

**AGENDA ITEM: 8**

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Meeting	Audit Committee
Date	8 December 2011
<b>Subject</b>	<b>Internal Audit Progress Report – 2011-12 Quarter 2</b>
Report of	Assistant Director of Finance - Audit and Risk Management
Summary	Members are asked to note the Progress Report and Appendices.

Officer Contributors	Maryellen Salter, Assistant Director of Finance - Audit and Risk Management
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A - Internal Audit Progress Report
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 high priority recommendations for follow-up in future periods.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 At the Audit Committee meeting on 11 March 2010 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. It was also resolved at the meeting of the 21<sup>st</sup> September 2010 that where an audit had limited assurance that greater detail be provided than previously.

## **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 and agreeing actions to address the weaknesses.
- 4.2 Internal Audit work contributes 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 of individuals.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1 As the Internal Audit plan is risk based this provides more appropriate assurance on those high priority areas within the Council. When risk, and assurances that those risks are being well managed, is analysed alongside finance and performance information it can provide management with the ability to measure value for money.

## **7. LEGAL ISSUES**

- 7.1 Section 151 Local Government Act 1972- ‘...every local authority shall make arrangements for the proper administration of their financial affairs...’

Regulation 6 of the Accounts and Audit (England) Regulations 2011 - 'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Constitution Part 3 Responsibilities for Functions - the Audit Committee terms of reference paragraph 2 states that the Committee can consider summaries of specific audit reports as requested.

## **9 BACKGROUND INFORMATION**

- 9.1 This report provides details of the audits carried out during August to November 2011 and also gives the assurance level for each audit. Those reports that were limited or no assurance were:

- Data protection
- Council Tax
- Mathilda Marks Kennedy (school audit)

- 9.2 Of the quarter 2 audit opinions issued 83% of these have been rated as satisfactory or above, however it should be noted that only 47% of the plan (on target according to the timing indicated on the Annual Audit Plan 2011-12) has been delivered. This is consistent with quarter 1 where most of the systems reviewed gave satisfactory assurance.

- 9.3 The Committee is also asked to note additions to the plan in the quarter and the statistics on the performance of the Internal Audit Team.

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

- 10.1 None.

Legal: MAM

Finance: JH, MGC

**Appendix A**

**London Borough of Barnet**  
**Internal Audit & Risk Management**  
**Progress Report 2011-12 – Period 2**

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

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### Appendices:

- A: 2010/11 Work during quarter including assurance levels
- B: Work in progress
- C: Internal Audit Effectiveness Indicators

## **1. Introduction**

The Internal Audit Plan was agreed by the Audit Committee on the 24<sup>th</sup> March 2011. This report follows the principles previously accepted by the Committee, in that all audit reports with limited or no assurance will be summarised into key messages with some detail.

## **2. Final Reports Issued**

This report covers the period from 15<sup>th</sup> August to 28<sup>th</sup> November 2011. The Internal Audit service has over this period issued 18 reports, in accordance with the 2011-12 Internal Audit Plan. The full list of completed audits during this period is included in Appendix A, of the 18 reports assurance all but 3 were rated as satisfactory or substantial assurance. Those issued with limited assurance are detailed within section 3 of this report.

Of the 2011-12 audit opinions issued 83% of these have been rated as satisfactory or above, however it should be noted that only 47% of the plan (on target according to the timing indicated on the Annual Audit Plan 2011-12) has been delivered. The Direction of Travel for 2011-12 continues to be positive where most have been rated as satisfactory assurance.

### 3. Key Findings from Internal Audit Work with Limited or No assurance

<b>Title</b>	Data Protection – Cross Cutting			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion &amp; Direction of Travel</b>				
Data protection Audit - No Assurance 2008-09				
<b>Date final report issued</b>	October 2011			
<b>Background</b>	<p>The Data Protection Act 1998 (DPA) provides legislation to organisations for the processing, collection, storage, management and disposal of data pertaining to living individuals which is known as personal data. Individuals are classed as data subjects and have the right under the DPA 1998 to request a copy of their personal data held by any organisation to review for accuracy and to ensure data is processed in an accurate manner.</p> <p>Organisations have a duty to collect and process personal data in accordance with the eight principles set out in the Act. Compliance with the DPA is identified and enforced by the Information Commissioner's Office (ICO). The ICO has the powers to issue information and enforcement notices, conduct audits and undertake legal proceedings against organisations that persistently fail to comply with the requirements of the Act or have been identified as not complying with the Act. Failure to comply with the DPA can lead to monetary fines being imposed, criminal and civil prosecutions, adverse local and national publicity and loss of credibility and reputation. The ICO also provides advice and guidance on compliance with the legislation.</p>			

**Summary  
Findings**

of

**Areas of Good Practice**

- There was evidence of good staff awareness of the current data protection requirements and recent non-compliance issues, supported by a willingness to act on the ICO recommendations, in order to further improve practices and support compliance with the Data Protection Act 1998. Staff interviewed had attended the Corporate DP briefing last year.
- Staff indicated a good level of awareness regarding the security and confidentiality of personal information and were aware of the importance of reporting IT security incidents, disposing personal data securely (shredding) and dealing with Subject Access Requests.
- There are Policies and Procedures in place on the Council's Corporate Governance Intranet site, which detail the requirements of the current DPA and explaining Council processes to staff.
- The Council's Information Security Policy provides guidance to staff on the security methods for data transfer.

The following issues were identified during this audit across services teams visited in Environment, Planning and Regeneration (EPR), Adults Social Care and Health (ASCH) and Children's Service. The following were high priority recommendations:

**Data Security – Personal Data held by Council's Contractors and third parties**

The Council contracts with third parties to help delivery services and shares personal data to achieve this. Council contract terms and conditions include specific clauses on compliance with the data protection legislation. However, current service contract monitoring checks do not seek confirmation of contractors' compliance with the DP contract terms and conditions.

No guidance has been issued on the DP arrangements, where personal / sensitive data is shared with independent members (non-employees of the Council) of various panels.

**Information Security Policy - Clear Desk Policy and Transfer of Data outside the EEA**

Clear desk requirements were not fully in place, in two service teams visited at Barnet House. Paper records containing personal and sensitive data and in one instance, a computer tablet had been left on desks after staff had left the office at the end of the day.

There is no guidance issued to Services of the checks to undertake when transferring data outside the European Economic Area (EEA) to ensure that the Council is compliant with Principle 8 – '*Personal data shall not be transferred to a country or territory outside the European Economic Area (EEA) unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects in relation to the processing of personal data*'.



**Closed Circuit TV (CCTV)**

A review of the CCTV arrangements at Colinhurst House and Barnet House, revealed that there is no corporate register or oversight of which services are responsible for the operations of CCTV across the Council. There is a draft Council CCTV policy awaiting sign-off. Our review of CCTV arrangements at Colinhurst House and Barnet House, found non-compliance to the ICO CCTV Code of Practice.

**Other issues identified through-out our review:****Records Retention and Disposal**

Whilst personal data collected, processed and is secured appropriately by the Council, we found that there is no consistent approach adopted by service areas to ensure that retention periods are being implemented and adhered in line with the current Records Retention and Disposal Guidelines.

**Compliance Arrangements**

There is no common process developed at a corporate level to enable services to undertake checks to confirm compliance with the requirements of the DPA and Council DP policies.

**Risk Identification**

There is no identification by services of the potential DP risks to their business. This could compromise delivery of service, create negative outcomes for the Council and impact stakeholders and lead to non-compliance with the DPA.

**Training**

There is no consistent approach to DP training across the three directorates. Children's Service deliveries DP briefing to new starters in addition to the corporate 18-week induction and individual service teams. In EPR and Adult Social Care and Health, DP requirements are covered as part of the corporate 18 week induction. As a result, the levels of awareness and knowledge base amongst staff will be varied and the assumption that employees will fully understand DP requirements without any formal training.

There is no on-line DP training module (this was in place following the last audit in 2009 – but is no longer available) to assist staff to make them aware of the DP requirements and of their responsibilities under the DPA, particularly with respect to collecting, protecting and destroying data when no longer required.

Link Officers roles and responsibilities in relation to DP have not been clearly defined and documented within their current job responsibilities.

<p><b>Priority recommendations</b> 1</p>	<p><b>Violent / Hazard Markers</b>  The ICO issued a Practice Guide on the use of Violent Warning Markers (Violent warning markers are a means of identifying and recording individuals who pose, or could possibly pose, a risk to the members of staff who come into contact with them). We confirmed through discussions that there is no formal review of these markers by services within Housing and Adult Social Care and Health.</p> <p><b>Privacy Notices</b>  Corporate guidance has not been issued to services to review service application forms to ensure that these contain the relevant Privacy Notices in accordance with the ICO Privacy Code of Practice.</p> <p><b>Duplication of Information</b>  Staff interviewed across the three directorates continue to save the same client details in their personal 'H drive' in addition to main service systems / SAFFRON / SWIFT / ICS/ WISDOM. This finding was reported by the ICO in June 2010, who recommended that the Council monitor the duplication of client records to shared drives and staff understand the consequences for non compliance with documented procedures when handling personal data.</p> <p><b>Recommendation 1:</b>  Where council services use third party “data processors” to process personal data to provide services on behalf of the council, the SIRT should request service teams to review current contractual arrangements, to ensure that these are in accordance with the following special provisions of the Act when using a “data processor”:  Contractor monitoring checks should confirm that contractors have in place appropriate technical and organisational measures to ensure the security of the personal data supplied by the Council (and to guard against unauthorised or unlawful processing of the personal data and against accidental loss or destruction of or damage to the personal data).</p> <p><b>Recommendation 2:</b>  Services should be reminded to implement and monitor an effective clear-desk policy to minimise the risks of data loss or theft. The current policy should include a protocol on the transfer of data outside the EEA.</p> <p><b>Recommendation 3:</b>  SIRT should work with relevant Directors on the draft CCTV policy and seek approval for circulation. Compliance with the ICO CCTV Code of Practice should be included within the corporate compliance framework. An inventory of CCTV in use and a corporate register should be prepared. Once in place, this should be monitored routinely.</p>
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**Management Responses and agreed action dates**

**Recommendation 1:**

CGD will work with Corporate Programmes, in Commercial Services to ensure that the Procurement Controls and Monitoring Action Plan will pick up on all aspects that are required to be monitored/checked as part of the contract monitoring process. A checklist of requirements and guidance will be produced to assist staff in undertaking the procurement process and the ongoing checking of contracts.

As an interim, guidance will be posted online in terms of specifically the requirements on DPA and Data Processor contracts. (End of November 2011)

**Recommendation 2:**

The clear desk policy will be addressed through an all staff communication (lead by TAP) and through the intranet and IGC.

The Council has a Data Transfer Policy with covers EEA transfers. This is a policy primarily owned by Information Systems and is in the process of review and therefore unpublished.

CGD will work with IS in ensuring transfers of data outside the EEA are sufficiently captured. (End of December 2011)

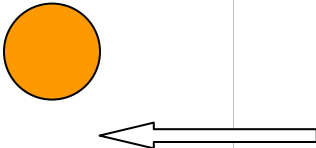
**Recommendation 3:**

Work has already begun to address these issues through the Information Management Working Group.

SIRT will work with services to ensure that they adopt appropriate procedures in line with CCTV Code of Practice and implement a process of audit.

SIRT will put together an inventory of all cameras which will identify appropriate owners.

SIRT will ensure that services adopt appropriate procedures in line with CCTV Code of Practice and implement a process of audit. (End of December 2011)

<b>Title</b>	Council Tax			
<b>Assurances</b>				
<b>Audit Opinion &amp; Direction of Travel</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
Council Tax 2010-11 (satisfactory)				
<b>Date final report issued</b>	November 2011			
<b>Background</b>	<p>The Council has a statutory duty, under the Local Government Finance Act 1992 (As Amended) to levy and collect council tax and business rates, which is payable in respect of dwellings situated in its area.</p> <p>The new system for Council Tax and NNDR, OpenRevenues (replacing Pericles), went live in February 2011.</p>			

**Summary of Findings**

The following positive findings, supporting the objectives, were noted:

- Clear and allocated responsibility for key processes for Council Tax exemption/discount processing and review, Council Tax property database processing and review, Interface system reconciliation and review, refund processing and review, billing processing and review, recovery activity and review of output. Testing confirmed understanding of roles and no capability issues
- The existence of documented processes for referral for key Council Tax processes covering exemption and discount processing, property database processing, interface reconciliation, refund processing and recovery.
- Adequate and effective training and development arrangements for ensuring accurate processing of Council Tax exemptions, discounts and disregards.
- Arrangements for the independent review/check of key processing output for exemptions, discount and disregards, Valuation Office property processing, billing, interface suspense clearance and refunds.
- The annual review of Class N category for dwellings occupied by students and certain classes of 25% and 50% disregard and discount categories (e.g. student and child benefit entitlement disregards) had been completed.
- Effective processes for monitoring compliance with procedures, including reviews of Council Tax and exemptions, discount and disregard processing, through senior collection officers undertaking quality review checks on work/activity of staff in their respective teams and addressing issues where necessary (a process supporting development).
- Effective processes to ensure that Valuation Office property alteration for Council Tax were correctly recorded in OpenRevenues through the independent checking of input and the routine undertaking and independent review of reconciliations. Testing confirmed the accuracy of related input.
- Evidence of routine undertaking of reconciliations between AXIS, OpenRevenues and SAP and the clearance of related suspense items to ensure the prompt and accurate update of Council tax income data in OpenRevenues and SAP.
- Evidence of effective controls to ensure the accurate input of billing parameters for Council Tax informing related charging
- Adequate and effective arrangements for ensuring the accuracy of main and periodic bills and for ensuring that all relevant bills are posted/sent through reporting, bill inspection and reconciliation processes.
- Adequate and effective arrangements for ensuring the accuracy of reminders and summons notifications and ensuring that proof of sending reminders was available for review as part of the recovery process, where necessary through reporting, document inspection and reconciliation processes.
- Evidence of monitoring of bailiff debt recovery for pre-2011-12 billing debt.

The following issues were noted:

- The implementation issues associated with OpenRevenues have lead to backlogs and delays in the undertaking of key processes below:
  - annual reviews (to confirm ongoing validity) of Council Tax exemptions by class/category (e.g. Class V exemptions for dwellings occupied by Diplomats and empty property exemption categories and

- The implementation issues associated with OpenRevenues have led to backlogs and delays in the undertaking of key processes below:
  - annual reviews (to confirm ongoing validity) of Council Tax exemptions by class/category (e.g. Class V exemptions for dwellings occupied by Diplomats and empty property exemption categories and
  - debt recovery processes. The first reminder notices for 2011 annual billing were sent in July 2011. The first summons and court hearing for 2011 billing was undertaken in August and September respectively (normally undertaken earlier). Issues with the bailiff submission files meant that the last submission to bailiffs was undertaken in December 2010. Monitoring reports (in respect of attachment of earnings orders, deductions from income support and broken arrangements) and electronic bailiff instructions has also not been available to facilitate collection. At 31 July 2011, the collection rate was reported as lower than target. Management are aware of the issues and the debt recovery in particular is reflected as a risk in the Service risk register for ongoing monitoring (not reported as a recommendation).
- Officers had user access which they did not require in terms of their roles or where officers responsible for review/checking functions also had system user access for underlying processing, without related exception reporting. In particular, work type items checked as part of the monthly compliance quality review checks undertaken by Senior Control Officers were sourced directly from reports of staff activity from the images workflow system and not from a record of all exemptions and discounts actually processed to OpenRevenues accounts during that month.
- Instances where officers undertaking independent checks of key processing output (property database alteration, refunds and suspense clearance) did not sign-off as evidence of the check as required.
- The lack of evidence of effective review processes to ensure the validity of billing and reminder suppression
- The lack of processes for reporting suspicious money laundering activity in line with agreed thresholds
- Procedure documents had not been updated to reflect changes to discount application and to fully align with the operation of the new system, OpenRevenues. Management indicated that procedure update was planned.
- Confirmation of the need for improving the process for ensuring that all property notification information (from various sources) is recorded and addressed for notification to the Valuation Office, where applicable, through active monitoring of resolution progress.

**Priority  
recommendations**

**1 Recommendation 1**

The planned review of user access in OpenRevenues should be completed. The review should include an assessment of the risks associated with user access provision in relation related user roles/functions and the re-alignment of functions or implementation of related exception reporting and reviewing processes where necessary. In particular, monthly quality checks of staff work should include the inspection (for validity and accuracy) of Council Tax exemptions and discounts sourced from a record of all exemptions and discounts processed directly to OpenRevenues during the month.

The planned process should be completed for identifying staff living in the borough or who have family members living in the borough and restricting access to the relevant Council Tax accounts

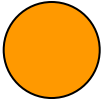
The process for identifying and disabling leaver accounts should be strengthened to ensure that they are promptly disabled.

**Management Responses and agreed action dates**

Recommendation 1:

- It is accepted that the planned review should be completed. However, we do not agree that this recommendation is Priority 1 status as management were already taking measures to address these issues. At the outset of the audit, it was flagged that, with the benefit of six months live-running of the new system, a review of systems access levels could be usefully undertaken and was planned.
- We accept the recommendation that quality checking should be sourced directly from system-produced reports of actual Open Revenues transactions and a new procedure incorporating has been implemented by the Collection, Recovery and Control Teams.
- Our risk assessment has concluded that in the main, it is not practical to remove senior officers' access to underlying processing, despite their checking/review function. It has long been accepted that there is some increase in the level of risk from not separating these duties. However, steady and significant annual increases in the number of properties continue to create additional work in a climate of reducing resources and in the interests of efficiency and business continuity, this means that senior officers also have to undertake some processing themselves. The same argument applies to Recovery Team staff having access to processing discounts and exemptions. Risks in both cases will be partly mitigated by the checking of exceptions under the new exemption and discount reporting and checking procedure. As a consequence we do not accept this part of the recommendation as the impact on performance will have far greater consequences than the risk highlighted.
- An exception to this is refund checking, where a new process is being evaluated, which if implemented, would remove access to create refunds from senior officers, who would then only be involved in the checking function of the refunds process.
- Functionality to restrict access to relevant accounts of staff and family members exists but is defective as access to some information is not in fact restricted. This issue will be raised with Civica.
- We accept that the process for identifying and disabling leaver accounts should be strengthened to ensure that they are promptly disabled and are considering the most effective way to do this.



<b>Title</b>	Mathilda Marks Kennedy			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion &amp; Direction of Travel</b>				
<b>Date final report issued</b>	November 2011			
<b>Background</b>	<p>Mathilda Marks Kennedy Primary School is a Voluntary Aided school with places for 218 pupils aged between 3 and 11 years of age. The School budget for 2011-12 is £1,296,888 with employee costs of £994,712 (77% of the delegated budget).</p> <p>This audit was carried out as part of the planned School audits for 2011-12 and the audit review covered the period April 2010 to March 2011. The aim of the audit is to provide assurance on key areas of financial management.</p> <p>The audit is conducted in line with the “Keeping your Balance” document developed jointly by the Office for Standards in Education (OFSTED) and the Audit Commission (AC) and to ensure compliance with Barnet’s Scheme for Financing Schools and related Financial Guide for Schools.</p> <p>The scope of the audit included assessment of the following:</p> <ul style="list-style-type: none"> <li>▪ adequacy of accounting, financial and other controls;</li> <li>▪ compliance to established plans and procedures;</li> <li>▪ the integrity and reliability of financial and other information;</li> <li>▪ assets and other interests of the Council are properly safeguarded; and that</li> <li>▪ the use of resources achieves value for money.</li> </ul>			

## Summary of Findings

- The Financial Management & Procedures Policy document did not reflect current practices in all areas of financial management;
- Expenditure is not recorded when committed e.g. when an order has been placed;
- Budget monitoring reports presented to governors do not show committed expenditure against total budget allocated and current balance;
- There was no visible evidence to confirm that checks had been carried out to ensure that goods were received correctly for 21 orders.
- From a sample of 36 purchase order forms, two order forms were found to be missing;
- Twenty-six invoices for which a purchase order was completed after the invoice was received;
- One invoice paid to an individual for speech and language therapy for which no proof of their self-employed status was held for tax and National Insurance purposes ;
- Four invoices had not been paid within specified time limits, for example within 14 or 30 day;
- Non-compliance to Contract Standing Orders for Schools: written contract documents for all contractors; proof of adequate insurance liability cover; lack of visible evidence relating to 'best value' reviews for all relevant contracts;
- A review of procedures and controls over the income system found no independent check to verify income collected and banked agreed to source documentation, for example spreadsheets/class lists;
- Transfers of money between staff are not signed for;
- No or unclear audit trails exist for income collected from educational visits/meals;
- Lettings related costs paid from the School's Budget Share account are not reimbursed from the School Private fund account;
- Arrangements for use of the School premises by hirers and independent after-school club organisers have not been formalised;
- No visible evidence that after-school clubs are adequately covered by insurance;
- The inventory records are not up-to-date;
- Entries recorded in the inventory register where not complete.

**'High' Priority recommendation**

**Recommendation**

The School should ensure that:

- a) The officer(s) responsible for checking receipt of goods, sign and date the delivery note to indicate that the delivery was received complete etc;
- b) Controls over the issuing of blank purchase order forms to staff are tightened and regular checks are made to ensure that these orders have been returned;
- c) All invoices should be signed by a member of staff approved by the governing body prior to payment of the invoice;
- d) A purchase order form is raised and approved by the relevant officer as delegated by the Governing Body, prior to the order being placed and not retrospectively upon receipt of the invoice, (with the exception of utilities, contract payments, temporary staff costs). The order should be posted onto the accounting system as committed expenditure upon the external accountants next visit;
- e) Formal documentation should be obtained from individuals requesting payment to confirm that they may be paid gross of tax and National Insurance;
- f) Expenditure relating to the School's Private funds is not processed through the budget share account;
- g) Invoices are processed promptly or at least within time limits specified by law for the payment of debts;
- h) The filing system for invoices should be reviewed and processes put in place to ensure that clear sequential audit trails exist and invoices can be easily traced.

**Recommendation**

The school should ensure that:

- a) Independent checks are carried out to confirm that amounts banked agree to control records and this is adequately evidenced;
- b) Transfers of money between staff are signed for;
- c) Source documentation (for example classlists, spreadsheets showing a clear and accurate breakdown of the amounts collected and relevant bank paying-in-slip details showing when the money was banked) is maintained in order for a clear audit trail to exist. These records should be held in accordance with LA guidelines.

<b>Management Responses and agreed action dates</b>	<p>Agreed The School will ensure that controls over the purchasing system are reviewed in order that all of the above findings are addressed.</p> <p>Agreed Controls and procedures for all income received will be reviewed to ensure that all area referred to above are addressed.</p>
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## 4. Work in progress and effectiveness review

Appendix B includes a list of all of those audits at the planning, fieldwork, or draft reporting stages.

Appendix C shows how effective Internal Audit is at delivery of the two of the three aspects of value for money – efficiency and effectiveness. Economy is reported within quarterly performance reports to Directorates and CRC and are within tolerance levels.

The exceptions that are showing within these indicators relate to the following:

**Effectiveness** – there has been a consistent positive direction of travel from the fourth quarter of 2010-11 to this quarter. Currently the percentage of recommendations has improved to 69%. However this percentage is below 90% the target that has been set. We will continue to work with Services to embed the corporate governance objective and create a culture of improvement.

There has been improvement noted in the turnaround of draft reports where the target is 10 days after end of fieldwork, the most notable reasons for this has been the turnaround of reports by the new supplier – Price Waterhouse Coopers (PwC). The service is now hitting the target of 90% of all reports being drafted within 10 working days of fieldwork.

## 5. Liaison with Officers and External Audit

The Internal Audit Service is committed to the managed audit approach. Part of this includes regular liaison with External Audit to ensure that our work can be relied upon as part of the financial accounts audit. Liaison meetings also incorporate updates from the Head of Performance on the performance of all Council Services.

## 6. Changes to our plan

Since the Internal Audit Plan was approved the following audits have been cancelled, deferred or are additional to the original audit plan agreed in March 2011.

Type	Audit Title	Reasons
Additional	Nursing and Residential Care review	Following the September Audit Committee, the Assistant Director of Audit and Risk Management commissioned a piece of work into Commissioning behaviours within Adults Social Care and Health (ASCH) and Children's Service for Nursing and Residential Care. This was in light of the numbers of non-compliant contracts with a view of establishing how compliance is assured over the medium to long term.
Additional	Procurement and Controls Monitoring Action Plan Report	The Audit Committee requested the Assistant Director of Audit and Risk Management to provide assurances over the completion of the Procurement and Controls Monitoring and Action Plan.

## 7. Risk Management

In the quarter the risk management arrangements continued to be reinforced through the Risk and Fraud Forum. Risks from each Directorate were discussed and challenged for inclusion within the quarter 2 performance report. The following improvements occurred in the quarter:

- A new report was developed with the risk management system to extract relevant information for the quarterly report;
- Further guidance was issued regarding the commentary required on the quarterly performance report to further add context and information on the risk profile; and
- An annual governance statement approach was agreed for the final accounts process.

Due to the timing of the Audit Committee the Corporate Risk Register was not agreed in time by the Corporate Directors Group and had not been presented to Cabinet Resources Committee (CRC) for inclusion within this report. The Corporate Risk Register will be available with the CRC papers when the Budget and Performance Report is tabled.

## Appendix A: 2011/12 work completed during quarter 2 including assurance levels

### Audit Opinions on Completed Audits during the period

<b>Systems Audits</b>	<b>Assurance</b>
1 Apprenticeships – Children’s Service	Satisfactory
2 Schools Placements	Satisfactory
3 Data Protection	Limited
4 NNDR	Satisfactory
5 Council Tax	Limited
6 Housing Benefits	Satisfactory
7 Accounts payable	Satisfactory
8 Income and debt management	Satisfactory
9 Cashbook	Satisfactory
10 Foster Carers	Satisfactory
Customer Services Transformation Programme – Risk Management	
11 Review	Satisfactory
12 Procurement Controls and Monitoring Action plan – follow-up	Conclusions only
13 Nursing and Residential Care contracts review	Conclusions only

<b>School Audits</b>	<b>Assurance</b>
1 Mathilda Marks Kennedy	Limited
2 Dollis Infant	Substantial
3 Martin Primary	Satisfactory
4 St Catherine’s	Satisfactory
5 Annunciation Infant	Satisfactory
6 Manorside	Satisfactory

## Appendix B: Work in progress

The following work is in progress at the time of writing this report.

### Work in progress

<b>Systems Audits</b>	<b>Status</b>
1 IT review – Liquidlogic	Scoping
2 Fairer contributions	Scoping
3 Homelessness	Scoping
4 Parking	Scoping
5 Treasury and Pensions	Scoping
6 Capital programme	Planning
7 Payroll	Fieldwork
8 Right to control	Planning
9 Contract management – Environment, Planning and Regeneration	Fieldwork
10 Data quality for HR	Fieldwork
11 One Barnet – scope and change control, governance and dependencies	Fieldwork
12 Establishment list – HR	Fieldwork
<b>School Audits</b>	<b>Status</b>
1 Sunnyfield	Fieldwork



## Appendix C: Internal Audit Effectiveness Indicators for quarter 2

Performance Indicator	Annual Target	Actual August 11	Actual Nov 11
% of recommendations accepted	98%	100%	100%
% of recommendations implemented	90%	60%	69%
External Audit evaluation of Internal Audit	Reliance On IA	Quarter 4 assessment	Quarter 4 assessment
Average client satisfaction score	90%	100%	100%
% of Plan delivered	44%**	17%***	47%
% of draft reports completed within 10 days of finishing fieldwork	90%	82%	90%
Periodic reports on progress	Each Audit Committee	Achieved	Achieved
Preparation of Annual Plan	By March	Quarter 4 assessment	Quarter 4 assessment
Preparation of Annual Report	Prior to A.G.S.	Quarter 4 assessment	Quarter 4 assessment
Staff with professional qualifications	70%	75%	75%
Staff development days	5 days	Quarter 4 assessment	Quarter 4 assessment

\* 3 surveys had been received by the service in the quarter relating to 2010-11 work

\*\* Targets are based on the spread of audits agreed within the Annual Audit Plan 2011-12 at the 95% target

\*\*\* Target for quarter 1 was 16%