London Borough of Barnet

Internal Audit Annual Opinion 2015/16

Audit Opinion and Direction of travel 2014/15 Annual Opinion: Satisfactory	**None**	**Limited**	**Satisfactory**	**Substantial**
			🟢 ⟷	

Caroline Glitre, Head of Internal Audit

Contents

1. Executive Summary

Introduction

This report outlines the internal audit work we have carried out for the year ended 31 March 2016.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through the delivery of a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix A. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Our opinion is based on the work performed in 2015/16 but the conclusion should be considered in the context of the financial pressures facing the Council in a period where savings are required to be made but there is a greater demand for local services due to the borough's growing population.

Although the Council has achieved 80% of the £75m savings target up to 2015 through efficiencies generated through the commissioning model, further reductions of £91m will be required up to 2020.

There are a number of emerging risks and opportunities which have been identified by Internal Audit in 2015/16 which will need to be monitored and managed by the Council going forward. This includes the three year review of the Customer Support Group (CSG) contract with Capita in the summer of 2016 with the objective of maximising the value that the private sector can bring to the delivery of public services.

Other key developments in the coming year include the new strategic partnership for Education & Skills Services with Cambridge Education, the recruitment of a permanent Commercial Director, the transfer of the Street Scene delivery unit to Barnet Homes for a six month period and the delayed transition of the client information system used by the Adults & Communities delivery unit from Swift to Mosaic.

Management should address the risks and recommendations from our work in 2015/16 to ensure that the gaps identified in the control environment are mitigated to ensure the Council are adequately equipped to face the risks and opportunities present in the short and medium term.

Our Opinion

	None	Limited	Satisfactory	Substantial
Audit Opinion and Direction of travel 2014/15 Annual Opinion: Satisfactory				

Summary of the work performed

We completed 82 internal audit reviews in the year ending 31 March 2016. A comparison of the 2015/16 report ratings with those of 2014/15 is summarised in the table below.

Assurance Opinion	2015/16		2014/15		Direction of travel
	No.	%	No.	%	
Substantial	2	4	1	2	⬆
Satisfactory	27	45	22	38	⬆
Limited	9	17	11	19	⬆
No	2	4	0	0	⬇
N/A – management letter	17	30	24	41	
Subtotal	**57**		**58**		
Schools*	26		22		
Total	**82**	**100**	**80**	**100**	

An analysis of the Internal Audit work completed in the Council's Schools is reported in Section 3

Commentary on our opinion

Governance, risk management and control in relation to business critical areas are generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk.

There are also a number of areas where good practice was identified by internal audit. The key areas which have informed the overall satisfactory conclusion are as follows:

- Key Financial Systems – review of 14 separate financial systems identified significant improvements in the design and operation of the key controls in place. This is a result of work undertaken by the Assistant Finance Director at CSG and the Head of Finance at the Council to improve the strength of the control environment. A summary table of the results of the Key Financial Systems work is included below:

Department	Overall Opinion 2015/16		Overall Opinion 2014/15		Direction of Travel
Schools Payroll	Satisfactory	🟢	N/A – new system in 2015/16		N/A
Accounts Receivable	Satisfactory	🟢	Limited	🟡	⬆
General Ledger	Satisfactory	🟢	Limited	🟡	⬆
Council Tax	Satisfactory	🟢	Satisfactory	🟢	⬌
Housing Benefit	Satisfactory	🟢	Limited	🟡	⬆
NNDR	Satisfactory	🟢	Limited	🟡	⬆
Accounts Payable	Limited	🟡	Limited	🟡	⬌

Internal Audit Annual Opinion 2015/16

Department	Overall Opinion 2015/16		Overall Opinion 2014/15		Direction of Travel
Non-schools payroll	Satisfactory	🟢	Satisfactory	🟢	⟷
Treasury management	Substantial	⚪	Satisfactory	🟢	⬆
Cash and Bank	Satisfactory	🟢	Satisfactory	🟢	⟷
Teachers' pensions	Limited	🟡	N/A – new system in 2015/16		N/A
Pension admin (non-schools)	Satisfactory	🟢	Substantial	⚪	⬇
Fixed assets	Satisfactory	🟢	N/A – new system in 2015/16		N/A
Budget monitoring (focus on Adults & Communities)	Satisfactory	🟢	N/A – new system in 2015/16		N/A

- Changes to governance arrangements – the Council restructured its governance arrangements in 2014 and moved from a Cabinet structure to a Committee structure. We identified no issues in our work with the flow of information upwards through the new system to ensure that decisions are taken at an appropriate level and are subject to sufficient and appropriate challenge. The Performance and Contract Management Committee in particular performs an effective role in scrutinising the performance of commissioning and delivery units, both internal and external.

- Project and Programme Management – we have reviewed the control framework around a number of business critical programmes in 2015/16 such as the Libraries, Smarter Working and Customer Transformation projects and identified satisfactory compliance in the areas of high performing teams, planning and dependency management. Where control weaknesses were identified for the Capital Development Pipeline programme at the start of the year, we found that controls had been strengthened and were fit for purpose by the end of the year in the areas of governance, stakeholder engagement and risk management.

- Schools – The number of limited assurance reports issued in 2015/16 is one higher (3) than in the prior year (2). However, there were also two Substantial Assurance opinions given in 2015/16, compared to none in the prior year. The results across the schools audits generally highlight good practice in financial management with few issues identified around financial controls and budget monitoring. A detailed breakdown of the results of the schools audits is included in Section 3.

- Monitoring and management of contract payment arrangements – we performed two reviews in 2015/16 which covered the accuracy and validity of payments made to third parties through the commissioning model. The first was the Shared Legal Service operated by HB Public Law and the second was the Commissioning Support Group ("CSG") contract with Capita. In all cases, payments were supported by appropriate documentation and approved in line with the Council's Scheme of Delegation.

- Risk management – the review of risk management confirmed that a clear risk management framework is in operation at the Council, risks are recorded promptly and reported to the Performance and Contract Monitoring Committee regularly. Although the procedures could be rationalised, there are strong examples of good practice in operation to identify, manage and monitor risks to the Council.

Improvements are required in the areas set out below to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

- Roles and responsibilities – Local authorities are complex and the nature of the Council's delivery model means that having clearly defined and understood roles and responsibilities across all services is crucial. During the year we identified several instances where clear guidance and procedures are either incomplete, lacking clarity or not available to Council or CSG staff. This may result in roles and

responsibilities not being clearly defined or contractual requirements not being met, potentially impacting on the performance of the Council or exposing it to an increased level of risk.

- Performance Management - The Council operate a 'thin client' model which is outcome focused, monitored through the use of performance reporting to measure the operations of both internal and external delivery units. It was noted that a number of performance reports provided to the Council by CSG, one of the Council's most significant partners, are incomplete and do not include a reported performance against all performance measures. In particular, there are issues with the completeness of performance measures in place for IT delivery which may prevent the Council from identifying issues with the capability or performance levels of the service. In all cases reviewed, the Council does not validate performance information received from CSG, even in service areas where the Council has access to management information systems. This reliance on CSG may result in performance issues not being identified and resolved promptly and the Council not receiving value for money from the CSG contract.

- Contract assurance – There is no formal documented assurance framework in place which summarises the Council's first, second and third lines of defence[1] over CSG activity and as a result there is a lack of clarity over the controls in place to mitigate key risks associated with processes operated by CSG. In reviewing and documenting the assurance framework the Council should make sure that assurance over CSG activity is aligned to the wider assurance framework in place for all Council activities.

- Human Resources Data – There are issues with the completeness and accuracy of the data held in the human resources management system, HR CORE. An exercise is currently being undertaken by the HR management team to validate all information held in the system. One of the objectives of the exercise is to ensure that all Council employees have the correct clearance for their role, for example Disclosure and Barring Service ("DBS") checks having been completed where required. The issues with the quality of Core data have also impacted the accuracy of the establishment list. There are ongoing changes made to the establishment list but no proactive review to ensure that all requested changes have been made. This may result in management information not reflecting complete workforce information and business decisions being based on incorrect data.

- Information Technology – The Council's IT service is provided by CSG and we have noted a number of areas where the requirements in the contract are either not being delivered or are not aligned to good practice. In particular, these issues relate to disaster recovery arrangements and the delivery of the IT strategy.

For further details, please see our Key Themes informing our opinion in Section 2.

Basis of our opinion

Our opinion is based on:

- All internal audits undertaken during the year.
- Any follow-up action taken in respect of audits from previous periods.
- Any significant recommendations not accepted by management and the resulting risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Any limitations which may have been placed on the scope or resources of internal audit.
- What proportion of the organisation's audit needs was covered by our work.
- Consideration of third party assurances.

Acknowledgement

We would like to take this opportunity to thank Council and its partners, in particular Customer Support Group (CSG) and Re staff, for their co-operation and assistance provided during the year.

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[1] In line with good practice, the **First Line of Defence** relates to the business operations i.e. ensuring there is an established risk and control environment in place within each of the core processes operated by Capita. **The Second Line of Defence** is the oversight functions i.e. strategic management, performance management and functional oversight. The **Third Line of Defence** is independent assurance i.e. Internal Audit, External Audit, and other sources of assurance who provide independent challenge.

2. Summary of areas for improvement in the control environment informing the opinion

Our annual internal audit report is timed to inform the Council's Annual Governance Statement. A summary of key themes and findings informing our overall opinion from our programme of internal audit work for 2015/16 are recorded in the table below. We ask that management consider these when preparing the 2015/16 Annual Governance Statement.

Area	Narrative	Relevant reports
Governance and Assurance Framework	**Roles and responsibilities and decision making** There are several instances where clear guidance and procedures are either incomplete, lacking clarity or not available to Council or CSG staff. This may result in roles and responsibilities not being clearly defined or contractual requirements not being met. Examples **noted at the time of the audits being undertaken** included: - The decision of the Policy and Resources Committee 25 March 2015 to arrange a pooled budget between the Council/Barnet Clinical Commissioning Group (CCG) has not been implemented as the Scheme of Delegation has not been updated to delegate authorities to the appropriate parties. - In Street Scene, instances were noted where there was no evidence of documented policies / procedures governing key processes for referral, communication and a clear understanding of requirements to ensure consistent related operation. For example, there were no formal documented policies/procedures evident for the collection of side waste, the use of fuel pumps on site and fuel key management. - There is currently no procedure in place to monitor changes made to financial limits within ContrOCC, the e-finance system used within Family Services. - The guidance available to Client Affairs staff on property visits is incomplete and in parts, lacks clarity on roles and responsibilities. - No documented procedures were available to ensure that the different approaches for Procurement vendors and Non-Procurement vendors are clearly understood and applied by all parties. - The business continuity procedures are incomplete and do not include clear guidance on roles and responsibilities of the delivery units. Arrangements also only consider North London Business Park. - For the Customer Service Performance Indicator, Face to Face wait times, there were no documented procedures to define how the data should be collected for the	• Better Care Fund and Section 75 Agreements (December 2015) • Street Scene Operations Review (November 2015) • Business Continuity (June 2015) • Client Affairs (January 2016) • Accounts Payable (September 2015) • Data Quality Spot Checks Q2 - Average customer wait time (face to face at Burnt Oak and Barnet House)

Area	Narrative	Relevant reports
	performance measures. -	
	Performance management - The Council operate a 'thin client' model focused on performance reporting to monitor the activity of external delivery units, including services provided by Capita through the CSG and Re contracts. It was noted that for a number of CSG performance measures, including Super Key Performance Indicators, an actual figure was not included in the report for quarter one of 2015/16. In these cases, the report stated that the performance measure was being baselined. This is due to be completed as part of the annual review in March 2016. We also noted that for the 'Face to Face Wait Time' Customer Service Performance Indicators ("PIs"), the definition of the PI and the data collection method had not been agreed with the Council prior to the first performance measurement period. - Additionally, there is no validation of performance information provided by CSG, even in service areas where the Council has access to management information systems. This reliance on CSG may result in performance issues not being identified and resolved promptly and the Council not receiving value for money from the CSG contract. **Contract assurance** - There is no formal documented assurance framework in place which summarises the Council's first, second and third lines of defence over CSG activity and as a result there is a lack of clarity over the controls in place to mitigate key risks associated with processes operated by CSG. For example, we identified that CSG Accounts Payable procedures were not fully documented and had not been shared with the Council. - Outside of the CSG contract, delivery unit contract registers do not reflect all contractual relationships in line with the Contract Procurement Rules which may result in contracts not being monitored appropriately. We have reviewed the control framework around a number of the Council's contracts in 2015/16. We gave Limited Assurance over the Council's management of the Registrars and Homecare contracts and noted issues in the areas of governance and risk management.	• CSG Invoicing (March 2016) • Performance Management Framework (March 2016) • Data Quality Spot Checks Q2 - Average customer wait time (face to face at Burnt Oak and Barnet House) • CSG Assurance Framework (March 2016) • Procurement – Contract Procedure Rules (November 2015) • Accounts Payable (September 2015) • Contract Management – Homecare • Contract Management - Registrars
Human Resources (HR) Data	• The CORE Human Resources management system ("CORE") was introduced in April 2014 and all non-schools employee data was transferred from the previous SAP system.	• People Management – Pre-Employment Checks (July 2015)

Area	Narrative	Relevant reports
	There are issues with the completeness and accuracy of the data held in CORE, although the extent of the issues has not been quantified. An exercise is currently being undertaken by the HR management team to validate all information held in the CORE system. One of the objectives of the exercise is to ensure that all Council employees have the correct clearance for their role. • Teachers' Pensions are processed by CSG in Carlisle. We found that there was no reconciliation of payroll records to the payments made to Teachers' Pensions and there was a lack of supporting documentation available for 3/5 of our sample of transfers out. • Payroll starters and leavers are processed by CSG in Belfast. All social workers employed by the Council are required to be registered with the HCPC (Health and Care Professions Council) regulator. Registration is not validated by the Council or CSG and there is no ongoing monitoring. The Council currently has a shortage of social workers so will be recruiting heavily into these roles in future periods.	• Teachers' Pensions (March 2016)
Information Technology (IT)	The Council's IT service is provided by CSG and there are a number of areas where the requirements in the contract are either not being delivered or are not aligned to good practice. In particular: • The disaster recovery requirements detailed in the contract are not those that are being delivered by the ITDR project. • The proposed disaster recovery solution for the interim solution deployed by CSG was not aligned to good practice. • There is a lack of clarity of governance arrangements in place for the delivery of the IT strategy to ensure it is aligned to the Corporate Plan. During our audits relating to IT we also experienced a number of delays, partly due to a lack of continuity of key IT staff within CSG.	• Disaster Recovery (March 2016) • IT Strategy (March 2016)

3. Summary of Schools audits performed in 2015/16

Introduction

In line with the Scheme of Financing Schools, the Chief Finance Officer is required to deploy internal audit to examine the control frameworks operating within schools under the control of the Local Education Authority ("LEA"). In 2015/16, Internal Audit performed 26 schools visits and the results of the work are reported in the table below.

During the year the Internal Audit service undertook an Assurance Mapping workshop with the Schools Improvement service to explore whether the audit approach should be updated to further support schools and to ensure that there is adequate assurance in place over key risk areas including Governance, Safeguarding, Pupil Premium and Anti-Fraud. As such, Internal Audit undertook a pilot during Q3 and asked the six schools involved to complete a self-assessment checklist to provide assurance over these areas. This has now been adapted and incorporated into our audit questions for all schools.

We have also changed our approach to follow-up audits at schools, visiting them to confirm that any high priority recommendations have been implemented within agreed timeframes.

Summary of the work performed

School Type	School	Assurance rating
Primary	Fairway	Limited
Primary	Hasmonean	Limited
Primary	Menorah Foundation	Limited
Primary	Sacks Morasha	Satisfactory
Primary	Underhill	Satisfactory
Secondary	St Michael's	Satisfactory
Primary	St Theresa's	Satisfactory
Primary	Martin Primary	Satisfactory
Pupil Referral Unit	Pavilion	Satisfactory
Primary	Manorside	Satisfactory
Primary	St Mary's EN4	Satisfactory
Primary	Annunciation Infant	Satisfactory
Pupil Referral Unit	Northgate	Satisfactory
Secondary	St Mary's Church of England	Satisfactory
Primary	St Catherine's	Satisfactory
Primary	Trent	Satisfactory
Primary	Mathilda Marks Kennedy	Satisfactory
Primary	Annunciation Junior	Satisfactory
Primary	Sunnyfields	Satisfactory
Primary	Foulds	Satisfactory
Primary	Osidge	Satisfactory
Primary	St. Paul's NW7	Satisfactory
Primary	Akiva	Satisfactory
Primary	St. Joseph's	Satisfactory
Primary	Monkfrith	Substantial
Primary	Dollis Infant	Substantial

Comparison with prior year results

Assurance Opinion	2015/16		2014/15		Direction of travel
	No.	%	No.	%	
Substantial	2	8	-	-	⬆
Satisfactory	21	81	20	91	⬇
Limited	3	11	2	9	⬇
No	-	-	-	-	⬌
Total	26	100	22	100	

It should be noted that schools are audited on a cycle and the prior period figures relate to different schools.

Commentary

The results highlight generally good practice in financial management practices with few significant issues identified around financial controls and budget monitoring.

The largest number of issues was identified in the areas of Governance, Asset Management and the management of Voluntary Funds. High priority recommendations were raised most frequently over Income and Purchasing.

The Governing Body has responsibility for overall financial management of the school and must ensure the requirements of the scheme for financing schools and associated guidance from the Chief Finance Officer are met. In order to meet these requirements the school must prepare its own Financial Management Policy and Procedures document for internal use to be approved by the Governing Body. The Governing Body must ensure that Policy and Procedures are implemented. We frequently find during audit visits that this document is not up to date.

No inappropriate use of assets or Voluntary funds was noted in the year, however asset registers were often not up to date, and the standard of financial accounting for Voluntary funds was not consistent with that for the school's delegated budget.

High Priority recommendations were made around Income and Purchasing due to lack of separation of duties in school procedures. The Financial Guide for schools requires a complete audit trail for all income received by the school, and separation of duties for purchases between authorisation, ordering, confirmation of receipt of goods and subsequent payment. These were not clear in some schools.

4. Follow up work performed in 2015/16

Introduction

In order for the organisation to derive maximum benefit from internal audit, agreed actions should be implemented. In accordance with our internal audit charter, we followed up all high priority recommendations made in prior years and the current year to ascertain whether appropriate action had been taken. The table below summarises the follow up work performed.

Results of the follow up work

We followed up a total of 150 high priority recommendations that had been raised and were due to have been implemented by the end of 2015/16. Of those, we found that 125 had been fully implemented by the year end (83%)

Summary

Status	Number	%
Implemented	125	83%
Partly Implemented	25	17%
Not Implemented	0	0%
Total	**150**	**100%**

Commentary

The direction of travel for implementing audit recommendations on a timely basis improved in 2015/16 with 83% of high priority recommendations confirmed as having been implemented within agreed timescales (73% in 2014-15).

Appendix A: 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.

- Recommendations for improvements should be assessed by you 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 B: Individual reviews informing the annual opinion

Review Title	Assurance rating	Number of High Priority recommendations	Report status
Section 75 Agreements (Including Better Care Fund)	No	9	Final
Street Scene Governance (joint with CAFT)	No	6	Final
Disaster Recovery	Limited	4	Final
People Management – Pre-Employment Checks	Limited	3	Final
Procurement – compliance with Council Procurement Rules	Limited	3	Final
Contract Management– - Registrars	Limited	2	Final
Accounts Payable	Limited	1	Final
Teachers Pensions	Limited	1	Final
Contract Management – Homecare	Limited	1	Final
Client Affairs	Limited	1	Final
Performance Management Framework	Satisfactory	-	Final
Information Security	Satisfactory	-	Final
Pensions Administration (Non-Schools)	Satisfactory	-	Final*Draft*
General Ledger	Satisfactory	-	Final
Non-Schools Payroll	Satisfactory	-	Final
Schools Payroll	Satisfactory	-	Final
Accounts Receivable	Satisfactory	-	Final
Contract Management – Premier Partnerships	Satisfactory	-	Final
Cash and Bank	Satisfactory	-	Final
Transformation – Libraries	Satisfactory	-	Final
Risk Management	Satisfactory	-	Final
Barnet Group – review of Internal Audit reports	Satisfactory	-	Final
Shared Legal Service – Clienting and Governance	Satisfactory	-	Final
Customer Support Group (CSG) – invoicing arrangements	Satisfactory	-	Final
Financial Assessments (joint with CAFT)	Satisfactory	-	Final
Housing Benefit	Satisfactory	-	Final
Fixed Assets	Satisfactory	-	Final
Budget Monitoring	Satisfactory	-	Final
National Non-Domestic Rates	Satisfactory	-	Final
Highways Managed Budgets	Satisfactory	-	Final
Council Tax	Satisfactory	-	Final
Business Continuity Strategy	Satisfactory	-	Final

Foster Carer and Adoption Payments	Satisfactory	-	Final
Contract Management - Young Carers	Satisfactory	-	Final
Regeneration Programme - Dollis Valley and Grahame Park	Satisfactory	-	Final
Transformation – Smarter Working and Customer Transformation	Satisfactory	-	Final
CCTV	Satisfactory	-	Final
Treasury Management	Substantial	-	Final
Schools Improvement Service	Substantial	-	Final
Capital Projects – Development Pipeline	N/A – management letter	4	Final
IT Strategy (phase one)	N/A – management letter	4	Final
CSG Assurance Framework	N/A – management letter	1	Final
Data Quality Spot Checks Q1 – Re KPI 2.2 Follow-Up	N/A – management letter	-	Final
Data Quality Spot Checks Q2 - Average customer wait time (face to face at Burnt Oak and Barnet House)	N/A – management letter	-	Final
Data Quality Spot Checks Q3 - PH/S4 - Rate of hospital admissions related to alcohol	N/A – management letter	-	Final
Data Quality Spot Checks Q4 - FS/C5 - % of assessments completed within 45 working days	N/A – management letter	-	Final
Transforming Care Grant	N/A – management letter	-	Final
Special Education Needs – Educational Health Plans follow-up	N/A – management letter	-	Final
Disabled Facilities Grant	N/A – management letter	-	Final
Project Management Toolkit – follow up	N/A – management letter	-	Final
Pothole Grant	N/A – management letter	-	Final
Troubled Families Payment By Results – Q2	N/A – management letter	-	Final
Troubled Families Payment By Results – Q4	N/A – management letter	-	Final
Bus Service Operators Grant	N/A – management letter	-	Final
Community Capacity Grant	N/A – management letter	-	Final
Carbon Reduction Commitment	N/A – management letter	-	Final

Appendix C: Changes to the 2015/16 published plan

The 2015/16 Internal Audit plan was approved by the Audit Committee in April 2015. There have been a number of changes to the plan since the date of approval. These have been reported to the Audit Committee within the quarterly progress reports but a summary of all changes made throughout the year is included in the table below.

Type	Review Title	Reason for change
Deferred	SEN Follow-Up - Education Healthcare Plans (EHC)	Deferred due to delays with Alternative Delivery Model (ADM) for Education & Skills and fact that 2014/15 SEN audit finalised in Q4
Combined	Procurement – Conflict Management	Included within scope of Procurement – Compliance with CPRs audit
Deferred	Internal Governance: Alternative Delivery Models	Reviews already conducted during year of HB Public Law (shared service model) and CSG (outsourced model). Therefore Q2 review deferred to Q4 when can review Re (Joint Venture model) Invoicing / Gain Share Agreements.
Additional	Schools Payroll	Split out Schools Payroll from wider planned Key Financial Systems audit of Payroll
Additional	Teachers Pensions	Split out Teachers Pensions from wider planned Key Financial Systems audit of Pensions
Additional	Disabled Facilities Grant	Last minute notification from service that Internal Audit sign off required
Combined	Fleet Management and Residential Waste	Combined to undertake Street Scene Operations Review
Deferred	Catering Traded Service	Deferred to 2016/17 due to Education & Skills ADM
Deferred	Area Committee Budgets	Deferred to 2016/17 if still appropriate due to extra capacity needed for No Assurance audit follow-ups
Deferred	IT Helpdesk	Deferred to 2016/17 if still appropriate in order to undertake IT Change Management / ITIL audit in 2015/16
Additional	CSG Assurance Framework	Additional advisory management letter as a result of CSG invoicing audit
Deferred	Accounts Payable Q4	Deferred to 2016/17 to enable confirmation of implementation of recommendations identified in Q2 2015/16 review
Deferred	Internal Governance: Speed of Implementing Decision	Deferred to 2016/17 if still appropriate due to extra capacity needed for No Assurance audit follow-ups in 2015/16
Deferred	The Care Act compliance	Deferred to 2016/17 if still appropriate due to extra capacity needed for No Assurance audit follow-ups in 2015/16

Appendix D: Performance of Internal Audit

Key Performance Indicators

Category	Performance Indicator	Target	Actual
Effectiveness	% of recommendations accepted	98%	98%
	% of recommendations implemented	90%	83%
Efficiency	% of plan delivered	95%	96%
	% of draft reports completed within 10 days of end of fieldwork	90%	86%
Quality of Service	Average auditee satisfaction score	90%	100%

Commentary

Two of our targets have not been met in 2015/16:

% of recommendations implemented where we achieved 83% against a target of 90%; and

% of draft reports completed within 10 days of fieldwork where we achieved 86% against a target of 90%.

In both cases this was due to a number of complex and lengthy audits that took a period of time to agree that was beyond the normal expected timeframe and for which there were a high number of high priority recommendations raised.

Appendix E: Results of Internal Audit Peer Review

A peer review of the Council's Internal Audit service against the Public Sector Internal Audit Standards ("PSIAS") was conducted in January 2016 by the London Borough of Kensington and Chelsea. The review found that Internal Audit 'fully conforms' to the PSIAS in 12 of the 17 areas assessed, with minor improvements being suggested in the remaining five areas which were assessed as 'generally conforms'. The peer reviewer noted that 'Overall I think that you are very close to being fully compliant with the requirements of the PSIAS with most improvements being of an advisory nature'.

In summary, the improvement areas identified and the actions being taken are:

Improvement Area	Action being taken
Audit Manual to be updated to reflect the schools audit process, which differs slightly from the non-schools audit process	Added to 2016/17 Internal Audit workplan
The return rate for receiving Satisfaction Surveys could be improved and there is currently no follow up on the return of surveys	The HIA is exploring the option of an online 'Snapshot' survey that will be quick and easy to complete and monitor
Internal Audit files have not all been archived in line with Council policy	The Information Management Team has recently launched a new archiving process; a member of the Internal Audit team has been confirmed as the nominated Records Co-ordinator for Internal Audit
There is evidence of good liaison with other assurance providers but the HIA has identified a need to progress further liaison with the internal auditors for the CCG to identify the scope for shared or joint reviews.	The recent audit of the Better Care Fund and S75 agreements was shared with the HIA at the CCG. Liaison will continue during 2016/17
Based on interviews with key stakeholders, the Chief Executive, the S151 Officer and the Chair of the Audit Committee it was identified that the service is well respected, capable of taking on challenging audits and has a positive impact on the governance, risk and control within the Council. A review of the customer surveys indicated that the majority of the responses were positive and it is concluded that generally: • The service is well regarded; • Audit staff are considered professional; • Recommendations are regarded as pragmatic and generally useful. A small number of responses indicated that there was some negative opinion towards the external contractor's approach to audits with comments such as "demanding", "tight deadlines" and "intrusive".	Audits should follow the same process no matter which team conduct the audit. Since the peer review customer survey was circulated, we have updated the information on the Council's intranet regarding the Internal Audit service making the expected audit timeline clearer for auditees. One of the objectives of the Cross Council Assurance Service (made up of six London boroughs including Barnet and our strategic partner, PwC) is to harmonise our audit approach. Ultimately we do not want auditees to distinguish between whether their auditor is from their host borough, PwC or from another borough. We will continue to work towards this aim during 2016/17.