

## **Appendix A**

**London Borough of Barnet**

**Internal Audit & Risk Management**

**Progress Report 2012-13 – Quarter 3  
(up to reporting deadline of 30<sup>th</sup> November 2012)**

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

## **1. Introduction**

The Internal Audit Plan was accepted by the Audit Committee on the 26<sup>th</sup> April 2012. This report follows the principles previously requested 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 31<sup>st</sup> August to 30<sup>th</sup> November 2012 and represents an up to date picture of the work in progress to that date however it should be noted it is not formally the end of quarter 3. The Internal Audit service has over this period issued 25 reports in accordance with the 2012-13 Internal Audit Plan. The full list of completed audits during this period is included within Appendix B. The majority of reports issued in the current period were given satisfactory assurance with 4 reports given limited assurance and one report issued as no assurance. The summary detail of those reports issued as limited and no assurance are included within section 3.

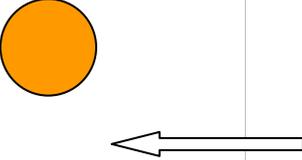
### 3. Key Findings from Internal Audit Work with Limited or No assurance

<b>Title</b>	Housing Needs and Resources (Barnet Group)			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion &amp; Direction of Travel</b>				
First review of Barnet Group for this scope				
<b>Date final report issued</b>	October 2012			
<b>Background</b>	<p>Prior to the transfer of the Housing Needs and Resources Service to Barnet Group there were weaknesses in controls identified through an investigation carried out by the Corporate Anti-Fraud Team (CAFT). It was agreed that a joint review by CAFT and Internal Audit would be undertaken to review the controls after transfer once improvements had been made to give assurance to the Barnet Group that all potential gaps in control had been resolved.</p> <p>Barnet Group are responsible for the implementation of these recommendations and they have separately reported the findings to their audit committee.</p>			

<p><b>Summary Findings</b></p>	<p><b>of</b></p> <p>We confirmed effective processes in Finance (Barnet Group) for ensuring the accuracy and validity of Housing Needs and Resources requests for rental payments.</p> <p>There was one significant issue identified as part of this review:</p> <ul style="list-style-type: none"> <li>• Management indicated that budgets had not been developed for Housing Needs and Resources team transferred to Barnet Homes.</li> </ul> <p>We identified the following issues:</p> <ul style="list-style-type: none"> <li>• There were no comprehensive version controlled and dated documented procedures governing Housing Needs and Resources requests for rental payments to Landlords.</li> <li>• The authorised HNR request for rental payment forms submitted to Finance to process landlord rent/advance deposit payments was not either submitted to Finance electronically or submitted as part of controlled stationery.</li> <li>• The confirmation of the existence and validity of landlords was not undertaken independently by Finance for the creation of vendors in the system.</li> <li>• Duplicate payment checks for payments from 1 April 2012 had not been run at the date of the draft report. Management confirmed that these were due to be run shortly for review and investigation.</li> <li>• We were informed that there were no pro-active processes to ensure that authorised signatory lists in Finance are up to date. Such arrangements are necessary to prevent unauthorised payments by officers who no longer have the required authority or may have left the company.</li> <li>• More robust processes for responding to vendor requests to change bank details had been introduced from early August 2012. While responsible officers indicated that the vendor would be contacted using contact details from reliable sources, for example, prior invoices to confirm/validate the change to the bank details, there was no evidence of such independent confirmation of vendor contact details prior to doing so.</li> <li>• We established that officers in the Housing Supply Team had the user access to create clients in SAFFRON when such access was not required in terms of their role.</li> </ul>
<p><b>Priority recommendations</b></p>	<p><b>1</b></p> <p><u>Best practice recommendation</u></p> <p>Many of the controls mentioned are generic and not unique to Housing Needs and Resources landlord payments. Related controls should be adopted for other payment processes in Barnet Homes, where necessary.</p> <p>The development of budgets in Housing Needs and Resources should be expedited for the monitoring of payments made to landlords. Budget monitoring arrangements routinely comparing actual landlord rental payment expenditure to budget/expected outflows should be implemented.</p>

**Management Responses and agreed action dates**

Monthly budget monitoring to be carried out to monitor actual vs forecast spend. This will also be reconciled with rent in advance payments on a monthly basis (Complete).

<b>Title</b>	Housing Benefits							
<b>Assurances</b>	<table border="1" style="width:100%; text-align:center;"> <tr> <td style="width:25%; background-color:#00b0c0; color:white;">No</td> <td style="width:25%; background-color:#00b0c0; color:white;">Limited</td> <td style="width:25%; background-color:#00b0c0; color:white;">Satisfactory</td> <td style="width:25%; background-color:#00b0c0; color:white;">Substantial</td> </tr> </table>				No	Limited	Satisfactory	Substantial
No	Limited	Satisfactory	Substantial					
<b>Audit Opinion &amp; Direction of Travel</b> An Assurance Level of "satisfactory" was provided in 2011-12 for Housing Benefit.								
<b>Date final report issued</b>	November 2012							
<b>Background</b>	<p>The audit of Housing Benefits was agreed in the Internal Audit, CAFT and Risk Management Plan 2012-13 as:</p> <p>"Dissemination of key controls within the Council's key financial systems. Ensure compliance with external audit requirements.</p> <p>"Liaison to occur between CAFT and IA throughout this process for their understanding of any specific fraud risks that are apparent in each system."</p> <p>The main objective of the Benefits Service is to provide an effective, fast, accurate and secure Housing Benefit and Council Tax Benefit service that is customer focussed, modern and efficient. Housing Benefit and Council Tax Benefit are means tested Social Security benefits administered by Local Authorities on behalf of Central Government. The benefits administered are available to most residents who are liable for rent or council tax and have a low income regardless of whether or not they are working, receiving benefits, and pensions or are self employed.</p>							

**Summary  
Findings** of

We noted the following areas of good practice:

- There is a good system of management checks in place, with any processing errors fed back to staff for correction and learning purposes;
- Where overpayments occur, these are promptly identified and recovered, once all available information has been considered. Irrecoverable debt is written off with the approval of Cabinet Resources Committee;
- There are generally satisfactory processing speeds in all areas;
- Changes of circumstances were generally actioned promptly and accurately;
- There is good awareness amongst officers and management of the role of the Corporate Anti Fraud Team.

We identified the following significant issues as part of the audit:

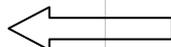
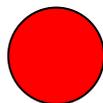
- Data security – view-only access to OpenRevenues has been granted to Barnet Homes. The access is not subject to an information sharing agreement and therefore may not be compatible with the Council's responsibilities under the Data Protection Act 1998, leaving the Council vulnerable to penalties from the Information Commissioner;
- Backdated housing benefit claims: our sample of backdated claims found one backdated claim which had been paid out with no evidence of appropriate authorisation; one claim where the amount authorised and the amount paid out differed considerably; one claim which had been paid out without the claimant demonstrating or evidencing the necessary good cause; and two claims which were processed with unwarranted delay.

In addition to the main findings, we also identified the following issues:

- Claims processing: although the Council's housing benefit application form specifies which proof of identity and address documents are acceptable, our testing found that a wider range of documents was being accepted. There is a need to review and clarify for staff and customers which documents the Council will accept to verify identity and address;
- Claims Assessments: there is no procedure for processing Housing Benefit applications received via the Department of Work and Pensions (DWP) on forms known as Local Authority Input Document, or LAIDs. Therefore there are inconsistencies in assessing these claims. In three of a sample of ten claims received from the DWP, the DWP Customer Information System stated clearly that no identity document had been seen or verified, nor was one requested by the Council.
- Policies and procedures: the training index shows that the most recent updates were undertaken in 2010, with some not being updated since 2007, and these need to be reviewed and updated

<p><b>Priority 1 recommendations</b></p>	<p><b>Recommendation 1:</b></p> <p>Access to OpenRevenues by any person or organisation outside of the Council's Revenues and Benefits Service should be reviewed in line with the Council's Information Sharing Policy and the Data Protection Act 1998 and formalised through an Information Sharing Agreement as appropriate. The Standards and Information Rights team within Corporate Governance should be consulted to advise on this review.</p> <p><b>Recommendation 2</b></p> <p>The backdating procedure should be reviewed to ensure that it is fit-for-purpose and minimises the potential for fraud and error. The procedure should be agreed by senior management, documented and readily available to all relevant members of staff, with training where necessary. The procedure should be version-controlled and reviewed at the appropriate level at least annually.</p> <p>Clear evidence of authorisation should be attached to OpenRevenues; any changes to payment amounts which are not <i>de minimis</i> should be re-signed at the appropriate levels. Authorisation levels should be reviewed to take into account the abolition of the Senior Assessor posts in the recent restructure; evidence to support a backdating claim should be required wherever possible; and backdated claims should be processed promptly where possible.</p>
<p><b>Management Responses and agreed action dates</b></p>	<p><b>Response 1</b></p> <p>Following the audit and feedback meeting, we have conducted a review of all the access to the OPENRevenues system. The data held for the administration of benefits and the use thereof by Barnet Group has been considered in conjunction with <a href="http://www.dwp.gov.uk/docs/mou-2011-2012.pdf">http://www.dwp.gov.uk/docs/mou-2011-2012.pdf</a>, and <a href="http://www.dwp.gov.uk/docs/mou-2011-2012.pdf">http://www.dwp.gov.uk/docs/mou-2011-2012.pdf</a>. Having discussed our findings with the Data Protection Governance Officer we concluded that their access was not compliant and revoked it with effect from 16/10/2012. Consideration is still being given to Barnet Group's access requirements in support of the homelessness function. <b>(Implemented)</b></p> <p><b>Response 2</b></p> <p>Accepted. The backdating procedure has been reviewed and revised as appropriate. The revised procedure has been documented and circulated to all staff.</p> <p>The monthly benefits whole team meeting held on 10 October 2012 contained a session specifically dedicated to the audit findings and actions arising from these. At the meeting the training officer went through the revised backdating process in detail. <b>(Implemented)</b></p>

<b>Title</b>	Regeneration Programme			
<b>Assurances</b>				
<b>Audit Opinion &amp; Direction of Travel</b>				
Last audit: 2008/09 (Limited)	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Date final report issued</b>	November 2012			
<b>Background</b>	<p>The Council's regeneration strategy is ambitious. It seeks to transform parts of the Borough by developing homes and increasing job opportunities for residents, as well as working with developers and local businesses to encourage economic growth and sustainability, social prosperity and quality of life for residents.</p> <p>In May 2013, the regeneration team will move into DRS, and it is expected that the provider's project management control systems will be adopted.</p> <p>The Regeneration Strategy will ensure that regeneration develops cohesive communities meeting the needs of all that live within them. The regeneration schemes are working in partnership with key stakeholders and local residents.</p>			



**Summary of Findings**

The review found a number of limitations in the design and operation of project and programme management (PPM) controls. We noted the following points which have affected the robustness of the current control environment:

- The overall approach to managing and delivery regeneration projects is likely to change significantly when the management of projects is outsourced from May 2013. In the interim, some interviewees noted that making changes to PPM controls may be nugatory.
- The Hydra software which has been previously used for key project management tasks such as planning and risk/issue management was not optimised for the requirements of regeneration projects. Furthermore, interviewees noted that this software was no longer supported so no further changes could be made.

The fieldwork identified eight findings, five rated “Priority One” and three rated “Priority Two”. In our view, given the number and severity of findings, we recommend that interim controls be developed to tackle these issues before outsourcing takes effect later in 2013. Our findings are summarised below:

**Priority One findings**

Governance – organisation, roles and responsibilities

- The review identified issues and inconsistencies in the programmes organisation structure, roles and responsibilities and the escalation process. At the time of fieldwork, we noted a number of areas where programme level controls were weak or nonexistent, for example; where was no overall programme plan in place, the programme board does not monitor the project performance as set out in its terms of reference and there were no tolerance levels in place or specific escalation points at which projects would be required to escalate information to the Programme. In addition, we were unable to identify where roles and responsibilities across the programme, project teams and third party interfaces were clearly documented or defined.

Governance – project management process

- The review identified areas of control weakness in relation to the project management process used in the sample projects we tested. Individuals were unaware of the guidance set out in the Corporate Project Management toolkit. We noted that the project management processes in use in the sample projects did not meet the minimum standards required, in relation to both the project management process being followed and the required associated documentation. In addition, the review noted particular weakness regarding the sample projects’ business cases and project initiation documents.

Planning

The review identified areas where the Council side programme and project plans and dependency management could be improved, as follows:

- There was no overall programme plan in place, and it was unclear how the programme would monitor the delivery of tasks at this level or manage project interdependencies. This may mean conflicting requirements upon Council resources occur.
- The project planning information we reviewed appeared to be incomplete and out of date. For example the Grahame Park Hydra and MS Project plan's appeared not to have been updated since March 2012. The project appeared to have conflicting dates for key tasks, for example in relation to the start of work on site for the next building phase (1bi). It was unclear what the original baselined planned dates for key milestones or tasks were and the plan's did not show the project's critical path of activities, when the tasks were last revised, the percentage completion of tasks or details of project dependencies. It was also unclear where the Council side project plan's were reviewed or how changes would be approved.
- The review found that there were no formal dependency management processes in place, appropriate for the scale and complexity of the projects and programme. For example, processes were not undertaken to identify, assess and agree dependencies, followed by coordinated and focussed actions in order to manage and monitor them.

#### Risk management

We found a number of areas where risk management controls and documentation were insufficient for a programme of this size and complexity.

- The department does not have a documented risk management strategy in place for regeneration projects or a defined process to follow for risk management.
- The roles and responsibilities for those involved are not defined and there are no documented thresholds or escalation routes for projects.
- The Programme Board does not review Regeneration Programme level or project risks.
- The Grahame Project risks had not been reviewed since 11/11/11 and the risks did not have owners assigned; record the date the risks were identified or the date action was due. We were unable to identify where this information was reviewed.

#### Issue management

On review, we identified findings in relation to the design and operational effectiveness of issue management controls:

- The department does not have a documented issue management strategy in place for regeneration projects or a defined process to follow for risk management.
- The issues reviewed by the Programme board were different to those contained within project issue logs within Hydra. The programme issue log did not contain information around when the issues were raised or the owners of the required resolution actions.

- The Grahame Park project issue log taken from Hydra appeared not to have been updated since 11/11/2011 and did not have owners assigned to the resolution actions or target dates/deadlines for completion.

### **Priority Two findings**

#### Governance – operation of project and programme management controls

- The review found that the programme and project boards were not operating as stated in their terms of reference, for example the programme board does not review project delivery information as stated and the Grahame Park monthly project board had not taken place since July 2012.

#### Financial management

- The review identified areas where Grahame Park's financial management, in relation to costs to the Council, for example the projects budget had not been formally agreed and was based on outdated information. The budget did not show detailed costs or forecast throughout the year. We were unable to identify where actual spend was reviewed by the project:

#### Monitoring and reporting

- The review identified areas in the Grahame Park project reporting that should be improved, for example the information provided was not complete, accurate or timely. The programme intends to introduce a new highlight reporting template which will require this information to be obtained or corrected for the template to be successful.

**Priority 1  
recommendations**

**Recommendation 1**

We note that from April 2013 the management of Regeneration projects and programmes will be outsourced and new processes will be adopted. Prior to this transfer, management should confirm if the individual regeneration projects should be managed as a cross-cutting programme.

- If the work is to be managed as a programme, management should take steps to enhance programme-level controls. For example: The organisation structure in place provides sufficient management and oversight on project delivery.
- The project and programme roles and associated responsibilities are clearly documented and understood, and plans are in place for covering any significant vacancies before DRS goes live.
- There are clearly defined escalation points at which project information is required to be taken to the programme board
- A programme plan should be introduced

**Recommendation 2**

We note that from April 2013 the management of Regeneration projects and programmes will be outsourced and new processes will be adopted, In the meanwhile, management should consider introducing, throughout the regeneration programme and projects, a clearly defined interim project management process, that should ensure:

- Compliance with the corporate project management methodology and production of the required minimum standards of project documentation.
- Periodic review points for key project information.
- Clearly defined escalation procedures.
- This process should be supported with the appropriate training as required.

**Recommendation 3**

- a) Management should consider the introduction of Programme Plan to monitor competing priorities and project interdependencies (see recommendation 2.1).
- b) The interim management process introduced for the effective management of projects should include planning and dependency management controls. In particular, this should include:
  - The introduction of appropriately detailed client side project plans, which ensure all tasks are identified, including the critical path.
  - Opportunity to ensure that progress is formally monitored and reviewed against an agreed baseline on a regular basis.
  - A process to ensure that all project and programme dependencies are identified assessed and agreed. Followed by coordinated and focussed action in order to ensure they are managed and monitored.

**Recommendation 4**

The interim management process introduced for the effective management of projects should include risk management process for the regeneration programme and projects. In particular, this should contain:

- Required minimum standards for project managers on the level of documentation they are required to keep to ensure that all project risks are consistently and accurately identified, assessed, monitored and managed.
- Clearly defined escalation points between individual projects, the programme and Council senior managers
- A standard format for client side risk registers that includes, risk owners, the date the risk was added, date of last review, action required and dates for when this will be completed.

The strategy and process, once agreed, should be implemented across the projects and supported with training and the involvement of the Council's risk manager as required.

**Management Responses and agreed action dates**

**Recommendation 5**

The interim management process introduced for the effective management of projects should include an issue management process for the regeneration programme and projects which, should contain:

- Required minimum standards for project managers to ensure that issues which occur are consistently and effectively recorded, monitored and resolved in a timely manner.
- The strategy document should contain guidance to project managers around the introduction of a single issue log for project issues and the amount of information they are expected to record.

This process should have clearly defined escalation points between individual projects, the programme and senior managers so that the roles and responsibilities for dealing are clearer.

**Response 1**

The regeneration projects will be managed as a cross cutting programme.

An enhanced interim programme and project management process will be introduced; including the introduction of a programme plan and clearly defined escalation procedures.

A review of the Governance structure, including the terms and reference of the Programme Board has already been discussed and agreed by the Programme Board and is underway. (End of January 2013)

**Response 2**

Prior to the Audit, the Regeneration Team had begun to review the existing project management process with a view to ensuring up to date and complete documentation (which follows the Corporate Project Management Toolkit) is in place before transition. House Consulting had already been engaged to help with this work.

The recommendations of the audit report, including the introduction of an interim project management process, will therefore be addressed as part of this work.

Meetings will be held with Regeneration Managers and Officers on a project by project basis to review the current existing documentation, and how this will be updated so that it meets the requirements of the Corporate Project Management Toolkit.

The Regeneration team has also changed over the past year. Arrangements will be made to ensure all new members of the team undertake the Council's Project Management training. Existing members of the team will also be refreshed as to the project management processes that must be followed.

**Response 3**

As set out above, a programme plan and interim project management process will be introduced.

The interim project management process will incorporate all items under b) (January 2013)

**Response 4**

The existing risk management strategy will be reviewed and enhanced to include all the recommendations from the audit. (January 2013)

**Response 5**

The existing issue management strategy will be reviewed and enhanced to include all the points outlined. (January 2013)

<b>Title</b>	Underhill Junior School			
<b>Assurances</b>				
<b>Audit Opinion</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
				
<b>Date final report issued</b>	November 2012			
<b>Background</b>	<p>The aim of the audit is to provide assurance on key areas of financial management.  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.  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 audit found the following:

- Although the School has clear lines of delegated authority and responsibilities stemming from a defined management structure, a review of the current Financial Management and Procedures Policy document found instances of inconsistencies between policy and practice.
- A review of the School's purchasing and tendering arrangements found some controls to be in place to ensure that value for money was being achieved. However, audit tests carried out over the day-to-day purchasing system found some instances where controls were not observed.
- A lack of controls for receipting of after school clubs and uniform sales;
- A review of the letting system found adequate evidence to show that lettings income due to the school has been identified, collected, recorded and banked. However, up-to-date proof of insurance liability cover was not held for all relevant hirers.
- A review of the School's inventory records found these were not up to date. IT equipment purchased and paid for in July 2012 through their IT maintenance provider have not been included.
- Reconciliation of bank and cash balances were found to be carried out on a regular, at least monthly basis, however, a review of the School's Authorised Signatories mandate found a lack of separation of duties, as it allows four out of the five school staff listed to sign documentation in all areas of purchasing.
- A review of the temporary arrangements in respect of the School's IT maintenance provision, following termination of the previous contract held found
  - a) No visible evidence was provided to show that quotes had been obtained prior to the temporary engagement
  - b) A possible conflict of interests. Governing Body minutes for March 2012 indicate that the Director of the company was invited to join the governing body and is now a Governor;
  - c) An overhaul of the School's IT infrastructure is currently being carried out by the temporary arrangements, with the purchase of new equipment and plans to re-cable the whole School; expenditure which has not been budgeted for, or formally approved by governors;
  - d) Invoices provided by the company for this IT equipment:
    - Are all dated 2013;
    - Were paid in full in July 2012, however, the equipment was not received until mid-September

**Priority 1  
recommendations**

**Recommendation 1:**

The School should ensure that:

- i) The officer(s) responsible for checking receipt of goods, sign and date the delivery note to indicate that the delivery was received complete etc;
- ii) Payments to individuals are made via the School's payroll provider or following receipt of formal documentation confirming that the individual may be paid gross of tax and National Insurance;
- iii) Only expenditure relating to purchases for the purpose of the School should be made from the School's budget share account. Gift and payments in kind are not allowed;
- iv) Reimbursement of VAT should only be claimed for the purpose of the school.

**Recommendation 2:**

The School should ensure that,

- i) A fair and transparent selection process is undertaken prior to the appointment/renewal of all contracts and there is adequate evidence recorded within minutes of meetings of the relevant committee to demonstrate this, in accordance with its own tendering and contracting requirements set out within the School's Financial Management and Procedures Policy document and section 4.1.1 of the LBB Financial Guide for Schools document, Appendix 1 (Contract Standing Orders for Schools);
- ii) The School seek formal approval from its Governing Body for the additional IT expenditure, which was not budgeted for;
- iii) The School should request evidence of 'best value' from its IT maintenance provider for all equipment provided by them, prior to purchase;
- iv) Payment of an invoice should only be made upon receipt of the goods and after ensuring that all relevant details, including the correct year are present.

**Management Responses and agreed action dates**

**Response 1:**

Agreed - The School will ensure that controls over its purchasing system are reviewed and tightened to ensure:

- Proper checks over receipt of goods;
- Payment to individuals are made either through payroll or following confirmation of self-employed status;
- Only purchases for the purpose of the School are made from the Budget Share account. **(Implemented)**

**Response 2:**

Agreed **(Implemented)**

<b>Title</b>	Edgware Junior			
<b>Assurances</b>	<b>No</b> <b>Limited</b> <b>Satisfactory</b> <b>Substantial</b>			
<b>Audit Opinion</b>				
<b>Date final report issued</b>	November 2012			
<b>Background</b>	<p>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**

- Although the School has clear lines of delegated authority and responsibilities stemming from a defined management structure, a review of the current Financial Management and Procedures Policy document found some inconsistencies and required updating for current procedures.
- Our review of the School's current Development Plan held for 2011/2012 and Medium Term Plan 2011/2013, found that although these documents provide a clear statement of the School's educational aims it does not include clear and demonstrable links between the School's budget
- A review of the School's purchasing and tendering arrangements found some controls to be in place to ensure that value for money was being achieved. However, audit tests carried out over the day-to-day purchasing system found some inconsistencies in application of controls.
- A review of arrangements in respect of the School's curriculum IT maintenance provision there had been no evidence provided to confirm to the School that the equipment purchased was 'best value', i.e. no paperwork was provided to the school to confirm that comparisons had been made against various suppliers prior to purchase
- A review of contractual arrangements in respect of the School's cleaning and grounds maintenance contracts found:
  - No evidence to show that a best value exercise has been carried out for either of the above since appointment. It has been noted that both contracts were only for a 12 month term;
  - There was no visible evidence of adequate insurance cover held for either contractor;
  - There was no written visible evidence of monitoring activities in respect of key contracts held by the School (for example: cleaning, grounds maintenance).
- A review of the current income arrangements found there was a lack of independent checks to agree amounts banked to control sheets and classlists were not retained for audit trail of payments.
- The arrangements for the audit of the Public Fund had not been made since 2008
- The schools inventory register was not up to date and a physical stocktake had not been undertaken.



#### **4. Work in progress and effectiveness review**

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

As we are not at the end of the quarter for reporting purposes as such a number of the performance indicators have not been finalised, however of those reports issued 90% have been issued within 10 days of finalising fieldwork and the service has had a number of quality performance questionnaires returned, of which 100% have been returned with a rating over 3 (satisfactory) with the majority rated as Excellent. Quarter 1 & 2 information has been included for reference in Appendix D.

Implementation of internal audit recommendations – there has been an increase in council-wide performance for the implementation of recommendations within the quarter. Last quarter (quarter 2) the number of recommendations implemented was 4 out of the 9, representing 44%. As at the end of November the number of recommendations implemented within the quarter was 87.5%, representing 7 out of 8 recommendation implemented in the quarter that were due.

#### **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 used by them as part of their financial accounts audit. Quarterly meetings, as a minimum, occur between external and internal audit.

Regular meetings have occurred with senior officers regarding implementing action plans in accordance with the agreed timeframe.

## 6. Changes to our plan

Since the Internal Audit Plan was approved there have been some changes within the quarter made to the original audit plan agreed in April 2012 in respect of timing and additional audits requested from Directorates.

Type	Audit Title	Reasons
Additional to plan	Waste and Street Scene Business case	Management requested that a review of the business case proposed for Waste and Street Scene was reviewed for compliance with their Project Management Methodology.
Additional to plan	Schools Funding Team	Management requested that internal audit carry out an analysis of the Schools Funding team's process for preparing the Schools Budgets.
Deferred from quarter 3 to 4	Budget Management	Timing change by internal audit for completion in quarter 4.
Deferred from quarter 3 to 4	Foster carer payments	Timing change due by internal audit for completion in quarter 4.

## 7. Reports for management purposes

There are a number of reports issued by internal audit that are not considered assurance reports but none the less aid management in assessing the effectiveness of their control environment. Within these reports if a significant issue has been identified as part of that review it has been included within this progress report:

- Commerciality of contracts** – The most significant point that came out of this review is that commerciality is a developing area for the Council. Whilst there was a clear recognition of the importance of performance management, risk management, contract governance and financial management in the two contracts that we reviewed, the extent to which each of these four elements is effectively managed is variable and is largely dependent upon the skills and experience of the Council officers which manage them.

In one of the contracts in particular, there was a degree of uncertainty as to the scope of the contract and the effect of the provisions within it. Legal advice should be sought to ensure clarity both of contract and of understanding and provide a firm basis for further contracting to prevent value leakage and additional spend.

- **Capital Programme** – a diagnostic report was run on four capital projects within the Council, for one particular project (Arts Depot Lift Replacement) there was very weak arrangements in place for governance and reporting, where mechanisms were not defined.

## **8. Risk Management**

Risk Management continues to embed across the Council. An Assistant Director Challenge Group discusses risks contained within Directorate and the Corporate Risk Register on a quarterly basis. The corporate risk register is due for reporting to Cabinet Resources Committee on the 17<sup>th</sup> December 2012.

In addition, the overall programme level risk register for One Barnet has been published on the council's website here:

[http://www.barnet.gov.uk/info/930372/one\\_barnet\\_programme\\_level\\_risk\\_register/1023/one\\_barnet\\_programme\\_level\\_risk\\_register](http://www.barnet.gov.uk/info/930372/one_barnet_programme_level_risk_register/1023/one_barnet_programme_level_risk_register)

## Appendix B: 2012-13 work completed during quarter 3 including assurance levels as at November 2012

### Audit Opinions on Completed Audits during the period

<b>Systems Audits</b>		<b>Assurance</b>
1	Housing Needs and Resources*	Limited
2	Highways	Satisfactory
3	SAP Access	Diagnostic report**
4	Localism Act	Satisfactory
5	Commerciality of contracts	N/A**
6	Housing Benefits	Limited
7	NNDR	Satisfactory
8	Council Tax	Satisfactory
9	IM Strategy – data transfers	Satisfactory
10	Regeneration	No
11	Treasury Management	Satisfactory
12	Pensions	Satisfactory
13	One Barnet – working with suppliers	Satisfactory
14	Capital Programme	Diagnostic report**
15	One Barnet – Stakeholders	Satisfactory
16	One Barnet – Waste and Street Scene	N/A**
17	Schools Funding Team	N/A**
18	Procurement Controls and Monitoring Action Plan	Satisfactory

<b>School Audits</b>		<b>Assurance</b>
1	St Mary's	Satisfactory
2	Underhill Junior	Limited
3	Colindale	Satisfactory
4	Church Hill	Satisfactory
5	Garden Suburb Junior	Satisfactory
6	Queenswell Infant	Satisfactory
7	Edgware Junior	Limited

\* Audit undertaken on Barnet Homes/Group post transfer from LBB

\*\* These reports do not have assurances, any significant issues are included within the body of this report at section 7

## Appendix C: Work in progress

The following work is in progress at the time of writing this report (November 2012):

### Work in progress

<b>Systems Audits</b>	<b>Status</b>
1 Records and case management	Review stage
2 Income and Debt management	Draft report
3 Payroll	Testing
4 Customer Financial Affairs	Draft report
5 Public Health Integration	Planning
6 CPR compliance under £25k – Environment, Planning and Regeneration	Draft report
7 Equalities	Terms of Reference
8 Risk Management	Terms of Reference
9 Information Governance	Terms of Reference
10 Skills Agenda	Draft report

## Appendix D: Internal Audit Effectiveness Indicators – quarters 1 & 2

Performance Indicator	Annual Target	End of Quarter 1	End of quarter 2
% of recommendations accepted	98%	100% (Met)	100 (Met)
% of recommendations implemented	90%	54% (Not Met)	44% (Not Met)
External Audit evaluation of Internal Audit	Reliance On IA	Quarter 4 assessment	Quarter 4 assessment
Average client satisfaction score (above 3)	90%	100% (Met)	100% (Met)
% of Plan delivered	16%*	17% (Met)	44% (Met)
% of draft reports completed within 10 days of finishing fieldwork	90%	100% (Met)	90% (Met)
Periodic reports on progress	Each Audit Committee	Achieved (Met)	Achieved (Met)
Preparation of Annual Plan	By April	Quarter 4 assessment	Quarter 4 assessment
Preparation of Annual Report (previous year)	Prior to A.G.S.	Complete (Met)	Complete (Met)
Staff with professional qualifications	70%	75% (Met)	75% (Met)
Staff development days	5 days	Quarter 4 assessment	Quarter 4 assessment

\* Quarter 1 target equated as 95% of quarter 1 activity