Blessed Dominic	Satisfactory
25. Brookland Infant	Satisfactory
26. Brookland Junior	Satisfactory
27. All Saints’ N20	Satisfactory

Audit Opinions on Completed Audits for the year 2010/11

28.	St John's N20	Satisfactory
29.	Christ Church CE Primary	Satisfactory
30.	Woodrige	Satisfactory
31.	Pardes house	Satisfactory