

Appendix

London Borough of Barnet
Internal Audit Annual Opinion 2011-12 - 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 2011-12 and the key internal control environment strengths and high priority recommendations identified within each directorate during the year.

Overview of our approach

In line with CIPFA Best Practice, the 2011-12 Internal Audit plan was risk based, which has been formulated by:

- Linking with the Directorates' plans;
- Risk Management meetings with officers from all Directorates;
- Assessing the risk management system for adequacy; and
- Internal Audit's 'Cumulative Audit Knowledge and Experience'

Our role in internal audit 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 2010/11 statement of accounts):

- **Annual gross revenues of approximately £766m** - Internal Audit performs 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. In addition, we review the collections of income through an annual review of income and debt management controls.
- **Annual gross expenditure of approximately £1.280bn** – 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.
- **Long term assets of approximately £1.336bn** - The majority of assets are property and so pose less risk to the Council. We generally undertake one review in this area each year based on risks identified.
- **Other assets of approximately £232m** - We annually review treasury controls and the Councils administration of investments.

Overview of our work

The Annual Internal Audit Plan for 2011-12 highlighted that a total of 32 systems based audits and 26 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 council 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 audits undertaken in 2011-12 was actually 37 systems based audits and 24 school based audits (2 deferred into 2012-13). 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 2011-12 and an update on those themes identified from the previous year
- **Service Summaries** providing an overview of audit work done in each department, the assurances given and any high priority recommendations raised.

In this report, we have drawn on the findings and assessments included in all of the reports issued, all reports had been finalised in full and signed off by the relevant Director/Assistant Director.

2. Overall Summary

Overall, as illustrated in the tables below, we have noted an improvement in the percentage of satisfactory assurance reports issued compared to limited. Overall there were more satisfactory audit reports issued (51%) compared to 28% of audit reports in the previous year.

Based on the internal audit work completed in 2011-12 I can give limited assurance on the Council's overall internal control environment.

However, based on the internal audit work performed I can give satisfactory assurance on the key controls in operation within fundamental and key financial systems.

Report ratings

Assurance opinions	No of Projects/Audits			
	2011-12		2010-11	
	No.	%	No.	%
Substantial	-		1	2
Satisfactory	19	51	11	26
Limited	14	38	29	67
No	-	-	2	5
Risk Assurance	4	11		
Sub-total	37		43	
Schools audits**	25		34	
Merged audits/no opinions	-		2	
Total Audits	62		79	
Total	62*	100	79**	100

* the number of audit days planned was 1,007 for 2011-12

** the number of audit days planned was 917 for 2010-11

Fundamental and Key Financial Systems

Fundamental and key financial systems	2011/12		2010/11	
	No.	%	No.	%
Substantial			1	9
Satisfactory	8	80	4	33
Limited	2	20	7	58
No			-	-
Total Assurance ratings	10	100	12*	100

* In 2010-11 the additional 'systems' reviewed were debit and credit cards and compliance with financial regulations. In 2011-12, these two areas were considered within each of the key financial systems we reviewed rather than separately.

Positively there was an evident improvement within the controls surrounding fundamental and key financial systems with 80% now with satisfactory position; this represents a 90% improvement in comparison to the prior 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 24 schools reviewed. This is the first year in which comparison can be made between years, as previously schools were not given an assurance rating. The results highlight that there is some slippage of financial management capability within Schools, compared to the previous year. However it is important to note that we are on a three year cycle with schools and we are not comparing the same schools year on year

Assurance opinions	2011-12		2010-11	
	No.	%	No.	%
Substantial	2	1	-	
Satisfactory	18	72	31	91
Limited	4	16	2	6
No	-	-	1	3
Special Audits	1	1		
Total	25	100	34	100

Based on the school audits carried out during 2011-12 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 the directorates for the year it enables us to draw out key themes that require attention by the Council.

Internal Control and Governance

From a governance point of view, the following areas have been noted as still relevant for the Annual Governance Statement:

Contract Management/Procurement – although improvement has been made since last year towards the Procurement Controls and Monitoring Action Plan there is still some progress to be made in making the compliance regime business as usual. The council now have the right data in which to make further efficiencies in contract and category management, and the control framework should be embedded to further support these objectives.

Data Quality – although overall arrangements at a corporate level to support data quality have improved there are still instances observed where data quality arrangements within services have not met all data quality standards. It is important as aspects of the value chain are outsourced that standards for data quality are understood and developed to ensure data quality issues can be identified and flagged with providers prior to placing reliance on data for decision making purposes.

Data protection – during the year a number of improvements occurred to the data protection framework, there is a requirement however to sharpen the compliance framework for more proactive targeted improvement to take place.

Focus on internal processes and relevance for the customer – there were a number of opportunities observed across a range of services to redesign processes and procedures to better achieve outcomes for the customer/resident/service user. For example, some processes were inefficient in that they did not act as a control to be relied upon by management but rather added additional time/resource to the customer journey.

In addition, the following control issues were noted consistently and although not considered a significant governance issue they require focus by senior management during 2012-13:

Training and development – common across a number of reviews was the piece meal approach to training and development. Key to an adequate internal control environment is equipping staff with the necessary tools to carry out the tasks that they have been assigned. Whilst training and development had been provided across directorates there was little management oversight of that training and development to ensure the right people attended and all training needs had been met.

Audit Recommendations – whilst the direction of travel had improved for implementing audit recommendations on a timely basis, there were instances in a number of audits, or from other sources of assurance received by the council, that highlighted some recommendations were repeated from previous periods. It is important that accepted recommendations are actioned in order to support the improvement of the internal control environment.

Risk Management

Arrangements for risk management were reviewed by PwC to ensure they could be relied upon as a basis for setting the Internal Audit Plan. Based on that review they gave satisfactory assurance that the risk management arrangements were operating as intended; this was an improvement to the previous review undertaken in 2009/10 which gave limited assurance that arrangements were effective. The service continues to benchmark its risk management arrangements through CIPFA and also within the current year the risk management strategy and policy was revised and reported to the Audit Committee.

We do note however from our internal audit work within the services that in some cases controls had not been designed effectively to mitigate the risks identified, and therefore more training is planned for 2012-13 to ensure the link is understood between achievement of objectives and the management of risk.

Performance of Internal Audit

All of the 2011-12 Audit Plan was delivered by the end of the financial year (March 2012), over the past two years there has been a focus on delivering assurances on a timely basis and this year marks another 3 month improvement to the process. During the year the Internal Audit and risk management service has made some further improvements to its performance including:

- Completing the joint procurement process with London Borough Enfield for IA services, awarding PwC the contract for the next three years;
- Completing an internal restructure to enable the service to meet the needs of stakeholders;
- Refocused the audit approach to ensure focus on key risks;

- Improved quality assurance processes in place;
- Revising the risk management strategy and policy statement to align with the new models of delivery the council is progressing towards; and
- Training on risk management processes and procedures, including the use of JCAD the risk management system

We continually request feedback from senior management and service managers to ensure we address any perceived or actual weaknesses. This year we received 16 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 100% (88% in 2010-11) rated satisfactory or above. As most of the feedback was positive there was not too much negative feedback to action however there were the following suggestions:

- Adjusting the tone within some of the schools audit reports
- Being clearer in recommendations raised

There continues to be a need to review the Internal Audit Service and seek to improve the arrangements further.

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		8	2			10
Cross cutting		2	3			5
Integrated Specialist Audits		1				1
One Barnet					2	2
Corporate Governance		1				1
Environment, Planning and Regeneration		1	3			4
Commercial Services			2		2	4
Adults Social Care and Health		2				2
Children's Services		3	1			4
Chief Executive Service		1	1			2
Deputy Chief Executive Service			2			2
Total	-	19	14	-	4	37

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

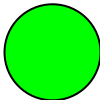

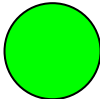
Directorate	High (Priority 1)	Medium (Priority 2)	Low (Priority 3)	Total	Total Priority Accepted (No.)
Fundamental and key financial systems	2	31	6	39	2
Cross Cutting	5	20	2	27	5
Integrated Specialist Audits		1	1	2	
One Barnet	1	15		16	1
Corporate Governance		5		5	
Environment, Planning and Regeneration	3	17		20	3
Commercial Services	2	11		13	2
Adults Social Care and Health		7	1	8	
Children's Service	3	11	11	25	3
Chief Executive Service	1	3	2	6	1
Deputy Chief Executive Service	3	6	1	10	3
Total	20	127	24	171	20

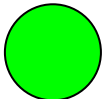

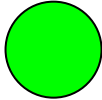
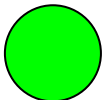
As at the end of April the priority 1 recommendations were 75% implemented, an improved direction of travel in implementing recommendations was demonstrated in the year however the target is to have 90% consistently implemented quarter on quarter.

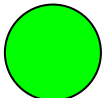
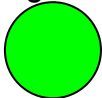
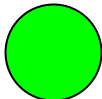
Compared to last year, there were 234 recommendations raised: 45 high priority, 166 medium priority and 23 low priority recommendations raised. This number of recommendations this year is a positive improvement on last years results, with a smaller number of high and medium recommendations raised. As all recommendations were accepted by management we would expect all of these recommendations to be implemented by the time of our follow-up timetable.

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. Overall we have noted an improvement in the internal control environment compared to last year. The reviews undertaken during the year are listed below along with a summary of key strengths and high priority recommendations noted:

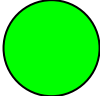
Assurance and Title	Strengths	High priority Recommendations
Housing Benefits 	<ul style="list-style-type: none">• Clear and allocated responsibility for key processes within Housing Benefits• The existence of updated, accessible documented procedures for review by Housing Benefit staff• Adequate and effective staff training and development arrangements for ensuring the accurate processing of benefit claims	<ul style="list-style-type: none">• There were no high priority recommendations
Council Tax 	<ul style="list-style-type: none">• Clear and allocated responsibility for key processes for Council Tax• The existence of documented processes for referral for key Council Tax processes• Adequate and effective training and development arrangements for ensuring accurate processing of Council Tax exemptions, discounts and disregards.	<ul style="list-style-type: none">• Need to strengthen and complete access controls review within the Council Tax teams
NNDR 	<ul style="list-style-type: none">• Clear and allocated responsibility for key processes for NNDR• The existence of documented processes for referral for key business rate processes for exemption and relief processes, property	<ul style="list-style-type: none">• There were no high priority recommendations

Assurance and Title	Strengths	High priority Recommendations
	<p>database processes, interface reconciliation, refund processing and recovery.</p> <ul style="list-style-type: none"> Adequate and effective training and development arrangements for ensuring accurate processing of NNDR relief. 	
Accounts Payable 	<ul style="list-style-type: none"> All audit recommendations from the previous year had been implemented in full for accounts payable 	<ul style="list-style-type: none"> There were no high priority recommendations
Payroll 	<ul style="list-style-type: none"> The clear allocation of roles and responsibilities for payroll related processes The existence of documented procedures for related processes for referral 	<ul style="list-style-type: none"> Although there were systematic arrangements for submitting P45 certificates for leavers, there were instances where they had not been documented as submitted. This issue had not been rectified since the previous year's audit.
LG Pensions 	<ul style="list-style-type: none"> Our testing confirmed that controls were designed and operating effectively for those areas of high risk with pensions. 	<ul style="list-style-type: none"> There were no high priority recommendations
Treasury Management 	<ul style="list-style-type: none"> Our testing confirmed that controls were designed and operating effectively for those areas of high risk with treasury management. 	<ul style="list-style-type: none"> There were no high priority recommendations

Assurance and Title	Strengths	High priority Recommendations
Cashbook 	<ul style="list-style-type: none"> Recommendations raised in the previous years audit for cashbook control had been implemented in full 	<ul style="list-style-type: none"> There were no high priority recommendations
Income and debt management 	<ul style="list-style-type: none"> All recommendations raised in relation to the prior years audits had been implemented in full for the income and debt management review. 	<ul style="list-style-type: none"> There were no high priority recommendations
Non-current assets (incl. Heritage Assets) 	<ul style="list-style-type: none"> Roles and responsibilities for related processing were clear and allocated; and Documented procedures covering key aspects of non-current asset processing were in place and up to date Effective processes for ensuring the timely identification of Heritage assets in line with the Code definition for Heritage assets; Effective processes for measurement of Heritage Assets at fair value where possible 	<ul style="list-style-type: none"> There were no high priority recommendations



Integrated Specialist Audits


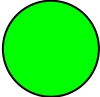
The reviews undertaken during the year used for strategic support and projects with a high degree of specialist input, this included:


Assurance and Title	Strengths	High Priority Recommendations
<p>Risk Management</p> 	<ul style="list-style-type: none"> • There is a risk management strategy in place that had been revised annually. • The risk management system (JCAD) is being used across the Council with all risks being maintained on it. The internal controls checklist is currently being included on JCAD. • From our work performed it was clear that the use of JCAD and the monitoring and updating of risks is being met within the Council through the activity highlighted in JCAD on the five risks registers reviewed in this audit. We noted the following trends: <ul style="list-style-type: none"> • 54% of the risks had reduced their risk score since being inputted onto the risk register; • 31% of the risks had the same score as when they were inputted onto the risk register; and • 15% of the risks had a score which had worsened since they were inputted onto the risk register. • All previous audit recommendations had been implemented. 	<ul style="list-style-type: none"> • There were no high priority recommendations.

Cross Cutting

The reviews undertaken during the year as listed below are cross cutting in that they cross over more than one service. The strengths and any high priority recommendations identified from these reviews are noted below:

Assurance and title	Strengths	High Priority Recommendations
Access to housing and effect on homelessness 	<ul style="list-style-type: none"> • Our audit focused on the processes and controls in place for assessing applicants for housing assistance in the Council, the fulfilment of statutory obligations and the maintenance of accurate and complete information. There were no high priority issues found as a part of this audit • The controls relating to referrals to Broadway Housing (formally Threshold Housing Advice) were appropriately designed and operating effectively, with no issues noted from those tested as part of this review. • The LEAN review had been effective in delivering efficiencies and responding to the customer 	<ul style="list-style-type: none"> • There were no high priority recommendations.
Domestic Violence 	<ul style="list-style-type: none"> • Following the December 2010 Co-ordinated Action Against Domestic Abuse (CAADA) quality assurance process Barnet implemented an action plan. The latest CAADA assessment in July 2011 illustrated a significant improvement, reflecting the successful implementation of many of these actions. • Within the housing directorate there is a domestic violence policy which clearly explains 	<ul style="list-style-type: none"> • There was no overriding mapping document which illustrated the assessment and referral process across the Council and how the support agencies and directorates link together. • From review of the procedures in Housing we understand that there were some specific procedures covering domestic violence and the approach required. This was considered to be an area of good practice in the Council. However,

Assurance and title	Strengths	High Priority Recommendations
	<p>the process to be followed when a domestic violence case is identified. Additionally, mandatory training on domestic violence has been provided to all housing needs officers and induction training on domestic violence is provided to new starters.</p> <ul style="list-style-type: none"> • There is a signed Multi-Agency Risk Assessment Conference (MARAC) information sharing agreement in place making partners aware of the information they are able to share with other agencies in support of domestic violence cases. 	<p>within Children's Service and Adults Social Care and Health, the domestic violence process was incorporated within the safeguarding procedures that were followed and there was no specific domestic violence policy. Consequently there was a lack of clarity over the referral process required to be followed.</p> <ul style="list-style-type: none"> • There were differences in the risk assessment tools for referrals being used in the directorates, with the Housing Social Care Direct Team not using any initial assessment tool.
<p>Complaints</p> 	<ul style="list-style-type: none"> • There is clear guidance on the internet for residents to use if they wish to make a complaint • There is a SAP Customer Relations Management (CRM) model in place for recording and logging complaints received by the Council • Directors receive reports on a quarterly basis on complaints management performance across service areas 	<ul style="list-style-type: none"> • The Council had not communicated its strategy for dealing with complaints as well as internal procedures which set out how council officers should manage corporate complaints
<p>Carbon Reduction Commitment</p> 	<ul style="list-style-type: none"> • The evidence pack informing the Footprint Report and the Annual Report has been prepared in line with the Guidance in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme Evidence pack (Guidance). 	<ul style="list-style-type: none"> • There were no high priority recommendations

Assurance and title	Strengths	High Priority Recommendations
<p>Data Protection</p> 	<ul style="list-style-type: none"> • 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 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. 	<ul style="list-style-type: none"> • Council contract terms and conditions require 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. • Clear desk requirements were not fully in place, in two service teams visited at Barnet House. • 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. • A review of the CCTV arrangements was required across the Council.

One Barnet Programme Controls

One Barnet encompasses a number of projects that are sponsored by Directors; our internal audit plan has covered a number of projects embedded with the services within the current year: Customer Services risk management, and Right to control, these have been reported within the service summaries and both received satisfactory assurance.

In addition, we reviewed on number of projects and the programme overall against PwC methodology that suggest a well managed, effective programme will have fit-for-purpose controls that address the 12 points in the table below.

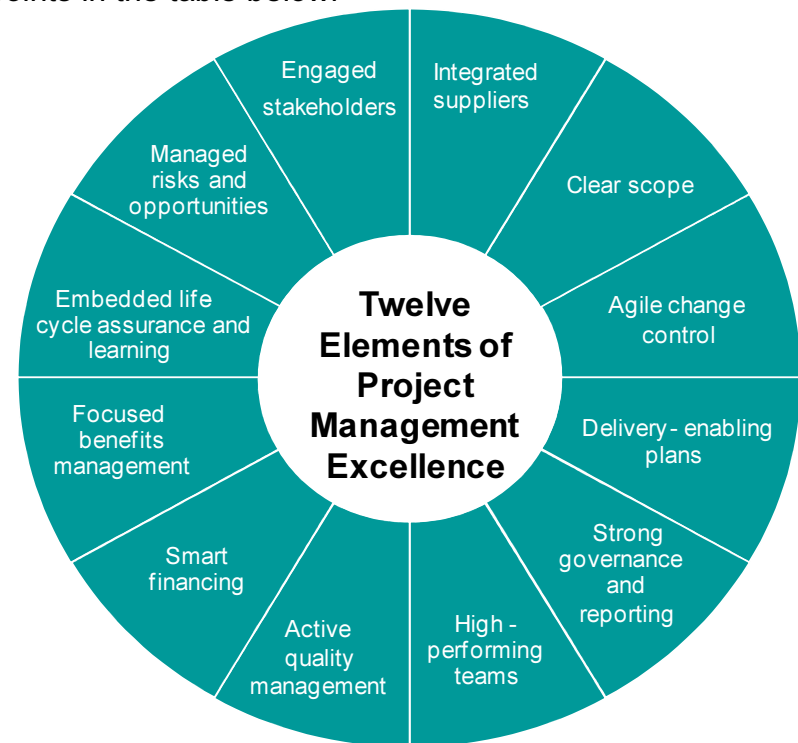
Since commencement of PwC (October 2011) there has been two reviews undertaken (quarter 3 and 4) covering management controls designed for the One Barnet programme. The scope of these review included:

- Programme scope and change control
- Programme dependencies
- Programme governance
- Project governance
- Programme and project capacity and capability
- Change management
- Risk and issues management

Out of those reviews there was one action that required immediate action:

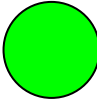
- Management should take steps to standardise and optimise usage of the corporate risk management tool, JCAD, within the programme, with a particular focus on risk actions and risk scoring.

We are pleased to note that this recommendation had been implemented with appropriate training and quality checking role established within the programme. All recommendations raised for the One Barnet Programme are followed up regularly through-out the year and reported to the One Barnet Programme Board.



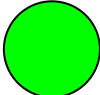

Corporate Governance



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

Assurance and Title	Strengths	Areas for development
Elections 	<ul style="list-style-type: none">• Policies and procedures are in place to ensure compliance with legislative and statutory requirements• Roles and responsibilities are formally documented for the Elections Registration Office and in line with legislative requirements• Reconciliations are performed on a regular basis, this includes reconciling to prime documents such as notice of death• Arrangements are in place to monitor performance of the Electoral Registration Office and effectiveness or management actions to address poor performance	<ul style="list-style-type: none">• There were no high priority recommendations

Environment, Planning and Regeneration


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


Assurance and Title	Strengths	High Priority Recommendations
Budget Monitoring 	<ul style="list-style-type: none"> • Responsibility for budget monitoring clear and allocated to budget (cost centre) managers • Confirmation of Senior Management challenge and planned challenge of budget managers following outturn. • The reporting of the budget overspends to Chief Finance officer in line with the Financial Regulations • Confirmation of Chief Finance Officer challenge of budget • A systematic process, understood by officers interviewed, undertaken sufficiently in advance of the budget reporting deadline for identifying and challenging budget savings proposals • Confirmation of the prior engagement with stakeholders associated with the savings items 	<ul style="list-style-type: none"> • There were no high priority recommendations
New Homes 	<ul style="list-style-type: none"> • There were processes in place for the allocation of responsibilities for the delivery of key outputs under the New Homes Bonus, arrangements for the monitoring of Regeneration delivery and the reporting and review of related performance. 	<ul style="list-style-type: none"> • There was no formal strategy or clear mandate in place focussed on maximising the economic and social benefits of the New Homes Bonus Scheme. As a result of this operational delivery had not integrated the policy aspects of the New Bonus Scheme in with current regeneration activity.


Assurance and Title	Strengths	High Priority Recommendations
<p>Contract Management</p> 	<ul style="list-style-type: none"> • Responsibility for the administration of aspects of the Environment, Planning and Regeneration (EPR) contract register were documented and allocated; and • Where formal contracts were available and where applicable, identified variations had been authorised by the Members and officers with appropriate level of seniority. 	<ul style="list-style-type: none"> • There was a lack of contract management activity and governance evidenced for two contracts we selected with values of less than £1m. • There was a lack of training for contract managers observed • There was not always formal record of meetings held reflecting Key Performance Information (KPI) output and discussions, and resulting actions that were agreed within the meetings
<p>Parking</p> 	<ul style="list-style-type: none"> • We confirmed Civica-produced system-specific guidance, the provision of training for taking card payments by telephone, the allocation of roles and responsibilities for and the undertaking of key functions such as income reconciliations and charge backs and the correct allocation of income to profit centres. 	<ul style="list-style-type: none"> • There has been a failure to retain permit application supporting documentation for sufficient time period, in accordance with the Records Retention & Disposal Guidelines, or in a structured manner. As a result of this finding we were unable to review the effectiveness of the controls in operation as an audit trail only existed for 3 months and the filing of records for the three month period was completed on an ad hoc basis.

Commercial

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

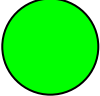
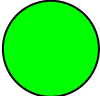
Assurance and Title	Strengths	High Priority Recommendations
IT penetration testing 		<ul style="list-style-type: none"> • Little progress has been made to address the issues identified in the External Penetration Testing (testing of the externally facing infrastructure – Internet). Of the 17 issues identified none have been fully remediated. • Some progress has been made in addressing the issues that were identified as part of the Internal Penetration Testing (testing of infrastructure within the Barnet IT environment). Of the 37 issues identified; <ul style="list-style-type: none"> • 20 have been resolved and • 17 remain open (five high and 12 medium severity.) • In addition, three high severity vulnerabilities identified during the March 2010 Penetration Testing were identified again during the Penetration Tests carried out in March 2011.
Review if Children's and Adults contracts <i>Conclusions and recommendations only</i>	<ul style="list-style-type: none"> • It was clear that the commissioners have to navigate a complex legal and regulatory environment when making placements. Special meetings are convened to discuss user needs and placement options. Minutes are taken and an audit trail is preserved. • The adult residential/nursing care market has 	<ul style="list-style-type: none"> • There were a number of recommendations made to improve Part B of the Contract Procedure Rules (CPRs) to provide more clarity to Adults and Children's Services.

Assurance and Title	Strengths	High Priority Recommendations
	<p>grown organically over the years, but now the Council is beginning to use the weight of its purchasing power to influence the market and, in particular, to negotiate rates.</p> <ul style="list-style-type: none"> • Children's contracts in all instances are reviewed annually. Care plans are obviously reviewed much more frequently and to the extent that they reveal any issues with the provider, then the Authority will inspect or undertake further monitoring. • Placement teams keep a handle on budgets and social workers keep an eye on users' care plans. The two teams work together to ensure that changes made operationally are reflected contractually and vice versa; and that invoices raised are validated accordingly. 	
<p>Procurement Controls and Monitoring Action Plan</p> 	<p>We monitored the progress throughout the year against the Procurement Controls and Monitoring Action Plan. At each review there had been improvement in arrangements noted. Specifically since our review in December there have been some improvements made in the processing of transactions in compliance with the Contract Procurement Rules (CPRs). In particular, there are now some areas where no findings were noted with the control design and the operating effectiveness of the system. This includes:</p> <ul style="list-style-type: none"> • Protocols for monitoring spend and ensuring staff responsibilities are in place across 	<ul style="list-style-type: none"> • Although a training package for contract management has been developed, and there are minor amendments to be made to bring it fully in line with the CPRs, it has not yet been rolled out to relevant staff members. Without consistent training delivered to all staff members who are involved in procurement, the CPRs may not become culturally embedded within the Council. We note however that procure to pay training had occurred to relevant staff, or access turned off, as reported in December.

Assurance and Title	Strengths	High Priority Recommendations
	<p>directorates. These were reviewed and are in line with the CPRs.</p> <ul style="list-style-type: none"> No findings were noted in substantive testing of contract extensions in relation to the procedures to ensure that contract extensions are considered in the same way as new contracts, and go through a process to ensure they are appropriately extended for the Council. 	
<p>Value for money – Facilities Management</p> 		<ul style="list-style-type: none"> There is a lease in place, for Building 2 Lower Ground Floor, and the lease contract has not been signed, despite the Council starting the tenancy in January 2008. Only two meetings with the lessor could be confirmed as occurring during 2011-12, despite the requirement for them to be held every six to eight weeks by Council procedures during 2011-12.

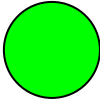
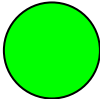
Adults Social Care and Health

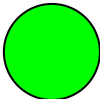

The reviews undertaken during the year are listed below along with the strengths and weaknesses identified of each review.

Assurance and Title	Strengths	High Priority Recommendations
Right to control 	<ul style="list-style-type: none">Controls were found to be appropriately designed and operating effectively in the Statutory Requirements area	<ul style="list-style-type: none">There were no high priority recommendations, however opportunities exist to streamline procedures and focus on controls
Fairer Contributions 	<ul style="list-style-type: none">No issues with the design of controls or the operating effectiveness of controls in the Policy Implementation.	<ul style="list-style-type: none">There were no high priority recommendations, however opportunities exist to streamline procedures and focus on controls

Children's Service



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

Assurance and Title	Strengths	High Priority Recommendations
Apprenticeships 	<ul style="list-style-type: none"> The London Borough of Barnet offers a unique Apprenticeship programme that is currently in its third year, with plans for further development. The Scheme is not offered by other London Borough Councils and is one work stream that contributes to the objectives of the Children's Service. As part of the 2011/12 cohort, a total of five apprentices have been appointed by the Council. 	<ul style="list-style-type: none"> There were no high priority recommendations, however opportunities exist to streamline procedures and focus on controls
Schools placements 	<ul style="list-style-type: none"> The service is a member of the Pan London eAdmission systems, which allows interfaces to existing Local Admissions Systems, via the Pan London Register, so that applications can be transferred directly without the need for manual entry. The take-up of online services is a government priority and the expectation is that local authorities will increase the proportion of applications for school places being made online for the 2012 secondary transfer round to at least 80%. Last year Barnet achieved a take-up of 76% for 2011, which was the highest within the Pan London Group of authorities. Places are only 'offered' for each school based on the published criteria to decide which 	<ul style="list-style-type: none"> Schools Admissions guidance provided to parents and carers, requests for copies of proof of the child's age (if not attended a Barnet Primary school) and/or address (if change in the last 2 years). A sample check of 30 paper and 5 on-line applications found that in 10 cases the required number and type of address proofs were not received or followed-up by the service.

Assurance and Title	Strengths	High Priority Recommendations
	<p>children are eligible for places and the current system ensures that no child is 'offered' more than one school place.</p> <ul style="list-style-type: none"> Processes are in place for the service to meet the National 'Offers' day for both secondary and primary reception transfers. Staff have been assigned clear roles and responsibilities for dealing with and managing various aspects of the school placement processes. 	
Foster Carers 		<ul style="list-style-type: none"> There were no high priority recommendations, however opportunities exist to streamline procedures and focus on controls
IT review of Children's Services LiquidLogic 		<ul style="list-style-type: none"> The application password security settings do not meet the corporate security policies No independent verification that CRB checks have been undertaken is performed prior to granting access to new users and users from third party organisations. There is no periodic review of user access and the test environment which contains a copy of data from the live environment. The live and test environments are not monitored to ensure that unauthorised or inappropriate access is gained and privacy breached.


Chief Executive's Service


The reviews undertaken during the year are listed below along with the strengths and any high priority recommendations of each review.

Assurance and Title	Strengths	High priority Recommendations
Customer Services Transformation Programme – Risk Management 	<ul style="list-style-type: none"> The Programme and associated projects have adopted and developed a standard and simplified method of managing projects based on PRINCE2. Project governance arrangements are in place The Programme Board and Project teams meet to gauge progress, identify concerns, discuss risks and confirm tasks for completion. We confirmed that risk management processes existed. There is a process to escalate risks to the One Barnet Programme Level. 	<ul style="list-style-type: none"> There were no high priority recommendations raised.
Libraries 	<ul style="list-style-type: none"> Management have in place a governance and oversight role in the Library Strategy Programme Board, which meets monthly. This has been set up to include review of detailed management information of both the “business as usual” aspect of the strategy, and the development of the capital aspects. 	<ul style="list-style-type: none"> At the time of our review there has been little progress in implementation of the Strategy, with a limited operational work plan developed to incorporate staff resource, delivery timescales and budget.

Deputy Chief Executive's Service





The reviews undertaken during the year are listed below along with the strengths and any high priority recommendations from each review.

Assurance and Title	Strengths	High Priority Issues
Establishment Lists 	<ul style="list-style-type: none">• Governance and clarity of roles for ensuring validity and accuracy of HR Establishment data are stated in the Financial Regulations and Scheme of Delegation;• There was adequate communication and knowledge of the Scheme of Delegation and related responsibility to senior managers in Services;• Responsibility for the update of establishment data in HR, clear and allocated to Pay and Data Team;• The identification in the Council's risk management system, of the issue / risk for relating to inaccurate establishment data;• The undertaking of specific initiative, championed at Senior Management level, to review and align HR establishment data to SAP Finance budgeted post/cost centre structure to address the identified risk;• Evidence of the authorisation of recruitment to established posts by HR and Finance experts for independent confirmation of availability of post, hours and budget, prior to recruitment.	<ul style="list-style-type: none">• Instances where establishment change requests by Services were not formally authorised using SAP Organisational structure control forms. This, coupled with the lack of independent checks of establishment list changes has resulted in data quality issues with some of the establishment lists we reviewed• Errors/discrepancies existed within the sample we reviewed with Establishment data. In addition, there were inconsistent approaches by Services to ongoing reviews of their Establishment data.

Assurance and Title	Strengths	High Priority Issues
<p>Data Quality – HR data</p> 	<ul style="list-style-type: none"> • There is a clear commitment to data quality, with Human Resources responsible for data quality and for the HR Business Partners to provide a central support service to Service Teams on data quality issues. • There is a Corporate Policy and Guidance on Data Quality which provides the framework for service-specific arrangements for data quality. • Services receive progress performance reports and these are followed up by meetings with the HR Business Partners to discuss any data quality issues. • Performance data is also published to residents through the council's website and placed on the London Data Store website. Both of these initiatives support the council's transparency agenda. 	<ul style="list-style-type: none"> • Although the methodology for collating, calculating and reporting the indicators is correct, the weaknesses found during our review resulted from effective verification checks not always being carried out to confirm the accuracy of the indicators to identify possible errors before reporting

Appendix A: 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.

Appendix B: 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 2011-12 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.